

Document of
The World Bank

READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

ON A

PROPOSED GRANT

IN THE AMOUNT US\$3.8 MILLION

TO THE

ROYAL GOVERNMENT OF BHUTAN

FOR

REDD+ READINESS PREPARATION SUPPORT

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DATA SHEET

ROYAL GOVERNMENT OF BHUTAN

REDD+ READINESS PREPARATION SUPPORT

READINESS PREPARATION PROPOSAL (R-PP) ASSESSMENT NOTE

Region

Unit

Date: December 2, 2014 Country Director: Johannes Zutt Sector Manager/Director: Herbert Acquay Project ID: P150177 Lending Instrument: Technical Assistance Grant Team Leader(s): William Magrath	Risk Rating: Medium Sectors: Forestry Themes: Climate Change (50%); Other Environment and Natural Resource Management (50%)	
Date of country selection into FCPF: December, 2013 Date of Participation Agreement signed by Country: August 27, 2014 Date of Participation Agreement signed by Bank: June 4, 2014 Date of R-PP Formulation Grant Agreement signature: Not Applicable Expected date of Readiness Preparation Grant Agreement signature:		
Project Financing Data:		
<input type="checkbox"/> Loan <input type="checkbox"/> Credit	<input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee	<input type="checkbox"/> Other, explain:
For Loans/Credits/Others: Total Project Cost (US\$M): 4.612 Cofinancing: US \$M 0.812 Total Bank Financing (US\$M): 3.8		
Source	Total Amount (US\$)	
Recipient	US \$ 0.372 million	
IBRD		
IDA		
New		
Recommitted		
Others (FCPF Grant)	US \$ 3.8 million	
UN-REDD	US \$ 0.44 million	
Regional FCPF Trust Fund Number: FCPF Country Child Trust Fund Number:		

Recipient: Royal Government of Bhutan

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Project Implementation Period: 2015 – December 31, 2018

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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 Bank to assess if and how the proposed REDD+ Readiness Support Activity, as presented in the R-PP, complies with Safeguard Policies, and the 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 provides to the REDD Country Participant in the implementation of its R-PP.

ABBREVIATIONS AND ACRONYMS

AFD	Administration and Finance Division of Ministry of Agriculture and Forests
CAS	Country Assistance Strategy
CPS	Country Partnership Strategy
DoFPS	Department of Forests and Park Services
ESMF	Environmental and Social Management Framework
FCPF	Forest Carbon Partnership Facility
FMT	Facility Management Team
FPIC	Free, Prior and Informed Consent
FRMD	Forest Resource Management Division
GNH	Gross National Happiness
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDA	International Development Association
LIB	Limited International Bidding
MoAF	Ministry of Agriculture and Forests
MRV	Measurement, reporting and verification
MSTCCC	Multi-Sectoral Technical Committee on Climate Change
NCB	National Competitive Bidding
NCCC	National Climate Change Committee
NGO	Non-Governmental Organization
PC	Participants Committee
PDO	Project Development Objectives
PEMS	Public Expenditure Management System
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
ROGB	Royal Government of Bhutan
R-PAN	Readiness Plan Assessment Note

R-PP	Readiness Preparation Proposal
SBD	Standard Bidding Documents
SESA	Strategic Environmental and Social Assessment
TWG	Technical Working Group
UNFCCC	United Nations Framework Convention on Climate Change
WBS	World Bank System
WMD	Watershed Management Division

ROYAL GOVERNMENT OF BHUTAN
REDD+ READINESS PREPARATION SUPPORT

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ROYAL GOVERNMENT OF BHUTAN
REDD+ READINESS PREPARATION SUPPORT

I. Introduction and Context

A. Country Context

Background. The Forest Carbon Partnership Facility (FCPF) was established in 2008 by countries representing both donor and recipient countries, for the objective of preparing ways for developing countries to participate effectively and sustainably in international arrangements that provide financial incentives to reduce carbon dioxide emissions from deforestation and forest degradation (REDD+). Royal Government of Bhutan (RGOB) expressed interest in receiving support from the Facility by presenting a Readiness Preparation Proposal (R-PP) which was selected by FCPF Participants in December, 2013. The R-PP was prepared under the direction of a multi-Ministerial committee, by a team led by staff in the Watershed Management Division (WMD) of the Department of Forests and Park Services (DFPS) of the Ministry of Agriculture and Forestry, which continues to lead project preparation. Bhutan signed the FCPF Participation Agreement on August 27, 2014, and the Bank completed due diligence on implementation arrangements, safeguard provisions and other aspects of the proposed Readiness Preparation Activities. Now Bhutan is ready to receive support from the FCPF on R-PP implementation.

The Kingdom of Bhutan is a small, mountainous, landlocked country in South Asia, located in the eastern Himalayas. Bhutan is home to a population of about 0.734 million spread over 38,394 square kilometers. The most dominant land cover is forest, making up 70.45% of the land area, while shrubs account for 10.43%, and cultivated agricultural land and meadows account for 2.93% and 4.10%, respectively. The remaining area is covered by snow, bare areas, water bodies, urban areas and so on. Bhutan is a global biodiversity hotspot. Due to centuries of isolation from international community, a small population and topographical extremes, Bhutan has been able to maintain biodiversity richness. It ranks amongst the top ten countries in the world in terms of species density.

In 2008, the country undertook a transition from an absolute monarchy into a constitutional monarchy and multi-party democracy. Bhutan has advanced in many development assets: (i) low corruption; (ii) ability to delivery services; (iii) peace and stability; and (iv) robust institutions; (v) inclusive society; (vi) equal status of women and men; and (vii) unaffected by a caste system of social hierarchy (CPS, 2010).

Bhutan has shown its strong commitment to environment management and nature conservation at national and international level. The Constitution mandates to maintain 60% forest cover in perpetuity, and at global level, Bhutan has ratified international conventions such as United Nations Convention on Biological Diversity (UNCBD), the United Nations Framework Convention on Climate Change (UNFCCC), United Nations Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES), the United Nations Convention to Combat Desertification (UNCCD), and the Ramsar Convention on Wetlands.

Bhutan participates in Clean Development Mechanism (CDM) of the Kyoto Protocol. It is also one of the first Least Developed Countries (LDC) to prepare a National Adaptation Program of Action (NAPA) and Sectoral Adaptation Plan for Action (SAPA). Bhutan has been submitting national communication report to the UNFCCC through National Environment Commission (NEC), which serves as the Designated Focal Point. The NEC submitted the first national communication report in 2000, and the second one in 2011. From the latter, it is evident that Bhutan has taken comprehensive actions such as national greenhouse gas (GHG) inventory, implementation of climate change-related policies, and assessment of national circumstances related to climate change, vulnerability to climate change, capacity building and technology needs.

To coordinate climate changes issues at very high political level, Bhutan has established National Climate Change Committee (NCCC) under the chairmanship of the Prime Minister. The Committee includes four ministries (Ministry of Agriculture and Forests, Minister In-charge of NEC, Ministry of Works and Human Settlements and Ministry of Economic Affairs), one Member of Parliament, two members from Non-Governmental Organizations (NGOs) and National Environment Commission (NEC). Under the NCCC, the Multi-Sectoral Technical Committee on Climate Change (MSTCCC) has been formed and serves as an official national forum for discussion and coordination of climate change issues in the country and recommends measures to ensure smooth implementation of climate change activities, policies and programs for consideration by the NCCC.

B. Sectoral and Institutional Context

Bhutan's overarching goal is to boost economic growth in the country. The Economic Development Policy of the Kingdom of Bhutan (2010) puts strong emphasis on hydropower generation (10,000 MW by 2020 which is about six times of the current), industrialization, infrastructure construction, and exploration of mining and quarrying. At present, deforestation is not a major issue and limited to certain parts of the country. Data from 1995 to 2010 showed positive increment in the forest cover at national level. However, both deforestation and forest degradation could result from future development projects such as electric transmission lines, hydropower projects, housing, roads, and mining.

