Funding Proposal

SAP071: Building Climate Resilience of Forest Dependent Communities through Enhanced Livelihood Opportunities and Local Capacity in Karnali Province, Nepal

Nepal | the National Trust for Nature Conservation (NTNC) | Decision B.45/08

23 July 2026

GREEN CLIMATE FUND

Contents

Notes to accredited entities on the use of the SAP funding proposal template

- The Simplified Approval Process Pilot Scheme (SAP) supports projects and programmes with a GCF contribution of up to USD 25 million with minimal to no environmental and social risks. Projects and programmes are eligible for SAP if they are ready for scaling up and have the potential for transformation, promoting a paradigm shift to low-emission and climate-resilient development.
- This template is for the SAP funding proposals and is different from the funding proposal template under the standard project and programme cycle. Distinctive features of the SAP funding proposal template are:
  - *Simpler documents*: key documents have been simplified, and presented in a single, up-front list;
  - *Fewer pages*: A shorter form with significantly fewer pages. The total length of funding proposals should **not exceed 20 pages,** annexes can be used to provide details as necessary;
  - *Easier form-filling*: fewer questions and clearer guidance allows more concise and succinct responses for each sub-section, avoiding duplication of information.
- Accredited entities can either directly incorporate information into this proposal, or provide summary information in the proposal with cross-reference to other funding proposal documents such as project appraisal document, pre-feasibility studies, term sheet, legal due diligence report, etc.
- Submitted SAP Pilot Scheme funding proposals will be disclosed simultaneously with submission to the Board, subject to the redaction of any information which may not be disclosed pursuant to the GCF Information Disclosure Policy.
- For more information on how to develop Funding Proposals under the SAP please refer to the Simplified Approval Process (SAP) Funding proposal guidelines.

Please submit the completed form through the GCF Digital Proposal Submission Platform (DPS)[1]

A. PROJECT/PROGRAMME SUMMARY

A.1. Has this FP been submitted as a SAP CN before?			Yes ☒ No ☐		
A.2. Is the Environmental and Social Safeguards Category C or I-3?			Yes ☒ No ☐		
A.3. Project or programme	☒ Project ☐ Programme	**A.4. Public or private sector**	☒ Public sector ☐ Private sector	**A.5. RfP**	Not applicable
A.6. Result area(s)			**GCF Contribution**	**Co-financers' contribution[2]**	
	Mitigation total		35 %	35 %	
	☐ Energy generation and access				
	☐ Low emission transport				
	☐ Buildings, cities and industries and appliances				
	☒ Forestry and land use		35 %	35 %	
	Adaptation total		65 %	65 %	
	☒ Most vulnerable people and communities		20 %	20 %	
	☒ Health and well-being, and food and water security		20 %	20 %	
	☐ Infrastructure and built environment				
	☒ Ecosystem and ecosystem services		25 %	25 %	

A.7.1. Expected mitigation outcome *(Core indicator 1: GHG emissions reduced, avoided or removed / sequestered)*	1,101,385 tCO2eq	**A.7.2 Expected adaptation outcome** *(Core indicator 2: direct and indirect beneficiaries reached)*	109,690 direct beneficiaries	423,218 indirect beneficiaries
			0.4 % of the country's total population 6.5% of Karnali Province population of 1,694,889	1.4% of the country's total population 25% of Karnali Province population

[1] See the DPS user guide for further information on how to access and submit proposals.
[2] Co-financer's contribution means the financial resources required, whether Public Finance or Private Finance, in addition to the GCF contribution (i.e. GCF financial resources requested by the Accredited Entity) to implement the project or programme described in the funding proposal.

A.8.1. Total investment (GCF + co-finance[3])	Amount: 9,209,500 USD	**A.8.2 Total GCF funding requested** (max USD 25M)	Amount: 8,509,500USD
A.9. Type of financial instrument requested for the GCF funding	☒ Grant ☐ Loan[4] ☐ Equity ☐ Guarantees ☐ Others:		
A.10. Implementation period (months)	48 months	**A.11. Total project/ programme lifespan (years)**	20 Years
A.12. Expected date of internal approval	*1/29/2026*	**A.13. Has Readiness or PPF support been used to prepare this FP?**	Yes ☒ No ☐
A.14. Is this FP included in the entity work programme?	Yes ☒ No ☐	**A.15. Is this FP included in the country programme?**	Yes ☒ No ☐
A.16. Executing Entity information	The National Trust for Nature Conservation (NTNC) is an autonomous, not-for-profit institution established in 1982 by the Legislative Act to manage and conserve Nepal's natural and cultural heritage. NTNC has its thematic focus on species conservation, protected areas and ecosystems management, climate change, conservation economy, and research, education and knowledge management. Presently, NTNC is equipped with 350+ full time staff who are working in ten protected areas spread across the mountain and lowland regions of Nepal. NTNC will be the project co-Executing Entity (co-EE), supported by the Government of Nepal, which will be represented by two other co-EEs, namely the Ministry of Finance (MoF) – as an intermediary for the flow of funds – and Ministry of Industry, Tourism, Forest and Environment (MoITFE) for Karnali Province, which will be responsible for implementation of specific actions on the ground.		

A.17. Scalability and potential for transformation (max. 100 words)

The project builds on established community forestry, ecosystem restoration, and local adaptation planning initiatives, strengthening their climate focus and institutional anchoring under Nepal's federal governance framework. Key complementary initiatives include UK-AIDs Nepal Climate Change Support Programme 2, CIF's Forests for Prosperity Project, AF's CAFS Karnali and ADB's Climate-Resilient Landscapes and Livelihoods Project (Annex2, Section 2.6.1). Mitigation results will also contribute to Nepal's national REDD+ strategy objectives.

By linking ecosystem-based adaptation, resilient livelihoods, anticipatory risk management, and climate communication within sustained provincial and municipal systems, the project enables a paradigm shift from reactive responses to locally-led, climate-resilient and low-emission development pathways that can be replicated and scaled beyond the project area.

A.18. Project/Programme rationale, objectives and approach (max. 300 words)

Karnali Province is highly vulnerable to climate change due to increasing rainfall variability, rising temperatures, and the growing frequency of floods, landslides, droughts, and forest degradation. These impacts disproportionately affect forest-dependent communities—particularly women, Dalits, Indigenous Peoples, and persons with disabilities—whose livelihoods and well-being rely on fragile ecosystem services. Climate risks are compounded by limited access to climate finance, weak institutional capacity under devolved governance, and a predominance of reactive responses to climate shocks. This underscores the urgent need for integrated, locally led adaptation that strengthens ecosystem resilience, livelihood security, and governance systems simultaneously.

[3] Refer to the Policy on Co-financing of the GCF.
[4] Senior loans and subordinated loans.

The purpose of the project is to strengthen the climate resilience of vulnerable communities in Karnali Province through locally led adaptation. It is structured around three outcomes: (i) restoring and sustainably managing climate-resilient forest and landscape systems while enabling inclusive, climate-resilient forest-based livelihoods; (ii) strengthening adaptive capacity, preparedness, and governance through climate awareness, participatory local adaptation planning, early warning systems, and model adaptation sites; and (iii) institutionalising climate communication, awareness, and advocacy at provincial and local levels. Activities are mutually reinforcing and embedded within community, municipal, and provincial systems to ensure sustainability and scalability.

The project will directly benefit 109,690 people and indirectly benefit over 423,218 people through reduced climate vulnerability, improved ecosystem services, enhanced preparedness, and more resilient livelihoods. It will deliver mitigation benefits of approximately 119,649 tCO_2e over four years and an estimated 1,101,385 over 20 years through improved forest management and restoration – contributing to Nepal's objectives under the REDD+ strategies. GCF grant financing is essential to overcome financial barriers, de-risk adaptation investments, and enable a paradigm shift from reactive to anticipatory climate-resilient development. The project contributes to SDG 13 (Climate Action), SDG 15 (Life on Land), SDG 5 (Gender Equality), and advances SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities).

B. PROJECT/PROGRAMME DETAILS

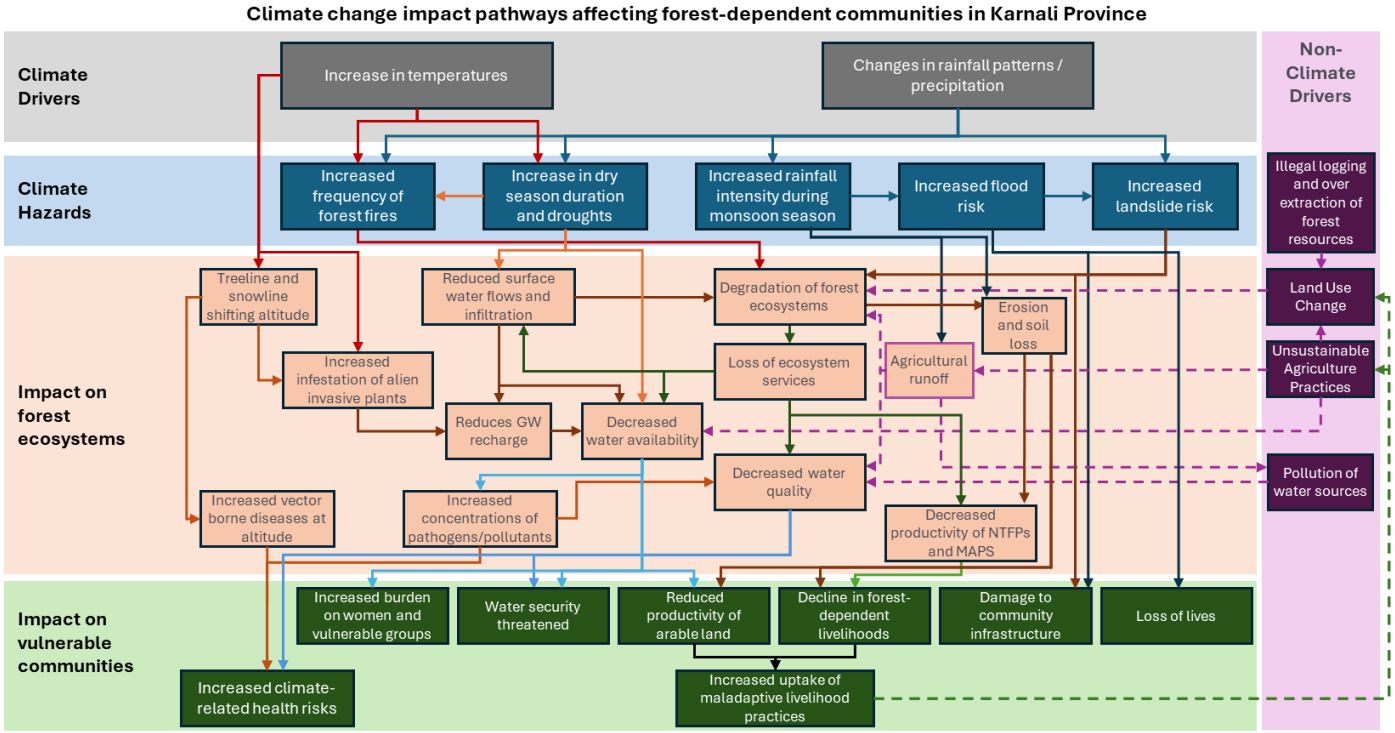
B.1. Context and baseline (max. 500 words)

