



4.5 REDD+ and forest governance in Nepal

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Introduction

Since the 1980s community forestry has been an important factor in arresting the degradation of the extensive forests of Nepal's middle hills. Approximately 17,000 community forest user groups in Nepal manage more than 1.2 million hectares (ha) of forests. These forests provide a large and growing repository of carbon, which is restored and conserved through the efforts of local communities.

Under the global climate change negotiations under the United Nations Framework Convention on Climate Change (UNFCCC), developed and industrialized nations offer incentives to developing countries for their efforts to minimize forest degradation and deforestation that decrease carbon dioxide emissions. This Reducing Emissions from Deforestation and Forest Degradation (REDD) approach has been broadened (REDD+) to explicitly include increasing forest carbon through the sustainable management of forests and forest carbon conservation and enhancement.

In 2009 the first initiative to test the REDD+ approach in the Himalayan Hindu Kush region was launched in Nepal. This pilot project involves local communities in monitoring the carbon in their forests and rewards them for the extra carbon sequestered in their forests. It also incorporates features that direct the REDD+ payments to poor and marginalized forest users. The initiative is showing considerable promise as a way of providing incentives for local communities to build up the carbon in their forests and thus reduce levels of carbon dioxide.



PARTICIPANTS ARE
LEARNING IMPORTANT
LESSONS ABOUT BENEFIT
SHARING, LOCAL FOREST
CARBON MONITORING

AND THE MONITORING AND VERIFICATION
OF REDD+ PAYMENTS.

A pioneering REDD+ project

A pilot forest carbon trust fund was set up in 2010; it directs REDD+ payments to forest user groups in watersheds in three districts of Nepal's middle hills. The trust fund and the

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associated work of establishing a governance framework for the REDD+ payments is financed by the Norwegian Agency for Development Cooperation (Norad) and implemented by the International Centre for Integrated Mountain Development (ICIMOD) in partnership with the Federation of Community Forestry Users Nepal (FECOFUN) — an umbrella network of community forestry user groups (CFUGs) in Nepal — and the Asia Network for Sustainable Agriculture and Bio-resources (ANSAB).

The goal is to provide financial incentives to CFUGs to continue and enhance their work of improving the condition of their forests so as to lock up more carbon. This initiative is carried out by CFUGs at the watershed level to promote coordination and to limit transaction and monitoring costs. The overall objective is to inform Nepalese policy-makers about how to implement REDD+ payments in setting up a nation-wide forest carbon fund. The initiative is also important internationally: REDD+ is a new concept and the procedures for implementing it are still being worked out.

The means of calculating payments

The initiative began by identifying three watersheds (Table 1). These were chosen for being accessible from Kathmandu, having large forest-dependent indigenous populations and for representing different kinds of forests and different stages of community forestry development. The three watersheds have more than 10,000 ha of community forest, which are managed by 105 CFUGs and their 18,000 member households.

Table 1. Characteristics of the three REDD+ watersheds

Forest and district	size (ha)	Indigenous populations	Forest types
Kayarkhola watershed (Chitwan district)	2,382	Chepang and Tamang	Mature sal forest (<i>Shorea robusta</i>) down to 300 m above sea level (ASL)
Ludikhola (Gorkha district)	1,888	Gurung and Magar	Sub-tropical forest with sal regeneration from 1,300–1,800 m ASL
Charnawati watershed (Dolakha district)	5,996	Thami and Tamang	Lower temperate forest to maximum 2,600 m ASL

The procedures for measuring carbon and making REDD+ payments to the user groups were worked out in 2009 in consultation with stakeholders and incorporated in technical guidelines. These guidelines describe how to measure the amount of forest carbon in the forest in the main carbon pools of the trees, the below-ground biomass (roots), litter, herbs, saplings and soil.

The partners who were implementing the project then trained 42 local resource persons (LRPs) on facilitating user groups to measure forest carbon. These measurements are made by users groups assisted by the LRPs; this means that the expertise to carry out the work is lodged in the local areas and measurements can be carried out at a relatively low cost. The LRPs receive small payments for this work.