Conservation and sound management of forests, natural resources and environment is an integral part of Bhutan's development objectives and feature in the country's constitution, Vision 2020 as well as other national policies and plans. The National Forest Policy (2011) ensures that forest resources, watersheds and biodiversity are managed for sustainable production of economic and environmental goods and services to meet the long term needs of society. There are ongoing efforts by RGoB to sharpen and extend forest policy and implementation. The proposed analytic work under this grant has the potential to create opportunities for the Bank to engage going forward. Some of the main policy directions that are addressed under this grant include:

- Conduct national forest inventory and update it periodically to enhance knowledge about the overall forest resources, biodiversity and ecosystem health in the country.

- Ensure effective coordination between the RGOB and relevant international agencies to ensure that the requirements and commitments to regional and international agreements, conventions and instruments related to forest are reflected in forestry plans, programs and implementation.
- Improve coordination between the Department of Forest and other stakeholders for implementing crosscutting issues.
- Perform research to generate knowledge, information and technology to support policy implementation and development including integration of climate change issues.
- Pursue forest plantation of appropriate vegetation composition in areas where natural regeneration is inadequate or absent, and manage to get funding so that beneficiaries of watershed and ecosystem services can invest in this activity.
- Integrate climate change and disaster management in forest governance and management.
- Create a policy framework that forms the basis for payments for environment services.

The 11th five year plan (2013- 2018) involves three major programs, for which the Department of Forests & Park Services (DoFPS) is responsible. These include (a) sustainable management of Government Reserve Forests (GRFs), (b) sustainable management of forest landscapes and conservation of biodiversity, and (c) integrated watershed management to ensure sustainable environmental service delivery. One of the principal outputs of the third program is REDD+ Readiness activities initiated to implement climate change adaptation in watersheds. As a result of this program and output, DoFPS aims to be ready for implementing REDD+ activities by the end of the 11th five year plan.

In the R-PP, the RGOB recognizes nine major drivers of forest degradation, including development activities (electric transmission lines, hydropower projects, housing, roads, mining & quarrying); *tsamdo* (pasture land and livestock); *tseri* (slash-and-burn agriculture); forest fire; firewood and timber collection; poaching and illegal logging; harvesting of non-timber forest products; leaf litter collection; and invasive species. For each of these causes, the RGOB has identified preliminary strategy options (see table 2b-1 in the R-PP) that range from policy coordination to minimize negative environmental impacts from development projects, improved law enforcement, strengthening of community engagement to improve wood technology. Options were identified through analysis of existing policies, legal frameworks and plans, as well as stakeholder consultations and national workshops. The RGOB intends further work on analysis of land policy and strategy options during implementation of readiness grant.

C. Relationship to Country Partnership Strategy (CPS)

The current Country Partnership Strategy (CPS) provides a framework for both the World Bank and International Finance Corporation (IFC) to support the RGOB during fiscal years (FY) 2011–14. The CPS' objective is to help the RGOB in achieving the goals articulated in three key strategic frameworks: (i) principles of Gross National Happiness (GNH); (ii) Bhutan's 2020 Vision; and (iii) the Tenth Five-Year Plan. All these plans are to promote broad-based and sustainable growth, improvement in the quality of life, conservation of the natural environment, preservation of culture and good governance. The RGOB further envisages retaining the natural

environment and natural resource endowments intact. It aims to maintain 60 percent of the country under forest cover with sizeable tracts of protected national parks and reserves with rich bio-diversity. To achieve this, the RGOB focuses on empowering the country's governance and legal institutions and responsible for development planning and management.

Besides supporting on the RGOB's strong commitment to nature and natural resources, the CPS has identified environmental sustainability and climate change mitigation and adaptation as cross-cutting areas. Through its investments the Bank supports the RGOB in enhancing the country's preparedness to cope with climate change.

Proposed REDD+ Readiness Program is fully aligned with the CPS with regard to helping the country be prepared for potential investment for climate change mitigation in forestry sector by building national capacity to engage in international REDD+ efforts.

II. Proposed Development Objectives of Readiness Preparation Activities

A. Proposed Development Objectives

The objective of the Grant is to build national capacity of Bhutan to engage in REDD+ efforts at the national as well as international levels, through strengthened policies, increased knowledge on REDD+, and enhanced data on forests and forest management. The Readiness Preparation Activities consist of three components as described in section III.

B. Key Results

- (i) Analysis of Land Policy, drivers of forest degradation, and economic analysis of strategy options completed.
- (ii) Strategic Environmental and Social Assessment (SESA) of REDD+ activities conducted, Environmental and Social Management Framework (ESMF) prepared.
- (iii) National forest reference level (emissions baseline) estimated, forest data management system developed, and continuous forest monitoring system established.
- (iv) Institutional set up responsible to manage REDD+ fully operational, competency of relevant governmental officials to engage on REDD+-related issues at international fora enhanced, and awareness of relevant stakeholders on REDD+ Readiness increased.
- (v) REDD+ Payment for Environmental Services (PES) Scheme designed and tested in a pilot site to inform national REDD+ strategy.

III. Context for Readiness Preparation Activities

A. Concept

The proposed Readiness Preparation Activities would consist of three components to be supported by a grant from the FCPF of US\$ 3.8 million with additional financing from the Royal Government of Bhutan in terms of government staff salary, office space and equipment. The Readiness Preparation Activities would entail capacity building in the forest and related sector, and, in particular, completion of the ongoing (and currently under-funded) national forest inventory. There are clear national and international benefits from consolidation of detailed data on Bhutan's forest resources and a greater presence by RGOB in international forest-related climate processes.

1. Description

Grant Component 1: REDD+ Leadership Development. (Estimated cost US\$ 1.5 million)

This component would consist of a program of workshops, study tours, policy studies, and development of REDD+ Payment for Environmental Services (PES) Schemes aimed at building capacity in the forest and related sectors in relation to REDD+, increase Bhutan's exposure to good practice in REDD+ and related payment for environmental services arrangement internationally, facilitate Bhutan's engagement in global fora concerned with forests, REDD+ and climate change. The component supports the finalization of the RGOB's Land Policy that is directly related to REDD+ implementation and support environment and social assessment as well as other policy and strategy development.

Three sub components and associated activities under this component would be:

a. REDD+ Knowledge Generation Activities

- i. Workshops at national level (strategy options, drivers of forest degradation, risks and benefits, safeguards, and feedback and grievance redress mechanism)

This would include organization of workshops that brings international experts to discuss and advise the government staff on lessons and experience from other countries on REDD+ strategy, benefit sharing, grievance redress, and safeguards. In preparation of the workshop or after the workshop, the WMD will hire national experts to conduct thorough assessment on drivers of forest degradation, REDD+ strategy options, risks and benefits of different strategic options, SESA and grievance redress mechanism.

- ii. Consultation workshop at the District and geog level including information sharing and dialogue

This activity would cover cost associated with organization of meetings and workshops for information sharing and consultations on REDD+ readiness preparation activities, such as identifying drivers of deforestation and forest degradation, REDD+ strategy options, reference level development and MRV.

- iii. Institutional visit to REDD+ Pilot Countries for Task Force, TWG, REDD+ Secretariat, Field Offices

To build capacity of staff and stakeholders directly involved in REDD+, study tours will be organized inside the country or to neighboring countries to learn from their successful REDD+ pilots.

- iv. Participation in international meetings and seminars

This activity would allow key staff member participation in international meetings and workshops closely related to REDD+.

- v. Training on REDD+ structure including REDD+ safeguard information system, MRV and REDD+ governance

This component would build capacity among key stakeholders to establish sound understanding of the concept and opportunities presented by REDD+.

