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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$4.5 MILLION

FROM

THE STRATEGIC CLIMATE FUND - FOREST INVESTMENT PROGRAM GRANT

TO THE

RURAL RECONSTRUCTION NEPAL – RRN (NGO)

FOR A

DEDICATED GRANT MECHANISM FOR INDIGENOUS PEOPLES AND LOCAL
COMMUNITIES IN NEPAL

September 22, 2022

Environment, Natural Resources and the Blue Economy Global Practice
Social Sustainability and Inclusion Global Practice
South Asia Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective September 20, 2022)

Currency Unit = Nepalese Rupees (NPR)

NPR 1 = US\$0.0078

US\$1 = NPR 126.92

FISCAL YEAR
July 16 – July 15

Regional Vice President: Martin Raiser

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ABBREVIATIONS AND ACRONYMS

CBFM	Community Based Forest Management
CfP	Call for Proposal
CI	Conservation International
CPF	Country Partnership Framework
CRW	Crisis Response Window
DFIL	Disbursement and Financial Information Letter
DGM	Dedicated Grant Mechanism
DPC	Development Policy Credit
Eoi	Expression of Interest
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
EU	European Union
FCPF	Forest Carbon Partnership Facility
FGRM	Feedback and Grievance Redress Mechanism
FIP	Forest Investment Program
FM	Financial Management
GDP	Gross Domestic Product
GEA	Global Executing Agency
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Aid Agency)
GMP	Grant Management Platform
GOM	Grant Operations Manual
GRID	Green, Resilient, and Inclusive Development
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
GSC	Global Steering Committee
ICU	Intensive Care Unit
IFC	International Finance Corporation
IPLCs	Indigenous Peoples and Local Communities
IRR	Internal Rate of Return
M&E	Monitoring and Evaluation
MoFE	Ministry of Forests and Environment
MoITFE	Ministry of Industries, Tourism, Forests, and Environment
NEA	National Executing Agency
NGO	Nongovernmental Organization
NPV	Net Present Value
NSC	National Steering Committee
NTFP	Non-Timber Forest Product
NUGIP	Nepal Urban Governance and Development Project
PDO	Project Development Objective
POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development
PSW	Private Sector Window
REDD	Reducing Emissions from Deforestation and Forest Degradation
RRN	Rural Reconstruction Nepal
SDGs	Sustainable Development Goals

SEA	Sexual Exploitation and Abuse
SEP	Stakeholder Engagement Plan
SFM	Sustainable Forest Management
SH	Sexual Harassment
SMEs	Small and Medium Enterprises
STEP	Systematic Tracking of Exchanges in Procurement
SUW	Scale-Up Window
UNFCCC	United Nations Framework Convention on Climate Change
WBG	World Bank Group
YETI	Youth Employment Transformation Initiative

BASIC INFORMATION

Is this a regionally tagged project? No	Country (ies)	
Financing Instrument Investment Project Financing	Classification Small Grants	
Approval Date 03-Oct-2022	Closing Date 31-Aug-2027	Environmental and Social Risk Classification Moderate
Approval Authority	Bank/IFC Collaboration No	

Please Explain

Proposed Development Objective(s)

The Project Development Objective (PDO) is to strengthen the capacity of targeted indigenous peoples and local communities to participate in Nepal's REDD+ processes at the local, national, and global levels.

Components

Component Name	Cost (USD Million)
Capacity building for IPLCs for SFM	1.50
Competitive Grants	2.10
Project management, monitoring and knowledge	0.90

Organizations

Borrower :	Rural Reconstruction Nepal (RRN)
Implementing Agency :	Rural Reconstruction Nepal (RRN)

PROJECT FINANCING DATA (US\$, Millions)



SUMMARY

Total Project Cost	4.50
Total Financing	4.50
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	4.50
Strategic Climate Fund Grant	4.50

Expected Disbursements (in USD Million)

Fiscal Year	2023	2024	2025	2026	2027
Annual	1.10	1.10	1.00	0.80	0.50
Cumulative	1.10	2.20	3.20	4.00	4.50

INSTITUTIONAL DATA

Financing & Implementation Modalities

Situations of Urgent Need of Assistance or Capacity Constraints

- Fragile State(s)
 Fragile within a non-fragile Country
 Small State(s)
 Conflict
 Responding to Natural or Man-made Disaster

Other Situations

- Financial Intermediaries (FI)
 Series of Projects (SOP)
- Performance-Based Conditions (PBCs)
 Contingent Emergency Response Component (CERC)
- Alternative Procurement Arrangements (APA)
 Hands-on Expanded Implementation Support (HEIS)

Practice Area (Lead)

Environment, Natural Resources & the Blue Economy



Contributing Practice Areas

Social Sustainability and Inclusion

OVERALL RISK RATING

Risk Category

Rating

Overall

● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

Legal Covenants

Sections and Description

(Art. 2.3.3. of the GA) The Recipient shall adopt and thereafter carry out the Project in accordance with a manual (the Project Operations Manual), in form and substance satisfactory to the Bank.

Sections and Description

(Art. 2..3.4. of the GA) The Recipient shall adopt and thereafter carry out Parts 1.1. (c) and 2.1 of the Project in accordance with a manual (the Grants Operations Manual), in form and substance satisfactory to the Bank.

Sections and Description

(Art. 2.3.5. of the GA) For purposes of carrying out Part 2.1 of the Project, the Recipient shall, after the selection by NSC of a Sub-project in accordance with the guidelines and procedures set forth in the Grant Operations Manual, and before the eligible IPLC Organization carries out any activity under said Sub-project, enter into an agreement with the eligible IPLC Organization (“Sub-project Agreement”), under terms and conditions satisfactory to the Bank as set forth in the Grant Operations Manual.

**Conditions**

Type	Financing source	Description
Disbursement	Trust Funds	Art. 3.02 of the GA: Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made: (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$ 56,865 equivalent may be made for payments made prior to this date but on or after [xxxx], for Eligible Expenditures under Category 1; or (b) under Category 2(a) and 2(b) unless and until Recipient has adopted the Grant Operations Manual, in form and substance acceptable to the Bank.
Effectiveness	Trust Funds	Art. IV of the GA: The Additional Condition of Effectiveness consists of the following: the POM has been prepared and adopted by the Recipient in a form and manner satisfactory to the Bank.

PROJECT TEAM**Bank Staff**

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Name	Title	Organization	Location

TABLE OF CONTENTS

I. STRATEGIC CONTEXT	1
A. Country Context	1
B. Sectoral and Institutional Context.....	2
C. Relevance to Higher Level Objectives.....	5
II. PROJECT DESCRIPTION.....	6
A. Project Development Objective(s) (PDO).....	6
B. Project Components	7
C. Project Beneficiaries.....	9
D. Results Chain	11
III. IMPLEMENTATION.....	11
A. Institutional and Implementation Arrangements.....	11
B. Results Monitoring and Evaluation Arrangements.....	12
C. Sustainability	13
IV. APPRAISAL SUMMARY.....	13
A. Technical, Economic and Financial Analysis.....	13
B. Fiduciary.....	15
C. Environmental and Social Standards	18
V. KEY RISKS	21
VI. RESULTS FRAMEWORK AND MONITORING	23
Appendix A: Implementation Arrangements and Support Plan.....	30
Appendix B: Map of Project Site in Nepal	35



I. STRATEGIC CONTEXT

A. Country Context

1. **A new government in Nepal took office on July 13, 2021.** A new cabinet was then appointed in October 2021. Local elections were successfully held on May 13, 2022, while federal and provincial elections are expected to be held in November 2022. The new government is expected to be formed by January/February 2023. At the sub-national level, funds, functions, and staff continue to be managed by the seven provinces and 753 local governments for which legislation, institutions, and administrative procedures are being formalized as constitutionally prescribed. Meanwhile, the federal government has been streamlined with a focus on national policies and oversight.

2. **Over the past decade, Nepal's economy demonstrated impressive growth and resilience when faced with a wide variety of economic shocks.** The COVID-19 pandemic overwhelmed the country's growth drivers and contributed to the country's first economic contraction since 1983, with GDP contracting 2.4 percent in FY20. The country's ongoing recovery is threatened by higher global commodity prices, including imported fuels and chemical fertilizers.

3. **Over the period FY2012-19, Nepal's economy performed reasonably well despite being hit by three large exogenous shocks in 2015 (earthquake), 2016 (trade disruptions), and 2017 (floods).** A fourth shock, the COVID-19 pandemic, derailed the strong growth trajectory established over the previous three years. The nation-wide lockdown from March to July 2020 imposed to curtail the spread of the virus significantly impacted all sectors of the economy. Following the contraction in FY20, the economy is estimated to have grown by 1.8 percent in FY21 even though renewed COVID-19 containment measures were imposed in the fourth quarter of the fiscal year. The industry and service sectors are estimated to have grown by only 0.9 and 1.6 percent in FY21, respectively. The World Bank's 2020 SAR COVID-19 phone monitoring survey shows that 45 percent of those who recovered from a job loss have switched sectors and taken jobs with lower earnings and skill requirements, indicating that many households have been pushed to marginally above or below the poverty line.

4. **Consumer price inflation fell significantly, reaching a record low in FY21, but has since increased.** Average inflation decreased to 3.4 percent in FY21, considerably below FY20 inflation of 6.3 percent and the Central Bank's FY21 ceiling of 7 percent. The low inflation rate was driven by a decline in both food and non-food price increases. Average food inflation fell to 4.6 percent in FY21 from 8.6 percent the year before reflecting slower increases in vegetable prices due to the easing of pandemic-induced supply disruptions. Non-food inflation also decreased to 2.5 percent from 4.6 percent in FY20, chiefly due to a significant fall in housing and utilities inflation. In the first ten months of FY22, average inflation accelerated to 5.8 percent, reflecting higher transportation prices associated with global fuel price hikes and increased educational fees and housing prices.

5. **Starting in FY21, Nepal turned a corner and the fiscal deficit began to narrow on the back of a strong post-COVID recovery of import-based taxes.** The fiscal deficit of the central government narrowed to 4.6 percent of GDP in FY21. A strong rebound in revenues supported the consolidation, with revenues increasing from 22.1 to 24.2 percent of GDP in FY21 driven by a recovery in trade-related taxes. In contrast, non-tax revenues declined, owing mainly to lower dividends and tourism-related royalties and visa fee collections. While public debt has risen from 22.7 percent to 41.8 percent of GDP from FY17 to FY21, the risk of debt distress is currently assessed as low as per the Joint Bank-Fund Debt Sustainability Analysis of



December 2021.

6. **The current account deficit is estimated to have widened to 8.1 percent of GDP in FY21 and is expected to increase further in FY22.** Drivers include a surge in imports and a drop in official remittance inflows, which in absolute terms far outpaced an increase in exports. In the absence of significant FDI inflows, the current account deficit was financed by trade credits, external concessional borrowing, and reserve drawdowns. Official gross foreign exchange reserves fell to US\$9.6 billion in mid-May 2022 (6.6 months of imports coverage) from US\$11.8 billion in mid-July 2021. In response, the Central Bank adopted measures to mitigate pressure on reserves, including limiting imports of luxury goods.

