

DRAFT

**Nepal Forest Investment Program
Forest Carbon Partnership Facility**

**Terms of Reference – 2nd Joint Mission
February 13-17, 2017**

Kathmandu, Nepal

Background

1. The World Bank is interested in developing a *multi-sectoral and programmatic approach* to support the Government of Nepal in sustainably managing its forest and natural resources to stimulate economic development, promote social stability and address climate change. The program will be implemented through a set of distinct yet inter-related forest and forest-smart operations that address barriers and explore opportunities to further enhance the role of forest and other natural resources. Resources provided through the Forest Carbon Partnership Facility (FCPF) and the Forest Investment Program (FIP) will be an integral part of such approach and create the enabling conditions to systematically address the drivers of deforestation and forest degradation; promote sustainable forest management and enhance forest carbon stocks.

Forest Carbon Partnership Facility (FCPF)

2. The World Bank through the Forest Carbon Partnership Facility (FCPF) has been supporting the Nepal in its efforts to reduce emissions from deforestation and forest degradation, to promote sustainable management of forests and enhance forest carbon stocks (REDD+). The World Bank has supported REDD+ Readiness Preparation with US\$3.6 million grant, and recently provided an additional US\$5.2 million.

3. The World Bank is also supporting the Government of Nepal to prepare an Emission Reduction Program Document (ERPD) for 12 districts of the Terai Arc Landscape. This is a landscape level carbon finance operation, in which CO₂ emission reductions/avoidance generated by the program would be purchased by the FCPF Carbon Fund upon verification of the results.

Forest Investment Program (FIP)

4. In May 2015, Nepal was selected as one of the six FIP pilot countries. The national resource envelope for planning FIP investments in Nepal is US\$24 million, of which US\$6.1 million are grants and US\$ 17.9 million are concessional loans. An additional grant amount of

up to US\$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

5. In October 2016, the World Bank conducted the first Joint Mission to assist the Government of Nepal (GoN) with the preparation of full Investment Plan (IP) under the Forest Investment Program (FIP). The objectives of the mission were to discuss scope of the forest investment plan in Nepal under FIP, preparation process and time-line, consultations with stakeholders including Non-Governmental Organizations/ Civil Society Organizations and Indigenous People's Organizations. In addition, the mission introduced the FIP Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) to relevant stakeholders and clarified the process for moving the design of the mechanism forward (The mission's Aide Memoire is attached).

6. In December 2016, the World Bank processed a recipient-executed preparation grant in the amount of US\$ 250,000 to develop the full FIP investment plan. The Ministry of Forests and Soil Conservation, Recipient of this grant established a three-tiered institutional mechanism for implementing REDD+ with REDD Implementation Center as the coordinating entity. The REDD Implementation Center (RIC) is the focal point for both FCPF and FIP and is the lead institution undertaking REDD readiness activities in Nepal.

7. 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). FIP will respond to identified forest-related development and REDD+ priorities and will also be consistent with the ER Program, supported under the FCPF Carbon Fund, which is currently being developed for the *Terai* region.

Alignment of FCPF and FIP

8. 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 for activities, such as further support to community-based forest management; investing in re- and afforestation activities to reduce pressure on natural forests; and building the capacity of the private sector to invest in Nepal's forests. These activities could take place in areas identified in the FCPF ER Program and beyond.

9. The implementation of the FIP preparation grant will be done in close coordination with the implementation of the additional REDD readiness grant in the amount of US\$ 5.2 million and the development of the ER Program to avoid overlaps and use data and information generated by these programs.

10. The preparatory work currently undertaken to advance the development of Nepal's FIP investment plan will include:

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

- 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.

11. During the October 2016 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 materials for preparing Nepal's FIP investment plan were shared.

2nd Joint Mission objectives

12. The objective of the Second Joint Mission, to be held from February 13-17, 2017 in Kathmandu, Nepal is fourfold:

- a. to discuss with the Government of Nepal the status of the preparatory activities for the FIP Investment Plan;
- b. to follow up with the Interim Committee for the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities to assess progress with setting up the National Steering Committee;
- c. to review the progress on Emission Reduction Program Document preparation and discuss a work plan for next steps; and
- d. to discuss the work plan for the REDD Additional Funding.