Climate vulnerabilities and impacts

Karnali Province is one of Nepal's most climate-vulnerable regions, with forest-dependent communities facing growing risks from rising temperatures, erratic rainfall patterns, prolonged dry spells, and increasingly intense monsoon events (See PFS2.3.1–2.3.2). These changes are degrading forest ecosystems, disrupting natural regeneration, and intensifying hazards such as forest fires, landslides, and seasonal water scarcity (PFS2.3.3). Livelihoods that depend on forests—for fuelwood, fodder, non-timber forest products (NTFPs), medicinal and aromatic plants (MAPs), and ecosystem services—are becoming more precarious, especially for women, Dalits, and Indigenous Peoples who bear a disproportionate burden of resource scarcity and climate shocks (PFS2.3.4). These challenges are compounded by persistent pressures such as overharvesting, unmanaged grazing, declining soil fertility, and limited access to adaptive technologies and markets. Moreover, forest degradation risks erode mitigation function, with forests serving as critical carbon sinks.

Climate Variable	Baseline	Trend	Projection
Average Temperature	National: 12.78°C Karnali: 4.37°C	National: ↑ 0.22 °C per decade Karnali:↑ 0.17 °C per decade	SSP2-4.5: 5.22°C (+0.85) by 2040 SSP5-8.5: 5.6°C (+1.23) by 2040 SSP2-4.5: 6.23°C (+1.86) by 2070 SSP5-8.5: 7.57°C (+3.2) by 2070
Average Maximum Temperature	National: 17.9°C Karnali: 9.86°C	National: ↑ 0.18 °C per decade Karnali:↑ 0.23 °C per decade	SSP2-4.5: 10.74°C (+0.88) by 2040 SSP5-8.5: 11.06°C (+1.2) by 2040 SSP2-4.5: 11.73°C (+1.87) by 2070 SSP5-8.5: 13.03°C (+3.17) by 2070
Average Minimum Temperature	National: 7,67°C Karnali: -1.11°C	National: ↑ 0.24 °C per decade Karnali:↑ 0.23 °C per decade	SSP2-4.5: -0.32°C (+0.79) by 2040 SSP5-8.5: 0.1°C (+1.21) by 2040 SSP2-4.5: 0.7°C (+1.81) by 2070 SSP5-8.5: 2.05°C (+3.16) by 2070
Average Rainfall	National Annual: 1,830 mm Monsoon: 250–450mm/month Karnali high mountains: 622mm/yr	Karnali: -2,33mm/yr from 1951-2020 (significant); +3,4mm/yr for 1991-2020 (not significant)	SSP2-4.5: Dry season: ↓~10% SSP2-4.5: Wet season ↑8.19-9.34%
Extreme Rainfall	National Rainy days: 166.4 days Very wet days: 18.1 days Extremely wet days: 3.5 days	Positive trend in consecutive wet days for Karnali with 0.9 days/yr Wet days and extremely wet days both show a clear increasing trend in Karnali	↑largest 1- and 5-day cumulative precipitation during monsoon months Rainy days: -3 days (RCP4.5) and -1.6 days (RCP8.5) Very wet days: +0.3 days (RCP4.5) and +2.2 days (RCP8.5) Extremely wet days: +0.9 days (RCP4.5) and +1 day (RCP8.5)

Sources: World Bank Climate Knowledge Portal (2026) and MoFE Vulnerability and Risk Assessment (2021)



Despite strong local stewardship traditions, forest-dependent communities often lack the technical, financial, and institutional support required to manage forests sustainably under growing climate pressures. Their adaptive capacity is further constrained by geographic remoteness, persistent poverty, and limited local government resourcing.

Under the baseline scenario, climate action remains fragmented, reactive, and underfunded. Community Forest User Groups (CFUGs) have significant autonomy over forest use under Nepal's federal framework (PFS2.4), but lack the technical, financial, and institutional support to integrate climate risk into forest planning and management. While national climate policies promote adaptation mainstreaming and community-based action (PFS2.5), implementation is uneven and dependent on external project cycles. Similarly, forest-based livelihoods are constrained by poor market access, lack of enterprise support, and value chain fragmentation (PFS2.2.2). Without intervention, the region will continue facing ecosystem degradation, deepening livelihood vulnerability, and lost mitigation opportunities due to missed forest restoration and sustainable harvesting potential.

Coordination with other projects

The project builds on and ensures coordination with a range of relevant initiatives (PFS2.6), drawing lessons from programs such as the Adaptation for Smallholders in Hilly Areas (ASHA), CAFS-Karnali (Adaptation Fund), Climate Resilient Landscapes and Livelihoods Project (ADB), and NCCSP2 (UNDP/UK Aid). These initiatives have contributed to local adaptation planning, sustainable land management, and climate-smart practices, but gaps remain in linking these efforts with forest governance, landscape restoration, and long-term institutional capacity. The project complements these by embedding an integrated, forest-livelihood-climate approach within devolved institutions across Karnali. Additionally, the project will coordinate with the national REDD Implementation Centre, with mitigation results contribution to targets under the National REDD+ Strategy (2025-2034).

Root causes and barriers

The intervention addresses a set of systemic root causes that shape how communities, institutions, and ecosystems interact within the landscape (PFS2.7). Social and gender inequalities continue to constrain equitable participation in decision-making processes and limit access to forest resources, skills development, and economic opportunities, particularly for women, Dalits, and Indigenous Peoples. At the same time, ecological degradation—driven by unsustainable extraction practices, invasive species, and weakened natural regeneration—undermines the capacity of forest and watershed systems to provide critical protective and livelihood functions. These pressures are compounded by technological and knowledge gaps, where limited access to climate-smart management tools, data, and monitoring

systems restricts the adoption of adaptive practices. Financial constraints further inhibit investment in restoration and enterprise development, while weak market linkages reduce incentives for sustainable resource use. Finally, institutional fragmentation and evolving governance arrangements under federalism create ambiguity in roles and responsibilities, limiting coordination across provincial, municipal, and community levels. Together, these underlying drivers give rise to the five key barriers outlined below, which directly constrain climate resilience and adaptive capacity in the target landscape.

i. **Lack of climate-resilient infrastructure and use of nature-based approaches:** Critical infrastructure is highly vulnerable to climate extremes and is not designed for resilience, while nature-based solutions remain underutilised despite their protective and co-benefit potential.
ii. **Poor awareness among communities and local authorities of essential functions of forests and watersheds in disaster control and building climate resilience:** Limited understanding of climate risks and the ecosystem functions of forests and watersheds constrains effective planning, policy integration, and landscape-level resilience approaches.
iii. **Limited technical and financial capacity of local communities:** Communities and local institutions lack the knowledge, resources, and technologies required to implement climate adaptation, sustainable resource management, and resilient livelihood practices.
iv. **Poor governance and coordination between line agencies and local institutions regarding climate change interventions:** Fragmented institutional roles, weak coordination, and inadequate regulatory and planning frameworks hinder integrated and effective climate adaptation implementation.
v. **Limited inclusive participation in decision-making process:** Structural inequalities restrict the participation of women, Dalits, and Indigenous Peoples in decision-making, limiting equitable access to resources and reducing adaptive capacity among the most vulnerable groups.

By enabling locally led climate action through inclusive planning, capacity strengthening, direct financing to communities, and value chain integration, the project responds to these structural barriers and climate challenges in a scalable, sustainable, and equity-oriented way. GCF concessional finance is strategically deployed to directly address these barriers by unlocking investment where it is currently constrained. It enables upfront financing for climate-resilient ecosystem restoration, supports community-level access to resources for adopting climate-smart practices and developing NTFP enterprises, and funds the technical assistance and capacity building required to close knowledge and technology gaps. At the institutional level, it strengthens coordination mechanisms, planning systems, and inclusive governance processes, while facilitating market linkages and financial mechanisms that improve the viability of sustainable livelihoods. In doing so, concessional finance operationalises the transition from fragmented, under-resourced efforts to integrated, scalable, and locally led climate resilience pathways.

B.2.1. Project/Programme description (max. 1,000 words)

The project will strengthen climate resilience of vulnerable, forest-dependent communities in Karnali Province by addressing the underlying drivers of climate vulnerability—ecological degradation, livelihood fragility, limited adaptive capacity and weak institutional systems—adopting an integrated, locally-led adaptation approach that enables durable changes in how forests are managed, livelihoods are developed, climate risks are anticipated, and decisions are made across community, municipal, and provincial levels. Structured around three mutually reinforcing outcomes, the project design is summarized below, with a detailed theory of change and Logical Framework are presented in Annex 2 (Sections 4 and 5). Across all three outcomes, beneficiaries are not treated as passive recipients, but as active agents of adaptation, with ongoing and active engagement with vulnerable groups throughout implementation as outlined in the Environmental and Social Action Plan, Indigenous Peoples Planning Framework and Gender Action Plan. While NTNC maintains primary responsibility for the oversight of all activities, execution on the ground will be shared between NTNC and MoITFE as one of the co-executing entities (operating through provincial and local government structures). Responsibilities for each sub-activity are presented in brackets under the following codes: MoITFE through Provincial Government (MoITFE -PG), MoITFE through Local Government (MoITFE-LG) and fully by NTNC — see Annex 2 Section 7.1.2 for more details.