7. **Economic growth is projected to recover gradually to 4.1 percent by FY23.** The baseline forecast projects a gradual medium-term recovery, with growth accelerating from 3.7 percent in FY22 to 5.8 percent by FY24. The baseline assumes: (i) no new nationwide strict containment measures are imposed, and (ii) a gradual increase in international migration and tourist arrivals, reaching pre-pandemic levels by FY24. Vaccination deployment is expected to unleash pent-up demand for most service sub-sectors. Industry sector growth is projected to be supported by increased hydropower production including from the recently completed Upper Tamakoshi plant. Agricultural growth is projected to decelerate in FY22, reflecting a decline in paddy production, the rise of global fertilizer prices, and difficulties in obtaining fertilizer for the rice planting season. Increasing fuel prices are weighing on aggregate demand.

B. Sectoral and Institutional Context

8. **Nepal's forests are central for the country's strategic vision on green, resilient, and inclusive development (GRID) as articulated in the 2021 Kathmandu Declaration on GRID as well as the country's ambitious climate pledges made at the 26th Conference of the Parties (COP-26) of the United Nations Framework Convention on Climate Change (UNFCCC) in Glasgow in December 2021.** Forest resources provide opportunities for environmental sustainability, jobs, livelihoods, and poverty reduction for some of the poorest and most vulnerable people, and climate mitigation and resilience. Nepal is one of the few countries in the world to expand forest cover, relying on its community-based forest management (CBFM) model. Nepal aims to sustain its forest cover of 45 percent while also strengthening forest-related livelihoods. To do this successfully, indigenous peoples and local communities (IPLCs) need to play a more inclusive role in forest and natural resource management and to do so, the barriers they currently face must be lifted.

9. **Some IPLCs need to have their user rights over resources and territories¹ fully secured by law and their customary institutions and the continuation of their traditional livelihoods and cultural practices better recognized.** There are 125 caste and ethnic groups in the country, of which 59 are ethnic groups categorized as indigenous peoples (37 percent) (*Adivasi Janajati* - indigenous peoples or indigenous nationalities), and there are 26 other castes (about 13 percent) groups. Despite various efforts, indigenous peoples and some traditional local communities in Nepali society continue to be marginalized in terms of their representation in groups and in the forest agenda more widely, including their access to natural resources, involvement in decision-making, leadership representation, and equitable benefit sharing. A recent United Nations study² shows that at a global level while only 10 percent of the

¹ Acharya, K., J. Adhikari., and D. Khanal. "Forest Tenure Regimes and Their Impact on Livelihoods in Nepal." *Journal of Forest and Livelihood* 7 (1): 6–18. <https://www.nepjol.info/index.php/JFL/article/view/2313>.

² <https://www.indigenouspeoples-sdg.org/index.php/english/>.



indigenous territories are legally recognized, indigenous peoples contributed to the protection of more than 80 percent of the world's biodiversity.

10. **The 2015 Constitution, the 2019 Forest Policy, and the 2019 Forest Act support the legal recognition of forest use and management rights by indigenous peoples and traditional communities.** Yet the implementation of these provisions for IPLCs is still not complete. For example, in villages with a high concentration of indigenous peoples, 60–80 percent do not have legal user and management rights³. Consequently, their customary institutions remain weak, and especially indigenous communities living in the vicinity of conservation areas and national parks see their traditional livelihoods under threat. A recent Rights and Resources Study estimates that while 46.7 percent of Nepal's land area is held by IPLCs, user rights of these groups are not legally recognized by government in 69.0 percent of the held area⁴. Hence, securing forest use and management rights for these IPLCs, based on Nepal's CBFM framework, would not only support their traditional livelihoods but also contribute to sustainable forest management (SFM), ecosystems, and biodiversity as well as to climate change mitigation and resilience. For traditional communities that are typically small, rural and distant from main urban centers, user rights and access to forest resources are critical to their subsistence.

11. **During the past 30 years, successful CBFM has been the key to reversing deforestation and forest degradation.** There is a strong interrelationship between bio-cultural systems, customary and sustainable use of forests, and traditional knowledge of IPLCs in Nepal. It is estimated that 1.2 million m³ of fuelwood and 900,000 m³ of timber could be sustainably harvested annually and processed, generating employment opportunities for 4.8 million people throughout the value chain⁵. Officially reported harvests of roundwood currently average about 60,000 m³ per year⁶.

12. **Nepal intends to hand over additional forest areas to IPLCs for sustainable forest management (SFM⁷),** and many landless and smallholders have expressed interest in joining or creating new forest user groups to diversify their income sources and support SFM. However, administrative processes established by the Government of Nepal are often challenging, and technical support is limited. Forest-based small and medium enterprises (SMEs) that add value to forest products are also hampered by several constraints. Forest-based SMEs could generate more than US\$8.7 billion per year and 1.4 million workdays through 400,000 sustainable full-time green jobs⁸. Yet, small entrepreneurs are poorly integrated and have no access to modern technology to reduce waste, increase the value and quality of their products, or reduce imports. Development of SMEs is constrained by complex, lengthy, and incomplete regulatory requirements. Increasing forest productivity and further expanding local forest-based enterprises and jobs

³ Tebtebba Foundation. 2018. *Customary Land Tenure Systems and REDD+: Ensuring Benefits for Indigenous Peoples*.

⁴ Rights and Resources Initiative. 2021. Status of Legal Recognition of Indigenous Peoples' Local Communities' and Afro-descendant Peoples' Rights to Carbon Stored in Tropical Lands and Forests. *Technical Report*. Accessed <https://rightsandresources.org/publication-category/rri-analyses-publication/>, July 8, 2022. .

⁵ Ibid.

⁶ Magrath, William B., Ashish Shrestha, Bishma Subedi, Hari Bansha Dulal, and Rex Baumbach. 2013. *Nepal Forest Sector Survey: Policy priorities and recommendations*. Washington, DC: Program on Forests (PROFOR).

⁷ Sustainable forest management (SFM) is defined as a "dynamic and evolving concept, which aims to maintain and enhance the economic, social and environmental values of all types of forests, for the benefit of present and future generations." Forests and trees, when sustainably managed, make vital contributions both to people and to the planet, bolstering livelihoods, providing clean air and water, conserving biodiversity and responding to climate change. (<https://www.fao.org/forestry/sfm/en/>)

⁸ Potential of Forestry Sector in Economic Growth and Development: Short Concept Notes on five themes. Kathmandu, Nepal. (Multi-Stakeholder Forestry Programme, 2014).



through CBFM and forest product value addition will be crucial for building back greener and more inclusively and preparing for future climate shocks. Therefore, constraints to the development of forest-based enterprises need to be better understood and removed.

13. **The Government's 2019 forest sector strategy and policy have the goal to increase the contribution of the country's forests to national prosperity and climate change mitigation.** The National Forest Policy (2019) expresses Nepal's vision as one where the "potentials of forest ecosystems, biodiversity and watersheds are fully optimized for peoples' prosperity." Consistent with this vision, the Ministry of Forestry and Environment (MoFE) prioritizes the use of SFM as a tool for achieving "forests for prosperity." This tool emphasizes the sustainable management of forest ecosystems and watersheds through a decentralized, competitive, and well-governed forest sector providing inclusive and equitable incomes, employment, and development opportunities. In its second Nationally Determined Contribution (NDC)(2020) to address climate change, Nepal has committed to maintain, by 2030, 45 percent of the total area of the country under forest cover (including other wooded land limited to less than 4 percent) and manage 50 percent of Terai and Inner Terai forests and 25 percent of middle hills and mountain forests sustainably, including with funding from REDD+⁹ initiatives. Leading up to CoP-26 in Glasgow, Nepal issued a conditional recommitment on net-zero emissions by 2045 and carbon negativity thereafter.

14. **The Constitution of Nepal mandates a major transformation of forest sector governance.** The Local Government Operation Act (2017) brings the management of community forests under the jurisdiction of local governments, with local authorities in 753 urban and rural municipalities able to formulate and/or modify policies and laws which realize local rights, grant access to natural resources, and provide financial support to community forests and local forest sector development. However, the roles and responsibilities will need to be further defined through the 2022 Forest Regulations supported through the World Bank GRID Development Policy Credit (DPC). The Constitution has also created new opportunities for enhancing forest governance by (a) strengthening local-level accountability and responsibility and (b) tailoring regulatory provisions to meet the needs of the provinces. Provincial governments can develop policies and regulations to collect taxes and share revenues from natural resource use. As part of the federalization process, the Federal Government passed the Federal Forest Act (2019) and provincial and local governments are now expected to follow suit by developing their own legislation and regulations that reflect their new roles. Technical, administrative, and managerial capacity needs to be established at all levels. Civil society organizations, nongovernmental organizations (NGOs), communities, and the private sector also need to understand their new roles, responsibilities, and opportunities. The procedures and protocols to transfer forests to CBFM groups for their use and management under the new three-tier Federal Government is clarified in the 2019 Forest Act and upcoming 2022 Forest Regulation. However, there is still need for clarification on what level of government can legally recognize forest use and management rights of indigenous peoples and traditional communities. In absence of that clarification, many IP remain in legal limbo in terms of forest use and management rights.

⁹ REDD+ means reducing emissions from deforestation and forest degradation, plus the sustainable management of forests, and the conservation and enhancement of forest carbon stocks.



15. **Due to a combination of political, geographic, and social factors, Nepal is recognized as vulnerable to climate change impacts¹⁰.** For Nepal, climate models show a trend of consistent warming that will be more significant for northern regions. While rainfall projections are less certain and may vary, projected precipitation trends show a decrease in rainfall in the 2050s and an increase in rainfall for the 2090s.¹¹ More precipitation is expected to be received through increased intensity and occurrence of extreme events. Nepal's natural resources, including forests underpin many sectors of the country's economy and many IPLC households depend on them. Many studies suggest that significant changes in the natural resource base are already under way in many ecoregions in Nepal because of climate change. For Nepal's forests, this includes changes in species composition, increase of forest fires risks and the occurrence of pests and diseases. The further degradation of Nepal's forests will impact the livelihood basis of millions of IPLC.

C. Relevance to Higher Level Objectives

16. **The World Bank Group (WBG) Country Partnership Framework FY19–23 (CPF)¹² and extended to FY24 by the corresponding Performance and Learning Review (PLR)¹³ continues to be relevant, but the change in the country context, mainly due to COVID-19 and the pivot to GRID as the new development narrative for Nepal, requires a realignment in thematic priorities.** The three focus areas of the CPF remain valid and are also aligned with the GoN's new 15th National Development Plan and its priorities to achieve economic growth and middle-income status by 2030. To address the need to recover from the economic crisis, which will require a new strategy for Nepal's development, the WBG will expand and introduce engagements through thematic priorities across the three focus areas. These priorities include:

- Pivoting to GRID as an overarching theme to support Nepal's long-term development trajectory,
- Leveraging COVID-19 response and economy recovery to build back better,
- Leveraging WBG comparative advantage to focus on fiscal federalism within the federalism agenda,
- Unlocking human capital development for Nepal's post-COVID-19 recovery and resilience, and
- Harnessing digital development for better service delivery.

