



**Operational Guidelines
of
Forest Carbon Trust Fund
(2011)

For

Regulating SEED GRANT
under

Community Forestry REDD+ Project
Nepal**

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Abbreviations/Acronyms

ANSAB	Asia Network for Sustainable Agriculture and Bio-resources
CFUG	Community Forests User Group
CoP	Conference of Parties
DDC	District Development Committee
FCTF	Forest Carbon Trust Fund
FECOFUN	Federation of Community Forest Users' Nepal
FoP	Forest Operational Plan
Ha	Hectares
ICIMOD	International Centre for Integrated Mountain Development
IPs	Indigenous Peoples
MoFSC	Ministry of Forests and Soil Conservation
NEFIN	Nepalese Federation of Indigenous Nationalities
NORAD	Norwegian Agency for Development and Cooperation
PMU	Project Management Unit
REDD	Reducing Emissions from Deforestation and Forest Degradation
RPP	Readiness Preparation Proposal
UNFCCC	United Nations Framework Convention on Climate Change
WAFAC	Watershed Fund Advisory Committee
tC	Metric tonnes of carbon (ton of carbon)
VDC	Village Development Committee

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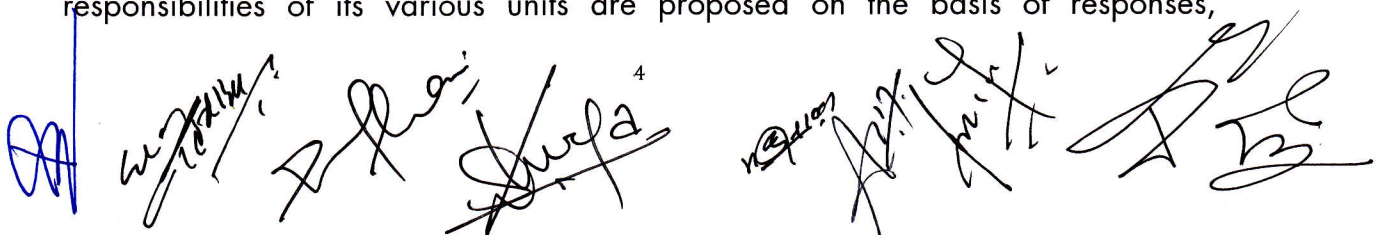
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Introduction

This document sets the structure of the Forest Carbon Trust Fund at project level to be established by the pilot project on *design and setting up of a payment system for Nepal's Community Forest Management under Reducing Emissions from Deforestation and Forest Degradation (REDD+)*. The project is being implemented by International Center for Integrated Mountain Development (ICIMOD), Asia Network for Sustainable Agriculture and Bio-resources (ANSAB) and Federation of Community Forest Users' Nepal (FECOFUN) with the seed grant from Norwegian Agency for Development Cooperation (Norad). This document describes the institutional arrangement for managing and disbursing the REDD+ payment to the Community Forest Users Groups (CFUGs) who are the ultimate forest managers, and outlines the roles and responsibilities of the concerned institutions and committees.

This document also prescribes the criteria for payments and area of utilization of the fund. In addition, independent verification provisions are made for effective and efficient achievement of the purpose of the Trust Fund. This structure with current partners and representations will be valid for the Norad project period at project level and is operated within the scope of the project to pilot REDD+ payment with available SEED GRANT under community forest management system in Nepal. It, however, attempts to adhere to the national REDD+ strategy including Readiness Preparation Proposal (RPP) so that the fund can also be up scaled later forest carbon funds are available to the community based forestry sector from various donors, national and local sources.

The Forest Carbon Trust Fund- FCTF, its structure, its representations, roles and responsibilities of its various units are proposed on the basis of responses,

The bottom of the page features several handwritten signatures and initials in blue ink. On the far left is a stylized signature. Next to it is a signature that appears to be 'W. Khan'. To the right of that is a signature that looks like 'P. Singh'. Further right is a signature that appears to be 'S. Singh'. To the right of that is a signature that looks like 'K. Singh'. Finally, on the far right, there is a signature that appears to be 'S. Singh' and another that looks like 'B. Singh'. There is also a small number '4' written near the signature 'S. Singh'.

recommendations and ideas provided by the task force members during the meeting held at various times and from several field visits conducted in the watershed of piloting sites for the local consultation on FCTF. *The key process of the fund set up and task force representation are indicated in annex 5.*

Preamble

Affirming the role and contribution of Community Forest Users Groups (CFUGs) for reducing emissions from deforestation and forest degradation, conservation of forest carbon, sustainable management of forests and enhancement of forest carbon stock in their forest from last many years,

Realizing the urgency of positive incentive and rewarding for CFUGs in order to promote their full and effective participation in the REDD+ process and its benefit sharing,

Considering the commitments of intentional communities, government agencies and civil societies to consideration of the full and effective participation of indigenous peoples and local peoples including *Dalit* and women as well as the provisions of ILO no. 169, United Nations Declaration for Rights of Indigenous Peoples (UNDRIP), Free, Prior and Informed Consent while developing a justifiable financing for REDD+ and equitable payment system for forest communities at all levels,

Also considering the commitment of Government of Nepal for the development of payment system of REDD+ as expressed in the climate change policy 2011, Readiness Preparation Proposal R-PP and periodic development plan (2011-2013) of the government,

With the aim of contribution to the government of Nepal for the development of a payment system for REDD+ in the readiness phase and during the preparation of REDD+ strategy,

For the piloting/operating at project level as a non-legally binding instrument (de facto) for the distribution of Norad REDD SEED GRANT in pilot sites of the project on *design and setting up of a payment system for Nepal's Community Forest Management system under REDD+*,

This operational guidelines of Forest Carbon Trust Fund (FCTF) is prepared by a multi-stakeholder taskforce in participatory and consultative processes at various levels viewing to mainstream payment system, structures and experiences to align eventually to the government existing structures.

