



# Climate Adaptation, Resilience and Engagement in Local Governments (CARE-LG)

## PRE-FEASIBILITY STUDY



**BHUTAN**

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## ACRONYM

ADB	Asian Development Bank
AGG	Annual Grants Guidelines
ARA	Adaptation Results Area
BLSS	Bhutan Living Standard Survey
BMT	Budget Monitoring Tool
BT FEC	Bhutan Trust Fund for Environmental Conservation
CARE-LG	Climate Adaptation, Resilience and Engagement in Local Governments
CCA	Climate-Change Adaptation
CCD	Climate Change Division
CDLG&FD	Capacity Development for Local Government and Fiscal Decentralization
DECC	Department of Environment and Climate Change
DLGDM	Department of Local Governance and Disaster Management
DMDF	Department of Macro-Fiscal and Development Finance
DPBP	Department of Planning, Budgeting and Performance
DRF	Division of Responsibilities Framework
EAA	Environment Assessment Act
EE	Executing Entity
EU	European Union
EBS	EU Budget Support
FIC	Financing Identification Code
FMU	Forest Management Unit
FYP	Five-Year-Plan
GAO	Gewog Administrative Officer
GCF	Green Climate Fund
GDP	Gross Domestic Product
GECDP	Gender, Environment, Climate-change, Disaster and Poverty
GESI	Gender Equality and Social Inclusion
GHG	Green House Gas
GLOF	Glacial Lake Outburst Floods
GNH	Gross National Happiness
HKH	Hindukush Himalayan Region
IGFTS	Inter-Governmental Fiscal Transfer System
IPCC	International Panel on Climate Change
IRMF	Integrated Results Management Framework
JSP	Joint Support Programme (JSP) on Capacity Development for Mainstreaming Environment, Climate-Change and Poverty (ECP) concerns in Policies, Plans and Programmes
LDC	Least Developed Country
LDPM	Local Government Planning Manual
LFMA	Local Forest Management Area
LG	Local Government(s)
LGA	Local Government Act
LGSDP	Local Governance Sustainable Development Programme
LGRR	Local Government Rules and Regulations
LGKRA	Local Government Key Results Area
LoCAL	Local Climate Adaptative Living
M&E	Monitoring and Evaluation
MEAL	Monitoring, Evaluation, Accountability and Learning
MENR	Ministry of Energy and Natural Resources
MFCC	Macroeconomic Framework Coordination Committees

MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MoU	Memorandum of Understanding
MYRB	Multi-year Rolling Budget
NAP	National Adaptation Plan
NCHM	Natioal Centre for Hydrology and Meteorology
NCWC	National Commission of Women and Children
NDA	National Designated Authority
ND-GAIN	Notre Dame Global Adaptation Index
NDC	Nationally Determined Contributions
NEPA	National Environment Protection Act
NGO	Mon-Government Organisation
NKRA	National Key Results Area
NSB	National Statistics Bureau
NWFP	Non-Wood Forest Produce
OECD	Organisation for Economic Cooperation and Development
PBG	Performance-Based Grant
PEMS	Payment and Expenditure Management System
PFM	Public Financial Management
PM	Project Manager
PMU	Project Management Unit
PFO	Project Focal Official
PPP	Public Private Partnership
PSC	Project Screening Committee
RAA	Royal Audit Authority
RAF	Resource Allocation Formula
RAFC	Resource Allocation Formula and Criteria
RCP	Representative Concentration Pathways
RGoB	Royal Government of Bhutan
RNR	Renewable Natural Resources
RSPN	Royal Society for Protection of Nature
SDG	Sustainable Development Goals
SAP	Simplified Approval Process
TAC	Technical Advisory Committee
TOC	Theory of Change
TWG	Technical Working Group
UN	United Nations
UNCDF	United Nations Capital Development Grant
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
WB	World Bank
WBI	Wood-Based Industry
WWF	World Wildlife Fund

## I. Executive Summary

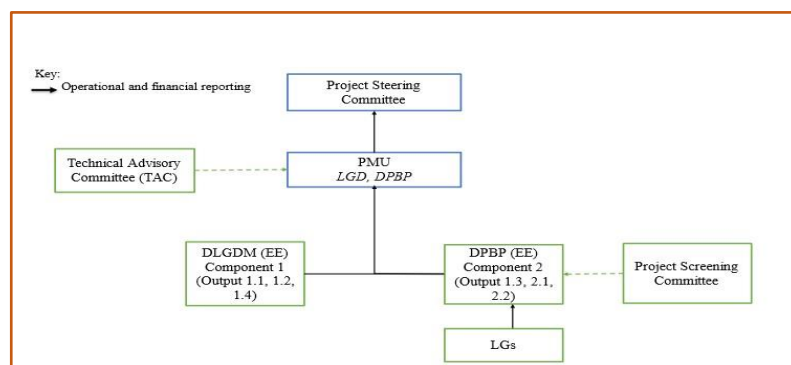
1. This Pre-Feasibility Study was carried out and submitted as Annex 2 of the GCF SAP Funding Proposal for implementation of Climate Adaptation, Resilience and Engagement in Local Governments (CARE-LG) in Bhutan. The project proposal is prepared and submitted by the Bhutan Trust Fund for Environmental Conservations (BT FEC), which is the GCF's Accredited Entity (AE), in close consultation and endorsement of the Department of Macro-Fiscal and Development Finance (DMDF), which is the GCF's National Designated Authority (NDA). This report is presented in seven main chapters. Following the Executive Summary (chapter I), Chapter II provides Bhutan's national context and presents the setting for the proposal and implementation of CARE-LG, including the broad baseline assessment and situation analysis within the context of the proposed project. The third chapter is the technical assessment of the CARE-LG that provides the scope, key intervention, expected climate results, social and environmental assessment including gender assessment, and exit strategy. The fourth chapter zooms and provides specific information of the proposed project, including the climate rationale, and the project's Theory of Change (TOC) and logic of action with M&E and timeline. In the fifth chapter, the project's implementation arrangement is presented, including the execution mechanism, stakeholders' engagement, budget and grievance redressal mechanism. Chapter six is a brief conclusion, and the last chapter provides list of Annexes to the report.
2. This prefeasibility study report reveals and confirms that CARE-LG is a suitable intervention to support Bhutan in meeting its climate adaptation priorities, which are described in the Nationally Determined Contributions (NDC) as well as the National Adaptation Plan (NAP) 2023. The project is proposed in the context of the country in general and the LGs being exposed to the adverse impacts of climate change and vulnerability, primarily owing to its geographical location in the Himalayas with fragile terrain. More than 50% of the country's population live in the remote rural areas depending on climate-sensitive sectors, and the rural communities are constrained by the knowledge, skills and adaptive capacity to respond to climate-change impacts.
3. The CARE-LG is built on and will upscale the Government's efforts of climate-change adaptation initiatives at the local level, which was implemented in the past FYPs through performance-based grants (PBG) mechanism. The overarching purpose and objective of CARE-LG's intervention is to support LGs and vulnerable communities at the local level to strengthen their climate resilience by enhancing their adaptive capacity and knowledge in adoption of climate responsive infrastructures, technologies and practices. This would be achieved by helping the targeted LGs in climate-proofing their development plans and activities with the long-term goal of strengthening local communities' climate resilience through the implementation of activities led and owned by themselves in a context-specific and cost-effective approach.
4. The GCF funding is sought due to lack of alternative sources of funding to invest in adaptation measures to bridge the large fiscal and balance of payments gaps. LGs are unable to finance the additional costs associated with climate change adaptation, since the financial transfers from the central government are generally insufficient, and climate adaptation remains fundamentally underfunded at the local community level. The GCF funds will fill up and bridge the financial as well as the capacity gaps of local communities and governments to meet the additional cost of CCA. The Project's climate-results would include reduced climate change vulnerability resulting from the communities' enhanced adaptive capacity towards improved community livelihoods. The CARE-LG is directly in line with the GCF's goal of strengthening the domestic capacity of countries to address climate change, as it involves (i) deploying a climate finance facility led by the Government and aligned to national systems; and (ii) contributing to local community adaptation through the institutionalization of performance-based grant in planning, budgeting, implementation and monitoring of adaptation measures at the local level. The project will contribute to GCF's Fund-level adaptation results areas (ARA 1 & 2) and enabling environment core indicators (5&6) and is aligned to several SDGs, in particular, SDG 1: No poverty; SDG 5: Gender Equality;

SDG 8: Decent work and economic growth; SDG 11: Sustainable cities and communities; and, SDG 13: Climate Action.

5. The CARE-LG is proposed to have two Outcomes or Components: Outcome 1 will focus on building the awareness and capacity of LGs and communities on mainstreaming climate change adaptation planning, implementation and adoption of climate responsive technologies and practices. Outcome 2 will provide climate change adaptation (CCA) grants to be allocated based on the eligibility criteria determined by the climate vulnerability assessment and performance. The project will benefit about 214,973 (105,973 or 49% women) people, which is 30% of the country's population. The direct beneficiaries are estimated to be approximately 70,510 people (49% women), constituting 10% of the country's population in highly climate vulnerable remote and rural communities. Another approximate 144,463 people (49% women), constituting 20% of the country's population, will benefit indirectly with the awareness and capacity-building, knowledge activities and innovation demonstration. Local level institutions will also have increased ability to support community level adaptation priorities in a sustainable way. It is envisaged that capacity of approximately 1,220 LG officials will be built, together with increase in knowledge and skills to design and execute climate-resilient local development plans and investments in a strategic and participatory manner.
6. The project will be implemented over a period of five years, with the full GCF grant of USD 10 million. Its implementation will correspond to Bhutan's 13<sup>th</sup> Five-Year Plan (FYP) programme so that the activities are aligned and integrated within FYP. The budget distribution among its outputs as follows:

Component	Output	Indicative cost (USD)
<b>Component 1:</b> Climate change adaptation integrated in LG grant allocation mechanism	<b>Output 1.1</b> Awareness and capacity of local communities and LG officials on responding to climate change enhanced	1,034,310
	<b>Output 1.2</b> PBGM integrated into the planning and budgeting system	51,571
	<b>Output 1.3</b> Gewog adaptation planning mechanism established	78,429
	<b>Output 1.4</b> Knowledge and learning network developed	75,836
<b>Component 2:</b> Climate resilient of local communities through CCA investments	<b>Output 2.1</b> Adaptation interventions are implemented through PBGM	7,500,000
	<b>Output 2.2</b> Innovation on climate mitigation and adaptation enhanced	795,275
M&E	M&E	93,000
Project Management	Project operation and management by PMU and EEs	371,571
<b>Indicative total cost (USD)</b>		10,000,000

7. The governance of the project will be based on a well-structured management arrangement with strong M&E mechanism. The Project Steering Committee (PSC) composed of senior officials from relevant implementing partner agencies will be the overall supervision and decision-making body. There will be an independent Project Management Unit (PMU) staffed by the Project Manager hired by the project and other team members including the M&E expert. In addition to the PSC, a Technical Advisory Committee (TAC) will provide advisory supervision and monitoring to ensure that the project implementation is carried out effectively and efficiently. The governance structure of the project is illustrated by the diagram below:



8. In conclusion, the prefeasibility study for CARE-LG recommends that it fits within Bhutan's development approach as well as strategies of sustainable development under the overall framework of Gross National Happiness that seeks to achieve quality of life. The impetus for the project lies in the adverse climate-change impacts due to its location in the mountainous Himalayas with fragile geographical terrain and scattered settlement pattern, with majority of people living in remote rural areas depending on climate sensitive sectors for their livelihoods. The country is making unwavering efforts in CCA and community resilience through strategic interventions of annual capital grants to LGs. The country has strong climate change policy backed by regulatory instruments. LGs in Bhutan have a well-developed and regulated planning system with clear steps for participation of citizens. LGs maintain high utilization rates absorption capacity of capital grants.

## II. Context

### (a) Baseline Assessment and Situation Analysis

#### Introduction

9. Bhutan is a small and landlocked country of 38,394 km<sup>2</sup>, in the eastern Himalayas nested in between China to the north and north-west, and India to the south, south-west and east. It has the east-west dimension (longest) of around 300 kilometers and the north-south dimension 170 kilometers at its maximum (NSB, 2023)<sup>1</sup>. It shares 470 kilometers long border with Tibet (China's Xizang Autonomous Region) in the north and northwest, 605 kilometers with the Indian states of Sikkim in the west, West Bengal in the southwest, Assam in the south and southeast, and Arunachal Pradesh in the east (ibid).
10. The country is administratively divided into 20 districts (*Dzongkhags* in national term), each of them consisting of a number of *Gewogs* (a block of villages), representing the smallest unit of public administration. The size of a *Dzongkhag* in terms of geographical area and population determines the number of *Gewogs* under it. There are altogether 205 *Gewogs* in the 20 districts of the country. The administrative system in the country consists of Central Government and Local Government (LG). The Central Government comprises of Ministries, Departments and Autonomous bodies. The Local Government comprises of *Dzongkhag Tshogdu* (LG at the district level), *Gewog Tshogde* (LG at the *Gewog* level) and the *Thromde Tshogde* (LG at the municipality level).
11. The country's population of 727,145<sup>2</sup> (346,692 or 48% women) is scattered within the deep folds of steep mountains and deep valleys, with 62.2%<sup>3</sup> living in remote rural areas depending on the economy traditionally based on agriculture, supplemented by livestock rearing and use of forest resources for the livelihood sources. There are about 164,331 households (67% being in rural areas) with the population

<sup>1</sup> Statistical Year Book of Bhutan 2023, National Statistics Bureau, Bhutan.

<sup>2</sup> Resident Population, as per the Population and Housing Census of Bhutan (PHCB) 2017, National Statistics Bureau (NSB), Bhutan.

<sup>3</sup> Ibid.



density of 19 and sex ratio of 110. The projected population of 2023 is 770,276 (369,184 females) and the population in 2029 is projected to 809,785 (389,914 females)<sup>4</sup>.

12. **Relief and Surface Features:** Bhutan is one of the most rugged mountain terrains in the world, with elevations ranging from 160 meters to more than 7,000 meters above sea level. The snowcapped Great Himalayan Range in the north reaches heights of over 7,500 meters above sea level and extends along the Bhutan-China border. The northern region consists of an arc of glaciated mountain peaks with an arctic climate at the highest elevations. Alpine valleys in this region provide pasturage for livestock tended by a sparse population practicing transhumance.
13. The Inner Himalayas are southward spurs of the Great Himalayan Range. The Black Mountains, in central Bhutan, form a watershed between two major river systems, the Mo Chhu and the Drangme Chhu. Peaks in the Black Mountains range between 1,500 meters and 2,700 meters above sea level, and the fast-flowing rivers have carved out spectacular gorges in the lower mountain areas. The woodlands of the central region provide most of Bhutan's valuable forest production. Eastern Bhutan is divided by yet another southward spur. Western Bhutan has fertile, cultivated valleys and terraced river basins. In the south, the Southern Hills, or Siwalik Hills, the foothills of the Himalayas, are covered with dense deciduous forest, alluvial lowland river valleys, and mountains that reach to around 1,500 meters above sea level. The foothills descend into the subtropical plain Climate and Vegetation.
14. **Climate and Vegetation:** The country is divided into three distinct climatic zones: alpine, temperate and subtropical zone. Bhutan's climate is as varied as its altitudes and, like most of Asia, it is affected by the monsoons. The climate is humid and subtropical in the southern plains and foot- hills, temperate in the inner Himalayan valleys of the central regions, and cold in the north, with year-round snow on the main Himalayan range.
15. Temperatures vary according to elevation. Most of the central portion of the country experiences a cool, temperate climate round the year. In the south, a hot, humid climate helps maintain a fairly even temperature range of between 15°C and 30°C year-round, although temperatures sometimes reach beyond 35°C in the valleys during the summer. Annual precipitation ranges widely in various parts of the country. In the severe climate of the north, there is only about forty millimetres of annual precipitation - primarily snow. In the temperate central regions, a yearly average of around 1,000 millimetres is more common, and 7,800 millimetres per year has been registered at some locations in the humid, subtropical south, ensuring the thick tropical forest.
16. The country's generally dry spring starts in early March and lasts until mid-April. Summer weather commences in mid-April with occasional showers and continues through the early monsoon rains of late June. The summer monsoon lasts from late June through late September with heavy rains from the southwest. The monsoon weather, blocked from its northward progress by the Himalayas, brings heavy rains, high humidity, flash floods and landslides, and numerous misty, overcast days. Autumn, from late September or early October to late November, follows the rainy season. It is characterized by bright, sunny days and some early snowfalls at higher elevations. From late November until March, winter sets in, with frost throughout much of the country and snowfall is common above elevations of 3,000 meters. The winter northeast monsoon brings gale force winds down through high mountain passes.
17. There is a pronounced difference in the vegetation cover in three different zones of the country and it is mostly due to the prevalence of varied climatic conditions across the country. The southern foothills are mostly covered by the dense and thick deciduous trees, while the inner regions are dotted by an infinite variety of plants, flowers and trees. The northern part with the tundra type of climate allows the growth of coniferous trees and other alpine growths. The country's vegetation is the overall expression

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<sup>4</sup> The projected population by 2029 is mentioned to understand the increase in population and other demographic statistics within the period of CARE-LG.

of various ecological factors, and it is one of the basic analytical tools for developing and understanding the mountain environment.

18. **Drainage Pattern:** Glaciers in northern Bhutan, which cover about 10 percent of the total surface area, are an important renewable source of water for Bhutan's rivers. The fresh snow in winter with slow melting in the summer feed the country's downstream valleys of four major river systems each year and provide people with millions of liters of fresh water.

### Environment Conservation and Sustainable Development

19. Bhutan's environment and forests are indispensable natural assets for the country's sustainable development. As a critical livelihood source of food, water and energy, they define the country's wellbeing in today's global community. Upholding the magnitude of the country's forest, the country's Constitution mandates protection and conservation of the pristine environment together with safeguarding the biodiversity to secure an ecologically balanced sustainable development<sup>5</sup>. As a strategy to quantify this national aspiration, the Constitution also enshrines to maintain 60% of the country's land under forest cover at all time.
20. Bhutan's forest is also a major carbon sink. Out of the country's total carbon stock of 609.01 million tons (translating to a carbon density of 268.94 tons per hectare), forest ecosystem stores 86% (523.87 million tons) with a carbon density of 195.73 tons per hectare<sup>6</sup>. In 2022, the forests' total carbon sequestration is 11 million tons of CO<sub>2</sub> per annum, which is an increase by 1.6 million tons of CO<sub>2</sub> per year from the 9.4 million tons of CO<sub>2</sub> per year in 2015 (ibid)<sup>7</sup>. This is five times more than what the country emits, thereby making the country carbon negative. As a measure to meet the national sustainable development objective as well as to contribute to reduction of CO<sub>2</sub> emission towards global efforts of climate change mitigation, the country upholds its commitment to remain carbon neutral<sup>8</sup>. In this respect, the state of Bhutan's environment and forests are crucial in determining the country's carbon neutrality commitment. Currently, 69.71% (2.68 million hectares) of the country's total land area is under forest cover<sup>9</sup> that support a wide array of wildlife species to form an important part of the ecosystem. The current status of forests and ecological biodiversity positions Bhutan as a part of the Himalayan global biodiversity hotspot.
21. The country puts staunch effort in sustainable environment and forests management to support people's heavy reliance on the national forest and ecosystem services, especially in the rural areas that has higher poverty incidence of 17.5% compared to urban poverty of 4.2%<sup>10</sup>. To foster continuous harmonization of environment conservation, livelihood and national dependencies on natural resources, the country implements dynamic and sustainable environment management regimes. Today, there are ten protected areas, eight biological corridors and one botanical park constituting 51.44%, 10% and 0.24% of the total geographical area of the country, respectively<sup>11</sup>. As of 2022, there are 76 Local Forest Management Areas (LFMA) spanning over 314,475.54 hectares; 842 Community Forest (112,549.18 hectares) managed by 34,266 households; 21 Forest Management Units (FMU) covering 195,684.89 hectares (to cater to the developmental need for timber); 161 Non Wood Forest Produce

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<sup>5</sup> Constitution of the Kingdom of Bhutan 2008, Article 5.

<sup>6</sup> National Forest Inventory (NFI), Volume II: State of Forest Carbon Report, June 2023, Forest Monitoring and Information Division Department of Forests and Park Services, Ministry of Energy and Natural Resources, Bhutan.

<sup>7</sup> This is excluding carbon emission from forest such as deforestation, timber harvesting, Forest fires and firewood collection; and emission from other sectors such as energy and transport, industries, waste and agriculture and livestock.