17. **The project is consistent with three focus areas of the World Bank Group) Country Partnership Framework for Nepal FY19–23¹⁴ (extended to FY24) and the WBG's shift to the GRID approach emphasized in the PLR:** (a) strengthening public institutions, (b) private sector-led jobs and growth, and (c) inclusion and resilience. The project will enhance the contribution of the forest sector to inclusive economic growth, livelihoods, job creation, and prosperity and improve the regulatory framework as well as institutional capacity (particularly at the municipal and provincial levels) for managing forests. The Dedicated Grant Mechanism (DGM) Nepal project will especially address Focus Area 3 'Inclusion and Resilience' and contribute to the three relevant objectives: (a) Improved access to services and support for the well-being of the vulnerable groups; (b) Increased resilience to health shocks, natural disasters,

¹⁰ Nepal ranked 128th out of 181 countries in the 2020 ND-GAIN Index (University of Notre Dame (2020). Notre Dame Global Adaptation Initiative. URL: <https://gain.nd.edu/our-work/country-index/>)

¹¹ Climate Risk Country Profile: Nepal (2021): The World Bank Group and the Asian Development Bank.

¹² Report No. 83148-NP; July 10, 2018 discussed at the Board on August 7, 2018.

¹³ Report No. 168048-NP, January 17, 2022, discussed by the Board on February 22, 2022.

¹⁴ World Bank Group Country Partnership Framework for Nepal FY19–23, Report No. 83148-NP; July 10, 2018, discussed at the Board on August 7, 2018.



and climate change; and (c) Improved adoption of sustainable natural resources management. The project will directly contribute to implementing the GRID approach as defined by Nepal, the World Bank, and the many development partners allied in supporting the country realize its GRID vision articulated in the 2021 Kathmandu Declaration.

18. **The project is consistent with the government’s objectives for Nepal’s forest sector and forest ecosystems.** Indigenous peoples and local communities are central to these agendas. The project will also contribute to the achievement of Nepal’s NDC and National Biodiversity Strategy and Action Plan. In this context, the Social Welfare Council of Nepal has formally endorsed the project and thereby confirmed full government support.

II. PROJECT DESCRIPTION

A. Project Development Objective(s) (PDO)

19. **The Project Development Objective (PDO)** is to strengthen the capacity of targeted indigenous peoples and local communities to participate in Nepal’s REDD+ processes at the local, national, and global levels.

20. **The project has the following PDO indicators¹⁵:**

- **Indicator 1.** Project beneficiaries with increased role in the FIP and other REDD + processes at local, national or global levels (percentage, disaggregated by gender and indigenous/non-indigenous group),
- **Indicator 2.** People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forests (number, disaggregated by gender and indigenous/non-indigenous group),
- **Indicator 3.** Project beneficiaries perceive DGM governance and processes as transparent and inclusive (percentage, disaggregated by gender and indigenous/non-indigenous group).

21. **In the spirit of the DGM’s collaborative approach to design and implementation, the DGM Nepal’s PDO is consistent with the interests and aspirations of IPLCs expressed in the DGM Design Proposal¹⁶ and the DGM Framework Operational Guidelines¹⁷.** Likewise, the project follows an overarching approach to leave enough room for the selection of activities based on the principle of demand-driven interventions and identified through an extensive participatory and representative process led by the National Steering Committee (NSC) which is the nature and essence of the DGM. The NSC for the DGM Nepal was formed based on a self-selection process as provided in the DGM policy and operational documents.

22. **The mandate of the DGM is to address IPLC capacity to play a greater role in forest-related decisions, including REDD+ decisions at the country and international levels** by (a) strengthening core

¹⁵ For definitions measurement methodology, data source, and responsibility for tracking the indicators, see chapter “Results Framework”.

¹⁶ Design for the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities to be Established under the Forest Investment (2011)

¹⁷ [DGM Framework Operational Guidelines \(2016\)](#)



institutional capacities of IPLC Organizations through management of grant-financed initiatives of their choice and targeted capacity development activities; (b) enabling IPLC voice and participation in national, regional, and global forums through the global DGM platform for learning and knowledge exchange; and (c) facilitating knowledge exchange and collaboration among IPLCs at national and international levels.

23. **Complementarity will be ensured with the Forests for Prosperity Project and the Emissions Reductions Program for the Terai Arc Landscape.** Consistent with the provisions of the DGM, the geographic area targeted by the DGM Nepal Project (that is, selected landscapes) for the competitive grants mechanism (Component 2 of the project) is the same area covered by the Forests for Prosperity Project supported under the FIP (Madhesh and Lumbini Provinces) which intersects with the area of the Emissions Reduction Program for the Terai Arc Landscape supported under the FCPF (Annex 4). Forest-dependent IPLCs from other provinces, however, may participate in capacity-building activities offered under Component 1 of the project to address their needs.

24. **The DGM Nepal Project will specifically**

- Strengthen the institutional and technical capacities of individuals and representative institutions of forest-dependent IPLCs, especially at the local level, including in community forest user groups;
- Improve livelihoods and green jobs for IPLCs from REDD+ and other forest-related activities;
- Enhance the working relationship between IPLCs and local-level institutions (especially CBFM groups), local governments, youths, frontline forest workers, and NGO service providers; and
- Coordinate with the Forests for Prosperity Project and the Emissions Reduction Program for the Terai Arc Landscape to ensure that project activities are complementary and mutually enhancing each other.

25. Since the project will directly benefit forest-dependent IPLCs by enhancing their resilience and offering small-scale business (forest and non-forest based) and employment opportunities, the project will directly contribute to the GRID agenda in the context of the COVID-19 recovery efforts in Nepal.

B. Project Components

26. **The project has two complementary interlinked technical components and a component on project management.** Component 1 is designed to increase the capacity of IPLCs for enhancing their traditional livelihoods from sustainable forest-based activities, pursuing forest use and management rights, improving their customary governance systems, and engaging in national and global REDD+ processes. Nepal's Constitution requires significant capacity building not only of the different public institutions operating in the forest sector but also forest-dependent IPLCs. Component 2 offers grants to engage eligible beneficiaries¹⁸ in exploring innovative livelihood and green job opportunities from forest-related activities, including forest-based SMEs and reducing pressure on forests by diversifying income sources and promoting nature-based solutions. Components 1 and 2 will make special efforts to address gender-inequalities related to forest-based opportunities. The project management, monitoring, and knowledge sharing component will ensure that the project is managed consistent with World Bank policies; the results are monitored and reported on; and Nepal's IPLCs' DGM experience is well documented and disseminated in Nepal, the region, and globally.

¹⁸ Definition and criteria identified in the GOM.



27. **Component 1: Capacity building for IPLCs for SFM (US\$1.5 million)**

1.1. Providing technical assistance for capacity building of IPLCs through the following:

- (i) Organizing knowledge-sharing activities, led by IPLCs' representatives and/or experts on topics such as REDD+ and SFM, SFM planning, improving the productivity of forests under community-based forest management, improving the quality of timber and non-timber forest product (NTFP), adding value to timber and NTFP, successfully accessing markets and financial services, conducting inventories on NTFP, addressing gender-inequalities and providing forest-relevant alternative livelihood opportunities to reduce pressure on forests;
- (ii) Organizing events with beneficiaries (for example, industrial fairs and meetings) with local and provincial governments and the private sector to create business relationships with IPLCs, including women-led businesses; and
- (iii) Providing scholarships to individuals, especially women from vulnerable and marginalized IPLCs, for attending vocational training colleges enhancing their technical skills to be employed in the forest-relevant sector or run their own businesses. The procedures, including criteria for selecting the beneficiaries of the scholarship will be detailed in the GOM (see annex 1 summarizing the scholarship eligibility criteria and selection process).

1.2. Providing technical assistance for capacity building of IPLCs through organizing training activities, focusing on skill development and providing a better understanding of government and global processes and policies related to REDD+ and forests.

28. **Component 2: Competitive Grants (US\$2.1 million)**

2.1. Supporting forest-dependent IPLCs with Competitive Grants to finance IPLC-led, SFM-based, income-generating sub-projects, including sub-projects empowering women (see annex 1 summarizing the grant-making process); and

2.2. Providing technical assistance to eligible IPLCs to enhance their technical and project management capacities through organizing training and capacity development workshops to develop their ideas into full Sub-projects proposals eligible for funding.

29. **Component 3: Project management, monitoring and knowledge (US\$0.9 million)**

2.1. Providing resources to the Recipient to support

- (i) The effective implementation of the Project;
- (ii) Technical assistance, operation, and reporting of participatory monitoring and evaluation (M&E);
- (iii) Effective communication to stakeholders and the public; and
- (iv) Design and operation of a grievance redress mechanism (GRM); and

2.2. Organizing knowledge sharing opportunities, including issuing reports and organizing events.

30. **The proposed operation is an Investment Project Financing**, supported by a grant from the Strategic Climate Fund in the amount of US\$4.5 million and structured as detailed below.



Table 1. Project Financing (US\$, millions)

Project Components	Project Cost	Trust Funds	Counterpart Funding
Component 1	1.5	1.5	0
Component 2	2.1	2.1	0
Component 3	0.9	0.9	0
Total Costs			
Total Project Costs	4.5		
Total Financing Required	4.5		

C. Project Beneficiaries

31. The main beneficiaries of the DGM Nepal Project are forest-dependent IPLC organizations, groups and individuals from Madhesh and Lumbini Provinces. IPLC organizations, groups and individuals from other provinces may also benefit from selected activities supported under Component 1 of the project. The targeted beneficiaries will be selected based on a set of criteria, regardless of whether they belong to the organizations represented in the NSC. The definition of each beneficiary category and selection criteria for accessing Scholarships and Competitive Grants will be detailed in the Grant Operations Manual (GOM) (scholarship grants (Part 1.1 (c)); competitive grants (Part 2.2)).

32. It needs to be emphasized that IPLCs are more than ‘beneficiaries’ of the project. They are the proponents of the project and the prime movers of its design, and during implementation, they will preside over the use of the grant resources in Nepal. The DGM recognizes that there are important sociocultural and economic differences between IPLCs and these will be respected during implementation, while at the same time ensuring that the project is inclusive and also reaches out to historically underserved traditional local communities (marginalized communities)—both indigenous and non-indigenous.

33. The reference to indigenous peoples in the project is based on the World Bank’s ESS¹⁹—the term ‘indigenous peoples’ (or as they may be referred to in the national context using an alternative terminology) is used in a generic sense to refer exclusively to a distinct social and cultural group possessing the following characteristics in varying degrees:

- (a) Self-identification as members of a distinct indigenous social and cultural group and recognition of this identity by others;
- (b) Collective attachment to geographically distinct habitats, ancestral territories, or areas of seasonal use or occupation, as well as to the natural resources in these areas;
- (c) Customary cultural, economic, social, or political institutions that are distinct or separate from those of the mainstream society or culture; and
- (d) A distinct language or dialect, often different from the official language or languages of the country or region in which they reside.

¹⁹ ESS = Environmental and Social Standards; World Bank Environmental and Social Framework. Washington, D.C. 2016.



