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## UN-REDD UNDP Targeted Support, Mongolia

Updated detailed concept note, 10 January 2013

# Sustainable Financing Options for REDD+ Readiness and Effective Forest Sector Policy Implementation to Support REDD+ Roadmap Implementation

# Introduction/ background to targeted support under UN-REDD

The UN-REDD Programme‘s ‘Support to National Actions - Global Programme Framework Document 2011-2015’, defines targeted support as: “All UN-REDD Programme partner countries are eligible to receive targeted support, depending upon availability of funds and capacity of the three agencies”. In practical terms, targeted support means specific technical advice and other capacity strengthening support that a country may request on a critical REDD+ readiness aspect it has identified, which is not covered through other multilateral or bilateral initiatives and where the UN-REDD Programme has comparative advantage to provide such support.  Targeted support is intended to be small-scale, demand-driven, and technical or advisory in nature, and is provided to countries by the participating UN agencies in response to country needs. It can be provided in the form of backstopping of National Programmes, or other specific technical support under the Global Programme on a critical aspect of REDD+ readiness in a country, which is not available through National Programmes or through other initiatives.”

This note replaces the concept note provided on 31 July, 2012 and available [here](http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=8219).

Type(s) of Targeted Support - Please select as appropriate:

🞎 Funding for REDD + activities implemented at the national level in support of existing UN-REDD National Programmes

⌧ Funding for REDD+ activities complementary to other nationally-defined REDD+ activities (national strategies, RPP and/or bilaterally funded REDD+ activities)

⌧Funding to support national counterparts in REDD+ partner countries to participate in capacity building that will benefit the implementation of national REDD+ activities

# Overall objective

The overall objective of this proposal is to contribute to REDD+ Readiness efforts in Mongolia, through the design and implementation of products that contribute to the successful delivery of **Outcome 1** of the REDD+ Roadmap.

# Context for the Work

Mongolia currently has one of the fastest GDP growth rates in the Asian region, at 17.6% in 2011. GDP increase for 2012 was estimated at 12.3%. This rapid growth has been fueled by the mining boom in the country. As the Mongolian economy continues to grow rapidly, one of the challenges is to ensure the country takes a path towards sustainable development, including the sustainable management of its natural resources.

As a step towards greener development, REDD+ has been identified as one of the strategic vehicles to achieve the country’s green development agenda, as indicated in Mongolia's proposed nationally appropriate mitigation actions (NAMAs) and Second National Communication to the UNFCCC. The Government is currently preparing a National Green Development Strategy.

Mongolia is currently in the process of finalizing its National REDD+ Roadmap to start implementing activities for strengthening and developing relevant policies and measures and building technical and institutional REDD+ capacities. The Roadmap sets out to deliver the following outcomes through the first phase of REDD+:

* Outcome 1: National REDD+ management arrangements established and Improved Stakeholder Consultation and Engagement.
* Outcome 2: National REDD+ Strategy prepared, with implementation framework and demonstration activities. Improved stakeholder awareness and effective engagement.
* Outcome 3: Reference emission levels and reference levels developed. National REDD+ Strategy and implementation framework.
* Outcome 4: National forest monitoring system and safeguards information system developed. Monitoring and MRV functions for REDD+ activities developed.

The REDD+ Roadmap was prepared by the previous government, setting out a plan of activities to prepare a REDD+ Strategy in Mongolia. Funding has been provided by the UNDP Japan partnership fund, the UNDP Country Office, and Targeted Support provided by UNDP and FAO. The Roadmap was validated earlier this year through a multi-stakeholder process. The 2012 elections and the formation of a new government raised some uncertainty in the status of the Roadmap but following the election the Government has made clear its continuing commitment.

The implementation of the Roadmap will not only require substantial financing from various sources for technical capacity building activities, but also adequate institutional capacities and resources at the MoEGD to effectively and strategically manage the REDD+ Readiness process. This will include linking REDD+ to overall forest sector development and the national green development agenda in order to ensure successful and long-lasting outcomes. It will also include ensuring adequate Government capacity to manage REDD+ financing in an accountable and transparent manner.