<sup>8</sup> Ever since the pledge was first made in the 15<sup>th</sup> COPs held in Copenhagen, Denmark, in 2009, it is reaffirmed and reinforced through its INDC submitted to the 21st COPS 2015 (Paris Agreement), first NDC (2017) and the 2<sup>nd</sup> NDC (2021).

<sup>9</sup> National Forest Inventory, Volume I: State of Forest Report, June 2023, Forest Monitoring and Information Division Department of Forests and Park Services, Ministry of Energy and Natural Resources, Bhutan.

<sup>10</sup> Bhutan Poverty Analysis Report 2022, National Statistics of Bureau, Bhutan.

<sup>11</sup> Annual Forest Statistics (AFS) 2022, Department of Forest and Park Services, Ministry of Energy and Natural Resources, Bhutan.

(NWFP) groups managed by 6,439 households (840 NWFP has been recorded so far as per NFI, Vol. I); 615 Wood Based Industries (WBI), with furniture unit (327) being the most common type of WBI, and others including charcoal manufacturing unit, paper manufacturing unit, particle board, plywood factory, stationary sawmill and plywood factory (ibid).

### Development Approach, Governance and Development Planning and Implementation Process

22. Bhutan's development approach of Gross National Happiness (GNH) embraces a 'development with values'<sup>12</sup> that seeks to achieve 'quality of life'<sup>13</sup> determined, amongst others, by environmental and ecological health. Under the GNH framework of people-centred development, the country has embraced decentralized governance system ever since its institution as a nation-state. Series of government reforms in the due course of time further deepened the decentralization and institutionalization of a democratic culture at the local levels of Governments, thereby taking the services closer to the people, who are the heart of the country's social and economic development. Article 22 of the Constitution of the Kingdom of Bhutan defines the structure and functions of Local Governments (LG), and upholds devolution of power and authority to LGs to facilitate direct participation of the people for development and management of their own wellbeing. The Local Government Act of Bhutan (LGA) 2009 (amended in 2014), further stipulates the institutional structure and functions of LGs and responsibilities or powers of the LG functionaries, with particular emphasis on enabling direct participation of people in implementation of local development activities. The LG Rules and Regulations (LGRR) 2012 stipulates the authority and powers of LGs to implement decentralized functions, including formulation and implementation of their own annual and five-year plans with the objective of promoting holistic and integrated area-based planning.
23. The country follows a five-year development planning cycle through formulation of Five-Year-Plans (FYP) to implement its development activities. Beginning the first FYP launched in 1961, the primary thrust of the successive FYPs was on taking forward the national sustainable development agenda, adapting to evolving development circumstances and needs. The 10<sup>th</sup> FYP (2008-13) was conceived with the central objective of poverty reduction, with the emphasis to reduce the proportion of the population living below the national poverty line from 23.1% to about 15%. It stressed on pro-poor social and economic development approaches such as expanding infrastructure and road connectivity in rural areas, and strengthening of agricultural production and productivity to help raise rural incomes and improve food security. It recognized that protecting and conserving the environment will require greater attention than before as the accelerating pace of socio-economic development accompanied by increased infrastructure development, urbanization, industrialization, and consumption patterns is expected to create additional stress on the natural environment. At the same time, it emphasized the need to use the country's environmental resources as a development asset for economic growth and poverty reduction within the limits of sustainability. The 11<sup>th</sup> FYP (2013-2018) was designed and implemented with the overall objective of 'self-reliance and inclusive green socio-economic development' which was pursued through a set of 16 National Key Result Areas (NKRA) corresponding to equitable and sustainable socio-economic development, conservation and sustainable use of natural resources, preservation and promotion of culture, and good governance<sup>14</sup>. The 11<sup>th</sup> FYP aimed to reduce income poverty rate from 12% to 5% and multi-dimensional poverty from 25.8% to 10%. The overall objective of the ongoing 12<sup>th</sup> FYP (2018-2023) is a 'just, harmonious and sustainable society through enhanced decentralization'<sup>15</sup>. It is pursued through 17 NKRA<sup>16</sup>, with the major approach of

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<sup>12</sup> UNDP Bhutan, *How the UN is supporting the Sustainable Development Goals in Bhutan*, <https://bhutan.un.org/en/sdgs>; Beaglehole, R. & Bonita, R. (2015), *Development with Values: Lessons from Bhutan*, The Art of Medicine, Perspectives, Vol 385 [www.thelancet.com](http://www.thelancet.com)

<sup>13</sup> The Constitution of the Kingdom of Bhutan 2008, Article 9.1.

<sup>14</sup> 11 FYP Guideline, RGoB.

<sup>15</sup> 12<sup>th</sup> FYP Guideline, RGoB.

<sup>16</sup> Macro-economic stability; economic diversification; reducing poverty and inequality; preservation of culture; healthy ecosystems; carbon neutrality, climate and disaster resilience; quality education and skills; food and nutrition security; infrastructure, communication and public services; gender equality; productive and gainful employment; reduced

strengthening decentralized governance both in terms of LGs' roles and responsibilities, as well as through increased fiscal decentralization for sustainable development. In line with the country's graduation from the Least Developed Country (LDC) status by 2023, the 13<sup>th</sup> FYP (2024-2029) is making a major shift towards economic development emphasizing on economic diversification, including innovative financing on climate sectors. With the overall development goal of 'Developed Bhutan', the FYP aims to strengthen prosperity and progress to make Bhutan a 'high-income country driven by innovation and sustainability', while at the same time, maintaining 'high-quality health' and 'well-being' with strengthened 'resilience'<sup>17</sup>.

#### Mainstreaming Gender, Environment, Climate-change, Disaster and Poverty into LG Development Plans and Programmes, and Performance-Based Grant (PBG) mechanism

24. Beginning the 10<sup>th</sup> and 11<sup>th</sup> FYP, the Government has reinforced sustainable development through mainstreaming of gender, environment, climate-change, disaster and poverty (GECDP) issues at the local level. The primary focus of the programme was on capacity-building of LGs and communities in mainstreaming GECDP into LG plans and programmes, with the following objectives:

- Empower LGs in the promotion of conservation and sustainable use of natural assets and resources.
- Build LGs capacity to mainstream crosscutting issues such as GECDP into local development plans and programmes.
- Knowledge and technology transfer on strengthening the monitoring, advocacy and capacity development to enhance the effectiveness and sustainability of mainstreaming cross-cutting issues in formulation of local development plans and programmes.
- Promote best sustainable practices and integrated local area-based planning, and fostering enabling conditions for green development at the local level.
- Help LG representatives in visioning a sustainable future by enhancing their capacity to assess cumulative impacts of development activities (degradation of watersheds and climate-change impacts - especially to women, children and other socially disadvantaged groups) on environmental resources and social conditions.

#### Financing Local Governments and Capacity Building on Sustainable Development

25. As per Article 22 (section 4-b) of the Constitution, the role of LGs is to ensure the provision of services to communities in a sustainable manner. As a measure for this, the Constitution entitles LGs to adequate financial resources from the Government in the form of annual grants as well as support to promote holistic and integrated area-based development planning (section 18 b & e). A division of responsibilities framework (DRF) delineates responsibilities among the central government agencies and LGs, guided by the principle of subsidiarity. The budget allocation to LGs is made as inter-governmental fiscal transfers (IGFR) based on the resource allocation formula (RAF) determined by the Government to fund the approved FYP programmes and activities. The annual grants guidelines for LGs<sup>18</sup> requires use of Gewog capital grants (among others): for enhancing food and nutrition security, community health and water security; improving livability, safety and sustainability of human settlements; enhancing carbon neutrality, climate and disaster resilience; and, promoting gender equality and empowerment of women and girls. The grant guidelines set minimum conditions and processes of availing the grants, based on the performance of LGs to implement the activities with efficient use of the grants.

26. The subsequent Governments have supported steady devolution of funds to LGs as well as capacity building of LG officials, including the placement of Gewog accountants and strengthening capacity on planning, engineering and financial management. The day-to-day oversight, management and

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corruption; vibrant democracy and decentralization; healthy and caring society; sustainable human settlements; effective justice services; and sustainable water.

<sup>17</sup> Consolidated 13 FYP Plan (PowerPoint), RGoB.

<sup>18</sup> Ministry of Finance, 2023.

implementation of local development activities are supported by a machinery of civil servants related to development sectors (planning, agriculture, livestock, environment, disaster management, engineering, education and health). As a means to accelerate poverty alleviation and strengthen balanced sustainable development, the country continues to focus on empowering people at the local level in terms of providing greater support for development assistance as well as capacity development of LG functionaries. This is also done in the face of ongoing decentralization and devolution of functional and financial assignments to LGs, to foster effective and sustainable democratic governance and development management at the local level.

## (b) Climate Change Risks, Impacts and Vulnerability Analysis

27. As a landlocked and mountainous Himalayan country, characterized by active geological conditions with fragile high-elevation terrain varying greatly in slope, Bhutan remains highly exposed to climate variability and extreme climate situations (WWF, 2011). As mountainous countries are at the forefront of climate change, the mountain ecosystems and communities that depend on them are extremely sensitive to weather and climate hazards, experiencing above-average warming (OECD, 2021). Due to their high elevation, mountains feature cryosphere components, such as glaciers, snow cover and permafrost, which are projected to undergo significant changes over the coming century, including retreat of mountain glaciers, permafrost thaw, mass loss of ice sheets and decline in the depth, extent and duration of snow cover (IPCC, 2019). Multiple factors such as rugged terrains, steep slopes and stark seasonal contrasts in climatic conditions shape the exposure and vulnerability of human and natural systems in mountains to climate change impacts, including the changes in hydrology, vegetation and the ecological conditions as well as socio-economic conditions (ibid). Besides that, remoteness, along with economic and political marginalization, further hinders the capacity of mountain communities to adapt to and cope with the diverse impacts of climate change.

28. Mountain regions, including Bhutan, face multiple hazards including those related to climate change, such as glacial lake outburst floods, storms, extreme temperature, droughts and wildfires. With climate change, the negative impacts in many cases are projected to be more severe in mountainous areas than the global average (IPCC, 2019). The scale and intensity of hazards and their interconnectedness, combined with mountains' topography, can lead to risks of cascading hazards. According to IPCC, the observed and projected impacts of climate change in mountains are:

*Table 1: The observed and projected impacts of climate change in mountainous countries, including Bhutan.*

Variables and impacts	Change in mountain regions	Change at the global level
<b>Temperature change</b>	Surface air temperature has become warmer over recent decades at an average rate of 0.3°C per decade, with a likely range of $\pm 0.2^\circ\text{C}$ . While some regional evidence exists for higher frequencies of unusually warm days and lower frequencies of unusually cold days, no conclusive evidence exists for mountains globally.	The global warming rate for the last decades has been $0.2 \pm 0.1^\circ\text{C}$ per decade. Other impacts include decrease (virtually certain) in frequency and magnitude of unusually cold days and nights; increase (virtually certain) in frequency and magnitude of unusually warm days and nights.
<b>Precipitation</b>	While mountainous areas do not show clear annual precipitation trends over the past decades (medium confidence), snowfall has decreased, especially at lower elevation (high confidence). Annual precipitation is likely to increase by 5-20% over this century in many mountainous areas, and decreases in the Mediterranean and the Southern Andes (medium confidence).	Averaged over the mid-latitude land areas of the Northern Hemisphere, precipitation has increased since 1901 (medium confidence before and high confidence after 1951). For other latitudes, area-averaged long-term positive or negative

	Changes in frequency and intensity of extreme precipitation events vary according to season and region. Snowfall is likely to decrease at lower elevation both in near term (2031-50) and end of century (2081-2100) projections (very high confidence). At higher elevation, total winter precipitation increases can lead to increased snowfall (medium confidence).	trends have low confidence. Increase (likely) in frequency and intensity of heavy precipitation events over many areas of the world.
<b>Droughts</b>	Warmer summers with greater incidence of droughts are expected in many regions, especially in Africa, the Caucasus and the Eastern Himalaya (high confidence).	Frequency and intensity of droughts have increased in some regions (e.g. the Mediterranean, west and northeastern Asia, South America, Africa) (medium confidence). The duration, frequency and intensity of droughts are projected to increase, particularly in the Mediterranean and Africa (medium confidence).
<b>Floods</b>	Glacier-related floods are documented for most glaciated mountains and are among the most far-reaching glacier hazards. New glacial lakes are likely to develop closer to steep and potentially unstable mountain walls where lake outbursts can be more easily triggered by the impact of landslides (high confidence). Floods originating from the combination of rapidly melting snow and intense rainfall (i.e. rain-on-snow events) have become more frequent over the past decades (medium confidence) and caused severe damages in mountainous areas. The frequency of such events is projected to increase and occur earlier in spring and later in autumn (high confidence).	There is low confidence in global projections of changes in flood magnitude and frequency because of insufficient evidence. Projected increases in heavy precipitation will contribute to rain-generated local flooding in some catchments or regions (medium confidence).
<b>Landslides</b>	Over recent decades, permafrost thaw and degradation increased the frequency and scale of landslides from frozen sediments, as well as the frequency of rock falls and rock avalanches. Expected increases in permafrost thaw (very high confidence) will lead to higher slope instability and more frequent landslides (high confidence). Increase in landslides in the Himalaya, European Alps and Pyrenees. Increase in avalanche in Himalaya and Caucasus.	There is low confidence in observed global trends in large landslides in some regions. Nevertheless, future changes in heavy precipitation will affect landslides in some regions (high confidence).

Source: Based on IPCC (2019), "High mountain areas", in *IPCC Special Report on the Ocean and Cryosphere in a Changing Climate* [www.ipcc.ch/srocc/](http://www.ipcc.ch/srocc/).

29. IPCC and several other studies<sup>19</sup> have pointed out that in the Hindu Kush Himalaya (HKH) region, where Bhutan is situated, warming is predicted to be well above the global average occurring with varying extents among its sub-regions. Projections of annual precipitation indicate increases on the order of 5-20% over the century. Moreover, frequency and intensity of extreme rainfall events are projected to increase, particularly during the summer monsoon periods. This suggests a transition towards more episodic and intense monsoonal precipitation, especially in the eastern-most part of the Himalayan chain. Projections indicate a continued increase in winter runoff in many snow or glacier-fed rivers due

<sup>19</sup> Sources: IPCC (2019); Kohler and Maselli (2009[6]); Krishnan et al. (2019); Wester et al. (eds.)

to increased winter snowmelt, more precipitation falling as rain, in addition to increases in precipitation in some basins.

30. Due to varying mountain elevation and slopes, the climatic conditions of Bhutan vary. The southern foothills have subtropical climates with high humidity and heavy rainfall (more than 4,000 mm of annual rainfall). Temperatures range from 10°C to 25°C in winter and 20°C to 35°C in summer. The central mountains have cool winters and warm summers with temperatures ranging from -5°C to 15°C in winter and 15°C to 25°C in summer. An analysis of historical climate and climate projection for Bhutan carried out by the Bhutan's National Centre for Hydrology and Meteorology (NCHM, 2019) has confirmed the IPCC's projection that by 2100, South Asian countries, including Bhutan, will experience an increase in average temperatures, with increases in daily minimum and maximum temperatures, mostly taking place at higher altitudes (IPCC, 2014). The country is projected to experience a temperature rise of 3.9°C by 2090s under the highest emissions pathway RCP8.5, which is a higher temperature than the global average of 3.7°C<sup>20</sup>. Simulated projections<sup>21</sup> for Bhutan and the South Asia region, expects: (i) an increase of surface temperature of 0.8°C – 1.6 °C during 2021-2050 (representing the 2030s mid-term climate change scenario), and 1.6 – 2.8°C during 2050-2100 under RCP4.5, and (ii) an increase 0.8°C to more than 3.2°C in surface temperature from 2021 towards the end of the century under the RCP8.5. Spatial variation model of WB/ADB 2021 suggests an increase in annual temperature throughout the country (though particularly in the north) and precipitation (particularly in the center by 2040-2059 and in the east by 2080-2090) using a model ensemble. All models show a progressive and steady increase in air temperature from 1980 to 2100, with concomitant increases in temperature extremes. Climate models also suggest increased probability of heatwaves and droughts that would affect communities in the lowlands disproportionately<sup>22</sup>.

31. The country experiences changing patterns of temperature and precipitation, causing multiple cascading hazards. Weather records from 1994-2016 have observed an increase in overall mean temperatures and associated extremes, weak trend of increasing precipitation extremes in the central and mid-altitude western regions, decrease in precipitation during the primary monsoonal rainfall season, and decrease in overall precipitation<sup>23</sup>. The precipitation during winter reduces causing an increase in forest fire risks and seasonal water scarcity in many areas. Erratic rainfall pattern is becoming common, resulting into huge adversities for farmers largely dependent on monsoon rains practicing rain-fed agriculture. Incidences of recurrent windstorm events damage numerous homes, schools, Government infrastructure and facilities, and cultural institutions, apart from crops and livestock (refer table below). Upslope migration of species is also already being observed, leading to both increases in species richness at higher altitudes and declines in the abundance of cold-adapted endemic species. The latter increases the risk of local extinctions, particularly for species that live in cold freshwater (e.g. trout and salmon). Permafrost degradation also increases the risk of desertification. Changes in the thickness and duration of snow cover are modifying the growth conditions of plants and the food chain for animals (ibid).

Recent records of loss and damage due to climate hazards

Year	Event	Region/Dzongkhag	Reported Damage
1994	Most devastating GLOF in living memory	Luge Tsho in eastern Lunana burst. Pho Chu and Mochu rivers joined the course above Dzongchu in Punakha.	Extensive damage to property along the Punakha- Wangdi valley. 91 households, 5 water mills, 816 acres of dry land and 965 acres of pasture land damaged/washed away.

<sup>20</sup> ibid

<sup>21</sup> National Center for Hydrology And Meteorology (NCHM) (2019) [Analysis of Historical Climate and Climate Projection for Bhutan](#)

<sup>22</sup> ibid

<sup>23</sup> Chhogyel and Kumar [Agriculture & Food Security](#) (2018) 7:79.