Measuring the carbon

The first baseline carbon measurement was made in February–April 2010 from 570 sample plots in the three watersheds. The 250-m² plots provided representative samples of densely forested areas (70% or more canopy cover) and sparsely forested areas across the 105 community forests. One year later, in the same three months, the amount of carbon in the plots was remeasured. The data show an average mean annual increment of 2.67 tonnes of carbon per hectare, or 1.2% of the total carbon in these forests. The increment varied considerably between the three watershed areas (Table 2). The low increase in the Chitwan forests reflects the fact that the forest there is mostly mature, slow-growing sal trees (*Shorea robusta*).

Table 2. Increase in carbon in three watersheds, 2010–2011

Forest and district	increase in carbon (%)
Kayarkhola watershed (Chitwan district)	0.5
Ludikhola (Gorkha district)	2.5
Charnawati watershed (Dolakha district)	1.1

Measuring socio-economic aspects

The amount of forest carbon accrued in community forests only accounts for 40% of the calculation of total REDD+ payments. The other 60% is calculated on the basis of the socio-economic criteria shown in Table 3 so as to direct more benefits to traditionally marginalized and poor people. The aim of including these socio-economic criteria is empowering poor and disadvantaged users by encouraging them to advocate for REDD+ payment money to be spent in ways that benefit them by focusing expenditures on forest and livelihood improvements.

Table 3. Criteria for making pilot REDD+ payments to community forests

Criteria	Proportion	Descriptions
Carbon sequestration (forest carbon stock and increment)	40%	24% is for forest carbon stock and 16% is for forest carbon growth
Proportion of Dalit user households in CFUGs	15%	Dalits (ex-“untouchables”) are amongst the poorest of the poor in Nepal
Proportion of users who are indigenous people	10%	Indigenous people are traditionally more forest-dependent than other groups
Proportion of users who are economically poor	20%	Each watershed decided on indicators to classify poverty, including land holdings, income levels and asset ownership
Proportion of women in the CFUGs	15%	This criterion will probably be revised to become a measure of women’s empowerment, such as the number of women in CFUG decision-making positions

Payments

The users, with assistance from the project and newly formed multi-stakeholder monitoring committees, gathered the carbon data and socio-economic data and entered it on official claim invoice forms. The claims were checked by the watershed advisory committees and forwarded to the centre. However, from year two an independent agency will check and verify the claims.

For the first year Norad provided a US\$ 100,000 seed grant for the trust fund. Based on the claims, a total of \$ 95,000 was distributed to the 105 CFUGs. This ranged from \$ 87 for Amalekharka CFUG in Dolakha district to \$ 4,264 for Kankali CFUG in Chitwan district.

Use of REDD+ payments

The operational guidelines specify that the REDD+ payments must be spent on nine types of activities; these are related to improving forest condition, promoting sustainable forest management, improving local livelihoods and monitoring forest carbon. Users have to indicate on their claim invoices how and where the payments will be invested.



The CFUGs are investing their REDD+ payments to improve the management of their forests by establishing fire breaks to reduce the risk of destructive fires, by promoting the stall feeding of livestock to reduce forest grazing and by installing biogas and improved cook stoves to reduce firewood consumption. Some are spending their REDD+ payments on improving the livelihoods of poor users. The user group that received the largest REDD+ payment (Kankali) spent most

of its money on establishing fish farming for the poorest user group members. Many of the Gorkha user groups spent their money on preventing the fires that cause considerable damage to their forests each year.

Payment structure

The project has established several multi-stakeholder institutions to implement, oversee and monitor the REDD+ payments. This structure ensures that the views of all the main stakeholders are well represented and that the payment process is efficient and fair (Figure 1). The fund is managed by the Project Management Unit, which is responsible for managing the data and making the REDD+ payments to the user groups. According to the plan, this work will be carried out in the future by a government entity.