Forest Investment Plan (FIP)

13. The mission will get an update from REDD IC on progress with the development of the FIP Investment Plan and identify the main areas of action that will need to be addressed on a priority basis to meet the deadline for the submission of the Nepal FIP investment plan in time for consideration by the FIP Sub-Committee at its next meeting in June 2017.

14. The Joint Mission will discuss and agree on the hiring process and formalize the work plan for one or several consultants, who will assist the RIC in collating all relevant information and writing Nepal's FIP Investment Plan as well as organize necessary stakeholder consultations once draft versions of the FIP Investment Plan become available. In October 2016, the Swiss Development Cooperation (SDC) generously offered to second the former project team leader of the Multi-Stakeholder Forest Program to REDD IC to support the writing process. The World Bank shared with REDD IC potential TOR for such consultancy.

15. 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 further input for Nepal's FIP investment plan and to provide updates on the timeline for its preparation and implementation.

16. 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.

Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM)

17. The mission will also follow up with the Interim Committee for the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities to assess progress with setting up the National Steering Committee. Once the National Steering Committee has been set up, the committee, supported by the World Bank will develop the TOR for the National Executing Agency which will act as fiduciary agent vis-à-vis the World Bank and as Secretariat for the Nepal DGM National Steering Committee.

Forest Carbon Partnership Facility (FCPF)

18. –The mission will seek updates from REDD IC on various aspects of ERPD preparation including program design, stakeholder consultation, and program entity. The mission/REDD IC will organize meetings with WWF, which is helping the government prepare ERPD, and review the progress made so far. Tasks yet to be done will be identified and a work plan for next steps will be agreed upon. The mission will update on the REDD AF processing and discuss work plans for implementation of this Additional Funding.

Deliverables

19. The Second Joint Mission is expected to result in four deliverables:

- An Aide Memoire summarizing the outcomes of the 2nd joint mission.
- An agreement on additional staff to support REDD IC on technical and fiduciary aspects in developing the FIP Investment Plan and implementing the REDD Additional Funding.
- A timeline for finalization of FIP Investment Plan by the submission deadline.
- A timeline for the development of the Dedicated Grant Mechanism.
- A timeline for finalization of ERPD and its submission to FCPF Carbon Fund.

Team Composition

Abdelaziz Lagnaoui	Task Team Leader, Lead Environmental Specialist
Andrea Kutter	Sr. Operations Officer, Co-TTL, FIP Specialist
Drona Raj Ghimire	Sr. Environmental Specialist, Country-Office
Rajesh Koirala	Carbon Finance Specialist, FCPF

Annu Rajbhandari	Safeguards Specialist
Urvashi Narain	Lead Environmental Economist
Juan Pablo Castaneda	Environmental Economist

Contacts

Government of Nepal

Dr. Sindhu Dhungana
Joint Secretary and Chief
FCPF and FIP Focal Point
REDD Implementation Center
Ministry of Forestry and Soil Conservation

Annex: Aide Memoire – Mission October 17-28, 2016

Forest Investment Program (FIP) Consultative Mission October 17 – 28, 2016 *Aide Memoire*

1. A World Bank team¹ led by Mr. Drona Raj Ghimire (Senior Environmental Specialist) participated in a consultative mission to assist the Government of Nepal (GoN) in the preparation of the Investment Plan (IP) under the Forest Investment Program (FIP). The objectives of the mission were to discuss the scope of the FIP IP and its preparation process by consulting with various stakeholders, including civil society organizations and Indigenous People's organizations. In addition, the mission introduced the FIP Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM) to relevant stakeholders and clarified the process for its design.