Outcome 1: Enhanced Resilience of Forest Ecosystems and Forest-Based Livelihoods (NTFP/MAP)

Outcome 1 addresses the interconnected vulnerabilities of degraded ecosystems, climate-exposed livelihoods, and limited adaptive capacity within local institutions through two complementary outputs that operates through a reinforcing

causal pathway in which healthier, better-managed forest ecosystems enable sustainable production, while resilient livelihoods generate the economic and social incentives needed to maintain and protect forest resources.

By embedding these interventions within community forest institutions and aligning them with municipal and provincial systems, the outcome delivers durable adaptation benefits that extend beyond individual activities. The result is a measurable enhancement of ecosystem resilience and livelihood security, contributing directly to reduced climate vulnerability and strengthened adaptive capacity of forest-dependent communities across Karnali Province.

Output 1.1 focuses on restoring and strengthening climate-resilience of community forests. Climate-informed forest assessment, community-led forest planning, targeted restoration, and nature-based solutions improve forest quality, ecosystem functionality, and watershed stability; reducing exposure to climate hazards, enhancing regulating ecosystem services, and increasing carbon sequestration. The approach to forest management will build on existing structures long established in Nepal; drawing lessons from initiatives across the country, as well as global best practice, to remove barriers for implementing improved community forest management practices in the target forests. The focus will be on revising management plans to introduce more integrated approaches that incentivize forest conservation while enabling sustainable livelihood development and ecosystem service provision. The resulting improved ecological state leaves forests healthier, more productive, and better able to support sustainable use under changing climatic conditions.

- *Activity 1.1.1. Improve Sustainable Forest Management (SFM) for Increased Resilience to Climate Change and Carbon Sequestration Benefits*
  - Conduct landscape level assessment of the state of forest ecosystems, forest quality, and forest ecosystem services (MoITFE-PG)
  - Develop a manual for forest quality assessments (MoITFE-PG)
  - Identify and select 80 natural, partially degraded community forests (MoITFE-PG)
  - Co-develop Community Forest Operational Plans (CFOPs) for 80 Community Forest Management Groups (CFMGs) (MoITFE-PG)
  - Train CFMGs on nursery management, sustainable production and harvesting practices, specifically targeting women, Dalits and indigenous communities (MoITFE-PG)
  - Implement SLM practices identified in CFOP (MoITFE-PG)
  - Train CFMGs on participatory forest monitoring (NTNC)
- *Activity 1.1.2. Restore priority sites in community forests, prioritizing species that can be integrated into sustainable NTFP supply chains*
  - Provide TA to 50 CFMGs to identify priority sites for forest rehabilitation (MoITFE-PG)
  - Restore 1,000ha of degraded community forests through assisted natural regeneration and enrichment planting (MoITFE-PG)
- *Activity 1.1.3. Implement Targeted Nature-Based Solutions (NbS) for Watershed and Land Resilience*
  - Select 200 climate-sensitive sites for NbS (MoITFE-LG)
  - Identify and plan locally-appropriate NbS (MoITFE-LG)
  - Procure services, inputs and equipment to implement NbS (MoITFE-LG)

Output 1.2 builds directly on this ecological foundation by enabling climate-resilient, inclusive forest-based livelihoods. A deliberately sequenced enterprise development pathway ensures that only enterprises grounded in sustainable resource management and validated business models progress to market and finance access support. The pathway covers value chain analysis and enterprise incubation, sustainable production and harvesting practices, access to finance, certification, and government programmes, and scaling support.

Sequencing directly addresses key barriers (premature investment, over-extraction of resources, and weak market readiness) by reducing risk and aligning economic incentives with long-term forest stewardship. For beneficiaries, particularly women, Dalits, Indigenous Peoples (IPs), and Persons with Disabilities (PwD), this translates into more stable incomes, diversified livelihood options, and greater participation in value chains beyond primary production.

- *Activity 1.2.1. Value Chain Analysis and Enterprise Incubation*
  - Conduct sustainable NTFP/MAP value chain analyses (NTNC)
  - Conduct a vulnerability assessment of the NTFP resource base in the NTFP-rich forests (NTNC)
  - Prepare comprehensive production, processing, and marketing business plans for 10 NTFP-based MSMEs, particularly targeting women, Dalits, and IPs and PwD households (MoITFE-LG)
  - Provide early-stage, non-capital assistance to targeted MSMEs for the implementation of NTFP Business Plans. (NTNC)
  - Establish NTFP nurseries (MoITFE-LG)

- *Activity 1.2.2. Promote Sustainable Production and Harvesting Practices*
  - Train 60 community forest user groups on climate-smart, sustainable NTFP production and harvesting (MoITFE-PG)
  - Host engagement workshops, to facilitate partnerships for the adoption of climate-friendly, low-carbon post-harvest processing systems (MoITFE-PG)
  - Provide input packages for technologies, inputs, and services that enable the uptake of climate-responsive and high-yielding NTFP production practices (MoITFE-PG)
- *Activity 1.2.3. Facilitate Market Access and Financial Mechanisms*
  - Identify context-appropriate finance and risk management mechanisms to facilitate improved access to finance and investment in sustainable forest-based enterprises across the value chain (NTNC)
  - Establish and operationalize a functional financing mechanism that links local producers and processors with accessible local financial institutions (NTNC)
  - Co-develop a functional mechanism to promote the recognition of sustainable production practices, quality control, certification services, and Geographic Indications to enhance market competitiveness (NTNC)
  - Co-develop tools to sustainably link producers and processing MSMEs with relevant government programs for small-scale mechanization technology and market infrastructure (NTNC)
- *Activity 1.2.4. Provide Capacity Building and Entrepreneurship Support*
  - Establish a technical assistance programme to scale up local entrepreneurship in sustainable production, processing, and market integration of high-value agroforestry products (NTNC)
  - Develop a replication and scaling strategy to collate and replicate successful climate-smart initiatives (NTNC)

Outcome 2: Enhanced Adaptive Capacity and Disaster Preparedness of climate-vulnerable communities and local institutions

Outcome 2 reflects a measurable shift in how communities and institutions in Karnali Province understand, anticipate, and manage climate risks. As a result of strengthened knowledge, planning, and governance, climate vulnerability is reduced not through isolated actions, but through enduring behavioural changes, decision-making, and institutional practice across community, municipal, and provincial levels.

Output 2.1 delivers integrated local adaptation, preparedness, and learning services to climate-vulnerable communities and local institutions. At community level, strengthened climate literacy and applied adaptation skills, enables households to better understand climate risks and respond across multiple dimensions—livelihoods, water, health, infrastructure, and forests. These changes increase confidence, collective action, and preparedness, particularly among vulnerable groups often excluded from formal planning processes.

At municipal level, adaptation priorities are institutionalised through inclusive Local Adaptation Plans of Action (LAPAs), supported by technical capacity in climate integration, public financial management, and M&E. This shifts municipalities away from ad hoc, reactive responses toward programmatic, forward-looking adaptation planning that aligns community priorities with formal budgeting and development processes. Inter-municipal collaboration further enables shared climate risks to be addressed at appropriate scales.

At the community and local governance interface, community-based EWS enables a shift from reactive disaster response to anticipatory risk management. Locally-owned warning thresholds, response protocols, and communication systems ensure that warnings are actionable and trusted, reducing loss of life and assets during climate shocks. As systems mature, lessons inform provincial-level CIS.

Climate adaptation model sites further reinforce learning and replication by translating plans and innovations into visible practice, reducing uncertainty around new approaches, enabling peer-to-peer learning, and accelerating uptake across communities.

Together, these create an integrated and self-reinforcing system in which communities are prepared and proactive, local governments are capable and coordinated, and provincial institutions enable continuity and scale—with adaptation actions planned, financed, and implemented as part of routine governance. These results address barriers related to limited climate awareness, weak local planning systems, reactive disaster management, and insufficient institutional coordination.

- *Activity 2.1.1. Develop and deliver climate change awareness and adaptation training.*
  - Co-develop modules with local communities and institutions for climate change awareness and adaptation trainings (MoITFE-LG)
  - Organize trainings in collaboration with local governments and relevant non-government institutions (MoITFE-LG).

- *Activity 2.1.2. Formulate and implement local adaptation plans for action (LAPA)[5].*
  - Provide technical support to all the 31 municipalities of the project districts to prepare/update LAPAs through a participatory approach that includes women, Dalits and IPs (MoITFE-LG).
  - Provide technical training for municipal officials on climate integration into local development planning processes, robust public financial management for climate actions, and effective Monitoring & Evaluation (M&E) systems for adaptation initiatives (MoITFE-LG).
  - Facilitate collaboration of the municipalities to develop a Joint Action Plan to address shared vulnerabilities (NTNC).
- *Activity 2.1.3. Provide strategic support to the provincial government to scale and sustain adaptation governance beyond the project period.*
  - Facilitate knowledge sharing and policy dialogue on successful LLCA models and project lessons (NTNC).
  - Provide technical assistance for integrating climate resilience metrics and LLCA principles into provincial planning frameworks and budget allocation processes (MoITFE-PG).
  - Support the development of a provincial-level strategy for long-term climate finance mobilization and mainstreaming, building on project successes and aligning with national priorities (MoITFE-PG).
- *Activity 2.1.4. Establish Community-Based Early Warning Systems (CB-EWS)*
  - Establish a community-based disaster management committee (CDMC) at each of six target palikas (MoITFE-LG).
  - Facilitate identification of priority climate hazards, existing coping mechanisms, and locally appropriate early warning needs (MoITFE-LG).
  - Support CDMCs to define locally owned warning thresholds, roles, and response actions linked to priority hazards (MoITFE-LG).
  - Equip communities with tools to support hazard monitoring and warning dissemination (MoITFE-LG)
  - Train local community members to operate, maintain, and interpret CB-EWS (MoITFE-LG).
  - Establish a local-level communication network (MoITFE-LG).
  - Embed CB-EWS within local governance structures (MoITFE-LG).
- *Activity 2.1.5. Establish climate adaptation model sites*
  - Identify and prioritize innovative, climate-resilient adaptation practices with high scalability potential and select 10 model sites (NTNC).
  - Establish demonstrations of innovative adaptation practices at the 10 selected model sites (MoITFE-LG).
  - Train local CBOs on the sustainable operation of the model sites and knowledge sharing (MoITFE-LG).
  - Organise guided study tours for surrounding CFMG members (NTNC).

