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# UN-REDD Programme: Targeted Support to Nepal

**Assessing options for the design of an effective, efficient and equitable fund management system for REDD+ finance in Nepal (REDD Cell, Ministry of Forest and Soil Conservation)**

**Nepal National REDD+ Readiness Process**

## Background

The REDD+ process in Nepal is advancing mainly under the leadership of the REDD Cell. The work is being carried out in three main areas primarily under the funding provided by the FCPF: 1) analytical work on reference levels and MRV; 2) analytical work on carbon rights; and 3) Strategic Environmental and Social Assessment (SESA). Most of this work is at an early stage but likely to progress significantly over the next year[[1]](#footnote-1). The REDD Cell is also coordinating inputs into the strategy process from pilot REDD+ activities and existing development partner activities that focus on forest sector development at the local and regional level (e.g. Hariyo Ban). Over the next year the government is planning to try and draw these different aspects together in order to start to build the national REDD+ strategy.

There are a number of gaps among these activities, where it will be important to make more progress in order to develop the national strategy. One of these areas surrounds REDD+ financial management at the national level, which links to the issue of ‘benefit sharing’ in REDD+. A system will need to be designed to manage and channel positive incentives from REDD+ to fund forest management activities. The R-PP and other early work[[2]](#footnote-2) drawing on lessons from existing funding systems has suggested various fund management options, such as establishing a national REDD+ Trust Fund. Some of the pilots have also established trust funds at the local level, but it is not clear how or whether such a model could be incorporated into the national financing system.

The management of public climate change finance has also received some attention beyond REDD+. For example, studies produced last year looked at how climate finance could be incorporated into national or sectoral budgets, or be delivered through stand alone mechanisms such as trust funds[[3]](#footnote-3). These issues have started to be discussed by the Ministry of Environment. The work has not considered explicitly considered how, or whether, positive incentives from REDD+ could be incorporated.

The aim of this work will be to consider in more detail how future REDD+ finance at the national level could be managed, taking into account questions about its relationship to national fiscal management policies, the pilot activities and the likely priority forest management approaches that will be supported by the REDD+ system. Such a system should also clearly take into account the results-based approach that underlies the concept of REDD+. It will draw on existing data to provide an evaluation of the options in terms of their likely efficiency, effectiveness and equity. The work will be used to inform work on financial mechanisms as part of the national REDD+ strategy.

## Goal and objective

The overall goal of this work is to support the REDD Cell in the preparation of an efficient, effective and equitable national REDD+ strategy by providing targeted support in a key area of the strategy development process.

The specific objective of the work is to assess options for the design of an effective, efficient, equitable and results-based fund management system for REDD+ finance in Nepal, and make recommendations and communicate these in a way that ensures constructive integration into the REDD+ strategy process.

## Tasks to be performed

The work will be carried out through a combination of desk research, expert discussion and consultation with key stakeholders.

The approach is likely to include the following indicative activities, but these should be confirmed during the work-planning phase of the consultancy:

1. Review existing work on options for managing REDD+ and climate finance. This should focus on Nepal but also reflect briefly on international experience in order to frame the work.
2. Analyse national financial management systems that are relevant for the implementation of REDD+ (e.g. fiscal management systems in the forest and natural resource sectors, and other sectors relevant to REDD+)
3. Consider scenarios of the levels of finance that may be channelled through the financial system (e.g. based on carbon price) and how different levels may influence design
4. Consider how to establish a clear linkage to result-based actions, and how to effectively reward such actions.
5. Consider how financial management may be linked to the broader REDD+ safeguards information system particularly in the areas of managing financial risks (e.g. corruption) and ensuring full and effective participation;
6. Develop options and recommendations for managing REDD+ finance, taking into account current thinking on the policies and measures likely to be implemented as part of the national REDD+ strategy and other relevant aspects of the strategy, such as the link to safeguard information systems. This should also take into account ongoing policy reform processes (e.g. forest sector strategy; biodiversity strategy; low carbon strategy etc.).
7. Working with the REDD+ Cell and UN-REDD to ensure the outputs are in a format that can be incorporated into the REDD+ strategy.

The above activities should use a framework that considers the likely efficiency, effectiveness, equity and results-based implications of the different options.

The work should draw on detailed discussion, through expert interviews and consultations with key stakeholders working on these issues.

## Outputs (payment proportion)

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| Output 1 | Work plan, outline including key issues to be covered, methodology and list of people/organisations to be interviewed (25%) |
| Output 2 | Assessment and first draft (25%) |
| Output 3 | Improved draft including consultation report annexes based on two consultations (national and local) (20%) |
| Output 4 | Participation in validation meeting and final draft incorporating meeting findings (30%) |

**Duration and Indicative Timing**

This work will require approximately 60 days, commencing in October 2012, and the overall timeframe of this work is six months. The first output will be due after 30 working days of commencement, and the second output after three months. The third output should be delivered within five months.

## Qualifications

The contracted organization should have a lead expert with at least an advanced degree in forestry, forestry governance, environmental economics or related field. Priority will be given to an entity with relevant experience in research in the area of forest governance and public financial management in the natural resource sector, combined with experience in facilitating multi-stakeholder consultations at national and local levels. Demonstrated ability in assessing laws and policies related to fiscal management, economics, governance and social impacts of forest and natural resource management is highly desirable.

1. In the main, TORs for these pieces of work have been produced but no actual work has been carried out [↑](#footnote-ref-1)
2. E.g. ForestAction Nepal: REDD+ Payments and Benefit sharing [www.**forestaction**.org](http://www.forestaction.org) [↑](#footnote-ref-2)
3. E.g. Bird, N (2011) The future of climate finance in Nepal. [www.odi.org.uk/resources/docs/7191.pdf](http://www.odi.org.uk/resources/docs/7191.pdf) [↑](#footnote-ref-3)