Chapter I

Preliminary

1. Short title: (1) This document may be referred as "Operating Guidelines of Forest Carbon Trust Fund 2011".

(2) The pilot phase of the eventual Forest Carbon Trust Fund will be implemented by entering into an agreement between the project partners who would be responsible for planning, execution, implementation and preparation for a fully operational of Forest Carbon Trust Fund in times to come.

2. Definitions:

a. **FCTF Advisory Committee** refers to the advisory committee formed pursuant to section 3.

- b. **Project Management Unit** refers to the management unit established with managerial and secretarial responsibility of forest Carbon Trust Fund pursuant to section 5.
- c. **Watershed level Fund Management Advisory Committee** refers to advisory committee formed pursuant to guideline 7.
- d. **Watershed REDD Network** means the Network formed in each watershed area for managing and coordinating local level activities on REDD+.
- e. **Verification Agency** means the agency consisting of multidisciplinary team including experts in technical (methodological), environmental and social aspects of REDD+.
- f. **Monitoring Committee** refers to the monitoring committee formed pursuant to section 7.
- g. REDD+ activities means the activities included in section 18.
- h. REDD+ co-benefits means environmental service, economic benefits, livelihood and contribution in national development which are generated from REDD+ activities.
- i. Social and Environmental safeguards means safeguards which are included in the draft decisions of Conference of Parties (CoP) 15 and 16 of United Nations Framework Convention on Climate Change (UNFCCC, national REDD+ strategy and operational plan as well as constitution of CFUGs.
- j. Payment criteria refers to the basis on which REDD payment are made reflected in section 15.

Chapter II

Structure, Representation and Roles and Responsibilities

3. FCTF Advisory Committee: The FCTF Advisory Committee will have representatives from the following organizations:

- a. Ministry of Forests and Soil Conservation (MoFSC)- REDD Forestry and Climate Change cell - 1
- b. Nepal Federation of Indigenous Nationalities (NEFIN) -1
- c. International Centre for Integrated Mountain Development (ICIMOD)-1
- d. Asia Network for Sustainable Agriculture and Bioresources (ANSAB)-1
- e. Federation of Community Forestry Users' Nepal (FECOFUN) - 1
- f. One representative from each Watershed REDD Network - 3
- g. Dalit NGO Federation (DNF) 1
- h. Himalayan Grassroots Women's Natural Resources Management Association (HIMAWANTI)- 1
- i. Any other organizational representation with consent of existing members of the Advisory Committee

4. Roles and Responsibilities of the FCTF Advisory Committee: (1)The responsibilities of the Committee may include but not limited to:

- a. Supervise the Fund with object to ensure effective, efficient and transparent implementation of programme
- b. Ensuring that the roles and responsibilities of the Trust Fund are clearly defined
- c. Provide guidance on policy and strategic matters related to the FCTF administration and mobilization
- d. Provide advice on when substantive changes are needed

- e. Provide advice on financial and technical (payment/distribution) progress and advice on corrective measures as needed
 - f. Review the financial performance of the FCTF
 - g. Agree on TOR (agreement) and set up scope for the FCTF evaluation
 - h. Recommend strategies for funding sources to continue REDD initiative after and during the project period
 - i. Explore possibilities of new funding sources for FCTF such that the FCTF is financially sustainable
- (2) The committee will meet every three months. Additional meeting may be scheduled on-demand basis. The committee will have a rotating chair for each meeting to be elected prior to the start of the meeting.
- (3) Any decisions of the committee will be made on the basis of consensus; however, if the committee could not reach in the consensus, the decision will be made on the basis of majority.
- (3) Other matters relating to the proceeding of the meeting of the Committee will be as decided by the Committee itself.

5. Program Management Unit (PMU): PMU is coordinated by members from project partners (ICIMOD, ANSAB, FECOFUN) and this unit will be responsible to oversee all activities of pilot project on REDD+ payments. PMU for all practical purposes will perform duties of a Secretariat to FCTF in accordance with standard policies endorsed by the Advisory Committee. PMU will manage the managerial affairs of FCTF. PMU works as Central Database Centre for the pilot project and maintain biophysical and socio-economic data generated by baseline study and periodically received from watershed REDD network. PMU will release and route REDD+ payments from FCTF to Watershed REDD Network after approval from the Advisory Committee.