Outcome 3: Strengthened climate awareness and communication

Outcome 3 represents a shift in how climate change is understood, discussed, and acted upon across Karnali Province. Climate risks, responses, and responsibilities will no longer be perceived as abstract or externally driven, but increasingly recognised as shared, locally relevant development priorities that inform everyday decisions, institutional practices, and public discourse.

Output 3.1 establishes an integrated climate communication and advocacy function within Karnali, enabling climate information, lessons, and priorities to be consistently generated, translated, and disseminated across governance levels and diverse social groups (women, PwD, Dalits, IPs) using trusted languages, formats, and channels aligned with local contexts. A long-term Climate Change Communication Strategy provides a structured framework for communicating climate risks, responses, and successes to different audiences.

Climate advocacy platforms further translate implementation experience from Outcomes 1 and 2 into shared narratives and policy-relevant messages. Cross-sectoral engagement strengthens leadership, coordination, and the ability of institutions to champion climate action within planning and investment decisions. These platforms enable a shared understanding of climate risks and responses as shared development priorities, addressing a systemic barrier of inadequate coherent, inclusive, and sustained climate communication and advocacy systems. Without consistent communication, lessons remain fragmented, public engagement limited, and climate priorities struggle to gain traction within policy and budget processes.

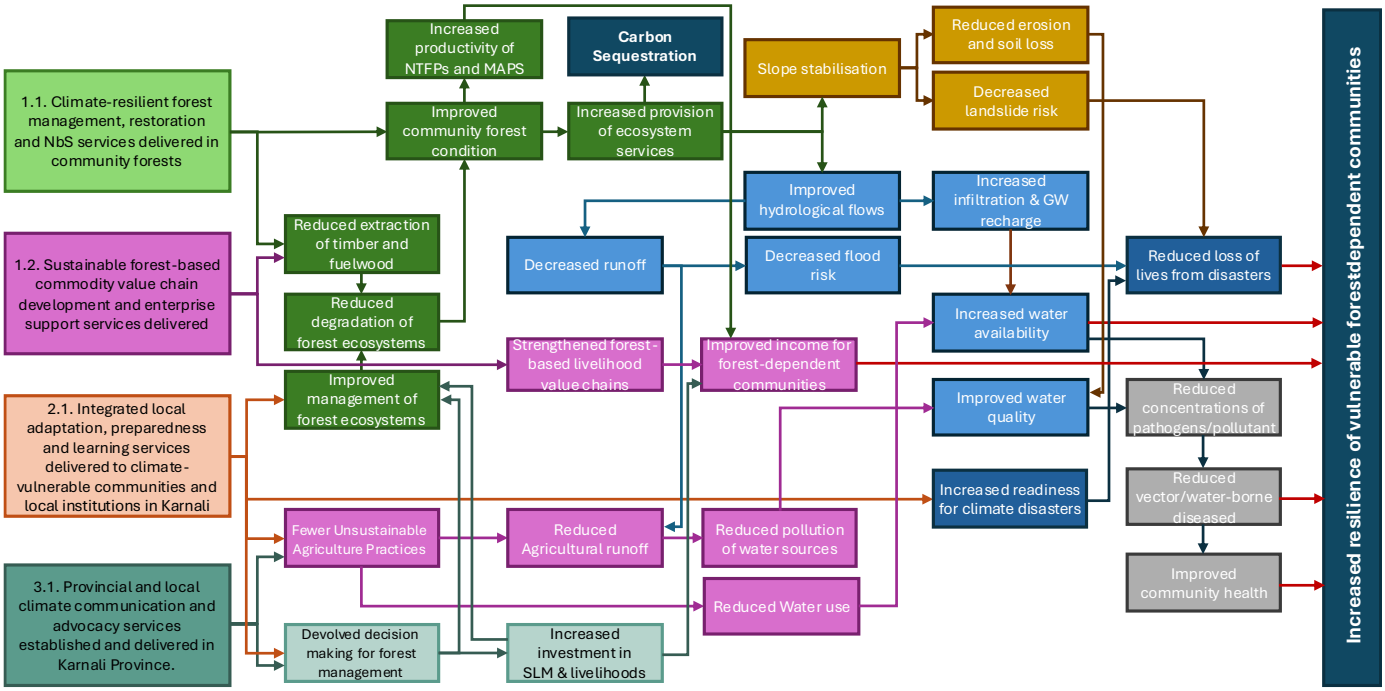
By addressing ecological, economic, institutional, and informational barriers, the project's interlinked causal pathways transform the lives of forest-dependent communities—forming a coherent system that inclusively strengthens resilience

[5] See Annex 2, Table 19 for details on the status and needs for LAPA development in each municipality.

in Karnali Province, enabling scalable solutions that align with Nepal's federal governance framework and long-term climate objectives.

- *Activity 3.1.1: Develop a Climate Change Communication Strategy for Karnali Province*
  - Co-develop a 10-year Climate Change Communication Strategy (CCCS) (MoITFE-PG)
- *Activity 3.1.2. Develop and disseminate communication materials to local communities across the four target districts*
  - Develop communication materials to raise awareness and knowledge on the impacts of climate change on biodiversity, the environment, livelihoods, gender and development (NTNC)
  - Disseminate communication material through various media, ensuring that dissemination modalities reach the most vulnerable groups, including women, PwD, Dalits and IPs (NTNC).
- *Activity 3.1.3. Conduct climate advocacy workshops*
  - Prepare materials for and facilitate climate advocacy workshops (NTNC).
  - Host two climate advocacy workshops (MoITFE-PG)

The diagram below demonstrates the causal pathways for project interventions to disrupt the climate impact pathways demonstrated in Section B.1.



B.2.2. Outcome mapping to GCF results areas and co-benefits categorization

Outcome number	GCF Mitigation Results Area (MRA 1-4)				GCF Adaptation Results Area (ARA 1-4)			
	MRA 1 Energy generation and access	**MRA 2** Low-emission transport	**MRA 3** Building, cities, industries, appliances	**MRA 4** Forestry and land use	**ARA 1** Most vulnerable people and communities	**ARA 2** Health, well-being, food and water security	**ARA 3** Infrastructure and built environment	**ARA 4** Ecosystems and ecosystem services
Outcome 1	☐	☐	☐	☒	☒	☒	☐	☒
Outcome 2	☐	☐	☐	☐	☒	☒	☐	☒
Outcome 3	☐	☐	☐	☐	☒	☐	☐	☐

Co-benefit number	Co-benefit					
	Environmental	Social	Economic	Gender	Adaptation	Mitigation
Co-benefit 1	☐	☒	☐	☒	☒	☐
Co-benefit 2	☒	☐	☐	☐	☐	☐

B.3. Implementation / institutional arrangements (max. 750 words)

The project will be implemented through a multi-level governance and delivery structure that aligns with Nepal's federal system and the GCF principles for locally led climate action (LLCA).

The **National Trust for Nature Conservation (NTNC)** will serve as both the **Accredited Entity (AE)** and co-Executing Entity (EE), implementing the project on behalf of, and in collaboration with the Government of Nepal with the full endorsement of the National Designated Authority. NTNC is a GCF-accredited Direct Access Entity and Nepal's premier conservation institution, with a long-standing mandate to complement and support government efforts on nature conservation, climate action, and sustainable development.

NTNC's comparative advantage lies in its strong governance standing, institutional credibility, and deep operational presence across Nepal's ecological zones, from the Tarai to high mountain regions. Its Governing Board includes the Prime Minister of Nepal as Patron and is chaired by a Prime Ministerial nominee, providing high-level legitimacy and policy alignment. Operationally, NTNC maintains well-established field offices and long-term partnerships with local communities, enabling effective delivery of complex, community-based interventions in remote and climate-vulnerable areas. NTNC has extensive experience in promoting sustainable forest-based livelihoods, including medicinal and aromatic plants (MAPs), agroforestry, and value-chain development, with a demonstrated track record of supporting pro-poor groups, restoring degraded lands, and linking community producers to domestic and international markets.

Executing Entities

The project will be co-executed by NTNC and two entities from the Government of Nepal (GoN), specifically:

- The Ministry of Finance (MoF)- which will play an intermediary role in distributing the funds to the respective local government partners through the appropriate channels/systems.
- The Ministry of Industry, Tourism, Forest and Environment (MoITFE) of Karnali Province - which will be responsible for implementation and serve as NTNC's executing partner.

As Co-Executing Entity, NTNC will be responsible for day-to-day project execution under the strategic guidance of its governing board and the line ministry—Ministry of Forests and Environment (MoFE). To ensure transparency and accountability, clear institutional firewalls will be maintained between NTNC's AE functions (fiduciary oversight, compliance, and reporting to GCF) and EE functions (operational management and implementation). NTNC will retain overall responsibility for fiduciary management, procurement, and financial control, while working through structured partnerships to enable devolved implementation consistent with LLCA principles.

The GoN, represented by two co-EEs (MoF and MOITFE), will operate through the participating provincial government (Karnali) and local government entities to deliver specific project activities (as noted in the project description above), in close coordination with NTNC. Overall oversight responsibility remains with NTNC as the AE. An MoU will be signed by NTNC and MoITFE, representing participating government agencies, to ensure the activities are implemented as per the project funding proposal and in discretion of NTNC as the AE. The fund transfer modality followed will be 'conditional' fiscal transfer, ensuring no changes to activities can be made without NTNC's prior approval.

