

FIP Investment Plan for Nepal 'Investing in Forests for Prosperity at a Time of Transformation'



**Government of Nepal
Ministry of Forests and Soil Conservation,**

December 13, 2017

Presentation Outline

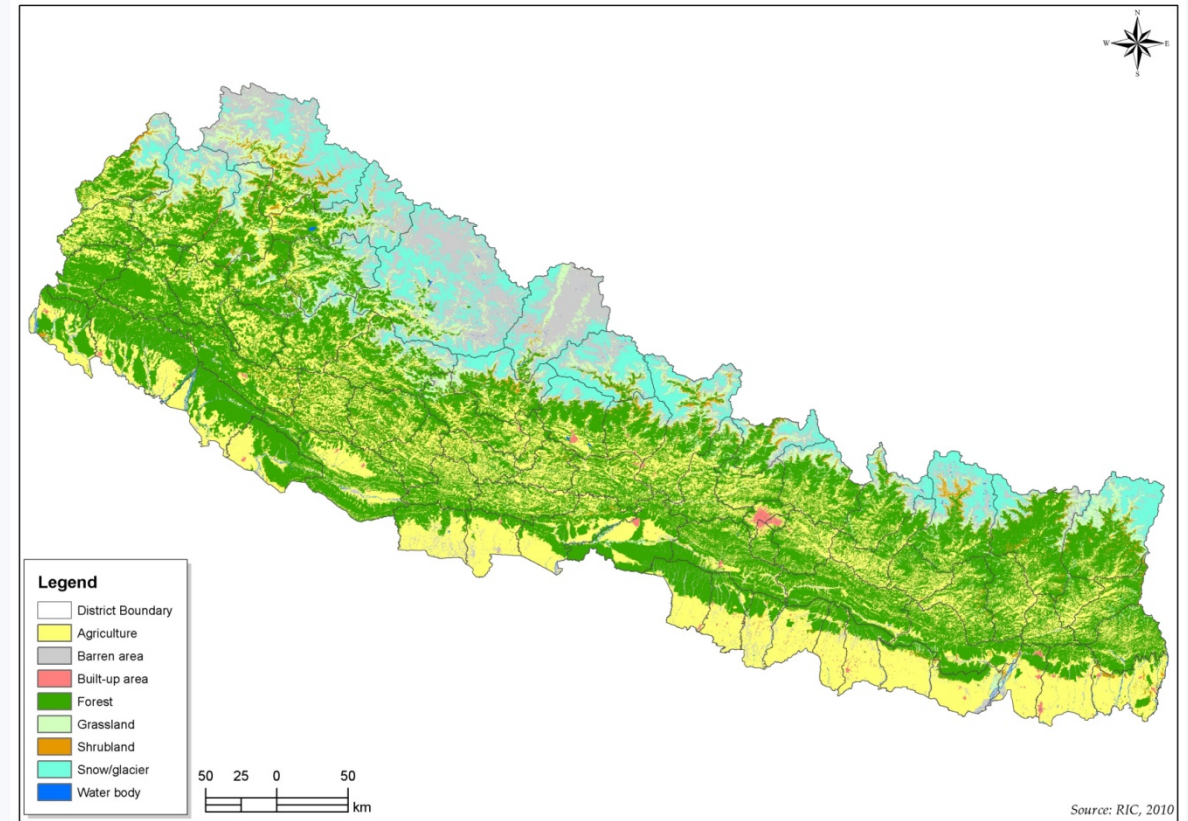
- Nepal's Forest Sector Context
- New Constitution
- Nepal's REDD+ status
- How Nepal's Investment Plan was Prepared
- Summary of the Investment Plan
- Financing Plan



