

Document of
The World Bank

READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

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TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR

REDD+ READINESS PREPARATION SUPPORT (P152465)

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DATA SHEET

ISLAMIC REPUBLIC OF PAKISTAN REDD+ READINESS PREPARATION SUPPORT

READINESS PREPARATION PROPOSAL (R-PP) ASSESSMENT NOTE

South Asia Region

Basic Information	
Date:	Sectors: Forestry
Country Director: Rachid Benmessaoud	Themes: Climate Change (50%); Other En and Natural Resource Management
Practice Manager: Herbert Acquay	EA Category B
Project ID: P152465	
Lending Instrument: Grant	
Team Leader(s): Javaid Afzal	
Date of country selection into FCPF: December, 2013	
Date of Participation Agreement signed by Country: August 4, 2014	
Date of Participation Agreement signed by Bank: August 4, 2014	
Date of R-PP Formulation Grant Agreement signature: Not applicable	
Expected date of Readiness Preparation Grant Agreement signature: April, 2015	
Joint IFC: N/A	
Project Implementation Period:	Start Date: May15, 2015 End Date: June 30, 2018

Project Financing Data		
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other
<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee	
For Loans/Credits/Others (US\$M):		
Total Project Cost :	Total Bank Financing :	3.8
Total Cofinancing : N/A	Financing Gap : N/A	

Financing Source	Amount
BORROWER/RECIPIENT	
IBRD	
IDA: New	
IDA: Recommitted	
Others:	
FCPF	3.8
UN-REDD	

Financing Gap

Total

Regional FCPF Trust Fund Number:

FCPF Country Child Trust Fund Number:

Recipient: Government of Pakistan

Responsible Agency: Economic Affairs Division, Ministry of Finance

Contact: Mohammad Saleem Sethi

Title: Secretary to the Government of Pakistan

Telephone No.:

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Responsible Agency: Inspector General of Forests, Ministry of Climate Change

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Institutional Data

Practice Area / Cross Cutting Solution Area: Environment and Natural Resources

Cross Cutting Areas

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Forestry		100	0	100
Total		100	100	

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Green House Gas Accounting

Is GHG accounting applicable for your project?

Yes

Themes

Theme (Maximum 5 and total % must be equal to 100%)

Major theme	Theme	%
Climate Change (50%)	Other Env. and NRM (50%)	100
Total		100

Private Capital Mobilized	
Gender Tag	
Does the activity plan to undertake any of the following? Please select Yes or No for each:	
Gender analysis and/or consultation on gender related issues. Yes	
Specific actions to address the distinct needs of women and girls, or men and boys, or positive impacts on gender gaps. No	
Mechanisms to facilitate monitoring and/or evaluation of gender impacts. No	

Clearances to the Readiness Preparation Proposal Assessment Note

Global Practice Manager: Herbert Acquay, Date

Regional Safeguards Advisor: Francis V. Fragano, Date

Safeguards Specialists (Environment and Social): Fouad
 Mohammad Khan and Salma Omar, Date

Procurement Specialist: Rehan Hyder, Date

Financial Management Specialist: Syed Waseem Abbas, Date

PURPOSE OF THE READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

As part of its responsibilities for the FCPF, the World Bank has been asked to ensure that the FCPF's activities comply with the relevant World Bank Operational Policies and Procedures, in particular the Safeguard Policies, and the policies on Procurement and Financial Management.

The World Bank has also been asked to assist REDD Country Participants to formulate and implement their Readiness Preparation Proposals (R-PPs).

The purpose of this Readiness Preparation Proposal Assessment Note (R-PP Assessment Note), therefore, is for the World Bank to assess if and how the proposed REDD+ Readiness Support Activity, as presented in the R-PP, complies with Safeguard Policies, and the World Bank's policies on Procurement and Financial Management, discuss the technical quality of the R-PP, record the assistance it has provided to the REDD Country Participant in the formulation of its R-PP, and describe the assistance it might potentially provide to the REDD Country Participant in the implementation of its R-PP.

ABBREVIATIONS AND ACRONYMS

CfRN	Coalition for Rainforest Nations
CITES	Convention on International Trade in Endangered Species
CMS	Convention on Migratory Species of Wild Animals
CPS	Country Partnership Strategy
CSO	Civil Society Organization
ESMF	Environmental and Social Management Framework
FAO	Food & Agricultural Organization
FATA	Federally Administered Tribal Areas
FCPF	Forest Carbon Partnership Facility
GEF	Global Environmental Facility
IGF	Inspector General of Forests
MRV	Measurement, Reporting and Verification
NGO	Non-Governmental Organization
NSC	National Steering Committee on REDD+
PC	Participants Committee
PDO	Project Development Objectives
PES	Payment for Environmental Services
PPAF	Pakistan Poverty Alleviation Fund
REDD+	Reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
RL/REL	Reference Level/ Reference Emission Level
R-PP	Readiness Preparation Proposal
SESA	Strategic Environmental and Social Assessment

UNCCD	United Nation Convention to Combat Desertification
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
UNFF	United Nations Forum on Forests
UN-REDD	United Nations Collaborative Program on REDD+
WWF	World Wildlife Fund

ISLAMIC REPUBLIC OF PAKISTAN
REDD+ READINESS PREPARATION SUPPORT

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ISLAMIC REPUBLIC OF PAKISTAN
REDD+ READINESS PREPARATION SUPPORT

I. Introduction and Context

A. Country Context

Pakistan has become a member of the Forest Carbon Partnership Facility (FCPF), and it can receive assistance to prepare itself to participate in a future system of positive incentives for REDD+ (Reducing Emissions from Deforestation and Forest Degradation, plus conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks). Pakistan expressed its interest in receiving support from the FCPF by presenting a Readiness Preparation Proposal (R-PP). The FCPF Participants Committee selected the R-PP in December, 2013. Support from the FCPF requires Pakistan's acceding to membership in the Partnership, and on the completion of World Bank due diligence on implementation arrangements of the proposed work. Pakistan signed the FCPF Participation Agreement on August 4, 2014, and the Bank completed due diligence on implementation arrangements, safeguard provisions and other aspects of the proposed work. Pakistan is now ready to receive support from the FCPF on conducting Readiness Preparation Activities.

Pakistan has made considerable progress in reducing poverty over the last two decades and the government has laid a strong development path through the Vision 2025. Between 1991 and 2011, the proportion of people living with an income of less than \$1.25 a day was more than halved. The percentage of the population below the national poverty rate has fallen from 34.7% in fiscal year 2002 to an estimated 13.6% in fiscal year 2011. The government plans to accelerate these successes, and put Pakistan on a fast track of development through the Vision 2025. The ultimate goal of the Vision is to transform the country to be among top twenty five economies of the world by 2025, and become one of top ten economies in the world by 2047, its first centenary. The government has identified five "enablers" and seven "pillars", called the 5+7 model, for an integrated development toward prosperity.

Pakistan's driving force for growth of the national economy is agriculture and livestock sector, which is negatively affected from environmental degradation. The sector contributes 22% of gross domestic product, accounts for 60% of country's exports, provides livelihood to about 68% of the country's population living in rural areas and employs 43% of the national labor force. An efficient and productive agriculture sector can play a vital role for generating overall economic growth and poverty alleviation. However, the sector is negatively affected by ecological imbalance resulting from environmental degradation. According to the National Sustainable Development Strategy 2012, environmental degradation costs Pakistan 6% of gross domestic product per year.

Pakistan's share of global greenhouse gas (GHG) emission is low, but it is highly vulnerable to impacts of climate change. In 2008, GHG emission from Pakistan was 309 million tons of carbon dioxide equivalent, which accounted for 0.8% of the total global GHG emissions. The breakdown of national GHG emissions shows that energy sector contributes 50% of the total

national emissions, followed by agriculture sector 39%, industries 6%, land use change and forestry 3%, and other sources 2%. In terms of vulnerability, according to the Notre Dame Global Adaptation Index for 2012, Pakistan is the 54th most vulnerable country for global climate disruption and the 25th least ready country to adapt to it. Climate change impacts have been observed in the form of frequent natural disasters, acceleration in melting glaciers, shifts in biodiversity, and changes in crop and vegetation distribution. The country has seen a considerable increase in frequency and intensity in extreme weather events and natural disasters, causing huge losses. The floods in 2010 and 2011 caused damage of \$10 billion and \$3.7 billion respectively. Pakistan's dominant landscape falls under arid and semi-arid region, which is further vulnerable to rising temperature, water shortage, heat stress and drought. Similarly, the coastal region is prone to sea level rise and some low land areas to floods.

The government has formed committees and devised policy in response to climate change. Prime Minister's Committee on Climate Change was established in 2005 to provide national level policy guidance. In 2008, the Planning Commission constituted a Task Force on Climate Change to assess the impacts of climate change on all economic and social sectors. The government adopted a National Climate Change Policy in 2012 with the overall goal to promote climate resilient development as well as to mainstream climate change issues into various sectors of the economy. The Policy further highlights eight important sectors – including forestry - where climate change mitigation and adaptation measures need to be mainstreamed. The Policy fully recognizes mitigation of climate change as a global responsibility, and recommends adaptive measures. Such measures intend to minimize the risks and vulnerability of forests and biological diversity so as to prepare Pakistan's forests resources to withstand the impacts of climate change. Forestry is taken as a major sector for not only reducing emissions occurring from forestry but also sequestering greenhouse gases emitted from other sources such as energy and agriculture, which are the two major GHG emitters. The Climate Change Policy recommends entering into regulated and voluntary carbon markets by developing and implementing national REDD strategy, for which FCPF has been identified as one of the financial supporters on REDD+.

The Vision 2025 and the eleventh Five Year Plan 2014-2019 also recognize the significant threat climate change is imposing on Pakistan's economy. One of the measures the Vision 2025 identifies to enhance resilience of the country is by promoting long term sustainability, conservation and protection of natural resources. It also seeks to "aggressively explore" international support such as from Green Climate Fund, Nationally Appropriate Mitigation Actions, the United Nations Framework Convention on Climate Change (UNFCCC) and the others. The eleventh Five Year Plan 2014-2019, which overlaps with REDD+ readiness preparation, guides the government to undertake REDD+ related projects and activities as prescribed in the National Climate Change Policy.