A **Project Steering Committee (PSC)**, chaired by Ministry of Industry, Tourism, Forest and Environment (MoITFE), Karnali Province will provide strategic guidance and coordination, in line with the details laid out in the GCF funding proposal. The NTNC, serving as both the AE and EE will act as Member Secretary to the Committee and will retain the authority to oversee adherence to GCF funding proposal, including fiduciary and financial controls. The PSC will comprise representatives from key local institutions, including Provincial Ministry of Economic Affairs and Planning (MoEAP), Ministry of Land Management, Agriculture and Cooperatives (MoLMAC), Ministry of Social Development (MoSD), Provincial Emergency Operation Centre (PEOC) and Provincial Office of Hydrology and Meteorology (PoHM), Karnali Province–level Chambers of Commerce and Industry (CCI), and Province municipal associations. To strengthen

federal-provincial-local collaboration and reinforce local ownership, the PSC will also include nominated representatives from federal ministries/departments as needed, including MOFE (who will hold a supervisory role), Ministry of Finance, Department of National Parks and Wildlife Conservation, Department of Forests and Soil Conservation, National Disaster Risk Reduction and Management Authority (NDRRMA). Moreover, FECOFUN will be invited as a permanent observer to the PSC, ensuring that the needs and interests to civil society are fully met in line with the LLCA approach. An additional revolving observer position will also be included as an ad-hoc position, enabling additional civil society representation as needed based on the status of the project. The PSC will meet at least annually to review progress, approve annual work plans and budgets, and ensure alignment with national policies and GCF-approved objectives. The PSC will act in accordance with the provisions set out in the funding proposal, including approved budgets. NTNC being the EE, final decisions will be made at NTNC's discretion when endorsing any workplan or budget breakdown. The PSC will not make any changes without NTNC's concurrence or beyond the approved funding proposal).

Day-to-day project coordination will be managed through a centralized **Project Management Unit (PMU)** hosted by NTNC and led by a Project Team Leader supported by a multidisciplinary team. The PMU will include a Gender Specialist and an Environmental Social Safeguards Specialist responsible for overseeing gender equality, social inclusion, environmental and social safeguards compliance, stakeholder engagement, and SEAH risk management, ensuring effective implementation of the GAP and ESAP. This function will be delivered through dedicated PMU consultancy support complemented — ensuring that the incumbents hold the necessary background in safeguard implementation, as well as gender and SEAH — by NTNC institutional expertise. The PMU will be responsible for overall coordination, fiduciary and procurement management, work planning, compliance assurance, and reporting to MoFE and the GCF. Importantly, the PMU will ensure that resource allocation and decision-making are informed by participatory Local Adaptation Plans for Action (LAPAs) and other locally endorsed plans.

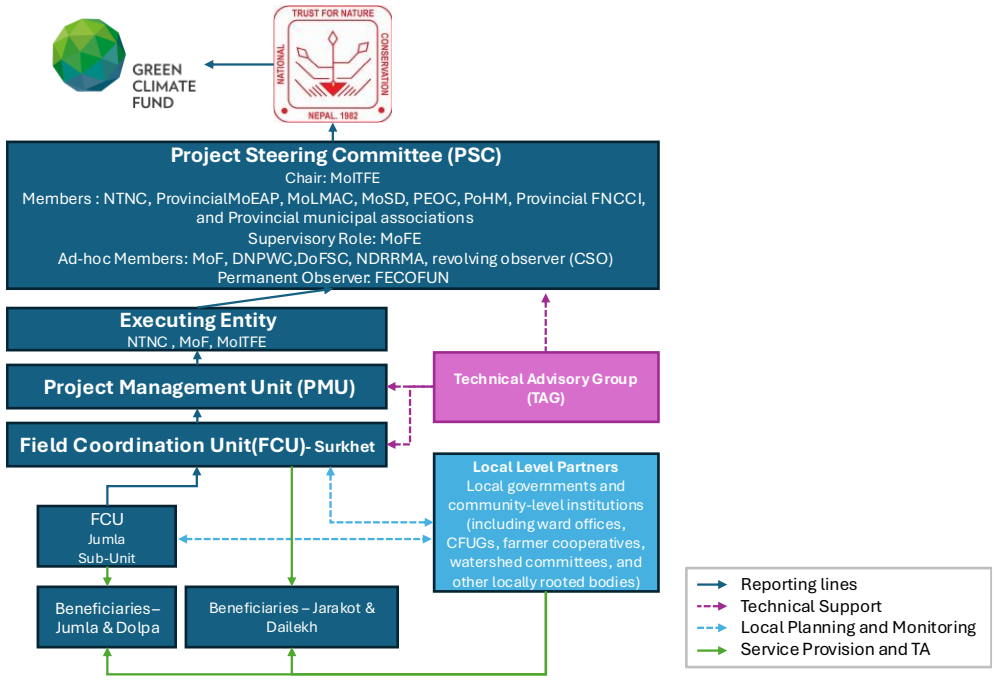
Decentralized implementation and field-level responsiveness will be supported through a **Field Coordination Unit (FCU)** in Surkhet, which will act as the operational bridge between the PMU, provincial authorities, local governments, and communities. The FCU will oversee technical monitoring, facilitate two-way accountability and learning, and capture lessons to inform adaptive management, while implementing project activities in Jajarkot and Dailekh. A Field Coordination Sub-Unit will be established in Jumla district, representing mid-hill and high-mountain ecozones, to execute project activities in Jumla and Dolpa. FCU and its sub-unit will work closely with local governments and community institutions, providing continuous technical backstopping and ensuring that capacity building and sustainability are embedded throughout the project lifecycle while executing day-to-day project functions.

Consistent with LLCA principles, **local governments and community-level institutions will lead devolved decision-making processes**. Municipalities will guide local prioritisation, coordination, and oversight through LAPAs and integration into municipal development plans and budgets, in line with approved GCF funding proposal – which will be ensured by NTNC. Community institutions will co-design and implement site-level activities, manage natural resources, and monitor performance. The PMU and FCU will play enabling roles—providing fiduciary oversight, technical support, and upward reporting—rather than substituting local leadership or creating parallel structures.

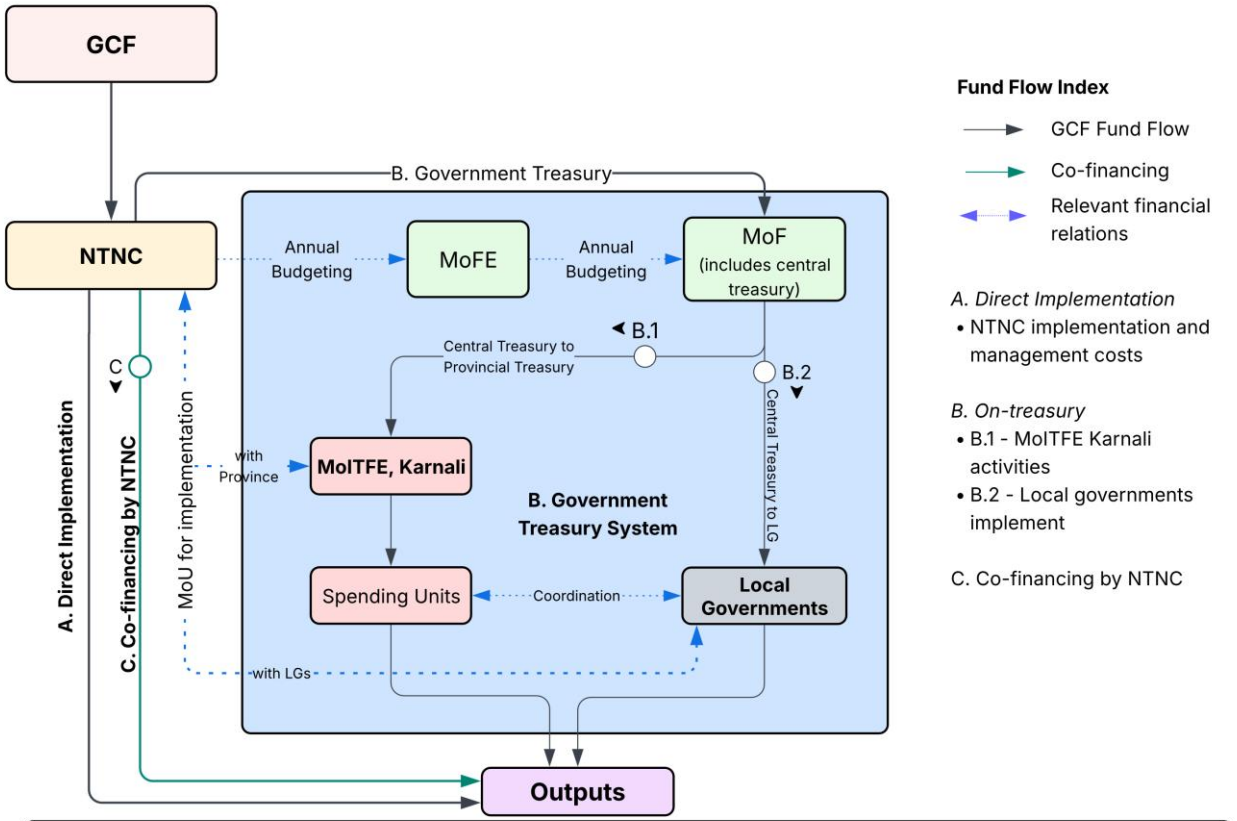
Finally, a **Technical Advisory Group (TAG)** will be established to provide independent technical guidance and quality assurance to the PMU, FCU, and PSC. Chaired by a senior national expert, the TAG will draw on expertise from government agencies[6], research institutions, and specialised organisations in areas such as climate adaptation, community forestry, restoration, nature-based solutions, forest-based livelihoods, disaster risk reduction, and LLCA. The TAG will support technical rigour, learning, and adaptive management throughout implementation, meeting up to twice per year and on an ad hoc basis as required.

Together, these arrangements ensure robust fiduciary control, strong technical quality, and genuine devolution of decision-making, embedding LLCA within existing governance systems in **Karnali Province** rather than creating parallel project structures.