A key challenge that emerged during the preparation of the REDD+ Roadmap is that the forest sector does not appear to have been a major priority compared to other natural resource sectors, despite their importance to the national green development agenda and potential for a larger contribution to GDP. An important driver of this is likely related to the fact that the true value of this sector, particularly in environmental and social terms is yet to be fully understood by the public and policy makers. This might have resulted in the limited public sector investment to the sector and weak institutional capacity to strategically formulate, implement and coordinate sectorial polices. This is particularly important in relation to the Roadmap because Mongolia will need to co-finance the management and coordination costs of the implementation of the Roadmap. Without such co-financing, ensuring national ownership of REDD+ Readiness capacities will be difficult.

One of the major changes that emerged with the new government administration is the increase in profile of the Green Development agenda. This is illustrated by the change in the name and position of the Environment Ministry, to the Ministry of Environment and Green Development (MoEGD), which oversees the overall national development planning process. It has been accompanied by a new strategy on Green Development, which has been drafted but will be revised and improved in the period to March 2013. This could provide an opportunity to integrate REDD+ into the broader government development agenda. In order for this to happen, there is a need to better elaborate on the potential role of forests in the Green Development strategies in Mongolia.

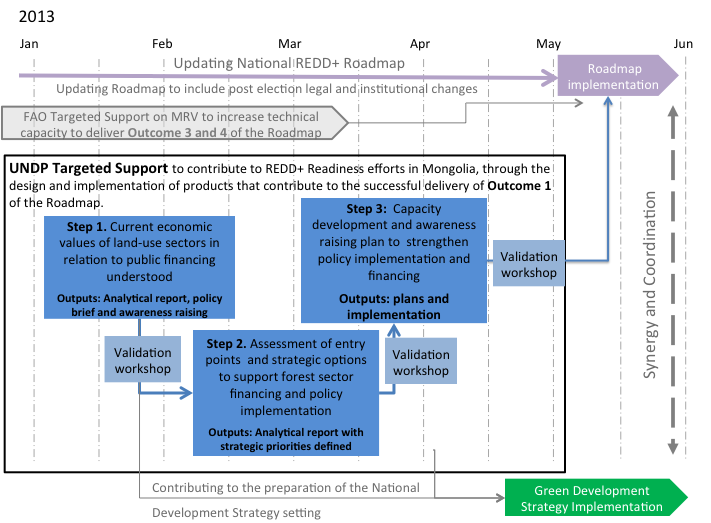
Another major change was the transformation of the Forest Agency into a division within MoEGD, to oversee forest sector policy formulation and implementation. This may provide another opportunity to raise the profile of the sector, as the Division has policy development, regulatory and implementation mandates. The targeted support should help contribute to this objective.

# Overall approach

In order to achieve the objective of this work, the expected outcome is to have the forest sector recognized as one of the priority sectors contributing to the national development agenda, and equipped with increased policy implementation capacity to strategically manage and take ownership of the REDD+ Roadmap process.

The first step of the work will look broadly at the value of the forest sector, existing financial flows and structures, and broad options for increased financing. This will give insights into how the sector is being prioritized in spending decisions and the effectiveness of existing programmes. The aim is to help support aspects of the Roadmap linked to financing, priority REDD+ policies and measures, and policy coordination, and it will have the added benefit of supporting other ongoing work linked to the Green Development. The second step will look in more depth at current policy making and budgeting processes in the sector, to identify and evaluate strategic options and entry points for increasing both financing and capacity. The third step will use this analysis to develop specific capacity building and awareness raising plans that contribute to outcome one of the REDD+ Roadmap.

All of the steps will involve close collaboration with government and the participation of other stakeholders.