2. The mission team extends its appreciation to the GoN, development partners and other key stakeholders for their cooperation and participation in the mission. The team had extensive discussions with government officials from the Ministry of Forest and Soil Conservation (MoFSC), including the REDD Implementation Centre (RIC), the Ministry of Agriculture and Development (MoAD), and the Ministry of Finance (MoF) (see Annex-1 for names of officials met by the mission). The mission also met with key development partners including DFID, SDC, USAID, and GIZ.

3. This Aide Memoire details the mission's main recommendations and outputs that were formally discussed at a wrap-up meeting held on October 28, 2016 chaired by the MoFSC Joint Secretary Dr. Sindhu Dhungana, Chief of REDD IC. As agreed at the wrap up meeting, this Aide Memoire will be classified as a public document as per the World Bank's Access to Information policy.

4. The World Bank team discussed the objectives of the mission with the MoFSC Secretary Dr. Krishna Chandra Paudel and briefed him on (i) background and key features of FIP; (ii) objectives of the joint mission and activities to be undertaken during the mission; and (iii) investment opportunities under the FIP². The Secretary expressed the GoN's interest in further pursuing these funding opportunities and other potential support from the Bank. Specifically, the Secretary pointed out the need for quality timber for earthquake reconstruction efforts, development of timber seasoning and treatment facilities, and balancing both conservation and development objectives. He further identified investment needs to support all four pillars of the 'Forestry for Prosperity' vision of the Ministry³. The mission reiterated earlier requests for reinforcing the human and financial capacity of the REDD IC to facilitate the preparation of the ER-PD and the FIP IP.

5. **Discussions with the Department of National Parks and Wildlife Conservation and National Trust for Nature Conservation:** The officials stressed the immense opportunities for revitalizing the national economy through nature-based tourism. Investments however are needed for the development of essential infrastructure,

The team comprised of: Drona Raj Ghimire (Senior Environment Specialist and Co-Task Leader), Andrea Kutter (Senior Operations Officer and Co-Task Leader), Madhavi Pillai (Senior Natural Resources Specialist), Rajesh Koirala (Carbon Finance Specialist), Annu Rajbhandari (Environmental Specialist), and Sulochana Nepali (Program Assistant).

² a program under the Climate Investment Funds

³ The pillars include sustainable management of forests, protected area and tourism development, forest utilization, and enabling environment.

establishment of information systems, and market promotion. The need to focus on protected areas located in the mountainous region of Nepal, which are lesser known both nationally and internationally, was highlighted.

6. **Discussion with the Ministry of Agriculture and Development (MOAD) :** The Secretary MOAD, Mr. Mr. Udaya Chandra Thakur emphasized the MoAD's priorities on linking farms and forestry, commercialization of high value products, rangeland and pasture management, forest management for timber, forage and fodder production, and promotion of herbs. He also noted that the Agriculture Development Strategy prioritizes a gender-balanced labor force, mechanization of agriculture to increase yields, and bringing degraded lands back into productive use. The need for additional financial resources in these priority sectors was highlighted.

7. **Discussion with the Ministry of Finance (MOF):** The Joint Secretary Dr. Baikuntha Aryal, emphasized the need to look beyond forest conservation and to start linking forests to sustainable livelihoods for forest-dependent communities. He emphasized the need to promote sustainable production of timber products and nature-based tourism as priority areas for development. The Under Secretary Mr. Surya Prasad Pokharel suggested that the REDD IC expedite the preparation of the FIP IP, and closely coordinate the activities financed by FIP and the DGM. He also requested the mission to explore whether the deadline to submit Nepal's FIP Investment Plan could be extended, given the challenging circumstances created due to the earthquake and economic blockade.

8. **Discussion with the National Planning Commission:** The Member of the National Planning Commission Dr. Prabhu Budhathoki stated the need for a multi-sectoral institutional setup and policies would facilitate the collaboration and coordination among multiple sectors such as agriculture, forestry, livestock, environment, and infrastructure. He expressed his commitment to provide any necessary support to make the FIP successful in Nepal. Priorities in the forestry sector include support to the reconstruction efforts, reforming the forestry sector, and optimizing its revenue contribution to the national economy. He advised the mission team and REDD IC to design the program in a way that is feasible, sustainable, beneficial to Nepal's society, and effectively delivers results.