- vi. Training on forest management, forest law enforcement, feedback and grievance redress mechanism, and governance

The proposed training is designed to build capacity in operational forest management, law enforcement and governance activities mostly to staff in field offices (Dzongkhag Forestry Sectors, National parks and Wildlife Sanctuaries, Territorial Forest Divisions, other stakeholders like armed forces, police personnel, Judiciary people, etc.).

b. REDD+ Strategy Preparation

- i. Analysis of Land Policy, drivers of forest degradation, economic analysis of strategy options

In addition to supporting further work on the Government's Land Policy, this would include studies on forest sector governance, law enforcement and policy implementation, including a study on the drivers of deforestation and forest degradation and economic analysis of strategic options to address the drivers in the country.

- ii. Strategic Environmental and Social Assessment (SESA) and preparation of Environmental and Social Management Framework (ESMF), and safeguard information system

The SESA will identify potential social and environmental risks or benefits of the REDD+ strategy by combining analytical work and consultations with key stakeholder groups to inform the preparation. One of the outputs of the SESA is an ESMF, which provides a framework for managing and mitigating the environmental and social risks related to future REDD+ investments.

c. Developing and Testing Payments for Environmental Services for REDD+ - learning

This subcomponent would develop and test design options for REDD+ Payment for Environmental Services (PES), including ways to provide incentives to communities to apply sustainable management practices that may not be directly profitable to them. The testing will build on Bhutan's prior experience on piloting PES, and will aim at providing lessons, experience to 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 elements of the national implementation of 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. The following activities would be included under this subcomponent:

- i. Site selection (consultation meeting with communities and other stakeholders, and site situation analysis)
- ii. Designing the scheme (setting up institutions to manage the scheme, enhancement of non-carbon benefits, community participation, payment mechanism and benefit sharing, safeguards, consultation, and feedback and grievance redress mechanism) and the final payment for environmental services
- iii. Valuation of environmental services in the pilot site
- iv. Training on water accounting, carbon inventory, models to calculate discharge from the watershed (pilot site), record keeping, pasture/fodder development, use of alternate (green) energy technology, environmental services valuation, cost benefit analysis of conservation of ecosystem services and so forth.
- v. Community initiative plantations in community forests
- vi. Strengthen information management system in field divisions (Parks and Territorial Forest Divisions)
- vii. Monitoring and evaluation (framework, monitoring, reporting)

Grant Component 2: REDD+ Information Infrastructure for Forest Management and REDD+. (Estimated cost US\$ 2.1 million) This would support completion of the national forest inventory and development of a national satellite land monitoring system. The component would finance inventory field costs, equipment, technical assistance and data acquisition.

Five sub components would include:

- a. Capacity building on development of forest baseline data (reference level), operational forest monitoring, and GHG accounting
 - i. Establish a harmonized classification system for land representation (nomenclature for forest land classification system)
 - ii. Approaches to reference level design, including consideration of national circumstances (for instance the projects that have the potential to have pronounced impact on national deforestation).

- iii. Training on GHG accounting for land use and land use change
- b. Development of a satellite land monitoring system
 - i. Analysis for historical land use change and associated drivers
 - ii. Training on geospatial data processing, analysis and management
- c. Multipurpose NFI and forest data management
 - i. Support NFI implementation (5 of 20 dzongkhags)
 - ii. Training of field crews and data analysts
 - iii. Implementation of data management and quality assurance and quality control protocols
 - iv. Development of participatory tools for community participation
- d. Development of an integrated web-based forest information system
- e. Support of research related to national forest monitoring systems (NFMS) and information dissemination

Grant Component 3. REDD+ Management. (Estimated cost US\$ 0.2 million)

This would provide support for Readiness Preparation Activities coordination, technical assistance for procurement and financial management, audit, a mid-term review, and project completion reporting.

Detail breakdown of cost for the whole duration of Readiness Preparation Activities is presented below.

Table 1. BHUTAN REDD+ Components and estimated costs (US\$ '000)

REDD+ Readiness Grant components	2014-2015	2015-2016	2016-2017	2017-2018	Total
Grant Component 1: REDD+ Leadership Development (R-PP components 1b, 1c, 2a, 2b, 2c & 2d)					
a. REDD+ Knowledge generation					
Workshop at National Level (strategy options, drivers of forest degradation, risks& benefits, safeguards, and feedback and grievance redress mechanism)	40	30	40	0	110
Consultation workshop at the district and geog level including information sharing and dialogue	0	40	50	0	90
Institutional visit to REDD+ pilot countries for Task Force, TWG, REDD+ Secretariat, and field office staff	50	30	30	0	110
Participation in international meetings and seminars	20	20	20	20	80
Training on REDD+ structure including REDD+ safeguard information system, MRV and REDD+ governance	30	30	0	0	60
Training on forest management, forest law enforcement, feedback and grievance redress mechanism, and governance	20	50	50	20	140
Sub total					590
b. REDD+ Strategy Preparation					
Analysis of land policy, drivers of forest degradation, economic analysis of strategy options	50	50	50	0	150
Study on Strategic Environmental and Social Assessment (SESA) and preparation of Environmental and Social Management Framework (ESMF), and safeguard information system	0	90	90	0	180

<i>Sub total</i>					330
c. Developing and Testing Payments for Environmental Services for REDD+ -learning					
Selection of a testing site (consultation meeting with communities and other stakeholders, Site situation analysis)	40	30	0	0	70
Designing the scheme (setting up institutions to manage the scheme, enhancement of non-carbon benefits, community participation, payment mechanism and benefit sharing, safeguards, consultation, and feedback and grievance redress mechanism) and the final payment for environmental services	0	70	96	0	166
Valuation of environmental services in the pilot site	0	40	0	0	40
Training (water accounting, carbon inventory, models to calculate discharge from the watershed, record keeping, pasture and fodder development, use of alternate energy technology, cost benefit analysis of conservation of ecosystem services, etc.)	60	40	40	0	140
Community initiative plantations in community forests	0	20	20	0	40
Strengthen information management system in field divisions (Parks and Territorial Forest Divisions)	0	40	40	0	80
Monitoring and evaluation (framework, monitoring, and reporting)	2	2	5	5	14
<i>Sub total</i>					550
<i>Sub total for component 1</i>					1470
Grant Component 2: REDD+ Information Infrastructure for Forest Management and REDD+ (R-PP Component 3 and 4a)					
a. Capacity building on development of forest baseline data (reference level), operational forest monitoring, and GHG accounting					
Establish a harmonized classification system for land representation	0	40	0	0	40
Approaches to reference level design, including consideration of national circumstances	60	150	125	30	365
Training on GHG accounting for land use and land use change	15	15	15	15	60
b. Development of a satellite land monitoring system					
Analysis for historical land use change and associated drivers	50	50	100	0	200
Training on geospatial data processing, analysis and management	40	40	40	0	120
c. Multipurpose NFI and forest data management					
Support NFI implementation (5 of 20 dzongkhags)	705	0	0	0	705
Training of field crews and data analysts	25	45	0	0	70
Implementation of data management and quality control protocols	132	0	0	0	132
Development of participatory tools for community participation	0	15	10	0	25
d. Development of an integrated web-based forest information system	30	85	85	75	275
e. Support of research related to NFMS and information dissemination	65	10	10	0	85
<i>Sub total</i>					2077
Grant Component 3: REDD+ Management (R-PP component 1a & 6)					
Procurement of mobility vehicle	80	0	0	0	80
Computers (laptop), printers, GPS, furniture, etc.	20	5	0	0	25
REDD+ Task Force and TWG meetings	20	20	20	20	80
Capacity building of project procurement and accounts officer on World Bank procedures	10	0	0	0	10

Development of M &E framework	5	0	0	0	5
Operation cost	6	11	11	10	38
Mid Term Review	0	10	0	0	10
M&E	0	0	0	5	5
<i>Sub total</i>					253
GRAND TOTAL					3800

2. Key Risks and Issues

No significant environmental and social risks are envisaged to arise while implementing the Readiness Preparation Activities. However, high stakeholder expectations may be observed during the implementation of Readiness Preparation Activities. 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 RGOB as a major selling point for obtaining community support.