B. Sectoral and Institutional Context

The forest resources in Pakistan are limited and diverse. According to Food and Agricultural Organization of the United Nations (FAO) and official statistics of Government of Pakistan, only about 4.392 million hectares (5.01% of total land area) is under forests¹, out of 79.6 million hectares total area of the country. In the provinces, the fraction of forest area of the total land area varies from 0.7% in Balochistan to 20.7% in the eight districts of upper part of the country. There are two main types of forests – natural forests (conifers, scrub, riverine, and mangrove forests), and plantations (farmland plantations, roadside plantations and canal-side plantations). Irrigated plantation has been raised mainly in Punjab and Sindh provinces. From the tenure point of view, there are two main categories of forests – state owned and private. The state owned forestland has been legally categorized into five classes: state, reserved, protected, un-classed, and resumed lands. The private forestland has been classified into four classes: guzara forests, communal forests, section 38 areas and chos act areas.

The forest resources continue to deteriorate both qualitatively and quantitatively as a result of increasing pressure due to rising population and associated needs. During the last two decades, Pakistan lost 25% of its natural forests at about 2% of annual rate. The rate of forest land use conversion continued to increase from 1.8% per year during 1990-2000 to 2.1% per year during 2000-2005. This has resulted into a reduction of carbon stock in above-ground and under-ground biomass at 2.2% annual rate (from 330 million tons of CO₂ equivalent in 1990 to 213 million tons of CO₂ equivalent in 2010). The coniferous forests have been the most fragile and are rapidly declining due to their high value timber. In the last few decades, government forests have been transferred to non-forestry and commercial purpose such as for agriculture, infrastructure, defense, and tourism. The trend of accelerated deforestation and forest degradation remains unchecked in many parts of the country, especially due to rising population and associated needs for more forest products and non-forestry land uses.

R-PP identifies three categories of direct drivers which, in the order of decreasing severity are: demand and consumption of forest products, land use change, and natural or manmade hazards. Demand and consumption of fuel wood is highest followed by timber, fodder, and grazing. The demand for forest products far exceeds the current level of sustainable domestic supplies. For example, total timber and fuel wood demand in 2002-2003 was 43.76 million m³, which is annual growth of 2.1% from 1992, versus sustainable supply of only 14.40 million m³. The gap of 29.36 million m³ is met mainly by overexploiting the forest resources and partly by importing paper products and timber. Lack of proper land use plans is also causing encroachments and conversion of forest land to non-forest uses such as mining, infrastructure development, and agricultural expansion. According to the R-PP, Pakistan does not have a land use policy except for some major urban areas, and it lacks established mechanism for coordination of policy process related to land use decisions. Recently, the federal government under the Sustainable Land Management Program is providing technical assistance to the provincial governments to prepare land use policies and land use plans. The digitization of land records, land use policies and plans is expected to help in establishing effective law enforcement

¹ This figure is based on FAO definition of forest according to which forest is defined as land with tree crown cover of more than 10 %, area of more than 0.5 hectares, and the trees reaching to a minimum height of 5 meters at maturity in situ.

system for controlling land use. Similarly, natural or manmade hazards such as floods, droughts, and forest fires quickly destroy forests. Climate change through increased occurrence and severity of the hazards is also emerging as a future major driver of deforestation and forest degradation. Indirectly, deforestation and forest degradation is also driven by socio-economic and political factors such as poverty, unemployment, lack of alternatives, and weak forest governance.

Based on the available information, provincial forest acts and policies are generally outdated and they lack active participation of local communities in forest management.

Recent information on implementation of these provincial policies is also scarce. Provincial forest departments in all provinces and territories deal with forest offenses by enforcing Forest Act 1927 (amended). The public forests in Northern Areas, Punjab, and Sindh are managed under the Forest Act 1927; in Balochistan under the Balochistan Forest Regulation 1890 (amended in 1974) and the Forest Act 1927; and in the eight districts of the upper part of the country under the Jammu and Kashmir Forest Regulation 2 of 1930. These forest laws and policies mostly prescribe preparation and implementation of traditional forest working plans. Except in Khyber Pakhtunkhwa and Punjab, there are no approved provincial forest policies, although they are available in draft forms. The provincial forest laws and policies traditionally placed greater emphasis on government control and less on participation of forest communities. Most forest policies, until recently, have viewed people as the prime threat to the forests, and have attempted to exclude them from decision making. Although the National Forest Policy 1975 recognized the role of local communities and the National Forest Policy 1980 emphasized on environmental sustainability, foresters continued to pursue authoritative and policing role, which often resulted in noncooperation from the local communities. The top down, non-participatory approach subjecting them to legal process is also one of the factors of the forest degradation.

The National Forest Policy 2011 addresses shortcomings of previous policies, mainly regarding active participation of stakeholders, sustainable forest management, sustainable livelihoods, and climate change. The National Forest Policy was prepared by Ministry of Environment, and approved by the Cabinet in 2011. However, Ministry of Environment was replaced by Ministry of Climate Change recently. As a result the National Forest Policy does not function at national level, but it is adopted as a draft policy by each province. Provincial governments are currently devising provincial policies, strategies and action plans specific to their socio-economic priorities and ecological conditions, using the national policy as a basis. The Policy outlines several measures to address drivers of deforestation and forest degradation. Some of these are listed below:

- Proper demarcation of forest boundary using geographic information system and global positioning system;
- Regular monitoring of state forest boundaries to detect and recover forest lands from encroachment;
- Control conversion of forestlands to other non-forest land uses by allowing limited transfer only in a condition that alternate land and funds for compensatory afforestation are provided;
- Promotion of alternate energy resources, especially in critical mountain ecosystems, including energy plantations, micro-hydro power generation, bio-gas, solar and wind energy

- Priority to development programs aiming at sustainable livelihood for local communities through integration of forestry component; and
- Financing of sustainable forest management, forestry research and education by establishing an independent forest development fund/endowment fund.

The government is determined to address drivers of deforestation and forest degradation and increase existing forest cover. Besides the aforementioned policy measures, there are other main strategies and action plans aiming at reducing deforestation such as National Conservation Strategy, National Sustainable Development Strategy (draft), Biodiversity Action Plan, and Forestry Sector Master Plan. Inspector General of Forests Office at the national level is responsible for the coordination among the provinces and territories in policy formulation and attending to multilateral international agreements. However, there remain challenges in terms of national policy coordination mechanisms to ensure coherence among these different strategies, policies and master plans in their formulation and implementation. The federal government in collaboration with provincial governments has initiated the Mega Afforestation Program over one million hectares of land. The government, with the support from donors, has also taken initiatives to increase forest cover and reduce deforestation. Some of such efforts made by the government in the past include Mainstreaming Biodiversity Conservation into the Juniper Forest Ecosystem Production Landscape, Rachna Doaab Forest Conservation Project, Bank funded Pakistan Protected Area Management Project, and Malakand Social Forestry Project. Similarly, programs like Sustainable Land Management Programme, and Mountain and Market: Biodiversity and Business in Northern Pakistan are relevant to reducing deforestation and REDD+; these will provide opportunities to reach out to the grassroots communities for afforestation and protection of forests.

REDD+ is seen as an opportunity to rectify problems in existing forest governance system, and thereby to reduce deforestation and forest degradation. REDD+ strategy developed with support from the FCPF would serve as a national strategy, and it would be developed through extensive and prioritized consultation with provinces/territories and relevant stakeholders to facilitate implementation by the provinces. Potential REDD+ strategy options mentioned in the R-PP range from reducing illegal logging; controlling overgrazing, forest fires, and expansion of invasive species; implementing proper harvesting and transportation techniques in mountainous areas; and adopting policies like promoting land use planning combined with intensification of agriculture, extension of housing colonies, settlements and industries. These strategic options will be further elaborated during readiness preparation.

After the Cancun Agreement on REDD+ was adopted by the Conference of Parties in 2010, the Ministry of Climate Change (MoCC) as a national focal point of UNFCCC, formed REDD+ management arrangements. At federal level, a National Steering Committee on REDD+ was constituted, and Inspector General (Forest) in the Ministry of Climate Change was designated as the national focal point for REDD+ implementation. At provincial level, Provincial Forest Departments of Punjab, Sindh, Balochistan, Khyber-Pakhtunkhwa, and the Regions/Territories have designated their respective provincial focal points for REDD+ to coordinate with the federal government on REDD+ implementation. Some provinces/territories have also established provincial REDD+ Management Committees to oversee the REDD+ activities at the provincial level.

C. Relationship to CPS

The Country Partnership Strategy (CPS) for the period FY2015-19 has identified four results area – transforming the energy sector; supporting private sector development; reaching out to the underserved, neglected, and poor; and accelerating improvements in services. These strategic pillars or result areas are anchored in the government’s five-year development vision through a framework of 4Es: “Energy, Economy, Extremism and Education;” sector policies (e.g. energy); and the priorities listed under the Vision 2025.

The CPS stresses need to support the government on implementing mitigation and adaptation measures outlined in the National Climate Change Policy. The CPS clearly articulates Pakistan’s vulnerability to shifting climatic patterns with risks further exacerbated by a growing population, water scarcity, and uncontrolled urbanization. It recognizes an urgent need for significant investment and innovations to reduce vulnerability, improve readiness and achieve low-carbon, resilient development. Accordingly, priority areas of support have been identified, which are mainly in low carbon development, including helping the government access climate finance and climate-resilient development. As outlined in the CPS, the World Bank Group envisions to assist the government by facilitating access to available financing sources, providing technical assistance, and supporting the integration of adaptation/ mitigation strategies in sectors such as agriculture, energy, forestry, and others. The Bank will conduct a study to explore possibility of a low-carbon growth and facilitate readiness to access climate finance by Pakistan. The study would identify and prioritize low-carbon interventions for the next 5-10 years consistent with longer-term vision for green growth.

