



Journal of

Forest and Livelihood

Vol 8 (1)

February 2009

ISSN 1684-0186

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Cultivating REDD in Nepal's Community Forestry: A Discourse for Capitalizing on Potential?

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Abstract: This paper documents and analyses how REDD discourse is evolving in Nepal. The analysis shows that while there is consensus among stakeholders to respond to the unfolding opportunity of carbon financing through REDD, the discourse does not yet clarify the basis on which Nepal's community forestry has the potential to benefit from carbon financing. Despite good intentions, there is inadequate understanding of the fundamental concept of REDD that is evolving internationally. There are a number of unsettled issues at international and national level. The potential of Nepal's community forestry to benefit from carbon financing depends on the ability of national stakeholders to resolve national issues collectively and work together to voice national interests internationally.

Key words: REDD, R-PIN, community forestry, carbon trade, benefit-sharing

INTRODUCTION

A new international carbon trade mechanism, called 'Reducing Emissions from Deforestation and Degradation' (REDD), has been proposed to curb global Greenhouse Gases (GHGs) emissions at a time when Nepal is undergoing major political restructuring. Nepal's community forestry can reap benefits by participating in REDD, but it requires addressing a range of issues and challenges to mitigate underlying causes of deforestation and forest degradation, while offering rewards to those contributing to enhance forest cover. As REDD is still an agenda of international negotiations than an established regime, there are opportunities for state parties to pursue the process, speed up domestic preparedness and identify priority action points, leading to greater or stronger position for reaping benefits. However, the opportunities are embedded in a number of challenges and complexities. Criteria for monitoring and verifying forest carbon and governance mechanisms for sharing benefit with the rightful owners of carbon, addressing leakages and additionality are some examples of the impending issues. This paper analyses these issues in the light of the ongoing national discourse on REDD.

EVOLUTION OF REDD DISCOURSE IN NEPAL

At the 13th Conference of Parties (CoP 13) of the United Nations Framework Convention on Climate Change (UNFCCC), held in Bali in 2007, it was agreed in principle to implement a policy called REDD in developing countries upon completion of the first commitment period of Kyoto Protocol, i.e. 2008-12. The major objective of REDD policy is to encourage countries which would undertake measures to minimize existing rates of deforestation and forest degradation through a mechanism of reward (by making payment). This is a major policy shift as it recognizes the role of the forestry sector, which contributes nearly 20% of the total global emissions. The payment is important for achieving the target, but there is a need to ensure that the real causes

of deforestation and forest degradations, for example poverty and inequitable sharing of benefits, among others, are properly addressed (KTGAL 2007).

Additionally, at the UNFCCC meeting held in Accra from August 21-27, 2008, REDD gained a broader support for an agreement to reward actions that enhance forest cover and is additional to avoided deforestation and forest degradation (popularly called REDD+). Once it comes into operation, this will add value to the existing forest capital and the stream of income that flows from it through reduced deforestation, reduced degradation and forest enhancement, and, hence, should theoretically benefit all primary stakeholders. However, to make claims to this income, it will be essential to demonstrate that there has indeed been a net sequestration of carbon. Other social, economic and technical issues will also have to be complied with. As the policy is still being discussed and negotiated, uncertainties associated with REDD implementation will continue to trigger more questions and debates before they are decided at the CoP 15 meeting in December 2009.

If REDD is finally agreed, this recognition may potentially generate monetary benefits to the Community Forest Users Groups (CFUGs) and that other forest sector stakeholders also can have concomitant benefits through benefit-sharing mechanism. But, the equitable sharing of the income generated through community- managed forests can be a contentious issue as it is still to be adequately addressed. Thus, chances are that there will be more conflicts over control of carbon revenue once the forestry sector begins to realize additional monetary flows through carbon trade. Though the existing legal provisions have secured prior rights for local communities over the forest resources, it does not explicitly speak of the carbon rights. Besides, the future governance structure to be brought about by the new constitution along federal principles may add up to the existing uncertainties.

Evolutionary discourse on REDD reflects that Nepalese stakeholders are struggling hard to catch up the fast changing international contexts and issues having direct

implications for national interests. Chronologically, the major events and turning points of Nepal's REDD discourse have been noted and summarized in table 1.