B. Implementing Agency Assessment

The principal counterpart for the proposed Readiness Preparation Activities is the Department of Forests and Park Services (DoFPS) under the Ministry of Agriculture and Forests (MoAF). The Watershed Management Division (WMD), DoFPS will serve as the REDD+ Secretariat and will house the Readiness Preparation Activities Coordination Unit. The Chief, WMD will be the Project Director (PD) and a Sr. Forestry Officer will be a REDD+ Focal person who will assist the Project Director in coordinating the implementation of R-PP. The Readiness Preparation Activities will be supervised by an inter-ministerial REDD+ Task Force chaired by the Director General of the DFPS. The Watershed Management Division (WMD) of DFPS would oversee and coordinate overall implementation, including preparation of Annual Work Plans and monitoring and evaluation, and would directly implement Components 1 and 3. The Forest Resource Management Division (FRMD) of DFPS would implement Component 2. Financial management and procurement would be executed in accordance with arrangements satisfactory to the World Bank by the Ministry of Agriculture and Forestry's Administration and Finance Department (AFD), which has experience in the implementation of previous and ongoing World Bank-financed projects. The DFPS has prepared and finalized an Operational Manual that describes implementation arrangements in detail.

The proposed arrangements for implementation appropriate subject to continued assignment of an adequate number of staff, especially to Readiness Preparation Activities Management in the Watershed Management Division and in the Administrative and Finance Department.

C. Stakeholder Assessment

The RGOB has established Committees, Working Groups, Tasks Force at various levels, to involve all relevant multi-sectoral and cross-sectoral agencies, including CSOs, private sector, and

government ministries. Their roles, responsibilities and memberships are well described in the R-PP as well as in the Operational Manual.

During the preparation of R-PP, RGOB had formed a multi-stakeholder Technical Working Group with a mandate to finalize and submit the R-PP to the Facility Management Team (FMT) of the FCPF. For implementation of the R-PP, the same TWG is being established as a REDD+ Task Force, under the chairmanship of Director General, DoFPS. The purpose of the REDD+ Taskforce is to serve as an official national forum for discussion and coordination of matters related to REDD+ programs in Bhutan and to decide and recommend actions for consideration by MoAF. The REDD+ Task Force will provide policy support and guide implementation of R-PP by (i) reviewing the quarterly and annual progress of the Readiness Preparation Activities based on reports prepared by WMD; (ii) guiding WMD on Readiness Preparation Activities implementation; (iii) reviewing and approving annual work plans; and (iv) evaluating the progress of field implementation. The Director General can initiate discussions on any outstanding issues or policy changes required for REDD+ in the Multi-Sectoral Technical Committee on Climate Change (MSTCCC), and from there Minister, MoAF can bring those policy changes to the Cabinet through National Climate Change Committee (NCCC).

For lower level Readiness Preparation Activities operation, DoFPS has formed three Technical Working Groups to provide operational and technical support to WMD and FRMD in execution of their tasks. While the REDD+ Task Force will serve as the official national forum for discussion and coordination of matters related to REDD+ programs, the TWGs will technically guide the implementation of each activity planned during the Readiness Preparation Activities. The REDD+ Secretariat/WMD will ensure that there is proper linkage and coordination between the Task Force and TWGs and also among the TWGs. As and when required, WMD will notify members of all three TWGs or relevant TWG and coordinate with team leader in organizing the meetings. The three Technical Working Groups are broadly on REDD+ Strategy Options, National Forest Monitoring System and Forest Reference (Emission) Levels and on Safeguards and Benefit Distribution. All the Readiness activities to be carried out by the Readiness Preparation Activities management unit fall in either of the TWGs.

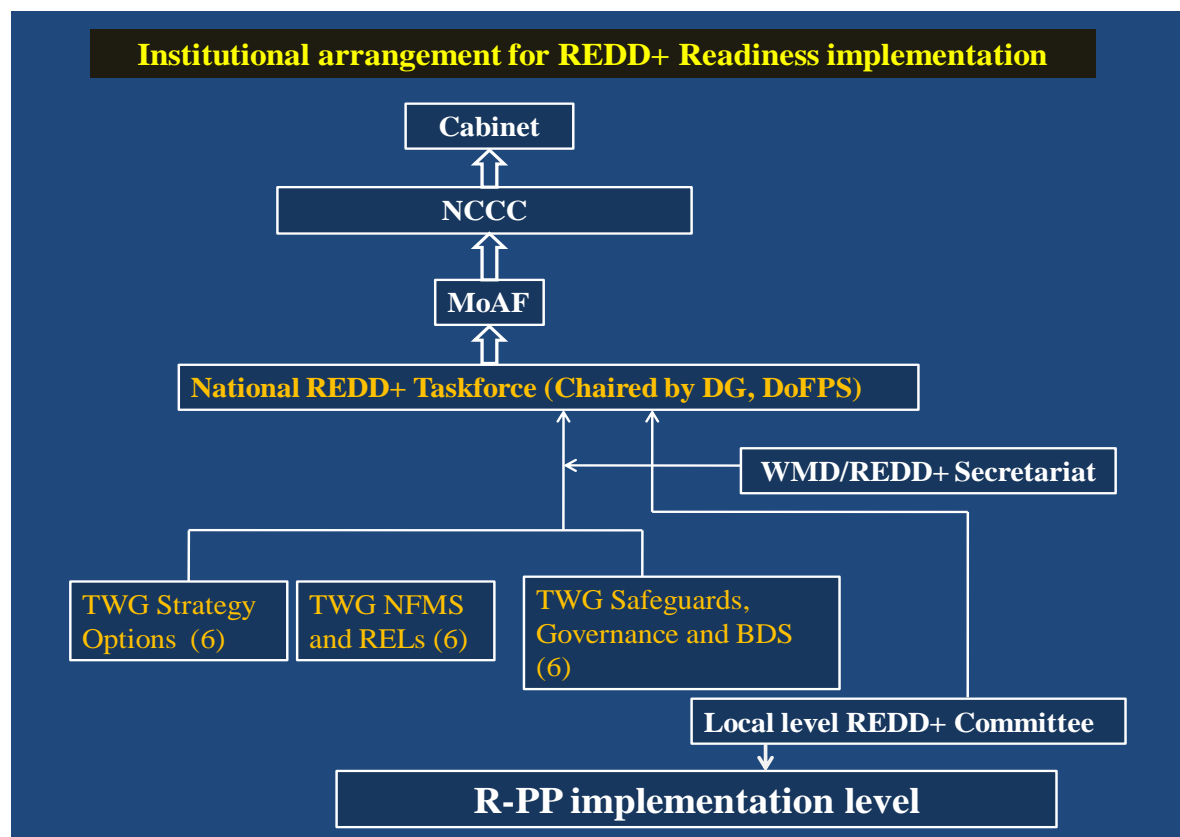


Figure 1 Multistakeholder engagement in institutional set up for REDD+ implementation

IV. Overall Risk Ratings

Table 2 Systematic Operations Risk-Rating Tool (SORT)

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

Risk categories: high (H), substantial (S), moderate (M) and low (L).