Proposed REDD+ Readiness Preparation Activities are fully aligned with the CPS with regard to its focus on helping the government adopt mitigation measures and enhance readiness to access climate finance. This will ultimately support low carbon, climate-resilient development initiative of the country. Outcomes of Readiness Preparation Activities could provide a strong basis for potential future Bank operations on climate change or green economy or natural resource management. It could also open Bank’s future engagement in forestry for example for implementing strategies and recommendations from this grant support.

II. Proposed PDO/Results

A. Proposed Development Objective(s)

The development objective of the proposed Readiness Preparation Activities is to strengthen the capacity of the Government of Pakistan to monitor deforestation and reduce forest and land use change related greenhouse gas emissions through a socially, environmentally and technically sound national REDD+ strategy.

B. Key Results

By the end of Readiness Preparation Activities, two major outcomes would have been achieved:

- 1) The Government of Pakistan would have better understanding of the drivers underpinning deforestation and forest degradation in the country, and of socially acceptable and environmentally sound strategic interventions to address the situation,
- 2) The government would have the technical know-how to measure greenhouse gas emission reduction from the forestry sector as a result of the strategic interventions that would be implemented.

Equipped with these outcomes, the government can improve the management of forest resources. It can also participate in and potentially benefit from emerging performance-based payment system under REDD+ mechanism. Additionally, relevant government officials will have enhanced competency to engage on REDD+ related issues at international fora, and relevant stakeholders in the country would have increased awareness on REDD+ through the process of conducting the Readiness Preparation Activities.

To achieve the above outcomes, the Readiness Preparation Activities would produce the following set of reports/outputs (intermediary results):

- (i) Analysis of drivers of deforestation and forest degradation
- (ii) National REDD+ Strategy
- (iii) Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Framework (ESMF)
- (iv) Feedback and Grievance Redress Mechanism (FGRM) for REDD+
- (v) National forest reference level (emissions baseline)
- (vi) National forest measurement, reporting and verification (MRV) system

FCPF has developed REDD+ Readiness Assessment Framework which contains guidance, criteria and diagnostic questions to assess progress on REDD+ readiness. The government may choose to use the framework to review their achievement on these results at the mid-term and at the end of Readiness Preparation Activities. The Framework can be accessed at <http://forestcarbonpartnership.org/fcpf-templates-and-materials>.

III. Project Context

A. Concept

The proposed Readiness Preparation Activities would consist of four components to be supported by the grant of US\$ 3.8 million from the FCPF. The Government of Pakistan would complement with in-kind support in terms of government staff salary, office space and equipment, which according to the R-PP is estimated to be US\$ 0.68 million.

The Readiness Preparation Activities would entail a number of studies on national readiness preparation, capacity building trainings and workshops, goods and operating costs, consultation processes, and designing a site-specific REDD+ PES program in one of the provinces.

1. Description

A summary of key activities to be financed by the FCPF is included below.

Table: Readiness Preparation Activities components, sub-components and indicative budget allocation

FCPF Grant Components	2014/15	2015/16	2016/17	2017/18	Total (US\$ '000)
1. REDD+ Policy Analysis					1200
a. Policy Analysis and REDD+ Strategy Preparation	200	400			600
b. SESA/ESMF and FGRM	100	300	200		600
2. REDD+ Technical Preparation					1200
a. Reference level formulation	250	300	100		650
b. MRV system development	100	200	200	50	550
3. Readiness Management					800
a. Institutional operation	100	100	50	50	300
b. Capacity Development	50	100	50	50	250
c. Consultations	100	50	50	50	250
4. Designing and testing REDD+ PES		200	300	100	600
Grand Total					3800

Grant Component 1: REDD+ Policy Analysis (Estimated cost US\$ 1.2 million): This component would consist of a number of background studies related to assessment of drivers of deforestation and forest degradation; national REDD+ Strategy preparation; and social and

environmental assessment of the strategy. This component mirrors to the activities identified in the R-PP components 2a, 2b, and 2d.

Two sub components and associated activities under this component would be the following.

a. Policy Analysis and REDD+ Strategy Preparation

Under this sub-component, four studies would be undertaken that relate to drivers of deforestation and forest degradation. The studies would include: i) analysis of drivers of deforestation and forest degradation, including those from agriculture and livestock sectors; ii) review of existing forest governance, policies, strategies and their implementation; iii) study on land tenure and natural resource rights; and iv) assessment of lessons and experience from the rest of South Asia on community forestry program applicable in Pakistan.

Finding of these studies would feed into a national REDD+ strategy, which is another major output of this sub-component. National REDD+ Strategy will be a single document for the whole country, but it will have sections outlining major strategic options for strategically important provinces, depending on drivers of deforestation and forest degradation. The strategy will be prepared through extensive and prioritized consultation with strategically important provinces and relevant stakeholders to facilitate successful implementation of the strategy at provincial level. The strategic options would be prioritized based on risk analysis, and feasibility assessment in terms of social, economic (cost-benefit analysis), political, and institutional dimensions, and their implementation and coordination with other existing plans and strategies be included. Even though the strategy is national in scope, the country has flexibility to prioritize certain geographic areas based on forest cover, severity of deforestation and degradation, and effectiveness of REDD+ strategic options.

b. SESA/ESMF and FGRM

This subcomponent would produce three products: Strategic Environmental and Social Assessment (SESA), Environmental and Social Management Framework (ESMF), and Feedback and Grievance Redress Mechanism (FGRM). The SESA would identify potential social and environmental risks or benefits of the REDD+ strategy by combining analytical work and consultations with key stakeholder groups. An ESMF, which is one of the outputs of the SESA, provides a framework for managing and mitigating the environmental and social risks related to future REDD+ investments. The study on FGRM will assess existing formal and informal feedback and grievance redress mechanisms, and prepare a FGRM framework that defines the structure, function and governance of such mechanism, taking into account customary grievance approaches where feasible.

Grant Component 2: REDD+ Technical Preparation (Estimated cost US\$ 1.2 million):

Measuring the effect of activities that reduce emissions from deforestation and forest degradation

requires an estimate of historic trends of GHG in the absence of REDD+ policy interventions and regular monitoring of forest cover and other land uses over time. This estimate of baseline trends and regular monitoring after the interventions are used to compare the performance of the interventions. This component would entail technical studies related to forest cover assessment, greenhouse gas emission from forestry sector, and development of forest monitoring system. This component mirrors to the activities identified in the R-PP components 3, 4a, and 4b.

Two sub components and associated activities under this component would be the following:

a. Reference level formulation

This subcomponent would assess historical trend in forests and emissions/removals over the last decade, using various data sources such as forest inventory, previous land cover change studies, and a variety of available remote sensing imageries. Other activities under this component include the following:

- A series of technical workshops at national and provincial level to define and decide technical elements for reference level development and maintenance
- National stakeholder consultation process to define the characteristics of the reference level and the processes to construct and maintain them
- Capacity building needs assessment for institutional (computers, software, office equipment) and human capacity required for the development and maintenance of RELs/RLs
- Development of a work plan identifying the major steps to move from current capabilities towards more sophisticated capacity in the years ahead
- Preparation of manuals and guidelines

b. MRV system development

This subcomponent would support three activities: 1) design a national forest measurement, reporting and verification (MRV) system for emissions and removals of greenhouse gases due to avoided deforestation and forest degradation, enhancement of forest carbon stocks, conservation and sustainable management of forests; 2) identify non-carbon benefits of REDD+, which can include but not limited to, rural livelihood enhancement, improved forest governance, biodiversity conservation, ecosystem services and develop monitoring system for them; and 3) assess existing capacity gap of national institutions and identify associated capacity building needs to implement MRV system for greenhouse gases and monitoring system for non-carbon benefits.

Grant Component 3: REDD+ Readiness Management (Estimated cost US\$ 0.8 million):

This would provide support for project coordination, technical assistance for procurement and financial management; consultation and capacity building of relevant stakeholders.

a. Institutional operation

This subcomponent would cover the operation cost of the Inspector General of Forests Office in management and implementation of REDD+ readiness activities in the country. This can range from meeting cost of National Steering Committee and REDD+ Working Groups; travel cost of the officials; hiring of technical assistants, financial management and procurement consultants; and other miscellaneous expenses (paper, printer, laptop, telephone, and maintenance).

b. Capacity development

This sub-component would support capacity development needs of the Inspector General of Forests Office staff and some selected officials from the provinces. Deliberate efforts on strengthening capacity of Inspector General of Forests Office staff in managing and supervising experts undertaking technical work will be done. Some training will be conducted in thematic areas such as carbon measurement, equitable benefit-sharing, forest governance, payment for environmental services, and so on. A team of master trainers/facilitators on REDD+ will also be formed comprising of experts from both the government and the non-government sector at national and provincial levels. This group will be capable of further facilitating and leading the trainings on overall REDD+ and forest governance. Some officials and stakeholders can also be sent to visit REDD+ or PES pilot sites at national or regional (South Asia) level. However, any such visit should be first agreed with the Bank.

c. Consultations

The cost of conducting consultations on the Bank supported studies such as reference level development, REDD+ strategy preparation, SESA/ESMF is already built in the cost allocated for those studies. This subcomponent would cover some other additional consultation needs to some targeted groups like parliamentarians, journalists, provincial government officials. The topics for consultation could include basics of REDD+ concept, awareness raising on activities being undertaken by the Inspector General of Forests Office, and dissemination of findings of the studies. This component also serves as a contingency fund if the amount allocated to the studies appears to be inadequate to conduct required consultations.

Grant Component 4: Designing and testing REDD+ PES (Estimated cost US\$ 0.6 million):

Pakistan has been successfully implementing payments for watershed services scheme since early 1990s to control sedimentation in the Mangla dam and Tarbela dam. The Ministry of Water and Power provides direct payments to farmers for reducing sedimentation through a variety of land management and soil conservation initiatives. Similarly, forest departments in the Regions, Khyber Pakhtunkhwa and in the Federal Administered Territories have been implementing

payments for ecosystem services on an ad hoc basis with support from International Union for Conservation of Nature (IUCN) and World Wildlife Fund (WWF).

