

Policy for Forest Restoration Using CSR, CER, and Non-Governmental Funds

Introduction

The state has a significant area of degraded forests. Currently, the forested area in the state spans approximately 9.5 million hectares, of which nearly 3.7 million hectares are classified as degraded forests. Restoration of these degraded forests is critical for the sustainable provision of ecological services and to strengthen forest-based livelihoods of local communities. However, substantial financial resources are required to restore even apart of such a large tract, necessitating the exploration of alternative funding mechanisms. Corporate Social Responsibility (CSR) initiatives by various companies and industrial units can contribute to public welfare through activities like environmental conservation and plantation drives. Similarly, Corporate Environment Responsibility (CER) funds from newly established or expanding industrial units can be utilized to mitigate the adverse environmental impacts of industrial activities.

Private investors, too, can play a role by investing in forests to enhance the green cover and in the process, they can get forest produce as return on the investment. Such investments, conducted within the provisions of the Indian Forest Act, 1927, the Forest (Conservation) Act, 1980, and other relevant laws and regulations, can create win-win opportunities for all stakeholders – Investors getting share in forest produce as return on investment, local communities receiving their share of forest benefits, and environmental balance promoted through sustainable afforestation practices. Under the Joint Forest Management (JFM) framework established by the state government, joint forest management committees (referred to hereafter as "forest committees") manage forest areas allocated to them, based on 10-year micro-plans approved by Divisional Forest Officer(DFO). CSR, CER, and other sources of funding can be utilized to implement activities proposed in these micro-plans.

At the divisional level, Forest Development Agencies (FDAs) have been established under the Madhya Pradesh Society Registration Act, 1973, to facilitate the receipt of funds from non-governmental sources for forest restoration. At the state level, the State Forest Development Agency (SFDA) coordinates with FDAs to strengthen the involvement of local communities in forest development activities. Additionally, the Madhya Pradesh State Forest Development Corporation (referred to hereafter as "the Corporation") has been established for the commercial management of forests. The Corporation undertakes forest development considering the life cycles of major species and employs scientific methods for forest utilization, thereby mobilizing resources for the state government and communities. These agencies can be utilized to harness the potential of investments through CSR, CER or private investments.

This policy is designed to facilitate the use of CSR, CER, private investment, and NGO funding for the restoration of degraded forests (with canopy density below 0.4) in notified forest areas superseding previously issued policies. This policy is divided into two parts:

1. Restoration of forests using CSR/CER funds.
2. Restoration of forests through private investments.

Part 1

Restoration of Forests Using CSR/CER Funds

1. Proposal for Forest Restoration

- 1.1. Industrial groups, corporate entities, individuals, and voluntary organizations interested in contributing to forest restoration through CSR or CER funds must submit their proposals to the respective forest division or the State Forest Development Agency (SFDA).
- 1.2. Entities or individuals can select a site or area of their preference. The proposal must include the registration certificate of the corporate entity or organization and audited financial statements for the past three financial years.
- 1.3. Proposals received by the SFDA will be forwarded to the Forest Development Agency (FDA) of the selected forest division as per the applicant's interest.

2. Selection of Area

- 2.1. A minimum of 10 hectares of forest land will be selected for restoration. For cases where less than 10 hectares are available, areas will be clubbed (merged) at the district level to achieve the required minimum of 10 hectares or more for restoration. In mining areas where plantation is not feasible, restoration activities will be undertaken in nearby suitable areas. The DFO will inform the proposing entity about the condition of the forest area and the necessary restoration measures.
- 2.2. Upon receiving a proposal expressing interest in forest restoration, the DFO will organize a general assembly (Gram Sabha) of the forest committee to obtain their consent. During the assembly, all relevant details of the restoration program or plan will be shared with the members. After approval from the forest committee's general assembly, steps will be initiated to prepare a micro-plan for the restoration of the allocated forest area.
- 2.3. The divisional forest officer will prepare a digital map of the forest area, marking the current condition of the forest and the proposed restoration interventions.