6. Roles and Responsibilities of PMU: More specifically, the roles and responsibilities of PMU will be:

- a. Overall responsible for management and coordination of the Fund
- b. Establish strategy, policies, guidelines and standards for the Fund management and to get it endorsed from the FCTF Advisory committee
- c. Ensure that the strategy, plans, policies, guidelines and standards of FCTF are being fulfilled in an effective and efficient manner
- d. Receive forest carbon payment claims from Watershed REDD Network based on annual carbon inventory and making forest carbon claim payment to Watershed REDD Network from the Forest Carbon Trust Fund
- e. Accounting for forest carbon data and payments thereof
- f. Maintain and manage biophysical and socio-economic data of pilot project sites
- g. Prepare fund disbursement plan and management report
- h. Prepare annual progress report of FCTF and submit to the FCTF Advisory Committee
- i. Prepare vouchers of claims received and payment made from the Fund
- j. Prepare expenditure statement and submit to the FCTF Advisory Committee
- k. Responsible for accounting, management and reporting of routine activities of the FCTF
- l. Compliance of operating guidelines and other standards of FCTF by itself and assist other committees
- m. Screen, evaluate and approve claims and payments received from the REDD network and disburse fund after joint signature from three appointees of project partners as per Tripartite agreement (annex-3)
- n. Share forest carbon data to national data center proposed by the government (for the time being Department of Forest Resource and Survey)

7. Watershed Fund Advisory Committee (WAFAC): A Fund Advisory Committee at watershed level will be formed representing one member each from following organisations:

- a) District Forest Office,
- b) District Development Committee,
- c) NEFIN- District Coordination Council- DCC,
- d) FECOFUN - district and
- e) Watershed REDD Network.

This committee will look after and provide strategic supports to Watershed REDD Network for the disbursement of REDD+ payment to CFUGs.

8. Roles and Responsibility of Watershed Advisory Committee: The Advisory Committee at watershed level will have following roles and responsibilities:

- a. Supervise the fund utilisation at watershed level with object to ensure effective, efficient and transparent implementation of Operating Guidelines at watershed level.
- b. Provide guidance on policy and strategic matters related to FCTF implementation and mobilisation of fund at watershed level.
- c. Provide advice to the PMU through Watershed REDD Network when substantive changes are needed in the Operating Guidelines of FCTF, payment criteria and other relevant matters for operating of Guidelines.
- d. Review financial and technical (payment/distribution) progress and advice on corrective measures as needed.
- e. Review the fund utilisation at watershed and CFUGs level
- f. Supports for generating local fund for watershed level from multiple sources

- g. Facilitate the local micro-plans for the utilisation of REDD funds disbursed at the watershed level

9. Watershed REDD Network: There will be one Watershed REDD Network in each watershed consisting of CFUG within the watershed area as members. Every CFUG within watershed nominate a member from the executive committee for representation in Watershed REDD Network. The terms for CFUGs representation is defined by the Watershed REDD Network. However, the CFUG can nominate new representative to Watershed REDD Network if it sees unsatisfactory performance from their previous representatives. The network will be the focal point of REDD+ activities at watershed level. Watershed REDD Network provides secretariat to operate and disburse fund to each CFUG based on their results on REDD+ and fulfillment of other criteria defined in section 15. Furthermore, the network in collaboration with project partners, other committees and PMU at the central level will implement the pilot project with the involvement of CFUG members.

10. Roles and Responsibility of Watershed REDD Network: The Watershed REDD Network will be responsible for day to day management and operation of activities of pilot project and FCTF at watershed level and will perform following task:

- a. Regularly report on its activities to PMU-Central level
- b. Make claims for REDD+ payment to PMU- Central level based on the annual carbon inventory data and other criteria
- c. Maintain biophysical and socio-economic database at watershed level
- d. Act as coordinator between Central/watershed level advisory committee and CFUG level
- e. Coordinate activities of various stakeholders at watershed level and CFUG

- f. Recommend changes as needed in the guidelines to Central level
- g. Work closely and provide assistance to CFUG and Monitoring Committee on eligibility of claim, disbursement of payments, process and procedure for claim and payment, accounting, reporting arrangement etc.
- h. Review of the REDD payment procedures at watershed level based on the recommendation of monitoring committee and report to Central level for remedial actions
- i. Manage, maintain and operate bank account of FCTF for watershed level along with watershed level advisory committee and District FECOFUN.
- j. Prepare claim payment statement periodically and submit to the Watershed Fund Advisory Committee
- k. Disburse claim payments to CFUGs as per the watershed Advisory Committee
- l. Prepare vouchers of claims payment
- m. Maintain separate financial record of the FCTF funds and preparing financial reports
- n. Ideally this network must also facilitate local plans

11. Monitoring Committee: The Committee will work closely with others to ensure that claim received, payment made and carbon database are accurate which shall then ensure better and transparent delivery of the programme with full involvement of all stakeholders. The monitoring committee will be headed by a team consisting of one representative each from concerned District Soil and Watershed Conservation Office, District Forest Office, ANSAB, district level organization of marginalized group (*Dalits*), and women network. These representatives will be nominated by each entity separately while considering their experience in REDD+ activities.

