

FINAL

**Nepal Forest Investment Program
Terms of Reference – Joint Mission
October 17-28, 2016**

Background

1. The Forest Investment Program (FIP) is one of the three programs established under the Strategic Climate Fund which is part of the Climate Investment Funds. The CIF are implemented in partnership with five Multi-lateral Development Banks (MDBs): Asian Development Bank (ADB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB) and the World Bank Group, including IFC).
2. The \$771 million Forest Investment Program provides investment resources to incentivize transformational changes in the forest sector and sectors affecting forests in support of countries' sustainable development goals, including their REDD+ objectives and NDC priorities.
3. FIP grants and low-interest loans, channeled through the MDBs, are empowering countries to address the drivers of deforestation and forest degradation to achieve a triple win of poverty reduction, climate mitigation, and social and environmental resilience.
4. FIP promotes a programmatic approach that encourages country governments to strategically address the forest challenge at national or jurisdictional levels. FIP investments are consistent with country-led priorities and strategies for REDD+, while building on existing forestry or related initiatives.
5. FIP investments contribute to mainstreaming climate resilience considerations as well as enhancing multiple co-benefits such as protecting biodiversity and other ecosystem services; strengthening the capacity of Indigenous Peoples groups and local communities to engage in national and local decision-making processes; and reduce poverty by providing enhanced livelihood options.
6. In May 2015, Nepal was selected as one of the new six FIP pilot countries. The national resource envelope for planning FIP investments in Nepal is \$24 million, of which \$6.1 million are grants and \$ 17.9 million are concessional loans. An additional grant amount of up to \$4.5

million could potentially be made available to develop the FIP Dedicated Grant Mechanism (DGM) for Indigenous Peoples and Local Communities in Nepal.¹

7. Like the other new FIP countries, the Government of Nepal is eligible to receive \$ 250,000 as a preparation grant to develop, supported by the MDBs, its full investment plan.

8. The relevant MDBs working in Nepal are the Asian Development Bank and the World Bank Group, including IFC. The MDBs agreed that the World Bank would be the lead MDB for FIP Nepal while ADB and IFC would be involved in an observer role.

9. The Ministry of Forests and Soil Conservation has established a three-tiered institutional mechanism for implementing REDD+, consisting of the REDD plus multi-sectoral, multi-stakeholder coordinating and monitoring committee as the apex body; the REDD Working Group at the operational level and the REDD Implementation Center as the coordinating entity. The REDD Implementation Center (RIC) is the lead institution to undertake REDD readiness activities in Nepal. RIC is the focal point for the FCPF and has also been named as the focal point for FIP.

10. Nepal's Forest Investment Program will seek to build on Nepal's Forest Sector Strategy (2012-2022), the 2015 Forest Policy, draft REDD+ strategy and the REDD+ readiness preparation proposal (R-PP) supported by the FCPF and respond to identified forest-related development and REDD+ priorities. FIP will also be consistent with the ER Program supported under the FCPF Carbon Fund which is currently being developed for the Terai region.

June 2016 Mission

11. In June 2016, a World Bank mission took place to discuss with the Government of Nepal the possibility for a more strategic engagement of the World Bank in support of Nepal's Forestry Sector Strategy, including REDD+ and other forest-relevant sector strategies (i.e. nature-based tourism and hydropower). The discussion included updates on the REDD+ readiness process (including the FCPF additional finance); progress with the development of the ER Program as well as defining the necessary steps to advance the development of the FIP investment plan. Discussions on how to integrate nature-based tourism (e.g. forest protected areas), hydropower (i.e. catchment area management) and private sector involvement in that strategic forest engagement were welcomed and positively considered.

12. In Nepal, the REDD+ processes supported by the FCPF and FIP are well aligned and there is good convergence in terms of content and sequence. The Government of Nepal indicated that it wishes to consider the use of FIP investments in areas identified in the FCPF ER Program

¹ https://www-cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/fip_new_pilot_countries_allocations_17_august-final.pdf

as well as for national activities, including building the capacity of the private sector to invest in Nepal's forests.