Table 1: Evolution of REDD Discourse in Nepal

When	What	Who
August 2004	At the fourth national community forestry workshop, concerns are expressed that the CDM is too rigid on forests exclude widely practised community-based forest management of developing countries.	Sharma, B., Karky, B.S., Dahal, N., Chapagain, N.R. & Basnet, B. 2004.
July 2005	At a National Seminar held in Kathmandu (Hotel Radisson) on July 26, preliminary research findings of carbon monitoring survey in selected community forests of Nepal are presented. A key finding was that carbon stocks are increasing at the rate of 2 to 5 tons per hectare per year.	Seminar paper presented by Dahal, N. & Sharma, B.D. 2005: Preliminary findings of Kyoto Project Survey in Nepal. NTNC, Kathmandu.
September 2007	In the book ' <i>Reducing emissions through community forest management in the Himalaya</i> ', evidence of additional carbon sequestration in community-managed forest of the Himalayas is provided.	Banskota, K., Karky, B.S. & Skutch, M. 2007, ICIMOD.
December 2007	At 13 th CoP of UNFCCC held in Bali, Indonesia, REDD emerge as a major agenda and receives wider interest. The parties agree to include REDD as a mechanism to achieve global target of emission reduction.	Nepalese delegates representing both government and non-government agencies closely follow up on this development ¹ .
March 2008	Nepal Government submits a written note to UNFCCC SABSTA Committee on Nepal's position on forest carbon financing.	MEST in consultation with MFSC, ICIMOD, NTNC and WWF draft a note for submission ² .
March 2008	A team of World Bank delegates from Washington visits Kathmandu and suggests Nepal Government to participate in competitive grants under FCPF funds by submitting a R-PIN.	The team consult MFSC officials among others. WWF organizes a consultative meeting on prospect of REDD and World Bank's R-Plan on 14 th March ³ .
April 2008	A group of MFSC and partner organizations meet and decide to jointly develop R-PIN for the World Bank's FCPF funds. The informal group meet several times in two weeks and prepare R-PIN for formal submission.	In addition to MFSC officials, representatives of fourteen I/NGOs contribute to the process at personal and institutional capacity voluntarily. SNV facilitates for consultative meetings ⁴ .
April 2008	MFSC endorses the idea of R-PLAN, and submits it to the World Bank.	A small group of volunteers closely follow up on the brief and re-brief the details to the Minister ⁵ .
May 2008	A World Bank official acknowledges Nepal's R-PIN terming it 'a comprehensive and impressive' document through an informal email message to the coordinating official of MFSC.	Contents of the message are shared among the group members.
July 2008	WWF Nepal Programme carry out a study on forest carbon stocks in selected districts of Western to Far Western Terai of Nepal.	NFA 2008.
August 2008	World Bank invites all thirty eight R-PIN applicant countries to a meeting in Paris. The meeting selects first fourteen countries including Nepal as winners for FCPF fund to develop R-PLAN (World Bank 2008).	Two Nepalese delegates defend Nepal's position in line with R-PIN. The announcement receives media coverage and criticisms ⁶ .
October 2008	A sensational front page report of a national daily that Nepal would earn NRs 4 billion (US \$ 5 million) annually by selling forest carbon in the international market under REDD provision generates immense public interest.	Gautam 2008. The report was based on quotes of MFSC officials, who refer Banskota <i>et al.</i> (2007).
November 2008	World Bank organizes first meeting with FCPF partner countries in Washington, in which a consultative committee of FCPF participant countries is formed.	3 senior officials of MFSC participated in the meeting. Nepal has been selected as a member of the committee for two years.

December 2008	UNFCCC CoP 14 th is held in Poznan in which 28 Nepalese delegates participate.	First time, MFSC officials (Secretary and under secretary) participated in this forum.
December 2008	MFSC organized a post-CoP meeting among multi-stakeholder organizations under the chair of Secretary. Though the meeting aims to discuss possible modalities of FCPF implementation, 10-15 people participate. At this meeting visiting delegates of World Bank shared their views regarding R-PLAN in Nepalese and global contexts.	Critical remarks became prominent on the World Bank led REDD process from various sections of civil society including ForestAction Nepal, FECOFUN (Ojha and Bhattarai 2008, Ojha 2008) ⁷
December 2008	LFP carried out a comprehensive review of REDD with a Nepali perspective. The study indicated that Nepal would gain better by going in volunteer market unless the regulated market remains inflexible.	Ojha, H., Baral, JC & Dahal, N. 2008. <i>Can Nepal Benefit from Forest Carbon Financing? An assessment of Opportunities, Challenges and Possible Actions. LFP.</i>
January 2009	A separate unit is established under the coordination of Minister for Forest and Soil Conservation at MFSC to deal with REDD and other forest carbon-related activities.	Nine member multi-stakeholder consultative committee under the coordination of MFSC Secretary has been formed to proceed the task of R-PLAN with FCPF funds ⁸ .