Overall Risk Rating Explanation

The proposed overall risk rating is medium. REDD+ in Bhutan will benefit from DoFPS's commitment to REDD+ and relative advancement on methodologies of REDD+ operation. When FCPF started working on REDD+ in 2008, methodological guidance were unavailable for the countries to follow. But now, many other FCPF countries have advanced on REDD+ Readiness, so Bhutan can learn from them, and apply their best practices in own country context.

REDD+ being a new emerging concept, misunderstanding and exaggerated expectations from stakeholders and local communities are very likely, as it has been the case in other countries. To address these, (i) extensive consultation and participation will be carried out in most of the activities; (ii) REDD+ readiness includes Strategic Environmental and Social Assessment (SESA) to identify and potential risks, which will be mitigated through the ESMF; and (iii) Grievance redress mechanism will be developed to address some of those concerns.

Similarly, the Readiness Preparation Activities require technical expertise such as on developing baseline of carbon emissions, which the country may not have. For this, the task team will closely monitor the project performance and change in capacity level. The team will advise the government to hire consultants or recommend other appropriate measures to fill the capacity gaps based on project components. In addition, the grant will support building capacity of the government authorities and other agencies through training and study tours.

To address social and environmental risk, the grant will finance SESA and ESMF. Throughout these studies, the task team – mainly the Social and Environmental Specialist – will advise the government from the very beginning of drafting TORs to hiring qualified consultants to overseeing their work. On implementation, because two divisions of a department have divided responsibility of executing the Readiness Preparation Activities, there is a likely chance that coordination and cooperation between the divisions might be an issue. But to address this potential risk, the Operational Manual has been finalized, which clearly divides up the roles and responsibility.

V. 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 Watershed Management Division and Forest Resource Management Division on technical, administrative and fiduciary aspects. It has also advised generally on future revisions to terms of reference and made recommendations on packaging of studies into a smaller number of contracts for ease of administration. 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 RGOB.

VI. 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 6 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 Bhutan.

Proposed grant activities are also structured and scoped in a manner to respond to Bhutan's current policy and technical capacity building priorities, and complement relevant ongoing efforts by the RGoB. Activities under 'REDD+ Leadership Development' provide an opportunity to advance key policies pertaining to forests, land, and natural resource management (e.g., Bhutan's Land Policy), and build the country's capacity to engage in REDD+ internationally through a series of technically focused workshops with international expert participation. Similarly, activities under 'REDD+ Information Infrastructure' build core operational capacity to inventory and monitor forest resources, and develop baseline information on forests (including emissions arising from forest degradation and loss) that is crucial for effective and sustainable management of forests going forward.

Technical activities under component 2 build on existing capacity in the country and the ongoing work in the national forest inventory performed by FRMD. The technical and analytical work that would be supported by the grant is designed to complete, enhance and accelerate the NFI, and to derive additional value from the information that is generated. This is to be accomplished through enhancement of analytical capability (e.g., by supporting the analysis of forest soils for a more comprehensive understanding of the ecosystems services provided by forests), 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 that have been developed by FRMD have benefitted 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.

The complementary activities on greenhouse gas accounting and reference level approaches are designed to improve the information that can be included in future national communications to international convention, such as the UNFCCC, and will allow RGOB to participate more actively internationally on REDD+ and develop more informed policy positions (e.g., as one of the few countries internationally that maintains high forest cover and has effectively curbed forest loss in the past). Further, through the technical work under component 2 (especially on the development of a satellite-based approach to forest monitoring), FRMD, as well as other parts of government, can build on existing capacity and regional collaboration (e.g., through ICIMOD) to adopt and internalize well-established approaches to effectively monitor the natural resource base and inform development planning.

The leadership capacity that will be built through component 1 and the enhancement in technical capacity and natural resource information under component 2 are expected to help foster

Bhutan's approach national economic development and make an informed contribution to international efforts to mitigate climate change and promote green sustainable growth.

B. Financial Management

The guiding principles for the financial management arrangements for the Readiness Preparation Activities are to use the current government financial management systems which include: budgeting, accounting, internal control, reporting and external audit. All Readiness Preparation Activities expenditure will be budgeted within the overall budget of the implementing agencies. Accounting would be carried out using PEMS system and Royal Audit Authority will audit the financial statements.

The Grant will be implemented by two implementing agencies: WMD and FRMD under the Department of Forest and Park Services (DoFPS), Ministry of Agriculture and Forests (MoAF). WMD would oversee and coordinate overall implementation and would also implement Components 1 and 3. FRMD would implement Component 2. The components are detailed in table 1 above. The eligible expenditure under the Grant would include: goods, consultancy services, training, study tours, workshops, seminars and incremental operating costs.

All accountants in the MoAF are mapped to the Administration and Finance Department (AFD) of the MoAF. Accountant(s) from AFD will be assigned to the Grant by MoAF/DPA prior to signing of the Grant. The accounting and financial reporting functions for the Grant will be managed by the said accountants. The accountant(s) will be provided training in Bank FM procedures. Since other AFD and MoAF accountants are already involved in implementation of ongoing Bank funded projects, this will also provide peer learning opportunity for the accountant(s) to be mapped to the Grant.

The Readiness Preparation Activities would be budgeted component, sub-component and object code wise in the overall budget of WMD and FRMD under a separate Financing Item Code (FIC) for the World Bank. As the components/sub components will be built into the Chart of Accounts of RGoB, separate FIC will allow the Public Expenditure Management System (PEMS) reports to provide information on the expenditure by components codes in sufficient detail to prepare quarterly interim unaudited financial reports required for financial monitoring purposes.

RGoB has with effect from 01 July 2010 rolled out web based computerized accounting system, PEMS. Accounting for Readiness Preparation Activities expenditures will be maintained on cash basis in PEMS itself and no separate accounting will be required. Key aspects of the Readiness Preparation Activities accounting arrangements are as follows:

- a) All payments to consultants and suppliers against invoices for services provided, goods delivered are considered as expenditure.
- b) Other transfers such as inter department transfers, transfers to the spending units will be considered as advances.
- c) All sources of funds, all expenditure and advances will be reflected in the financial statements.

- d) Expenditure booked in the PEMS (less any retention money) will be the eligible amount for Bank financing.
- e) Retention money, once it is released to the vendors can be claimed from the Bank.
- f) Standard Books of Account/ Records will be maintained by MoAF. A register of fixed assets, indicating assets created/acquired will also be maintained. and
- g) MoAF will be responsible for verifying payment certificates submitted by contractors and for certifying verified payments.

RGOB's 2001 Financial Rules & Regulations (FRR) provides the required control framework for procedural transaction control over individual items of expenditure and receipts. The FRR also provides detailed guidance on internal controls including safeguarding of cash, control over inventories, segregation of duties and delegation of authority for approvals and operating the bank accounts. The same will apply to the project. Similarly, the internal auditors of the MoAF will audit Grant related transactions.

Readiness Preparation Activities funds will be deposited in advance into the Designated Account (DA) denominated in Ngultrum to be opened at the Bank of Bhutan. The initial disbursement by the Bank for the Grant will be for Nu.40 million. The project would report the expenditure on six monthly basis, within 45 days of the close of the six months, in the form of interim unaudited financial reports (IUFR). Half yearly disbursements would be made based on these financial reports, replenishing the funds in DA after adjustment for past disbursements. The DA will be segregated and used only to deposit advances for the project. The DA will be operated by the DPA in the Ministry of Finance (MOF). Funds will be withdrawn from the DA on an "as required" basis and transferred to the government budget fund account (GBFA) by the DPA as an advance. The transfers from DA to GBFA are based on requests from two implementing agencies. Based on the requests, the DPA in the MOF will release funds to the Project Letter of Credit (PLC)/Letter of credits of the two implementing agencies. Implementing agencies will issue checks against the PLC/LC to meet the project expenditures and account for the same in PEMS. On a monthly basis, FRMD accountant will submit a copy of the financial report generated from the PEMS to WMD. The project accountant for WMD will consolidate the information and prepare IUFRs, in form and contents agreed with the Bank. The IUFRs will provide information on sources and uses of funds, component wise expenditure made in the last six months and reconciliation of designated account. The project management should compare the financial information provided in the IUFRs with the project physical progress reports.