13. The FIP preparation grant submitted by the World Bank on behalf of the Government of Nepal was approved by the MDB Committee in May 2016. The resources will be used to carry out analytical and technical work as well as consultations in preparation of Nepal's FIP Investment Plan. The implementation of the preparation grant will be done in close coordination with the implementation of the additional REDD readiness grant in the amount of \$ 5 million and the development of the ER Program to avoid overlaps and use data and information generated by these programs.

14. The preparatory work which will contribute to the finalization of Nepal's FIP investment plan will include:

- a. Identification of financing gaps and overlaps for the forest-related programs under execution in Nepal;
- b. agreement on priority drivers of deforestation and forest degradation to be addressed through FIP (i.e. value added) and potential project area locations,
- c. identification and rationale for the projects and programs to be co-financed by FIP;
- d. development of a stakeholder engagement plan and proposal to link the Dedicated Grant Mechanism to the Investment Plan;
- e. options for engaging the private sector in the FIP; and
- f. design of the results framework and monitoring and evaluation plan for the Investment Plan.

15. During the mission, the Government of Nepal and the World Bank established the process for the development of Nepal's Investment Plan and agreed on the timeline. Guidance for preparing Nepal's FIP investment plan as well as the summary template are attached in the annex.

Joint Mission objectives

16. The objective of the First Joint Mission, to be held from October 17-28 in Kathmandu, Nepal is to discuss with the Government of Nepal and in-country stakeholders the objective for the FIP in Nepal, main areas of investments to be supported by FIP and expectations from various stakeholder groups. In addition, the mission will introduce in a detailed manner the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities to relevant stakeholders and agree on a process for moving the design of the DGM forward.

17. The Joint Mission will discuss and agree on the hiring process and formalize the work plan for a consultant, who will assist the RIC in collating all relevant information and writing Nepal's FIP Investment Plan.

18. The mission will also organize meetings with the relevant sector ministries, donors, private sector, civil society organizations and Indigenous People's organizations in order to receive input for Nepal's FIP investment plan and to provide updates on the timeline for its preparation and implementation.

19. It is anticipated that Nepal's FIP Investment Plan will be presented to the FIP Sub-Committee for endorsement during its meeting in May 2017.

Deliverables

20. The First Joint Mission is expected to result in four deliverables:

- An Aide Memoire summarizing the outcomes of the joint mission.
- A draft outline of Nepal's FIP Investment Plan.
- A timeline for finalization of FIP Investment Plan by the submission deadline
- A timeline for the development of the Dedicated Grant Mechanism

Team Composition

Institution	Name	Expertise
Government		
Ministry of Forestry and Soil Conservation		
Ministry of Finance		
National Planning Commission		
Ministry of Agriculture Development		
Ministry of Livestock Development		
Ministry of Population and Environment		
Multilateral Development Banks		
World Bank	Abdelaziz Lagnaoui	Task Team Leader, Lead Environmental Specialist
	Drona Raj Ghimire	Sr. Environmental Specialist, Country-Office
	Andrea Kutter	Sr. Operations Officer, Co-TTL, FIP Specialist
	Rajesh Koirala	Carbon Finance Specialist, FCPF

	Haddy Jetou Sey & Bandita Sijapati	Social Development Specialists (including IP issues and Gender)
	tbd	M&E Specialist
	Annu Rajbhandari	Safeguards Specialist
IFC	tbd	
ADB	tbd	

Contacts

Government of Nepal

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Ministry of Forestry and Soil Conservation

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Joint Mission Agenda

Day 1: Forests in Nepal and Introduction to the FIP

Time	Session
MORNING	Opening
	Objectives for the JM
	Forests in Nepal
AFTERNOON	Presentation of the FIP
	Breakout Groups: Expectations for FIP in Nepal

Day 2: Deep-Dives

Time	Session
MORNING	Summary from Day 1, including presentation of expectations
	Presentation of drivers of deforestation and forest degradation
	First Prioritization on Drivers
AFTERNOON	Social Aspects of Forests
	Private Sector in Nepal

Day 3: Opportunities

Time	Session
MORNING	Summary from Discussions from days 2 and 3
	Nature-based Tourism and Forests
	The Economics of Forests: Forest Accounts
AFTERNOON	

Day 4: DGM Nepal

Time	Session
MORNING	Opening
	Introduction to the DGM

	LCs and IPs in Nepal
	Discussion on Expectations
AFTERNOON	Learning from others - DGM (other FIP country)
	DGM Nepal Process

