

Request for an Extension of the Deadline by the FIP-Sub-Committee for FIP Funding Approval			
1. Country/Region: Nepal/ South Asia		2. CIF Project ID#:	
3. Source of Funding:	FIP x	PPCR	SREP
4. Project Title: Dedicated Grant Mechanism for Indigenous Peoples and Local Communities in Nepal			
5. Type of CIF Investment:	Public: x	Private	Mixed
6. Funding Request in million USD equivalent:	<i>Grant: \$4.5 million</i>		<i>Non-Grant: -</i>
7. Implementing MDB(s): World Bank			
8. National Implementing Agency: Rural Reconstruction Nepal			
9. MDB Focal Point and Project Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i> Garo Batmanian		<i>TTL:</i> Andrea Kutter (TTL) and Alidu Babatu Adam (Co-TTL)
10. Original Date of Funding Approval: December 15, 2019	Approval Date for 1st Extension: June 30, 2020 Approval Date for 2 nd Extension: January 31, 2021		Proposed Approval Date for 3 rd Extension: May 31, 2021
11. Project (including proposed objectives and expected outcomes):			
<p>The DGM Nepal Development Objective (DO) is to improve the capacity of indigenous peoples (IP) and local communities (LC) to enhance customary tenure security¹, though traditional governance of natural resources and improve livelihoods, income generation opportunities from sustainable management of forest landscapes in Lumbini Province and Province 5.</p> <p>The DGM will operate a grant making mechanism to support the selection of forest-based activities based on demand-driven interventions. The activities will be identified through an extensive participatory and representative process which is the nature and essence of the DGM. The selection of the activities will be done by the National Steering Committee (NSC) consistent with approved Rules of Procedure for the NCS. The selection process will be competitive and address themes and particular IP & LC groups depending on the nature of the call for proposals.</p> <p>The PDO and the results of the project will be measured by the set of mandatory indicators shared by all DGM pilot country projects:</p> <p>(i) Percentage of sub-projects successfully completed and achieved their objectives;</p>			

¹ Customary tenure security refers to the traditional governance system of forest management of IP & LC that supports the protection of indigenous knowledge systems, cultural values and traditional livelihoods which provide the basis for the sustainable management of natural resources, incl. forests ecosystems and biodiversity.

- (ii) People in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forests, disaggregated by gender;
- (iii) Percentage of participants in the capacity development activities with increased role in the FIP and other REDD + processes at local, national or global levels;
- (iv) Percentage of grievances registered related to delivery of project benefits that are actually addressed; and
- (v) Percentage of DGM stakeholders that perceive DGM governance and processes as transparent and inclusive.

12. Update on Project Preparation *(describe in detail activities and consultations conducted during the IP preparation process and other relevant information related to finalizing the project design):*

The National Steering Committee (NSC) for the future DGM Nepal was formed in April 2019 with the following membership: seven representatives from Nepal’s leading indigenous peoples’ organizations and seven representatives from local community organizations (see Annex). The NSC has approved detailed Rules of Procedures for governing the DGM Nepal.

Based on the Terms of Reference (TOR) for the selection of the National Executing Agency (NEA) developed by the NSC with support of the World Bank, the NSC selected in September 2020 [Rural Reconstruction Nepal](#) (RRN) a Nepalese NGO to serve as the NEA for the DGM Nepal and the implementing agency for the DGM Nepal project.

The DGM Nepal financing will be additional to the FIP “Forests for Prosperity” project which was approved by the World Bank (WB) Board on July 8, 2020. The FIP “Forests for Prosperity” project however still awaits the signatures on the legal agreements by the Government. The WB team and the CMU have been in close contact with the Ministry of Finance (MoF) and the Ministry of Forests and Environment (MoFE) to complete the signing of the financing agreement the soonest. The significant delay since Bank Board approval is understood to be caused by the impacts of COVID-19 and the political crisis triggered by the dissolution of the Parliament and subsequent changes in staffing in MoF and MoFE at the highest level.

The WB task team has developed an advanced draft document for the DGM financing in Nepal based on several discussions with RRN and the NSC. The DGM Nepal will follow WB’s policies and procedures, including the Environment and Social Standards.

The NSC Co-Chairs are very active in the DGM Global Steering Committee and are in close contact with the NSCs of DGM projects in other FIP countries as to gain knowledge and information on challenges and opportunities with a view to inform the process for the DGM in Nepal which however needs to closely follow Government of Nepal procedures and policies.