12. Roles and Responsibilities of Monitoring Committee: In general, monitoring committee has following roles and responsibilities:

- a. Monitor and report on eligibility and genuineness on carbon inventory, socio-economic database, fund claims and disbursements
- b. Monitor, and report on carbon data of CFUGs and activities of the Network in lines with the objectives of FCTF
- c. Monitor for ensuring proper distribution, utilization and accounting of the Fund made by CFUGs based on agreed standards and criteria
- d. Monitor fund utilisation by CFUG as per agreed criteria set out by the FCTF Operational Guidelines of this project
- e. Ensure reporting system maintained at CFUG to watershed level
- f. Appraise claim received by the CFUGs as per data they submitted for the payment
- g. Make recommendation to Watershed REDD Network for payment
- h. Follow up on transaction and review operation of the fund specific bank account
- i. Bring critical operation and managerial issues and recommendations for remedial actions to Watershed REDD Network

13. Community Forest User Groups (CFUGs): According to Forest laws of Nepal, CFUGs are autonomous, independent and stable local level community organization guided by the collective decision and actions with its own constitution, operational plan, norms and value. Among other, CFUG will be responsible for assisting Watershed REDD Network in carbon measurement, reporting and engagement in promotion of carbon enhancement activities and capacity building on REDD+. REDD+ payment from FCTF will be made to CFUG's based on this operating guideline and the responsibility for equitable disbursement of funds thus received will lie with the CFUGs and its executive

committee. Though each CFUG can have its independent distribution plans, it is liable to ensure REDD+ benefit distribution be transparent and inclusive to generate the visible result in REDD+ and also co-benefits that promotes and respect social and environmental safeguards.

14. Roles and Responsibilities of CFUGs: The CFUGs shall have following specific roles and responsibilities:

- a. Fill socio-economic information on standard template developed by the PMU to make claim invoice with updated information to Watershed REDD Network
- b. Carry out well being ranking of CFUGs households as per agreed indicators and report to Watershed REDD Network for household categorization
- c. Ensure implementation of livelihood improvement activities targeting to the poorest of poor households through developing Livelihood Improvement Plan (LIP).
- d. Responsible for the funds utilisation from Watershed REDD Network for their groups on various REDD+ activities including forest conservation, sustainable management of forest and forest carbon enhancement activities such as plantation, thinning, low impact logging, and promotion of alternative energy scheme.
- e. Abide by the bases of distribution defined by group consent
- f. Implement activities addressing leakage minimization, non-performance activities such as fire and grazing management
- g. Incorporate REDD+ forest activities and fund utilization plan in FOP and group constitution

Chapter III

Payment Criteria, Distribution, Banking and Utilisation of fund

15. Payment Criteria: (1) In order to address the concerns regarding the equity, governance and inclusion, REDD payment will be made on considering four basic elements such as forest carbon, status of ethnic diversity (households of indigenous peoples and Dalits), population of men/women and poverty situation annex 6.

REDD Payment = f (forest carbon Δ and forest carbon conservation+ ethnic diversity (households) + population of men/women + number of poor households)

(2) The following values are allocated to each of these basic elements and their sub elements:

- a. Forest carbon enhancement - (Annual quantity of carbon sequestered as a result of community forest management- 40%
- b. Ethnic Diversity – (number of households of Indigenous peoples (IPs defined by National Foundation for the Development of Indigenous Nationalities, 2002) and Dalits so called untouchable groups in Nepal-25%
- c. Sex Ratio- (number of women population in CFUG and in watershed) -15%
- d. Poverty- (number of poorest households categorized by participatory well being ranking with a set of indicators in CFUGs and in watersheds) 20%

16. Distribution: (1) Upon the review and approval of FCTF Advisory Committee on the recommendation of PMU at central level based on the claims and reports from Watershed REDD Network, PMU disburses the payment to Watershed REDD Network on one installment. Installment payment of subsequent year will be made after the verification report, which will be corresponded with the claims submitted by the watershed REDD Network.

(2) The Watershed REDD Network at watershed level distributes the fund to CFUGs on the review and approval of WAFAC based on the claims and reports from CFUGs on two installments half yearly. First installment of subsequent year will be made based on the claim by the individual CFUG and findings from the monitoring report.

17. Banking: (1) The FCTF bank account at the central level will be opened based on tripartite agreement between project partners (ICIMOD, ANSAB and FECOFUN) which will be used for receiving and disbursing REDD payments. It will be operated on the joint signature of one representative from each party to the agreement (Annex 2).

(2) Bank account will be opened at watershed level as per the recommendation letter from DFO, certificate of FECOFUN and decision of Watershed REDD Network with considering the recommendation of WAFAC. It will be operated on the joint signature of one nominee from district FECOFUN and one representative of Watershed REDD Network.

18. Utilisation: The CFUGs will be responsible for ensuring utilization of the REDD payment received under the following headings:

- a. Activities that reduce deforestation such that reduce emissions
- b. Activities that reduce forest degradation including indirect activities such as alternative energy promotion
- c. Activities related to conservation of forest carbon stocks
- d. Sustainable management of forest and biodiversity conservation (as used by UNFCCC)
- e. Activities that enhance forest carbon stocks

- f. Poverty reduction/livelihood improvement activities
- g. Forest carbon monitoring
- h. Awareness raising and capacity building on REDD and climate change
- i. Auditing of FCTF and verification of data

Small portion of the fund can be earmarked as reserve fund using for biodiversity conservation activities. CFUG shall be required to keep proper records at CFUG level to allow Watershed REDD Network, monitoring committee and verification team to monitor the carbon fund utilized by the CFUG and the fund received under this guideline will be utilized only for the above mentioned utilization heads. Individual CF should develop detail fund utilization plan incorporating in Forest Operational Plan.