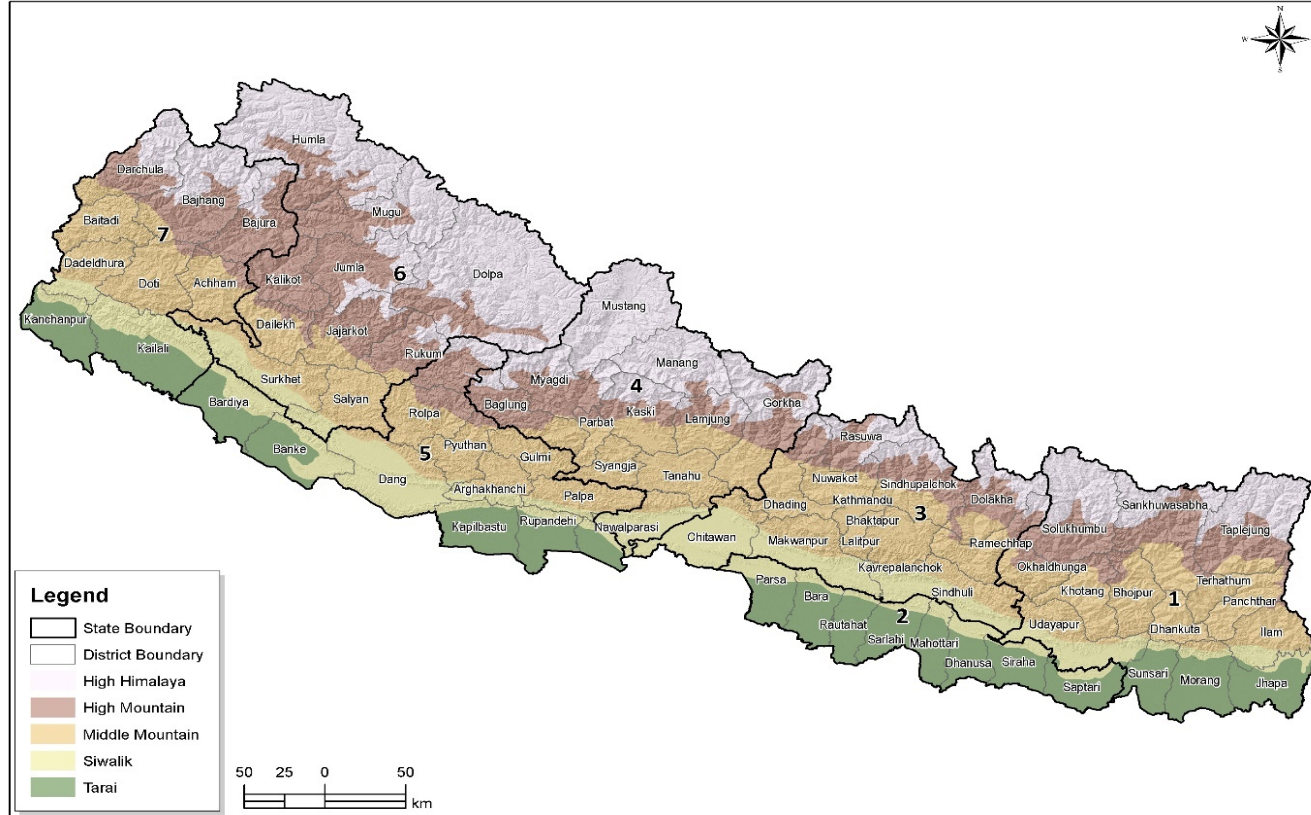
Country Context in Forest Resources

Some Statistics

- 6.4 m ha (44.7% forest cover)
 - Mean growing stock 164.8 m³/ha
 - Change in forest cover:
 - 1990-00 annual loss of 0.53%
 - 2000-2010 annual increase of 0.8%
 - 20,000 CBFM groups manage 2 m ha (34% of total) – 40% of households
 - Sub-national variations e.g. between hills and Terai
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- GHG emissions 0.2t CO₂e per capita. Forest loss and degradation single largest contributor
 - Forest sector contributes 9.4% of GDP
 - 80% of softwood requirements imported (worth about USD 800 m annually)



The new Constitution (2015) – a major transformation for Nepal

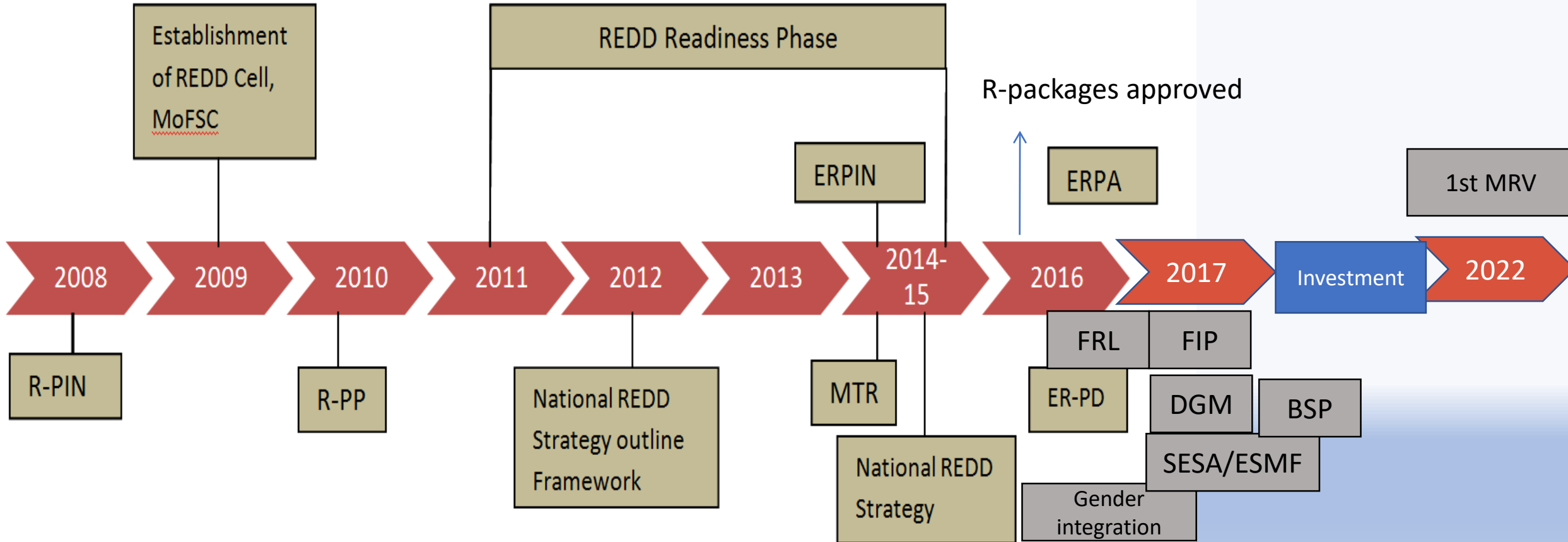


Federal Democratic Republic

- 753 Local Governments
- 7 States (Provincial Governments)
- 1 Federal Government
- Elected governments at all 3 levels

- Forest is concurrent across 3 levels. Forest management responsibility at local level
- States and local governments can develop their own policies, laws and regulations and raise taxes
- Forest sector institutions and processes will go through a major transformation