Day 5: Bringing it all together

Time	Session
MORNING	Proposal for FIP Nepal <ul style="list-style-type: none"> - Areas for investments (i.e. prioritized drivers and opportunities), including rationale - Location of on-the ground investments - Potential funding sources (beyond FIP resources – e.g. FCPF, GEF, bilateral resources; IDA);
	Discussion
AFTERNOON	Timeline for Delivery of IP and Next Steps
	Closing

Guidance for Preparing the Country-Level Investment Plan

Principles, Objectives and Outcomes

Principles. The Investment Plan should be country-led and country-driven, and should be designed to “support developing countries’ REDD-efforts, by providing up-front bridge financing for readiness reforms and public and private investments identified through national REDD readiness plan building efforts, while taking into account opportunities to help them adapt to the impacts of climate change on forests and to contribute to multiple benefits such as biodiversity conservation, protection of the rights of indigenous peoples and local communities, poverty reduction and rural livelihoods enhancements”².

FIP funding should be additional to current ODA and should allow for blending grant and highly concessional finance with domestic and international public and private financing. This financing will be made available through the MDBs. The processing of FIP financed projects and programs will follow the MDBs’ established policies and procedures and comply with the FIP investment criteria.

The Investment Plan should adopt a programmatic approach, building on and avoiding duplication of existing work and development strategies, including REDD readiness programs and strategies, and should clearly demonstrate the initiation of transformational change in forest-relevant sectors and monitorable contributions to emissions reductions. Specific investment criteria are spelled out in the [FIP Investment Criteria and Financing Modalities](#).

Objectives. Country-level Investment Plans will support the objectives of the FIP³ which are to:

- (a) initiate and facilitate steps towards transformational change in developing countries’ forest-related policies and practices;
- (b) pilot replicable models to generate understanding and learning about the links between forest-related investments, policies and measures and long-term emission reductions and conservation, sustainable management of forests and the enhancement of forest carbon stocks in developing countries;
- (c) facilitate the leveraging of additional financing resources for REDD+, leading to an effective and sustained reduction in deforestation and forest degradation, thereby enhancing the sustainable management of forests; and
- (d) provide valuable experience and feedback in the context of UNFCCC deliberations on REDD+.

² Paragraph 10, *FIP Design Document*

³ Paragraph 11, *FIP Design document*

Immediate Outcomes of the Implementation of an Investment Plan. The immediate outcomes of the implementation of a country-level Investment Plan are:

- (a) strengthened institutional capacity, improved forest governance and availability of information;
- (b) integration of climate mitigation measures and other forest ecosystem service considerations in the forest sector; and
- (c) reduction of pressure on forests, including from other land use sectors.

Annotated Outline for Investment Plan

The following general structure for the Investment Plan is suggested, recognizing that country or regional circumstances may differ. The Investment Plan would likely cover the information requested under the consolidated investment criteria for programming priorities in a FIP pilot (see *Investment Criteria and Financing Modalities*). More detailed suggestions for structuring the document are provided below.

Section 1 Description of the country and sector context (3 pages)

The Investment Plan will be developed through a transparent participatory stakeholder process on a country-specific basis to achieve nationally-defined REDD+ objectives. Therefore, a brief summary of the government's existing forest-relevant development plans or programs that include low carbon objectives related to forests should be prepared, including specific forest or other relevant sectors and climate change strategies. The following sector-specific background information should be provided:

- (a) description of the major national forest- or forest landscape-based sources of GHG emissions and projected trends
- (b) status and trends concerning forest and woodland resources
- (c) economic importance of forestry sector and those sectors affecting forests (local livelihoods, contribution to GDP, poverty linkages)
- (d) explanation of the key drivers of deforestation and degradation
- (e) summary of national REDD+ program/plan or equivalent
- (f) summary of other ongoing REDD+ programs (e.g. FCPF or UN-REDD) for forest, woodland and wider forest landscape management, including funding sources
- (g) description of forest governance arrangements (legislation, regulations, land rights and tenure systems, institutions and their capacities, participation of key stakeholders including indigenous and other forest communities, and accountability arrangements)

Section 2 Identification of opportunities for Greenhouse gas abatement (2 pages)

The Investment Plan will identify key opportunities for reducing emissions from deforestation and forest degradation as well as the conservation and enhancement of forest carbon stocks. The interventions should be sufficiently flexible to include a wide range of possible public and private sector activities. The investment opportunities should meet the FIP investment criteria as outlined in the *FIP Investment Criteria and Financing Modalities*.