34. Local communities generally represent the dominant culture and usually share their social traits, values, norms, and languages. Forest-dependent local communities in Nepal are more likely to represent caste-marginalized groups including Dalits and others, living in remote locations with limited access to economic opportunity and development²⁰. In addition, spatial disparities exist and underscore poverty and material deprivations among Madhesis²¹. For these reasons, the DGM Nepal will work with forest-dependent local communities and indigenous peoples.

35. A special social small grants window under Component 2 is targeting IPLCs that are especially marginalized and currently limited in terms of their capacity to benefit from existing opportunities to engage in SFM and in the wider REDD+/forest policy dialogue in Nepal.

36. According to gender assessments done under the REDD+ Readiness Project, key gender gaps relate to low levels of women's engagement in decision-making processes; lack of access to resources; lack of support for women's ownership and control of assets; existence of several layers of powerful and exclusive leadership mechanisms; and lack of GESI implementation guidelines, systematic structures, resources, and skills. The project specifically aims at enhancing women and youth's voice and participation through funding for self-managed enterprises and promoting their inclusion in the governance structures of targeted IPLC groups. The project will also address increasing the capacity for securing customary forest use and management rights for IPLCs in accordance with prevailing national laws and procedures, with special focus on women overcoming gender exclusion and enhanced opportunities for proactively supporting forest-based activities that may offer opportunities to women. Results measured through the Results Framework indicators will include outcomes disaggregated by gender. The project is aligned with the World Bank Group gender strategy²² as it addresses gender inequalities in access to jobs as well as control over and ownership of productive assets.

²⁰ Social Sustainability and Inclusion (SSI) country profile for Nepal (*in draft*)

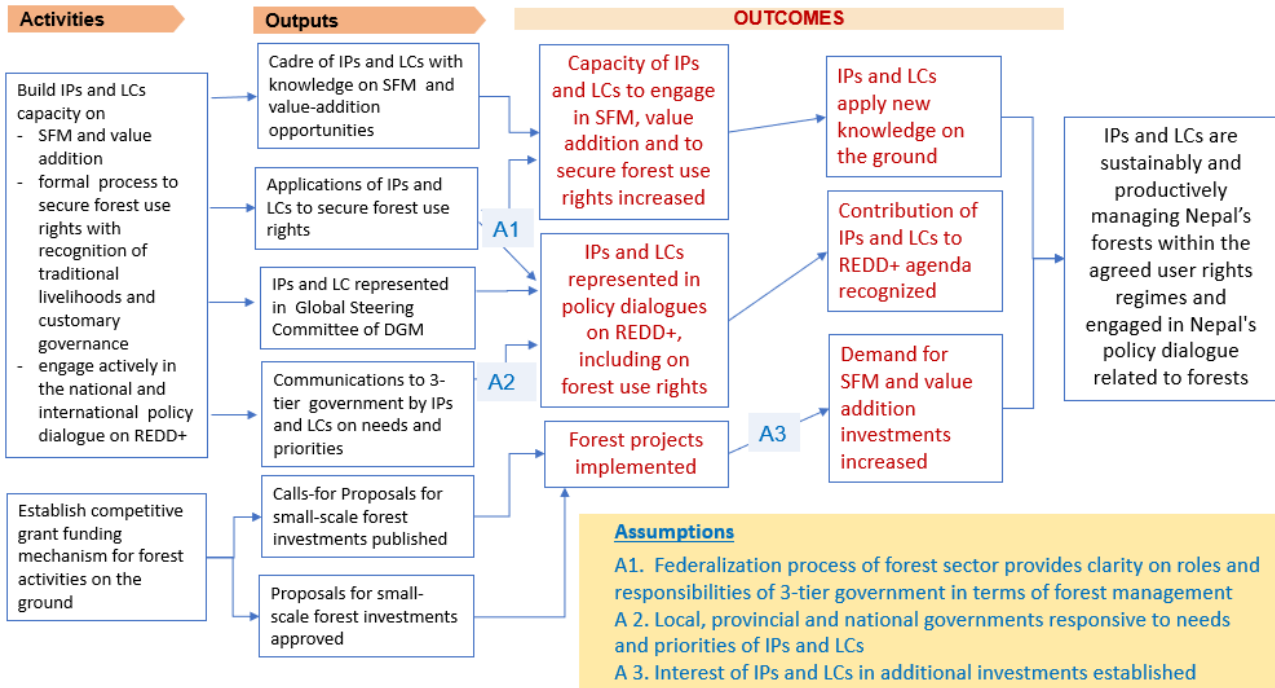
²¹ Madhesis are the inhabitants of the Terai region in the south of Nepal at the foothill of the Himalayas on the border to India. The region distinguishes itself from the rest of the country by its plain terrain with subtropical climate, in contrast to the high mountain lands inhabited by the hill people of Nepal (Miklian, 2008).

²² World Bank Group Gender Strategy (FY16-23): Gender Equality, Poverty Reduction and Inclusive Growth (2015)



D. Results Chain

Problem Statement: IPs and LCs have (a) lack of capacity and clarity how to engage in policy dialogue on REDD+, (b) lack of capacity and funding to engage in production-oriented SFM and value addition, and (c) lack of knowledge on the processes for securing forest user rights, including the recognition of their customary institutions, traditional livelihoods and cultural practices.



III. IMPLEMENTATION

A. Institutional and Implementation Arrangements

37. **The institutional arrangements for the DGM Nepal are based on the principle of being “for local communities by local communities.”** The Project will be implemented by Rural Construction Nepal (RRN) as the national executing agency (NEA). The National Steering Committee (NSC) and RRN will sustain institutional relationships with the Global Steering Committee (GSC) and Conservation International (CI) as the global executing agency (GEA) for the DGM Global Project (see Appendix 1 for more details).

38. **The NSC will have strategic oversight for the DGM Nepal Project.** Its primary function will be to make strategic decisions, including agreeing on themes for the *Call for Proposals* (CfP); approve the scholarships under Component 1 and the short list of proposals for each sub-project under Component 2. The NSC will closely work with RRN, which will provide secretariat functions to the NSC. One NSC member will represent the DGM Nepal in the GSC as required. The NSC has 14 members which were identified through a self-selection process with an equal representation of IPLC representatives as decision-making members. There are two non-decision-making participants to the NSC deliberations—one from the MoFE representing Nepal and one from the World Bank. Members of the NSC act as representatives of the constituencies they represent. The NSC has developed Rules of Procedures which describe the governance of the DGM Nepal Project, including roles and responsibilities of various actors (see annex 2). The NSC will



also share with the DGM's GSC a semi-annual report on the implementation progress for the DGM Nepal Project.

39. **Rural Reconstruction Nepal (RRN), a Nepalese non-governmental organization, is the implementing agency and will be responsible for project management consistent with World Bank policies and procedures.** RRN was competitively selected as the NEA by the NSC consistent with the DGM Framework Operational Guidelines. Project oversight will be provided by the NSC. RRN will ensure close collaboration with the PMUs of the Forests for Prosperity Project established in the MoFE; Ministry of Industries, Tourism, Forests, and Environment (MoITFE) of Madhesh and Lumbini Provinces; and relevant local governments to ensure that the governments are informed of project activities and that DGM activities are consistent and complementary with the Forests for Prosperity Project and the Emissions Reduction Program for the Terai Arc Landscape.

40. **RRN will be accountable for project implementation** including (a) project governance and oversight through effective stakeholder engagement; (b) budgeting; (c) annual work planning; (d) contract management; (e) financial management (FM); (f) procurement of goods and services; (g) technical assistance; (h) environmental and social risks management; and (i) conducting financial, environmental, and social monitoring. The NSC will provide overall strategic oversight to the project. To develop the grant-management platform (GMP), RRN will hire a consultant/firm to design the platform and buy the necessary software for its rollout. The GMP will provide information on all grants financed, including proposals, decisions, results, and reports. RRN will be responsible for documenting lessons learned from the implementation of project activities to inform the relevant governments and other stakeholder efforts to scale up good practices and for preparing regular progress and financial reports as required.

B. Results Monitoring and Evaluation Arrangements

41. **RRN will be responsible for M&E.** The project's M&E system will generate timely information and analytical evidence required for assessing and managing the project's implementation performance and ensuring progress toward meeting the PDO and results.

42. The project's Results Framework defines the performance indicators and targets (at the outcome level) for each component. These output indicators and targets provide the basis for monitoring systematic financing of priority project activities.

43. The project's M&E reports will include the following:

- **Biannual progress reports.** These reports will monitor and consolidate progress on key activities and outputs and will be produced biannually. These progress reports will provide useful inputs to support the six-month joint implementation support reviews that the World Bank will conduct. The World Bank will also request information, outside of the reporting schedule, should a conflict, grievance, or other event warrant it.
- **Yearly progress reports.** These reports will track and consolidate progress on key activities, outputs, and outcomes, and will be provided annually to key stakeholder participants.
- **Midterm review.** Toward Year 3, an independent party, along with the World Bank and other implementing entities, will undertake a comprehensive midterm review of the project that will focus on assessing progress being made in accomplishing the impact and outcome targets and corresponding indicators (with special attention paid to assessing the key



indicators outlined in the Results Framework). Selected thematic in-depth assessments will be identified in Year 3 and performed as evidenced-based inputs for the midterm review (for example, assessing the emerging viability of the business plans that the project supports).

- **Final evaluation.** Six months before the project is completed, an independent evaluation will be conducted with a special focus on identifying key operational lessons that can be used for designing the next project.

44. Project M&E will be the responsibility of an experienced M&E specialist who will be a core member of the RRN project management team. The M&E specialist will receive strategic capacity building as needed financed under the project.

45. To facilitate the M&E system, the M&E specialist will prepare a project-level M&E Manual as part of the Project Operations Manual (POM). The M&E Manual will provide numerous details, including the definition of the Results Framework; methodology and instruments to be used for data collection; institutional arrangements and responsibilities for M&E functions, including at provincial and district levels; the GRM; and mechanisms and arrangements for disseminating information.

C. Sustainability

46. **The Project will generate significant economic returns.** Building the capacity of IPLCs, including youths, will have a long-term impact, as communities will be able to produce more benefits not only from the sustainable use of forests, including adding value to products, but also from being more actively involved in Nepal's policy dialogue. Improving the capacity of IPLCs to follow established regulations and procedures for securing customary tenure for ensuring forest use and management rights for selected IPLCs will contribute significantly to their ability to continue their customary practices and governance system contributing to forest conservation and SFM. The competitive grants mechanism will enable IPLCs to invest in forest-related activities that will generate income and foster innovation. The Project has strong ownership within Nepal's IPLC community. Nepal has been engaged in the design of the project and confirmed that the project will directly contribute to the goals of the 15th Five-Year Plan and to green, resilient and inclusive development in the context of the COVID-19 recovery process.