## Step 1: Understanding land use sector financing flows and economic values

The study will carry out a public finance assessment of funding flows in the land-use sector, particularly from public sources, in order to make basic comparisons between sectors in terms of spending and spending priorities. It will also draw basic comparisons of the economic, environmental and social opportunities in different sectors, in order to compare whether spending correlates with potential opportunities. This is likely to require a simple land-use classification and use existing data (e.g. employment, production, etc.) to make estimates of current values. The financial analysis will be carried out in more detail for the forestry sector in order to better understand the allocation of resources and the effectiveness of policies and programmes. It will also involve more detailed analysis of the extent of current and future opportunities in the sector in economic, environmental and social terms. This assessment will be used to gain a basic understanding of the adequacy of financial flows and identify options and priorities for increasing flows.

The study will draw together existing information held by the National Statistics Office and key government Ministries such as the MoEGD, and the Ministry for Industry and Agriculture. The financial analysis will also consider broad options for increased financing.

To our knowledge there are no other recent studies with similar objectives. The World Bank carried out the most recent forest sector review, which looks at financing flows, in 2006. The FAO Forestry Project produced some reports on the sector, which may usefully feed into the work. A number of other more recent studies have focused on environmental valuation, but do not look at public financing in detail. For example the World Bank carried out a valuation study in 2010-2011 of the Tuul River Basin, which also supported the establishment of a Taskforce within government and a study tour for policy makers. The study was regionally specific, not focused particularly on forestry, and ceased when funding ran out in early 2011 so the overlaps are limited. UNEP has supported the government on the development of the National Strategy for the Green Economy, although this needs strengthening. The Government (the National Development and Innovation Committee - now evolved into the Ministry of Economic Development) commissioned a study on green economy as funded by the Science and Technology Foundation of Mongolia. This has not yet been published, but it is unlikely that it will go into much detail in terms of financing flows and valuation of the forestry sector. Nevertheless, the targeted support activities will need to coordinate carefully with such work. Coordination will also be necessary with a planned UNDP project entitled “Ecosystem Based Adaptation Approach to Maintaining Water Security in Critical Water Catchments in Mongolia”, financed by the Adaptation Fund. This project will look at the value of different ecosystem services, including forests, and will include valuation training at site level.

The work will also involve stakeholder consultations and close liaison with the government, both to ensure inputs into the work, and to streamline it with the Development Dialogue on Green Development supported by UNDP Mongolia. To ensure maximum mainstreaming into government processes, the work will consider how to link into existing structures, such as cross-ministry taskforces.

While follow up activities will be linked specifically to the REDD+ Roadmap (as outlined below), given the background outlined above, the work may also usefully feed into on-going processes linked to the Green Development Agenda being spearheaded by the MoEGD.

### Output

* Analytical report and knowledge products (targeted at Parliamentarians and policy makers) summarising findings on the land-use valuation, public finance flows and options for increasing finance. The report will be validated through a stakeholder workshop.

## Steps 2: Assessment of entry points and strategic options to support forest sector financing and policy implementation

This part of the work will seek to identify strategic options and entry points to support forest sector financing and policy implementation. It will draw on the outputs of the valuation and public finance work, but focus on gaining a better understanding of why and how decisions are made in the forest sector, particularly related to financial planning and policy delivery. It will particularly focus on current challenges in these processes, such as a lack of prioritisation of the sector by those making budgeting decisions or the capacity of the Forestry Division to develop and spend their budget. It will also look at the potential to mobilise external financing, for example through REDD+ and mechanisms such as cash transfer approaches to community forestry.

The work will be important in evaluating the potential feasibility of different options for financing the REDD+ Readiness, as well as helping to prioritise concrete capacity building activities.

While the scope of work and approach will be defined in more detail based on the outcomes from the valuation work, it is likely that it will require mapping out existing institutions, actors and financial flows, and conducting a systematic assessment of their relationships and key challenges. The proposed methodology will draw on public financial management analysis, UNDP’s Institutional Context Analysis and UNDP’s Capacity Development analytical framework. These tools can help to determine why things happen in a certain way and also help to identify possible entry points for dealing with them.

### Output

* Report summarizing findings from the analytical work, including an evaluation of strategic options to enhance forest sector financing and the effectiveness of policy implementation, and the potential entry points for implementing these options. The report will be validated through a stakeholder workshop.