Note: Clean Development Mechanism (CDM), Ministry of Environmental Science and Technology (MEST), Ministry of Forests and Soil Conservation (MFSC), The World Wildlife Fund (WWF), Forest Carbon Partnership Facility (FCPF), Readiness Plan Idea Note (R-PIN), Netherlands Development Organization (SNV), Federation of Community Forestry Users Association Nepal (FECOFUN), Livelihood and Forestry Programme (LFP)

COMMUNITY FORESTRY AND REDD OPPORTUNITY

The declining forest capital in the mid-hills of Nepal in the 1970s raised major concerns about the protection and growth of forests and active local participation in forest management. This may be referred to as the first generation issue, which has to do with increasing the capital stock of forests. Since the 1990s, forest capital formation has been fairly successful in the mid-hills of Nepal. This can be attributed to the efforts of thousands of CFUGs, which manage their forests as per agreements reached between those and the district forest offices concerned. Nepal's community forestry is the key element behind the projection of a positive image of Nepal's overall forest status. While community forestry has addressed the first generation challenges by restoring forestry capital and by devising an institutional mechanism to manage this capital, the story is far from over. Many issues and challenges triggered by the stocks thus rejuvenated have given rise to a number of subset of issues, including ownership, rewards and distribution. This often culminated serious conflicts. This is primarily the second generation issue in Nepal's community forestry and needs to be addressed with due priority.

To date some of the 14,000 plus CFUGs are managing over a million hectares of forests and are generating income in most places (DoF 2008). In many places this capital has eased problems of firewood and fodder supplies in mountain areas. Capital formation has created opportunity for making income.

Despite achievements in the forestry capital formation, several contentious issues related to the equitable sharing of income among different stakeholders have

emerged, and may even threaten the sustainable management of this capital if issues are not duly addressed. Claim over property rights on the part of the government gave rise to conflict. For example, the Government of Nepal (GoN) attempted to exercise its property rights over this capital by claiming 40% of the cash revenues generated through commercial sale of forest products. Though the government's decision was overturned by the Supreme Court of Nepal, citing inadequate legal ground over the claim, such conflict may merely be the start.

There is now a new dimension added to the use of forests. The recognition to compensate for carbon sequestration function of forest has added to the potential value of community forest resources. After the UNFCCC meeting in Bali held in December 2007, forests in developing countries are identified as an important source of carbon sink under the concept of REDD. Once an international agreement is reached on REDD, community forests may be the potential source of extra benefits brought about by carbon conserved in their forests. This obviously would add monetary value to the existing community forests. After the REDD mechanism is framed into an international protocol, the debates would shift to the national policy arena and is likely to further accentuate the second generation conflicts unless immediate steps are taken to address the issues related to institutions and governance regarding community carbon forestry in particular and environmental services provided by forests in general. How forestry capital responsibilities and ownership will change and how to share the income from carbon is bound to take a central stage. This has come at a time when Nepal is about to draft a new constitution along federal lines, which will entail a major restructuring of the administrative

boundaries, devolution and decentralization of power. At this juncture, Nepal's competitive participation in the FCPF of the World Bank is to be much welcomed as it provides the financial resources required to prepare Nepal for possible participation in REDD in the future.

Biological sequestration of carbon from forest can occur through reduced deforestation or degradation and better management of forest. In developing countries, including Nepal, all these are primary sources and sinks of carbon. Thus, when forests in developing countries such as Nepal sequester carbon and implement measures to prevent forest degradation, they need to be compensated for the emission reduction made possible through one of these means. This was the general argument made by some developing countries in the global climate change discourse during CoP 6 held in Germany in 2000, especially after realizing the failure of the CDM to address deforestation drivers, leading to loss of large tracts of forest in the tropics (Sikkema and Kenzie 2001).

Unless a significant change is made in the existing proposal of REDD till Copenhagen in December 2009, prospect of benefiting Nepal's forest in general and community forestry in particular looks not so encouraging (table 2). It is mainly due to factors like poor documentation of deforestation and degradation (uncertainties of baselines), small scale of forests to attract global buyers and Nepal's low influence in the international REDD policy process, among others. For example, under REDD provision, Nepal's Terai forests where high rates of deforestation and degradation have been registered, could be an appropriate target for generating Emission Reduction Units (ERUs) by slowing down the rates of deforestation or degradation by a credible method. However, distribution of benefits to the Terai communities alone would be counter productive

unless a fair share were provisioned for hill communities for restoring and managing their forests in a sustainable way.