IV. APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

47. **The project was appraised as technically sound because it draws on lessons learned from previous successful operations and analytical work both in Nepal and worldwide, as well as on the traditional knowledge of IPLC that have taken part in the consultation process for the project design.** Drawing on such sources, the proposed project relies on strategies to promote improved access to relevant information and to combine IPLC's traditional knowledge with sound new scientific-based knowledge on forest and natural resources management and on climate change. It also relies on community-driven development (CDD) approaches that have been proven worldwide to (a) make strong economic sense, even in a challenging and evolving environmental context, for livelihood adaptation and diversification and (b) promote synergies among forest and natural resources management and adaptation through interventions that fare better in improving the livelihoods of socio-economically



disadvantaged groups and increasing their social resilience. The project combines all factors considered critical for making CDD approaches successful: (a) community proposals will be screened for their economic, environmental, and social feasibility as well as on the basis of assessments of local vulnerabilities and adaptive capacity; (b) culturally adequate technical assistance will be provided to design, develop, and implement community initiatives; and (c) institutional capacity-building activities will strengthen indigenous and local organizations by on-site training events for grant beneficiaries and by encouraging a diversity of partnerships with governmental and CSOs.

48. The main economic benefits of the project over the without-project (business-as-usual) scenario will result from sustainable extraction and processing (value addition) to forest products by forest-dependent IPLCs in the project area through income-generating activities ('sub-projects') under Component 2. These benefits will include employment for members of the IPLCs which have suffered increased unemployment due to the economic crisis caused by the COVID 19 pandemic.²³ Climate change mitigation benefits will accrue as a result of the move to sustainable management of forests supported under the Forests for Prosperity Project. While the main project benefits will be delivered by the sub-projects under Component 2, Components 1 and 3 are critical for their achievements, respectively, through capacity development and project management for effective implementation. The main economic costs are the investment costs (net of transfers) funded by the project, including of Components 1 and 3, the opportunity cost of labor, and the annual operating and maintenance costs associated with the sub-projects.

49. The economic cost-benefit analysis was based on 15 potential sample sub-projects that were preidentified during project preparation for support under Component 2.²⁴ Assuming an opportunity cost of labor equaling 50 percent of the (financial) wage rate reflecting heightened unemployment in the project areas and adjusting financial costs and revenues for value added, social security fund, and income taxes, five of these sub-projects were found to yield a positive net present value (NPV) at a social discount rate of 6.4 percent and an internal rate of return (IRR) exceeding this discount rate. The sample of economically viable sub-projects was generalized to the entire Subcomponent 2.1, assuming that the sub-projects that will be supported by the project will have similar cost and return characteristics. The resulting overall project NPV and economic IRR were thus estimated at US\$8.05 million and 38 percent, respectively. The results were found to be sensitive to annual increase in production and employment, sales amount, unit prices, and opportunity cost of labor. Among these factors, it is found that the project NPV and IRR are most sensitive to annual increase in production and employment and less sensitive to opportunity cost of labor.

50. On the other hand, the financial viability of the sub-projects, which is crucial for the realization and sustainability of the economic benefits, was found to be dependent on assumptions regarding the increase in annual production and sales amount and market prices of products, and payment of social security tax for labor (21 percent) and income tax (25 percent) by enterprises registered with Inland Revenue Department, while grant co-funding of initial investments by the project appears to have little

²³ The CBS Nepal survey report in April 2019 states that total unemployment among those above 15 years is 11.4 percent (male 10.3 percent and female 13.1 percent) and Province 2 had highest 20.1 percent. Similarly, Asia Foundation Nepal, Rapid Assessment reported in April 2021 (pandemic period) shows that 41 percent females and 28 percent males lost their jobs and they were mostly from the mid-city center.

²⁴ These sub-projects span a variety of activities utilizing forest-based resources including production of baskets, leaf plates, incense sticks, asparagus, bamboo products, rattan furniture, tree samplings (in a nursery), lokta paper, essential oil, palmae, shitake mushroom, lapsi, and beekeeping and riverbed farming.



impact on the profitability of the sub-projects. This demonstrates the need for market analysis of proposed income-generating activities before project support is provided.

B. Fiduciary

Financial Management

51. **Financial Management Risk Assessment:** The World Bank’s FM assessment concluded that RRN’s FM arrangements meet the World Bank’s minimum requirements. The objective of the assessment was to determine whether RRN has in place acceptable FM arrangements to ensure that (a) the funds will be used only for their intended purposes in an efficient and economical way, (b) accurate and timely periodic financial reports will be prepared, (c) the assets will be safeguarded, and (d) other required FM systems are effective.

52. **Institutional Arrangement:** The findings of the FM capacity assessment of RRN conducted by the Bank revealed that RRN can manage FM of the project based on its current staffing and systems and with additional staffing and control mechanisms as agreed for the project. The FM team is headed by a qualified and experienced finance manager, but the Finance team needs further capacity strengthening by hiring project-specific staff for FM in line with its practice to manage FM of the project. RRN has experience in implementing well-known donor-financed operations such as a DFID-funded Community Development Project amounting to GBP 20 million, a CIDA-funded project for CAD 3 million, and the Multi-Stakeholder Forestry Project funded by DFID, the Swiss Development Cooperation, and Finland.

53. **Annual Work Program and Budget (AWPB) and Budget Authorization:** The overall RRN budget, including the project’s annual total budget, is approved by RRN’s Board with authority delegated to the Executive Director to approve activity-wise budget. It has been agreed with RRN to base project budget preparation on the Procurement Plan agreed with the World Bank. RRN will further submit AWPB for concurrence from the Bank before each fiscal year.

54. **Accounting and Financial Reporting:** RRN has in place an acceptable FM Procedures Manual and the accounting software, FAMAS developed for Nepalese NGOs’ use. FAMAS can be customized for project-specific accounting and reporting and can produce periodic reports as required. RRN’s accounting is on an accrual basis in line with Nepal Accounting Standards except for income accounting which is done on a cash basis. The project’s accounting and reporting will be customized and separately recorded in the project budget code in the FAMAS software. Also, customized reporting to fit WB’s reporting requirement. The back-up to be taken every day to ensure sufficient safeguarding of the daily accounting data. RRN will prepare quarterly interim unaudited financial reports (IUFs) showing sources and uses of funds, statement of expenses based on categories and components, Designated Account (DA) reconciliation statement, statement of grants paid to the beneficiaries and DA bank statement and submit to the World Bank within 45 days from the end of each quarter, in the format agreed with the World Bank and included in the POM.

55. **Internal and External Audit:** The financial statements of RRN are audited (both internal and external audits) timely by auditing firms, which are members of the regulatory body—the Institute of Chartered Accountants of Nepal. The auditors expressed an unqualified opinion for fiscal years 2017, 2018, and 2019 of RRN’s annual financial statements that include project income and expenditures. However, in the Management Letters, auditors have raised various observations on internal controls and procurement management. As per RRN, the audit recommendations have been implemented and their



status has been reflected in the FY2019/20 audit report. RRN will conduct quarterly internal audit and annual external audit of the project by a qualified audit firm acceptable to the Bank. The scope of the audit will also need to be reviewed by the Bank. The audit report along with the audited project financial statements, management letter and management response on the audit observations should be submitted to the WB within 6 months from the end of each fiscal year.

56. Funds Flow Modality and Arrangement: A DA in in Nepali Rupees (NPR) will be opened in a commercial bank located in Nepal under terms and conditions acceptable to the World Bank. The ceiling of the DA will be stated in the Disbursement and Financial Information Letter (DFIL). The DA will be managed with joint signatories of the Executive Director and the Finance Manager. An initial advance up to the ceiling of the DA will be made, and subsequent disbursements will be made against submission of Withdrawal Application along with statements of expenditures, sub-grant reconciliation statement for claims under sub-projects and scholarship agreements, DA reconciliation statement, and DA bank statement on the use of the initial/previous advance.

57. The payments to sub-projects beneficiaries, vendors, consultants, service providers, and others for expenditures supported by relevant supporting documents (e.g., contract, invoices, and confirmation of service/goods delivery) can be made directly from the DA.

58. For the funds flow to individual recipients under component 1 to finance the scholarships, RRN will disburse the training fee directly to the service provider based on installments while other reimbursable expenses will be paid to the scholarship recipients on an installment basis for expenses related to accommodation, travel, stationery, and other logistic arrangements as specified in the agreement. RRN will ensure that these costs will be reasonable and allowable.

59. For the sub-projects under component 2 for competitive grants, RRN will disburse the installment amounts to the sub-project recipients on submission of a statement of expenses as specified in their agreement with RRN. The percentage of installment should be progressive so that the recipients may not face financial difficulties with funding the sub-projects. The sub-project recipients of component 2 may provide their share of financing also in-cash or in-kind if required.

60. Incremental Operating Costs (IOC): RRN will be reimbursed for reasonable expenditures directly related to the administration of the Project, incurred by RRN (which expenditures would not have incurred absent the activities), including salaries for incremental staff for the Project, management services support costs, consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, postage and handling, travel, lodging and per diems, and charges for opening and operation of bank accounts required for the Project.

Disbursements

61. Disbursement will be based on the statement of expenditure. The Project will finance 100 percent of eligible expenditures inclusive of taxes, and incremental operating expenses will be financed as specified in the Legal Agreement. As RRN may not have resources to prefinance project expenses, it has been agreed that advances will be paid to the DA, which will only be documented with the World Bank based on submission of withdrawal application along with statement of incurred expenditures. Other methods of disbursing from the World Bank, that is, reimbursement, direct payment, and special commitment will also be available to the Project.



62. Funds will be withdrawn from the Bank through the submission of Withdrawal Application supported by the following: (i) initial advance to the DA specified in the DFIL, (ii) reimbursement of eligible expenditures to DA supported by (a) statement of expenditure, (b) sub-project reconciliation statement for claims under sub-projects and scholarships, and (c) DA reconciliation statement, and (d) DA bank statement; and (ii) direct payments to be made to the service providers/contractors for expenditures supported by relevant supporting documents (e.g. contract, invoices, and confirmation of service/goods delivery): relevant records (e.g. contracts, invoices, and confirmation of service/goods delivery); the minimum value of applications for these methods are specified in DFIL. The Project will submit withdrawal applications electronically through the World Bank's Client Connection website. The disbursement arrangements will be detailed in the POM.

63. RRN will incorporate the right to verify the expenditures ex-post in the respective contracts/agreements, and refunds might be requested for noncompliance with contractual/agreement clauses. The recovered amounts shall also be refunded to the World Bank. Misappropriated use of funds for activities could result in the suspension of financing to the beneficiaries concerned. The amounts not spent for the intended purposes shall also be refunded to the World Bank.

64. Implementation Support: The Bank finance team will support the implementation agencies on a regular basis, specifically through providing feedback on IUFs, during supervision missions and field visits, interactions, and training. Field visits will be more frequent in the initial stages. Once the finance staff is in place, the Bank finance team will conduct orientation/training sessions as required.

65. Retroactive financing: As requested by the Borrower, retroactive financing will be available for eligible expenditures under category 1, up to an aggregate amount not to exceed US\$56,865 equivalent for payments made during twelve months prior to the date of signature of the grant agreement. The Bank will review whether the activities are in line with the PDO/Project Description and payments were made for items/activities procured in accordance with the Bank's Procurement Regulations. These would also be subject to the Bank's fiduciary and E&S requirements. The borrower will maintain records of expenditures and transactions, including those subjects to retroactive financing, using the agreed fiduciary and E&S systems.