Building on this experience, the Inspector General of Forests Office would design REDD+ payment for environmental services (PES), in one of the provinces. The province will be selected consulting with relevant stakeholders. The site that will be identified for piloting will have special emphasis on national level readiness studies such as REDD+ strategy, reference level, MRV, SESA/ESMF, so that no additional design work for the site is needed on these aspects. However, there will be a need of some site specific program design for example on benefit sharing mechanism, institutional arrangement, valuation of ecosystem services, measures to enhance non-carbon benefits, community participation, payment mechanism, safeguards, consultation, and feedback and grievance redress mechanism.

For this preparatory work, the grant allocated under this component would be used. Actual implementation of the PES, which requires payment to the communities, occurs at later stage through the government own funding or from other sources yet to be identified.

The testing will provide lessons and experience and inform practical aspects of national REDD+ strategy development as well as other REDD+ preparatory work at national scale. It will provide the basis to scale-up implementation of the national REDD+ strategy, measurement of carbon sequestration, enhancement of non-carbon benefits, community participation, payment mechanism and benefit sharing, safeguards, consultation, and feedback and grievance redress mechanism.

2. Overall Risk and Explanation

The proposed overall risk rating is high. REDD+ in Pakistan will benefit nationally from commitment of the Inspector General of Forests Office to REDD+ and globally from relative advancement on methodologies of REDD+ operation.

While conducting the Readiness Preparation Activities, cooperation from the provinces in terms of information sharing, data exchange, and endorsing the final products might be challenging. This is mainly because forestry is a provincial subject and federal unit does not have direct authority to control activities in the provinces. Similarly, REDD+ being a new emerging concept, misunderstanding and exaggerated expectations on potential benefits can occur, as it has been the case in other countries. These risks can be addressed by conducting adequate consultations, involving provincial authority and relevant stakeholders in each and every step of the Readiness Preparation Activities, and engaging National Steering Committee on REDD+ as frequently as possible. Risk mitigation related to institutional capacity is presented in the next section on institutional agency assessment.

Overall, REDD+ is a mechanism that requires extensive stakeholder engagement. Because of which there is a possibility that stakeholder expectations may be raised, particularly amongst rural, poor communities where revenue streams coming from REDD+ may be seen by the Government of Pakistan as a major selling point for obtaining community support.

B. Implementing Agency Assessment

The principal counterpart for the proposed Readiness Preparation Activities is the Inspector General of Forests (IGF) Office, which is also named as the National REDD+ Office. The IGF Office or the National REDD+ Office is part of the Ministry of Climate Change to deal with international conventions and policy coordination amongst the provinces. Currently, it is responsible for contributing to and fulfilling the commitments under the five international conventions (UNFCCC, CMS, CITES, RAMSAR, and UNCCD). Inspector General of Forests acts as the national focal point and as advisory body to the provinces for REDD+ implementation in Pakistan. Ministry of Climate Change is also a focal point for UNFCCC; currently served by Director General of Environment and Climate Change.

The IGF Office is staffed with six technical staff – one inspector general of forests, two deputy inspector generals of forests, one assistant inspector general of forests, one director of biodiversity, and one conservator of wildlife. Among them, three staff will be responsible for implementation of Readiness Preparation Activities. The IGF Office would oversee and coordinate overall implementation, including preparation of annual work plans and monitoring and evaluation of the national REDD+ readiness preparation. Financial management and procurement would be conducted by the IGF Office, according to arrangements satisfactory to the World Bank. Additional staff dedicated to deal with financial and procurement aspect of Readiness Preparation Activities would be hired from the grant. The IGF Office operates under the overall guidance of multi-sectoral National Steering Committee on REDD+ to coordinate the R-PP activities at all levels, both vertically and horizontally. The Office seeks technical guidance from four working groups, which have been formed to provide technical advice on some thematic areas. The Office is responsible for frequently interacting with provincial focal points in Provincial Forest Departments, international and national organizations, relevant CSOs and academia.

The functions of IGF Office or National REDD+ Office include:

- Coordinate with and participate in the international REDD+ meetings and dialogues under UNFCCC, FCPF, UN-REDD Programme, REDD+ Partnership, C4RN and other forums
- Overall management and implementation of REDD+ readiness activities under the FCPF grant at the national level.
- Commission studies, organize consultations, and trainings relevant stakeholders on REDD+ at national level.
- Convene meetings of National Steering Committee, and seek its guidance and endorsements as needed.
- Convene meetings of REDD+ working groups and seek their inputs and feedback on the technical matters related to REDD+ readiness preparation.
- Liaise with provincial governments and other line ministries on matters related to implementing the REDD+ readiness preparation.

Current capacity of the IGF Office, in terms of staffing, appears to be inadequate to implement the grant activities. Many of the technical studies will be carried out by consultants, as it has

been done in most of the FCPF countries. The tasks for IGF remain, mostly, to procure consulting services, supervise their work, coordinate with provinces and REDD Working Group, and liaise with National Steering Committee. For these tasks as well, the capacity of IGF is limited, about which the task team raised the issue with senior government officials during the assessment mission. The Ministry of Climate Change commits to provide additional government staff to the IGF Office once the implementation commences. Also, as a temporary solution, two technical support staff, one procurement consultant, one financial management consultant and a few other support staff will be hired with the grant support. The Bank task team will continue to provide technical guidance and supervision, as and when requested by the IGF Office.

Some provinces are also conducting REDD+ readiness activities in parallel to national level activities. The provincial governments have nominated provincial REDD+ focal points and have established provincial REDD+ Cells comprising of the representatives of provincial line departments, NGOs and CSOs. In the provinces and territories that have potential for REDD+ activities, Grievance and Implementation Units will be established during REDD+ readiness period. The Grant will support preparation of national level strategies, but the information required for the strategies will be collected from each province through consultations, so that the products from Readiness Preparation Activities could be used by the provinces as well. Linkage between provincial REDD+ initiatives and national REDD+ initiatives is established through National Steering Committee on REDD+, where provincial REDD+ focal points serve as members. They would discuss the issues and decisions of the provincial REDD+ management committees and provincial coordination committees during meetings of National Steering Committee to seek advice and inform the committee to guide the IGF Office.

C. Project Stakeholder Assessment

Government of Pakistan has formed two types of national REDD+ platforms - National Steering Committee (NSC), and Working Groups – to foster a national dialogue on REDD+, representing relevant national governments, provincial governments and other stakeholders.

1. National Steering Committee (NSC)

Government of Pakistan has constituted a National Steering Committee on REDD+ (NSC-REDD+) to coordinate REDD+ activities in the country, comprising of senior level representatives of all concerned national line ministries, provincial departments, national and international organizations, donor agencies, and civil society organizations. The 25-membered committee is chaired by the Secretary of Ministry of Climate Change, and he reports to the Minister of Climate Change. It endorses work plans prepared by IGF Office and approves annual budget. It also provides advice and guidance with regard to implementation of grant activities, as sought by IGF office. The decisions are made on consensus basis, and the decisions by the committee become final national position of Government of Pakistan on matters related to

REDD+. The Committee meets twice a year or as called by the IGF Office for any decisions to be made. As the Inspector General of Forests' Office doesn't have direct control over day to day regular forest management in the provinces, the Committee has important roles to bridge the IGF office, which will be coordinating national strategy development and the provinces, which will be implementing those strategies.

2. REDD+ Working Groups

For lower level Readiness Preparation Activities operation, the Ministry of Climate Change has formed four technical REDD+ Working Groups to provide operational and technical support to IGF Office in execution of its tasks. Each group consists of 7-10 members, who have been identified based on their expertise and experience in the given thematic area. While the National Steering Committee will serve as the official national forum for discussion and coordination of matters related to REDD+ programs, the REDD+ Working Groups will technically guide the implementation of each activity planned during the Readiness Preparation Activities. The IGF Office will ensure that there is proper linkage and coordination between the Steering Committee and REDD+ Working Groups and also among the REDD+ Working Groups. As and when required, IGF Office will convene meetings and notify members of all four or relevant REDD+ Working Groups. The four REDD+ Working Groups are:

- Working Group on Governance and Management of REDD+
- Working Group on Stakeholder Engagements and Safeguards
- Working Group on National Forest Monitoring System and MRV
- Working Group on Drivers of Deforestation and Forest Degradation

All the Readiness activities to be carried out by the Readiness Preparation Activities management unit fall in either of the REDD+ Working Groups. Their main role would be in providing inputs and feedback on consultants' terms of references, and reports delivered by them.

3. Other Stakeholders supporting REDD+ Readiness

a. Global Environmental Facility (GEF)

Under the Global Environmental Facility's Small Grant Program, Ministry of Climate Change and Provincial Forest Departments are implementing a project called 'Sustainable Forest Management to Secure Multiple Benefits in High Conservation Value Forests'. The main objective is to promote sustainable forest management in Pakistan's west Himalayan coniferous, scrub and riverine forests for biodiversity conservation, mitigation of climate change and securing of forest ecosystem services. The GEF is financing US\$ 8.3 million, and the co-financing of US\$ 26.5 million is expected to be generated from the government, UNDP, bilateral aid agencies and private sector. Although the project is still being formulated, the Project Identification Form, approved by the GEF Council, clearly aims to build on national REDD+

Readiness preparation under the FCPF grant. It is envisioned to successfully demonstrate landscape approach to sustainable forest management under a REDD+ component of the project. One of the targets include putting at least 4,000ha forests under model community governance and getting it running with REDD+ PES approach.

b. UN-REDD Program (FAO & UNDP)

The Food and Agricultural Organization (FAO) has been providing financial and technical support under UN-REDD Programme Targeted Support on developing forest monitoring action plan. The MRV work being supported under the FCPF grant will build on the process and product FAO generates. Similarly, UNDP under UN-REDD Program Targeted Support is assessing legal preparedness for REDD+, which will contribute to national REDD+ Readiness process. Total contribution from UN-REDD is estimated to be, as indicated in the R-PP, US\$ 0.109 million.

c. WWF-Pakistan

WWF-Pakistan is the main agency undertaking UN-REDD supported forest monitoring action plan. Besides, WWF has on-ground presence and good working relationship with local communities and provincial forest departments on forests and wildlife conservation. Its strength and commitment lies on forest carbon stock assessment, training relevant stakeholders, and continue consultation.