1994,1999, 2001,2003 & 2008	Drought	Paachu-Wangchu valley	Die back and insect attack on pine, conifer and oak forests. Low river flow/Water shortage/Impact on hydropower generation, drinking and irrigation water supply
1999 to 2014	Drought	Nationwide	An estimated average of 47 fire incidents recorded each year, totalling 707 incidents of forest fire affecting over 102, 397.6 ha.
2000	Extreme rainfall, flash floods, landslides	Southern regions of Bhutan. Phuntsholing, Pasakha, Samtse and Kalikhola.	Unprecedented rains, highest recorded in Bhutan. Toorsa and Dhotikhola rivers changed their course. Loss of life and infrastructure.
2004	Extreme rains and floods	Eastern Dzongkhags of Trashigang, Trashiyangtse and Samdrupjongkhar	9 deaths, 29 houses washed away, 26 houses collapsed, 107 houses damaged. 161 acres of wetland and 503 acres of dry land was washed away. Agricultural produce lost to 1437 households. 39 irrigation channels were damaged and 22 bridges were damaged or washed away.
2009	Rain, cyclone Aila	Nationwide	Private/ public buildings, water infrastructure, roads, forests, plantations, fields
2010	Flash floods	Sarpang river/ Sarpang Sarp town	Paddy fields, irrigation channels, farm roads, drinking water supply schemes, and crops
2012	Extreme rain, landslide/ flooding	Damji, under Gasa* Dzongkhags	Arable fields & road, siltation, irrigation canal networks
2013	Flash flood	Punakha Kabj*	Paddy fields (6 acres)
2014	Flash floods	Sengphug Rongchu, Trashiyangtse Toetsho gewog	Paddy fields (600-700 acres)
2015	GLOF	Lemthang Tsho, Gasa Laya*, Punakha-wangdue valley*	Drinking water infrastructure
2015	Flash flood	Nahi stream, Wangdue*	Drinking water sources, irrigation sources washed away
2016	Flash flood	Setikharay stream, Gelephu (Pelrithang)	Water treatment plant
2016	Flash flood	Setikharay stream, Gelephu geowg, Ghaden chewog	Paddy fields (60 acres), cardamom (2 acres)



2019	Flash flood	Phangruchhu stream, Jaroggang, Kamichu area, Wangdue Phodrang	Roads submerged, irrigation channel, drinking water infrastructure, paddy (20 acres)
2021	Flash floods and landslide	Outskirts of Laya Town (Gasa District)	On June 16, heavy rainfall caused flash floods and a landslide in the outskirts of Laya town claiming the lives of 10 individuals and injuring 5 individuals.
2021	Extreme Rain, Landslide/Flooding	Chukha, Gasa, Haa, Paro, Punakha, Samtse, Trashigang, Trashiyangtse, Tsirang, Trongsa, Wangduephodrang & Zhemgang	Damaged crops, livestock and structures such as Lhakhangs, Community halls, schools and houses. It also affected farm roads and bridges and highways. Details of the damages can be accessed at <a href="https://www.ddm.gov.bt/wp-content/uploads/2021/10/IDA_report_damages_caused-by-heay-rainfall-18-20-10-2021.pdf">https://www.ddm.gov.bt/wp-content/uploads/2021/10/IDA_report_damages_caused-by-heay-rainfall-18-20-10-2021.pdf</a>
2022	Forest Fire	Lhuentse, Maenbi Gewog	Damaged more than 200 acres of forest, mostly chirpine and trees and lemon grasses.
2023	River Flood and landslide	Lhuentse	A river flood and landslide overwhelmed the area, leading to seven minor landslides and widespread soil erosion. The construction site suffered significant damage to machinery and vehicles, claiming 23 lives. <a href="https://floodlist.com/asia/bhutan-floods-july-2023">https://floodlist.com/asia/bhutan-floods-july-2023</a>
2023	Forest Fire	Thimphu	Thousands of acres of forest and claimed four lives. <a href="https://kuenselonline.com/chang-debsi-fire-victims-identified/">https://kuenselonline.com/chang-debsi-fire-victims-identified/</a>

32. As one of the world's smallest economies, Bhutan is dependent on climate-sensitive sectors such as hydropower (17% of GDP), agriculture (19% of GDP and 50% in total employment), forestry and transport<sup>24</sup>. Adverse climate change impact is greatly affecting the country's small population of 727,145, 62.2%, of which most are based in remote rural areas with scattered settlement pattern dependent on subsistence livelihoods from rain-fed farming, livestock rearing and collection of forest products. Impacts on critical livelihood sectors such as water, agriculture, energy (hydropower), human health, and glaciers are manifesting in various forms with a direct effect on agriculture, one of the backbones of the Bhutanese economy<sup>25</sup> and key to the country's food security. Climatic hazards and landslides disrupt drainage networks, damage irrigation channels and critical road infrastructure, impacting the ability to produce and transport food products, thereby posing serious disaster risks to the people and their assets. According to the NAP 2023, the fluctuations in temperature and precipitation affect crop and livestock productivity with further declines expected in major staple and export crops. Additionally, crop damages to pest and diseases due to rising temperatures threatens food security. As a large share of population heavily relies on agriculture, agro-biodiversity and natural

<sup>24</sup> RMA annual report 2021,

<https://www.rma.org.bt/RMA%20Publication/Annual%20Report/RMA%20Annual%20Report%202022.pdf>

<sup>25</sup> <https://www.nchm.gov.bt/home/pageMenu/804>

resources, the correlation between extreme climate vulnerability and livelihoods of communities is strong.

33. The IPCC's climate-based reports have identified a number of vulnerabilities that mountainous countries will face in relation to climate change and variability, such as heavy monsoonal rain, dry season drought and tropical storms such as cyclones<sup>26</sup>. As per the Notre Dame Global Adaptation Index (ND-GAIN), Bhutan is currently ranked as the 38<sup>th</sup> most vulnerable country and the 62<sup>nd</sup> most ready country to climate change impacts<sup>27</sup>. Higher temperatures are expected to accelerate snowmelt, potentially altering river discharge patterns and water availability. The accelerated retreat of glaciers with increasing temperatures not only forms supra-glacial lakes but also increases the water levels in existing lakes thereby increasing GLOFs. With a majority of Bhutan's population and infrastructure development concentrated in large river valleys, climate-induced GLOFs could cause significant human and economic devastation<sup>28</sup>. According to historical data, frequent flooding is responsible for the largest percentage of mortality<sup>29</sup>. Projected rise in average mean temperatures and monsoon precipitation are expected to lead to seasonal shifts with conditions getting wetter in summer or monsoon season and drier in winter or dry season, with extreme temperatures and increasing extreme rainfall frequency.
34. Mountain ecosystems, especially those that have been well adapted to long periods of very cold temperatures, like in Bhutan, are extremely vulnerable to warmer temperatures. For instance, a decline in snow cover can mean direct loss of physical habitat, and permafrost degradation can alter soil moisture content and soil nutrient availability, thereby influencing species composition (Rasul et al., 2019). Climate change can worsen water scarcity through changes in the water cycle, especially when combined with increasing demand. Populations in mountains closer to the glaciers are particularly vulnerable, especially during dry months and drought periods, because they depend largely on snow, ice and glacier meltwater (IPCC, 2019).
35. Climate vulnerability in Bhutan affect different groups differently (UNDP, 2016), especially being disproportionately harsh on vulnerable groups of rural communities, particularly women, who depend more on natural resources for their livelihoods. Statistics show that the proportion of females (58.8%) working in the agriculture sector is higher than that of males (41.7%), meaning that women face increased climate vulnerability (NSB, 2020). The study published by the National Commission of Women and Children (NCWC) in partnership with UNDP (2020)<sup>30</sup>, revealed gender differences with respect to climate vulnerability, participation in decision making on climate action and benefit sharing. This study has found that the responsibilities held by women become more difficult resulting in decrease in their productivity. Male outmigration, increasing violence and sexual exploitation, health problems, and deteriorating working conditions affect women and girls disproportionately.
36. Consultations with all Dzongkhags and four major Thromdes show that climate related hazards such as drying of sources, floods and landslides are regularly happening and perceived to be increasing. Top-down quantitative assessment of potential future changes in dry spells, floods, landslides and GLOFs (based on climate projections of temperature, rainfall, and river flows) under climate change indicated that under climate change total annual precipitation is increasing while the underlying patterns of rainfall become more erratic. Temperature is clearly rising especially at higher altitudes. All together this leads to increasing risks of floods and landslides (medium-high confidence) throughout the whole country and potential increase of the duration and frequency of dry spells (medium confidence) in large

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<sup>26</sup> The second South Asian Region (SAR) 1990, third Technical Assessment Report (TAR) 2001, fourth Assessment Report (AR4), 2007 and fifth assessment report (AR5), 2014.

<sup>27</sup> <https://gain-new.crc.nd.edu/country/bhutan>

<sup>28</sup> <https://www.adaptation-undp.org/explore/bhutan>

<sup>29</sup> World Bank. 2023. Climate Change Knowledge Portal. Bhutan

<sup>30</sup> Gender and Climate Change in Bhutan with a Focus on a Nationally Determined Contribution Priority Areas: Agriculture, Energy and Waste, 2020.

parts of the country<sup>31</sup>. The GCF funded NAP, 2023 recommend that the resilience and robustness of water sources and supply for drinking and irrigation water needs to be improved to support economic growth and improved living standards and cope with climate change.

### (c) Policy Landscape

37. Bhutan's GNH-based development approach calls for a broad based and holistic sustainable economic growth to embrace quality of life as the ultimate end of development. With people's wellbeing and happiness at the center of development, environment conservation, preservation of traditions and culture, and good governance mutually reinforces each other as the key development strategies. At the core of these development strategies is the thrust on inclusive and equitable socio-economic development pursued through sustainable strategies that promote deepened decentralization for community empowerment.
38. The country's Constitution mandates protection and conservation of the pristine environment together with safeguarding the biodiversity to secure an ecologically balanced sustainable development<sup>32</sup>. To contribute to this national aspiration, the Constitution enshrines to maintain 60% of the country's total land under forest cover at all time (ibid). A number of policy guidelines and strategies are put in place to guide the country to achieve this objective, including, but not limited to: the National Energy Efficiency and Conservation Policy 2019; the Energy Efficiency Roadmap 2030 (2019); the National Environment Strategy 2020; the Long Term Low GHG Emission and Climate Resilient Development Strategy (LTS).
39. The *National Forest Policy 2011* upholds management of forest resources, watersheds and biodiversity for sustainable production of economic and environmental goods and services. It outlines integration of climate change, disaster management and new challenges and opportunities in forest governance and management. It identifies effective and integrated watershed management, to improve water and watershed conditions and contribute to sustainable livelihoods through provision of watershed services. The policy underscores management of catchment areas in an integrated and holistic manner with good vegetation cover for continued supply of water and watershed services. The policy further accords priority to research and generating knowledge, information and technology that support policy implementation and development including integration of climate change issues. It emphasizes on sustainable forest management and development through appropriate adaptation and mitigation measures.
40. The [Water Policy 2007](#) acknowledges growing threat of floods, particularly GLOFs, caused by climate change. It recognizes the potential harm to lives, property, and future infrastructure development. The policy acknowledges the diminishing flow-regulating capacity of glaciers and highlights the importance of watershed integrity for sustained water quality. It advocates for comprehensive water resources management within river basins, emphasizing both upstream and downstream users. The policy promotes an integrated approach, calling for extensive soil conservation, watershed treatment, forest conservation and expansion to mitigate floods. It urges a national strategy for CCA, flood management, disaster preparedness and institutional arrangements for water resource management.
41. The [Food and Nutrition Security Policy 2014](#) identifies the potential impact of climate change on the country's food production, emphasizing the need for adaptation and mitigation measures. It seeks to promote green and climate-smart agriculture for sustainable growth, incorporating climate-resilient programs. The policy aims for affordable insurance schemes for crop and livestock losses, but practical challenges hinder implementation.

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31 National Adaptation Plan (NAP) of the Kingdom of Bhutan; Department of Environment and Climate Change, Royal, Government of Bhutan, Thimphu. 2023

32 Constitution of the Kingdom of Bhutan 2008, Article 5.

42. The [Renewable Natural Resources \(RNR\) Strategy 2040](#)<sup>33</sup> aims to maintain a safe and healthy environment, create the conditions for sustainable development, enable economic self-reliance, and increase private sector engagement. The eleventh goal of the strategy is to enhance and promote resilience to climate change impacts and low emission development. The policy's priority initiatives are to:

- Develop climate smart and resilient farming technologies.
- Maintain carbon sequestration capacity of forest ecosystem.
- Increase capacity and investment in climate change research.
- Develop integrated agriculture landscape systems.
- Promote green technologies (Biogas, Green infrastructure, Organic inputs etc.)
- Strengthen agrometeorological information and data management.

43. The recently up-dated Local Government Planning Manual (LDPM) 2021<sup>34</sup> emphasizes the need to integrate vulnerability assessment in the local planning process and provide clear guidance to the future participatory planning process, with clear roles of various stakeholders at the LG level.

44. The [Climate Change Policy of Kingdom of Bhutan 2020](#) recognizes Bhutan's high vulnerability to the adverse impacts of climate change. It notes that land locked and fragile mountainous environment, high dependence on agriculture and the significant role of hydropower for economic development increase the country's vulnerability to climate-change impacts. The policy aims to provide strategic guidance to ensure that Bhutan remains carbon neutral and protects the people's wellbeing by adapting to climate change in an efficient and effective manner. The policy assures a meaningful participation of all relevant stakeholders in climate change action in a coordinated and coherent manner with clear roles and responsibilities. It also upholds to ensure that the challenges and opportunities of climate change are addressed at all appropriate levels, through adequate means of implementation (finance, technology, capacity building and awareness). Together with the strategy to maintain the country's commitment of carbon neutrality, the policy makes particular accentuation on building adaptive capacity and resilience to reduce vulnerability to adverse impacts of climate change and minimizing future climate risks through integration of adaptation actions into the development planning process at all levels. The measures to implement this policy guideline are:

- a. Ensure a continuous, progressive and iterative process to assess the vulnerability and adaptation needs across all sectors and levels in Bhutan with recognition of the special needs of vulnerable groups through NAP process.
- b. Promote and assess the integration of CCA planning and implementation of adaptation actions into national and local level plans.
- c. Enhance the climate information and knowledge system to support a long-term, iterative process of adaptation planning and implementation.
- d. Assess progress in adaptation including measurement of resilience and to climate change.

45. The policy also maintains that the Government will ensure adequate means of implementation (through finance, technology, capacity building, research and awareness, integration) to support both mitigation and adaptation actions by:

- a. Ensuring a coherent and coordinated nationally driven approach to access climate finance for prioritized climate actions, for sustainable development activities including as a part of or in support of a national resource mobilization strategy.
- b. Ensuring sufficient budget allocation for prioritized climate change activities from various sources for climate change action.
- c. Promoting private sector investment in climate change action for private sector action on climate

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<sup>33</sup> RNR Strategy 2040, Ministry of Agriculture and Forests, March 2021.

<sup>34</sup> Issued by the Gross National Happiness Commission, Secretariat, 2021.

change including Public Private Partnership (PPP Policy).

- d. Monitoring and reporting flow of financial support from domestic and international sources for climate action through the government budgetary system.

46. Furthermore, the policy upholds to provide technology and capacity building support by:

- a. Transfer of appropriate technologies to support gender responsive mitigation and adaptation actions.
- b. Promoting innovation and development of traditional, indigenous and endogenous climate technologies.
- c. Enhancing the capacity of all relevant stakeholders and institutions including the local governments, community groups and beneficiaries to address climate change.
- d. Ensuring a coherent and coordinated process to access support from international mechanism for climate change capacity building.
- e. Research, disaggregated data and knowledge management to ensure informed decision making on climate change actions.
- f. Increased public awareness and understanding on climate change among different groups of people at all levels.
- g. Developing guidance and tools for assessing, planning, integrating and implementing adaptation and mitigation measures at all levels and taking into account opportunities for synergies and cross-cutting issues, including gender equality considerations and disaster risk management.

47. The policy maintains that as climate change is a cross cutting issue that will affect all sectors and stakeholders in Bhutan, the responsibilities for implementing the climate actions will be vested with all agencies, institutions, organizations and stakeholder groups. The policy entrusts general roles and responsibilities for climate actions as follows:

- a. All government agencies and institutions shall assess priorities and needs on mitigation and adaptation, and integrate actions within their plans and programs.
- b. The government shall encourage climate change action by the private sector, civil society and communities through relevant provision of adequate support and incentives.
- c. The government shall support and empower the most vulnerable groups to be able to engage in climate change actions.
- d. While all government agencies shall take climate change action, national level agencies and LG agencies shall, in line with respective mandates, undertake action for climate change as follows:

i. *General role of national level agencies*

- Take the lead in integration of climate change mitigation and adaptation measures in sectoral plan, policies and programs.
- Research and knowledge generation to inform climate change actions.
- Implementing national level programs and capital-intensive actions.
- Establishing and managing national early warning systems in relevant sectors affected by climate change.
- Establishing and managing where relevant, sex and age disaggregated data and information to inform climate change actions.
- Mobilize funds and resources for climate change action.
- Ensuring overall monitoring and evaluation of actions.
- Providing support to LGs, civil society and private sector with capacity building, awareness, finance, and technical backstopping.

ii. *General role of local level agencies*

- Plan and implement local level climate change actions within respective jurisdictions.
- Function as partners for advocacy and awareness to different groups of the general public and respective communities.

48. The country's [2<sup>nd</sup> Nationally Determined Contribution](#) (NDC)<sup>35</sup> was submitted in 2021. It reinforced the national commitment to remain carbon neutral and enhanced the broad plans and actions for low emission development pathways to achieve the national objective for sustainable development to meet the obligations under the Paris Agreement<sup>36</sup>. It has enhanced Bhutan's mitigation targets and actions through the sectoral Low Emission Development Strategies (LEDS), that are already developed for key sectors of agriculture and livestock (food security), human settlement, industries and transport. The total cumulative emissions reduction potential from these sectors has been estimated as approximately 20 MtCO<sub>2</sub>e between 2021-2030. Several policies and action-based targets have also been laid out for power sector and waste management, and also expanded the efforts in the land sector.

49. The country developed its first [National Adaptation Plan](#) (NAP)<sup>37</sup> in 2023 (funded by GCF) that aims to address adverse impacts of climate change by building adaptive capacity and enhancing resilience to reduce vulnerability at all levels. It is intended to:

- Ensure a continuous, progressive, and iterative process to assess the vulnerability and adaptation needs across all sectors and levels in Bhutan recognising the special needs of vulnerable groups.
- Promote the integration of climate change adaptation planning and implementation of adaptation actions into national and local level plans where possible.
- Enhance the climate information and knowledge system to support a long-term, iterative process of adaptation planning and implementation.

50. To ensure an inclusive NAP implementation, the role of LGs are highlighted with specific reference to supporting with the PBG mechanism. Both NDC and NAP recognize the interventions through PBGs to LGs as an effective strategy for CCA mainstreaming initiatives at the local level. They recommend for utilization of PBG mechanism as an entry point for climate adaptation planning and implementation for local communities.

51. Bhutan has a strongly decentralized system of LGs in terms of functional assignments as well as allocation of funds. The Constitution of the Kingdom of Bhutan (2008) provides the overarching legal basis and mandate for the formation of LGs. Article 22 of the Constitution guarantees the decentralization and devolution of power and authority to the elected LGs to enable direct participation of people in the development and management of their own social, economic and environmental well-being. It entitles LGs to adequate financial resources from the Government in the form of annual grants. The LG Act 2009 and the LGRR 2012 set out the framework for the formation and functioning of LGs covering the financial and administrative autonomy.

52. As per the legal framework, LGs in Bhutan have a wide range of functions of which many are linked with CCA, including agriculture support, farm roads, bridges, support to infrastructure development and disaster risk reduction.

53. LGs in Bhutan have a well-developed and regulated planning system with clear steps for participation of citizens (mechanism for consultations with communities), defined timelines and clearly defined approval steps. The [LDPM 2021](#) outlines the framework and process of coordinating local development planning and implementation at the local level. The LG planning system is a bottom-up process starting at the village level, where the community representatives carry out consultation meetings within their

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<sup>35</sup> Bhutan first made the pledge to remain carbon neutral in the 15<sup>th</sup> COPs in 2009.

<sup>36</sup> Kingdom of Bhutan, Second Nationally Determined Contribution, RGoB, 5<sup>th</sup> June 2021.

<sup>37</sup> Kingdom of Bhutan, First National Adaptation Plan, 2023

community and come up with their priorities. The decentralization system ensures a people centric plan formulation carried out with use of various participatory tools.

54. The LGs' capital financing is provided based on the national RAF and transferred through the intergovernmental fiscal transfer system (IGFTS) that has developed significantly over the past decades with substantial increase in capital grants. There is a clear Public Financial Management (PFM) and reporting systems supported by multi-year rolling budget system (MYRB), e-Payment and Expenditure Management System (e-PEMS) and Budget Monitoring Tool (BMT) with specific Financing Identification Codes (FIC) to track various funding sources. Each month on the 25<sup>th</sup>, the LGs have to provide an overview of the past spending, and proposed expenditure need for the coming month, and by the 5<sup>th</sup> in the following month, funds will be available, if all data and information is correctly filled<sup>38</sup>.
55. Despite the increasing share of capital grants to LGs, the average size of grant per Gewog is relatively modest, compared with typical infrastructure costs and LG mandates. However, the LG utilization rates (and thereby absorption capacity) of capital grants are high, with the utilization rates of the last three years (2020; 2021 & 2022) being more than 90%<sup>39</sup>. In the next 13<sup>th</sup> FYP, MoF expects to strengthen the performance-element through improved performance evaluation criteria.

#### (d) Legal and Regulatory Landscape

56. The [\*Constitution of the Kingdom of Bhutan\*](#) (Article 5) entrusts every citizen of the country as a trustee of the country's natural resources and environment for the benefit of the present and future generations. The Constitution mandates every citizen with a fundamental duty to contribute to the protection and conservation of natural environment and biodiversity, and adopt environment friendly practices and policies to prevent all forms of ecological degradation. It mandates the Government to protect, conserve and improve the pristine environment and safeguard the biodiversity of the country; prevent pollution and ecological degradation; secure ecologically balanced sustainable development and ensure a safe and healthy environment. In order to conserve the country's natural resources and to prevent degradation of the ecosystem, the Constitution requires the Government to maintain a minimum of sixty percent of the country's total land under forest cover for all time.
57. According to Article 9, the State shall promote those conditions for pursuit of GNH, and secure an adequate livelihood of citizens with a sustainable development. Article 22 guarantees decentralization and devolution of power and authority to LGs, and entitles adequate financial resources from the Government in the form of annual grants. It requires the Government to support LGs to promote holistic and integrated area-based development planning.
58. The [\*Environment Assessment Act\*](#) (EAA) 2000 requires to assess all the development policies, strategic plans, programmes and projects to be assessed on their potential effects on the environment, and determine measures to reduce potential adverse effects. The Act mandates the Government to consider environmental concerns when formulating, renewing, modifying and implementing any development policy, plan or programme. It is a prerequisite for all development projects or activities to avail environmental clearance, and abide by the environmental terms for the project.
59. The [\*National Environment Protection Act\*](#) (NEPA) 2007 maintains to achieve sustainable development by planning and executing developmental activities strategically in harmony with the sensitive ecological settings and geographical terrains. It entitles a person her/his fundamental right to a safe and healthy environment with equal and corresponding duty to protect and promote the environmental wellbeing of the country. It upholds that the present generation must ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations.