The annual financial statements submitted by the WMD, MoAF for the purpose of audit will include an assurance from the management of both implementing agencies on the correctness, completeness and confirm the use of project funds for intended purposes. Royal Audit Authority will certify the annual financial statements for the Grant as per the standard Terms of Reference agreed for the Bank financed Projects. WMD, MoAF will be responsible for submitting project's audited annual financial statements to the Bank within 6 months of the closure of the financial year; i.e., by 31 December. The format of the annual financial statements are detailed in the standard Terms of Reference and will consist of annual financial statements of the project along with a statement reconciling grant disbursements, as per claims submitted to the Bank and balances available in the designated Account, as reported in the Interim Unaudited Financial Reports as well as a management letter. Table below shows the audit reports that would be received by the Bank in association with the usage of additional financing.

Agency	Audit Report	Audited by	Due Date
WMD, MoAF, RGoB	Annual project financial statements, including reconciliation of the designated account	Royal Audit Authority	December 31

Annual audit report of the Readiness Preparation Activities will be made available in public domain through MoAF website. This audit reports will also be disclosed for public review on Bank's external website as per Bank's Access to Information Policy.

From a financial management perspective, the Readiness Preparation Activities will need regular supervision. This will be through a combination of periodic desk reviews and field visits. Special focus will be given to building of staff capacity and timeliness and quality of financial information.

C. Procurement

The Central Procurement unit of Ministry of Agriculture and Forests (MoAF) in consultation with Watershed Management Division (WMD) and Forests Resources Management Division (FRMD) will handle the procurement aspect of REDD+ program, following the World Bank Procurement Guidelines and the Consultant Guidelines of January 2011 and provisions stipulated in the Finance Agreement (FA).

The various items under different expenditure categories are described in general in the following paragraphs. For each contract to be financed by the REDD+ grant, the procurement or consultant selection methods, the need for pre-qualification (wherever necessary), estimated costs, prior review requirements, and time frame are agreed between Ministry of Agriculture and Forests and the Bank in the Procurement Plan. The plan will be updated at least annually or as required to reflect the actual Readiness Preparation Activities implementation needs and improvements in institutional capacity.

Procurement of goods: Goods procured under this Readiness Preparation Activities would include: equipments, vehicles, computers, printers, furniture's for WMD and GIS Hardware and software, CHN analyzer, equipments etc; for Forests Resource Management Division (FRMD) under the Department of Forests and Park Services, Ministry of Agriculture and Forests. The procurement Officer designated for Readiness Preparation Activities will make use of the Bank's standard bidding documents (SBD) for all national competitive bidding (NCB) and international competitive bidding (ICB) as agreed with the Bank.

Operational Costs: The Readiness Preparation Activities would cover cost of sundry items such as, vehicle hire and maintenance, fuel, conducting national workshops, study tour to REDD pilot countries, participation in international seminars and trainings etc; and any other Readiness Preparation Activities implementation related expenses, except cost of borrower's civil servants would be procured using RGOB procedures which were reviewed and found acceptable to the Bank.

Selection of Consultants: Consultancy services will be hired to provide technical assistance to WMD and FRMD ie; advisors for workshop for REDD strategy, safeguards, establishment of data base for NFI, software development for biomass data analysis etc. The shortlist of consultants for services estimated to cost less than **US\$ 200,000** or equivalent per contract may consist entirely of national consultants in accordance with the provisions of Paragraph **2.7** of the Consultant Guidelines.

Capacity Assessment: Procurement activities will be carried out by a procurement officer working with Administration and Finance Division (AFD) of Ministry of Agriculture and Forests, Procurement Unit. Based on the unit's capacity to implement procurement actions for the Readiness Preparation Activities - as observed during the implementation of the previous Bank - financed project such as Remote Rural Communities Development Project and the overall country procurement capacity - the procurement risk is assessed as "moderate". The procurement officer identified for this project does have previous experience of handling Bank's financed project procurement and hiring of consultancy services. The Bank will carry out periodic risk and capacity assessments during project implementation and agree on specific actions to be carried out by AFD. Staff of AFD and sub-project beneficiary institutions will need to receive training in procurement in accordance with the Bank's Procurement Guidelines. As such, WMD and FRMD will nominate a procurement coordinator for training on Bank procurement procedures. The training would be provided by any of the appropriate institutions located in South Asia, including but not limited to the National Institute of Financial Management (NIFM) in Faridabad and the Administrative Staff College of India (ASCI) in Hyderabad. The procurement procedures to be established for the project will be documented in the Operation Manual (OM). The training needs will be assessed at periodic intervals and necessary training will be provided by the Bank's Procurement Specialist. REDD's grant agreement requires that all grantees has to follow Bank's procurement rules and methods for procurement of goods and services.

Taking into account overall country procurement capacity, the low value and volume of procurement under Readiness Preparation Activities and the implementing agencies procurement capacity , the procurement risk for this proposed project is assessed as "moderate".

Procurement plan. During appraisal, WMD presented a procurement plan covering the period of 18 months for all the component of the Readiness Preparation Activities Implementation, which provides the basis for the procurement methods. The plan was agreed between WMD, FRMD and the Bank during negotiations. It will also be available in the projects database and the Bank's external website. The procurement plan will be updated in agreement with the Bank annually or as required to reflect the actual implementation needs and improvements in institutional capacity.

Methods to be Used:

Goods and equipment. No procurement requiring ICB method is anticipated. There may be possibility of using Limited International Bidding (LIB) method of procurement for some equipment required for the project from foreign countries. However, contracts for goods and equipment above US\$ 200,000 or its equivalent (if required) will be procured following the Bank's ICB/LIB procedures and using Bank's approved SBDs. Contracts between US\$ 200,000 and US\$ 50,000 equivalent will be procured following NCB procedures and using the Bank's approved

SBDs and contracts below US\$ 50,000 equivalent may be procured following shopping/international shopping procedures. Proprietary items and software which meet the requirements of Clause 3.7 of the Procurement Guidelines may be procured following direct contracting with the Bank's prior approval.

Consultant Services: Procurement of consultants shall follow the Bank's standard RFP documents and Guidelines for Selection and Employment of Consultants of January 2011. Except as provided in the following paragraphs, consultant services shall be procured under contracts awarded in accordance with the provisions of paragraphs 2.1 through 2.35 of the Guidelines applicable to quality and cost based selection of consultants. Short lists of consultants for services estimated to cost less than US\$ 200,000 or its equivalent per contract may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 and footnote 32 of the Consultant Guidelines January 2011.

Services for assignments agreed to by the Bank must meet the requirements set forth in the corresponding paragraphs under Section III of the Consultant Guidelines. They may be procured through quality based selection (QBS), quality and cost based selection (QCBS), least cost selection (LCS) and selection under a fixed budget (FBS). Services that are in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines may be procured following selection based on consultant qualifications (CQS). Services that are in accordance with the provisions of paragraphs 3.9 through 3.11 of the Consultant Guidelines may be procured following single source selection (SSS) with the Bank's prior approval.

Selection of Individual Consultant: Assignments that meet the requirements set forth in Section V of the Consultant Guidelines may be procured under contracts awarded to individual consultants. Selection of Individual consultants on sole source basis that meet the requirements of paragraph 5.4 of the Consultant Guidelines January 2011 is subject to prior approval of Bank.

Methods, thresholds and prior review threshold for goods and services: The procurement threshold and prior review by the Bank as stated in Appendix 1 to the Procurement and Consultant Guidelines is shown in the following table.