MAJOR ISSUES OF REDD

The issues concerning REDD are liable to change simply because the negotiation process is still far from complete. There are ripple effects of the changes as they interface with the national context. Some of the major international issues are outlined below, along with the key questions in the national context.

International Issues

- **Trade options:** While market-based approaches are widely discussed as an appropriate option of carbon trade, there are also skepticisms about this *modus operandi*⁹. A fund mechanism has been proposed as an alternative (Karsenty 2008). In fund-based mechanisms, the available international funds can be used to pay both for carbon saved from emissions or for implementation of such policies. Thus, funds would have less strict criteria and offer flexible options to address the equity concerns of benefit sharing and social and environmental justice. Fund approach is also expected to generate more funds and hence potentially generate greater impact. Within the market-based approach again there are options between: a) voluntary market and b) regulatory market. The latter market operates under strict guidance of the UNFCCC mandated protocols agreed in the negotiations and thus is a formal one. Annex I (industrialized countries enlisted in Kyoto Protocol identified as having high GHG emissions rate) countries prefer this market as they need to show that they have achieved the mandatory targets through purchase of emission reduction credits. The regulatory

Table 2: Prospect of REDD Benefit to Nepali Forest Sub-sectors

Forest Category (Biomass stock and area)	Status of forest in Terai	REDD Prospect*		Status of forest in mountain	REDD Prospect*	
		Interest of Intl buyers	In-country benefit sharing		Interest of International buyers	In-country benefit sharing
Community Managed Forest	Stable/ declining	Medium	Medium	Growing/ stable	Low/ Medium	High
Government Managed Forest	Declining significantly	High	Medium	Stable	Low/ Medium	Medium
Protected Areas	Stable or growing	Low	Low	Growing /stable	Low	Low
Total Forest	Declining	High	Complex and contested**	Stable/ growing	Low/ Medium	Contested and risk of perverse ***

* Based on original concept of REDD, it is assumed that good performances made against highly deforested and degraded areas will fetch good REDD benefits provided that other sub-national areas having no negative impacts remained at least a status quo.

** Lack of clarity of stakeholders and drivers of deforestations, sharing the benefit will be complex as multiple groups may stake their claims.

*** Unless the hill communities received a fair share of REDD benefit for their good performances, there might be risks of perverse impact.

market, however, may not necessarily be in the interest of smaller developing countries as the monitoring, validation and verification costs would be too high for their smaller or medium-scale projects and hence may not be financially feasible. Alternatively, a voluntary market has emerged parallel to the regulatory market where buyers and sellers of emission reduction credits deal informally, though they try to follow the guidelines of regulated market up to the level of their interest. For a country like Nepal, voluntary market would be more appropriate. This is indicated by experiences from Nepal's biogas and micro-hydro projects which so far have not been successful to receive certified emission reduction credits despite their registration with the CDM executive board a couple of years ago. Strict criteria often attribute to project unfeasibility in the least developed countries who often lack such capacity. The case is a bit different in the voluntary market where a lot depends on the negotiation between buyers and sellers as to how the overall validation and verification process has to be complied with. Though the price of voluntary market is usually less than the regulatory one, the former inherits flexibility, in which third party verification is not mandatory. Also, there are debates whether REDD should be within regulatory mechanism of UNFCCC or leave outside it (voluntary carbon markets) or separate mechanism and market for REDD. Risks of flooding of carbon market with REDD credits are highlighted as that could damage the entire carbon financing mechanisms of the world.

- **Permanence of carbon and avoidance of leakage:** Ensuring permanence of carbon in a paid forest under the REDD scheme has been the major issue. For example, the challenge lies in making guarantee that the carbon sold will be kept intact till the agreed compliance period, particularly in the face of unpredictable cases like fire, diseases, governance failures, etc. Monitoring and verification of leakage elsewhere are also fundamental issues. It is very important to ensure that a local forest is saved not at the cost of a distant forest or by meeting demands of fuel wood and timber from other non-renewable sources such as cooking gas, coal and metallic poles, which is against the spirit of the emission reduction protocol.
- **Rights of indigenous and local people:** There are both risks (mainly for losing their traditional rights to access and use of forest resources) and opportunities (of making additional income through sale of carbon) of REDD to local and indigenous communities. Bali declaration has emphasized protecting the rights and interests of indigenous peoples. Though recognition of sustainable management of local forest by the communities is a positive gesture, the question of actually addressing their real concerns is still far from being resolved.