The claim from the Watershed REDD Network should include a micro plan on fund utilization to support the one or more of the activities mentioned above 9 (a to h).

Chapter IV

Reporting, Claiming and Accounting

19. Reporting and Claiming at the PMU: Each Watershed REDD Network compiles data received from the CFUGs and makes claim for payment to the PMU at central level on an annual basis. The format of the report will be as attached in annex 3.

20. Reporting and Claiming at the Watershed Network: Each CFUG categorizes households into different strata by participatory well being ranking with a set of standard indicators. The concerned CFUG submits reports on household status, men/women's population, household information of ethnic diversity, and forest carbon data in making claim to the Watershed REDD Network on an annual basis in the format as attached in annex 4. This will also include a micro plan on fund utilization indicating how the funds will be utilized in support of REDD+ related activities.

21. Accounting at the Central Level: (1) The PMU will maintain an updated books, accounts and records of financial transactions pertaining to the fund.
(2) The PMU will prepare annual financial report showing accountability of funds received and disbursed along with expenditures made and submit to the FCTF Advisory Committee. ICIMOD will arrange for auditing of the FCTF in line with ICIMOD financial policy till the Norad project ends in May 2013.

22. Accounting at the Watershed and CFUG Level: Each Watershed REDD Network and CFUG will be responsible for separate accounting of financial transactions pertaining to the REDD payments received from FCTF so that it is readily available for verification and audit.

Chapter V

Verification and Audit

23. Verification: There will be an independent agency so as to verify the forest carbon measurement methodologies and payment process against the standards and indicators developed for measurement and payment distribution. The agency consists of multidisciplinary team including experts in technical (methodological), environmental and social aspect of REDD+. The agency for verification will be selected by FCTF Advisory Committee based on the experiences, expertise and diversity of team members of the agency. Standards, norms, values, principles and indicators for verification would be based on the points mentioned in FCTF operating guideline, carbon measurement guideline and decision making process as stated in the constitution and operational plan of CFUGs and operating guideline of watershed REDD network.

24. Roles and Responsibilities of Verification Agency: The agency will perform following tasks independently:

- a. Review forest carbon methodology and steps properly developed considering international standards and requirements
- b. Validate measurement methodologies applied properly as per the guideline developed by the project while measuring forest carbon in the field
- c. Assess the standards, indicators and criteria met by Watershed REDD Network while disbursing payment to individual CFUG
- d. Appraise, evaluate, verify and certify of claims received from watershed Level based on approved standard and criteria of payment
- e. Evaluate fund utilisation by Watershed REDD Network and CFUGs properly as per agreed headings

- f. Verify payment utilisation by Watershed REDD network is made as per agreed standards and guideline
- g. Recommend to PMU for next payment/installment
- h. Review of watershed level monitoring system as necessary
- i. Verification and Audit will be financed by FCTF.

25. Audit: The audit of financial transactions of the FCTF will be carried out annually by an independent registered auditing firm by appointed by the ICIMOD till the end of the project duration (May 2013) and thereafter by audit will be performed by the agency in conformity with verification report prepared by the verification agency.

Chapter VI

Miscellaneous

26. Sources of Fund: The Watershed REDD Network and CFUGs can also receive funds from any other sources for the purpose of REDD activities.