Progress in REDD+



Underlying causes of deforestation and forest degradation



Policy gaps, sectoral contradictions, weak implementation

Rural poverty especially in rural areas

High dependency on forest in rural areas

Gaps between demand-supply of forest products

Inadequate land-use policy

Poor governance and weak political support

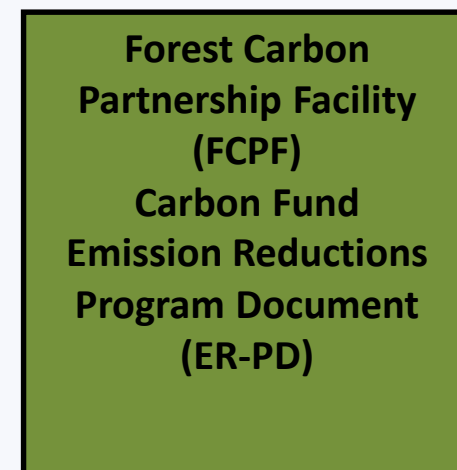
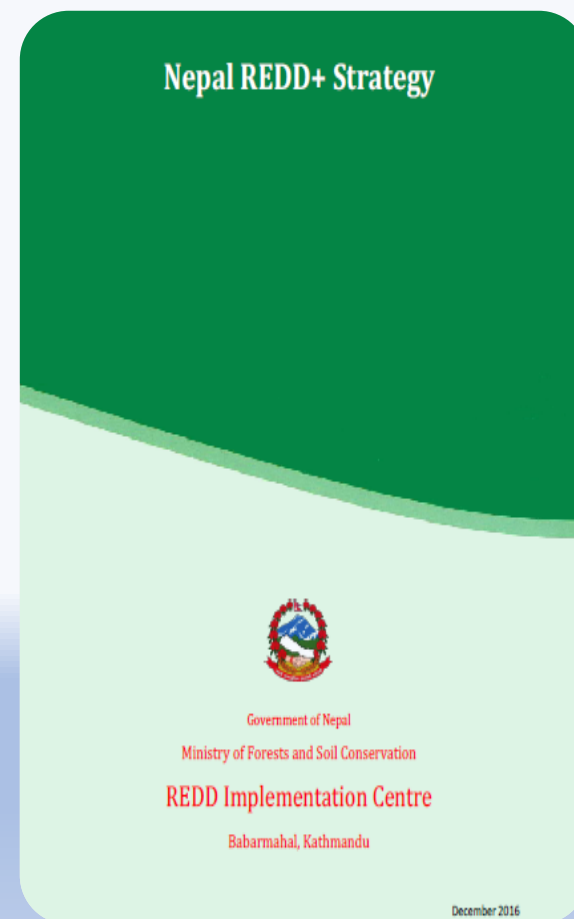
Weak coordination and cooperation between stakeholders

Inadequate human resource development

Poor coping strategy for natural disaster and climate change

FIP's niche role in Nepal's REDD+

- Implement REDD+ Strategy
- Invest in ERPD (**Cost USD 176 m**)
- Invest in transformational changes
 - Link readiness with RBP
 - Catalyse private investment
 - Support regulatory reforms
- Support new governance structure
- Stimulate co-finance from other development partners



Nepal's FIP Investment Plan is consistent with Nepal's Policies and Plans

National

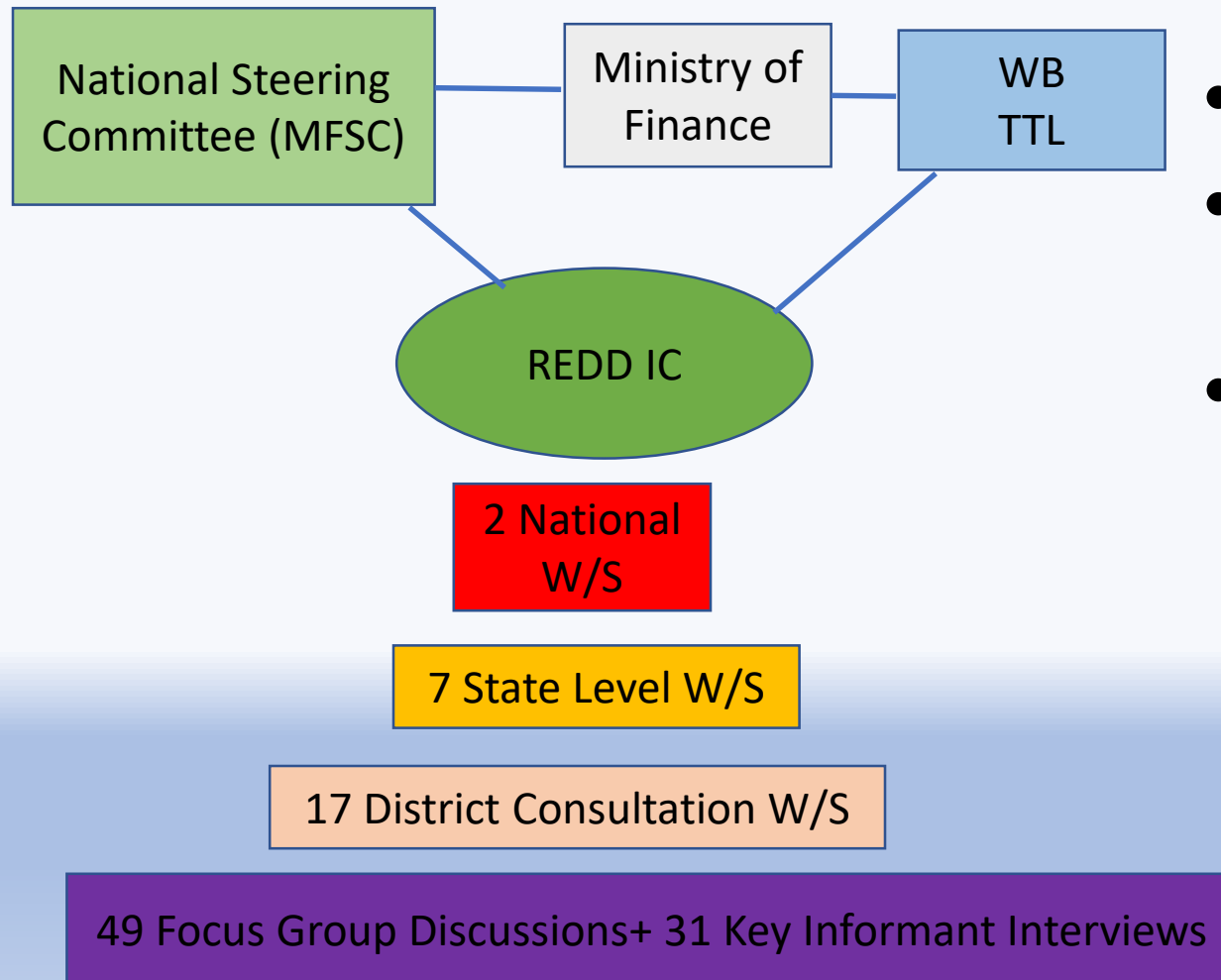
- Forest policy (2015)
- Forest Sector Strategy (2016)
- REDD+ Strategy and SESA
- Constitution (2015); Local Government Operation Act (2017); Intergovernmental Finance Act (2017)
- Nepal's 14th Periodic Plan (2017-19)
- Gender and Social Inclusion Strategy in forestry (2009)

International Commitments

- Nepal's NDC (Paris agreement)
- Nepal's FIP-IP contributes directly to 9 out of 17 SDGs