13. Next Steps to Justify Request for an Extension and Ensure Approval by the New Target Date *(describe all activities to be completed during the extension)*

The proposed DO is highly relevant even for Nepal’s recovery from COVID-19, especially for IPs and LCs as they are the most vulnerable part of Nepal’s society. The current version of the DGM Nepal concept has been developed through a participatory process. Additional stakeholder consultations are planned once the GoN has issued a no-objection to the key elements of the future project, the CMU has

confirmed support and funding approval from FIP-Sub Committee has been received. These consultations will be held hopefully in person once the public health situations allows it. The NSC and NEA are committed to the project and highly motivated to finalize the preparation and start implementation.

It is expected that the DGM document will be submitted for FIP funding approval as soon as the no-objection from MoFE and MoF has been received and with this, the processing of the DGM financing procedures for Nepal has been clarified (see below for more detail). It is expected that this may be completed within additional 4 months (no later than May 31, 2021).

The WB task team is closely working with the NEA and the NSC to develop the other necessary project documentation including the Environment and Social Commitment Plan (ESCP), Project Operations Manual (incl. a grant manual) (POM), Stakeholder Engagement Plan (SEP), Project Procurement Strategy for Development (PPSD). A capacity assessment of RRN was conducted and the task team is working with RRN on strengthening identified areas for improvement.

The Task Team has provided close support to the RRN during the project preparation process and is also in regular contact with the NSC. These interactions have been organized virtually (almost on a weekly basis) as all missions are currently on hold due to COVID-19. Once the WB Country Office allows the missions to resume, the task team will immediately organize a mission to meet with the NSC and RRN again in person.

The reasons for the delayed submission of the draft DGM document to the FIP Sub-Committee for funding approval are threefold:

- (i) Project development process hampered by COVID-19 due to lack of in-person missions and related challenges;
- (ii) MoFEs written no-objection still to be received; and
- (iii) Need for more clarity on MoF policy for processing DGM financing for the DGM Nepal project and from there for support by the CMU.

Project development process hampered by COVID-19 due to lack of in-person missions and related challenges

Nepal has been greatly impacted by COVID-19. The pandemic has had significant consequences in terms of lost income and difficulties in meeting basic subsistence needs, particularly for daily wage laborers; lost education due to protracted closure of schools; lost life and health from non-COVID related illnesses as the population was unable to access or did not trust public health services, as well as in the stress on mental health; and increasing reports of gender-based violence.

Project preparations have been impacted as the NSC and the NEA have often been unable to meet in person and resort to virtual communications. Many of the NSC representatives are residing in remote village locations with no or unreliable internet connectivity and phone infrastructure, thus constraining the ability of the NSC to organize and host meetings. Some representatives have had to walk 2-3 hours to urban centers to access the internet or a stable phone connection for meetings and project-related consultations.

Supporting project preparation virtually has been also a challenge for the WB task team even with some members located in Kathmandu. The NEA was selected in September 2020, and since then, the preparation activities have accelerated. The team has undertaken a capacity needs assessment for the NEA and has identified the areas for improvement so the NEA will be able to manage the project

consistent with WB policies and procedures. Despite COVID-19, all involved stakeholders are highly committed to the DGM Nepal financing and an implementation start as soon as possible because of the project's importance to the COVID-19 recovery process.

MoFEs written no-objection still to be received

Consistent with the provisions in the DGM policy documents, the DGM Nepal financing will complement the FIP investment project "Forests for Prosperity" and be designed and implemented with the full support of the Government of Nepal. Therefore, the WB task team has requested MoFE to review the current key elements identified for the DGM Nepal project and confirm that MoFE has no objection to the DGM financing being developed accordingly. The written no-objection communication from MoFE is forthcoming. During meetings with the WB task team, the NSC and the NEA, MoFE has expressed full support to the DGM Nepal financing and its strategic link with the FIP Investment Plan and the FIP investment project "Forests for Prosperity".

Need for clarity on MoF policy for processing DGM Nepal financing

The WB CMU has requested the WB task team to communicate with MoF on the status of the preparation of the DGM financing, and options for processing the DGM Nepal financing. Specifically, clarity is needed from MoFs on policy for channeling resources directly to a non-government organization.

The WB task team is in close contact with the WB FIP focal point team and will provide regular updates.