9. **Discussion with Bilateral Donors:** The mission discussed the FIP and Nepal's investment needs with DFID, GIZ, SDC and USAID. Representatives from DFID and SDC shared experiences and lessons learned from the recently closed Multi-Stakeholder Forestry Program (MSFP) and urged the team to consider these for the design of Nepal's IP. The MSFP and the FIP have very similar features such as a programmatic, partnership-based and multi-stakeholder participatory approach. Lessons such as clarifying operational procedures for the program, monitoring the capacity of implementing entities, measurement of progress based on results rather than disbursement amounts; and the regular assessment of the political economy need to be carefully considered in the design of Nepal's FIP IP. DFID informed the mission that it has decided to discontinue its direct support to Nepal's forestry sector and focus attention on climate change adaptation and resilience with Ministry of Population and Environment. On the other hand, the Swiss Embassy is undertaking a scoping exercise to identify areas for engagement in the forestry sector. The scoping study has identified two options: (1) livelihood and poverty reduction focus through public land, agroforestry, and fallow land management; and (2) economic development model through active forest management, commercialization of non-timber forest products and value addition. The Swiss Embassy officials expressed interest in collaborating with the World Bank on the FIP. The

USAID representative suggested that the team focus on upstream and downstream watershed linkages, a binding framework for resource governance in the context of the ongoing federalization process, and involving the private sector in forest-related activities. The GIZ representative provided an update on GIZ supported REDD activities that are embedded in ICIMOD's work plan. GIZ has invested €300,000 in income generating activities related to REDD+.

10. Workshop on the FIP Dedicated Grant Mechanism (DGM) for Indigenous Peoples and Local Communities : The Government of Nepal, represented by REDD IC, and the World Bank organized a full day session to introduce the DGM to wide range of stakeholders. The mission presented the concept and objectives of the DGM, and highlighted the principles, governance mechanism and processes to access the FIP resources made available for the DGM. Indigenous Peoples (IP) and local community (LC) groups highly appreciated the support from the World Bank to strengthen their capacity to engage in REDD+, including on-the ground investment opportunities. IP and LC representatives delivered presentations providing an overview of their social structure, organization and economic activities related to forests and trees. Participants suggested that the term "Local Communities" should be defined in the Nepalese context so that different classes – Dalit, Muslim, Madhesi and women – do not get excluded from potential opportunities supported by the DGM.

11. Participants shared their expectations for the DGM in Nepal, which include the following:

- ensure the rights of religious, gender and geographic minorities and poor over natural resources;
- acknowledge community-based forest management groups, such as community forestry user groups, as the key entry point for securing rights for local communities;
- build capacity to effectively engage in natural resource management;
- implement DGM activities using a rights-based approach;
- ensure that forest users in remote areas also get access to income generation activities and other benefits from forests; and
- design the DGM in a way so that it is highly inclusive, participatory and transparent.

12. They requested that these expectations be carefully monitored and managed by the task team. In addition, the team confirmed that the Government of Nepal would be an observer to the DGM design and implementation process to ensure that DGM activities are complementary to large-scale investments that will be supported under Nepal's FIP IP and consistent with national laws.

13. As a next step, REDD IC will convene a meeting of the interim Steering Committee that was formed in the process of submitting Nepal's Expression of Interest (EOI) for the FIP, and facilitate – in conjunction with IP preparation – the formation of the National Steering Committee (NSC) for DGM Nepal. The NSC would then develop the terms of reference for the National Executing Agency (NEA) which will be the fiduciary agent for the World Bank and act as the Secretariat for the NSC. The World Bank will support the NSC in drafting the TOR and approve the final selection.