- **Baseline selection/reference period:** A stumbling issue is defining a base year for reference against which forest stocks are measured for potential trade of carbon. The issue is whether the base year should be the same for all countries or that it should be country-specific in a way that diverse conditions could be captured.
- **Definition of deforestation and degradation:** Degradation is relatively a new topic, which came into prominence only in the post-CoP 11 event, prior to which only the deforestation theme had been acknowledged for the purpose of carbon trade. Criteria and characteristics for defining degradation, identifying key drivers of deforestation and methodology of measuring carbon loss from degradation are important issues that may require further research and context-specific analysis.
- **Accounting for emission:** Focus in REDD till date has been more on reducing deforestation and forest degradation, and less on forest enhancement. Given that forest enhancement through active management is more carbon-friendly than through a passive forest protection regime, the role of active forest management cannot be overemphasized. Similarly, it is important to differentiate degradation and land use changes as the latter could contribute to emissions significantly higher than the former. Therefore, while taking account of emissions from forests, whether to measure carbon by taking a comprehensive account of all land-use practices in the project areas or only to partially limit the activities to forest tree biomass.

Key Issues in the National Context

The national REDD issues are not exclusive to any single country but are interlinked with or overlap a number of others. Indeed, the international phenomenon would largely control the national process as well. Therefore, the landscapes of national debates will keep changing depending on the progress of ongoing negotiations after CoP 14 in Poznan.

Once REDD is decided through international agreement, implementation of the same will be a matter of national sovereignty. Clearly, the success of REDD+ (i.e. account of forest carbon stocks not only from reduced deforestation and degradation but also from enhanced carbon stocks) programme will depend on governance policy at different level. Heading already towards federalism, Nepal, in its simplest form at least four levels of hierarchical governing bodies can be discerned: national, autonomous state, district and local. Obviously, there has to be clarity at local level on how the funds should be distributed or utilized. The proposed administrative structure, and hence the resource governance thereunder, may face a setback, particularly if the current tenurial regime and the use right practices under the current community-based management models are somehow curtailed.

The national sovereignty issue on REDD implies that the state will be the recipient of the financial rewards of any carbon credits. It would of course be wise for the state to distribute the major benefits to the custodian of the resource and retain only a part for itself as administrative and monitoring cost. Clearly, many difficulties are likely to be encountered, and hence the need to design a governance system capable of addressing the aspirations of a number of stakeholders having a vested interest in conserving the resource base.

A number of key social and governance issues on REDD are still emerging and there are more questions than answers. They serve as discussion agendas while formulating a national strategy to participate in REDD. For example, a key question is: How will equity issues in the distribution of financial benefits be resolved given the following scenario?

- a. Stakeholders in different parts of the country have different natural forest growth rates. How to develop a system that awards more to those who have managed their forests better for a longer period of time?
- b. How to share benefits among members of a community if forest interventions are managed at community level?
- c. Different levels of government/administration which have overheads related to REDD, and all of whom therefore have some claim: national level, sub-national level, intermediary organizations, and landowner/user. Also, a matter of serious concern is how to keep down these overheads at each level?
- d. Control of corruption in the payment system. Discouraging frauds at different levels are real threats for achieving the REDD benefits.
- e. Clarity and accessibility to the stakeholders for registering their interests.
- f. Ensuring that all possible participants are timely informed in such a way that they can decide whether they want to participate.
- g. Developing a mechanism to resolve disputes regarding claims to given parcels of forest as regards carbon ownership.
- h. Developing principles and methodological guidelines for assessing carbon gains/losses and institutionalizing a verification mechanism amongst themselves, peers, intermediary bodies and the state.
- i. Seeking agreements on the basis for making payment to registered carbon stakeholders for any potential carbon gains (e.g. quantitative basis, area basis, lump sum basis or the like).
- j. Finding suitable mechanism for the registered stakeholders who lose rather than gain carbon.

- k. Planning an organizational structure required to manage all these based either on existing institutions or on a new organization.

Some of these issues have already surfaced during development of a proposal (known as R-PIN) to the World Bank's FCPF. Details of the proposal and process followed are discussed in the following sections.

Role of FCPF Grant in Setting REDD Climate in Nepal

The World Bank, soon after the CoP13 meeting in Bali, created FCPF with the stated objective of providing support to developing countries to be ready for REDD by 2012. FCPF is essentially a pilot scheme, not a fixed template for REDD (World Bank 2008). It is designed to identify positive incentives that will help ensure an 'economically effective and socially just' implementation of REDD. The FCPF consists of two funds: a Readiness Fund, rolled out in 2008, and a Carbon Finance Fund to be launched subsequently in 2010. 'Readiness' involves the preparation of target countries for implementation of REDD, including a coherent national strategy, development of skills, infrastructure and legal frameworks. Perhaps the most important element of the REDD mechanism is the drawing of baselines and reference scenarios for deforestation and degradation.