IV. Proposed Team Composition and Resources, including Technical Assistance Provided by Bank Staff to Date

The Bank has provided general advice and guidance to the staff responsible for Readiness Preparation Activities implementation from the IGF Office on technical, administrative and fiduciary aspects. It has also advised generally on future revisions to terms of reference and made recommendations on packaging of smaller studies into big-ticket items to attract competent international firms. The Bank team will continue to provide advice to the Readiness Preparation Activities management unit on technical, financial, procurement, and safeguards aspect throughout the Readiness Preparation Activities implementation period, as deemed necessary and as requested by the Government of Pakistan.

V. Assessment Summary

A. Technical

The principal components of the Readiness Preparation Activities align with relevant decisions of Parties of the UNFCCC to date as well as international practice that has emanated from the multi-lateral work of the FCPF and UN-REDD Programme over the past six years. Prior to the Bank's assessment, the R-PP has undergone a comprehensive international review by the FCPF Participants Committee (PC) and an independent international Technical Advisory Panel (TAP) that informed the decision of the PC to allocate grant funding to Pakistan.

The activities to be financed by the FCPF have been selected after having several rounds of technical discussions with the Government of Pakistan based on the R-PP, and taking into consideration the progress to date and support for REDD readiness activities from other partners and national agencies. The activities selected follow the guidelines, standards, and technical criteria established by the FCPF and also respond to the recommendations that emerged from numerous consultations and assessment, including with the members of National Steering Committee on REDD+.

Proposed grant activities are also structured and scoped in a manner to respond to Pakistan's current policy and aspiration to prepare for REDD+ Readiness to participate in future potential performance based reward mechanism. Activities under 'REDD+ Policy Analysis' would produce a national REDD+ Strategy, which is a key strategy to attract future potential donors on forest carbon. Social and environmental assessments help maximize positive results from REDD+ and avoid or minimize potential negative effects on both social and environment. Findings of these studies, even in the absence of REDD+, can inform prioritization of limited resources in most critical issues in improved forest governance and positive livelihood impact of forest dependent local communities. An FGRM system could function as a platform not only for REDD+ but also for broader issues on natural resource governance.

While the principal rationale of undertaking two activities under 'Technical Preparation' component – reference level development and establishment of MRV system – is to confirm and comply with international standards and requirements, finding of studies would respond to the government's needs and aspirations of improving forest governance and reducing greenhouse gas emissions in forestry sector. The MRV system will help to enhance consistency among the provincial forest departments in forestry sector data compilation, monitoring and verification. The technical and analytical work that would be supported by the grant will build on and strengthen existing capacity in the country. This is to be accomplished through data processing capacity (e.g., through the use of satellite data to routinely map forest extent and condition) and data management capacity (e.g., the development of an integrated data management and information system). The protocols, data management, and technical approaches will benefit from international expert advice, follow international good practice and are rigorous in design and implementation, and are thus a sound basis for funding under this grant.

Resources allocated for the component 3 would ensure smooth implementation of Readiness Preparation Activities, build leadership capacity and technical capacity, and help foster Pakistan's approach to national economic development and make an informed contribution to

international efforts to mitigate climate change and promote sustainable green growth. Activities under component 4 would provide lessons and experience and inform practical aspects of national REDD+ strategy development as well as other REDD+ preparatory work at national scale. It could form the basis to scale-up implementation of the national of REDD+ strategy.

B. Financial Management

The implementing entity needs to augment its financial management capacity and define internal controls to manage consultancy contracts. IGF Office will hire a mid-level accountant, as per terms of reference agreed with the Bank, before first disbursement and will also prepare standard operating procedures (SOP) to process consultancy payments within three months of grant effectiveness. Currently, all payments and financial management aspects of the IGF office are managed by the Accountant General's office.

Government budgeting processes will apply, and the Readiness Preparation Activities budget will be reflected in the federal government's budget annually. IGF Office will maintain separate books of accounts on cash basis of accounting according to government accounting policies for the grant. A contract roster will be prepared and updated regularly for all contracts. SOPs to process consulting payments will be prepared within three months of grant effectiveness and all consultancy payments will be processed as per these SOPs. For the grant, the IGF Office will prepare semi-annual interim financial reporting (IFR) (covering: i) January to June; and ii) July to December), and submitted to the Bank within 45 days of the closing period. The IFRs will be the basis of advance to the designated account and documentation of expenditure. Format of IFRs will be agreed during negotiations. IGF Office will also prepare annual financial statements of the grant in accordance with the Cash Basis IPSAS that will be audited by the Auditor General of Pakistan (AGP). For each financial year, the annual audited financial statements along with management letter will be submitted to the Bank within six months of the close of the financial year. There should be no overdue audit reports and no unsettled ineligible expenditure in respect of the project implementing entity.

IGF Office will open a segregated designated accounts in US Dollars at National Bank of Pakistan according to the "Revised Accounting Procedure for Revolving Fund Account (Foreign Aid Assignment Account)" issued by Finance Division dated August 02, 2013. Disbursements will be report based and the Bank will disburse an advance equivalent to six months forecast to the project's designated account. However, the use of the assignment (designated) accounts and Advance method will be available only when the issue of Lapsed Loan in the Pakistan portfolio is fully resolved. Subsequent semi-annual IFRs will be the basis of documentation of the expenditures and advances to the designated account. For consultancy payments in foreign currency, the direct payment method of disbursement will be used.

Allocation of Grant Proceeds

Disbursement Category	Amount of Grant (in USD)	%age of Expenditure to be Financed (inclusive of taxes)
Consultants' Services, Trainings, Goods, and Incremental Operating Costs	3.8 Million	100%
Total	3.8 Million	

Retroactive Financing is allowed up to US\$ 500,000/- for payments made to meet eligible expenditure incurred starting September 1, 2014 until the date of the signing of Grant Agreement. However, the retroactive financing will have to meet these four conditions: (i) the activities financed are included in the description provided in the TFP or GFR/grant proposal and are in keeping with the Administration Agreement -i.e. the development partner(s) have agreed to retroactive financing, and the provisions for retroactive financing are included in the Grant Agreement and Administration Agreement; (ii) the payments are for items procured in accordance with applicable Bank procurement procedures; (iii) such payments do not exceed 20 % of the grant amount; and (iv) the payments were incurred by the Recipient not more than 12 months (but no earlier than TFP approval date) before the expected date of signing of the Grant Agreement.

Incremental Operating Costs will cover incremental staff salaries, per diem and allowances, office rent, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance expenditures of office equipment and vehicles, bank charges, insurance, advertising, newspaper subscriptions, periodicals, printing and stationery costs incurred for the purposes of Readiness Preparation Activities, which expenditures would not have been incurred in the absence of the Readiness Preparation Activities. Incremental Operating Costs exclude salaries, fees, honoraria, bonuses, and any other salary supplements of members of the recipient's or the Readiness Preparation Activities implementing entity's civil service.

During first six months of implementation, the implementing entity would need support in establishing the financial management arrangements including preparing the contract roaster, SOPs for consultancy payments and training for the newly hired financial management staff. Annually, one field supervision missions would be carried out to review the implementation of designed financial management arrangements.

C. Procurement

Due to a limited exposure of any type of substantive procurement and of such experience with Bank or any other donor, the relevant procurement experience of IGF is categorized to be elementary. Also, a procurement assessment indicated that there is no independent or separate procurement section within entity. On the basis of the review of the intended procurement activities, it appears that the procurement efforts may be significant. IGF Office will need to engage consultants with expertise in procurement and contract management /finance and an overall project coordination to enable to implement the project. The Readiness Preparation Activities envisage some large consultancies that would be undertaken through Quality and Cost Based Selection (QCBS) method. This is in addition to some smaller procurement activities of goods. Procurement would be carried out using Bank's Procurement and Consultants' Guidelines with an emphasis on employing methods that are relevant to the capacity of IGF. The overall Project risk for procurement is high.

Bank's Review Missions would be carried out every six months, however more frequently in the early stages of the project, with a procurement specialist participating. Additionally all of the large consultancies will be prior reviewed and Bank will help the onboarding of procurement consultant shortly after the selection.

D. Social and Environmental (including Consultation, Participation, Disclosure and Safeguards)

The FCPF Readiness Preparation grant must comply with World Bank environmental and social safeguard policies. This grant will, in part, support the country's activities to identify the potential risks and mitigation options associated with REDD+. In order to do this, the FCPF is using a Strategic Environmental and Social Assessment (SESA) to integrate key environmental and social considerations into REDD+ Readiness by combining analytical and participatory approaches. The SESA produces an Environmental and Social Management Framework (ESMF) to be put in place to manage environmental and social risks and to mitigate potential adverse impacts.

1. Environmental and Social (including Safeguards)

Overall, the REDD+ activities when implemented are expected to have significant positive impacts on forests, biodiversity and environment because the main goal of the program is to reduce deforestation and forest degradation. The REDD+ program itself will not benefit from harvesting and conversion of forests so there is little to no direct adverse impact associated with potential activities to be planned as part of the strategic options. The principal risk from REDD+ would arise in the event that the strategies fail to achieve their objectives, thereby creating unexpected indirect adverse impacts through unintended creation of incentives to clear forests in areas other than the REDD+ program areas.