[6] Including the REDD+ Implementation Centre under MoFE



Fund Flow Mechanisms



Abbreviations:

GCF: Green Climate Fund; **LG:** Local Government; **MoFE**: Ministry of Forests and Environment; **MoITFE, Karnali**: Ministry of Industry, Tourism, Forests and Environment, Karnali province; **MoU:** Memorandum of Understanding; **NTNC**: National Trust for Nature Conservation

The fund flow mechanism will combine modalities of NTNC implementation and Government treasury, as per Figure above.

Direct Implementation:

- The Governing Board of Trustees of NTNC approves the budget. NTNC operates through the central office, field offices, and as required contracts CSOs (e.g. FECOFUN) or others for implementation of the activities that are under NTNC mandate and require flexibility.
- TA and program management: Program management is carried out by NTNC. NTNC can deploy Technical Assistance (TA) to provincial and local governments.
- This component remains off-budget, not reflected in the government's Redbook.

Government Treasury:

- NTNC will enter an overarching MoU with Ministry of Finance (MoF) to detail the NTNC's fund flow, budgeting, and oversight roles in relation to the government treasury-based modality.
- NTNC will have a key role in the annual planning/budgeting process and budget allocation for the participating provincial/local governments, in coordination with MoFE - which has access to Line Ministry Budget Information System (LMBIS). Intergovernmental Fiscal Transfers (conditional grants approach) will flow to the MoITFE in Karnali Province and selected local governments (LGs) following MoF channel. This modality will ensure the agreed activities are not changed as per the provincial or local discretion, which authority will be retained by the AE.
- NTNC will have an MoU[7] with the MoITFE and respective LGs to establish AE oversight role, MoITFE's EE role, and define the TA provision on their activities.
- The provincial ministry (MoITFE) will host the steering committee and lead monitoring and coordination role within the province.
- In line with the activities defined by LMBIS, MoITFE will have direct engagement with the PMU office at Surkhet for TA and program management activities.
- MoITFE will allocate/flow the activity budget through the Provincial Line Ministry Budget Information System (PLMBIS) to its respective Spending Units (SUs), such as the Division Forest Offices, for project implementation.
- NTNC will make advanced payment (annually) to the MoF treasury system, which will be channelised to the provincial and local activities through treasury function, following MoF processes.
- The funds flow through the government channel are tracked separately, through two features, simultaneously, a) project's unique budget code, and b) source code, which will be unique too (GCF/NTNC). The government entities use financial management information systems (e.g. Computerized Government Accounting System-CGAS at the provincial level, and Subnational Treasury Regulatory Application-SuTRA at the local level) facilitate the accounting and reporting process. Monthly expenditure reports (including activity-wise budget utilization reports) are generated by the entities which facilitate internal and external reporting. The budget classifications allow project-wise or source-wise reporting, that will be useful for NTNC to track and monitor the progress of the project activities.

[7] MoU will be legally binding and enforceable, as the parties are government entities bound by the Government of Nepal's laws, which will be reinforced through MoU.

Co-financing and parallel financing

- NTNC will carry out co-financing to the project, following two modalities, a) in cash, and b) in kind. Such support will follow the direct implementation modality, that is NTNC will implement such activities directly without channelizing to government treasury.
- Local governments are interested in providing parallel financing to the project interventions in their respective locality, through their own sources. Such support is estimated approximately USD 200,000.

C. FINANCING INFORMATION

C.1. Total financing

(a) Requested GCF funding (i + ii + iii + iv + v + vi)	Total Amount: Enter amount	Currency: Options

GCF Financial Instrument		Amount	Currency	Tenor & grace	Pricing
(i)	Senior loans	0	N/A		
(ii)	Subordinated loans	0	N/A		
(iii)	Equity	0	N/A		
(iv)	Guarantees	0	N/A		
(v)	Reimbursable grants	0	N/A		
(vi)	Grants	8.5	million USD ($)		

(b) Co-financing information[8]	Total amount	Currency
	0.7	million USD ($)

Name of institution	Financial instrument	Amount	Currency	Tenor & Grace	Pricing	Seniority
NTNC	Grant	0.4	million USD ($)			
NTNC	In kind	0.3	million USD ($)			

(c) Total investment (c) = (a)+(b)	Amount	Currency
	9.2	million USD ($)

(d) Co-financing ratio (d) = (b)/(a)	0.08:1
(e) Other financing arrangements for the project/programme (max ½ page)	In addition to the direct co-finance from NTNC, additional parallel investments of USD 200,000 have been committed by the targeted municipalities. These include ongoing annual budgets directed toward local-level forest management and implementation of LAPAs (~$50,000 from five municipalities is already committed, as well as in-kind contributions from municipal staff and district forest offices along with contribution from Executing entities.

[8] If the co-financing is provided in different currency other than the GCF requested, please provide detailed financing information and a converted figure in the GCF requested currency in the comment box. Please refer to the date when the currency conversion was performed and the reference source.

C.2. Financing by component

Component	Output	Indicative cost million USD ($)	GCF financing		Co-financing		
			Amount million USD ($)	Financial Instrument	Amount million USD ($)	Financial Instrument	Name of Institutions
Outcome 1	Output 1.1	4,398,200	4,049,200	Grants	213,200 135,900	Grants In kind	NTNC
	Output 1.2	1,789,200	1,650,000	Grants	62,400 76,800	Grants In kind	NTNC
Outcome 2	Output 2.1	2,373,100	2,201,300	Grants	84,400 87,300	Grants In kind	NTNC
Outcome 3	Output 3.1	249,000	249,000	Grants	-		
PMU		400,000	360,000	Grants	40,000	Grants	NTNC
		9,209,500	8,509,500		700,000		

Indicative total cost (USD)

C.3 Capacity Building and Technology development/transfer

C.3.1 Does GCF funding finance Capacity building activities?	Amount: 984,000 USD
C.3.2. Does GCF funding finance Technology development/transfer?	N/A

C.4. Justification for GCF funding request (max. 500 words)

Karnali Province is among the most climate-exposed and economically marginalised areas in Nepal, characterised by rugged terrain, high forest dependence, limited market connectivity, and constrained institutional capacity under the federal system. Climate impacts in Karnali undermine ecosystem services, livelihoods, and local infrastructure, reinforcing poverty and limiting the ability of communities and local governments to invest in forward-looking adaptation.

While Nepal has made progress in decentralising governance and strengthening local adaptation planning, access to adequate and appropriate climate finance remains a major constraint. Public finance is limited by competing development priorities, fiscal pressure from disaster recovery, and ongoing investment needs in basic infrastructure and service delivery. These constraints are particularly acute at municipal and provincial levels, where resources for proactive, integrated adaptation are insufficient. Climate expenditures therefore remain largely reactive, fragmented, and dependent on short-term project funding.

Private sector investment is also constrained. Forest- and landscape-based adaptation interventions—such as SFM, NbS, EWS, and inclusive climate planning—generate predominantly public-good benefits, including avoided losses, ecosystem regulation, disaster risk reduction, and strengthened institutional capacity. These benefits are diffuse, non-excludable, and accrue over long time horizons, creating weak incentives for private investment. Where livelihood and enterprise opportunities exist, they are constrained by climate risk, limited access to finance, high transaction costs, and insufficient market readiness, particularly for women, Dalits, IPs, and other marginalised groups.

This project addresses these finance barriers, using grant-based climate finance to unlock actions that cannot be funded through public budgets or private investment alone. GCF resources will strengthen local and provincial institutions, support community-based delivery platforms, and reduce climate and investment risks through improved planning, preparedness, and ecosystem management. This approach ensures that public-good adaptation measures—such as EWS, forest restoration, and inclusive local planning—can be implemented at scale while creating the conditions for sustained investment over time. GCF is uniquely positioned to support this approach, given

its mandate to finance high-impact, long-term climate action that delivers broad social and environmental benefits and enables a shift from reactive responses to anticipatory, locally-led climate action.

Without GCF support, adaptation in Karnali would remain underfunded and piecemeal, with communities and local governments continuing to respond to climate impacts after losses have occurred rather than reducing risk in advance. The absence of concessional finance would also prevent the integration of ecosystem restoration, livelihoods, and governance into a coherent adaptation pathway, limiting both scale and sustainability. Enabling investments—such as climate information systems, communication, planning capacity, and institutional coordination—would remain unfunded despite their central role in unlocking long-term resilience.

GCF support fills this critical gap by de-risking adaptation investments, strengthening local and provincial systems, and enabling a transition from reactive to anticipatory and locally led climate action. By leveraging community contributions and local budgeting, the project also creates a foundation for sustained public investment and future private sector engagement. In this context, GCF is not only an appropriate funding agency, but a necessary one to enable transformational adaptation outcomes for vulnerable communities in Karnali.

C.5. Exit strategy (max. 300 words)

LLCA design and implementation ensures multistakeholder ownership beyond project completion: Inclusive planning and design, local governments, CFUGs, CBOs, and private sector engagement ensure relevance and buy□in. Participatory co-design and implementation secure community ownership and directly reflect local priorities.

Improved governance, institutional and policy processes foster adaptation action continuation: The strengthening/operationalization of the LAPA framework to identify climate-vulnerable areas, aligns priorities, and extend planning beyond municipalities will enable access to increased finance. Streamlined enterprise registration/licensing reduces transaction costs for forest-based enterprises.

Strengthened capacity and institutional systems sustain long-term interventions: Multi-layered capacity building strengthens community adaptation, enhances vulnerable groups´ resilience, and supports provincial/local governments´ adaptation governance. Locally-led training of trainers ensures continuity and supports forestry enterprises´ long-term growth. Strengthened local institutions continue and scale adaptation actions over time.

Knowledge-Sharing for Replicability & Scaling up: The project will systematically share its lessons and approaches across Nepal and internationally, supported by a Climate Change Communication Strategy guiding provincial climate integration. Climate advocacy workshops will highlight lessons to cross-sectoral stakeholders, while MoITFE's commitment to replicate effective approaches ensures sustained uptake.

Adaptive management: Continuous feedback mechanisms and local actors´ participatory M&E will enable adaptive management ensuring ongoing alignment with stakeholder needs beyond project implementation. Overall M&E will adjust implementation as needed and demonstrate impact.