3. Tripartite Agreement

A tripartite agreement will be executed between the funding entity, forest committee, and Forest Development Agency (FDA) to clearly outline the roles and responsibilities of all three parties. The key provisions of the agreement are as follows:

- 3.1 Future notifications or policy changes related to this work will not have an adverse impact on the terms of the agreement.
- 3.2 The funding entity will have the right to carbon credits for a period of 60 years.
- 3.3 No activities will be permitted in the forest areas that could adversely affect the rights of local communities or their forest-based livelihoods.
- 3.4 The restoration project will ensure the conservation of naturally occurring species in the forest area. Indigenous species will be given priority for plantation, and the plantation of exotic species is strictly prohibited.
- 3.5 Work must commence within one year of signing the tripartite agreement and must be completed within two years for restoration/plantation activities.
- 3.6 The monitoring and evaluation of the restoration work will follow a participatory process, involving all three parties in the agreement.
- 3.7 The funding entity will bear the cost of activities such as carbon credit verification, auditing, and certification. The Forest Department will transfer all rights for issuing, forwarding, and trading of carbon credits to the funding entity. The forest committee will cooperate in the process and will receive a 10% share of the carbon credits.
- 3.8 The funding entity must comply with the provisions of the Indian Stamp Act, 1899 and the Court Fees Act, 1870 as applicable in Madhya Pradesh. All related expenses will be borne by the funding entity.
- 3.9 If forest produce generated in the concerned area has a Minimum Support Price (MSP), the funding entity will have the first right of purchase at the MSP. If no MSP exists, the funding entity will have the Right of First Refusal at the highest price received during the sale of the produce.

4. Preparation and Approval of the Micro-Management Plan

- 4.1 The DFO, in collaboration with the forest committee, will prepare a micro-management plan for the treatment of the forest area, based on the needs of the area and the provisions of the approved work plan. The plan will be approved by the DFO after obtaining consent from the general assembly of the forest committee.
- 4.2 Representatives of the funding entity may participate in the process of preparing the micro-management plan to ensure alignment with the restoration goals.
- 4.3 Forest committees with pre-approved micro-management plans by the DFO will also be considered eligible for restoration under these guidelines.

- 4.4 No activities will be conducted in violation of the Forest (Conservation) Act, 1980, or other relevant forest laws and regulations.
- 4.5 The selection of species for plantation will be done through mutual consultation among all parties, keeping the provisions of the work plan in mind.

5. Preparation of the Estimates for the Selected Area

The implementing agency, in collaboration with the DFO, will prepare an estimate of the activities required for the treatment of forest areas included in the micro-management plan. This estimate will be approved with the consent of all three parties (funding entity, forest committee, and FDA).

6. Execution of Work

- 6.1 The restoration work will be executed by the forest committee. Funds allocated for the treatment will be electronically transferred to the account of the FDA by the funding entity, as per the terms of the tripartite agreement. The FDA will then deposit these funds into the development account of the forest committee. If the funding entity prefers, it can directly transfer the funds to the forest committee's development account, provided the FDA is duly informed.
- 6.2 The funding entity may appoint its representative or engage an NGO to provide technical support for the execution of the work.
- 6.3 The executive committee of the forest committee will present a detailed report on the progress of the work in the quarterly general assembly. After obtaining approval, the committee will execute the work and submit a compliance report to the FDA.
- 6.4 Work execution will strictly adhere to the terms of the tripartite agreement. Priority will be given to providing employment to the local community wherever possible.
- 6.5 Funds received for restoration activities at the forest division level will be utilized following the prescribed procedures. Restoration activities will be carried out according to the micro-management plan. For projects involving areas of 10 hectares or more, funds will be deposited in the FDA's account at the district level. Once the cumulative area reaches 10 hectares, the funds will be utilized by the Forest Department for restoration purposes at the district level.
- 6.6 Display boards indicating the legal status of the forest area will be installed at prominent sites near the actual land. The boards will provide details about the project, including the cost, funding entity, and implementing agency.
- 6.7 The funding entity may provide resources in the form of funds, materials, or technical assistance, as per the mutually agreed schedule outlined in the micro-management plan. Any disbursement of funds will align with the approved work plan.

- 6.8 The next installment of funds from the funding entity will only be released after all parties confirm the satisfactory utilization of the previous installment.

7. Monitoring and Evaluation

- 7.1 Monitoring and evaluation of restoration activities will be conducted according to the department's standard procedures. All plantations will be registered in the department's Plantation Evaluation System, and the outcomes will be updated periodically within the specified timeline.
- 7.2 The DFO will be personally responsible for safeguarding the forest areas covered under the tripartite agreement. The DFO will ensure that there is no encroachment or non-forestry activity conducted in these areas.
- 7.3 It will be ensured that the plant survival rate is a minimum of 75% after three years. If the survival rate falls below 75%, further action will be taken in accordance with the department's prevailing rules and procedures, and accountability will be determined.