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<sup>38</sup> MoF's Fund Release Guidelines.

<sup>39</sup> Based on e-PEMS data received from MoF for the three years on Gewog Annual Capital Grants.



60. The Act advocates for sustainable development by preventing the degradation of natural resources such as forest, water, air, biodiversity, soil, minerals and the overall integrity of the environment. A developmental activity shall be strategically planned and executed in harmony with the carrying capacity of the country's sensitive ecological settings and geographical terrains. A person taking natural resources from the environment or deriving economic benefits is responsible to ensure sustainable use and management of those resources and their ecology. Every activity shall be planned and implemented with the least possible damage on the environment, and must present the least environmental risk.
61. The Government is mandated by the Act to allocate sufficient funds to enable the protection and prevention of environmental degradation by way of grants, donations, gifts or loans from any sources as per the existing laws of the country. The Government is allowed to establish fiscal incentives for environmental protection and compliance towards promoting environmentally friendly technologies, code of best practices and eco-labelling. In order to enable citizens to maintain their right of access to environmental information, the Government is mandated to promote environmental education, advocacy and awareness through regular publication of environmental information and state of the environment reports.
62. The citizens are entitled to participate in decision-making processes concerning the environment, through public consultations, including during the process of drawing up policies, legislations, plans and project formulation and implementation; and, during environmental impact assessment process.
63. As per the [Local Government Act 2009](#) (LGA 2009), LGs are the custodians of community land and forests, and has the responsibility to conserve and protect water sources, lakes, springs, streams, and rivers.
64. The LGs are empowered by the Act to ensure the provision of such social and economic services for the general wellbeing of the residents of the communities in a sustainable and equitable manner, through promotion of holistic and integrated area-based development planning. In consistence with other relevant laws and policies of the country, they have the powers to carry out activities contributing to conservation and protection of environment within the limits of the areas under its jurisdiction. They are also empowered to provide protection for women, children and the physically challenged and eliminate physical, mental and emotional abuse and violence against women and children, while protect public health. They can frame and enforce rules for protecting the health, safety and wellbeing of the people and regulate water, air and noise pollution and other environmental degradation in accordance with the law.
65. The [Public Finance Act 2007](#) is the key instrument that regulates the financial management of the Royal Government of Bhutan (RGoB) and promote the effective and efficient use of public resources, strengthen accountability and provide statutory authority and control for sound and sustainable fiscal policy. According to this Act, the Ministry of Finance (MoF), on behalf of the Government, shall receive all grants and loans made to budgetary bodies by a foreign government or any other body or person. The MoF ensures that activities financed by assistance from donors are accounted for in accordance with laws, rules and regulations in force.
66. The application of established financial management process ensures proper tracking and accounting of donor public funds, while also ensuring that the project's fund is integrated within the national budgeting and accounting system. The Financial Management Manual (FMM) regulates the fund flow and operation of budget allocations in alignment with the Government's planning, budgeting and capital grants system. Further, other budgeting and accounting system in place including the Annual Grants Guidelines (AGG) or Guidelines for Gewog Annual Grants facilitate the use of budget allocations to implement the planned activities. The budget release is based on the Fund Release Guidelines of the Ministry of Finance and budget utilization is done in line with the Finance and Accounting Manual. The Government's Procurement Rules and Regulations facilitates all procurement and management of a planned programme and project.



67. The internal auditing system helps monitor the fund utilisation based on the Internal Audit Manual that is implemented in line with the National Internal Control Framework.

(e) Current and recently closed projects related to climate change that CARE-LG will Scale up, Build Upon and Complement

68. The CARE-LG will be built on and scale up the Government's efforts of climate-change adaptation initiatives at the local level, which was implemented in the past FYPs through performance-based grants (PBG) mechanism. The CCA activities at the local level through PBG was first supported through the UNCDF LoCAL facility in 2011, when UNCDF, based on the country's suitability and enabling conditions, decided to make Bhutan the first pilot country to implement the system. The LoCAL pilot program was originally implemented as a component of the larger *Joint Support Program (JSP) on Capacity Development for Mainstreaming Environment, Climate Change and Poverty Concerns in Policies, Plans and Programmes*. With the primary objective to support community capacity building on CCA, the project component supported the CCA ex-ante financial top-up to cover the incremental costs of climate related investments and complimenting regular budget allocations from the Government. Based on the positive result from the utilization of the grants and to sustain the practice, it was later continued as a component of the *Local Governance Sustainable Development Programme (LGSDP)*<sup>40</sup> implemented during the 11<sup>th</sup> FYP (2013/2014 to 2017/2018). In the ongoing 12<sup>th</sup> FYP (2018/2019 to 2022/2023), it was replicated under the *Capacity Development to LGs and Fiscal Decentralization (CDLG&FD)* programme of the *EU Budget Support (EBS)* till end of 2023.

69. The PBGs have proven to be an effective mechanism in transferring adaptation finance directly to LGs, and provided an incentive to mainstream CCA actions at the local level. Integrated within the existing government systems and procedures of allocating capital grants to LGs, it improved efficiency in spending and allowed for low transaction costs with a strong local ownership. Moreover, participatory approaches to local climate vulnerability assessments have been useful in promoting better awareness of climate vulnerabilities and adaptation needs among local communities, while actively engaging them in the use of PBGs to address adaptation priorities. Integration and alignment of this interventions with the country's PFYs, provided a viable platform to pursue and strengthen PBGs as part of the national agenda for sustainable development, including mobilization of funds for scale-up. Therefore, the National Adaptation Plan (NAP) 2023<sup>41</sup> recommends that performance-based grant (PBG) should be utilised as an entry point for climate adaptation planning for LGs.

70. In the near future, the Government intends to institutionalize PBG mechanism as a strategy to mainstream CCA across all portfolio of grant windows. To this effect, CARE-LG is deemed as a most befitting strategy to complement CCA mainstreaming effort of the Government in the 13<sup>th</sup> FYP (2023/2024 – 2028/2029) to scale up and replicate CCA investments to support the most vulnerable communities. The project's value addition lies in further strengthening of CCA strategies for empowering LGs and local communities with adaptive technical capacity to establish the practice to continue even after the completion of the project. The lessons learnt from the project will be disseminated to promote large scale replication in the country, through the support of possible subsequent phases of CARE-LG from potential development partners or funding windows.

### III. Technical Assessment of CARE-LG

71. The legislative environment in Bhutan requires the state, LGs, and individual to adopt environment-friendly practices, secure sustainable development pathways with environmental concerns as a prerequisite to the development planning and implementation process. It entitles LGs to have adequate financial resources from the Government for holistic and integrated area-based development planning

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<sup>40</sup> <https://www.dlgdm.gov.bt/about-lg/12>

<sup>41</sup> Kingdom of Bhutan, First National Adaptation Plan, 2023

with provisions for protection and elimination of physical, mental, and emotional abuse and violence against women and children and the physically challenged. In doing so, the laws require the establishment of a financial management process that ensures proper tracking and accounting of donor and public funds integrated within the national budgeting and accounting system based on the National Internal Control Framework. The policy environment recognizes that Bhutan is highly vulnerable to the adverse impacts of climate change and promotes an integrated approach to green and climate-smart and sustainable growth (See legal and regulatory environment). The CARE-LG project has been developed in the context of this national legal and policy environment and in compliance to SAP policy guidance of the GCF.

#### (a) Project Identification and Scoping

72. Bhutan's sustainable development approach for balanced socio-economic development as well as international commitment for carbon neutrality is challenged by adverse climate-change impacts that make the rural communities increasingly vulnerable due to their low adaptive capacity and resilience to climate-change. Although the country has dynamic climate policy guidelines and puts vigorous efforts for effective implementation, the country's fragile topography complimented by limited financial capacity render challenges in building the adaptive capacity and resilience of the communities that are affected by the climate-change. The country has graduated from the UN's LDC status with effect from 13 December 2023<sup>42</sup>, which, however, in a way poses further challenges in terms of coping up with the desired socio-economic development in the context of increasing climate change impacts. In view of its graduation from LDC status, the country's next FYP (13<sup>th</sup>) that will be implemented from 2023/2024 to 2028/2029 is designed with a major shift towards economic development with a goal to become a high-income country, yet driven by innovation and sustainability, including enhancement of safeguards and resilience for improved wellbeing<sup>43</sup>. The FYP aims to achieve economic prosperity with a healthy and productive society founded on equitable and high-quality health and social protection through sustainable utilization of ecological services and strengthened climate resilience (ibid). Adopting the resolution (A/78/L.27) on Bhutan's graduation from LDC in the 46<sup>th</sup> Plenary Meeting of the 78<sup>th</sup> United Nations General Assembly held on 18 December 2023, the United Nations invited the bilateral, regional and multilateral development partners to provide full support to the implementation of Bhutan's 13th National Development Plan and Long-Term Plan spanning up to 2034<sup>44</sup>.
73. Based on the people-centred approach of development implemented with the bottom-up development planning process, the country always emphasizes on people's participation and engagement in formulation of community development plans and programmes. The key objective of this strategy is to build the capacity of LGs and local communities to be able to understand, address and bring solutions to the development needs that affect them the most with greater social ownership and accountability. In line with constitutional mandate as well as provisions of the LG Act, substantial budget allocations are made to LGs with incremental increase in every FYP, so that LGs have adequate financial support to effectively implement the decentralized functions, including the climate actions. However, the budget allocated from the Government is thinly spread for the diverse capital investment works, and the additional cost for climate actions remain largely unfunded. The local revenue base is small and LGs' share of the local revenue is just enough to meet the recurrent expenditure. In this context, the Government has strived to use the available funding resources, including the external project grants most judiciously to ensure the maximum benefits.
74. Together with the socio-economic development, the country has accentuated on building the adaptive capacity and resilience of the communities to the adverse climate change impacts as critical component of the development planning and implementation process. In this respect, CARE-LG is

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<sup>42</sup> Agenda Item 9 of the 73<sup>rd</sup> Sessions of the United Nations General Assembly, 2018. <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N18/439/93/PDF/N1843993.pdf?OpenElement>

<sup>43</sup> Consolidated 13<sup>th</sup> FYP (PowerPoint Presentation), Bhutan, May 2023.

<sup>44</sup> Press Release, Ministry of Foreign Affairs, Bhutan <https://www.mfa.gov.bt/press-release-619/>

conceived and intended as a measure to strengthen climate resilience of most vulnerable local communities across the country through mainstreaming climate responsive adaptation planning and practices that are critical for their livelihoods security. Through this project, the country intends to contribute to reduction of the communities vulnerability and enhance their resilience to climate extremes through enhanced adaptive capacity. This is expected to be achieved by climate-proofing the development plans and activities of LGs under their own lead, ownership and monitoring in a context-specific and cost-effective approach. The key result of the project is expected to be the empowerment of LGs and local communities with adaptive technical capacity and knowledge required in understanding the climate change vulnerability, mainstreaming CCA plans and supporting to make small-scale investments in climate responsive community infrastructure and technologies.

75. Numerous studies and assessments<sup>45</sup> have shown a strong need for local level adaptation interventions to address the increasing impacts from climate change and to strengthen local resilience. The recent [\*Climate Change Vulnerability Analyses and Mapping for National Adaptation Plan \(NAP\) Formulation Process in Bhutan 2022 \(CVAM\)\*](#)<sup>46</sup> found out that the overall loss and damage, vulnerability and risk are increasing across Bhutan and are projected to increase rapidly in the future. The climate change policy of the country and NAP 2023 are providing high government commitment to advance on climate change adaptation and contribute to achievement of SDG goals, especially SDG 1 and SDG 13.

76. LGs in Bhutan have critical mandatory and voluntary roles in core areas of service provisions and infrastructure delivery, which are significantly impacted by climate change but lack significant capacity and resources to strengthen their resilience. The COVID-19 pandemic has further heightened risks and vulnerabilities, intensifying the current socio-economic and health crisis, including the annual loss and damage caused by climate-related disasters. The pandemic has hit hard, in particular, the poor, women, indigenous people, youth, children, the marginalized, and smallholder households and communities. Despite the important steps taken by the Government to address climate risks and build resilience of vulnerable communities, LGs are challenged by both technical and financial capacities to support the country's ambitious adaptation targets. This entails an urgent need for a sustainable and on-budget funding mechanism to ensure efficient and effective routing of funding to the local level where the impact of climate change is experienced the most. In addition, the COVID is still impacting the country's overall business and local economy, severely limiting the LGs' capacity to finance for climate change adaption.

77. Due to the fragile topographic terrains and high dependency of rural population on climate sensitive livelihood sectors, all 205 Gewogs remain highly exposed and vulnerable to climate change impacts and associated natural hazards. However, in view of the high cost, CARE-LG intends to take 120 Gewogs in order of the climate-vulnerability ranking done by the CVAM 2022 (the list of 120 Gewogs in order of climate-vulnerability ranking considered for CARE-LG is provided as *Annex 1*. This will constitute 214,973 (105,973 or 49% women) of the total population of 120 Gewogs, which is 30% of the country's population. Out of these 120 Gewogs, at least 60 Gewogs in order of vulnerability ranking will be provided CCA grants through a performance-based assessment and eligibility criteria to finance their adaptation investments. This would directly increase the climate resilience of approximately 70,510 people (49% women), constituting 10% of the country's population, in highly climate vulnerable remote and rural communities. Another approximate 144,463 people (49% women) of the remaining 60 Gewogs, constituting 20% of the country's population, will benefit indirectly with the awareness and capacity-building, knowledge activities and innovation demonstration. Local level institutions (Dzongkhag and Gewog administration offices) will also have increased ability to support community level adaptation priorities in a sustainable way. It is envisaged that capacity of 1,220 LG officials (Dzongkhag, Gewog and Chiwog functionaries) will be built, together with increase in knowledge and skills to design and execute climate-resilient local development plans and investments in a strategic and participatory manner.

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<sup>45</sup> Including the WRI review of LoCAL in 2021, and the Global Evaluation of LoCAL in 2022.

<sup>46</sup> The report is referred in this document as CVAM 2023.

## (b) Key Intervention

78. The adaptation interventions and technologies applied during implementation of erstwhile LoCAL facility supported through UNDCF followed by EU budget support for local level climate adaptation actions included;
- i. Trainings have been provided to LG officials on the PBCRG mechanism to strengthen PBCRG and LoCAL's performance management systems for climate change adaptation since 2011.
  - ii. General awareness on climate change and the realization on the need to adapt to it at the gewog level have improved.
  - iii. Strengthening flood protection structures at small rivers and spring (e.g., gabions) to replacing wooden parts of small-scale bridges with concrete structures,
  - iv. Establishing nurseries for horticulture and paddy saplings,
  - v. Climate proofing of drinking water tanks.
  - vi. Infrastructure works aimed at improving farm roads for enhanced climate resilience—this involved slope stabilization of landslide-vulnerable areas, rectification/improvement of the drainage system and construction of a causeway
  - vii. Construction of elevated bridges to overcome risks posed by swollen rivers and streams during heavy rain events
  - viii. Tapping new/additional water sources,
  - ix. Protecting water sources and their enhancement through planting water-conserving species,
  - x. Upgrading water tanks to increase storage capacity, and/or
  - xi. Replacement of water supply lines with climate-resilient materials
  - xii. Community water harvesting
  - xiii. Improvement of irrigation systems by rehabilitating irrigation channels and installing climate-resilient pipes to distribute irrigation water more effectively and improve agricultural productivity and farm livelihoods
  - xiv. Soil conservation and landslide risk mitigation works, such as planting bamboo and hedgerows and contour bunding to prevent soil erosion and protect agricultural lands
  - xv. Development of stormwater drainage to mitigate flood and landslide risks to farmlands, schools, homes and other public and private properties in rural areas.
79. Although the investment menu was of small investment scale, the previous phases were not restrictive of any ESS category. The proposed CARE-LG project will cater to only those investment activities that fall under the ESS category C. Therefore, from the proven technologies and solutions from the previous phase, only those that align with ESS category C will be applicable for support through CARE-LG. The investment menu within the Guidelines for CARE-LG Performance-Based Climate Resilience Grant Mechanism (PBG) specifies this requirement (See, Appendix 4).
80. The key feature of CARE-LG is the integration of climate resilience building into LGs' annual planning and budgetary cycles through allocation of small-scale CCA investment grants, to be accessed based on performance. The PBGs will complement the LGs' regular budget allocations to empower local communities and institutionalize practices, processes and guidelines necessary for effective and sustainable CCA.
81. The key objective of this approach is to promote and strengthen the local adaptive capacity and community resilience against climate change. The intervention has a two-pronged approach of capacity building and technical assistance to mainstream climate change adaptation (CCA) and PBG for small-scale climate action investments at the local level. The PBG mechanism meets a number of objectives, including to enhance climate resilience and adaptive capacity at the local level; to improve local CCA financing mechanism and narrow the fiscal gap in climate change impacts response; and, to provide tangible incentives for LGs to improve in key performance areas, while adhering to national standards and good practices. The project activities will mainly encompass climate-proofing local development

activities aimed at reducing climate vulnerabilities and protection from adverse climate change effects that directly benefit local communities.

82. PBG is proven for cost-effectiveness and efficiency in supporting climate resilience of remote vulnerable communities and sustainable mainstreaming of climate change in LG budgeting for incentivizing systematic strengthening of performance by LGs. With successful experience of PBG mechanism, communities and LGs are gaining prominence in the design and implementation of climate change adaptation actions. Monitoring (including by communities themselves) will strengthen the impacts of local actions and the accountability of local actors, in line with the Government's decentralization measures to enhance local CCA budgeting and financial performance. The project process will catalyze local and national policy change through demonstration of effectiveness of small-scale, locally designed adaptation investments, and providing incentives for a greater budget allocation to CCA. These efforts will drive community ownership and buy-in while demonstrating the long-term sustainability of large-scale climate investments.
83. The annual capital grant system implemented in the past has initiated the potential in general performance incentives. There are great opportunities in linking performance-based financing to climate change adaptation performance. This will strengthen resilience in overall plan and budget process but also customize the previous experiences from performance-based grant allocations which was effectively piloted from 2011 through 2023. Experience show that the impact and efficiency of such approaches combined with credible system of annual performance assessment and targeted capacity building support highly contribute for climate change adaption as well as mitigation measures<sup>47</sup>.
84. PBG mechanism is expected to establish a mechanism whereby the capacity building support, focusing on mainstreaming climate change into regular planning and budgeting with strong M&E system, will be linked with strong incentives in the annual performance assessments of LGs and in the targeted development funding. This support will ensure additional resources for climate changes investments and offer incentives to improve performance in core areas of accountability, efficiency, targeting of investments and execution in mutually strengthening manner. Experiences from other countries demonstrate that even a relatively limited top-up to the current LG financing has a significant impact on the overall LG systems and procedures and overall quality of the investments if linked with incentives, capacity building, improved monitoring and targeting of support<sup>48</sup>. The PBG will provide opportunities to promote the good experiences of leveraging the overall IGFT system with significant impact on overall effectiveness and efficiency of public spending in addressing the national and international commitments. The performance incentives will ensure that the most vulnerable groups are targeted and will support actual execution of the various guidelines, manuals for gender, environment, climate change, poverty and disaster risks targeting.
85. The GCF funding is sought for the project due to lack of alternative sources of funding to invest in adaptation measures to bridge the large fiscal and balance of payments gaps. The past experience demonstrates that LGs are unable to finance the additional costs associated with climate change adaptation, since the financial transfers from the central government are generally insufficient, and climate adaptation remains fundamentally underfunded at the local community level. The decentralized functions are not necessarily accompanied by the required fiscal and human capital resources to design and manage CCA interventions at the local level. Given the public good nature of the adaptation investments and a lack of incentives and awareness, investments in revenue generating adaptation measures are unlikely to be financed by the private sector in the absence of the project. The GCF funds will fill up and bridge the financial as well as the capacity gaps of local communities and governments to meet the additional cost of CCA. The PBG mechanism instituted through CARE-LG will represent a unique solution, which will not only create enhanced use of climate finance in a vulnerable country, but

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<sup>47</sup> Consultation with DLGDM based on its experience of implementing the system in earlier projects.

<sup>48</sup> UNCDF LoCAL, 2023.

also support the improvements of technical performance, awareness-raising, good governance, and financial management at the local level which can improve the creditworthiness of LGs over time.