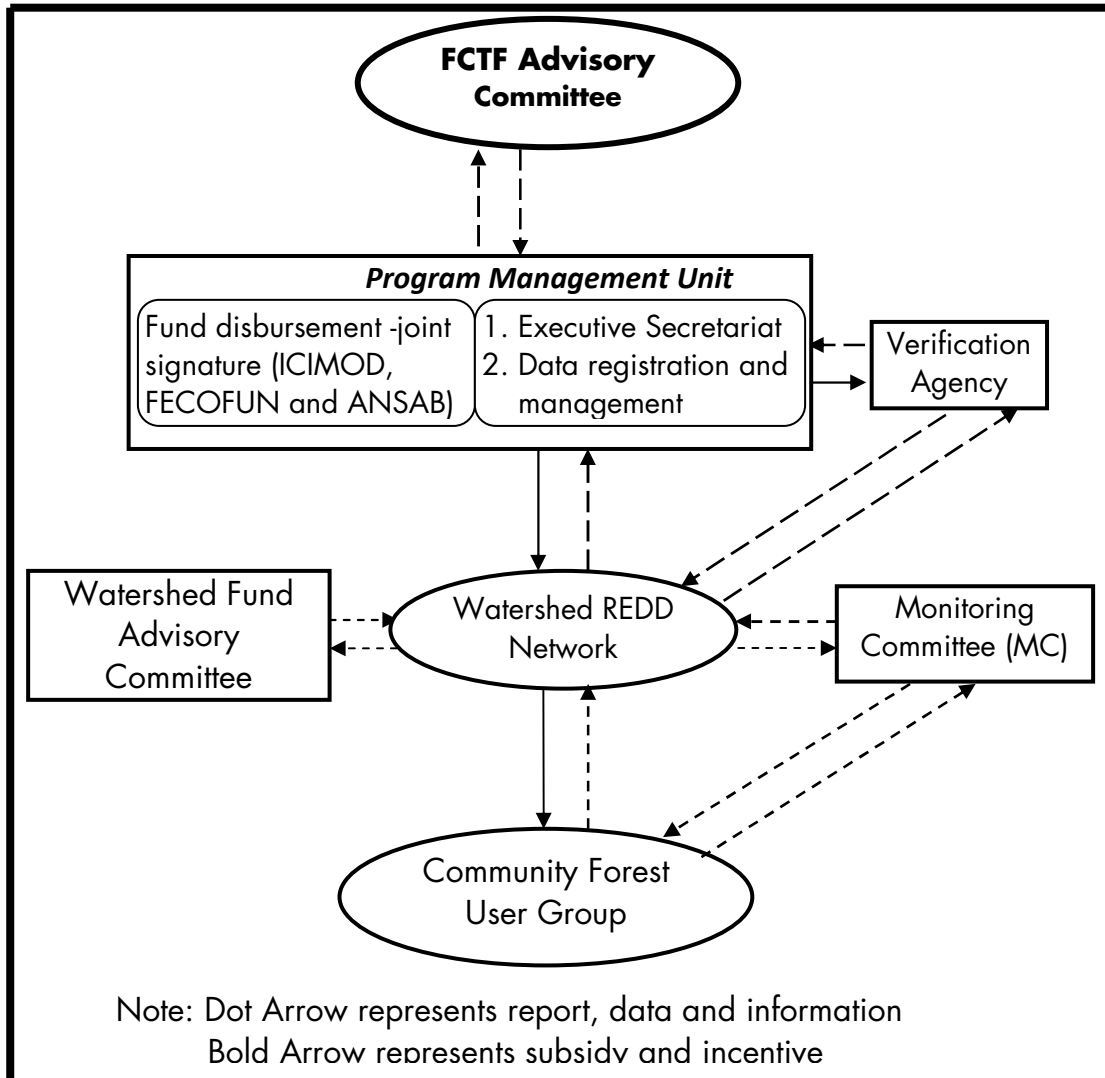
27. Organizational Structure: The organizational structure of the FCTF at the Central and Watershed level is attached in annex 1.

28. Amendments and Additions: Any amendments and additions hereto shall be made in writing and signed by the authorized representatives of the project partners with the recommendation of FCTF advisory committee.

29. Dispute/ Disagreement: Any disputes, disagreements between parties including those relating to accountability shall be resolved by the FCTF Advisory Committee and decision of it shall be final and binding to all the parties.

Annexes

Annex 1: Fund management structure and representation



**Annex 2: Tripartite Agreement
between
International Centre for Integrated Mountain Development (ICIMOD),
Asia Network for Sustainable Agriculture and Bioresources (ANSAB)
and Federation of Community Forestry Users' Nepal (FECOFUN)
for
Opening Bank Account for Operation of Forest Carbon Trust Fund
(FCTF)
under
REDD+ Project**

This Agreement (the "Agreement") is entered into by and between International Centre for Integrated Mountain Development (ICIMOD), Lalitpur operating in HinduKush Himalyan Region (the "1st Party"), represented by....., Asia Network for Sustainable Agriculture and Bioresources (ANSAB), Kathmandu a legal entity organized and existing under the laws of Nepal (the "2nd Party"), represented by and Federation of Community Forest Users' Nepal (FECOFUN,) a legal entity organized and existing under the laws of Nepal (the "3rd Party"), represented by The Parties may also be referred to individually as a "Party".

The parties have received seed grant from Norwegian Agency for Development Cooperation (NORAD) for setting up and operation of Forest Carbon Trust Fund for managing and demonstrating REDD payment system to the CFUGs as implementing partners of the pilot project. A separate bank account is necessary to execute the purpose of the pilot project where seed grant of trust fund is transferred and distributed as per the standards, norms and values indicated in the Operational Guidelines of Forest Carbon Trust Fund (FCTF).

Therefore, the Agreement is entered into by the Parties for the opening and operation of a bank account at NABIL Bank, Kantipath Branch located in Kantipath, Kathmandu.

1. Subject

The parties shall open and operate a Forest Carbon Trust Fund (FCTF) bank account at NABIL Bank, Kantipath Branch located in Kantipath, Kathmandu for the disbursement of amount to Watershed REDD Network and Community Forestry User Groups (CFUGs). A separate bank account will be opened and operated at each piloting district in collaboration with Watershed REDD Network and FECOFUN.

2. Obligations of Parties

The parties shall make necessary arrangements for opening of the bank account. They shall be responsible for operating the bank account to the best interest of the FCTF.

3. Purpose of Payment

The payment will follow the Operational Guidelines of FCTF (hereafter called FCTF guidelines) for the seed grant made available by NORAD REDD Pilot project. Payment from this FCTF will be made to Watershed REDD Network which further allocates it to CFUGs for the purpose agreed in the FCTF guidelines.

4. Purpose of Bank Account

The bank account will be used to manage the receipts and payments of the fund which is provided by NORAD in terms of seed grant. It may also be used to meet the expenditures of operating the FCTF.