Securing post-project financing: Provincial/municipal finance departments will develop post-project commitment plans. The LAPA framework will channel federal/provincial resources to local levels and align with existing funding mechanisms. Strengthened planning systems will enable enhanced climate finance allocation. Joint investment proposals will leverage additional funding with government co-financing support.

Enhanced finance/market access for forest-dependent businesses: Improved forest management sustains supply for businesses. Their access to finance will be enhanced (e.g. local Fis). Strengthened institutional frameworks ensure a steady flow of financial resources, while improved access to quality control/certification enhances their business models.

C.6. Financial management/procurement (max. 300 words)

Financial accounting standards: NTNC applies a robust financial management system in accordance with Generally Accepted Accounting Principles (GAAP), using a double-entry accounting system and preparing financial statements on a modified accrual basis. A computerized accounting system enables budget-line tracking, expenditure

control, and comparison with approved budgets. Financial records are retained for a minimum of 5 years or as required by the financing agreement.

Disbursement: Project funds are deposited into a dedicated bank account and disbursed through controlled inter-office transfers based on approved fund requests, technical and financial progress reports, and reconciliation of prior advances. All accounts operate under a dual-signatory system, ensuring segregation of duties and payment authorization.

Procurement: Procurement is conducted in line with Nepal's Public Procurement Act (2007) and Public Procurement Regulations (2007) (Annex 8). The dedicated Procurement Unit and Evaluation Committee ensure transparent, competitive, and value-for-money procurement using direct procurement, sealed quotations, open competitive bidding, and request-for-proposal–based selection for consulting services.

Fiduciary standards: NTNC ensures continuous compliance through a zero-tolerance policy on fraud and corruption, AML/CFT compliance, segregation of duties, regular bank reconciliations, and periodic asset verification.

Financial reviews: Financial performance is reviewed through results-based monitoring that links expenditures to physical progress. Financial reporting is conducted monthly, quarterly, and annually. NTNC submits semi-annual financial information and annual audited financial statements to GCF.

Audits: NTNC is subject to internal, donor, and external audits. Nepal´s Office of the Auditor General conducts annual external audits, and audited financial statements are submitted to the GCF within 4 months of the end of the financial year, ensuring compliance with fiduciary covenants and use of funds for intended purposes.

D. EXPECTED PERFORMANCE AGAINST INVESTMENT CRITERIA

D.1. Impact potential (max. 300 words)

The project has strong potential to contribute to the GCF´s objectives by delivering transformative adaptation outcomes for climate-vulnerable communities in Karnali Province, while also generating measurable mitigation benefits through improved forest and landscape management. By integrating ecosystem-based adaptation, climate-resilient livelihoods, and strengthened governance systems within a locally led climate action framework, the project advances climate-resilient sustainable development in one of Nepal's most climate-exposed regions.

The primary impact of the project is increased resilience of forest-dependent communities, ecosystems, and local institutions to climate variability and extremes. The project will directly benefit **109,690 people** (53,640 men and 56,050 women) through targeted interventions that reduce exposure to climate hazards, increased access to early warnings, decrease livelihood sensitivity, and strengthen adaptive capacity. An additional 423,218 people (206,940 men and 216,278 women) will benefit indirectly through improved ecosystem services, reduced disaster losses, strengthened climate preparedness, and enhanced governance at municipal and provincial levels. Beneficiaries were calculated on an activity-by-activity basis, enabling a comprehensive assessment of beneficiaries across all benefit pathways. Direct benefits considers households or individuals directly targeted by project interventions in the target districts, including the specific CFMG members, livelihood support recipients, and households that will receive early warnings. Indirect beneficiaries included the broader population of the target districts that will benefit from improved LAPA planning, access to communication and awareness materials, or access to improved government programmes and sustainable finance streams. As the project targets CFMGs as the basis for structured, community-led support, there is considerable overlap between benefit streams (for example beneficiaries of community forest management support may also benefit from restoration/NbS investments, or from market development or early warnings). To account for this, each activity was scaled on an assumed level of unique beneficiaries, providing a final estimate of total unique beneficiaries—thereby avoiding double counting. Further details on the beneficiary selection and assumptions underpinning the benefit streams are provided in Section 4.4.1.1 of Annex 2.

At the community level, restored and sustainably managed forests, nature-based solutions, and diversified forest-based livelihoods reduce vulnerability to floods, landslides, droughts, and forest degradation, while improving income stability and food security. Inclusive approaches ensure that women, Dalits, Indigenous Peoples, and persons with disabilities are actively engaged and benefit equitably from adaptation investments. At the systems level, the project

institutionalises climate risk information, local adaptation planning, and community-based early warning systems, enabling a shift from reactive disaster response to anticipatory risk management and more resilient development pathways.

While adaptation is the primary objective, the project delivers quantified mitigation benefits through sustainable forest management and restoration. These interventions are expected to generate approximately **119,649 tCO_2e** of emissions reductions and removals over the first **four years**, and 1,101,385 **tCO_2e** over a **20-year** period. These outcomes contribute to low-emission development pathways by reducing emissions from deforestation and forest degradation and increasing forest carbon stocks – contributing to Nepal's objectives under the REDD+ strategies.

Overall, the project delivers durable, inclusive, and scalable climate impacts aligned with the GCF's result areas, strengthening long-term resilience while contributing to mitigation benefits in Karnali Province.

D.2. Paradigm shift potential (max. 300 words)

The proposed project catalyzes a fundamental shift in Nepal's approach to climate adaptation and low-emission development in forested landscapes by institutionalizing LLCA. Through empowering CFUGs, local governments, and marginalized groups—including women, Dalits, Persons with Disabilities, and Indigenous Peoples—the project reorients adaptation from top-down planning to inclusive, community-driven resilience building. It addresses key barriers including weak forest governance, limited technical capacity, poor value chain integration, and fragmented climate information systems (See ToC in Annex 2—Section 4).

Outcome 1 shifts forest use from extractive to regenerative by enabling climate-smart, community-managed landscapes and market-linked forest enterprises. By supporting improved resource management, local value addition, and private sector linkages, the project addresses systemic barriers such as poor forest planning, lack of enterprise capacity, and weak market access—laying the foundation for sustainable livelihoods and long-term resilience.

Outcome 2 builds adaptation leadership at the local level through participatory LAPAs, disaster preparedness, and inclusive planning tools. These interventions directly counter the exclusion of vulnerable groups, strengthen local institutions, and embed adaptation into formal governance and development systems, addressing barriers of low awareness, technical gaps, and fragmented decision-making.

Outcome 3 transforms fragmented climate information into accessible, actionable knowledge through decentralized systems embedded in provincial and municipal governance. This addresses barriers related to poor data usability and integration, enabling informed planning and adaptive management at all levels.

The project also supports enabling conditions for sustainability, including the development of locally appropriate financing mechanisms (building financial literacy and connecting CFUGs and MSMEs to financial service providers), market transformation, policy reform (for example, forest license streamlining, climate budgeting), and knowledge platforms for replication. Demonstration sites, advocacy efforts, and alignment with national frameworks will support scaling across other vulnerable regions. By strengthening institutions, markets, and governance systems, the project lays the foundation for long-term climate resilience beyond its implementation period.

D.3. Sustainable development (max. 300 words)

In addition to its core climate resilience and mitigation objectives, the project will generate a range of sustainable development co-benefits that extend beyond direct climate outcomes—contributing directly to Nepal's SDGs.

Economic

- Rural employment generation: Green jobs will be created through forest restoration, NTFP harvesting, and small-scale enterprise development, particularly for landless and resource-poor households.
- Income diversification: Support for NTFP value chains and micro-enterprises will enable households to reduce reliance on subsistence farming and biomass collection.

- Local economic stimulation: Increased market access and enterprise incubation will strengthen local economies in remote areas and reduce out-migration.

Social

- Improved food, nutrition and health: Enhanced access to wild foods, forest-based crops, medicinal plants and reliable clean water sources will support dietary diversity and household food and health stability.
- Reduced disaster risk: Nature-based solutions will help stabilize slopes, reduce erosion, and mitigate flash floods and landslides in vulnerable sub-catchments.
- Increased local knowledge and cohesion: Climate awareness and inclusive planning will strengthen community institutions and improve cooperative responses to local risks.

Environmental

- Ecosystem restoration: Reforestation, enrichment planting, and slope stabilization will improve ecological integrity and reverse forest degradation.
- Water resource protection: Restored forest cover will improve water retention, groundwater recharge, and regulation of seasonal flows in degraded catchments.
- Biodiversity enhancement: Sustainable forest management will maintain and enhance habitat quality for native flora and fauna.

Gender-Responsive and Inclusive Development

- Economic empowerment of women and marginalized groups: Women, Dalits, and Indigenous Peoples will gain skills, access to finance, and ownership in forest-based enterprises.
- Reduced unpaid labour burdens: Improved access to fodder, fuelwood, and water will reduce the time and physical burden on women and girls.
- Leadership in climate decision-making: Targeted support for participation in LAPAs and CFUGs will strengthen the voice and influence of historically excluded groups.

D.4. Needs of recipient (max. 300 words)

Nepal is among the world's most climate-vulnerable countries, with mountainous geographies, fragile ecosystems, and a high dependence on climate-sensitive sectors such as agriculture and forests. The country faces a significant adaptation financing gap, estimated at an additional US$2.4 billion required between 2014 and 2030 to meet priority climate resilience needs. This gap is most acutely felt in remote and underserved regions such as Karnali Province, where limited fiscal space, poor infrastructure, and institutional fragility constrain both the scale and effectiveness of local adaptation efforts.

Karnali is Nepal's poorest province, with 28.9% of its population below the poverty line and over 51% classified as multidimensionally poor. Human development indicators—including literacy, life expectancy, and access to water and sanitation—are consistently lower than national averages. Climate risks compound these structural deprivations, as forest-dependent communities face increasing threats from erratic rainfall, prolonged dry spells, landslides, and forest degradation. These impacts disproportionately affect women, Indigenous Peoples, and Dalits, who have limited adaptive capacity and are often excluded from formal decision-making processes.