### (c) Project's Climate Results and Response to Barriers

86. The Project's climate-results would include reduced climate change vulnerability resulting from the communities' enhanced adaptive capacity towards improved community livelihoods. There will be a paradigm shift from climate change-driven development trap to a sustainable, climate change resilient development trajectory. The project will contribute to several of the GCF's Fund-level adaptation and enabling environment outcomes, including:

- ARA1 (Most vulnerable people and communities), as it targets some of the most climate-vulnerable remote and rural communities with support to build adaptive capacity and increase resilience, reduce climate-related risks of hazards, and increasing knowledge, awareness and skills to address climate change at the local level.
- ARA2 (Health, wellbeing, food and water security), as it will help strengthen significantly local-level climate resilience via increased food and water security, diversified and climate-resilient livelihoods, and reduced disaster risk.
- ARA3 (Infrastructure and built environment) as it will enhance climate resilience of existing community infrastructure.
- Core indicator 5 (Degree to which GCF investments contribute to strengthening institutional and regulatory frameworks for climate-resilient development pathways in a country-driven manner), as the project will support the development and implementation of sub-national level (Gewog) adaptation planning and implementation coordination mechanisms and strengthen institutional capacity.
- Core indicator 6 (Degree to which GCF investments contribute to technology deployment, dissemination, development or transfer and innovation), as the project will support targeted communities to increase their access to adaptation technologies related to risk assessment and planning and food security through climate resilient resource use.
- Core indicator 8 (Degree to which GCF investments contribute to effective knowledge generation and learning processes, and use of good practices, methodologies and standards), as the project will enable stakeholders, communities and LG officials in non-project Gewogs and Dzongkhags to benefit from experiences and learning from project Gewogs and Dzongkhags through knowledge and exchange platform.

87. The project will catalyse sustainable system-level changes at multiple levels. It will enable bottom-up approach support for LGs in planning and implementation processes and top-down measures to channel technical and financial resources to LGs to meet CCA needs. Local communities will directly benefit from climate-proof infrastructure, climate resilient agriculture, secure water supplies and increased protection from critical vulnerabilities and the adverse effects of climate change. Currently, the main constraints for local communities are minimum adaptation support at community level, lack of LGs' institutional capacity to support adaptation planning and implementation and low levels of coordination at LGs and community levels, along with the substantial community vulnerability to climate risks and barriers to adaptation. Central to local transfer of responsibilities through decentralization are not always accompanied by the relevant fiscal and human capital resources necessary to design and manage adaptation interventions at LG level. CARE-LG will address this gap and promote paradigm shift in the LG adaptive technical capacity and knowledge to mainstream climate change adaptation plans and



budgets. At the end of the project, a systemic change is envisaged, with communities enabled to assess climate-related risks, develop locally relevant adaptation investment plans, and effectively implement the solutions. LG institutions will be better equipped to respond to community needs and support on-going and sustainable adaptation action.

#### (d) Social, Economic and Environmental Assessment

88. Bhutan's economy is considered, one of the fastest growing economies in the world, with hydropower making a major contribution to growth. Bhutan instituted Gross National Happiness (GNH) as a development principle, with this index increasing from 0.743 in 2010 to 0.756 in 2015. The country has a GDP of \$2.5 Billion (2019) with an annual growth rate of 5.5% and a GDP per capita of \$3,316.20 (2019), growing at 4.3%. The economy is primarily based on industry (41%) and services (42%), with a lesser contribution from agriculture (17%). Employment in 2019 was concentrated in agriculture (55.8%) and services (34.1%), followed by industry (10.1%). The Government of Bhutan has gained international attention for its policies to address climate change. Bhutan has also been a leader in its forest management and carbon sequestration efforts from its forests have helped the country maintain its carbon negative status. Identified in the country's Nationally Determined Contribution (2016), the country's vulnerability to the impacts of climate change are primarily the fragile mountainous environment and dependence on agriculture and hydropower generation for economic development<sup>49</sup>.

89. Out of the total population of 727,145 (346,692 or 48% women), 62.2% are living in remote rural areas. The population density is 19 and sex ratio of 110<sup>50</sup>. The projected population of 2023 is 770,276 (369,184 females) and the population in 2029 is projected to 809,785 (389,914 females)<sup>51</sup>. Other demographic statistics are as follows<sup>52</sup>:

- Total age dependency ratio – 47%
- Child dependency ratio – 38.3%
- Old age dependency ratio – 8.7%
- Median age – 26.9 (male 27.2; female 26.6)
- Aging index – 22.7 (male 22.7; female 22.7)
- Life expectancy (years) - 70.2 (male 68.8; female 71.7)
- Disability prevalence rate – 2.1 (male 2; female 2.2) Rural 2.8; urban 1.1

90. According to the [Bhutan Living Standard Survey Report](#) (BLSS) of Bhutan 2022, there are about 164,331 households (67% being in rural areas), with the average household size being 4.0 for the country. The household size tends to decline with the increase in per capita household consumption quintile, from an average of 5.1 for the poorest quintile to 2.7 for the richest. Female headed households make up 32.9% of households in the country, with 29.3% and 35.3% in the urban and rural households, respectively. Persons without formal education have the highest marriage rate at 78.7%. The average age at first marriage is 22 years in the country, 24 years for males, and 21 years for females.

91. **Poverty, Literacy and Basic Needs:** According to the [Bhutan Poverty Analysis Report](#) (NSB, 2022), poverty rate of the country is estimated at 12.4%, with the poverty incidence in rural areas being 17.5% compared to that of urban areas at 4.2%. The share of individuals in poverty is under 1% among households of only one member, and reaches 40.2% among households with nine members or more. The food poverty rates reach 3.7% among the largest households (nine members or more). On an average, female-headed households are observed to be less poor than male-headed households. The poverty rates are highest among households with very young heads (under 25 years of age) at 13.3%

<sup>49</sup> World Bank Country Summary (<https://climateknowledgeportal.worldbank.org/country/bhutan>)

<sup>50</sup> Bhutan Living Standard Survey Report 2022, NSB, Bhutan.

<sup>51</sup> The projected population by 2029 is mentioned to understand the increase in population and other demographic statistics within the period of CARE-LG.

<sup>52</sup> Statistical Yearbook of Bhutan 2023, NSB, Bhutan.

and for those with heads over 65 at 20.9%. Irrespective of poverty status, all households have access to improved water source and 99.2% of households have access to improved sanitation. Food scarcity is more in rural than urban, with some poor households often experiencing food insufficiency for a whole day and night.

92. The literacy rate among the population of five years and above is 70.2%, with 82.1% and 62.9% in urban and rural areas, respectively. The literacy rate across all ages is 77.1% for males and 63.6% for females. Literacy rates are higher among the younger age groups and are lowest for the older group of 65 years and above. 97.7% of youth (15–24 years) are literate, while only about 65% of adults (15 years and above) are literate. Literacy rates among the poor are lower than for the rest of the population. While more than 7 out of 10 non-poor individuals are literate, among the poor this rate is less than 60%. The rate is higher in urban areas both for poor (72%) and non-poor (83.2%) in comparison to rural areas (57.6% and 64.3%).

93. As per the [\*Poverty Mapping in Bhutan – Small Area Estimation: Gewog and Town Level Results 2023\*](#) (NSB, 2023), there is a large variation in poverty rates across towns within the same district, with districts in mountainous areas having high poverty than those districts in the central part of the country. For instance, ‘in Monggar Dzongkhag, the poverty headcount rate ranges from 2.9 percent in Monggar Gewog/town and Kilikhar Gewog to 46.1 percent in Kengkhar Gewog. In Zhemgang Dzongkhag, the poverty headcount rate ranges from 9.6 percent in Zhemgang Gewog to 50.8 percent in Bardo Gewog. As for Chhukha district, the poverty headcount rate ranges from 4.5 percent in Gedu Gewog to 43.7 percent in Doongna and Maedtabkha Gewogs combined’. The wide disparity across Gewogs/towns within the same district reinforces the need to target poverty reduction, service delivery and social protection interventions at the Gewog/town level. The five Gewogs with the highest poverty headcount are Bardo, Phangkhar+Goshing, Kengkhar, Shingkar, and Silambi are also part of the 60 most vulnerable<sup>53</sup>. The prominent geographical disparity at the Gewog level suggests the need for policies to boost economic growth in poor areas and narrow the income gap.

94. **Education:** There are marked differences in educational attainment levels between females and males. About 40% of females have had no education, compared to 30% of males. About 49% of household heads have had no formal schooling, with the proportion higher in rural areas (63.5%) than in urban areas (27.5%). More than half (53.7%) of all students walk to school and others use different modes of transport.

95. **Health:** Among age groups, elderly persons aged 60 years and above are more vulnerable to sickness or injury than younger persons, with the incidence of sickness or injury being higher in the urban areas. There’s a striking difference across the poor and non-poor groups, with the non-poor population systematically declaring higher levels of sickness. Generally, females are more susceptible to sickness or injury than males, irrespective of area, and they spent more than males in medical treatment in both urban and rural areas.

96. **Land:** While 34% of the households do not own any land, about 58% of the households own five acres or less and 8% of households own more than five acres. As compared to urban households, the land ownership is higher in rural households. There is a negative relationship between landholding and per capita household consumption quintile. In both landholding categories, percent of landholding decreases with the increase in household consumption quintile since the land ownership is more prevalent in rural areas. Among the households owning the land, the average landholding is 2.7 acres. It is 2.9 acres in rural areas and 2.0 acres in urban areas.

97. **Livestock:** There is a huge disparity between urban and rural areas in terms of livestock ownership. Around 56% of rural households own cattle against 2% of urban households. Most households have two or more heads of cattle in rural areas. Similarly, 25% of rural households have poultry and most have

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<sup>53</sup> Poverty mapping in Bhutan-Small area estimation, 2023, NSB



two or more heads of poultry. More than one in ten (11.8%) rural households own goats. Around 13% of rural households own other livestock (pigs, horses, sheep, yak, and buffalo) while less than one percent of urban households own the same. The livestock ownership is negatively related to the per capita household consumption quintile. Livestock ownership is relatively low at the higher consumption quintile among households in both urban and rural areas.

98. **Labour and Employment:** The key statistics on labour and employment are<sup>54</sup>:

- Working age population (15 years and above) – 484,965 (251,529 females)
- Labour force participation rate – 63.1% (female 53.5%; male 73.4%)
- Employment rate – 94.1% (female – 92.1; male – 95.6)
- Unemployment rate – 5.9 (female – 7.9; male – 4.4)
- Youth unemployment rate in 2022 – 28.6 (female – 32.8; male – 24.4)

99. The economy of Bhutan is characterized by the predominance of people engaged in self-employment, particularly those working on their own land. There are also good deals of small and cottage industries operated from home. The number of persons working for wages is relatively small.

100. **Land use and Agriculture:** Due to improved network of road accessibility and transportation, agricultural practices have experienced tremendous change over the years from subsistence-based farming to commercial agriculture. Strategies to increase livestock and crop production include intensifying farm mechanization, land development and fallow land reversion, introducing climate and disaster resilient crop varieties, mitigating human wildlife conflict through adoption of innovative technologies, promoting value addition and RNR enterprise development. However, majority farming population are still subsistent and the sector is vulnerable from climate change and disasters as 50% of the total population still depend on agriculture on steep lands that are vulnerable to climate change risks (See summary of a range of adverse impacts of climate change on different socio-economic, para 108)

101. **Environment:** The key statistics of environment are<sup>55</sup>:

- |                                       |                             |
|---------------------------------------|-----------------------------|
| • Forests - 70%                       | • Built up areas – 0.2%     |
| • Alpine scrubs – 3.4%                | • Non-built up areas – 0.0% |
| • Shrubs – 9.7%                       | • Snow cover – 5.4%         |
| • Meadows – 2.5%                      | • Bare areas – 4.1%         |
| • Cultivated agricultural land – 2.8% | • Water bodies – 0.7%       |
|                                       | • Degraded areas – 0.5%     |

102. The conservation of environment is one of the four pillars of GNH. Accordingly, the country puts concerted efforts in protecting the environment, with the sustainable use of natural resources being the determining factor in all the development policies, plans and programs. Bhutan's economy is dependent on the environment and natural resources primarily through agricultural production and hydropower. The development process has given rise to a number of key environmental issues, the major issues currently faced being: land degradation, loss of biodiversity, increased pollutions, waste management, urbanization and industrial development. Addressing these issues to achieve sustainable development is a major challenge to the country.

103. **Industries:** Industries in the country are categorized into three sectors, viz. Production and Manufacturing, Service and Contract. As of June 2023, there were 31,399 industries as follows:

- Production and manufacturing – 3,685 (large – 104; medium – 189; small – 1,140; cottage – 2,252)
- Contract – 2,293 (large – 165; medium – 291; small – 1816; cottage – 21)

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<sup>54</sup> SYR 2022.

<sup>55</sup> SYB 2023.

- Service – 25,421 (large – 152; medium – 321; small – 17,201; cottage – 7,747)

104. **Transport and Communication:** As a landlocked country, Bhutan is mostly dependent on the road network for transportation, and the mountainous terrain makes the road services extremely difficult and costly. However, the national road network has expanded rapidly over the period of time and played a vital role in reducing the poverty rate by connecting villages and towns. As of June 2023, the size of road network was 18,343.47 km. On 2nd June 1999, the country established its first television network and also started the Internet Services. Information and Communication Technology (ICT) plays a major role in access to global information. Bhutan Telecom Limited and Tashi InfoComm Limited (a first private mobile company established in 2006) are the two companies providing telecommunication services in the country. There are a couple of private Internet Service Providers (ISPs) that support development of ICT-based industry and services.
105. The **tourism industry** in Bhutan enjoyed continued growth with the tourist arrivals in the country rising steadily over the years. Due to its pristine state of the cultural and natural heritage, and political stability and good governance, the country remains a much-admired destination throughout the global tourism industry, particularly in the high-end markets.

### Climate-change Impacts on Society, Economy and Environment

106. The various aspects of social, economic and environmental systems in Bhutan are affected by the climate-related hazards, exposure and vulnerability. Climate change impacts undermine the people's overall well-being (GNH in Bhutan's case) by compromising the cultural services and identity, and the spiritual, intrinsic and aesthetic values of the mountain landscape and the highlanders. In Bhutan, like in a few other mountainous countries, high mountain peaks and glaciers are considered as homes of life-giving spirits and deities. As such, retreating glaciers due to climate-change causes anxieties and emotional distress among these highland communities. At the same time, reduction in water quantity and quality due to cryosphere changes affects the health of people, which exposes the people to the risk of trauma and psychological problems, including the challenges of displacement (IPCC, 2019).
107. The main economic sectors exposed to climate risks are agriculture, livestock grazing and forestry, mining and extractive industry, hydropower generation and tourism. In the agriculture sector, for instance, the snow-dominated and glacier-fed river basins are already experiencing changes in the amount and seasonality of water runoff (Wester et al., 2019). Such runoff changes are expected to affect water management, related hazards and ecosystems. Altogether, declining runoff (following peak water) in snow-dominated and glacier-fed river basins is expected to reduce the productivity of irrigated agriculture. Due to climate-change impacts, a scenario of high-water availability but low accessibility continues across Bhutan. In the energy sector, melting glacier and change in water temperatures affect hydropower generation, which is one of the main drivers of economic development in Bhutan. This hinders efforts for energy security and action on mitigation of greenhouse gas emissions. In the tourism sector, seasons for snow-based winter activities are likely to be shorter due to decreasing snowfall and availability, especially at lower elevations. Changes in hiking seasons in the country is going to be affected.
108. A summary of a range of adverse impacts of climate change on different socio-economic and environmental systems in the country that need to be considered when developing and implementing action on CCA and resilience is presented in the table below:

System	Area of relevance	Impacts	Risk Area
NATURAL	Ecosystems	Changes in species composition/abundance; negative impact on reproductive fitness of some snow-dependent plant and animal	Livelihoods

		species; new habitats open for establishment of species; decline in abundance of cold-adapted species in terrestrial and freshwater communities; upslope migration of terrestrial species.	
	Water quantity	Change in precipitation and river runoff (seasonality and peak); reduced snow cover; glacier retreat; snowmelt; permafrost degradation.	Livelihoods, and energy and water security.
	Water quality	Release and shifts in downstream nutrients (dissolved organic carbon, nitrogen, phosphorus) and increases in heavy metals (mercury and other legacy contaminants) from glacier decline.	Livelihoods, people, assets at risk, downstream ecosystems.
ASSETS	Mining/energy	Glacier shrinkage and retreat; change in water supply.	Change in mining activities (e.g. accessibility for extractive industries), generation of energy (hydropower production) and operational security (power plants cooling)
	Roads and buildings	Permafrost degradation.	Infrastructural destabilisation and deformation (e.g. roads, power transmission infrastructure).
PEOPLE	Cultural	Glacier retreat and permafrost thawing.	Disruption of cultural practices and beliefs; enhanced understanding of human history.
	Health	Reduced water quality from glacier decline; change in disease vectors.	Labour migration, displacement associated with extreme events.
LIVELIHOODS	Economic activity (demand)	Uncertainty about future demand and change in consumption and trade patterns; risk of flooding to residential property, disruption to import/export flows.	Investment, consumption and trade.
	Economic activity (supply)	Decrease in productivity (e.g. agriculture); diversion of resources; productivity loss (heatwaves, natural disasters); food and other input shortages; damage to infrastructure.	Labour migration, energy inputs, capital stock, technology.
	Food	Shift in growing season; change in productivity following change in water availability for irrigation; drying of soils due to reduced snow cover; increase in crop evapotranspiration due to raising temperatures; upslope movement of cropping zones.	Loss of income due to reduced yields, possibility to plant new crops
	Tourism	Access to tourism site limited due to floods and landslides	Loss of income.

109. The COVID-19 pandemic had a broad-based adverse impact on the country's economy. GDP contracted by 2.4% in the fiscal year 2019/2020 and 3.7 % in the Fiscal Year 2020/2021<sup>56</sup>. The overall unemployment and youth unemployment roughly doubled to around 5% and 22.6% respectively by the end of 2020. Inflation peaked in early 2021 from higher food prices and supply chain disruptions. Despite recent moderation, it remained elevated at 5.3% in February 2022. The fiscal deficit increased to 6.3% of GDP in the Financial Year 2020/2021, reflecting higher pandemic related expenditure, which entailed reprioritization and frontloading of with the Twelfth Five Year Plan (FYP). The private sector credit growth slowed to 6.5% in June 2021 and the vulnerability of financial sector increased amid elevated non-performing loans (14.1% in June 2021).
110. The CCA actions are often a highly localized matter as different localities experience different climate change challenges. Variations of climate pattern as well as terrains at the local level make CCA more suitable for LG actions. As formal institutions with the mandate of direct delivery of public goods and services at the grassroots level, LGs are best placed to help local communities adapt to the many consequences of climate change. They are the most appropriate entities to support communities at the local level that suffer from limited access to basic government, social and technical services, including health care, education, and agricultural extension services. Given their proximity to the local communities, LGs have comparative advantage in terms of access to local knowledge, ability to mobilize local communities, and delivery of public goods and services to respond to climate change vulnerabilities. The need for local level adaptation is also emphasized in the country's NAP, 2023.
111. Impacts of climate change across agriculture, hydropower, forestry and transport sectors adversely affect the rural communities within the LGs' jurisdictions. Both poverty and climate vulnerability are especially prevalent in rural communities. Without interventions, the rural communities dependent on natural resources with subsistence livelihood strategies will be further exposed to even higher levels of poverty and inequality. Both LGs and communities alike face severe barriers to climate change impacts, with their poor economic status aggravated by lack of climate finance to implement adaptation activities and investments on resilience. The LGs' low local revenue base and limited budgetary transfer from the central Government add to their incapacity for CCA adaptation measures. In line with the Climate Change Policy, The GCF funded NAP identifies the primary mode of implementation of the NAP e through the integration of adaptation priorities into national and local development plans
112. In line with above assessment on social, economic and environment aspects, CARE-LG is designed to have minimal environmental effects. Particularly, to meet the requirements to qualify for Category-C of GCF SAP projects, the BTfec in close consultation with NDA and proposed EEs as well as other relevant stakeholders have carried out the social and environmental screening of the project, which is provided as Annex 2 (this is the updated from that of one submitted with the concept note). This prefeasibility study process has also considered to assess and identify the minor social and environmental risks, and prepare the environmental and social action plan submitted as an Annex to the Funding Proposal (Annex 12).