Formulation of Plan : Consultative Process



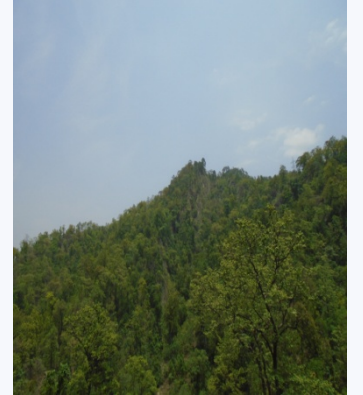
- May-October 2017
- Involving 1,042 people; 25% women; 10% Dalit; 30% IPs
- Participation by government (34%); private sector (9%); civil society (30%); forest dependent community (28%)

Nepal's goal on FIP and DGM

Investment in **F**orests, **C**limate and **P**eople

*Strengthened
resilience of
forest ecosystems
for emissions
reductions*

*Increased
environmental,
social and
economic
benefits*



2017

2018

2019

2020

2021

2022

2023

2024

2025

Key investment projects

Sustainable forest management through CBFM

Forest management for a forest-based economy

Private land forest development

Enhanced environmental services through nature-based tourism

Watershed management through innovative technologies

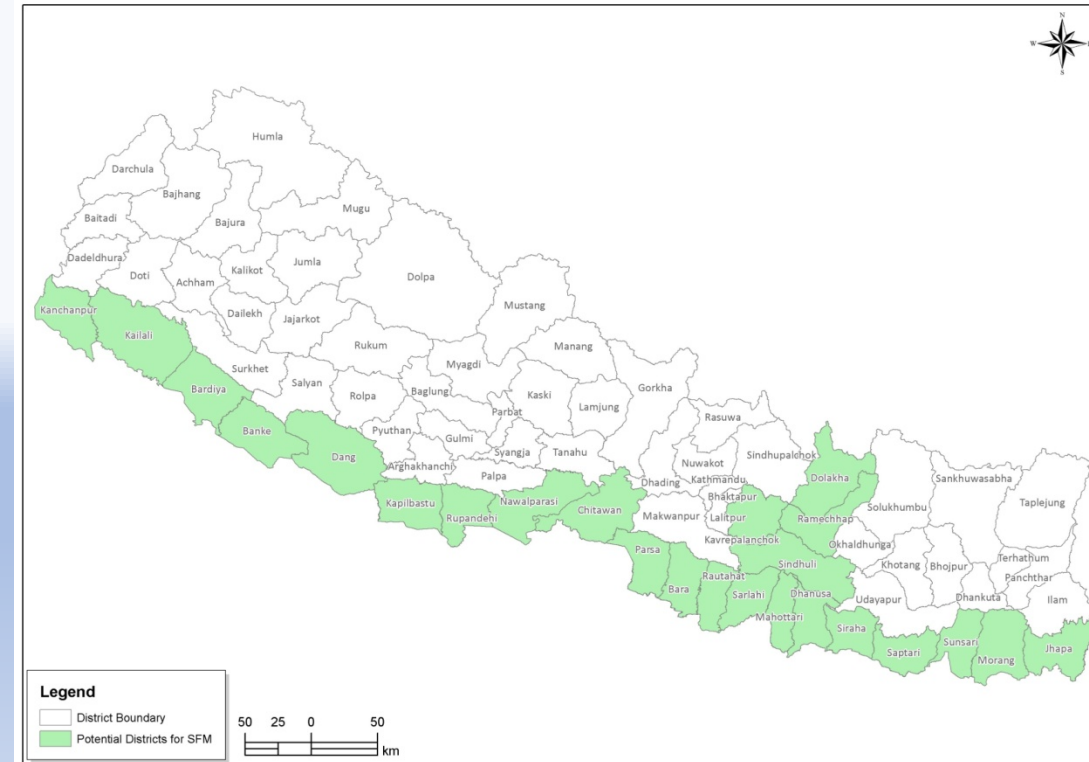


Project 2: Forest management for a forest-based economy



- Prepare and implement timber utilisation plans for CBFM groups
- Harvesting equipment support
- Establish of community-private partnerships for timber purchase and establishment of timber enterprises adjacent to forests

- Reform regulations for timber harvest, sales, utilisation and transport
- Change fiscal policy to make provision for commercial loans for forestry