Section 3 Enabling policy and regulatory environment (1-2 pages)

The Investment Plan should

- (a) describe the fiscal and regulatory framework, land use policies, market structure, other incentives, and medium-term expenditure frameworks in the forestry (including REDD+ readiness) and related sectors to support the operations envisaged in the plan;
- (b) describe the extent to which the existing regulatory and policy framework supports, or conflicts with, REDD+ objectives; and
- (c) further identify existing regulatory gaps and governance challenges and describe the barriers that exist and what the potential impacts of public and private sector interventions could be if these barriers are addressed.

Section 4 Expected Co-Benefits from FIP Investment (1 page)

The Investment Plan should identify expected co-benefits from FIP investments, including the contribution to the improvement of local livelihoods, poverty alleviation, and human development of forest dependent communities, including indigenous peoples, as well as, the protection of biodiversity and other ecosystem services; enhance climate resilience, and the promotion of gender equality and social sustainability. A key element will be the description of environmental and social outcomes and benefits of the FIP investments.

Section 5 Collaboration among MDBs and with other Partners

The Investment Plan should discuss the collaboration potential among MDBs and with other development partners (e.g. FCPF, UN-REDD, GEF) in preparing the Investment Plan as well as potential collaboration during implementation of the Investment Plan. This should include a brief description of relevant ongoing or planned activities of potential partners, the status of interaction and the potential to leverage financial and technical resources with the view to enhancing the implementation of the Investment Plan and making it more comprehensive.

Section 6 Identification and rationale for projects and programs to be co-financed by FIP (4 pages)

A sub-set of interventions for FIP co-financing should be selected from the wide range of opportunities identified in Section 2. For each project or program, the Investment Plan should:

- (a) Prioritize activities that

- i. would enable the scaling-up of approaches, forest management models, technologies, and solutions that are successfully piloted but not in routine use, and/or
 - ii. would help generate working examples of low carbon forest development that might be applied at scale to the country, geographic sub-region or sub-sector. An appropriate justifications needs to be presented for why these activities are prioritized.
- (b) Assess the cumulative emissions savings, explaining how investments
 - i. would explore new opportunities previously unrealized at scale, and/or
 - ii. are linked to policy and regulatory change t that will stimulate much wider action by creating new opportunities and removing barriers.
- (c) Estimate the replication and scalability potential of the project or program, e.g. its potential impact on the deforestation rate, pace of rehabilitation of degraded areas, conservation of existing forest carbon stocks, REDD activities and payments, and/or forest carbon emissions.
- (d) Provide evidence of poverty reduction, environmental and social co-benefits by prioritizing activities that
 - i. help reduce poverty by enhancing economic growth or by improving services to the poor, taking into account the gender dimension of poverty and/or
 - ii. provide local or regional environmental benefits such as greater biodiversity, improved watershed management or better soil quality.
- (e) Take into account the framework of the MDBs' Country Assistance/Partnership Strategies, other relevant national planning exercises and activities of other development programs, including the FCPF, UN-REDD, bilateral development agencies, UN and GEF.
- (f) Establish 2-3 results indicators consistent with the FIP Results Framework and identify methodology to measure those along with a timeline for achieving results.

Section 7 Implementation potential with risk assessment (1-2 pages)

An assessment of the implementation potential of the alternative GHG emission reduction options in the Investment Plan should be considered. This would include an analysis of the technical and management capacities of the executing agencies or project sponsors/entities as well as their financial health. If there are bottlenecks in related infrastructure or land use, the ability of executing agencies or project entities to resolve these problems should also be addressed. The Investment Plan should include an initial description of potential risks that might affect the implementation of proposed investments including: country and sub-national level risks; sector policies and institutions; technology, governance, environmental, and social risks.

Section 8 Financing plan and instruments (half-page)

The Investment Plan should provide a projected amount of FIP co-financing and total financing requirements for each intervention, potential sources of public and private financing (including carbon finance, bilateral development banks and agencies, and non-traditional financiers). The Investment Plan should also identify FIP leverage ratios and types of financial instruments e.g., commercial loans, concessional financing, grants).