Similarly on the social aspect, REDD+ activities intend to create positive impacts on the livelihood of local communities. But depending on how the program is implemented, it could also create serious livelihood security issues. This is particularly the case if REDD+ activities, including policy reforms, restrict them from accessing natural resources or exclude them from benefiting from REDD+ investments and future payment schemes.

Potential social and environmental risks or benefits depend on specific REDD+ strategy options. So, during the Readiness Preparation Activities implementation and once strategy options have been identified, the IGF Office will carry out SESA. This will require consultation with local communities, civil society, private sector, and any other interested private or public sectors. The SESA allows (i) identification of social and environmental impact of REDD+, both positive and negative ; (ii) social and environmental considerations to be integrated into the REDD+ Readiness process, in particular the REDD+ strategy; (iii) stakeholder participation in identifying and prioritizing key issues, assessment of policy, institutional and capacity gaps to manage these priorities and recommendations. In this process, social and safeguard issues of future implementation of REDD+ strategy option will be thoroughly assessed through analytical work and consultations with local communities, civil society, private sector, and any other interested private or public sectors.

As a product of this assessment, the IGF Office will prepare an Environmental and Social Management Framework (ESMF) to manage environmental and social risks, mitigate potential adverse impacts, and optimize positive benefits to the environment and local communities. The ESMF will identify relevant mitigation measures and will propose institutional arrangements and reporting, monitoring and documentation measures to ensure successful implementation of the mitigation measures. The ESMF preparation will also identify if any other mandatory safeguard instruments shall be needed for addressing all policy and relevant guidelines. An integrated Feedback and Grievance Redress Mechanism will also be designed and put in place.

Capacity building will be needed at the implementation agency to prepare and implement the required instruments in order to address environmental safeguards policy issues. IGF Officials do not have any prior experience of conducting SESA and ESMF for REDD+ operation. So it is expected that they will need technical assistance and capacity building opportunities to do SESA and prepare the ESMF.

2. Consultation, Participation and Disclosure

i. Experience to Date

The Government of Pakistan has prepared the R-PP through inclusive and participatory approach, and has generated a sense of ownership among the national stakeholders. It was developed by a team consisting of representatives from different stakeholders (national government, provincial government, NGO, and INGOs). The team has undergone through REDD+ stakeholder mapping process. Sixteen major categories of stakeholders have been identified and ranked in four classes of interest level in REDD+ – high interest, mid-level of interest, less interest, and no interest.

The government has given high priority to awareness raising and sensitization on concept and importance of REDD+ since 2009. It conducted a number of workshops, seminars and dialogues in districts, provinces and at national level to identify the key stakeholders, make them aware and sensitize on the emerging concepts of REDD+. Annex IV of the R-PP presents an elaborated list of consultation events that took place prior to R-PP submission to the FCPF. The list includes date of the event, main topic discussed, type of consultation / outreach, subjects discussed, stakeholders who participated. Participants in these consultations were representatives from the forest dependent communities, timber dealers, forest department, local elders and other government line agencies, e.g. Environmental Protection Agency, wildlife, agriculture, fisheries, mining and irrigation departments.

After receiving feedbacks from the series of workshops held at national, provincial and local levels, the R-PP development team held detailed presentation sessions for developing Pakistan's REDD+ Readiness Roadmap and R-PP, specifically on a national strategy or action plan , national forest reference emission levels, robust & transparent national forest monitoring system, and a system to ensure safeguards. In addition, resource material (UN-REDD guidelines, toolkits and tutorial videos) on REDD+ were distributed to the participants including representatives of forest dependent communities and local communities. Feedbacks received from these consultations were incorporated in the RPP.

ii. Proposal Going Forward

The R-PP development and implementation team clearly recognize requirement of considerable consultations, awareness raising and capacity building efforts for staff and local communities to identify risks and benefits of REDD+ and to develop appropriate measures to mitigate the risks. Therefore, the IGF Office considers the awareness raising programs as an important step in implementing REDD+ activities. Building on the early information and social mobilization campaign and dialogue conducted during R-PP formulation phase, the IGF Office plans to undergo extensive consultations with relevant stakeholders such as local communities, civil society, private sector, and any other interested private or public sectors on the various components of REDD+. A consultation and participation plan has also been presented in the R-PP.

3. Safeguards Policies Triggered

The proposed grant will finance a number of studies to support the REDD+ systems development, analysis of policy and REDD+ strategy options, development of operational forest monitoring and baseline of current level of carbon dioxide emission from Pakistan's forestry sector, and capacity building workshops and trainings to the government officials and key relevant stakeholders. Out of these activities, the national REDD+ strategy to be developed may result in some environmental and social impacts when the strategy is implemented in the next phase of REDD+. For this reason, one of the activities to be financed is the Strategic Environmental and Social Assessment (SESA) of future REDD+ activities and preparation of Environmental and Social Management Framework (ESMF).

Safeguard Policies	Triggered	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	REDD+ activities are expected to contribute positively to forests, biodiversity and environment. However, the principal risk from REDD+ would arise in the event that the strategies fail to achieve their objectives, thereby creating unexpected indirect adverse impacts through unintended creation of incentives to clear forests in areas other than the REDD+ program areas. The SESA will identify any potential environmental impacts and ESMF will include mitigation measures.
Natural Habitats OP/BP 4.04	Yes	The application of this policy will ensure that any activities proposed in the R-PP and National REDD+ Strategy fully considers biodiversity conservation and other environmental services natural habitat provide. Overall, REDD+ activities are expected to have significant positive impacts on natural habitats. The triggering of this policy is precautionary, and the SESA will help identify potential risks and impacts, and recommend measures for addressing them. The ESMF will include specific measures to avoid and mitigate such impacts.
Forests OP/BP 4.36	Yes	As a program to reduce deforestation and forest degradation, REDD+ activities are expected to have significant positive impacts on forests in the country. However, due to activity shifting, some parts of the forests may be cleared, while the other parts are protected. Such potential impacts of the National REDD+ Strategy on both natural and plantation forests will be assessed through the SESA and included in the ESMF.
Pest Management OP 4.09	TBD	Intensification of agriculture can be considered as one of the potential ways to address drivers of deforestation and forest degradation. Whether this policy will be triggered is decided later depending on the specific REDD+ strategy options, and assessment of their social and environmental impacts through the SESA process. SESA will identify potential risks and impacts, and the ESMF will include specific measures to avoid and mitigate such impacts.

Physical Cultural Resources OP/BP 4.11	TBD	Whether this policy will be triggered is decided later depending on the specific REDD+ strategy options, and assessment of their social and environmental impacts through the SESA process.
Indigenous Peoples OP/BP 4.10	Yes	The scope of Readiness Preparation Assessment Note is national, which may include activities in Kailash area, a group duly recognized as Indigenous People by the Bank. Therefore this policy has been triggered.
Involuntary Resettlement OP/BP 4.12	TBD	Similar to the other OPs above, there can be situations involving involuntary taking of land and involuntary restrictions of access to resources in future REDD+ investments, after Readiness Preparation Activities is over, as part of government initiatives on reducing deforestation and forest degradation. Hence, SESA and ESMF are part of this project. The SESA will help ensure compliance with the Bank's safeguard policies, and the ESMF will provide a framework for managing and mitigating such potential risks. Whether this policy will be triggered is decided later depending on the specific REDD+ strategy options, and assessment of their social and environmental impacts through the SESA process. If it is triggered, either the ESMF will include RPF/PF or a separate RPF/PF will be prepared.
Safety of Dams OP/BP 4.37	No	The REDD+ activities do not involve the construction of new dams or rehabilitation.
Projects on International Waterways OP/BP 7.50	No	The REDD+ activities do not involve international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The Readiness Preparation Activities will not be implemented in any disputed areas.

SESA is the main safeguard instrument to be applied, which also includes the preparation of an ESMF. The ESMF may evolve and be updated over time when new REDD+ strategy options, activities (including investments) and/or policies or regulations are identified during the implementation of REDD+. The SESA addresses the key environmental and social issues associated with the preparation of REDD+ strategy (including investments), policies and regulations. In this manner SESA can ensure compliance with World Bank's environmental and social safeguards.

The SESA process requires that the selection of REDD+ strategy options should take into account the country's institutional and capacity constraints for managing environmental and social risks, as well as the potential environmental and social impacts associated with these strategy options. Any identified gaps to manage these risks and potential impacts in relation to relevant World Bank safeguard policies should be identified along with the strategy options to feed into the preparation of the ESMF. The ESMF should provide a framework to manage and mitigate the potential environmental and social impacts related to specific projects and activities (including investments and carbon finance transactions, in the context of the future implementation of REDD+).