#### (e) Gender Assessment and Action Plan

113. Gender assessment and action plan is attached as Annex 3.

#### (f) Financing Options, CapEx and OpEx (O&M) Description

114. The CARE-LG is proposed to be funded as the full grant of GCF (without co-financing), with the overall supervision and monitoring carried out by BTfec in its capacity as the AE. There will be no capital expenditure in terms of new infrastructures, except for small-scale climate-proofing activities to be

<sup>56</sup> Bhutan: 2022 Article IV Consultation-press release, IMF.

<https://www.elibrary.imf.org/view/journals/002/2022/146/article-A001-en.xml>

provided as PBGs within the CCA proposals submitted by LGs. Within the total GCF grant support of USD 10 million, the expenditure for different project components are as follows:

Component	Output	Indicative cost (USD)
<b>Component 1:</b> Climate change adaptation integrated in LG grant allocation mechanism	Output 1.1 Awareness and capacity of local communities and LG officials on responding to climate change enhanced	1,034,310
	Output 1.2 PBGM integrated into the planning and budgeting system	51,571
	Output 1.3 Gewog adaptation planning mechanism established	78,429
	Output 1.4 Knowledge and learning network developed	75,836
<b>Component 2:</b> Climate resilient of local communities through CCA investment	Output 2.1 Adaptation interventions are implemented through PBGM	7,500,000
	Output 2.2 Innovation on climate mitigation and adaptation enhanced	795,275
M&E	M& E	93,000
Project Management	Project operation and management by PMU	371,571
<b>Indicative total cost (USD)</b>		10,000,000.00

115. The GCF funding is sought for the project due to lack of alternative sources of funding to invest in adaptation measures to bridge the large fiscal and balance of payments gaps. Even though Bhutan is much ahead in terms of adaptation planning, financing and implementation, the country is constrained by the financial and technological resources needed to meet its adaptation priorities. The adaptation priorities identified by the country's NAP require significant financial resources of about US\$ 14 billion for multi-faceted approach of meeting the short and long-term changes influenced by the climate variabilities. The country's Constitution mandates LGs to provide community services in a sustainable manner. Although the Constitution also entitles LGs an adequate financial resource from the Government, they find it difficult to finance the additional costs associated with climate change adaptation, as size of funding are generally insufficient, and climate adaptation remains fundamentally underfunded. Given the public good nature of the adaptation investments and a lack of incentives and awareness, investments for adaptation measures remain largely underfunded. This is aggravated by a lack of private-sector partnerships or other potential donors. The UNCDF LoCAL facility has been discontinued due to insufficient size of the support and the EU Budget Support has completed by 2023, with the future support not ascertained. Therefore, the GCF fund will fill up and bridge the financial as well as the capacity gaps of local communities and governments to meet the additional cost of CCA. The GCF funding support will not create enhanced use of climate finance in a vulnerable country, but also support the improvements of technical performance, awareness-raising, good governance, and financial management at the local level which can improve the creditworthiness of LGs over time.

116. The CARE-LG will achieve the climate-results include reduced climate change vulnerability and adverse impacts resulting from the communities' enhanced adaptative capacity for sustainable livelihoods. The key intervention of PBGM mechanism for small-scale investments in climate-proofing LGs' development plans and activities led and owned by themselves will empower LGs and local communities with adaptive technical capacity and ultimately get institutionalized beyond the project.

#### (g) Exit Strategy and Sustainability.

117. The sustainability of CARE-LG will be based on building the capacity of NDA as well as EEs, LGs and communities in efficient and sustainable access and utilization of climate finance for resilience building. The project will help structure and implement sustainable multi-instrument approach and decision tools

to establish both the enabling environment and additional resource mobilization to scale-up the local climate action investments. The project's strategy is to support institutionalization of LGs' future CCA investments practices through integration of PBG mechanism within the Government's resource allocation system and LG's development planning and implementation process.

118. Performance-based grant system that promotes bottom-up approach is expected to build legitimacy of opportunities for technical, institutional and operational sustainability at local levels while encouraging improvements over time to attract private sector co-financing for enhanced resilience. The project's outcomes will continue to provide benefits well beyond the life of the project, making this an enduring investment and replicating the approach to formalizing performance-based grants in additional communities throughout the country. Performance-based grant system through this project will also enable Government/MOF to mainstream climate finance to the vulnerable local communities and governments after the project. Moreover, helping to ensure that the local communities and government are well positioned to access climate finance will reduce the risk of an adaptation deficit re-emerging at the community level after the project closes. Introduction of management, operation and maintenance criteria in selection of Gewog plans will also support sustainability of project investments after its completion.
119. The allocation of grants based on performance will encourage LGs and community beneficiaries take ownership of the system and enhance performance for subsequent access to climate actions financing. The PBG from this project has the strong potential to catalyze additional financing for local communities and governments, particularly through its focus on capacity building for local governments to develop and implement projects, developing a fundable track record of project execution, and crucial capacity/experience showcasing effective project and financial management. All of these can help build donor/investor confidence, reduce investment risk, and ultimately unlock future projects and investment for local communities and government. With regard to the monitoring of the project implementation, the RGoB has a robust monitoring system in place both at LGs and central level. Therefore, monitoring aspects of the project will also help to sustain the climate-financing and investments practice.

#### IV. Specific Information on CARE-LG

##### (a) Scientifically-based Climate Rationale

###### Bhutan's vulnerability to climate change:

120. Bhutan faces multiple climate vulnerabilities, including uncertain weather conditions, pests, diseases, and climate hazards like variable rainfall, thunderstorms, hailstorms, and windstorms. Extreme events such as flash floods and landslides disrupt agricultural land, market access and the supply chain, posing threats to the economy and agrifood system. The country's limited physical, socio-economic, fiscal, and institutional capabilities hinder its capacity to mitigate the impacts of climate-induced hazards.
121. The country's climate vulnerability is accentuated by its fragile Himalayan ecosystem and geo-physical conditions. The nation's heavy dependence on climate-sensitive sectors such as agriculture, hydropower, and forestry amplify its exposure. Only 2.75% of the total geographical area is cultivated, and 31% of this area on slopes with a gradient of more than 50%, rendering smallholder farmers' livelihoods and food security vulnerable. Hydropower, crucial for Bhutan's economy, faces challenges from unpredictable water flows resulting from rising temperatures and erratic precipitation patterns. The eastern part of Bhutan appears to be socio-economically more vulnerable than the western and central part of the country<sup>57</sup>. This discrepancy emphasizes the urgent need for strategic interventions to enhance resilience across the nation.

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<sup>57</sup> Climate change vulnerability analyses and mapping for NAP formulation process in Bhutan

### Climate baseline and future projections

122. Climate in Bhutan is diverse due to significant variations in elevation. The southern foothills typically have subtropical climates characterized by heavy rainfall with several locations recording more than 4,000 mm of annual rainfall. Temperatures in the southern region range from 10°C to 25°C in winter and 20°C to 35°C in summer. Central mountains are characterized by cool winters and warm summers with temperatures ranging from -5°C to 15°C in winter and 15°C to 25°C in summer. Rainfall in this region is moderate between 1,000 to 2,000 mm per year. Bhutan's rainfall is mainly influenced by the South-West Indian Monsoon prevailing from June to September. The country receives significant portion of its annual precipitation during this period, influencing majority of the country's climate and its way of life<sup>58</sup>. These subtropical zones of the country are prone to dry spells and droughts induced by monsoon rainfall variability during this part of the year<sup>59</sup>. Bhutan ranks 91 out of 181 countries on the 2020 Notre Dame Global Adaptation Index (ND-GAIN).
123. The increasing impact of climate change has resulted in more frequent and severe hydrometeorological disasters in Bhutan. Weather station observations from 1994-2016 indicate increases in overall mean temperatures and associated extremes, weak trends for increasing precipitation extremes in the central and mid-altitude western regions, decreases in precipitation during the primary monsoonal rainfall season, and decreases in overall precipitation<sup>60</sup>. Rainfall pattern is increasingly erratic, posing huge hardships for farmers who largely practice rain-fed agriculture - 70-90% farming in Bhutan is dependent predominantly on rainfall. Dependence on the monsoon rains and short growing periods coupled with concentration of agricultural lands on slopes vulnerable to landslides and soil erosion makes agriculture highly vulnerable to climatic conditions and climate change<sup>61, 62</sup>.
124. NCHM reported an increasing trend in temperature from 1976 to 2005 while assessing the CRU data and the annual average temperature has increased by 0.8°C. Notably the substantial seasonal temperature increase was observed during winter season, and it increased by 1.3 °C. Climate projection shows a uniform increase in temperature across the country under both Representative Concentration Pathways (RCP). The increase in temperature under RCP 4.5 ranges from 0.8-1.6°C during 2021-2050 while projections under RCP 8.5 scenario show increase of about 0.8 -2°C during 2021-2050 and to more than 3.2°C by the end of the century (2070-2099)<sup>63</sup>. The higher altitude areas, especially during spring and winter, are anticipated to experience even more pronounced warming, exacerbating the situation<sup>64</sup>. This temperature changes are likely influence overall rainfall patterns and increase the incidences of dry spells and droughts.

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<sup>58</sup> NCHM. (2021). *Bhutan State of Climate 2020*.

<sup>59</sup> Climate Risk Country Profile: Bhutan (2021): The World Bank Group and the Asian Development Bank

<sup>60</sup> Chhogyel and Kumar *Agriculture & Food Security* (2018) 7:79.

<sup>61</sup> Royal Government of Bhutan. 2023. National Adaptation Plan (NAP) of the Kingdom of Bhutan.

<sup>62</sup> Climate Risk Country Profile: Bhutan (2021): The World Bank Group and the Asian Development Bank

<sup>63</sup> NCHM. (2019). *Analysis of Historical Climate and Climate Projection for Bhutan*

<sup>64</sup> NCHM. (2019). *Analysis of Historical Climate and Climate Projection for Bhutan*



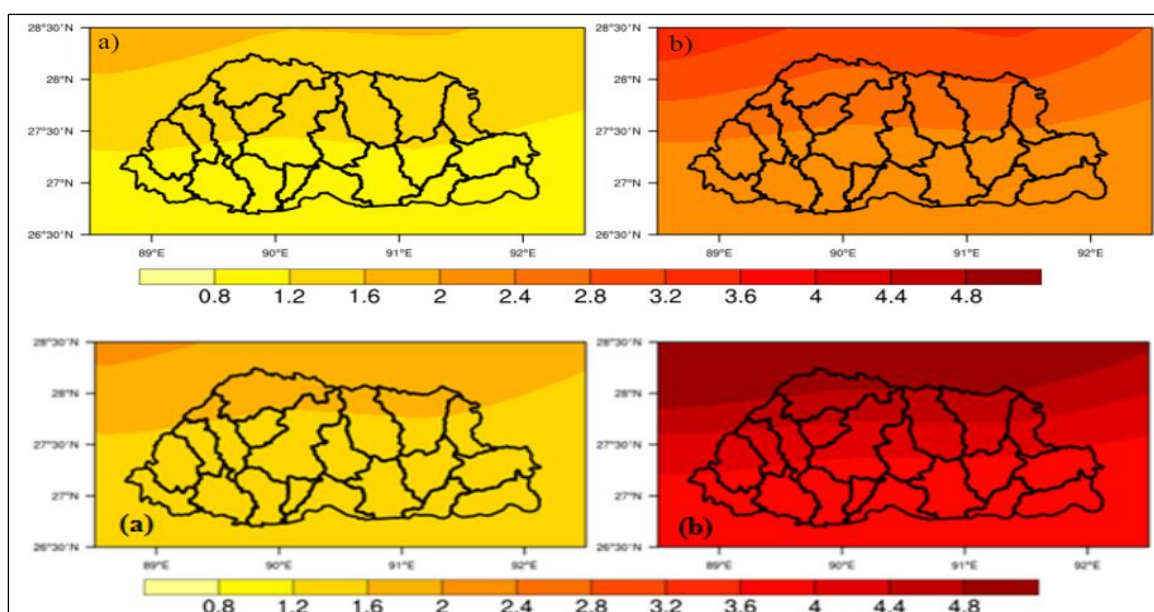


Figure 1: Projected annual mean temperature under RCP 4.5 and 8.5 respectively for short term (2021-2050) and long-term period (2070-2099); Adapted from NCHM climate projection 2019

125. Similarly, the average annual rainfall is also likely to increase in future under both the RCPs. Bhutan could see an increase in annual rainfall by about 10-30% with some parts in the North and Northwest likely to experience a decrease in rainfall under RCP 4.5. Likewise, under the RCP 8.5 scenario, rainfall is projected to increase of about of about 10-20% in the short-term period and more than 30% increase towards 2070-2099<sup>65</sup>.

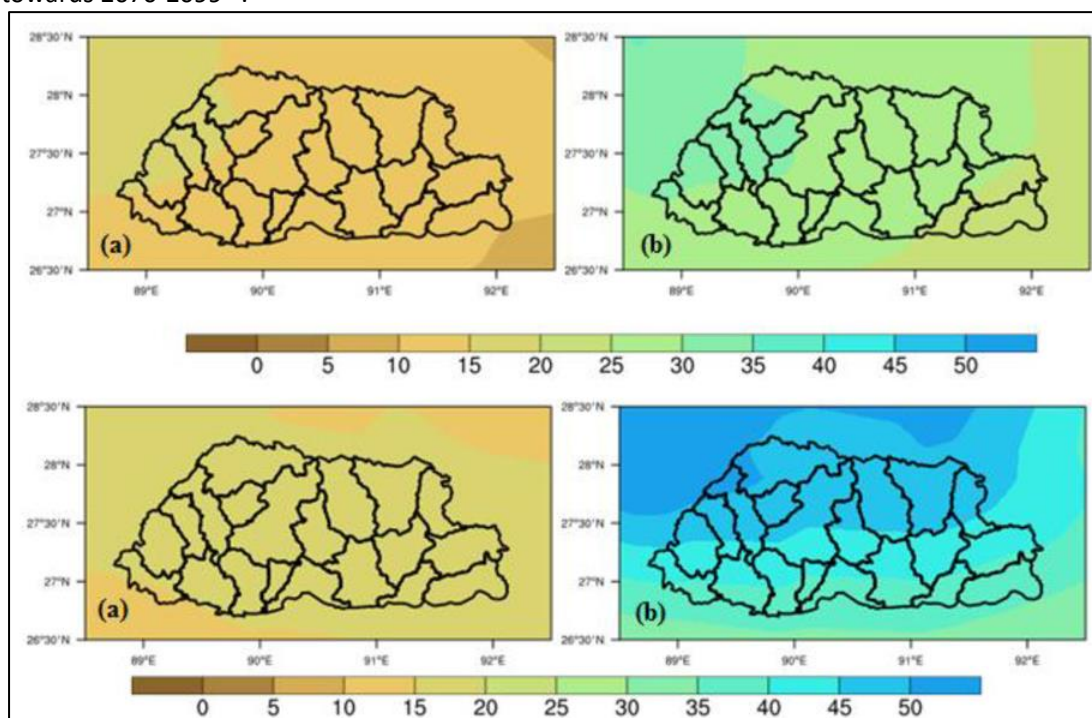


Figure 2: Projected annual mean rainfall under RCP 4.5 and RCP 8.5 scenario for short term (2021-2050) and long-term period (2070-2099); Adapted from NCHM climate projections

126. An increase in the precipitation associated with a maximum 5-day rainfall event is expected across Bhutan under both scenarios with heaviest rainfall occurring in the southeastern areas of the country (figure 2). The intensity of extreme rainfall events appears to be increasing with increase in temperature,

<sup>65</sup> NCHM. (2019). *Analysis of Historical Climate and Climate Projection for Bhutan*



a finding supported by evidence from different region of Asia. There is greater confidence around changes to the future intensity of heavy rainfall events<sup>66</sup>.

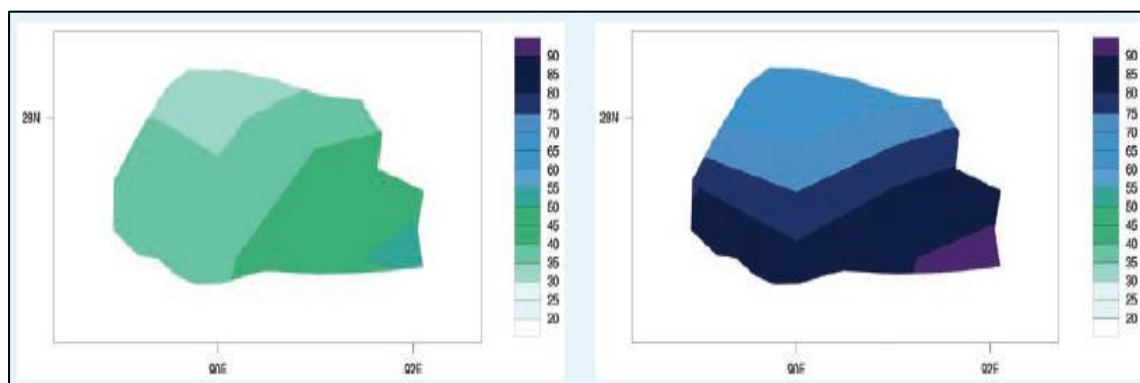


Figure 3: Projected change in the maximum 5-day rainfall (mm) over Bhutan for the period 2040–2059 (left) and for the period 2080–2099 (right) for emissions pathways RCP8.5 compared to the 1986–2005 baseline

127. Bhutan submitted its first NAP to the United Nations Framework Convention on Climate Change (UNFCCC) secretariat in 2023. Climate risk assessments were conducted covering four critical sectors - agriculture and livestock, forest and biodiversity, health, and water resources, as part of NAP preparation process.
128. Future climate variability, marked by increasing extremes and unpredictable shifts, will increasingly threaten food security, water resources, economy and infrastructures. The future climate variability is likely to bring about a shift in forest structure and distribution. Forest fires will be more intense with increasing possibility of more crown fires. Coupled with a faster rate of spread, the possibility of larger fires burning over longer periods is an eminent possibility. Risks to broadleaved forests at lower elevations (<2000) are projected to increase from now to 2050 under both RCP 4.5 and RCP 8.5. This corresponds to over 9000 km<sup>2</sup> of broadleaved forests at high fire risk<sup>67</sup>. Bhutan is also confronted with climate sensitive health challenges. Projected temperature rise is expected to escalate the geographic spread and frequency of vector-borne diseases, notably malaria and dengue, while also increasing waterborne diseases incidences<sup>68</sup>. Risks of local dry spells at gewog level are expected to increase under climate change as evident from drying of water sources in most part of the country<sup>69</sup>.
129. Agricultural production and food security is likely to face disruptions, such as crop loss to unusual outbreaks of pest and diseases, erratic rainfalls, cyclones, windstorms, hailstorms, droughts, flash floods and landslides in the last couple of decades<sup>70</sup>. High altitude rice farmers experienced a devastating 80–90% crop loss due to rice blast disease in 1996 and recurrent outbreak of fall army worm incidence. Similarly, *Turcicum* leaf blight affected over 50% of maize farmers in 2007. Some of the farmers have adopted the use of disease and climate resistant varieties to tackle these issues. The recent cyclone Aila resulted in incessant rainfall causing one of the worst disasters in Bhutan incurring an estimated loss of US\$ 17 million in May 2009<sup>71</sup>. With increased extreme weather events and their frequency, droughts incidents are expected to increase during the drier seasons and an increase in flooding events during the summer monsoon.
130. Bhutan's 567 glacial lakes, accounting for 19% of its water bodies, face mounting threats from climate change. 17 pose substantial risks to communities downstream due to rising temperatures accelerating

<sup>66</sup> Climate Risk Country Profile: Bhutan (2021): The World Bank Group and the Asian Development Bank

<sup>67</sup> NECS. (2022a). *Assessment of Climate Risks on Forests and Biodiversity for NAP Formulation Process in Bhutan*

<sup>68</sup> NECS. (2021). *Assessment Of Climate Risks On Health For National Adaptation Plan (NAP) Formulation Process In Bhutan*

<sup>69</sup> NECS (2021). *Assessment of Climate Risk on Water Resources for the NAP in Bhutan*

<sup>70</sup> Chhogyel, N., Kumar, L., & Bajgai, Y. (2020). Consequences of climate change impacts and incidences of extreme weather events in relation to crop production in Bhutan. *Sustainability*, 12(10), 4319

<sup>71</sup> NCHM. (2018). *Impact of climate change*

glacier retreat and swelling lake levels. Bhutan witnessed GLOF incidents in 1957, 1960, 1968, and notably in 1994. Notable incidents like the tragic 1994 GLOF from *Luggye Tsho*<sup>72</sup> claimed the lives of 21 individuals, damaged 91 houses, and destroyed 1,781 acres of land. The recent flood disaster in July 2023 that claimed 23 lives in *Lhuentse*<sup>73</sup> highlights the ongoing vulnerability. Compounded by the concentration of around 70% settlements and critical infrastructure along the main drainage basins, Bhutan faces heightened risks from flooding and landslides. Likewise, landslide risk is predicted to be moderate for RCP 4.5 – anticipating two times more intense in short term (2035) and four times more intense toward 2085. Conversely, landslide risk is projected to be severe and higher during the same period.