14. **Workshop on the Forest Investment Program:** During a three day workshop, the mission discussed with the Government of Nepal and other stakeholder groups the objective for the FIP in Nepal, main areas of investments to be supported by FIP, expectations from various stakeholder groups, and a timeline for finalizing the plan. Secretary MOPE, MOAD, MoFSC, and NPC member highlighted investment needs in the forestry sector and opportunities to further enhance the role of forests in other sectors and for economic growth and prosperity. Speakers considered FIP as a great opportunity to address the challenges and opportunities for forests in Nepal in a strategic and programmatic approach which will crowd-in technical expertise and finance from various sources, including other development partners. The Bank expressed its commitment to the proposed programmatic approach and using FIP in support of forest and forest-smart investments in Nepal consistent with the WBG Forest Action Plan FY 16-20. Annex 3 contains further information regarding the FIP Workshop.

15. The summary of workshop presentations and discussions will be made available through comprehensive workshop proceedings.

16. **Brief Background on the FIP:** The FIP provides investment resources to public and private sector entities 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.

17. Through an IP, FIP promotes a programmatic approach that encourages countries to strategically address their forestry challenges and explore opportunities for forest-smart investments at national or jurisdictional levels (for visualization, see Annex 3). FIP investments contribute to climate change mitigation and mainstreaming climate resilience considerations as well as enhancing multiple 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 exploring enhanced livelihood options.

18. Nepal's Expression of Interest (EOI) to become a pilot country for the FIP was approved by the FIP Sub-Committee in May 2015. Nepal received a FIP funding allocation in the amount of US\$ 24 million (US\$6.1 million in grants and US\$17.9 million in highly concessional loans). In addition, the GoN received a US\$250,000 grant to prepare the Forest Investment Plan. Under the FIP, Nepal will also receive an additional US\$4.5 million grant to develop and implement the DGM. FIP resources are "new and additional" and should be used to leverage additional financing from the public and private sector as well as other development partners.

19. The mission informed the GoN about the procedures for developing the IP. The FIP preparation grant will be used to carry out necessary analytical and technical work as well as consultations with a view to finalize the plan in time for consideration by the FIP Sub-Committee in Spring 2017. The implementation of the preparation grant will be done in close coordination with the implementation of the additional REDD readiness grant and the development of the ER Program to maximize results, avoid overlaps and use data and information generated by these programs.

Key Issues and Agreements on the FIP

20. The MoFSC recognized the challenges associated with the tight time line for preparing the FIP Investment Plan for Nepal. It was agreed that the Semi-Annual Report on FIP Operations to be submitted to the FIP Sub-Committee will provide an update on progress with the development of Nepal's IP and identify the challenges that might jeopardize the finalizing of the plan ahead of the June 2017 meeting of the Sub-Committee.

Agreed Actions

21. Based on the detailed discussion with RIC and MoFSC, the following actions were agreed:

Key Actions	Date	Responsibility
Process FIP preparation grant and sign agreement	November 25, 2016	MoF and WB
Finalize Terms of Reference to hire consultants for preparation of Investment Plan	November 30, 2016	RIC
Finalize timeline for the development of the Investment Plan, including consultations	November 30, 2016	RIC
Finalize FIP DGM National Steering Committee	November 30, 2016	IPs and LCs, RIC
Hire consultant (s) to prepare the Investment Plan	December 20, 2016	RIC
Final draft of Investment Plan	March 15, 2017	RIC
Independent review of FIP Investment Plan for Nepal	December - April 2017	WB, CIF Administrative Unit
Submission of IP to the FIP Sub-Committee	May, 2017	RIC

Next Mission

Next FIP preparation mission is tentatively planned for April 2017.

Annex 1: List of Persons Met

National Planning Commission

Dr. Prabhu Budhathoki, Member, NPC
Mr. Balkrishna Ghimire, Joint Secretary, NPC

Ministry of Forests and Soil Conservation

Dr. Krishna Chandra Paudel, Secretary
Mr. Sagar Rimal, Under Secretary, Foreign Aid Coordination Division
Mr. Rajendra Kafle, Joint Secretary, Forest Enterprises and Management Division