VI. ANNEXES

Annex I: Systematic Operations Risk-Rating Tool (SORT)

Annex II: Preparation Schedule and Resources

Annex III: Draft Terms of Reference for SESA

Annex IV: R-PP Submitted by the REDD Country Participant

Annex V: Draft Grant Agreement for REDD+ Readiness Preparation (if available)

A. Annex I: Systematic Operations Risk-Rating Tool (SORT)

[In the SORT matrix, each risk category should be given a single rating, without additional comments or explanations (comments and explanations are included in Section A. 2. Overall Risk and Explanation)]

Risk category	Rating
1. Political and Governance	L
2. Macroeconomic	L
3. Sector Strategies and Policies	M
4. Technical Design of Project or Program	L
5. Institutional Capacity for Implementation and Sustainability	M
6. Fiduciary	L
7. Environment and Social	H
8. Stakeholders	M
9. Other	-
OVERALL	H

B. Annex II: Preparation Schedule and Resources

Preparation Schedule				
Milestone	Basic	Forecast	Actual	
AIS Release		February, 2015		
Concept Review	March 9, 2015			
Readiness Preparation GFR approved				
Readiness Preparation Grant signed		March 30, 2015		
Sector Unit Estimate of Resources Required from Preparation through Approval				
Source of Funds	Preparation Expenses to Date (USD)	Estimate of Resource Requirements (USD)		
		Fixed	Variable	
Bank Budget	5,000	5,000	-	
Trust Funds	20,000	-	20,000	
Team Composition				
Bank Staff				
Name	Title	Specialization	Unit	UPI
Javaid Afzal (Task Team Leader)	Senior Environmental Specialist	Overall responsibility of supervision and management	GENDR	290208
Rajesh Koirala	REDD+ Specialist	Support on REDD+ Technical and Operational issues	GCCGT	366565
Salma Omar	Senior Social Safeguard Specialist	Support on environmental and social issues	GSUUR	133782
Fouad Mohammad Khan	Environment Specialist	Support on environmental and social issues	GENDR	432825
Rehan Hyder	Senior Procurement Specialist	Support on procurement aspect	GGODR	264425
Syed Waseem Abbas	Senior Financial Management Specialist	Support on financial aspect	GGODR	382843
Mirza Omar Baig	Financial Management Consultant	Support on financial aspect	BPSGR	249796
Anwar Ali Bhatti	Disbursement Specialist	Support on fund disbursement issues	SACPK	15271
Mehvish Altaf	Program Assistant	Provide logistical support	SACPK	401489
Non Bank Staff				
Name	Title	Office Phone	City	

C. Annex III: Draft Terms of Reference for SESA

Islamic Republic of Pakistan REDD+ Readiness Preparation Support

PRINCIPLES AND OBJECTIVES

1. The REDD+ Readiness process should ensure that implementation of proposed programs and activities will not cause adverse social and environmental impacts, while striving to enhance benefits for local communities and the environment. Countries participating in Readiness activities with support from the FCPF are required to undertake a Strategic Environmental and Social Assessment (SESA) to assess the potential impacts from national REDD+ programs and policies, formulate alternatives and develop mitigation strategies. SESA offers a platform for consultation to integrate social and environmental concerns into the policy-making process of REDD+. SESA is complemented by an Environmental and Social Management Framework (ESMF), which guides potential investments toward compliance with safeguards policies.
2. The SESA is a tool that seeks to integrate social and environmental considerations into policy-making processes, leading to sustainable REDD+ policies. It supports the design of the national REDD+ policy framework, including the National REDD+ Strategy.
3. The SESA process should:
 - Identify the social and environmental risks as well as opportunities from proposed policies to reduce deforestation and degradation as they emerge from analytical work,
 - Involve primary stakeholders in identifying key social and environmental issues related to REDD+. This will local communities, civil society, private sector, other interested private or public sectors, affected groups and local nongovernmental organizations, as early as possible,
 - Assess the options that promote sustainable natural resource management and have positive impacts on local communities as they emerge from analytical work;
 - Where policies could adversely affect the environment or local communities, identify alternatives to the proposed policies and/or mitigate negative social and environmental impact.
 - Provide a gap analysis of Pakistan's institutional and governance capacity to address adverse effects as they emerge from analytical work.
 - Discuss recommendations to address key environmental and social impacts, and for addressing identified institutional and governance weaknesses.

DESIGN: HOW SESA RELATES TO THE REDD+ READINESS PROGRAM AND ESMF

4. The SESA concept combines analytical work with participatory approaches, which are implemented in parallel fashion:

- The analytical component which aims to improve understanding of REDD+ related issues including environmental and social risks.
- Participatory approaches aim to integrate environmental and social considerations into different levels of strategic decision-making.

5. One of the key outputs of the SESA will be the ESMF which will guide investments in REDD+ Activities towards compliance with World Bank safeguard policies.

SCOPE OF WORK

A. Start-off meeting to agree on the final TORs for the SESA and ESMF, clarify the process, scope and sequences of the work.

B. Based on the situational analysis of proposed REDD+ policies the SESA team will analyze selected key issues with a view to:

- Identifying key issues and assessment of key stakeholders;
- Assessment of issues and options related to land tenure and land rights, conflict resolution mechanisms, IPs and forest adjacent communities, natural resource management and equitable distribution of benefits;
- Assessment of policy and institutional gaps for addressing environmental and social risks
- Identification and prioritization of issues to be addressed in REDD+ policies.

Organize at least three national level consultations involving all relevant stakeholders.

- I. Present preliminary findings on Environmental & Social risks and gaps from the assessment work and analytical work undertaken. The preliminary findings will be presented to the stakeholders to stimulate a discussion and further enrich the document;
- II. Conduct transparent consultation at national and provincial level on a number of core environmental and social issues identified involving representatives of key stakeholders and interest groups. The consultation will be used to prioritize key environmental and social issues and discuss mitigation options.

C. Develop a Final SESA Report that provides the findings and recommendations that have emerged from the SESA process. This report would, at a minimum, achieve the following:

- I. Identify the key REDD+ social and environmental risks emerging from the SESA analyses and consultations.
- II. Based on analyses and consultations, describe the policy, legal, regulatory, institutional, and capacity gaps to implement REDD+ and to manage the key environmental and social issues relevant to REDD+.
- III. Identify options that promote sustainable natural resource management and have positive impacts on local communities. Where policies or activities adversely affect the environment or local communities, identify alternatives to the proposed policies to mitigate negative social and environmental impact.
- IV. Present recommendations for REDD+ policy design, implementation, and monitoring and evaluation (including legal and policy reforms) based on the results of the SESA.

- V. Formulate policy recommendations for a policy framework to address key environmental and social impacts, and for addressing institutional and governance weaknesses.
- VI. Identify any gaps in knowledge where additional data-gathering and analysis may be needed.
- VII. Prepare an Environmental and Social Management Framework (ESMF). The ESMF could then be applied to future REDD+ activities in the country.

Methodology

6. According to the scope of work, the ToR outlines a SESA process which should be followed in delivering the required work. The SESA process includes six stages, namely,

- I. Preparation for the SESA;
- II. Collecting and analyzing baseline;
- III. Scoping;
- IV. Developing alternatives;
- V. Assessing the alternatives;
- VI. Developing management and monitoring plans.

7. The six stages of SESA process may have to be followed in an iterative manner. However, the SESA Task Team shall maintain all assessment activities systematically and consistently.

Preparation for the SESA

8. Preparation works include finalizing the SESA ToR; securing the support from relevant government agencies, setting the objectives of the SESA, identify stakeholders and interested groups. During this stage, the SESA team should also be able to establish a basic understanding of the current situation regarding REDD+ policies/strategies in Pakistan, their linkages with other relevant policies/regulations, as well as environmental and social development objectives.

Collecting and analyzing baseline

9. Based on the understanding of the context, the SESA Task Team will start collecting and analyzing the baseline information that is necessary to identify the relationship between REDD+ policies and land use; existing environmental and social issues related to REDD+ policies; policy and institutional gaps; and key stakeholders that are associated with these issues. This can be achieved by reviewing all previous studies carried out or other sources identified by the SESA Task Team.

Scoping

10. The scoping process is to establish the content of the SESA, prioritize the key issues to be addressed, identify relevant criteria for assessment, and conduct stakeholder analysis/mapping. At this stage, extensive consultations shall be held with key stakeholders and interested groups. A scoping report should be prepared to record these findings to inform the remaining stages of assessment.

Developing alternatives and proposing mitigation measures

11. With the input from scoping and adverse issues/risks identified, works at this stage will identify alternatives for the REDD+ policies/ strategies and proposing mitigation measures where alternatives may not be feasible.

Assessing the alternatives and mitigation measures

12. This stage will conduct scenario analysis for the alternatives identified. The purpose of the analysis of these possible options is to inform the formulation of REDD+ policies/strategies by identifying opportunities to enhance the benefit for local communities. This will also involve summarizing the key challenges/gaps in implementing new REDD+ policies/strategies, and discussing possible trade-offs. The SESA Task Team will propose recommendations on the institutional capacity needed, formulation and implementation of REDD+ policies/strategies.

Developing management and monitoring plan

13. This stage will formulate an ESMF that will be implemented to follow-up on the recommendations and issues/risks found from the preceding stages. By the end of this stage, the draft SESA report, which includes the ESMF, will be formulated and consulted.

INSTITUTIONAL SETTING FOR THE IMPLEMENTATION OF SESA AND ESMF

- I. The SESA will be undertaken by a multi-disciplinary team reflecting the necessary environmental, socio-cultural expertise and stakeholder participation. The team will work with the National REDD+ Focal Point and a Working Group for SESA.
- II. The SESA consulting team shall include at least one social and environmental assessment expert, one environmental specialist, one legal expert (for analysis of relevant land tenure/land rights/legal and regulatory gaps), and one social specialist. The SESA team will be responsible for the following tasks among others:
 - (i) Preparing detailed schedule of SESA process tasks;
 - (ii) Deliver a scoping report for review by the National Steering Committee on REDD+;
 - (iii) Deliver final SESA report and ESMF for review and approval by the National Steering Committee on REDD+.

D. Annex IV: R-PP Submitted by the REDD Country Participant

Please find the R-PP at this link:

<http://www.forestcarbonpartnership.org/sites/fcp/files/2014/october/Pakistan%27s%20Revised%20R-PP%20-%20September%2010%202014.pdf>

E. Annex V: Draft Grant Agreement for REDD+ Readiness Preparation

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 473-1000
Cable Address: INTBAFRAD
Cable Address: INDEVAS

_____, 2015

Mr. Mohammad Saleem Sethi
Secretary to the Government of Pakistan
Economic Affairs Division
Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization
Islamabad-Pakistan

Grant Agreement for Islamic Republic of Pakistan's Readiness Preparation Proposal Readiness Fund of the FCPF Grant No. TF018696

Excellency:

I wish to refer to Resolution PC2008-2 of the Participants Committee of the Forest Carbon Partnership Facility ("FCPF") regarding Selection of REDD Country Participants ("Resolution PC2008-2"). Resolution PC2008-2 provides that subject to the availability of funds, eligible REDD Country Participants may receive grant funding of up to three million six hundred thousand United States Dollars (USD3,600,000) for formulating and carrying out a Readiness Preparation Proposal ("R-PP").