## Step 3: Development of capacity development and awareness raising strategies

The final part of the work will be the development of prioritised capacity development and awareness raising plans based on the entry points and strategic options identified in the previous step. These are likely to be targeted on the Forestry Division and Parliamentarians, although the exact audience and the possible need for other types of plans, should be defined during the work. UNDP’s existing tools in these areas will be used in order to ensure that the process is robust.

### Outputs

1. Capacity development plan building on the entry points identified in the previous step, to be integrated into the REDD+ Roadmap
2. Awareness raising plan building on the entry points identified in the previous step, to be integrated into the REDD+ Roadmap

# Alignment with UN-REDD targeted support criteria

**How is this targeted support consistent with the objectives of the UN-REDD Programme?** **(in particular: links to thematic priorities of the global programme and the region; activities that will be documented and deliver lessons learnt; alignment with UNDP programmatic priorities, taking into consideration advice of the Regional Bureaux; and likelihood of achieving transformational change).**

This targeted support has clear links to two thematic priorities of the UN-REDD Programme: Output 2.2 under the ‘governance’ outcome, Output 3.3 under the ‘T.E.A.M.’ outcome and Output 6.3 under the Green Economy outcome.

* Governance outcome: The work to support the Forestry Division in Mongolia links to objective 2.2.1. *Good practice guidance on transparent and accountable institutional, legal and regulatory arrangements.* Under this objective UN-REDD is undertaking work on legal preparedness, which includes activities around supporting governments on legislative processes, led by UNDP.
* T.E.A.M. outcome: The work to support the Forestry Division in Mongolia on issues around the forest sector financing are linked to objective 3.3.1 which states that *practical guidance and assistance will be provided to developing countries REDD+ bodies in determining where and how they need to enhance capacities to be able to assume the role of fiduciary agent for REDD+ funds.* The work also relates strongly to objective 3.2.1 which includes inter alia: *Case studies on existing or developing benefit distribution system with a focus on transparency and accountability; and guidance on appropriate institutional systems for BDS for REDD+ strategies*
* Green Economy outcome: The work will also contribute to objectives under 6.3 of the UN-REDD Global Programme: “*A key UNDP objective is to assist developing countries in catalyzing low carbon, climate resilient investment. UNDP provides assistance to countries in formulating low-emission, climate-resilient development strategies (LECRDS) that bring about bottom-up national ownership, incorporate human development goals, and take a long-term outlook”*

All of these outcome areas focus on the provision of technical support to countries on these issues, which will be a key aim of the work under this targeted support.

The outputs from the activities will be documented in a series of knowledge products and shared at knowledge exchange events both inside Mongolia and eventually at a possible regional learning event on REDD+ finance and benefit sharing.

Alignment with UNDP Programmatic Priorities:

UNDP, the lead agency on governance and REDD+ financial systems as per the ‘Support to National REDD+ Actions: Global programme Framework Document”, has delineated a number of outputs and activities that are in line with the activities suggested in this proposal. These include:

Governance:

* Good practice guidance on transparent and accountable institutional, legal and regulatory frameworks
* Training and tools for REDD+ governance policy reform.
* Support to integration of REDD+ strategies into low carbon, climate resilient development planning.
* Technical and policy support to UN-REDD Programme partner countries.

In addition, UNDP, in collaboration with other agencies of the UN-REDD Programme, an area of comparative advantage is the work done on parliamentary development. While FAO and UNEP have focussed on legal analysis and drafting of regulations for REDD+, UNDP will focus more on the processes of strengthening bodies that help put laws into practice. The awareness raising aspects of the targeted support will include Parliamentarians, who have already been involved in the development of the work.