Ministry of Finance

Dr. Baikuntha Aryal, Joint Secretary
Mr. Surya Prasad Pokharel, Under Secretary

Ministry of Agriculture and Development

Mr. Udaya Chandra Thakur, Secretary

Department of National Park and Wildlife Conservation

Mr. Gopal Prakash Bhattarai, Acting Director General
Dr. Maheshwar Dhakal, Deputy Director General

REDD Implementation Centre

Dr. Sindhu Dhungana, Joint Secretary, Chief
Mr Hari Pandey
Ms. Srijana Shrestha
Mr. Hari Laudari
Mr. Chudamani Shrestha, Account Officer

National Trust for Nature Conservation

Mr. Govinda Gajurel, Member Secretary
Dr. Siddhartha B. Bajracharya, Executive Officer

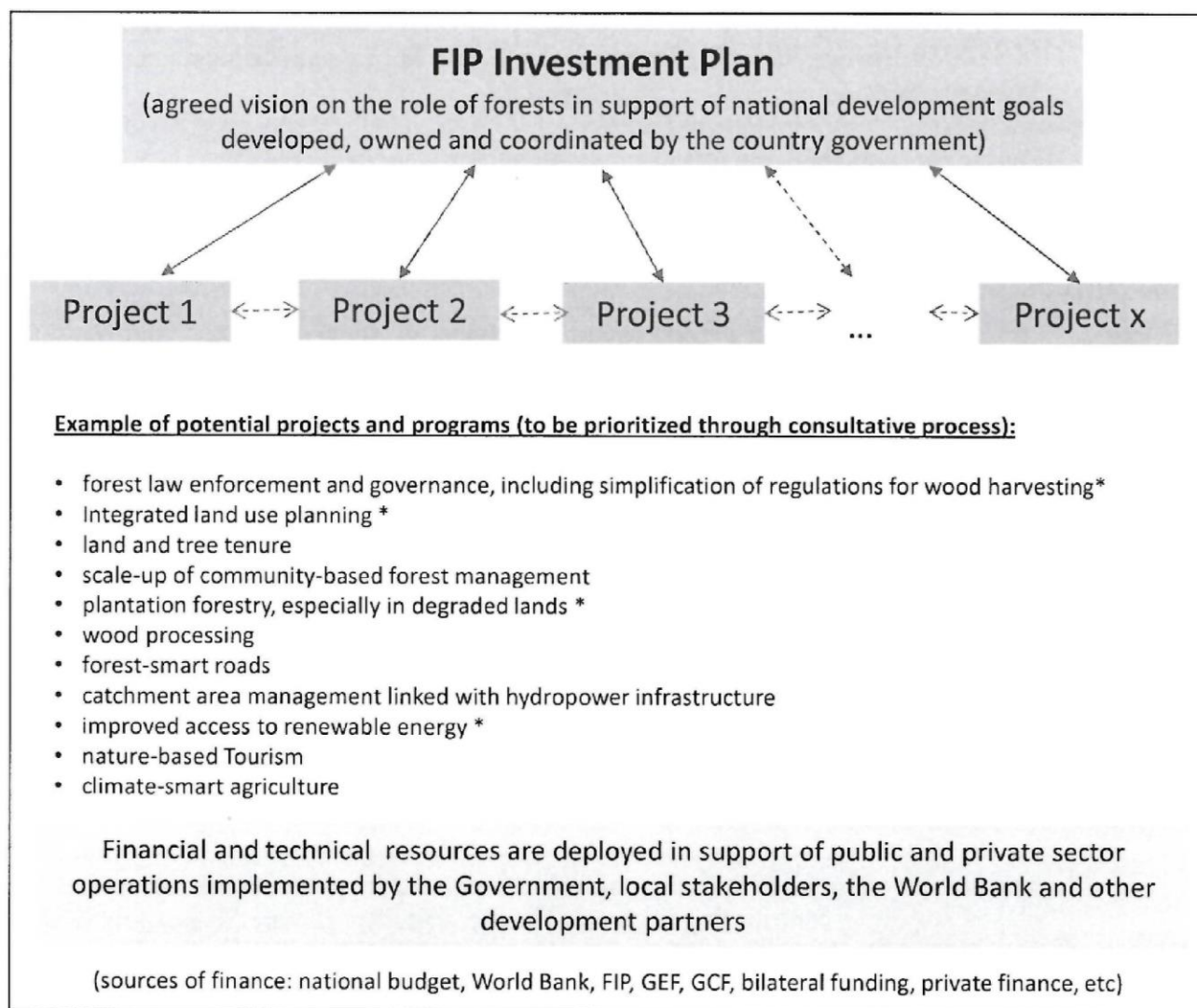
Representatives from Indigenous Peoples and Civil Society Organizations