Till December 2008, the Bank has endorsed applications of twenty countries in two rounds of selection. Nepal is among the first fourteen countries selected in the first round and now eligible to receive 'readiness support' (approximately US\$1-2 million). With the FCPF fund countries can prepare themselves for making appropriate response to REDD, but this is no guarantee for actual carbon transaction with the World Bank. It will, however, provide a chance for the participating countries to be engaged in a new forestry carbon transaction business thereby also putting them in a better negotiating position in the international policy process. Thus, if handled properly, the World Bank's FCPF can play a critical role to help Nepal develop a sound basis for developing the necessary policy, instruments and institutional arrangements required for sustainable management of Nepal's forests, which will also pave the way for the implementation of REDD in a fair and equitable manner.

In mid April 2008, an initiative taken by an informal meeting of senior officers from various organizations of government and non-government sectors concluded that it is in the interest of Nepal to participate in World Bank's recently announced FCPF. They also agreed to form a team of experts under the coordination of a senior officer of the Foreign Aid Coordination Division of the MFSC for preparing R-PIN. Thirty persons voluntarily offered their support in various capacities and the R-PIN was prepared and submitted by April 15, 2008. The process of preparing R-PIN may be called an exemplary

one in terms of coordination, cooperation and self-motivation of all stakeholders concerned.

By December 2008, the MFSC organized several rounds of consultative meetings among the stakeholder groups, including those who had contributed in developing R-PIN. Though R-PIN was prepared with the sole purpose of convincing the World Bank to win competitive grants, it provided an important perspective of Nepal on REDD and possible areas of actions. As requested in the proposal, a sum of US\$1 million has been committed to Nepal to carry out various activities deemed essential to prepare for REDD (World Bank 2008)¹⁰.

Two major outcomes expected from REDD readiness actions include revitalizing motivational capacity of local communities by carving attractive incentives to tackle the forest loss and securing public forest cover as a major source of income, apart from the supply of timber and other forest products. The REDD readiness fund is also expected to contribute to addressing the main elements of causes of deforestation such as poverty, inappropriate policy, political instability, lack of appropriate management institutions, inadequate incentives for managing forest, and lack of clearly-defined tenure structure. Nepal's R-PIN has spelled out the benefits of the REDD preparedness actions as follows:

The benefits from carbon sales would be incremental and will promote sustainable development and encourage more forest to be conserved. Community Forest (CF) are already raising second generation issues related to inadequate incentives for protecting forests, distributing income and also helping the poorest of the poor and marginalized in more effective ways. All these increased benefits-both tangible (income increase) and intangible (social equity and distribution of income) and devolved and decentralized institutions may motivate communities to better manage their forests, thereby ultimately helping halting forest degradation.

The major action components planned in the R-PIN are presented in table 3.

Nepal's R-PIN discerns that the key factors contributing to forest loss are lack of clarity in the tenurial system of forests, government resettlement programmes, unsettled settlements, illegal clearing of forest for agriculture and illicit felling of timber for smuggling across the border. The suggested actions include: a) strengthening of sustainable forest management; b) adoption of principles of green accounting and forest sector contribution to environmental services, including carbon sequestration; c) equitable benefit-sharing mechanisms for grass roots beneficiaries; d) linking of forest management to livelihood promotion and markets; e) stronger mechanisms to check timber smuggling and poaching; f) operationalization of good governance principles in forestry sector; and g) capacity

building of multi-stakeholders across vertical/horizontal level of governance.

Local Actions for Meaningful Participation in REDD

Nepal will have to actively participate in the ongoing international dialogues and discussions on REDD and at the same time also start creating an enabling environment for an effective and equitable implementation of REDD, within the changing context of its emerging politics. Nepal's comparative advantage in the community forestry can be useful to demonstrate that, with capacity-building efforts, communities can measure carbon in their forests. However, the results from these technologies will require ground verification. It has been demonstrated that local people with secondary-level school education can carry out the carbon measurement tasks independently after they are provided with short training in carbon measurement (establishing sampling plots and recording biomass) by using standard forestry tools and Global Positioning System (GPS) (Banskota *et al.* 2007). Such a protocol is cost-effective and does not compromise with scientific rigours and validation either. Application of such community-based methodological approach helps to empower local communities as they can make additional income, participate in capacity-building exercises and generate employment. This will have implications for maximizing benefits for local communities through reduced transaction costs. Many other issues will emerge at different levels, across sectors and political and administrative boundaries. At this stage it is important to anticipate issues that are likely to emerge. The social infrastructure that already exists in the forestry sector of Nepal has to be effectively utilized to plan for REDD and its effective implementation.