Benefit distribution systems:

* Guidance on institutional frameworks for benefits distribution systems (BDS)
* Technical and policy support to countries
* Information on other existing transaction systems in the land-based sector to create synergies with REDD+ payments

Likelihood of achieving transformational change:

The alignment of the approach with current policy priorities (particularly the new Green Development agenda), should help to increase the impact of the proposed work. It will also help to ensure cross-sectoral coordination, which will help integrate REDD+ into government processes around other natural resource sectors, such as the mining industry, is likely to be a more effective approach in the context of Mongolia where such industries are a prominent part of the economy. The work will also align with UNDP work on the Green Economy Strategy (being revised in the same period).

1. **What is the expected contribution of this targeted support to national REDD+ efforts?**

Mongolia is currently in the process of finalizing its National REDD+ Roadmap to start implementing activities for strengthening and developing relevant policies and measures and building technical and institutional REDD+ capacities. The Roadmap sets out to deliver the following outcomes through the first phase of REDD+:

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* Outcome 4: National forest monitoring system and safeguards information system developed. Monitoring and MRV functions for REDD+ activities developed.

This targeted support will help with the development and implementation of this roadmap in two areas. Firstly, the implementation of the Roadmap requires substantial financing from internal and external sources, and the Government's capacity to effectively and strategically manage financial resources for REDD+ Readiness and implementation in an accountable and transparent manner is one of the key elements for ensuring successful and long-lasting outcomes in this regard. The activities in this targeted supported are aimed at increasing the capacity of the government to manage finances linked to the forest sector.

Secondly, the activities on benefit distribution will provide initial inputs to contribute to an eventual REDD+ strategy (outcome 3), which will need to outline arrangements for financial management and benefit distribution.

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| **Results and Recourses Framework** | | | | | | | |
| **Outcome** | **Output** | **Activity** | **Budget breakdown** | | | **Lead Unit** | **Co-financing /Partner (s) (US$)** |
| **Category** | **US$** | **Source** |
| The forest sector recognized as a priority sector for achieving the national development agenda, and equipped with increased policy implementation capacity to strategically manage and take ownership of the REDD+ Roadmap process.  Indicator: Clear entry points and strategic approaches to increased forest financing identified and agreed with government by end-April 2013 | Analytical report and knowledge products (targeted at Parliamentarians and policy makers) summarising findings on the land-use valuation, public finance flows and options for increasing finance. | 1. Economic valuation of land-use sectors linking to public financing   - Analytical reports and policy brief - Stakeholder consultation for verification and feedback | Staff and other personnel costs | 30,000 | RCCEEP | UNDP (UN-REDD) | US$ 40,000 grant from APRC REDD+ (RCCEEP) for Activity 1  US$ 22,000 in kind co-financing from UNDP DGG and Capacity Dev. (CD) Team (APRC) |
| Travel | 10,000 | RCCEEP |
| Supplies, commodities, materials (Workshop/  Training) | 9,000 | TS |
| Report summarizing findings from the analytical work, including an evaluation of strategic options to support forest sector financing and policy implementation, and the potential entry points for implementing these options. | 2. Identification of entry points and strategic options.   - Evaluation of strategic options to support forest sector financing and policy implementation, and the potential entry points for implementation | Staff and other personnel costs | 11,000 | DGG |
| 9,200 | TS |
| Travel | 5,000 | TS |
| Supplies, commodities, materials (Workshop/  Training) | 8,000 | TS |
| Capacity development plan and awareness raising plan | 3. Development and implementation of plans:  - Capacity development and awareness raising plans are developed and agreed with government. These feed into the Roadmap. | Staff and other personnel costs | 11,000 | CD |
| 20,000 | TS |
| Supplies, commodities, materials (Workshop/  Training) | 9,000 | TS |
| Travel | 6,000 | TS |
| Equipment, Vehicles, and Furniture | 1,711 | TS |
| Contractual services | 10,000 | TS |
| Management | | Equipment, Vehicles, and Furniture | 6,000 | TS |
| General Operating and Other Direct Costs | 3,000 | TS |
|  | | | Co-financing (in-kind) | **22,000** |  | | |
| Co-financing (grant) | **40,000** |
| Targeted Support (TS) | **86911** |
| GMS (5%) of TS | **4574** |
| Total | **153,485** |