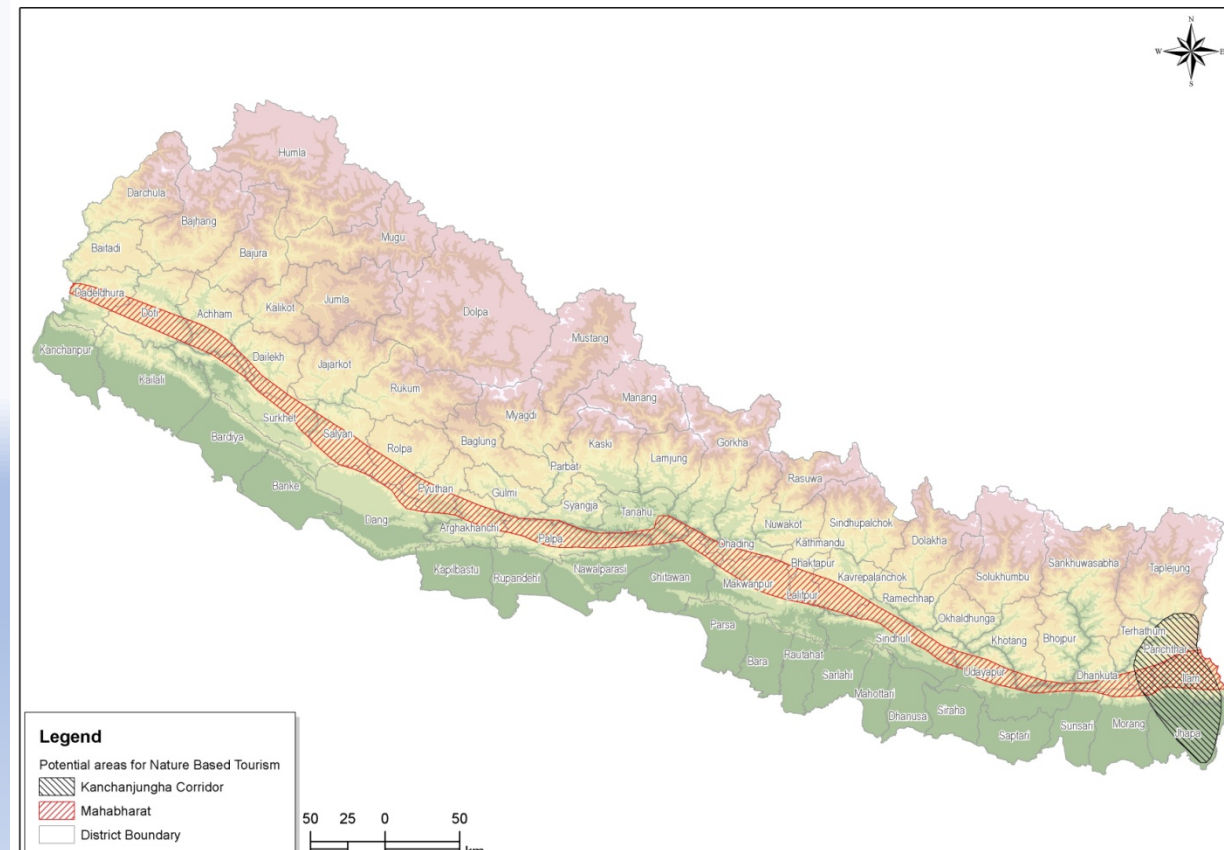


Project 4: Enhanced environmental services through nature-based tourism

- Area-based planning with 10 municipalities for nature-based tourism
- Outside protected areas but accessible locations for domestic/Indian tourists – ‘Hill Stations’



- Homestays and small-scale infrastructure (trails, viewpoints, waste management, energy)
- Capacity development for homestay owners