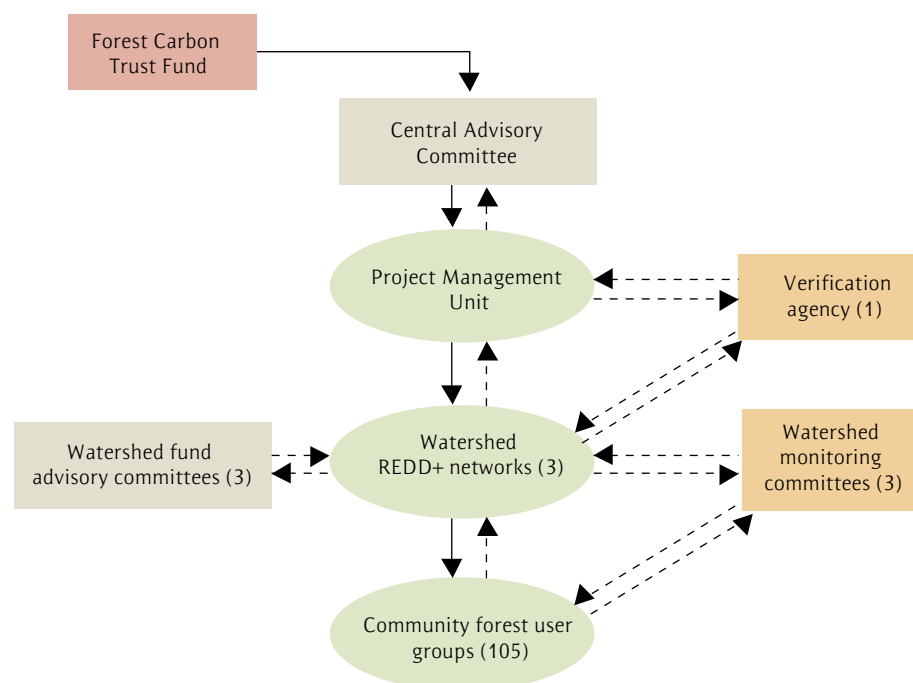
The structure of the fund

Advisory committees

The fund is governed at the central level by a multi-stakeholder Trust Fund Advisory Committee and at the watershed level by advisory committees of watershed-level stakeholders. The central advisory committee is made up of government and civil society representatives, including the REDD cell of the Ministry of Forests and Soil Conservation

(MFSC), the Nepal Federation of Indigenous Nationalities (NEFIN), the Dalit NGO Federation, the Himawanti Nepal women's Network and FECOFUN. This body is responsible for overall decision-making about the trust fund and REDD+ payments.

Figure 1. The structure and system of the Pilot Forest Carbon Trust Fund



Note: Dotted lines represent reporting, data and information flows; solid lines represent REDD+ payments

The three watershed-level REDD+ advisory committees meet quarterly to review progress and approve claim invoices from forest user groups and forward REDD payment claim invoices to the central advisory committee. The watershed-level committees are made up of representatives from district forest offices, local government and organizations representing community forest user groups, indigenous people, Dalits and women.

These advisory bodies provide multi-stakeholder institutions with guidance on the fair distribution of carbon funds and ensure more equitable distribution of the revenue generated by community forestry.

Watershed REDD+ networks

While the advisory committees ensure that procedures are properly followed, three newly established REDD+ watershed networks provide a platform for forest users to learn about REDD+, share experiences, address issues and conflicts and to ensure that users' rights are respected. Most importantly, they facilitate collective REDD+ decision-making by stakeholder communities.

A representative from each user group attends the monthly Watershed REDD Network meetings. The three networks also inform other stakeholders at the national (FECOFUN), watershed (network members) and community levels (user groups) about the benefits of carbon storage under new global mechanisms for mitigating climate change.

Monitoring committees

The local multi-stakeholder monitoring committees oversee the monitoring and facilitation of user groups in each watershed. These committees assess the CFUG REDD activities and facilitate the CFUGs for proper utilization of payments.

Verification agency

The first payment through the trust fund was made based on the recommendation of the forest carbon trust fund advisory committee over the claims invoices sent by CFUGs. The second round of claims will be verified by an independent verification agency; this will be a private consulting company. A monitoring, reporting and verification (MRV) framework document has been developed by the project to carry out the REDD+ activities and to regulate the REDD+ payments. The MRV framework document is based on the methodological standards and social and environmental safeguards of the Verified Carbon Standards (VCS) and Climate, Community and Biodiversity Standard (CCBS). The independent agency will verify the accuracy of claims in terms of the technical, social and environmental aspects of the operational guidelines of the pilot trust fund and the MRV document.