Procurement

66. Procurement experience on World Bank-financed projects and procurement capacity assessment: RRN has no experience of implementation of World Bank-financed projects. The procurement procedures of RRN are governed by the 'Manual of Operating', 2013, amended in 2018. Procurement capacity assessment of RRN has revealed that most of the procurement activities carried out by RRN are small value of goods, works, and consulting and non-consulting assignments. Based on the procurement capacity assessment, the procurement risk is stated to be 'Substantial'. The procurement capacity assessment of RRN conducted by the World Bank has been uploaded in the World Bank's Procurement Risk Assessment and Management System (PRAMS).

67. PPSD and Procurement Plan: According to the requirement of the Procurement Regulations, a PPSD has been prepared by RRN. The goods and services required for the project are considered of common nature and available in the local market. The Procurement Plan of the first 18 months is stated in the PPSD. The Procurement Plan sets out the selection methods and World Bank's review requirements to be followed by the agency during project implementation in the procurement of goods, works, and non-consulting and consulting services financed by the World Bank. The Procurement Plan will be updated



at least annually with the World Bank’s prior agreement. A General Procurement Notice of the project will be published in the United Nations Development Business online and the World Bank’s website before any specific procurement activities are advertised/launched. The PPSD and Procurement Plan in Systematic Tracking of Exchanges in Procurement (STEP) will be agreed with/cleared by the World Bank before project negotiations.

68. Procurement arrangements: Considering the size of the activities, all of them being small in value and complexity, under the PPSD, the main procurement methods to obtain goods and works will be Request for Quotation, Direct Selection, Open National Procurement Procedure. For consultant selection, selection Based on Consultants’ Qualification (CQS) method and Individual Consultants will be used. Procurement under sub-grants (Component 2) will follow CDD approach as per clause 5.2 of the Bank's Regulations and the procurement procedure will be stated in the Project Operational Manual. Any other procurement methods will be used in accordance with the requirements set forth or referred to in the Procurement Regulations, with due consideration to the core principles of the World Bank’s procurement policy: value for money, fit for purpose, economy, efficiency, transparency, fairness, integrity.

69. RRN will be responsible to carry out all the procurement activities and contract management under the Project as defined in the Components and detailed in the procurement plan. RRN will nominate a list of staff and their level of effort (partial or full time) assigned to execute the project activities. The level of effort of these staff on the project will be substantiated by a timesheet acceptable to the Bank. The salaries of such staff will be financed proportionately by the Project and, as part of the Incremental Operating Cost as defined in the Grant Agreement.

70. Training-related expenditures mean the reasonable costs, approved by the World Bank, for expenses incurred in sub-project preparation and coordination relating to training and workshops conducted under the project, including (a) tuition, travel, and subsistence costs for training and workshop participants; (b) costs associated with securing the services of trainers and workshop speakers; (c) rental of training and workshop facilities; (d) preparation and reproduction of training and workshop materials; and (e) other costs directly related to training courses and workshop preparation and implementation (but excluding goods and consultants’ services). Procurable items must follow the adequate procurement or selection process in accordance with the applicable procurement regulations.

71. All contracts to be financed under the Project should be procured in conformity with the applicable Procurement Regulation and prior agreed in the Procurement Plan maintained using the STEP.

72. All contracts that are to finance the cost as envisaged under the IOC are to be procured following RRN’s administrative procedures, as agreed in the POM.

C. Environmental and Social Standards

73. The following ESS are relevant from the assessment of the proposed project. Table 2 lists all the relevant ESS that apply.

Table 2. Environmental and Social Standards

Standard	Relevant/Not Relevant
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant



ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8: Cultural Heritage	Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant

74. The overall social and environmental impact of the project is expected to be positive, helping to improve local livelihoods of IPLCs, promoting sustainable management of forests and natural resources, and enhancing the social resilience and adaptive capacity of IPLCs. The environmental risk is moderate. Some of the project activities which will be smaller in scale will be implemented in forested areas or around sensitive biodiversity areas and require mitigation planning. Anticipated adverse impacts may pertain for example to biodiversity, forests, soil erosion, and possibility of use of herbicides and pesticides to protect the planted saplings and eliminate invasive plants and natural vegetation cover. The social risks and impacts of the project are rated Moderate. No displacement and involuntary resettlement are expected to occur. Nonetheless, there may be instances where the use of and access to forest resources may be restricted due to changes in forest management practices introduced or funded by the project; thereby impacting community access to natural resources adversely. In addition, the award of grants, if not properly communicated to competing awardees, may be misconstrued as discrimination and result in tensions and localized conflicts. Since the DGM Nepal Project will involve local people as community workers in the management of forests, planting of trees, establishment of tree nurseries, and so on, this could expose them to a series of community health and safety risks. In this context, RRN will also assess sexual exploitation and abuse (SEA) and sexual harassment (SH) risks and implement appropriate mitigation measures. The design and preparation of the project was preceded by thorough consultations involving forest sector stakeholders, selected representatives of IPLCs, and government representatives at the national and provincial levels.

75. RRN has prepared and disclosed Environmental and Social Management Framework (ESMF) for addressing the environmental and social risks as aforementioned of activities supported under the DGM project. The ESMF specifies rules, guidelines, and procedures for the activities requiring ESMPs, Pest Management Plans, Indigenous Peoples Plans, and other environmental and social impact mitigation, management, and monitoring actions. The ESMF includes a screening tool which will be applicable for all sub-projects supported under Component 2(i) of the project. The ESMF includes a Process Framework that addresses potential adverse impacts from the restriction of community access to natural resources. The environmental and social issues identified through screening will be integrated into activity-specific Environment and Social Management Plans (ESMPs) as applicable. An Environmental and Social Commitment Plan (ESCP) has been prepared and agreed with RRN. The ESCP sets out measures and actions required for the project to achieve compliance with the relevant ESS over a specified time frame. The ESCP is incorporated by reference in the Grant Agreement.

76. **Climate change and other co-benefits.** The project will support Nepal’s climate change mitigation and resilience agenda. The project will contribute to the net carbon balance for the Forests for Prosperity Project which was calculated over 5 years of the implementation phase and 25 years of the capitalization phase. For the Forests for Prosperity Project, over the total 30 years, the forest in the project area (The



DGM Nepal Project will invest in the same area as the Forests for Prosperity Project) would sequester 17.74 million tons of carbon dioxide equivalent (tCO_{2e}). This would mean a carbon sequestration of 166.9 tCO_{2e} per ha or 5.6 tCO_{2e} per ha per year. Afforestation would sequester 2.19 million tCO_{2e}, and the improved forest management would contribute 15.55 million tCO_{2e}. In addition, the shift to SFM will increase the resilience of forest ecosystems to the impacts of climate change and other natural disaster and improve social resilience as ecosystem services are maintained that are essential for rural livelihoods and ecological restoration such as soil stabilization, water regulation, and habitats for biodiversity.

77. **Citizen engagement.** Nepal has a long history of engaging forest-dependent people through the promotion of CBFM, both to achieve conservation outcomes and meet household subsistence needs. The project's active support to such people and communities will promote demand-side social accountability. Feedback mechanisms will be developed to ensure transparency, accountability, and learning as well as a continuous dialogue with target beneficiaries and other stakeholders. The framework for citizen engagement includes (a) engagement of local communities in CBFM; (b) community engagement in site-specific planning for smallholder forest plantations on public lands and small farmers' private plantation; (c) support to a feedback mechanism for the targeted beneficiaries through social audits and satisfaction surveys; (d) support for building the Government's capacity for meaningful engagement with the targeted beneficiaries; and (e) third-party monitoring of project activities. The protocol and mechanisms for elements of this citizen engagement framework will be detailed in the POM. A PDO-level indicator 'People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forests' (number, disaggregated by gender and indigenous/non-indigenous/otherwise disadvantaged group) captures the number of IPLCs benefitting from the project. An intermediate results indicator 'Satisfaction of beneficiaries' (percent, level of commitment disaggregated by gender and age) will measure the level of satisfaction of the involved IPLC with the implemented activities and their results.

78. **Gender.** The project's design has benefited from gender analysis conducted as part of the Environmental and Social Assessment carried out for the Forests for Prosperity Project as well as under the Nepal REDD+ Readiness Project. In Nepal, almost 89 percent of women compared to 70 percent men are involved in agriculture and forestry value chain management. Despite their substantive input and role in forestry-related work, it is limited at subsistence level hence likely undervalued as unpaid work. Women's representation is also negligible in forestry policy-making decision bodies, institutions, and in forest-related skilled jobs. The data show that less than 1.2 percent women fully/partially own 183,000 operational micro, small, and medium enterprises [MSMEs] in Nepal²⁵ including forest-related MSMEs. Lack of financial literacy, entrepreneurial skills, financial services, and unequal property rights are key barriers identified for women's engagement in skilled jobs and enterprises. The project will contribute to closing the above gender gaps by (a) creating opportunities for women to benefit directly from value addition to forest products; (b) providing forest use and management rights to women-led households; (c) promoting female IPLC leaders; and (d) building the knowledge and skills of women in both informal and formal institutions, through participation in capacity-building activities. The activities are expected to narrow the gender gap.

79. **Legal Operational Policies.** No other safeguard policies are triggered for the Project.

²⁵ www.uncdf.org/article/4358/is-lack-of-access-to-finance-impeding-the-growth-of-female-led-small-businesses-in-nepal. February 26, 2019.



	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

80. **Grievance and Redress Services (GRS).** Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank’s attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

V. KEY RISKS

81. The overall residual risk for the project is **Substantial**.

82. **Political and Governance risks - Substantial.** In principle, the federal system provides opportunities to decentralize development benefits and make service delivery more effective and accountable. The pandemic also underscored the role of local governments, especially in deploying social programs. However, the risks of political uncertainty, jurisdictional overlap between the three tiers of government, and lack of clarity and coherence between policies and devolved powers will remain in the coming period. The World Bank is closely monitoring the country situation and maintains regular dialogue on the development agenda with all key stakeholders to mitigate any risks that may be influenced by political change. While the extent to which political risks can be mitigated through project-specific measures is limited, the Project design includes specific actions to build public support through broader stakeholder participation, strategic communication, and outreach. Other measures include implementing the institutional strengthening activities under the Project, dialogue, and close collaboration with GoN entities, and proactive engagement by the WB team and management as issues arise.

83. **Macroeconomic risks - Substantial.** One major uncertainty is the continuation of import control measures to mitigate pressures on international reserves, which could affect growth through lower trade-related tax revenues, depressed private consumption and production, and lower capital expenditures. A second is the ongoing war in Ukraine, which could lower travel demand and extend higher global commodity prices in the medium term. While downside risks are significant, Nepal’s strong record of sustained macroeconomic stability during periods of large exogenous shocks demonstrates a growing capacity to navigate future macroeconomic risks.



84. **Financial Management - Substantial:** This is the first World Bank project which RRN will implement. Throughout project implementation, RRN will submit an Annual Workplan and Budget (AWpB) for concurrence by the World Bank prior to the beginning of each fiscal year. The existing accounting policies and procedures of RRN and, additional FM procedures specified in POM and grant manual will be applicable to the project. Only incremental operating costs (as defined in the Grant Agreement) will be charged under the project. RRN will submit quarterly an Interim Unaudited Financial Report (IUFR) to the World Bank within 45 days from the end of each quarter, in the format agreed with the World Bank and included in the POM. A quarterly internal audit and an annual external audit of the project will be conducted by the auditing firms. The external audit report will be submitted to the World Bank no later than 6 months from the end of each fiscal year. All payments will be made by the central office including small grants to the bank accounts of the beneficiaries.