Some key actions required for Nepal's REDD preparation are the following:

- Defining a base year and carbon stocks for setting baselines.
- Preparation of possible modalities and guidelines for sharing REDD benefits and responsibilities among stakeholders in federal structure.
- Identification of options for reducing transaction costs and introduction of community-based carbon monitoring methodology.
- Monitoring of change in forest carbon stocks in various ecological regions.
- Verification of carbon credits.
- Development of an equitable benefit-sharing mechanism.
- Strategies for meeting REDD targets, including reinvesting a part of income from carbon trade to address core problems such as timber smuggling,

Table 3: Major Activities Planned for FCPF

S.N.	Main components	Expected Areas of Work
1	Scoping Study-REDD	Preparation of ToR, Status Quo on REDD potential, Identification of key areas of support, Identification of key stakeholders and partnerships for REDD, Draft Proposal for Road Map on REDD and NFCAG
2	REDD Planning/Strategy	Process Steps, Multi-stakeholder Workshops, Formalization of National Forest Carbon Action Group (NFCAG) and Learning Networks
3	Capacity Development System	Institutions, Human Resources, Monitoring and Evaluation, Quality Management Systems, Forest Inventory, Awareness-building Material etc.
4	Governance	Convergence/cross-sectoral Coordination and Cooperation, Micro-macro Linkages, Financial/ Accounting Systems, Benefit Sharing
5	Grass root models	Community Forestry, Protection/conservation Areas, Public Forests
6	Documentation and dissemination	Best Practices, Key Lessons, Key Publications

Source: MFSC 2008

unsustainable harvesting and poverty reduction of the population dependent on forest resources.

- Protecting the rights of forest-dependent people.

Challenges in Implementing REDD

Implementing REDD requires the capacity to understand and meet international commitments through verifiable projects/policy performances at national level. Addressing international issues in the national context is particularly challenging to Nepal where governance and institutional capacity is weak mainly due to the ongoing process of state restructuring. In this context, probably the biggest challenge to progress towards REDD readiness lies within the government bureaucracy and willingness of stakeholders to work collectively for a common cause. Slow progress in multi-stakeholder consultation meetings organized by the MFSC's Foreign Aid Coordination Division has indicated that things could get complicated or should be preparation for a difficult situation as well. At the meeting several attempts to build consensus on agendas of establishing an implementing mechanism of REDD preparedness activities and focal unit within MFSC could not materialize. The question was whether the focal point should continue to be the Foreign Aid Coordination Division of MFSC itself or some other units. Inconclusive debates mostly among government officials led to the postponement of the matter for future. Also, the efforts to formalize the project implementation mechanism have not materialize even after five months of the World Bank's announcement of the first round of FCPF grant winners in August. These hindrances have emerged as procedural challenges for making a smooth progress on addressing REDD issues.

Challenges also lie in the international REDD debates where Nepal has a stake in framing the policy. Representing Nepal in these multi-dimensional negotiation processes is no less challenging, particularly in the circumstances when national priorities and trade-off dealings are rarely discussed and debated at home.

For example, a number of new proposals and research findings have emerged with the objective of addressing the aforementioned issues of REDD. As a case in point, a dual carbon finance mechanisms with separate targets for REDD and non-REDD emission reduction units are proposed (Ogonowski *et al.* 2007). To make a good decision requires understanding of implications of both mechanisms for which a multi-stakeholder consultation mechanism would be the best option. Nepal has already achieved good progress through this mechanism, though the pace of progress is far from being satisfactory. Challenges faced during the REDD readiness planning exercises in Nepal may be the lessons for future preparation."

To summarize the discussions over issues and challenges in the previous sections, lists of questions are raised below with the objective of leading the readers back to the core theme of this paper.

- Lead REDD coordinating agency: Who will establish eligibility criteria to participate, verify methods and data? Though initially the Foreign Aid Coordination Division of the MFSC took REDD initiative in connection with the World Bank's FCPF, it is very important to designate an authority to deal with and coordinate actions. Timely decisions about the national focal point for REDD (whether to be rested in the MEST in the capacity of the UNFCCC focal point or the MFSC who led initiative for REDD through participation in FCPF or in a separate entity to deal these issues) is important to avoid confusions.
- National baseline: What should be the criteria for establishing national baselines of forest carbon and other services?
- Formalization of a national stakeholders' forum for REDD and forest carbon financing, which will develop principles and methodological guidelines for assessing carbon and gains/losses (This has just been developed with three tiers: Coordinating/WG/Cell).