131. Bhutan's hydrological system, its key economic backbone, will likely bear the brunt of climate change's impact. This is because the hydropower sector, a primary industry accounting for 15.6% of GDP (DoE, 2022), relies heavily on variable monsoon patterns and river flows. While increased glacial melt may initially provide a surge in water for hydropower projects, in the longer term, it will likely lead to reduced water flux due to diminished glacier mass. This poses a new challenge for Bhutan, which, despite its hydropower potential, currently imports around 1,500 million units of energy during the lean season at a cost of approximately 6 billion, impacting overall energy security.
132. Climate change has distinct impacts on gender, affecting men and women differently due to existing societal norms and roles. A study by UNDP in 2020 on Gender and Climate Change in Bhutan, highlights women's higher vulnerability to climate change impacts due to factors such as limited access to resources, lower socioeconomic status, and cultural roles that assign them responsibilities for household and caregiving duties. Furthermore, women were found to have lesser awareness on climate-smart agriculture initiatives as opposed to male counterparts.

## Interventions

133. Despite making incremental progress in adaptation planning, financing and implementation, Bhutan is not able to keep pace with its urgent adaptation needs. This can be attributed to the huge financial and technological resources needed for effective adaptation. Bhutan's first NAP identified key adaptation priorities across seven interconnected sectors. These needs range from direct interventions like technology transfer and infrastructure investments to softer components such as market access, capacity building and information management<sup>74</sup>. However, translating these plans requires significant resources amounting to US\$ 14 billion. The evident changes influenced by climate variabilities both in the short and long term demand a multi-faceted and targeted approach. In line with NAP, CVAM and the findings from prefeasibility, following interventions are proposed:
  - i. The agrifood system necessitates a transformation in agricultural practices, replacing outdated methods with climate-resilient alternatives. While the country's farmers are already adopting various technologies, they lack the technical capacity to adopt the most suitable climate-smart agriculture practices. Addressing the challenges arising from shifting precipitation patterns can involve the introduction of climate-resistant crop varieties, enhancements to water management infrastructures, and the implementation of water-use technologies and practices. Furthermore, promoting sustainable land management and afforestation emerges as crucial interventions for resilience building of steep topography.
  - ii. The existing early warning systems must be strengthened and upgraded with a state of art technology and people centric system to provide accurate, timely forecasting and early warnings that are understandable to users and communities to adapt to the frequent hydrometeorological disasters.

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<sup>72</sup> A name of glacial lake.

<sup>73</sup> A district in the eastern Bhutan.

<sup>74</sup> National Adaptation Plan (NAP) of the Kingdom of Bhutan 2023

- iii. Spring-shed management, as a nature-based solution, is gaining traction in addressing the growing issue of spring depletion and water insecurity across Bhutan. In view of drying water sources, it can be implemented to enhance water security and ecosystem restoration through community engagement. However, these practices need to be scaled up by addressing data and knowledge gaps.
- iv. The government must prioritize locally led planning and community driven resilience building activities tailored to specific regional and community needs. LGs have an aptitude for such interventions due to the specific local knowledge required and the needs for local cooperation in planning, designing and implementation. Adaptation measures beyond regular FYP development activities are required to address the challenges of vulnerable Dzongkhags of the country.
- v. Since climate change is often a highly localized affair, critical element of implementation is the integration of adaptation priorities into the LG annual planning and budgetary cycles. A multifaceted and a gender sensitive approach should be undertaken while allocating adaptation investment grants through PBG mechanism.
- vi. Climate change is new and a perplexing issue at the LG level. Capacity gaps hinder advancement of adaptation processes both at the national and global level. Education and awareness among key government officials and local communities will ameliorate the understanding on climate change and how LGs can respond to climate change challenges. Capacity building on how to integrate climate change adaptation into planning processes will be critical in minimizing exposure to climate change and risk to natural disasters.

#### (b) Theory of Change (TOC) and Paradigm Shift Potential at GCF's Impact Level

134. CARE-LG aims to catalyse sustainable system-level changes at multiple levels. Through the project's technical and financial resources, LGs will be enabled to strengthen a bottom-up approach of planning and implementation of their CCA needs. Specifically, the project will help LGs and communities to address the current critical barriers such as: the minimal adaptation support at community level; limited institutional capacity on CCA; and, low levels of coordination to reduce community vulnerability to climate risks. It will bridge the existing financial gap on designing and managing adaptation interventions at the local level, with the paradigm shift in adaptive technical capacity and knowledge to mainstream CCA plans and budgets. The project is expected to bring a systemic change at the end of its implementation that will enable communities to assess climate-related risks, develop locally relevant adaptation investment plans, and effectively implement solutions with sustainable climate action.
135. The Project's Theory of Change (TOC) remains in its goal and impact paradigm shift that the establishment and operation of PBG mechanism, which will provide technical assistance of adaptation mainstreaming tools and grants, will enhance the capacity of LGs and vulnerable local communities in undertaking climate adaptive interventions effectively, thereby strengthening their resilience by mainstreaming CCA in planning, budgeting and small-scale investments. The project's ToC builds on the principle that reducing the vulnerability of local communities depends on their empowerment and increased capacity to identify and understand climate change impacts on their livelihoods, and subsequently to develop and implement CCA plans through their Gewog plans.
136. The project's efficient and timely implementation is subject to the following **assumptions**:
  - Local stakeholders: can access and use climate information; are able to build knowledge and capacities to identify adaptation needs and corresponding adaptation investments; and, can prepare quality adaptation proposals to access the grant facility.
  - Climate resilience awareness, capacity and programming approaches are adopted; and, national and LGs take adequate decisions and actions to execute Gewog plans;

- LGs improve their performance indicators of PBCAG.

137. The following diagram demonstrates the project's ToC with the impact goal and paradigm shift statement as well as the logical framework of outcomes, outputs, and activities.

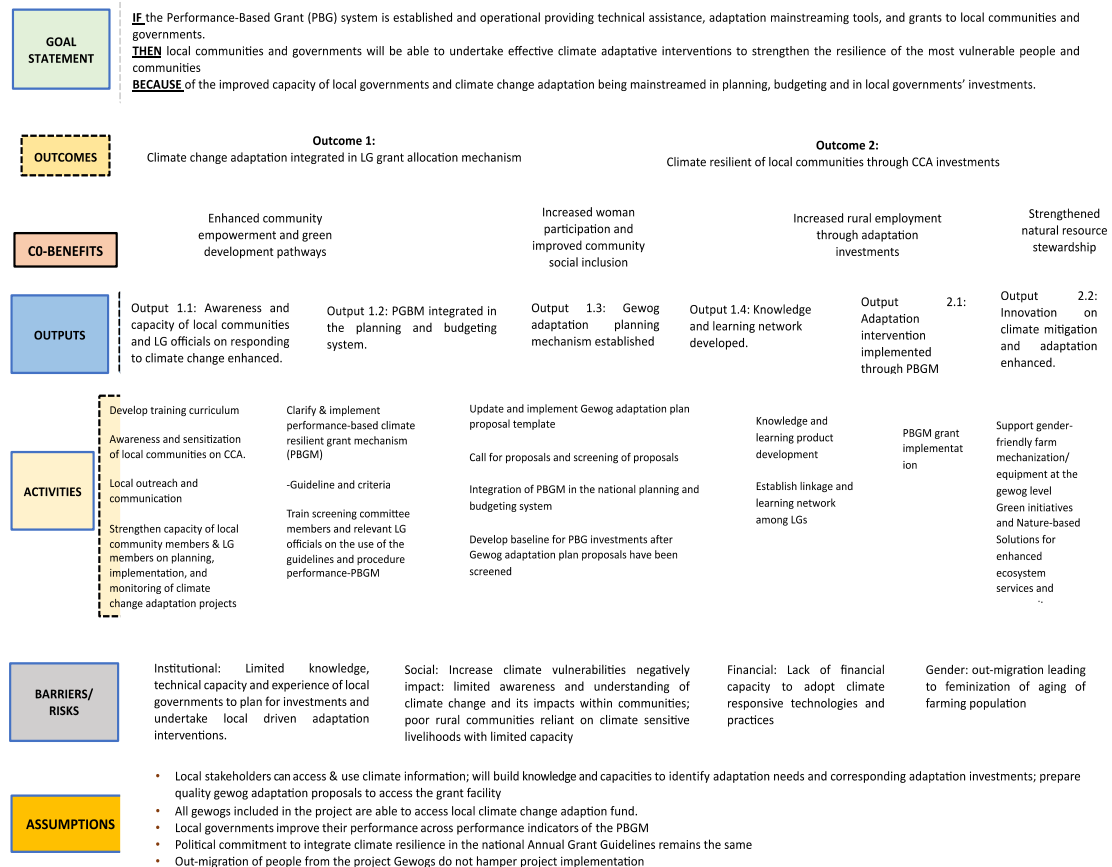


Figure 4: CARE-LG's TOC and logical framework of outcomes, outputs and activities.

### (c) Project Objective, Logic of Action/Logical Framework and Components

#### Project Objective at the GCF Outcome Level

138. The overarching purpose and objective of CARE-LG is to support LGs and vulnerable communities at the local level in Bhutan to strengthen their climate resilience. This is intended to be achieved by enhancing their adaptive capacity and knowledge in adoption of climate responsive infrastructures, technologies and practices. The key intervention of the project is to provide PBGs integrated within the LGs' annual planning and budgetary cycles. The PBG will enable eligible (assessed by performance) LGs to finance climate resilient investments in their communities through their Gewog plans.

139. The key objective of CARE-LG's PBG mechanism is to help LGs in climate-proofing their development plans and activities with the long-term goal of strengthening local communities' climate resilience through implementation of activities led and owned by themselves in a context-specific and cost-effective approach. The Project's climate-results include reduced climate change vulnerability and adverse impacts resulting from the communities' enhanced adaptive capacity for sustainable livelihoods. The use of PBGs will empower LGs and local communities with adaptive technical capacity, accompanied by institutionalization of practices, processes and guidelines necessary for effective and sustainable CCA even after the completion of the project. The project will catalyze local and national

policy change through demonstration of effectiveness of small-scale, locally designed adaptation investments, and providing incentives for a greater budget allocation to climate change adaptation.

140. The CARE-LG is directly in line with the GCF's goal of strengthening the domestic capacity of countries to address climate change, as it involves (i) deploying a climate finance facility led by the Government and aligned to national systems; and (ii) contributing to local community adaptation through the institutionalization of performance-based grant in planning, budgeting, implementation and monitoring of adaptation measures at the local level. The project is aligned and contributes to several SDGs, in particular, SDG 1: No poverty; SDG 5: Gender Equality; SDG 8: Decent work and economic growth; SDG 11: Sustainable cities and communities; and, SDG 13: Climate Action. In particular, the project is designed to contribute to the following outcomes of GCF:

GCF Outcome	GCF IRMF Core Indicator
Increased resilience	<ul style="list-style-type: none"> <li>• ARA1 (Most vulnerable people and communities), as it targets some of the most climate-vulnerable remote and rural communities with support to build adaptive capacity and increase resilience, reduce climate-related risks of hazards, and increasing knowledge, awareness and skills to address climate change at the local level.</li> </ul>
	<ul style="list-style-type: none"> <li>• ARA2 (Health, wellbeing, food and water security), as it will help strengthen significantly local-level climate resilience via increased food and water security, diversified and climate-resilient livelihoods, and reduced disaster risk.</li> </ul>
	<ul style="list-style-type: none"> <li>• ARA3 (Infrastructure and built environment) as it will enhance climate resilience of existing community infrastructure.</li> </ul>
Enabling environment	<ul style="list-style-type: none"> <li>• Core indicator 5 (Degree to which GCF investments contribute to strengthening institutional and regulatory frameworks for climate-resilient development pathways in a country-driven manner), as the project will support the development and implementation of sub-national level (Gewog) adaptation planning and implementation coordination mechanisms and strengthen institutional capacity.</li> </ul>
	<ul style="list-style-type: none"> <li>• Core indicator 6 (Degree to which GCF investments contribute to technology deployment, dissemination, development or transfer and innovation), as the project will support targeted communities to increase their access to adaptation technologies related to risk assessment and planning and food security through climate resilient resource use.</li> </ul>
	<ul style="list-style-type: none"> <li>• Core indicator 8 (Degree to which GCF investments contribute to effective knowledge generation and learning processes, and use of good practices, methodologies and standards), as the project will enable stakeholders, communities and LG officials in non-project Gewogs and Dzongkhags to benefit from experiences and learning from project Gewogs and Dzongkhags through knowledge and exchange platform.</li> </ul>

#### Project's Specific Indicators (Outcomes and Outputs)

141. CARE-LG is proposed to have two Outcomes or Components: **Outcome 1** will focus on building the awareness and capacity of LGs and communities on mainstreaming climate change adaptation planning, implementation and adoption of climate responsive technologies and practices. This outcome will cover all top 120 Gewogs vulnerable to climate change (refer para 75 and Annex 1). **Outcome 2** will provide PBGs to Gewogs for small-scale CCA investments. The CCA proposals will be invited from all 120 Gewogs, and based on the performance assessment as well as other eligibility criteria, at least 60 Gewogs (out of 120 Gewogs of Component 1) will be selected to access the grants. These 60 Gewogs will implement their CCA activities based on the PBG mechanism guidelines such as the adaptation plans being within the investment menu and meeting of minimum conditions set by the screening guideline. The indicative PBG mechanism framework guidelines are attached as Annex 4. In the entire project duration, the PPG size for each of the 60 Gewogs is estimated to be USD 125,000.
142. The two outcomes are interlinked and complement each other to directly address localized climate risks and vulnerabilities at the local level and strengthen LGs' CCA capacities in implementing community

prioritized climate resilient investments. Through the general awareness and capacity building of LGs and communities on climate change impacts and needs for adaption in the first component, the second component focusses on implementing CCA investments through integration of the process within the LGs' planning and execution process.

143. The respective Outputs of the two Outcomes are listed in the table below:

Component	Output	Output Description
<b>1. Climate change adaptation integrated in LG grant allocation mechanism (120 Gewogs)</b>	<b>Output 1.1:</b> Awareness and capacity of local communities and LG officials on responding to climate change enhanced	This output will provide climate adaptation awareness and training programs to targeted local communities and LG officials empowering them with the technical knowledge and understanding of climate change vulnerability and adaptation options to identify and prioritize adaptation actions and prepare Gewog plans. This will ensure that the capacities of LGs to plan, budget, implement and monitor for effective locally-led adaptation options are enhanced
	<b>Output 1.2:</b> PBGM integrated into the planning and budgeting system	Following identification and prioritization at the local community and government levels, this output will focus on integrating PBGM into planning and budgeting process, and training on developing climate adaptation grant proposal by the local governments targeting the grant facility. This output will adopt the procedures of preparations, submissions, screening and monitoring of Gewog Adaptation Plans
	<b>Output 1.3:</b> Gewog adaptation planning mechanism established	Gewog Adaptation Plans and establish mechanisms and capacity to assess, select and award the grants for financing the selected gewog adaptation plans. It will include updating the Gewog Adaptation Plan template and investment menu to enable preparation of gewog adaptation plans by LGs
	<b>Output 1.4:</b> Knowledge and learning network	This output will promote cross-learning and create a network of climate change advocates and practitioners among LGs, and support learning exchanges between LGs as well as site visits to ongoing projects funded through the grant facility.
<b>2. Climate resilient of local communities through CCA investments (60 Gewogs)</b>	<b>Output 2.1:</b> Adaptation interventions are implemented through PBGM.	Under this output, PBGs will be rolled out to 60 selected Gewogs through a detailed guideline covering the call for Gewog adaptation plans, screening of Gewog plans, defining eligible investments menu, monitoring and evaluation and execution of PBG for adaptation interventions.
	<b>Output 2.2:</b> Innovation on climate mitigation and adaptation enhanced.	This output will provide support for additional piloting of innovative climate-responsive technologies and practices based on performance under 2.1 (as assessed by the Screening Committee)

144. The expected results and barriers to be addressed by the two components are:



Component	Expected Results	Barriers to address
<b>1. Climate change adaptation integrated in LG grant allocation mechanism (120 Gewogs)</b>	(a) Technical and institutional knowledge base created and established within local communities to fight against climate change impacts.	(a) Institutional capacity barriers through enhanced awareness, knowledge and adaptation capacity.
	(b) Enhanced awareness and participation by local communities on climate-resilient development approaches and practices.	(b) Social barriers through reduced vulnerabilities of communities to climate hazards that promote access to economic opportunities.
	(c) Strengthen Gewogs' capacities in local development planning and budgeting processes that integrate community prioritized climate resilient investments.	
	(d) Hands-on-practical experience and knowledge on mainstreaming CCA across portfolio of grant windows.	(d) Gender barriers through capacity development and participation of women in planning and decision-making process.
	(e) Improved climate responsive sub-national planning at the local level.	
<b>2. Climate resilient of local communities through CCA investments (60 Gewogs)</b>	(a) Reduced economic disruptions from climate-induced hazards and access to climate proof infrastructure and services in the face of climate change impacts.	(a) Financial barriers through enhanced capacity of budgetary allocations and access to increased finance for climate proofing investments.
	(b) Local economic development generated by investments.	
	(c) Innovative technologies to reduce vulnerability to hazards identified and introduced in the local development and planning processes.	(c) Technological barriers through enhanced technological capacity and expertise of communities on CCA measures, and introduction of innovative technologies in climate-sensitive sectors such as agriculture and forestry for improved livelihood sources.
	(d) Improved community livelihoods generated as a result of increased climate resilience of agricultural production systems (including irrigation), rural water supply schemes, small-scale infrastructure such as rural roads and bridges, and other livelihood assets.	
	(e) Local and national policy change catalyzed through demonstration of effectiveness of small-scale, locally designed adaptation projects to provide incentives for a greater budget allocation to climate change adaptation.	



145. The assessment also recognise that the project will result in a range of tangible **co-benefits** for targeted beneficiaries across the social, environmental, economic and gender domains, which are summarised as follows:

- a. *Social*: Community empowerment and green development pathways; The adoption of positive behavioural changes resulting from climate awareness program will lead to adoption of sustainable practices and green developmental pathways.
- b. *Environmental*: Stewardship of natural resources; The skills and experience gained by the communities through CCA plans can be applied in overall natural resources management at local level.
- c. Enhanced support to ecosystem services by integrating ecosystem-based adaptation measures, such as environmentally friendly agricultural practices and improved forest ecosystem management, into community level adaptation planning, as well as capacity building and implementation of activities related to food, water and nutrition security.
- d. *Economic*: Enhanced economic services and operations as a result of reduced damage, delays and disruption due to improved climate resilience of infrastructure and protection of community assets. Rural employment opportunities will be also increased through diversification of adaptation investment opportunities.
- e. *Gender*: Increased gender equality in community institutions beyond project area.