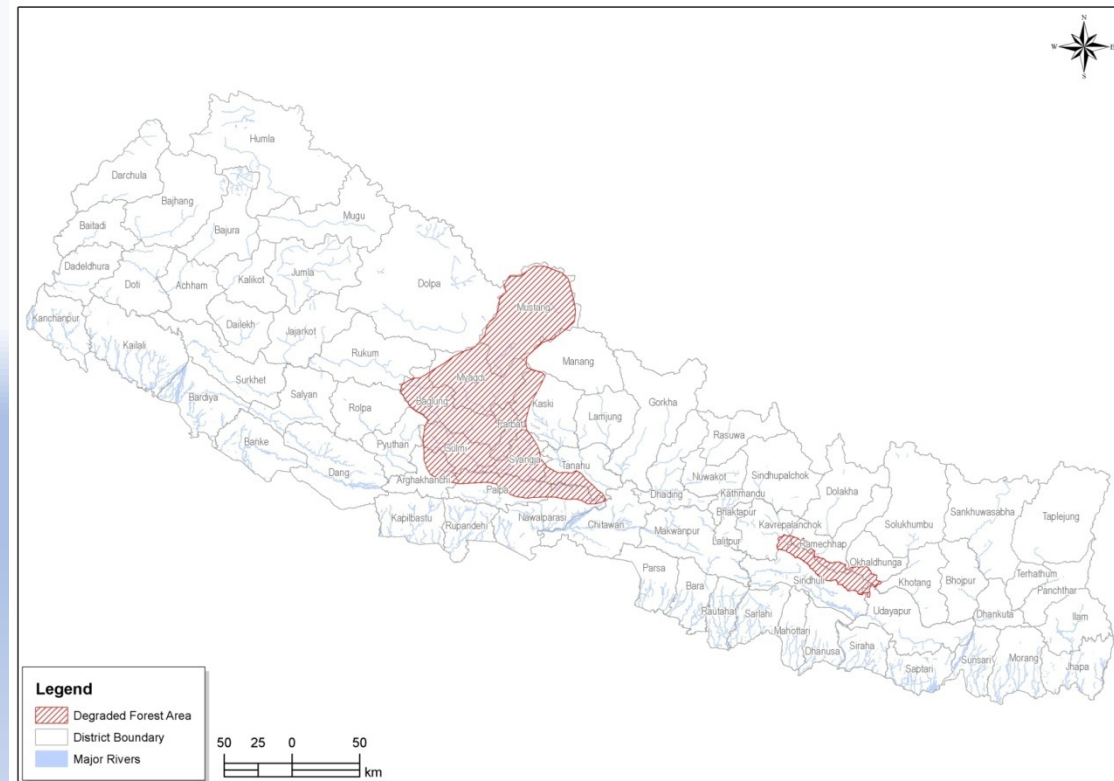


Project 5: Watershed management through innovative technologies

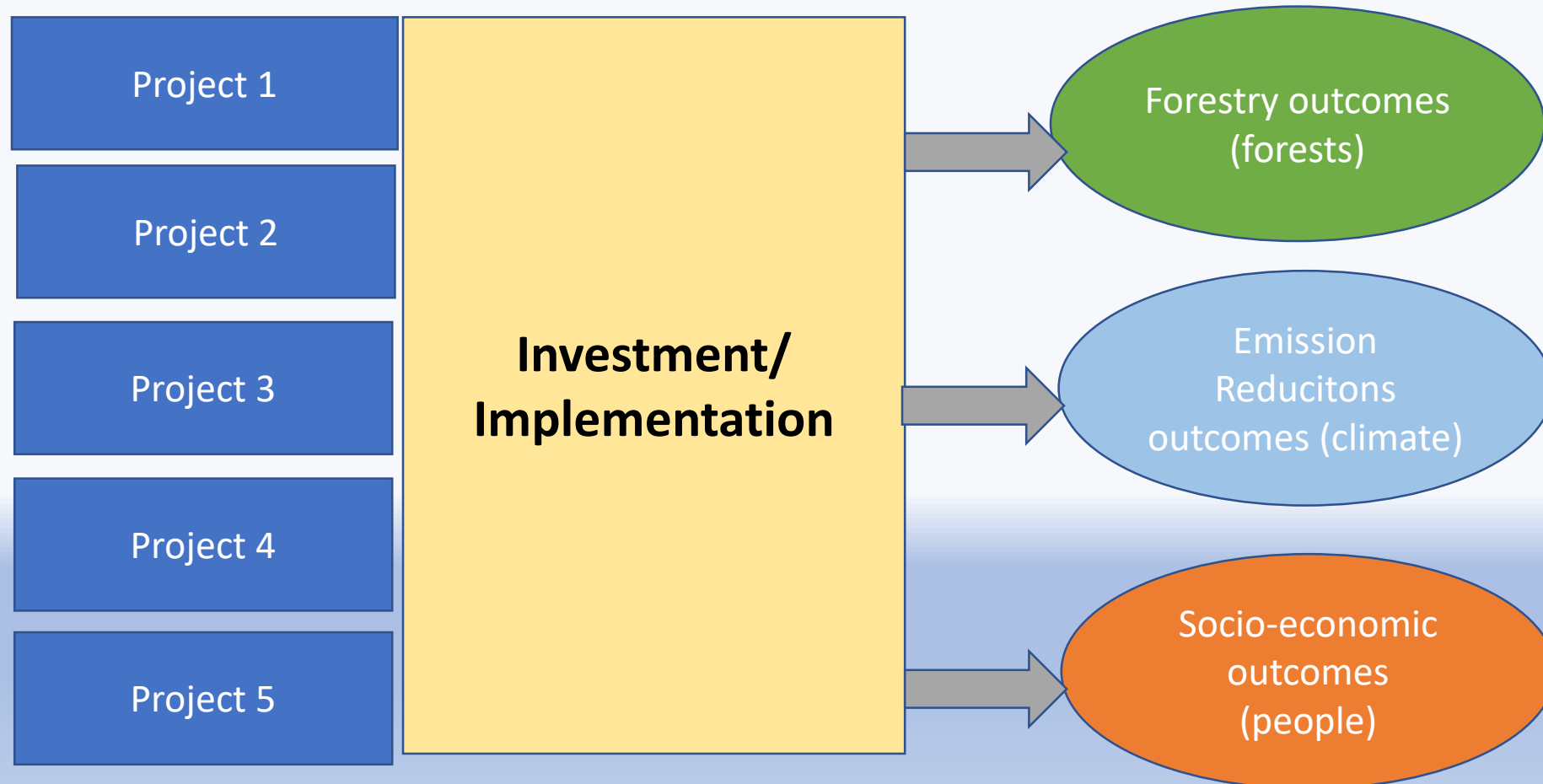


- Lower river valleys (Sun Koshi & Kali Gandaki) with hydropower schemes
- Degraded ‘forest’ under CBFM rehabilitated with intensive soil and water conservation plus tree/grass/bamboo planting

- Livestock/fodder development
- Performance-based payments



Expected tangible outcomes



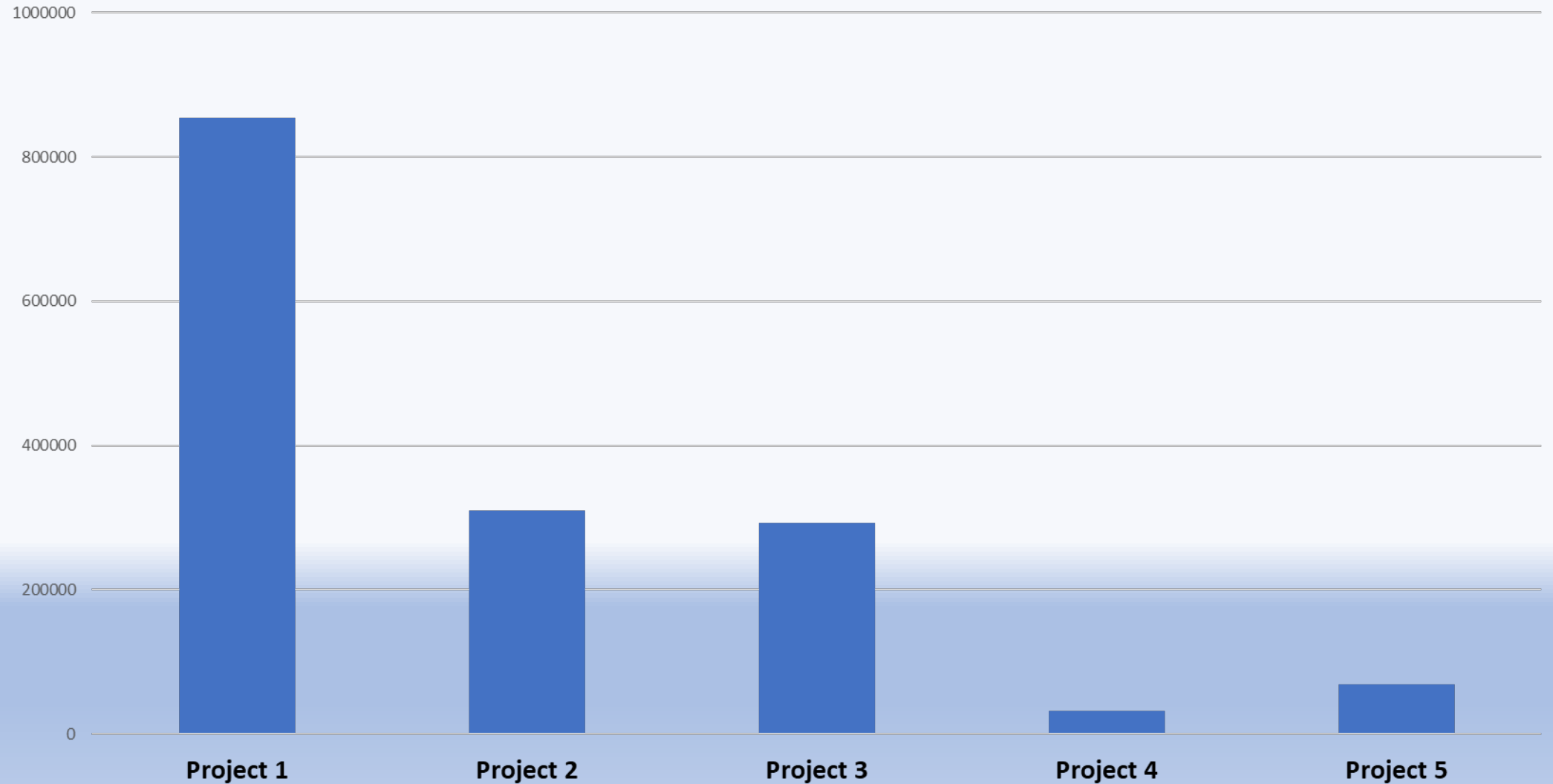
Expected forestry outcomes

- 161,000 ha of forest under CBFM with new/updated/revised operational plans and constitutions favoring poorest households
- 72,000 ha of productive forest under CBFM brought under sustainable harvesting for timber
- 10,000 ha of degraded forest under CBFM rehabilitated with intensive soil & water conservation and bioengineering treatments
- 10,000 ha of plantations of fast-growing timber species established on under-utilised or degraded private land