Ms. Pasang Dolma Sherpa, Center for Indigenous Peoples Research and Development
Ms. Bharati Pathak, General Secretary, FECOFUN
Mr. Ganesh Karki, Chairperson, FECOFUN
Mr. Ghanashyam Pandey, Green Foundation, Nepal

Representatives from bilateral donors

Mr. Diepak Elmer, Chargé d’Affaires a.i., Embassy of Switzerland in Nepal
Dr. Manohara Khadka, Senior Program Officer, Embassy of Switzerland in Nepal
Mr. Netra Narayan Sharma, NRM and GCC Programs specialist, USAID Nepal
Ms. Annika Olsson, Economic Advisor, DFID, Nepal
Mr. Kai Windhorst, Chief Technical Advisor, GIZ, Nepal

Annex 2: Visualization of the Structure of a FIP Investment Plan



*Activities identified in Nepal's ER-PIN under the FCPF Carbon Fund

Annex 3: Opening Session of the FIP Workshop

The opening session of the FIP workshop was chaired by Dr. Krishna Chandra Paudel, Secretary MoFSC and opened by Dr. Prabhu Budhathoki, Hon. Member of NPC. The opening session was addressed by Dr Uday Chandra Thakur, Secretary, MoAD, Dr Bishwa Nath Oli, Secretary MoPE, and Mr Takuya Kamata, Country Manager, WB.

During the workshop, the following presentations were delivered.

- Introduction to Forest Investment Program - Andrea Kutter, World Bank
- Forest Ambitions: Prospects for Prosperity - Sindhu Dhungana, REDD IC, MoFSC
- Opportunities for Private Sector Investment in Nepal's Forestry - Bhisma Subedi, ANSAB
- The Economics of Forests: Forest Accounts - Deepak Kharal, DFRS, Jishnu Bhattarai, CBS
- Social Aspect of Forest: Women Inclusion in the Sector - Madhu Ghimire, MoFSC
- Social Aspects of Forests: Engagement of IPs in the Sector - Dandu Sherpa, NEFIN
- Social Aspects of Forests: Community-based Institutions - Thakur Bhandari, FECOFUN
- Nature-based Tourism and Forests - Govinda Gajurel, NTNC and Ameer Maharjan, DoNPWC, MoFSC
- Opportunities for Forest Investment in Watershed Management - Prem Paudel, DSCWM and Annu Rajbhandari, World Bank

Some civil society organizations strongly urged the government not to accept loans provided by the FIP. In their opinion, Nepal as a least developed country has played no role in contributing to climate change, therefore climate finance provided to Nepal should be in the form of grants only. In addition, grants would also encourage community forest user groups to continue conserving the forests. Other stakeholder groups such as the private sector and MoF stressed that forestry is a productive sector that contributes to income generation, employment creation and poverty reduction – hence, a concessional loan would be an appropriate instrument for investments.

The mission further clarified that the FIP IP should not be limited to programming the available FIP funding (\$24m, of which \$6.1 million are grants and \$17.9 million are highly concessional loans), but should also identify additional activities that may attract financial support from other funding sources for technical assistance and investments.

Through group work, participants identified prospective areas for investment, for example improved forest management, import substitution of wood/timber, fostering domestic wood processing, nature-based tourism, handicraft industries, bamboo plantation, micro enterprise development, forest certification, integrated watershed management, value addition of non-timber forest products and livelihood improvements. These ideas will be further explored and expanded during the development of the IP.