85. **Disbursement:** The disbursement for the Project will be based on the statement of expenditures. A Designated Account (DA) in Nepalese Rupees (NPR) will be opened in a commercial bank acceptable to the World Bank and payments to the payees will be made from the DA. Funds will be disbursed by the World Bank on submission of a Withdrawal Application for: (i) initial advance to the DA specified in the Disbursement and Financial Information Letter (DFIL); (ii) reimbursement of eligible expenditures to the DA; and (iii) Direct Payments to be made to the service providers/contractors for expenditures supported by relevant supporting documents (e.g. contract, invoices, and confirmation of service/goods delivery).

86. **Procurement.** Procurement for the project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers²⁶, dated July 2016, revised November 2017 and August 2018, November 2020, hereafter referred to as 'Procurement Regulations', and the provisions of the Grant Agreement. In addition, the project will also follow the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006, and revised in January 2011 and July 2016. All expenditures in the category of incremental operating costs may follow the implementing agencies' procedures acceptable to the World Bank.

87. RRN, as the project implementing agency, will be responsible for carrying out all the procurement activities and contract management under the project. RRN has no experience with implementing World Bank-financed projects. A Project Procurement Strategy for Development (PPSD) and Procurement Plan have been developed by RRN.

88. Based on the procurement capacity assessment, the procurement risk is stated to be 'Substantial'. General procurement arrangements are provided in annex 1 and further detailed in the POM.

²⁶ <https://worldbankgroup.sharepoint.com/sites/ppfonline/PPFDocuments/9ba99724aaa8408b9bc0926a17edba0f.pdf>



VI. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Nepal

Dedicated Grant Mechanism for Indigenous Peoples and Local Communities in Nepal

Project Development Objectives

The Project Development Objective (PDO) is to strengthen the capacity of targeted indigenous peoples and local communities to participate in Nepal's REDD+ processes at the local, national, and global levels.

Project Development Objective Indicators

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Name: Project beneficiaries with increased role in the FIP and other REDD + processes at local, national or global levels. (% , disaggregated by gender and indigenous/non-indigenous group)		Percentage	0.00	75.00	Annually	Data captured through interviews and feedback surveys conducted by the RRN (NEA).	Beneficiaries, RRN

Description: This indicator is for capturing the level of success of the activities related to capacity building which is a priority for the DGM.



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
<p>The denominator of this indicator is all participants (net counting) who directly participate in capacity development activities funded by the DGM, and the numerator is the number of participants who respond in an ex-post survey or an interview on whether their role or influence in FIP and other REDD+ processes increased compared to before participating in the activities. The survey or interview captures the response (“yes” or “no”), along with supporting anecdotal evidences.</p> <p>Note: This is a modified version of the core sector indicator for Social Inclusion which is: Vulnerable and marginalized beneficiary population who participate in non-project consultations and decision making forums (%).</p>							
Name: People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forests. (#, disaggregated by gender and indigenous/non-indigenous group)		Number	0.00	8,500.00	As per sub-grant agreement.	Data provided by grantees to RRN.	Grantees, RRN
<p>Description: This indicator is for capturing the scale of sub-projects/activities’ impact, including both monetary and non-monetary benefits, as well as incentivizing active participation and involvement of women in the sub-projects/activities. Non-monetary benefits may include improved access to forests, improved clarity of tenure, improved understanding or awareness of forest-climate policies and negotiations, etc.</p> <p>“People” are those who directly participate in interventions funded by the DGM and derive benefits from them. Persons who benefit from interventions without directly participating in the activity should not be counted (i.e., community members receiving media outreach or radio broadcasts funded by DGM). When estimating the number of people trained, it is essential to avoid double counting – that is, if same individual participates in a series of similar training events he/she is counted only once.</p>							
Name: Project beneficiaries perceive DGM governance and processes as transparent		Percentage	0.00	75.00	Annually.	Data captured through an annual survey.	RRN



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
and inclusive. (% disaggregated by gender and indigenous/non- indigenous group)							

Description: This indicator is for capturing the level of representation, equity and transparency of the DGM governance structure through stakeholder surveys and helping the task team address the risk of conflict among stakeholder groups.

Stakeholders includes grantees, members of NSC (National Steering Committee) and GSC (Global Steering Committee), IPCLs that present proposals to DGM for funding and government representatives involved in the FIP and DGM in the countries. “Transparent” is defined in terms of timeliness, accessibility and scope of the disclosure of the DGM related information and materials to the public at the country and global levels. “Inclusive” is defined in terms of the intensity, frequency and accessibility of DGM related processes through the program cycle. Surveys could capture direct “yes” /“no” answers for both “transparency” and “inclusiveness” with supporting anecdotal evidence.

Intermediate Results Indicators

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Name: Targeted REDD+/SFM-related capacity development events based on needs assessment (#)		Number	0.00	40.00	Annually.	Event records, event summaries, incl. list of participants	RRN

Description: This indicator will measure the number of capacity development events organized by the project based on the capacity needs assessment conducted during year 1 of project implementation.



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Name: Beneficiaries that have participated in capacity development events on process for securing community forest use and management rights, including the recognition of traditional livelihoods and customa		Number	0.00	500.00	Annually.	Project records	RRN
Description: This indicator will measure the number of beneficiaries that have participated in capacity building activities on the process to secure forest use and management rights with the recognition of traditional livelihoods and customary governance.							
Name: Consultations with 3-tier governments on REDD+/forest-related topics (#)		Number	0.00	25.00	Annually.	Consultation summaries.	RRN
Description: This indicator will measure the number of consultations between beneficiaries and representatives from the national, provincial and local governments on topics relevant to REDD+/forest policies and regulations.							
Name: Sub-projects successfully completed and achieved their objectives (consistent with FIP objectives).		Percentage	0.00	75.00	Annually.	Data source will be progress and completion reports from sub-grantees verified by RRN during supervision missions.	Sub-grantees and RRN



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
<p>Description: This indicator is for capturing the level of success of sub-projects funded through DGM, promoting learning on what worked and what did not, and applying lessons learned to the future project design and implementation.</p> <p>To assess if a sub-project “successfully completed and achieved their objectives”, the following criteria will be used: (i) activity completed; (ii) fund disbursed; and (iii) results achieved.</p> <p>(i) Activities completed: All activities presented in the proposal of the sub-project are completed within the project period.</p> <p>(ii) Funds disbursed: All approved funds were disbursed for eligible activities.</p> <p>(iii) Results Achieved: Target(s) of indicator(s) on the sub-project objective is mostly achieved.</p> <p>To be considered as “successfully completed and achieved their objectives”, the sub-project needs to fulfill both criteria, as documented by RRN and reviewed by the NSC. For the results to be considered as “mostly achieved” by the sub-projects RRN and the NSC may decide what may be appropriate in the DGM Nepal project, based on the nature of activities financed.</p>							
<p>Name: Grievances registered related to delivery of project benefits that are actually addressed (%)</p>		Percentage	0.00	90.00	Annually.	Data captured through grievance redress focal point within RRN.	RRN
<p>Description: This indicator is for measuring the effectiveness of the accountability as well as transparency mechanisms established by DGM and to help address stakeholder risk.</p> <p>Project monitoring systems in each pilot country should provide information on (a) the number of grievances made and (b) the number of these grievances that are resolved. This indicator will be a simple percentage of these two numbers, allowing projects to make a statement such as “x percent of grievances received through project redress mechanisms were resolved”. Further information, for example that captures the nature of grievances, or plaintiffs’ satisfaction with the outcome, will be beyond the scope of this indicator.</p> <p>Note: This is a core sector indicator for Participation and Civic Engagement.</p>							



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Name: Knowledge products disseminated (#)		Number	0.00	25.00	Annually	Project records, project website	RRN
Description: This indicator will measure the number of knowledge products developed and disseminated for various topics pertaining to the DGM Nepal project.							
Name: Satisfaction of beneficiaries (% level of commitment disaggregated by gender and age)		Percentage	0.00	75.00	Annually	Surveys	RRN
Description: This citizen engagement indicator will measure the rate of satisfaction of the project beneficiaries regarding their engagement in project implementation							



Target Values

Project Development Objective Indicators

Indicator Name	End Target
Project beneficiaries with increased role in the FIP and other REDD + processes at local, national or global levels. (% , disaggregated by gender and indigenous/non-indigenous group)	75.00
People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forests. (#, disaggregated by gender and indigenous/non-indigenous group)	8,500.00
Project beneficiaries perceive DGM governance and processes as transparent and inclusive. (% , disaggregated by gender and indigenous/non-indigenous group)	75.00

Intermediate Results Indicators

Indicator Name	End Target
Targeted REDD+/SFM-related capacity development events based on needs assessment (#)	40.00
Beneficiaries that have participated in capacity development events on process for securing community forest use and management rights, including the recognition of traditional livelihoods and customa	500.00
Consultations with 3-tier governments on REDD+/forest-related topics (#)	25.00
Sub-projects successfully completed and achieved their objectives (consistent with FIP objectives).	75.00
Grievances registered related to delivery of project benefits that are actually addressed (%)	90.00
Knowledge products disseminated (#)	25.00
Satisfaction of beneficiaries (% level of commitment disaggregated by gender and age)	75.00



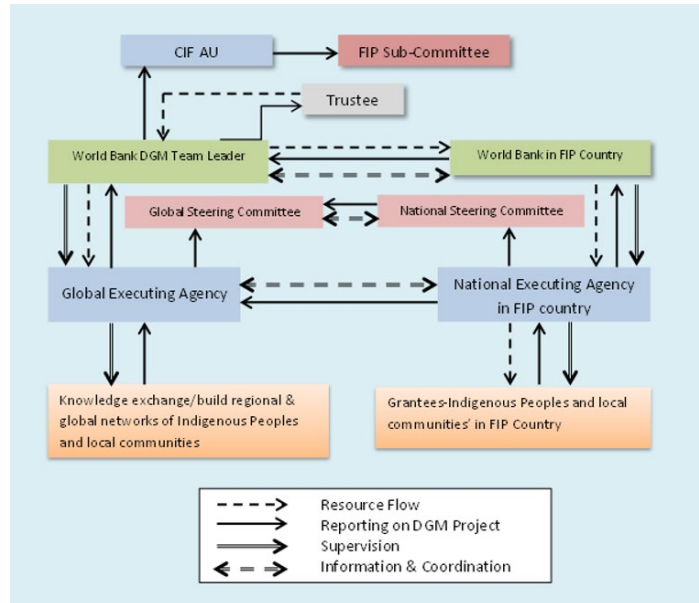
Appendix A: Implementation Arrangements and Support Plan

Dedicated Grant Mechanism for Indigenous Peoples and Local Communities in Nepal

Governance

1. In accordance with the Global DGM guidelines, the DGM Nepal Project has developed a governance and management framework for handling collaboration, coordination, partnership. The Project has a National Steering Committee (NSC) and a National Executing Agency (NEA). The NEA (RRN) and the Global Executing Agency (GEA), will support the NSC and GSC in executing the project and will have fiduciary oversight. The NSC will provide strategic advice to project implementation, with the RRN implementing the project (see figure 1).