Table 3 Methods and thresholds of procuring goods and services

No.	Method of Procurement	Threshold	Prior review Threshold
1.	ICB and Limited International Bidding (LIB) [Goods]	More than US\$200,000 LIB can be used even for smaller value.	More than US\$ 600,000
2.	NCB [Goods]	More than US\$ 50,000 and less than US\$ 200,000	More than US\$ 600,000
3.	Shopping [Good]	Less than US\$ 50,000	All post review
4.	Direct contracting		All prior review
5.	Consulting firm		More than US\$ 200,000 or its equivalent

6.	Individual consultant		More than US\$ 60,000 or its equivalent
7.	Single Source Selection (SSS)		All prior review

Post Review

Contracts not subject to Bank’s prior review will be post reviewed by Bank’s supervision missions once in a year by the Bank staff or its authorized representative.

Frequency of procurement supervision: Procurement supervision missions are proposed to be carried out twice a year or during regular supervision mission.

Detailed procedures to be followed for procurement of goods and services and different methods to be used based on estimated value of the contracts are brought out in procurement portion of the **Operation Manual**.

Risks related to procurement and Mitigation Plan

The following table lists perceived procurement related risks and the mitigation plan.

Perceived Risk	Action Completion	Mitigation measures
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1.Documentation maintenance	1.During implementation phase	1. At the beginning of the Readiness Preparation Activities a brief over view of the documents to be maintained and filed would be discussed with Readiness Preparation Activities Coordination Unit. Subsequently during project implementation, the record keeping and documentation regarding procurement will be monitored.
2.Probability of staff handling procurements being transferred	2.During implementation phase	2. Agree with the Readiness Preparation Activities Coordination Unit that the trained procurement staff will normally not to be transferred during the project period
3. Capacity building and training	3. During implementation phase	3. Periodical training as a capacity building measure by the Bank. Provide procurement staff with training (e.g. at NIFM, ASCI etc) and follow up with refreshers if required.
4.Contract management	4. Every quarter after the Readiness Preparation Activities are declared effective.	4. A quarterly status report of all the ongoing contracts including contract management issues such as delays, payment, etc will be submitted to the director and reviewed by him and will also be submitted to the Bank
5. Establish a complaint redressal mechanism.	5. Every quarter after the project is declared effective	5.A quarterly report of all complaints received and action taken will be submitted to the Readiness Preparation Activities Director and reviewed by him and submitted to the Bank

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

1. Social and Environmental (including Safeguards)

Overall, the REDD+ activities 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 for other purposes.

Similarly on the social aspect, REDD+ activities intend to create positive impacts on the livelihood of local communities and Indigenous Peoples. 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, WMD will carry out SESA, consulting with local communities, civil-society, private-sector, and any other interested private or public sectors. The SESA allows (i) identification of positive and negative impact of REDD+ on social and environmental; (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. After this assessment, WMD will prepare an Environmental and Social Management Framework (ESMF) to manage environmental and social risks, to mitigate potential adverse impacts, and to optimize positive benefits to the environment and local communities.

The implementing agency, the WMD, does not have any prior experience of conducting SESA and ESMF for REDD+ operation. So it is expected that WMD will need technical assistance and capacity building opportunities to do SESA and prepare the ESMF. These activities, hence, have been included as Bank financed activities.

2. Consultation, Participation and Disclosure

i. Experience to Date

The RGOB has prepared the R-PP through an inclusive and participatory approach to generate a sense of ownership. It was developed by a team consisting of representatives from different stakeholders (government, academic institutions, and NGOs). The team developing the R-PP organized 13 REDD+ awareness raising workshop at Dzongkhag level, in which local communities and representatives from other organizations participated. This covered 14 out of 20 districts in the country. As reported in the R-PP, the team used various methods of consultation to help people understand and make them aware on REDD+ such as interviews, focus group discussions, poster presentation, workshops and video presentation. The team has recorded key discussion points, conclusion and suggestion from the consultations and has presented in the R-PP.

The team has undergone through REDD+ stakeholder mapping process. Different category of stakeholders – government agencies, NGOs, private sector, academic institutions, and other development partners – have been identified at national, regional, Dzongkhag, and local level as per their interest in REDD+. Table 1b-1 in the R-PP provides a list of stakeholders by type and geographic influence.

Even prior to starting R-PP writing process, RGOB, with financial support from UN REDD, had conducted about four national workshop on various elements of REDD+ such as REDD+ strategy, national forest monitoring system, non-carbon benefits and so forth. Primary objectives of these workshops were also to make relevant stakeholders aware of international REDD+ and discuss national situation. The workshop reports are available on the website. The proposed workshops under component 1 will build on these workshops findings and outcomes.

ii. Proposal Going Forward

The R-PP development and implementation team clearly recognizes 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, RGoB considers the awareness raising programs as the first step in implementing REDD+ activities. Building on the early information and social mobilization campaign and dialogue conducted during R-PP formulation phase, DoFPS 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+. No concrete consultation and participation plan has been presented in the R-PP. However, the Readiness Preparation Activities management unit expresses commitment to create fora for local-level community representatives in Dzongkhags and Geogs to exchange information and conduct dialogue with RGoB and NGOs to formulate REDD+ activities following the FCPF UN-REDD Guidelines on Stakeholder Engagement in REDD+ Readiness (Forest Carbon Partnership Facility, 2012).

3. Safeguards Policies Triggered

The proposed grant will finance a number of studies to support the REDD+ systems development, analysis of land policy and REDD+ strategy options, completion of ongoing national forest inventory, infrastructure development for forest data management, development of operational forest monitoring and baseline of current level of carbon dioxide emission from Bhutan'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 <i>(please explain why)</i>	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
Overall, the REDD+ activities 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			

Safeguard Policies Triggered <i>(please explain why)</i>	Yes	No	TBD
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 for other purposes. As the applicable safeguards approach, the RGOB will use a Strategic Environmental and Social Assessment (SESA). The SESA will combine analytical work and consultations with key stakeholder groups to inform the preparation of the REDD+ strategy. One of the outputs of the SESA is an Environmental and Social Management Framework (ESMF), which provides a framework for managing and mitigating the environmental and social risks related to future REDD+ investments.			
Natural Habitats (OP/BP 4.04)	X		
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)	X		
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 natural forests will be assessed through the SESA and included in the ESMF.			
Pest Management (OP 4.09)			X
The National REDD+ Strategy may include activities like agricultural intensification and active forest protection or reforestation. The SESA will address critical issues related to pest management, as necessary, and these will also be included in the key elements for the ESMF.			
Physical Cultural Resources (OP/BP 4.11)		X	
It is not anticipated that REDD+ activities negatively hamper areas containing sites and resources deemed important as physical cultural resources by the peoples (including indigenous peoples) living there (e.g. holy sites such as sacred groves, sacred forests, etc.)			
Indigenous Peoples (OP/BP 4.10)	X		
Indigenous Peoples and forest dependent local communities are expected to benefit from REDD+ payment mechanism. However, there can be a case where those communities get limited access to forest resources as an effort to conserve forest and store more carbon. The SESA will help ensure compliance with the Bank's safeguard policies by integrating key environmental and social considerations relevant to REDD+, including all those covered by the safeguard policies. One of the products of the SESA is an Environmental and Social Management Framework (ESMF), which provides a framework for managing and mitigating the environmental and social risks related to future REDD+ investments.			
Involuntary Resettlement (OP/BP 4.12)	X		
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			

Safeguard Policies Triggered <i>(please explain why)</i>	Yes	No	TBD
compliance with the Bank's safeguard policies, and the ESMF will provide a framework for managing and mitigating such potential risks.			
Safety of Dams (OP/BP 4.37)		X	
The REDD+ activities do not involve the construction of new dams or rehabilitation.			
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	
Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects (OP/BP 4.00)		X	

SESA is the main safeguard instrument to be applied, which also includes, as part of its process, 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+).