Islamic Republic of Pakistan ("Recipient") was selected as a REDD Country Participant. The Participants Committee of the FCPF ("PC") has reviewed the R-PP submitted by the Recipient and acknowledged the great efforts made by the Recipient in formulating its R-PP. Accordingly, the PC, through its Resolution PC/16/2013/8, decided to allocate grant funding to the Recipient in the amount of up to three million eight hundred thousand United States Dollars (USD3,800,000) ("Grant"), to enable it to move ahead with preparation for readiness, subject to the terms and conditions set out in said Resolution. The funds of up to two hundred thousand United States Dollars (USD200,000) out of this USD3,800,000 shall be used for the purpose of strengthening the Recipient's national feedback and grievance redress mechanism, subject to the terms and conditions set out in Resolution PC/Electronic/2012/1.

In response to the request for financial assistance made on behalf of the Recipient and the decisions of the PC referred to above, I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as trustee of the Readiness Fund for the FCPF, proposes to allocate to the Recipient the Grant in the amount of three million eight hundred thousand United States Dollars (USD3,800,000) on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the Readiness Preparation Activities described in the Annex.

This Grant is funded out of the abovementioned FCPF trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of the countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility

By _____
Rachid Benmessaoud
Country Director for the Islamic Republic of Pakistan

AGREED:
ISLAMIC REPUBLIC OF PAKISTAN

By _____
Authorized Representative

Name:

Title:

Date:

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Charter Establishing the Forest Carbon Partnership Facility, dated December 23, 2014.
- (3) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
- (4) Guidelines on Preventing and Combating Fraud and Corruption in Project Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011.
- (5) Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011, revised in July 2014.
- (6) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011, revised in July 2014.

Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 (“Standard Conditions”), with the modifications set forth below, constitute an integral part of this Agreement:

(a) The following term and definition shall be added to the Appendix to the Standard Conditions as paragraph 18 bis to read as follows:

18bis “‘Readiness Preparation Activities’ means the activities, described in the Agreement, for which the Grant is made, as the description of said activities may be amended from time to time by agreement between the Recipient and the World Bank.”

(b) The term “Project” and its definition shall be deleted in their entirety from the Standard Conditions; and all references throughout the Standard Conditions to the term “Project” shall be deemed to refer to the “Readiness Preparation Activities.”

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the Charter Establishing the Forest Carbon Partnership Facility (“Charter”), or in this Agreement.

- (a) “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework acceptable to the World Bank to be prepared as part of the REDD+ readiness process, which establishes the modalities and procedures to address potential negative environmental and social impacts from the implementation of REDD+ investments and demonstration activities as well as associated mitigation measures through employing best practices; and includes the screening criteria, procedures and institutional responsibilities for the safeguard policies that are triggered for subsequent REDD+ investments.
- (b) “Inspector General of Forests Office” means an office within the ministry responsible for climate change.
- (c) “National Steering Committee” means a committee established by the Ministry of Climate Change, which is responsible for coordinating REDD+ activities.
- (d) “REDD+” means reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.
- (e) “REDD+ Working Groups” means technical working groups established by the Ministry of Climate Change, which focus on: (1) governance and management of REDD+; (2) stakeholder engagement and safeguards; (3) national forest monitoring system and

measurement, reporting and verification system; and (4) drivers of deforestation and forest degradation.

- (f) “Strategic Environmental and Social Assessment” or “SESA” means the strategic environment and social assessment to be conducted as part of the Readiness process to assess the potential impact from national REDD+ strategy, formulate alternatives and mitigation strategies and enhance the decision-making process around the design of the national REDD+ framework.

Article II

Execution of Readiness Preparation Activities

2.01. **Objectives and Description.** The objective of the Grant is to strengthen the capacity of the Recipient to monitor deforestation and reduce forest and land use change related greenhouse gas emissions through a socially, environmentally, and technically sound national REDD+ strategy. The Readiness Preparation Activities consist of the following parts:

Component 1: REDD+ Policy Analysis

The activities under this component will include: 1) conducting analytical work and developing national REDD+ strategy; and 2) conducting SESA, preparing an ESMF, and assessing existing feedback and grievance redress mechanisms (“FGRM”) and developing a FGRM framework for REDD+.

Component 2: REDD+ Technical Preparation

The activities under this component will include: 1) supporting the development of reference emissions levels; and 2) designing a national measurement, reporting and verification system for emissions reduction and a monitoring system for non-carbon benefits.

Component 3: REDD+ Readiness Management

The activities under this component will include: 1) supporting Inspector General of Forests Office in managing and implementing the REDD+ Preparation Activities; 2) building capacity of the relevant institutions involved in the implementation of the REDD+ Preparation Activities; and 3) conducting consultations on REDD+ relevant issues.

Component 4: Designing and testing of REDD+ Payment for Environmental Services

The activities under this component will include designing a REDD+ payment for environmental services scheme (PES) in a province. The selection of the province will be done in consultation with relevant stakeholders, and based on its relevance and importance for the national level REDD+ readiness process, including the development of REDD+ strategy. This Grant will not finance the implementation of the PES scheme, but solely the designing of the scheme.

2.02. **Execution Generally.** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through the Inspector General of Forests Office under the Ministry of Climate Change, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January, 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03 ***Institutional and Other Arrangements.*** Without limitation upon the provision of paragraph 2.02 above, the Recipient shall ensure that, throughout the period of implementation of the Readiness Preparation Activities, the Inspector General of Forests Office, the National Steering Committee, and the REDD+ Working Groups, have assigned staff and resources in adequate number acceptable to the World Bank, in order to carry out the Readiness Preparation Activities.

2.04 ***Safeguards.***

The Recipient shall ensure that:

(a) all (i) terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities and (ii) frameworks prepared on the basis of the SESA under the Readiness Preparation Activities pursuant to Section 2.01 of this Agreement will be consistent with, and will pay due attention to, the World Bank's environmental and social safeguards policies, as well as the Recipient's own laws relating to the environment and social aspects; and

(b) in drafting any laws or regulations under the Readiness Preparation Activities, due attention will be given to said policies and laws.

2.05. ***Mid-term Progress Report and Completion Report.*** The Recipient shall, not later than November 30, 2016, prepare and furnish to the World Bank a mid-term progress report on the Readiness Preparation Activities in accordance with terms of reference acceptable to the World Bank, including the provisions of Section 6.3(b) of the Charter and Resolutions PC/7/2010/3 and PC/12/2012/2.² The Recipient shall also prepare and furnish to the World Bank not later than six months after the Closing Date, a Completion Report in accordance with the provision of Section 2.06(b) (ii) of the Standard Conditions.

2.06. ***Financial Management.***

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Readiness Preparation Activities are prepared and furnished to the World Bank not later forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. ***Procurement.***

² Resolution PC/7/2010/3 requires the REDD Country Participant to submit a mid-term progress report to the PC according to a timetable that shall be jointly agreed in the Readiness Preparation Grant Agreement between the World Bank and the REDD Country Participant. When the World Bank receives the REDD Country Participant's mid-term progress report in accordance with the timetable set out in Section 2.05 of this Agreement, it will forward the progress report to the PC for its review. Resolution PC/12/2012/2 specifies the process for the submission and review of mid-term progress report, including the format of such progress report.

(a) General. All goods, non-consulting services, and consultants' services required for the Readiness Preparation Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) ("Procurement Guidelines"), in the case of goods and non-consulting services;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Readiness Preparation Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods, and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Limited International Bidding; (B) Shopping; (C) Direct Contracting; and (D) National Competitive Bidding, subject to the following additional provisions:

- a. Invitations to bid shall be advertised in at least one (1) national newspaper with a wide circulation, at least thirty (30) days prior to the deadline for the submission of bids.
- b. Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- c. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process.
- d. Bidding shall not be restricted to pre-registered firms.
- e. Qualification criteria shall be stated in the bidding documents.
- f. Bids shall be opened in public, immediately after the deadline for submission of bids.
- g. Single bids shall also be considered for evaluation.
- h. Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank.
- i. Before rejecting all bids and soliciting new bids, the World Bank's prior concurrence shall be obtained.
- j. Contracts shall not be awarded on the basis of nationally negotiated rates.
- k. Contracts shall be awarded to the lowest evaluated and qualified bidder.
- l. Post-bidding price negotiations shall not be allowed with the lowest evaluated or any other bidders.

- m. Bids shall be solicited and works contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates.
- n. Draft contract would be reviewed by the World Bank in accordance with the Prior Review procedures.
- o. A firm declared ineligible by the World Bank, based on a determination by the World Bank that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing a World Bank-financed contract, shall be ineligible to be awarded a World Bank-financed contract during the period of time determined by the World Bank.
- p. Each contract financed from the proceeds of the Grant shall provide that the suppliers, contractors and subcontractors shall permit the World Bank, at its request to inspect their account and records audited by auditors appointed by the World Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.
- q. State-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.
- r. The World Bank shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing a contract financed by the World Bank.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan : (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants' Qualifications; (D) Single-source Selection of consulting firms; (E) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (F) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III Withdrawal of Grant Proceeds

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of goods, non-consulting services, consultants' services, Training and Workshops, and Operating Costs inclusive of Taxes.

For the purpose of Section 3.01, (i) the term "Workshops and Training" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Readiness

Preparation Activities, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation (but excluding goods and consultant's services); and (ii) the term "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the implementation of the Readiness Preparation Activities, consisting of vehicle operation and maintenance, communication, and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for Readiness Preparation Activity staff for travel linked to the implementation of the Readiness Preparation Activities, and salaries of contractual staff for the Readiness Preparation Activities (but excluding consultants' services and salaries of officials of the Recipient's civil service).

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an amount not to exceed five hundred thousand United States Dollars (USD 500,000) may be made for payments made after September 1, 2014, for Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2018.

Article IV

Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Secretary to the Government of Pakistan, Economic Affairs Division, Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization, or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in that Division, each such person acting individually.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Economic Affairs Division
Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatization
Islamabad
Pakistan
Facsimile: 92-51-921-8976

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C.20433
United States of America
Facsimile: 1-202-477-6391