REDD civil society alliance

A civil society alliance has been set up to promote the REDD+ approach, within the project, but mostly in a wider context. The alliance is made up of representatives from women's, Dalit, indigenous people and community forestry civil society organizations and representatives from the media and natural resource research institutes.



FECOFUN is the alliance secretariat. It organizes regular meetings where members discuss issues related to forestry, climate change and REDD+ in Nepal. The alliance has held several discussions with representatives from the REDD cell of the MFSC and has learned about the development of international climate change policies and Nepal's climate change negotiations. A particular focus of the alliance is to ensure that social and environmental safeguards are

observed in order to secure the rights of indigenous and disadvantaged people. On behalf of the alliance, FECOFUN and NEFIN attend government REDD working group meetings and include the REDD agenda in the national policy process.

Challenges and risks

This pilot initiative has successfully set up a means of directing REDD+ payment to forest user groups by establishing technical and operational guidelines and the institutions for governing the system. There are, however, several substantial risks and challenges.

Sustainability challenge

The main challenge in the progress of this initiative has been its sustainability. The REDD+ payments are being made from a seed grant provided by the donor, rather than from the international carbon market. Donor funds are available only until 2013. The payments to users being linked to a fixed amount provided by the donor, not to potential — much larger — amounts from carbon offset funds. This means that users have less incentive to store more carbon in their forests. Another sustainability challenge is the under-representation of the government and private sector in the REDD+ payments governance structure.



User rights

One of the central rationales of REDD is that the main stakeholders must have secure rights over their forests. This will motivate them to increase levels of forest carbon, which often involves long-term efforts. Although Nepal's CFUGs have use rights over their forests, political instability and frequent changes in forest policy mean that these rights are not secure. The government is proposing to revise the 1993 *Forest Act* to impose much higher government taxes on products harvested from community forests. Another related issue is the lack of clear policy on who owns soil carbon (roots); CFUGs have management rights only over the above-ground parts of trees and other vegetation in their forests.

Protecting all forests

An inherent risk in community forestry is that users will protect their community forests, but exploit and degrade other accessible forests outside project sites. This could also happen as a result of REDD+ initiatives that focus on community forests. Users may minimize the exploitation of their own forests at the cost of adjoining forests, thus resulting in net carbon losses. The initiative has addressed the risk of this "leakage" by identifying adjoining areas of forests that participating user groups exploit and by monitoring the levels of carbon in these forests.

Rewarding good forest managers

Under the pilot system the best-managed community forests will receive lower levels of payments related to carbon sequestration, since they have already improved their community forests by adopting sound management practices. Thus, they will have the least potential to build carbon stocks. Conversely, it is the users who have adopted the fewest good forest management practices who will qualify for higher levels of payments. The issue here is how to ensure that good forest managers are rewarded.



Definition of indigenous people

The project uses the official definition of indigenous people of the National Foundation for Development of Indigenous Nationalities (NFDIN). Who is and is not indigenous is a contentious and complex issue in Nepal. Some so-called non-indigenous people have been resident in parts of Nepal for much longer than some of the “indigenous” groups.

The way forward

At the time of writing (March 2012) the user groups are carrying out their third round of carbon measurements as part of their second REDD+ payment claims. The pilot REDD+ initiative is demonstrating the potential to accomplish several things:

- motivate communities to increase the levels of carbon in their forests, both at the user group level and the watershed level;
- provide the triple dividend of climate change mitigation, climate change adaptation and improved livelihoods for forest dependent communities; and
- increase the value of forests.

Participants are learning important lessons about benefit sharing, local forest carbon monitoring and the monitoring and verification of REDD+ payments. These lessons are being communicated to policy-makers by the civil society alliance and through the frequent interactions of the alliance and FECOFON and NEFIN (who are members of the REDD working group). More studies and assessments are needed, however, to review and distil how these lessons apply to the national REDD policy process.