Although Nepal's federal governance model and community forest institutions provide a strong foundation for locally led adaptation, local governments and community groups in Karnali lack the technical, financial, and administrative resources to operationalize climate-resilient development. Access to climate finance at the subnational level remains minimal, and coordination between tiers of government is weak.

This project directly addresses these challenges by investing in climate-resilient forest governance, ecosystem restoration, and adaptive livelihoods. It is well aligned with Nepal's NAP, NDC, and provincial priorities. GCF support is essential to overcome the systemic financial, institutional, and socio-economic barriers that prevent vulnerable communities in Karnali from adapting effectively to climate change. (See PFS4.4.4 for more detail)

D.5. Country ownership (max. 500 words)

The proposed project is fully aligned with Nepal's climate change priorities and strategic frameworks, including the Third Nationally Determined Contribution (NDC), National Adaptation Plan (NAP, 2021–2050), National Climate Change Policy (2019), Forestry Sector Strategy (2016–2025), National REDD+ Strategy (2025–2034), and Karnali Province's development plans. It supports key national objectives such as enhancing the resilience of climate-vulnerable communities, promoting sustainable forest management, expanding community-based governance, and mainstreaming gender equality and social inclusion (GESI) into climate action. Specific contributions include maintaining forest cover, expanding inclusive community forest management, restoring degraded lands, building adaptive capacity, and promoting green jobs and nature-based solutions. At the provincial level, the project supports Karnali's goals to increase productivity and competitiveness of forest and agricultural products while reducing climate-related risks.

The project has been developed in close consultation with Nepal's National Designated Authority (NDA), the Ministry of Finance (MoF). It aligns with the national climate finance programming led by the Ministry of Forests and Environment (MoFE) and supports implementation of Nepal's NAP priorities. The NDA has provided guidance throughout the concept development process and has issued a No-Objection Letter (NOL).

The National Trust for Nature Conservation (NTNC) will serve as both the Accredited Entity (AE) and co-Executing Entity (EE). NTNC is a national public institution established by an Act of Parliament with a formal mandate to support Nepal's biodiversity conservation and sustainable development goals. Its Board is chaired by a nominee of the Prime Minister and includes representatives from key government ministries, enhancing national oversight and policy alignment. NTNC is a GCF-accredited Direct Access Entity and has successfully implemented large-scale, multi-stakeholder projects funded by bilateral and multilateral partners. It brings extensive experience in climate adaptation, forest governance, livelihood promotion, and community-based conservation across Nepal, including in Karnali. Internal firewalls will be maintained between NTNC's AE oversight and its EE operational roles. Further national ownership will be ensured through MoF and MoITFE´s co-executing entity roles, taking shared responsibility for implementation of activities on the group, particularly where they relate to locally-led action.

A total of 31 extensive consultations were conducted during project preparation to ensure that the design reflects national and local priorities. Consultations were held in all four target districts (Jajarkot, Jumla, Dolpa, and Dailekh), as well as at provincial and national levels. Participants included local governments, Community Forest User Groups (CFUGs), women's groups, Indigenous Peoples' organizations, district forest officials, and civil society representatives. Feedback from these dialogues helped identify priority interventions and informed the locally led climate action (LLCA) approach. Key themes emerging from stakeholders included the need for degraded forest restoration, diversified forest-based livelihoods, early warning systems, and inclusive adaptation planning.

The project embeds multi-stakeholder engagement throughout its governance and delivery structure. Local governments and community institutions will lead implementation through participatory planning and decision-making, particularly via LAPA processes, have endorsed the project. Social audits, public hearings, and community monitoring committees will ensure transparency and accountability. A Technical Advisory Group (TAG) will provide independent technical guidance and foster institutional learning. Through its inclusive design, national execution, and strategic policy alignment, the project reflects strong country ownership and supports the long-term resilience goals of the Government of Nepal and the people of Karnali Province.

D.6. Efficiency and effectiveness

D.6.1. Estimated cost per t CO_2 eq, defined as total investment cost / expected lifetime emission reductions (Mitigation and Cross-cutting)	(a) Total project financing	US$9,209,500
	(b) Requested GCF amount	US$8,509,500
	(c) Expected lifetime emission reductions	1,101,385 tCO_2eq
	(d) Estimated cost per tCO_2eq (d = a / c)	US$8.4/ tCO_2eq
	(e) Estimated GCF cost per tCO_2eq removed (e = b / c)	US$7.7/ tCO_2eq

D.6.2. Expected volume of finance to be leveraged by the proposed project/programme and as a result of the Fund's financing, disaggregated by public and private sources (Mitigation and Cross-cutting)	(f) Total finance leveraged	US$2.6M
	(g) Public source finance leveraged	US$_____
	(h) Private source finance leveraged	US$2.6M
	(i) Total Leverage ratio (i = f / b)	26.4%
	(j) Public source leverage ratio (j = g / b)	_____
	(k) Private source leverage ratio (k = h / b)	26.4%

D.6.3. Describe how the financial structure is adequate and reasonable in order to achieve the proposal's objective(s), including addressing existing bottlenecks and/or barriers; providing the minimum concessionality; and without crowding out private and other public investment. (max. 500 words)

The economic modelling demonstrates strong overall cost-effectiveness and financial feasibility of the project portfolio. Discounted (NPV) benefits are US$63.14 million compared with discounted (NPV) costs of US$8.51 million, giving a Net NPV of US$54.63 million, a Benefit–Cost Ratio (BCR) of 7.42, and an Economic Internal Rate of Return (EIRR) of 54%. The modelled beneficiary count (considering beneficiaries per benefit stream rather than unique beneficiaries) is 109,649 people, with weighted discounted benefits of approximately US$316 per person compared to discounted costs of US$60 per person, resulting in a net benefit of US$256 per beneficiary.

Unit cost analysis confirms that the project delivers competitive value for money through large-scale, community-based delivery platforms. Improved Sustainable Forest Management (1.1.1) is costed at approximately US$167/ha, while restoration of priority sites (1.1.2) averages US$1,107/ha. Targeted nature-based solutions (1.1.3) have a higher intensity cost of approximately US$10,879/ha, reflecting their focus on a smaller number of high-risk hotspots where per-person avoided-loss benefits are substantial and justify higher unit costs.

Two interventions account for the majority of monetised benefits and provide a robust anchor for portfolio performance. Community-Based Early Warning Systems (2.1.4) generate a Net NPV of US$12.66 million, with a BCR of 43.81 and an EIRR of 153%, benefiting approximately 45,000 people at a low discounted cost of US$2.81 per person. Forest restoration (Activity 1.1.2) generates a Net NPV of US$3.74 million (BCR 4.38, EIRR 16%) for approximately 17,500 beneficiaries. Together, these two activities contribute around 60% of total Net NPV, underscoring their importance to portfolio efficiency and scalability.

Although adaptation benefits are the primary justification, the project also delivers quantified mitigation benefits of 1,101,385 tCO_2e. Using the total project cost of US$9.21 million, the indicative cost is US$8.4/$tCO_2e$, or US$7.7/tCO_2e using the GCF contribution alone. These figures are presented as secondary indicators, reinforcing the project's multi-benefit profile.

The funding structure is appropriate for an adaptation programme delivering significant public-good value. The model estimates social value of carbon (NPV USD 28.46 million), with avoided losses (NPV USD 20.43 million) and additional production and income value (NPV USD 14.24 million) as the dominant benefit streams. Because many benefits are diffuse, non-excludable, and not fully captured by private actors, grant financing is justified. This case is further strengthened by conservative modelling assumptions that treat several enabling and institutional activities as costs with no monetised benefits, meaning overall BCR and NPV are likely understated.

The model also demonstrates meaningful leverage and catalysation. Non-GCF contributions include US$0.7 million in government co-financing and US$1.9 million in community labour, representing 6.3% and 17.1% of total project resources, respectively, alongside US$8.51 million in GCF financing. High-return, institutionally embedded interventions—particularly CFUG-based SFM and community-based EWS—are well suited for replication and mainstreaming through local and provincial systems.

Finally, long-run viability is supported by low per-beneficiary operating costs for high-impact interventions and strong institutional anchoring. While some activities show limited standalone monetised returns, these function as enabling investments that unlock and sustain wider portfolio benefits. Even under conservative assumptions, the portfolio remains strongly positive, indicating a high likelihood of sustained net benefits over the project life.

E. ANNEXES

E.1. Mandatory annexes

☒	Annex 1	NDA No-objection Letter(s) (Template)
☒	Annex 2	Pre-feasibility (or feasibility) study (Guidance)
☒	Annex 2a	Logical Framework (Template)
☒	Annex 2b	Timetable (Template)
☒	Annex 3	Budget plan that provides breakdown by type of expense including AE fees (Template)
☒	Annex 4	Gender assessment and action plan (Template)
☒	Annex 5	Co-financing commitment letter if applicable (Template)
☒	Annex 6	Term sheet including a detailed disbursement schedule and, if applicable, repayment schedule
☒	Annex 7	Risk assessment and management (Template)
☒	Annex 8	Procurement plan model (Template)
☒	Annex 9a	Legal Due Diligence (regulation, taxation and insurance) (Template)
☒	Annex 9b	Legal Opinion/Certificate of Internal Approvals (Template)

E.2. Other annexes to be submitted when applicable/requested

☒	Annex 10	Economic and/or financial analysis (Guidance) (mandatory for private-sector proposals)
☐	Annex 11	Appraisal, due diligence or evaluation report for proposals based on up-scaling or replicating a pilot project
☒	Annex 12	Environmental and Social Action Plan (ESAP) (Template)
☐	Annex 13	Operations manual for EDA projects (guidance)
☒	Annex 14	Assessment of GHG emission reductions and their monitoring and reporting (for mitigation and cross cutting-projects)[9]

***** Please note that a funding proposal will be considered complete only upon receipt of all the applicable supporting documents. *****

[9]Guidance on GHG emission reduction calculations for GCF projects/programmes is available on the GCF Programming Guidance (https://www.greenclimate.fund/sites/default/files/document/gcf-programming-manual.pdf), Box 12 "How to estimate greenhouse gas emission reductions for GCF". This annex is mandatory for Mitigation and Cross-cutting projects