The ESMF will be structured to contain subject-specific frameworks addressing the relevant requirements of the applicable environmental and social safeguard policies including, but not necessarily limited to, a Resettlement Policy Framework (RPF); Process Framework (PF); and Indigenous Peoples Planning Framework (IPPF).

Annex I: Procurement Plan

General

1. Project information

Region : **Bhutan**

Borrower : Ministry of Agriculture and Forests,
Royal Government of Bhutan

Project Name and Brief : **Bhutan Forest Carbon Partnership Facility
REDD Readiness Grant**

Project I.D. : P150177

Credit No. :

Project Implementing Agency (PIA) : Watershed Management Division and Forest Resource
Management Division, Department of Forests and
Park Services

2. **Bank's approval Date of the procurement Plan:** -----

3. **Date of General Procurement Notice:**

4. **Period covered by this procurement plan:** The procurement period of project covered from 18 months, 1 July 2014 to 31 December 2015.

(1) II. Goods, Works and Non-consulting services

1. a) Procurement Methods and Thresholds

Category	Method of Procurement	Threshold (USD Equivalent)
Goods and Non-consultant services	ICB	>200,000
	LIB	wherever agreed by Bank
	NCB	Up to 200,000
	Shopping	Up to 50,000
	DC	As per para 3.7 of Guidelines
	Force Account	As per para 3.9 of Guidelines

b. Prior Review Threshold:

Works: All contracts more than USD 3 million equivalent

Goods: All contracts more than USD 600,000 equivalent

Non-Consultant Services: All contracts more than USD 600,000 equivalent

First contract to be issued will be subject to prior review by the Bank irrespective of the value. In addition, the justifications for all contracts to be issued using LIB or direct contracting shall be subject to prior review. For prior review contracts, the amendments for increasing the cost or extension of time beyond 15% of original value shall also be subject to Bank’s prior review.

2. **Pre-qualification:** Not Applicable
3. **Proposed Procedures for CDD Components: (As per paragraph. 3.19 of the Guidelines.)**
4. **Reference to (if any) Project Operational/Procurement Manual: -- : --** All the contracts issued under the project will follow the World Bank’s “Guidelines: Procurement of goods, works and non-consulting services under IBRD loans and IDA credits & grants by World Bank borrowers” dated January 2011.
5. **Any Other Special Procurement Arrangements:** The evaluation committees will have external experts, as and when required, apart from in-house experts.

(2) 6. Procurement Packages with Methods and Time Schedule

As per attached Excel File – Sheet named “consulting services”

(3) III. Selection of Consultants

1. a) Procurement methods and thresholds:

Category	Method of Procurement	Threshold (USD Equivalent)
Consultants’ Services	CQS/LCS	Up to 200,000
	SSS	As per para 3.8-3.11 of Guidelines
	Individuals	As per Section V of Guidelines
	Selection of Particular Types of Consultants	As per para 3.15-3.21 of Guidelines
	QCBS/QBS/FBS	for all cases

b) **Prior Review Threshold:** Selection decisions subject to Prior Review by Bank as stated in legal agreement:

	Selection Method	Prior Review Threshold	Comments
1.	Competitive Methods (Firms)	>\$200,000	
2.	Competitive Methods (Individuals)	>\$60,000	

First contract issued shall be subject to prior review irrespective of the value. The contracts for external auditors will also subject to prior review of the Bank irrespective of the value. In addition, the justifications for all contracts to be issued on single-source basis shall be

subject to prior review. In case of selection of individuals, the qualifications, experience, terms of reference and terms of employment shall be subject to prior review. For prior review contracts, the amendments for increasing the cost or extension of time beyond 15% of original value shall also be subject to Bank's prior review.

2. **Short list comprising entirely of national consultants:** Short list of consultants for services, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of the World Bank Consultant Guidelines.
3. **Any Other Special Selection Arrangements:** The evaluation committees will have external experts, as and when required, apart from in-house experts.
4. **Consultancy Assignments with Selection Methods and Time Schedule**

This will be prepared as per the budget allocation (Table 1) after the grant agreement.

(4) IV. Implementing Agency Capacity Building Activities with Time Schedule

This will be prepared as per the budget allocation (Table 1) after the grant agreement.

**Annex II:
Preparation Schedule and Resource Estimate**

Preparation Schedule				
Milestone	Dates			
	Basic	Forecast	Actual	
AIS Release	NA	<i>February, 2015</i>		
Concept Review	September 22, 2014			
Readiness Preparation GFR approved	January, 2015	<i>January, 2015</i>		
Readiness Preparation Grant signed	January, 2015	<i>January, 2015</i>		
Sector Unit Estimate of Resources Required from Preparation through Approval				
Source of Funds	Identification and Preparation Expenses to Date (US\$)	Estimate of Resource Requirements (US\$)		
		Fixed	Variable	
Bank Budget	10,000	10,000	-	
Trust Funds	50,000	-	50,000	
Team Composition				
<i>Name</i>	<i>Title</i>	<i>**Role</i>	<i>Unit</i>	<i>UPI</i>
<i>William B. Magrath</i>	<i>Lead Natural Resource Economist</i>	<i>Task Team Leader</i>	<i>GFADR</i>	<i>11824</i>
<i>Alexander Lotsch</i>	<i>Senior Carbon Finance Specialist</i>	<i>REDD+ Expert (Technical)</i>	<i>GCCGT</i>	<i>258344</i>

<i>Dora Nsuwa Cudjoe</i>	<i>Senior Environmental Specialist</i>	<i>Environmental and Social Expert</i>	<i>GENDR</i>	<i>290015</i>
<i>Rajesh Koirala</i>	<i>REDD+ Implementation Specialist</i>	<i>REDD+ Expert (Operational)</i>	<i>GCCGT</i>	<i>366565</i>
<i>Sachiko Morita</i>	<i>Senior Counsel</i>	<i>Legal Expert</i>	<i>LEGEN</i>	<i>289303</i>
<i>Jorge Luis Alva-Luperdi</i>	<i>Senior Counsel</i>	<i>Legal Expert</i>	<i>LEGES</i>	<i>322336</i>
<i>Joseph Shine</i>	<i>Procurement Specialist</i>	<i>Procurement Expert</i>	<i>GGODR</i>	<i>444376</i>
<i>Savinay Grover</i>	<i>Financial Management Specialist</i>	<i>Financial Management Expert</i>	<i>GGODR</i>	<i>224611</i>

Annex III: Draft Terms of Reference for SESA

Royal Government of Bhutan 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 Bhutan's institutional and governance capacity to address aversive 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.

1. 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;
2. Conduct transparent consultation at national level and county 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:

1. Identify the key REDD+ social and environmental risks emerging from the SESA analyses and consultations.
2. 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+.
3. 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.
4. Present recommendations for REDD+ policy design, implementation, and monitoring and evaluation (including legal and policy reforms) based on the results of the SESA.

5. Formulate policy recommendations for a policy framework to address key environmental and social impacts, and for addressing institutional and governance weaknesses.
6. Identify any gaps in knowledge where additional data-gathering and analysis may be needed.
7. 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 Bhutan, 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

3. 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.
4. The SESA consulting team shall include at least one SEA expert, one environmental specialist, 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 REDD+ Steering Committee;
 - (iii) Deliver final SESA report and ESMF for review and approval by the National REDD+ Steering Committee.

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

Please find the R-PP at this link: <http://forestcarbonpartnership.org/bhutan#overlay-context=redd-country-candidates>

**Annex V: Draft Grant Agreement for REDD+ Readiness Preparation (if available)
(prepared by Task Team, if available)**