- Updating database and carbon monitoring: How to generate verifiable data cost effectively and monitor carbon stocks and flows?
- Dealing with credible international buyers: How to trade carbon with credible international buyers and who are they? How to assure them of credible carbon emission reductions?
- Roles of various stakeholders: What will be the roles of existing forestry-related institutions and actors who have been engaged at various capacities?
- Benefit sharing: What principles and criteria should be followed to distribute funds and ensure that they reach relevant carbon sequesters groups?
- How to control corruption in the payment system?
- Who will develop a mechanism to resolve disputes regarding claims to given patches of forest as regards carbon ownership?
- How will forest property right issues be defined in the new constitution?
- Are policies adequate to address ownership of carbon credits and who will address new policies?

While the list of questions and issues goes on and on till the international agreement on REDD is signed, possibly at the CoP 15th scheduled at the end of 2009. Some of the key national REDD issues and questions are expected to be settled through a multi-stakeholder consultation process. They have already moved towards implementing initial activities of FCPF and would complete by mid of 2009.

CONCLUSION

The inclusion of forest enhancement to REDD is a positive decision and adds value to the forests managed by communities in developing countries. Nepal can benefit from REDD and help mitigate the negative impacts of climate change. To claim the benefits Nepal has to demonstrate in the world market that carbon sequestration is real and in the domestic front it will have to maximize the retention of carbon benefits and distribute them equitably among all stakeholders. There is scope to involve CFUGs in measuring and monitoring forest/carbon growth. With the awarding of funds from FCPF of the World Bank, Nepal has the opportunity to develop policies not only for the implementation of REDD but also for moving towards sustainable forest management. For effectiveness of REDD, however, the forest-based mitigation and adaptation measures must ensure delivery of sustainable development, build resilience in rural communities, and ensure full participation of forest-dependent people, civil society, forest workforce and the private sector (Forest Dialogue 2008).

Finally, the support received by Nepal for essential capacity-building activities for possible participation in

REDD mechanism is very timely and should be directed to: a) influence the current international policy dialogues in favour of Nepal, along with other least developing countries; b) develop criteria for country-specific baselines and monitoring techniques for determining forest biomass stocks; c) develop a benefit-sharing mechanism in federal governance structures; and d) secure a fair price of carbon saved in Nepal's forest. Through the engagement of key stakeholders such as FECOFUN, there is ample time to work on these crucial issues for a win-win plan through which both communities and government share the benefits for achieving common public good.

The roles of key stakeholders such as FECOFUN can be very important at this juncture. These emerging issues need to be addressed in the changing context of the Nepalese politics and the international policy on REDD. Because the REDD mechanism is still evolving and there are opportunities for planning and implementing precautionary measures to avoid possible conflicts and other unforeseen risks.

An implication of this is that national stakeholders may soon get frustrated when they confront the hard realities of market-based carbon financing and the associated complexities of transactions involved. In addition, equitable distribution of carbon revenues among the forest rights holders is challenging given the complex and numerous national level governance issues.

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¹ The number of Nepalese delegates to CoP 13th was thirty including the authors.

² ICIMOD wrote a letter to MEST, providing a position paper developed by a project team called 'Kyoto: Think Global, Act Local'. Relevant portion of the paper extracted and developed a submission note by the participants of the meeting.

³ The author made a presentation and facilitated discussions to this meeting.

⁴ A number of drafts for discussions were circulated among the members of the working group of volunteers including these authors.

⁵ Also, these authors were invited to clarify the ideas and points at the ministry.

⁶ In a criticism, FCPF is called as new form of colonization of developing countries through the World Bank. See Dhakal, B. 2008: email message circulated in Global Mountain Forum Network, among others.

⁷ Meeting note of REDD policy discussion organized by FECOFUN in January 2009.

⁸ Email message circulated by MFSC (Foreign Aid Coordination Division) on January 18, 2009.

⁹ European Union has acknowledged that a market-based REDD is not appropriate in the short to medium term (pre-2020). http://ec.europa.eu/environment/forests/pdf/sec_2008_2619.pdf

¹⁰ Fourteen developing and nine industrialized countries formally joined partnership to REDD.

¹¹ Multi-stakeholders consultation meeting note of June 4, 2008 circulated among group members mentions that some of the participants expressed their reservations, frustrations and reluctance towards the prospect of REDD mainly because of its abstractness, complex processes and unclear mechanisms, among others.