Figure 1. DGM Architecture



National Steering Committee

2. The NSC for the DGM Nepal Project²⁷ will oversee and provide strategic guidance for project implementation. The committee will also make strategic decisions for the project and approve the proposals for the sub-projects to be financed under Component 2. The grant-making process is detailed in the GOM for the project. The NSC, assisted by RRN, will submit a semi-annual progress report to the

²⁷ The NSC has 14 members representing their indigenous people and local community groups. The membership was established through a self-selection process. The NSC has two co-chairs—one each from the indigenous people and local community groups. The NSC has developed ‘Operational Procedures of the National Steering Committee under the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities for Nepal, 2076 BS’ which provide details on the governance and operations of the NSC.



GSC on the implementation of the project. All decisions by the NSC will be disclosed publicly on the DGM project web page. The NSC will participate in the national REDD+ Steering Committee and liaise with provincial-level REDD desks to ensure that DGM lessons can inform relevant policy and programmatic processes at the national, provincial, and local levels. The NSC will actively seek feedback from IPLCs on the project, identify needs, and collect and send ideas to the GSC to be supported by the Global Component. To ensure consistency and synergies with the Forests for Prosperity Project, the NSC will closely collaborate with the MoFE and MoITFE in Madhesh and Lumbini Province.

3. One NSC member will participate as a member in the GSC. NSC members represent IPLC communities, balanced to the extent possible by geographic area, community, and gender. In addition, the NSC may have observers from other civil society groups, private sector and the Government. One representative from the MoFE will be observer to the NSC. RRN will provide secretariat services to the NSC.

4. The Government representative will provide inputs during these meetings on technical soundness, operational feasibility, and alignment of proposals with national policies. The representative will also help the NSC link DGM activities with relevant rural development/forestry programs in Nepal to strengthen synergies and enable the NSC to demonstrate clear links with FIP activities, as well as the national REDD+ committee and other climate change programs. The representative will observe the decision-making process of the NSC but will not take part in the selection of grant proposals for subproject funding, which will be decided solely by the NSC members.

National Executing Agency

5. The RRN was selected by the NSC through a competitive process. RRN is a not-for-profit and nonstate organization that meets the programmatic, fiduciary, and safeguards requirements of the World Bank. As the NEA, the RRN will provide secretariat services to the NSC, facilitate its work, develop country-specific review and risk assessment criteria, and provide operational and financial reporting to the World Bank. RRN will be responsible for disbursing grant funds to sub-projects selected by the NSC as well as for monitoring sub-projects and ensuring appropriate use of DGM funds, in accordance with the operational and safeguards policies of the World Bank. RRN will report to the World Bank.

6. RRN will enhance the DGM Operational Guidelines, making sure that the DGM procedures are country-specific and tailored to respond to national context. Other responsibilities include maintaining documentation for the project, following the communications strategy in coordination with CI, managing grievance and complaint redress processes, responding promptly to queries, and coordinating with CI.

Global Steering Committee

7. The GSC will provide intellectual and policy leadership to and monitor the overall implementation of the DGM program. It will report to the FIP governing body on the overall progress of the program. The GSC also has an important role in external interactions with contributor countries and other partners to advocate for IPLCs in international forums on issues involving climate change and REDD+. Representatives of the GSC will also assist in disseminating information and raising awareness about the DGM in their countries and identifying opportunities for additional resources and expansion of the program. The GSC will ensure that lessons derived from the program are widely disseminated. The GSC will mediate complaint and grievance issues if requested by the NSC. The GSC will also approve the annual work plan to be implemented by the GEA for the Global Component.



Global Executing Agency

8. CI is the GEA for the DGM Global Project. CI was selected by the World Bank as GEA through a competitive process. CI provides secretariat functions for the GSC. CI carries out the agreed activities of the Global Component and has the responsibility for the overall communications and outreach activities of the DGM. It will coordinate with the NEAs in the FIP pilot countries, including RRN in Nepal to monitor and document implementation progress, and coordinate knowledge and learning exchange activities. CI provides liaison with global partners working on similar issues to enhance synergies and learning opportunities through the DGM. CI can also provide support and information to the NEAs as needed.

9. CI facilitates a grievance redress and complaints mechanism on behalf of the GSC. For the implementation of the Global Component, CI seeks approval of its work plan by the World Bank and reports to the World Bank on the program, including on fiduciary aspects. CI implements activities of the Global Component in compliance with the World Bank’s operational policies, including safeguards.

Managing Grants

Scholarships (Part 1.1.(c))

10. Sub-Component 1.1 (c) will provide scholarship to individual beneficiaries, especially women from vulnerable and marginalized IPLCs primarily in Madhesh and Lumbini provinces, for attending vocational training colleges enhancing their technical skills to be employed in the forest sector or run their own businesses. The process, including criteria for selecting the beneficiaries of the Scholarships (see figure 2) is further detailed in the GOM.

Figure 2. Scholarship Selection Process



11. During a regular meeting, the NSC will set aside a budget envelope for scholarship grants. The NSC will request RRN to call for applications and manage the selection process as per agreed procedures detailed in the GOM.

12. RRN will communicate the call for scholarship applications using multiple media. Applications would need to be complemented by a Letter of Recommendation from the Local Government or, as applicable, an IPLC organization or group. RRN will review and assess the submissions against agreed criteria and develop a shortlist consistent with the agreed budget envelop. The short list and supporting documentation will be submitted by RRN to the NSC for review and approval. The decision will be recorded in the minutes of the NSC meeting and published on the DGM Nepal Project website. RRN will inform the individuals with approved scholarship grants and sign a contract specifying eligible expenditures and mandatory reporting such as participation in course sessions and test results. Funds will be transferred as agreed in the GOM. It is envisaged that RRN will pay the course or training fee directly to the service provider. RRN will pay other eligible personal expenses related to the course or training (e.g. travel, lodging) directly to the beneficiary as specified in the GOM.



13. RRN will supervise the scholarship recipients who will report on the use of the scholarship resources and furnish a final scholarship report once the course has been finished.

Grant-Making Mechanism (Part 2.1)

14. Subcomponent 2.1 of the project will operate a competitive grant-making mechanism. The grant-making process (see figure 3) will follow an eight-step process which is further detailed in the GOM.

Figure 3. Grant-Making Process



15. During its regular meeting, the NSC will consider and agree on (i) the topic(s) for an upcoming CfP and (ii) a related budget envelop. The NSC will request RRN to issue the CfP and manage the grant-making process.

16. RRN on behalf of the NSC will issue the CfP in accordance with the agreed procedure described in GOM. RRN will review submitted expressions of interest (EoIs) based on the agreed criteria and invite proponents with cleared EoIs to develop a full sub-project proposal. RRN will support proponents with proposal writing as needed. Proponents will submit their sub-project proposals to RRN. RRN will review the full proposals against the agreed criteria and develop a prioritized short list consistent with the agreed funding envelope and a reserve list. The short list, reserve list and supporting documentation will be submitted to the NSC for review, discussion, and approval in an NSC meeting. The decision will be recorded in the minutes of the NSC meeting and published on the DGM Nepal Project website. Once funding is approved, RRN will inform the proponents by e-mail. RRN and the proponent will sign a sub-project agreement for the sub-project and transfer the funding consistent with the agreed payment schedule. RRN will supervise the implementation of the sub-projects and the grantees will report on implementation progress and furnish a sub-project Completion Report (SCR) once the grant is closed.

17. IPLC Organizations will be eligible for funding.

18. RRN will develop a grant management platform which will capture all relevant data of the grant-making process, including proponents for each CfP, rejections and approvals, grant amounts for sub-projects, supervision reports, progress reports, completion reports, and any other relevant communication between RRN and the grantees, which will be reflected in the GOM.

Grievance Redress Mechanism

19. In accordance with the DGM Framework Operational Guidelines, a GRM will be established by RRN. Consistent with the World Bank’s ESS 10, the GRM will ensure that complaints received from local communities and other stakeholders related to the project implementation are (a) properly documented, (b) receive timely resolution, and (c) be reported (with regard to complaints received and actions taken on each complaint). Regardless of the nature of the grievance, RRN shall ensure that complaints are addressed in a transparent and fair manner.

20. The focal point for DGM Nepal Project GRM will be RRN’s Social Development Specialist. The levels for resolution of grievances will be discussed and agreed upon with the NSC. The GRM will be multi-



layered, starting with RRN with provisions for escalating complaints to the NSC. Complaints received will be resolved by RRN, failing it will be elevated to the NSC. Complaints related to the NSC's decisions on grant applications, will be referred to the NSC. A World Bank staff member may be invited by the NSC to clarify relevant policy matters if complaints relate to Bank's policies and procedures. Complaint that are relevant on DGM operations, but do not fall under the mandate of DGM Nepal, will be referred to the GSC's Grievance Subcommittee for redress.

21. The monitoring platform under the common GRM will be used. RRN will record all complaints received in a publicly accessible online system that will allow complaints to be tracked and monitored. All feedback and complaints received will be displayed on the DGM website in an appropriate manner, depending on local circumstances.

22. In each instance, the written response will indicate which entity (for example, NEA, NSC, or GSC) will handle the complaint. That entity will then seek agreement with the complainant on the approach to be followed. The parties will engage in the process, implement the agreed actions, and record the outcome. Alternatively, the parties could be unwilling or unable to engage in the process. In this instance, the complainant will be offered the options of taking the matter to the next level, that is, NSC or GSC, referring the issue for mediation or closure. The appropriate entity will record all outcomes in writing. It is expected that resolution and closure should occur within 30 days of receipt of the initial complaint at the staff level.

23. Regardless of where a complaint is handled (that is, at staff, NEA, NSC, or GSC levels), the dedicated staff member will prepare a brief written note on the options discussed with the complainant(s) and the agreed action(s) to be taken to resolve the issue. Following implementation of the agreed action(s), the outcome will be recorded (that is, resolution and/or closure) and both parties will sign the document. Whether agreements are reached through direct conversations or mediation, all supporting documents of meetings needed to achieve resolution should be part of the file related to the complaint. At all stages of the process, RRN will keep the World Bank team informed and maintain a comprehensive record of all correspondence and decisions on the issue. The above-mentioned grievance and complaint mechanisms are to be conducted without prejudice to any additional mechanism established by the World Bank to address related issues of damage. Grievance redress guidelines are included in the POM.

24. RRN will ensure easy access to culturally appropriate information about the DGM Nepal Project and its GRM. The contact persons and contact channels will be disclosed on the DGM Nepal Project and DGM Global Project websites. They will also be disseminated through information-sharing meetings organized by RRN in each region and through radio and other culturally appropriate means of communication. All documents and reports related to the implementation of the DGM Nepal will be translated into Nepali and available on the DGM Nepal Project web page. RRN will also maintain open lines of communication and actively reach out to stakeholders. RRN will regularly review feedback received, respond to questions and comments on the websites, and report to the NSC on actions taken.



Appendix B: Map of Project Site in Nepal

COUNTRY: NEPAL

Dedicated Grant Mechanism for Indigenous Peoples and Local Communities in Nepal