Expected CO₂ Emission reductions/capture

Total = 1.5 m tonnes CO₂ e over 8 years



Expected socio-economic outcomes

- 150,000 poor, women, IPs, *Dalit* and *Madhesi* h/h benefiting from: land allocation (inside CBFM areas); leasehold forest management; public land management & climate change adaptation
- 20,000 h/h benefiting from enhanced environmental services through rehabilitation of degraded dryland forests/watersheds
- 5,000 smallholder farmers with established and registered plantations on their own land (**about 50% registered under women's names**)



Transformative effects

1. Climate Change Mitigation

- All 9 direct drivers of deforestation and forest degradation being tackled
- 1.5 m tonnes CO₂e reduced over 8 years (about 25% of forest sector emissions)
- Reduced fire and uncontrolled grazing in 250,000 ha of forest
- Builds on REDD+ readiness work and links with Nepal's proposed ERPDP for 12 Terai Districts

2. Demonstration Potential at Scale

- Innovative soil and water conservation techniques - can be applied to other watersheds with hydro-power potential
- Local level planning for nature-based tourism - can be replicated in other municipalities
- 10 timber processing industries linked with community-managed forests - can be replicated in other accessible areas
- Shift from government-financed to privately-financed plantations on private land

Transformative effects (Cont.)

3. Cost effectiveness

- 15% of new private investment (mainly for plantations on private land)
- Reduced reliance on timber imports – currently 80%
- Co-financing potential from other development partners e.g. IDA (watershed development linked with hydro & tourism sectors); DFID (community based climate adaptation) and GCF (Chure forest restoration)

4. Implementation Potential

- Enhanced forest sector governance and capacities under the new Federal Constitution (especially at local level)
- Improved regulatory environment for timber harvesting, sales, transport and utilisation
- National level fiscal policy and regulatory changes that catalyse private investment into forest industry and SFM
- Capacity development for IPs and communities including women, *Dalits*, *Madheshis* and others – linked with DGM

Transformative effects (Cont.)

5. Co-benefits

- 9 million person days of employment (24,000 full time jobs) especially for IPs and communities including women, *Dalits* and *Madheshis*
- Enhanced climate change resilience for about 250,000 households
- Enhanced livelihoods for about 150,000 poor and disadvantaged households especially in the Terai
- 4 m m³ of timber sustainably harvested and substituting for imported timber
- Biodiversity enhanced and conserved in about 250,000 ha of forest under CBFM

6. Safeguards

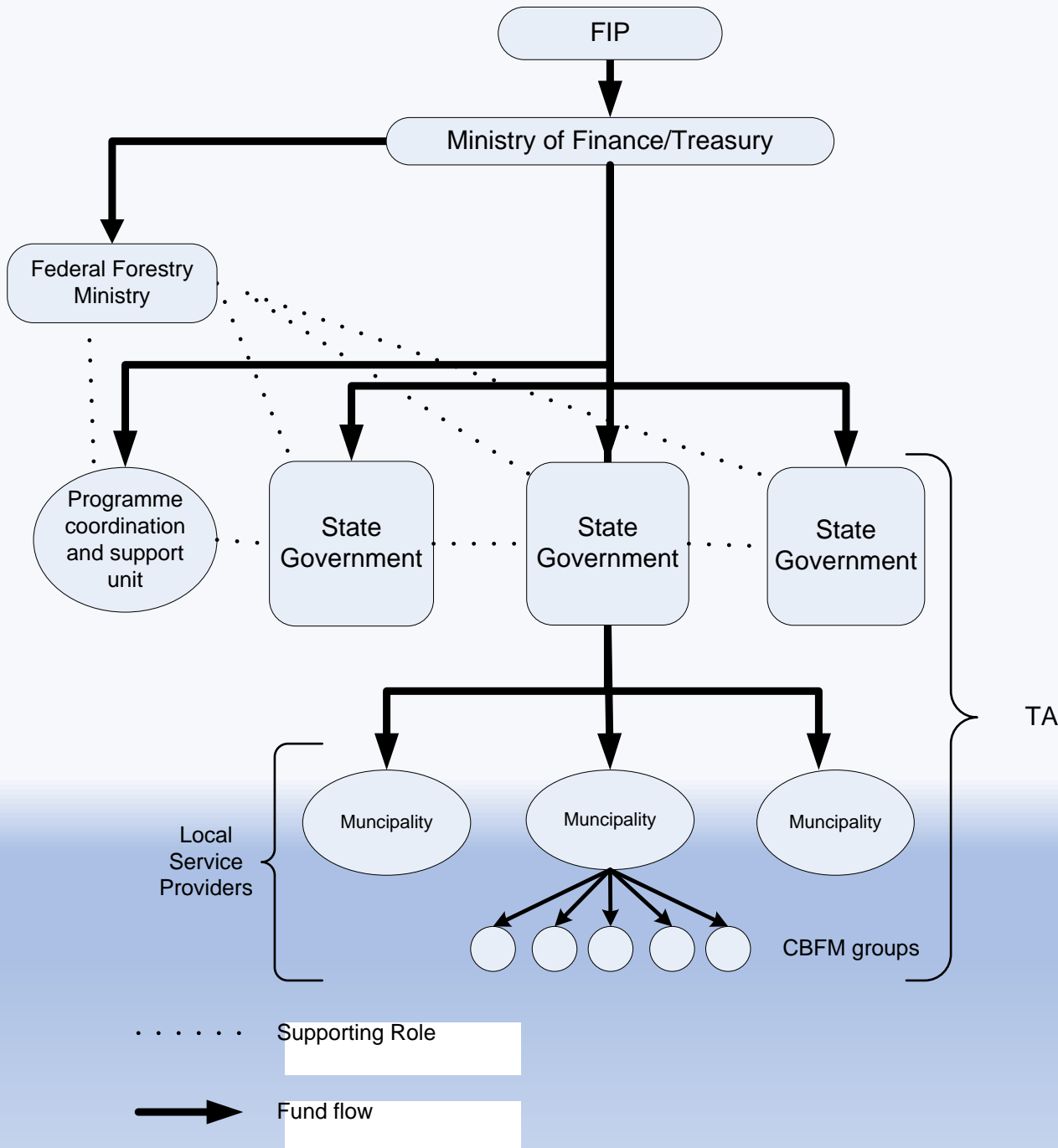
- Consistent with and supportive of Nepal's new Constitution
- Consistent with Nepal's international commitments (including SDGs; UN declaration on the rights of IPs, ILO 169; Paris Agreement and Warsaw Framework for REDD +)
- Consistent with implementation of Nepal's REDD+ Strategy; Forest Policy and NDC and Gender, Equity and Social Inclusion (GESI) strategy
- Environmental safeguards to conserve high conservation value forests and ensure no conversion of natural forest to plantation