Section 9 Results Framework for Investment Plan (1-2 pages, table format)

Consistent with the FIP Results Framework⁴, each FIP pilot country Investment Plan should provide a higher level results framework presenting expected results from FIP investments, success indicators and means of verification (e.g. information on methodology how indicators will be measured or relevant data gathered). Projects and Programs supported under the Investment Plan will have to present their own respective results frameworks but have also to report against relevant key indicators in the results framework for the investment plan (aggregation). This section should also provide information on baseline information against which progress will be monitored.

Annexes

The Investment Plan should include five annexes that summarize:

Annex 1: the proposed project and program pipeline, including the notional FIP resource allocation, an estimate of resources that would be leveraged, projections of potential carbon emissions reductions from both, the co-financed portfolio as well as the larger transformational impact and other results indicators.

For each project concept, a project outline annex (maximum two pages) should be provided that includes:

- (a) MDB and lead Government Agency(-ies)
- (b) Problem statement (1-2 paragraphs)
- (c) Proposed transformational impact and co-benefits (1-2 paragraphs)
- (d) Implementation readiness (1-2 paragraphs)
- (e) Potential national and international partners including their REDD+ financial support(1 paragraph and a table)
- (f) Rationale for FIP financing (1-2 paragraphs)
- (g) Safeguards
- (h) Financing plan
- (i) Project preparation timetable
- (j) Request for project preparation grant if required

⁴ To be approved by the FIP Sub-Committee.

Annex 2: A stakeholder involvement plan which presents an assessment of the relevant stakeholder groups in the pilot and how these groups have been involved in the design and will be involved in the implementation of the Investment Plan and related projects and programs.

Annex 3: Information on how funding from the Dedicated Grant Mechanisms for Indigenous Peoples and Local Communities will be part of the Investment Plan.

Annex 4: FCPF/UNREDD Readiness Preparation Proposal (R-PPs), National REDD+ Plan, Action Plan or equivalent (if available)

Annex 5: Technical review of the country Investment Plan by an expert/peer review group (from FCPF roster of experts)

Template for Summary of Investment Plan⁵

FOREST INVESTMENT PROGRAM		
Summary of Country Investment Plan		
1. Country/Region:		
2. FIP Funding Request (in USD million)::	Grant:	Loan:
3. National FIP Focal Point:		
4. National Implementing Agency (Coordination of Investment Plan):		
5. Involved MDB		
6. MDB FIP Focal Point and Project/Program Task Team Leader (TTL):	Headquarters-FIP Focal Point:	TTL:
7. Description of Investment Plan: (a) Key challenges related to REDD+ implementation (b) Areas of Intervention – sectors and themes (c) Expected Outcomes from the Implementation of the Investment Plan (d) Link to activities supported by FCPF and UN-REDD Programme		
8. Expected Key Results from the Implementation of the Investment Plan (consistent with FIP Results Framework and FIP Core Indicators⁶):		
Result	Success Indicator	
(a)		
(b)		

⁵ To be submitted together with the full plan document for endorsement by the FIP Sub-Committee.

⁶ For core indicators, see annex 9.

...							
Expected direct GHG emission reductions from FIP investments (over the lifetime of the project/program):							
Project 1:							
Project 2:							
Project...:							
9. Project and Program Concepts under the Investment Plan:							
Project/Program Concept Title	MDB	Requested FIP Amount (\$)⁷			Public Sector / Private sector	Expected co-financing (\$)	Preparation grant request (\$)
		TOTAL	Grant	Loan			
TOTAL							
10. Timeframe (tentative) – Approval Milestones:							
	FIP Sub-Committee Approval		MDB Board Approval		Expected Date of Effectiveness⁸		
Project 1:							
Project 2:							
Project...:							

⁷ Includes preparation grant and project/program amount.

⁸ Expected date of signature of grant or loan agreement.

11. Link with FCPF and UN-REDD Programme Activities:
12. Other Partners involved in design and implementation of the Investment Plan⁹:
13. Consultations with Indigenous Peoples and Local Communities:
14. Private Sector Involvement:
15. Other relevant information:

⁹ Other local, national and international partners expected to be involved in design and implementation of the plan.