8. Termination/Cancellation of the Agreement

- 8.1 If the work is not initiated within one year as per the agreement, or the restoration/plantation activities are not completed within two years, or if the terms of the agreement are violated, the Secretary of the FDA at the forest division level will have the authority to cancel the agreement. However, the cancellation order will only be issued after providing all parties with an opportunity to present their case.
- 8.2 An appeal against the cancellation of the agreement can be submitted to the Chairperson of the FDA. A second appeal can be submitted to the State Forest Development Agency (SFDA), whose decision will be binding on all parties.
- 8.3 After the completion of work, an evaluation report will be issued, detailing the condition of the plantation and its impact on the local community.

Part 2

Forest Restoration Through Private Investment

Under the Companies Act, 1956, the Madhya Pradesh State Forest Development Corporation Limited (the Corporation) has been established. Through the Corporation, funds from private investors can be utilized for afforestation in designated degraded areas, thereby empowering the role of local communities in forest development.

1. Identification of Suitable Forest Areas

- 1.1 The Forest Department will identify degraded forests suitable for afforestation under private sector investments. Care will be taken to ensure that sufficient land is left in the village for essential community needs, such as grazing and firewood collection.
- 1.2 For afforestation at a single location, a minimum of 25 hectares and, in the case of a cluster of lands, a maximum of 1000 hectares will be identified at one location.
- 1.3 A list of the existing trees in the identified areas will be prepared by the Forest Department.
- 1.4 The Forest Department will provide the Corporation with complete information about these areas, including digital maps and KML files.
- 1.5 The Corporation will publish these areas on its website and invite Expressions of Interest (EOI) from private investors twice a year.
- 1.6 Private investors may submit proposals for one or more clusters in a single application under the EOI process.
- 1.7 Areas for which proposals are received will be transferred by the Forest Department to the Corporation for further processing.
- 1.8 The Forest Department will obtain the consent of the forest committees for the proposed areas. The DFO will organize a general assembly meeting of the forest committee to share all relevant details of the restoration program or plan with the community members.
- 1.9 The Corporation will mark the current condition of the forest area and proposed restoration activities on the digital map received from the Forest Department.

2. Selection of Private Investors

- 2.1 If only one proposal is received for a specific area after inviting EOI, the area will be reserved for that investor.
- 2.2 If more than one proposal is received for a specific area, the following process will be followed for selection:
 - 2.2.1 If there is only one proposer who has submitted a proposal for more than 1,000 hectares, the area will be reserved for that proposer.
 - 2.2.2 If there are more than one proposers who have submitted proposals for more than 1000 hectares, only they will be invited to submit sealed offers for the share of forest produce.

- 2.2.3 If none of the proposers has submitted proposal for an area exceeding 1,000 hectares, all proposers will be invited to submit sealed offers based on their share of forest produce.
- 2.2.4 The proposer offering the highest share of forest produce in the sealed offer will have the area reserved for them under clauses 2.2.2 and 2.2.3 provided they meet all eligibility criteria.

3. Preparation and Approval of Micro-Management Plan (MMP)

- 3.1 The Corporation, in collaboration with the forest committee, will prepare a micro-management plan for treating degraded forest areas, following the provisions of the approved work plan and based on the area's needs. If the investor wishes, they may prepare the MMP themselves under the technical supervision of the DFO. The plan will be approved by the DFO after receiving consent from the forest committee's general assembly.
- 3.2 Representatives of the private investor, for whom the forest area is reserved, may also participate in the preparation of the MMP.
- 3.3 Forest areas with pre-approved MMPs from the DFO will also be considered eligible for restoration under this policy.
- 3.4 Based on factors such as species selection, size of land clusters, soil conditions, and climate, the current plantation cost is estimated at ₹5 to ₹8 lakh per hectare. However, this cost may vary depending on the investor's experience, efficiency, and expertise.
- 3.5 No activity under this policy can be taken up in violation of the provisions of the Forest (Conservation) Act, 1980, the Indian Forest Act, 1927, the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, or any other relevant laws or regulations.

4. Preparation of Estimates for Selected Area

- 4.1 An estimate will be prepared for the activities required for the implementation of the treatments proposed in the MMP (including plantation) for forest restoration. This estimate will be prepared by the investor in collaboration with the Corporation. Alternatively, the Corporation may also prepare the estimate itself.

5. Execution of Work

- 5.1 The restoration work will either be executed by the Corporation itself or by the investor under the technical supervision of the Corporation. If the work is executed by the investor, the Corporation may charge a supervision fee of upto 5%. The specific fee rates will be clearly mentioned in the EOI.