5. Currency and Type of Account

The name of the account will be **Forest Carbon Trust Fund**. The currency of account will be NPR. The status of the account will be current.

6. Operating Authority

The account transactions will be operated through combined signatures of each person nominated by ICIMOD, ANSAB and FECOFUN for the purpose.

7. Closing Account

The account for the distribution of seed grant will be active till 31 May 2013. ICIMOD will arrange auditing for the FCTF in line with its financial regulatory policy.

8. Withdrawal

Any party willing to withdraw from this agreement need to provide at least 30 days of prior notice and can withdraw on mutual agreement.

9. Amendments and Additions

Any amendments and additions hereto shall be made in writing and signed by the authorized representatives of the parties based on suggestions provided by the central level FCTF Advisory Committee.

10. Termination of Agreement

This agreement may be terminated after the completion of the pilot project on REDD payment or upon the mutual agreement as referred to in clause 6 or 7.

Signed by

Signed by

Signed by

.....

Date

Signature

.....

Date

Signature

.....

Date

Signature

Annex 3: Claim Invoice (biophysical and social economic data-watershed to PMU)

Name of Watershed REDD Network:

1. General profile

Total watershed area (ha)		
VDC/Municipality coverage (#)		
Total CF area (ha)		
Strata area and number of plots		
	Area (ha)	No. of permanent plot (#)
Dense stratum		
Sparse stratum		
Leakage area and name of the forest		

2. Demographic Profile

S N	CFUG name	HHs involved in CFUG									Total				Population status		
		Wealthier			Medium			Poor							W	M	Tot al
		IP s	D	Oth er	IP s	D	Oth er	IP s	D	Oth er	IP s	D	Oth er	Tot al			
1																	
2																	
3																	
4																	
5																	
6																	
7																	
8																	
Total																	

IPs- Indigenous peoples

D- Dalit

Other- Hhs except IPs and Dalit

W- Women

M- Men

3. Biophysical (Forest carbon change)

Description	Year1 (2010)	Year2 (2011)	Change (increment/decrease) in two measurements
Total carbon stock (tC)			
Dense strata (tC)			
Sparse strata (tC)			
Weighted mean Per ha tC			
Dense strata (tC)			
Sparse strata (tC)			

4. Key activities that Watershed REDD Network perform for forest carbon enhancement?

- Leakage monitoring among the CFUGs
- Forest fire management and monitoring
- Grazing management/rotational grazing
- Alternative energy promotion
- Sustainable harvesting practices
- Enrichment plantation

5. REDD benefit utilisation (compilation from Group information)

Key activities	Sub-activities	Where to use	Percentage of fund expenditure
Pro-poor activities/livelihood improvement	Inside forest income generating activities (<i>NTFP promotion etc</i>)	CFUG	
	Outside forest income generating activities (<i>goat rearing, vocational skill enhance training, grocery and other</i>)	CFUG	
Forest enhancement activities	Alternative energy scheme (<i>biogas, ICS</i>)	CFUG	
	Fire management (<i>equipments purchase, fire line construction</i>)	CFUG	
	Forest management	CFUG	

	<i>(purchase harvesting tools, weeding, cleaning, fencing, plantation etc.)</i>		
	Grazing management <i>(grass/fodder seedling distribution)</i>	CFUG	
Capacity development/awareness raising	Training to women and ethnic communities	CFUG	
	Awareness raising/meeting	CFUG	
Capacity development/awareness raising	Training, meeting and workshop on REDD among <i>CF users, school teachers, youths and women group.</i>	Watershed level	
Forest carbon monitoring	Involve forest carbon monitoring <i>(measurement and data record)</i>	CFUG	
Forest carbon monitoring and measurement	Involve forest carbon monitoring <i>(local resource persons and data management)</i>	Watershed level	
Any other activities			

6. How Watershed REDD Network monitor to CFUG REDD activities?

- Review and develop monitoring plan at REDD network regular meeting (every month)
- Fund utilization and payment distribution (progress) report from CFUG
- Report from multi-stakeholder monitoring team

Prepared by (signature):
Name:
Designation:
Date:

Approved by (signature):
Name:
Designation:
Date

Annex 4: Claim invoice from individual CFUG to Watershed REDD Network

1. Biophysical information

- CFGU name:
- Address of CF:
- Date of CFUG formed:
- Date of started to manage forest by group:
- Date of CF handed over:
- Times of Forest Operational Plan revision:
- Last date of Forest Operational Plan – revision:
- Terms of FOP (5 years/10 years):

2. Forest type

- Vegetation types- main species found
- Fauna – main wild animals:

3. Status of Forest Carbon Change

Forest carbon inventory year/month:-

Description	Strata		Total
	Dense	Sparse	
CF area (ha)			
# of Permanent plot			
Per ha tC (tC/ha)			
Carbon stock tC			

4. Social and Economic Information

Ethnic groups	Total Households	Poverty status (based on well being ranking result) -HHs			Population Status		
		Wealthier	Medium	Poor	women	men	Total
IPs (Adibasi janajati)							
Dalit							
Other (Bhramin/Chhatri)							
Total							

Data received:

5. Decision making process

Representation in CFUG committee

Ethnic groups	Men	Women	Total	Key positions			
				Chairperson	Vice-chairperson	Secretary	Treasurer

IPs							
Dalit							
Other							
Total							

IPs- Indigenous peoples (Adhibasi janajati)

6. Status of fund utilisation

Fund expenditure status (NRs) or Percentage (%)						
Year	Pro-poor focus activities	Forest conservation/ management	community development	Capacity development	Other	Total
Last year						
This year						

7. List out livelihood improvement activities implemented by CFUG through own and outside resources. (Prioritise based on effectiveness)

-
-
-
-

8. List most preferred livelihood activities with REDD fund in your CFUGs next year

-
-
-
-

9. Forest Management Activities performed by CFUG previous years

Activities	Sub-activities	Tick (√)
Protection measure	Forest watching (by watcher or households)	
	Physical fencing	
Multiple use management	water source protection	
Grazing management	Controlled grazing	
	Rotational grazing	
	Free grazing	
Silviculture operation	Thinning, pruning	
	Weeding	

Forest enhancement	Forest fire management (fire line construction)	
	Promotion of alternative energy	
	Enrichment plantation	
Activities as per FOP (Mean annual increment)	Harvesting and forest management	
Forest Product collection/distribution pattern	Free collection of dead and dying wood for fuel wood	
	Free grass collection	
	Permission periodic basis (Open at particular period)	
	Pole and timber with certain fee	
	Free leaf litter/bedding materials	

10. REDD Fund Utilisation Plan (Fiscal year 2011-2012)

Key activities	Sub-activities	Where to use	% of fund expenditure
Pro-poor activities/livelihood improvement	Inside forest income generating activities (<i>NTFP promotion etc</i>)	CFUG	
	Outside forest income generating activities (<i>goat rearing, vocational skill enhance training, grocery and other</i>)	CFUG	
Forest enhancement activities	Alternative energy scheme (<i>biogas, ICS</i>)	CFUG	
	Fire management (<i>equipments purchase, fire line construction</i>)	CFUG	
	Forest management (<i>purchase harvesting tools, weeding, cleaning, fencing, plantation etc.</i>)	CFUG	
	Grazing management (<i>grass/fodder seedling distribution</i>)	CFUG	
Capacity development/awareness raising	Training to women and ethnic communities	CFUG	
	Awareness raising/meeting	CFUG	

Capacity development/awareness raising	Training, meeting and workshop on REDD among <i>CF users, school teachers, youths and women group.</i>	Watershed level	
Forest carbon measurement and monitoring	Involve forest carbon monitoring (<i>measurement and data record</i>)	CFUG	
Any other activities			

Prepared by (signature):
(signature):
Name:
Designation:
Date:

Approved by

Name:
Designation:
Date

CFUG stamp

Annex 5: Process of Development of Operational Guidelines FCTF 2011

Step 1: Pre-consultation – Project partners undertook preliminary discussion among to have basic idea of trust fund.

Step 2: Formation of multi-stakeholder task force: Based on consensus among project partners and acceptance by government and civil society organization, a multi stakeholder task force was formed consisting 6 members from government of Nepal, Private sector, Civil Society Organizations and project collaborators. Task force members were from following organizations,

Ministry of Forest and Soil Conservation-(MoFSC) – REDD forestry and Climate Change Cell

- Nepal Federation of Indigenous Nationalities (NEFIN)
- Joshi and Bhandari Auditing Firm (Private Sector)
- Federation of Community Forestry Users Nepal (FECOFUN)
- Asia Network for Sustainable Agriculture and Bio-resources (ANSAB)
- International Center for Integrated Mountain Development (ICIMOD)

Project Management Unit (PMU) of the project provided executive secretariat to coordinate and facilitate the meeting of task force.

Step 3: Drafting FCTF outline: Task force members drafted the FCTF outline considering the scope of the REDD Project and policy situation of REDD in Nepal. Drafted document shared among the members and enriched with comments and inputs.

Step 4: District stakeholder and Community consultation: Organized interaction and obtained comments and inputs from district stakeholders and local communities in three project sites.

Step 5: National stakeholder consultation: Draft document shared to national stakeholders for their feedback and inputs.

Step 6: Finalization of FCTF operational guideline and set up structure: Trust fund document revised and refined based on feedback from national, district and local consultation.

Step 7: Meeting and orientation to advisory committees (watershed level) – Opened a dedicated account for trust at central and district. Orient to committee members about the FCTF operational guideline, their roles and responsibilities.

Step 8: Regulate seed grant: Based on criteria and norms REDD payment made from central to local CFUGs through watershed network.

Annex 6: Ratio/percentage of Payment criteria

Percentage of each criteria	Payment bases (Criteria)	Parameters within criteria	Intra category average	Intra category average
40%	Forest carbon status and enhancement	Forest carbon increment	40%	100.00%
		Forest carbon baseline	60%	
25%	Ethnic diversity	IPs* weight	40%	100.00%
		Dalit weight	60%	
15%	Sex ratio (population base)	Female weight	100%	100.00%
20%		Poor Hh	100%	100.00%

*IPs groups enlisted by National Foundation for the Development of Indigenous Nationalities Act, 2002