Estimated Budget for FIP-IP

	USD	Total cost	GoN	Community	Private	Other	FIP-IP
1	Sustainable forest management through CBFM	20,935,505	4,999,703	126,733	-	8,809,069	6,000,000
2	Forest management for a forest-based economy	26,835,979	6,099,632	10,674,455	1,108,911	4,952,981	6,000,000
3	Private land forest development	31,699,604	6,043,564	792,079	14,178,218	5,685,743	6,000,000
4	Enhanced environmental services through nature-based tourism	1,623,861	145,297	123,762	11,881	342,921	1,000,000
5	Watershed management through innovative technologies	21,385,062	3,362,030	1,584,158	-	9,438,873	5,000,000
	Total	102,480,011	20,650,226	13,301,188	15,299,010	29,229,587	24,000,000

Implementation

- Program Coordination and Support Unit linked to Federal Ministry of Forests (coordination, technical, policy analysis, monitoring role)
- Local level implementation through local government (municipalities) and local groups
- State governments supported by PCSU (each state)
- Implementation mechanisms (for each project) to be developed during detailed design



Working with Other Partners

Current Scenario:

Nepal's Development Partners have shifted away from forest (to earthquake relief; climate adaptation; education/health; local governance)

This is a challenge for Nepal's REDD+ work:

Opportunities exist with planned or proposed initiatives for co-financing the Investment Plan:

- FCPF work (ERPD) in 12 Terai Districts
- GEF proposal being developed by WWF (Terai)
- GCF (Churia Project – being developed by FAO; Resilience project being developed by IUCN)
- DFID (ongoing community-based climate adaptation)
- LDCF (proposal being developed by UNDP on watershed management)
- WB country partnership framework (infrastructure, federalism, forestry, disaster)

DGM

DGM Plan preparation process ongoing - led by IPs and Communities:

- USD 4.5 million grant

Objective

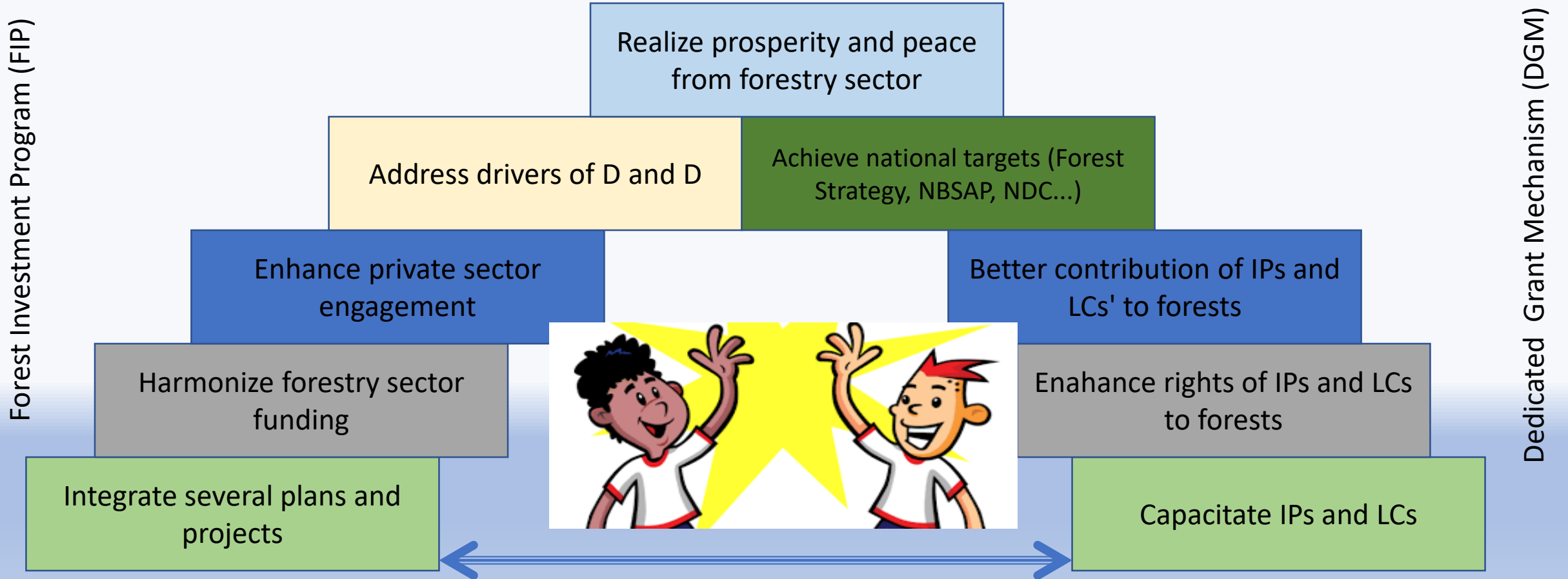
- Build capacities of IPs, and communities including women, *Dalits*, *Madheshis* and forest dependent poor to participate fully in FIP (especially at local level)

Structure

- Will establish National Steering Committee through a consultative process
- Select a national executing agency
- Small grants - Competitive process for selecting proposals
- Indicative activities already being discussed



FIP-DGM Collaboration





Thank you