- 5.2 If the work is executed by the Corporation, it will be responsible for the survival and restoration/development of the planted trees.
- 5.3 If the work is executed by the investor, the responsibility for the survival and restoration/development of the planted trees will lie with the investor.
- 5.4 The Corporation will present detailed progress reports on the work in the quarterly general assembly meetings of the forest committee.
- 5.5 The forest restoration work will be carried out as per the agreement between the investor and the Corporation. Wherever possible, priority will be given to employing local community members and forest committee members for the execution of the work.
- 5.6 Display boards showing the legal status of the forest area will be installed at prominent places near the site. These boards will include details of the project, such as work description, cost, name of the funding investor, and the name of the implementing agency.

6. Survival and Growth of Plants

- 6.1 The restoration area will be monitored jointly by the Corporation and the Investor at regular intervals. A quarterly report will be prepared and shared electronically between both parties.
- 6.2 The survival rate of the planted trees must be at least 75% after three years. Additionally, the average growth of the plants should not fall below the growth rate specified in the yield tables for the specific quality of land.
- 6.3 The survival rate must be at least 80% in the first year and 90% in the second year. Within these survival thresholds, dead plants will be replaced with new plants as per the approved estimate by the executing agency.
- 6.4 If the survival rate falls below 75% after three years, the executing agency will conduct gap plantation at its own cost to restore the survival rate to the required level.
- 6.5 After three years, the responsibility for the security of the restoration area will lie with the private investor or will be undertaken by the Corporation at the expense of the investor.
- 6.6 If the survival rate falls below 40% after three years and the work was executed by the Corporation, the Corporation will refund the entire plantation cost to the investor. In such case, the forest produce and carbon/green credits from the area will solely belong to the Corporation. The investor will have no claim over the forest produce or credits.

7. Ancillary Forestry Activities

- 7.1 To store planting material before plantation and for activities related to the extraction of forest produce, up to 1% of the allocated area or a maximum of 2 hectares will be temporarily reserved.
- 7.2 The transportation of forest produce will be facilitated through existing forest roads/access routes, which will be provided free of charge. The responsibility for ensuring access to these routes lies with the Corporation.

8. Agreement

- 8.1 A tripartite agreement will be signed between the investor, the Corporation, and the forest committee. This agreement will clearly outline the roles and responsibilities of all three parties. The key provisions of the agreement are as follows:
 - 8.2 The duration of the tripartite agreement will be 60 years.
 - 8.3 The investor will not receive any land ownership rights in the forest area.
 - 8.4 The investor will have the right to select the species and their varieties for plantation in line with the MMP. However, the plantation of exotic species is strictly prohibited.
 - 8.5 To ensure continuous income for forest committees, additional species such as medicinal, aromatic, and other permitted plants may be intercropped, following the provisions of the MMP.
 - 8.6 The state government will retain ownership of timber derived from the trees identified in Clause 1.3, and neither the Corporation nor the investor will have any rights over it.
 - 8.7 Forest produce, including intermediate yields, will be distributed as follows: 20% of the produce will go to the forest committee. The remaining 80% will be divided between the Corporation and the investor, as per the terms of the agreement. The Corporation's share will not be less than 30% under any circumstances. This means that the forest produce will be shared as: 20% to the forest committee, 30% (minimum) to the Corporation, 50% to the investor in the specific case under Clause 2.1.
 - 8.8 The extraction of forest produce will be carried out by the Corporation. The extraction costs will be shared by all parties in proportion to their respective shares of the produce.
 - 8.9 The forest produce obtained by the Corporation will be auctioned through open tendering, and the investor will have the first right of purchase at the highest bid price. If the investor exercises this right, they must purchase the Corporation's entire share for that forest area; partial purchases will not be permitted.
 - 8.10 At the forest committee's request, the Corporation may also auction the committee's share of forest produce in the similar way as mentioned in Clause 8.9.

- 8.11 The investor will have the right to carbon credits or green credits as per the Government of India's policy.
- 8.12 If public sector enterprises of the Government of India or the State Government participate in the scheme, the State Government will fully assist them in availing the benefits of the Green Credit Program.
- 8.13 The investor will bear all costs associated with the verification, auditing, and certification of carbon credits/green credits.
- 8.14 The investor must comply with the provisions of the Indian Stamp Act, 1899, and the Court Fees Act, 1870, as applicable in Madhya Pradesh. All related expenses will be borne by the investor.
- 8.15 The investor will have the right to use carbon credits/green credits for the duration of the agreement. The forest committee will hold a 10% share in the carbon credits/green credits. The Corporation will assist in facilitating carbon credit-related processes.
- 8.16 If an insurance company offers insurance for the plantation/intermediate forest produce, the investor may arrange insurance by paying the premium directly.
- 8.17 No activities will be conducted in forest areas that adversely impact the rights of local communities or their forest-based livelihoods.