#### Project activities and deliverables

146. The activities and deliverables proposed are:

<b>Output 1.1:</b>	<b>Awareness and capacity of local communities and LG officials on responding to climate change enhanced</b>
<i>Activity 1.1.1</i>	<i>Develop training curriculum or training local communities and local government on climate change adaptation planning, implementation and monitoring</i>
<p>Under this activity, training resource materials and formats will be developed, including the training curriculum for communities as well as LG officials. This activity will also determine the modality of training, participants, level of participants and duration. This activity will compose of the following sub-activities:</p> <ol style="list-style-type: none"> <li>a. Needs assessment (to inform the curriculum development) with the objective to: <ul style="list-style-type: none"> <li>• Assess the current level of awareness and understanding of climate change and adaptation measures;</li> <li>• Identify specific needs, vulnerabilities and capacities of the target audience to carry out climate change risk assessment (local level vulnerability assessment using PRA).</li> </ul> </li> <li>b. Based on the findings of the needs assessment, the training curriculum will be developed for both the community members and LG officials, which will include: <ul style="list-style-type: none"> <li>• Intended learning outcomes (what participants should know and be able to do after completing the training)</li> <li>• Concepts related to climate change; its impacts and importance of adaptation planning;</li> <li>• Stakeholders' engagement; legal and policy frameworks; methods for assessing climate risks and vulnerabilities specific to the locality, including tools for impact assessments; introducing adaptation strategies and technology options; guidelines for monitoring and evaluating the effectiveness of climate adaptation measures; communication and advocacy skills to effectively convey the importance of climate adaptation; information on potential funding sources and mechanisms for implementing climate adaptation projects.</li> </ul> </li> </ol> <p>The training materials development as well as the training facilitation may be outsourced to local consultants based on the RGOB's procurement rules and norms.</p>	

<b>Activity 1.1.2</b>	<b><i>Awareness and sensitization of local communities on climate change risks and impacts.</i></b>
Under this activity, the actual training for local communities on climate-change will be rolled out based on the training materials/resources/curriculum developed under activity 1.1.1. The communities to avail the training under each of the 120 Gewogs will be determined in consultation with the respective Gewog administration offices. The local consultant recruited under activity 1.1.1 will facilitate the training. Other expenditures for this activity would include logistics for training participants.	
<b>Activity 1.1.3</b>	<b><i>Local outreach and communication strategy for climate change awareness at local level</i></b>
Under this activity, communication materials for awareness of CCA adaptation for LGs and communities will be developed. This activity will include public information and awareness through public TV and radio broadcasting, social media platforms and other public communication means feasible at the local level.	
This activity will involve at least two workshops: (i) Consultation workshop with relevant stakeholders on the needs and design of communication strategy to inform drafting of the communication strategy. The activity is proposed to be carried out by PMU in collaboration with EEs and LGs.	
<b>Activity 1.1.4</b>	<b><i>Strengthen local community level capacity on planning, implementation and monitoring of climate change adaptation projects.</i></b>
This activity focusses on in-depth sensitisation and training of community members (Chiwog level) of the 60 selected Gewogs on planning, implementation and monitoring of climate change adaptation projects through targeted workshops/training. This activity is aimed to facilitate the community members in preparing the CCA activities within the investment menus and screening guidelines. This activity will be facilitated by local consultant(s) recruited under activity 1.1.1.	
<b>Activity 1.1.5</b>	<b><i>Strengthen Dzongkhag level capacity on planning, budgeting, implementation and monitoring of climate change adaptation projects..</i></b>
Under this activity, the LG officials at the Dzongkhag level will be trained to build their capacity to plan, budget and monitor CCA activities. This activity will include sensitisation and training of LG officials on the minimum conditions to access the grants, and use of performance assessment and selection criteria to be eligible to access and use the grants.	
The training will be facilitated by local consultant(s) based on the curriculum developed under activity 1.1.1.	
<b>Activity 1.1.6</b>	<b><i>Strengthen Gewog level capacity on planning, budgeting, implementation and monitoring of climate change adaptation projects.</i></b>
Under this activity, the LG officials at the Gewog level will be trained to build their capacity to plan, budget and monitor CCA activities. This activity will include sensitisation and training of LG officials on the minimum conditions to access the grants, and use of performance assessment and selection criteria to be eligible to access and use the grants.	
The training will be facilitated by local consultant(s) based on the curriculum developed under activity 1.1.1.	
<b>Activity 1.1.7</b>	<b><i>Strengthen Chiwog level capacity on planning, budgeting, implementation and monitoring of climate change adaptation projects. .</i></b>
Under this activity, the LG officials at the Chiwog level will be trained to build their capacity to plan, budget and monitor CCA activities. This activity will include sensitization and training of LG officials on the minimum conditions to access the grants, and use of performance assessment and selection criteria to be eligible to access and use the grants.	
The training will be facilitated by local consultant(s) based on the curriculum developed under activity 1.1.1.	
<b>Output 1.2</b>	<b><i>PBGM integrated into the planning and budgeting system</i></b>

<b>Activity 1.2.1</b>	<i>Clarify performance-based climate resilience grant mechanism (PBGM)</i>
This activity is to update detailed performance assessment and eligibility criteria to be used to screen and provide PBG to the LGs for CCA investments. This activity involves detailing of a mechanism to implement performance-based grants for CCA in LGs. It entails regional workshops to develop governance structure PBG mechanism.	
<b>Activity 1.2.2</b>	<i>Develop PBGM guidelines and procedure including screening criteria and procedure</i>
This activity is to develop and establish detailed CCA vulnerability assessment guidelines and implementation of PBGs including the eligibility criteria, screening process and allocation of grants, including the monitoring and tracking system. Under this activity, the necessary guidelines and procedure for implementing PBG will be developed. They include: <ul style="list-style-type: none"> <li>• Climate change vulnerability assessment process</li> <li>• CCA screening criteria</li> <li>• Guidelines for preparation of Gewog adaptation plan proposals</li> <li>• M&amp;E framework</li> </ul>	
<b>Activity 1.2.3</b>	<i>Endorsement of the guidelines and procedure performance- based climate resilience grant (PBGM)</i>
Workshop to validate and endorse guidelines and procedure for performance-based climate resilience grant (PBG) mechanism.	
<b>Activity 1.2.4</b>	<i>Training to Screening Committee members and relevant LG officials on the use of the guidelines and procedure performance-based climate resilience grant (PBGM)</i>
Workshop to identify, sensitize and train the Screening Committee members and relevant LG officials on the use of the PBG mechanism guidelines and procedure	
<b>Output 1.3</b>	Gewog adaptation planning mechanism established
<b>Activity 1.3.1</b>	<i>Update and implement Gewog adaptation plan proposal template and sensitization to Screening committee;</i>
Sensitization and workshop to sensitize LGs on the Gewog CCA preparation template and procedure	
<b>Activity 1.3.2</b>	<i>Call for proposals and screening of proposals</i>
Preparation and submission of CCA proposals by Gewogs and screening by the screening committee.	
<b>Activity 1.3.3</b>	<i>Integration of PBGM in the national planning and budgeting system</i>
Based on implementation of Gewog CCA activities, PBG mechanism will be integrated to the national planning, budgeting and implementation system.	
<b>Activity 1.3.4</b>	<i>Develop arrangements for planning and monitoring systems for PBGM mechanism</i>
Workshop/consultation meetings on setting up arrangements for monitoring and evaluation of the project	
<b>Activity 1.3.5</b>	<i>Baseline survey for PBGM investments after Gewog adaptation proposals have been screened.</i>
Based on PBG proposals, this activity will develop baseline for the gewog adaptation plans after the proposals are screened and selected for PBG allocation.	
<b>Output 1.4:</b>	<b>Knowledge and learning network developed</b>
<b>Activity 1.4.1</b>	<i>Knowledge and learning product development</i>
This activity will support development of knowledge products to be shared with relevant stakeholders.	
<b>Activity 1.4.2</b>	<i>Establish linkage and learning network among LGs</i>
This activity will support exchange visits and knowledge-exchange programmes between/among the LGs on CCA practices, challenges and success stories with the objective to use the platforms for further capacity building and improvement of CCA investments through peer learning.	
<b>Output 2.1</b>	<b>Adaptation interventions are implemented through PBGM</b>
<b>Activity 2.1.1</b>	<i>PBG mechanism implementation</i>
Gewogs will implement PBG.	
<b>Output 2.2</b>	<b>Innovation on climate mitigation and adaptation enhanced</b>
<b>Activity 2.2.1</b>	<i>Support gender-friendly farm mechanization/equipment at the Gewog level</i>

Innovative gender friendly farm mechanization to enable communities to better adapt to climate risk: Establishment of community-based farm machinery/tools centers to enable access to efficient, climate friendly and gender responsive mechanization	
Activity 2.2.2	<i>Green initiatives and nature-based solutions for enhanced ecosystem services and community resilience</i>
Support to nature-based solutions that enhance catchment protection, restoration of enhance livelihood options at local level	

(d) Monitoring, reporting and evaluation arrangements

147. The existing M&E framework and procedure of the Government will apply to the implementation of the project activities. The LG Act 2009 (Chapter 4) mandates the Dzongkhag Tshogdu and Gewog Tshogde to monitor, evaluate and ensure implementation of planned activities in the Dzongkhag/Gewog, and in accordance with the monitoring framework provided by the Government. The LGRR 2012 (section 271) requires the Gewog Administrative Officer to assist Gewog Tshogde in planning and monitoring development activities within the Gewog.
148. BTFEC in its capacity as the AE will perform the overall monitoring and supervision of the project activities and ensure that the project implementation complies with the project design and GCF guidelines. The PMU will ensure that the LGs implement the activities in compliance to the M&E framework and process put in place at various levels and stages of project, and carry out periodic compliance assessment and reporting requirements from Executing Entities (EE) and local project representatives. Specifically, the following M&E process will apply:
- (a) As the Accredited Entity (AE), BTFEC will oversee and supervise the implementation of this project in accordance with the agreement signed between BTFEC and the GCF. BTFEC will be responsible for project-level monitoring and reporting in compliance with BTFEC's operational manual and will support the Project Manager as needed, including through annual supervision missions.
  - (b) The primary responsibility for day-to-day project monitoring and implementation rests with the Project Manager. The Project Manager, together with the Executing Entities (DLGDM and DPBP) and AE to develop annual work plans and ensure the efficient implementation of the project. The Project Manager will inform the Project Steering Committee (PSC) and BTFEC of any delays or difficulties during implementation, including the implementation of the M&E plan, so that appropriate support and corrective measures can be adopted. The Project Manager will also ensure that all project staff and EEs maintain a high level of transparency, responsibility and accountability in monitoring and reporting the project results.
  - (c) The logical framework contains performance indicators by component and outputs, which will be jointly monitored by the PSC, NDA and BTFEC during program implementation via two six-monthly supervision missions per year (or as needed) and via regular monitoring and evaluation procedures that will be established during the project's inception phase.
  - (d) A Monitoring and Evaluation expert (funded by the project) based in the PMU will support the project M&E requirements. This will include establishing M&E systems aligned with GCF, NDA and BTFEC policies and the results framework. Working together with the EEs, Technical Advisory Committee (TAC) and Screening Committee (SC), M&E officer will develop a set of M&E tools, approaches and reporting arrangements for all project components and outputs including Annual Performance Reports (APR) or each year of project implementation and project closure reports. The training, coaching and support will include capacity development in M&E, with a focus on evidence base for the results and impact of the project.
  - (e) A project inception workshop will be held after the project document has been signed by all relevant parties to: a) re-orient project stakeholders to the project strategy and discuss any

changes in the overall context that influence project implementation; b) discuss further, the roles and responsibilities of the project team, including reporting and communication lines and conflict resolution mechanisms; c) review the results framework and discuss reporting, monitoring and evaluation roles and responsibilities; d) review financial reporting procedures and mandatory requirements, and agree on the arrangements for the annual audit; e) plan and schedule PSC, TAC and SC meetings and finalize the first year annual work plan. The Project Manager will prepare the inception report no later than one month after the inception workshop. The final inception report will be cleared by BTFEC and approved by PSC.

- (f) The PSC, TAC and BTFEC will provide objective input to the annual Project Performance Report (APRs) for each year of project implementation. The Project Manager and M&E officer will ensure that the indicators included in the project results framework are monitored annually well in advance of the APR submission deadline and will objectively report on the progress towards the project results. The annual APRs will be shared with the PSC and other stakeholders. The BTFEC will coordinate the input of the NDA Focal Point and other stakeholders to the APR. The quality rating of the previous year's APR will be used to inform the preparation of the next APR. The final project APR along with the terminal evaluation report and corresponding management response will serve as the final project report package.
- (g) An independent interim evaluation (IE) will be undertaken and the findings and responses outlined in the management response will be incorporated as recommendations for enhanced implementation during the second half of the project's duration. The terms of reference, the review process and the final IE report will follow the standard templates and guidance of the BTFEC and GCF. The final IE report will be cleared by the BTFEC, the PSC and by the GCF. It will be available in English.
- (h) An independent terminal evaluation (TE) will take place no later than three months prior to operational closure of the project. The terms of reference, the review process and the final TE report will follow the standard templates and guidance of BTFEC and GCF. The final TE report will be cleared by the and will be approved by the BTFEC, PSC and GCF. The TE report will be available in English.
- (i) While the overall monitoring and evaluation plan is included in the project time table (Annex 2 B), a detailed M&E budget, monitoring and evaluation plan will be prepared after assessment of the baseline in year one of the project. BTFEC will perform monitoring and reporting throughout the reporting period in accordance with the AMA and Funded Activity Agreement (FAA). In the event of any additional post-implementation obligations over and above the AMA, BTFEC will discuss and agree on these with the GCF Secretariat in the final year of the project and will prepare a post-implementation monitoring plan and budget as necessary.
- (j) The APRs, end of project closure reports, IE and TE will include updated information on E&S risks, projects risks, gender action plan including disaggregated gender data.

## (e) Timeline of the Implementation

149. The CARE-LG will be a five-year project. The 13<sup>th</sup> FYP of the country is scheduled to be implemented beginning 2024. Ideally, the CARE-LG would best fit to correspond with the 13<sup>th</sup> FYP in order to enable use of PBG by the targeted Gewogs, in line with their annual plans of the FYP. The proposed timetable of the Project is attached as an Annex to the Funding Proposal (**Annex 2b**).

## V. Implementation Arrangements

### (a) Stakeholder Analysis

150. There are a couple of key stakeholders pertinent to the implementation of the proposed CARE-LG. The relevance of these key stakeholders lies in their institutional functions and responsibilities, past experience of engagement in similar practice, potential involvement in implementation of CARE-LG and the complementarity based on ongoing as well as future projects on climate-resilience and adaptation actions in the country. This section describes such stakeholders with the potential of engagement and linkages in climate adaptation and resilience building at the local level, and operation of CARE-LG, as follows:

151. The **Department of Environment and Climate Change (DECC)** under the Ministry of Energy and Natural Resources (MENR)<sup>75</sup> has advisory roles in terms of climate change policy and adaptation guidelines. The Climate Change Division (CCD) under the DECC which has the following mandates related to CARE-LG is a potential entity to represent in the project's steering and technical committees:

- Facilitate to protect and promote a safe and healthy environment for low carbon and climate resilient society and economy.
- Provide guidance and directions on enforcement of bilateral and multilateral environmental agreements/ratifications.
- Coordinate actions on monitoring Green House Gas (GHG) projection inventory and adaptation to climate change impact.
- Coordinate fulfillment of the national, regional and international reporting obligations under the international conventions, protocols and agreements
- Awareness and sensitisation of climate change risks, impacts and vulnerabilities.
- Ensuring synergies for cross sectoral coordination on climate-change actions.

152. The **Department of Local Governance and Disaster Management (DLGDM)**<sup>76</sup> under the Ministry of Home Affairs (MoHA) is the central coordinating agency on local governance and promotion of decentralized functions. It is responsible for the coordination of local development plans and programmes. The LGRR 2012<sup>77</sup>, particularly Chapter 6 and 7, specify the Department's functions and roles in supervising and monitoring the development planning and implementation of LGs, including capacity building and inter-governmental coordination. The Department, with the following mandate, is the potential agency for the project execution and representation in the project steering and technical committee:

- Coordination of development of system and capacity of LGs.
- Promote deepening of decentralization process and strengthen decentralized functions of LGs.
- Promote system of transparency and accountability among LGs.
- Provide common LG platforms at the national level to discuss and resolve LG issues.
- Promote research, documentation and evidence-based decision-making by the LGs.

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<sup>75</sup> <https://www.moenr.gov.bt/>

<sup>76</sup> <https://www.dlgdm.gov.bt/about-lg/22>

<sup>77</sup> <https://www.dlgdm.gov.bt/storage/upload-documents/2021/12/16/umXB6iM4gC.pdf>

153. The **Ministry of Finance (MoF)** has the central position and decision-making responsibility related to financing climate actions. The Ministry coordinates to prepare the national development plans and budget, and allocates budget codes for different development themes, including the climate change. The MoF oversees the national expenditure reporting system with a climate change finance unit under the GCF readiness project that is responsible to deal with all climate finance issues. Further, MoF has a significant role on mobilizing domestic and international resources for climate change finance.
154. The **Department of Macro-Fiscal and Development Finance (DMDF)**<sup>78</sup> under the MoF is the main coordinating agency for macroeconomic and public finance management policies. It deals with all matters relating to fiscal policies, including resource mobilization, expenditure and liaison with bilateral and multilateral financing institutions. This Department, with the following functions, is a potential agency for representation in the project's steering committee with functions of chairing the committee:
- Policy and planning of macroeconomic management of the country through the coordination of medium-term macroeconomic framework;
  - Coordinate government macro-economic policies and report on the state of the economy and fiscal position of the Government, including borrowing, on-lending and grants;
  - Coordination of key economic sector policies for sound economic management;
  - Determine resource envelope and indicative financing for Five Year Plans and Annual Budget Preparations;
  - Provide advice and recommendations on economic and fiscal matters;
  - Carry out macro-economic surveillance and prescribe appropriate strategies to overcome potential structural and policy risks;
  - Liaise, coordinate and participate at national, regional and international level on economic issues;
  - Serve as a secretariat to Macroeconomic Framework Coordination Committees (MFCC).
155. The **Department of Planning, Budget and Performance (DPBP)**<sup>79</sup> under the MoF is the Government's focal agency for development planning, budgeting and performance monitoring, including the development of Government resource allocation formula and criteria (RAFC), based on which inter-governmental fiscal transfers are made to agencies at the central as well as local levels for implementation of the planned development activities. is a potential agency for execution of project and representation in the project's steering and technical committees. It is responsible for the following functions, including for LGs:
- Formulation of annual national budget;
  - Preparation of budget report;
  - Carryout mid-year budget review;
  - Budget management;
  - Performance monitoring;
  - Prepare Multi-Year Rolling Budget (MYRB);
  - Ensure internal resources meet re-current expenditure;
  - Research on new initiatives;
  - Technical Support to Budgetary Agencies; and,
  - Strengthening e-Governance.
156. The **Bhutan Trust Fund for Environmental Conservation (BT FEC)**<sup>80</sup> is the world's first environmental trust fund, established in 1991 as a collaborative venture between RGoB, UNDP and World Wildlife Fund (WWF). It functions on innovative financing mechanisms for sustainable conservation programmes in Bhutan in collaboration with multiple donors and development partners. BT FEC provides grants to promote socio-economic welfare of Bhutanese citizen through conservation of biodiversity and eco-systems; enabling human-wildlife coexistence; climate change adaptation and mitigation; and addressing the adverse effects of development on Bhutan's natural environment. It also operates Small

<sup>78</sup> <https://www.mof.gov.bt/departments/department-of-macroeconomic-affairs/>

<sup>79</sup> <https://www.mof.gov.bt/departments/department-of-national-budget/>

<sup>80</sup> [https://www.bhutantrustfund.bt/public\\_page/getreports/19](https://www.bhutantrustfund.bt/public_page/getreports/19)



Grant as a mechanism of providing prompt and effective responses of an individual, agency, community or an institution to address urgent small environmental issues for healthy living and flourishing of biodiversity. It will take the overall supervision and monitoring for CARE-LG.

157. **Local Governments:** The Dzongkhag Tshogdu (Local Government Body at the district level) function as the highest decision-making body at the district level in line with the mandate enshrined in the Constitution of the Kingdom of Bhutan within the operational framework of the Local Government Act of Bhutan 2009 and the Local Government Rules and Regulations 2012. The Dzongkhag/district Administration Office staffed by civil servants (composed of specific development sectors) support the Dzongkhag Tshogdu to formulate and implement the development plans and programmes at the district level within the national development goals and objectives. Similarly, the Gewog Tshogde (Local Government Body at the Gewog/block level) is the highest decision-making body at the Gewog level (also governed by LG Act and LGRR) that oversees the development plans and programmes at the community level. The Gewog Administration Office supported by the Gewog Administrative Officer (GAO) and other sectoral focal points (RNR sectors, health, education, engineering, Gewog accountant, etc) provide support to implement and monitor community level activities within the Gewog, including CCA related activities. The Dzongkhag and Gewog administration offices will have a key role in the planning, budgeting, procurement and execution and monitoring of CARE-LG activities under the close supervision and monitoring of Project Management Unit (PMU) and the respective Executing Entities (EE). The LGs will ensure:

- Full accountability for the use of funds in adherence with the guidelines for PBCAG, including compliance with the reporting requirements and financial regulations;
- Efficient use of the funds in accordance with the objectives and grant investment menu;
- Participation in the quarterly meetings the technical committee;
- Active participation in the capacity building activities to promote their performance;
- Adherence with all the PBCAG procedures, guidelines and manuals, and/or the guidelines in these operational procedures.
- Internalise and share results of the annual assessments
- Ensure strong and timely accountability for all public funds.

158. The **Royal Audit Authority (RAA)** is an independent constitutional entity, that carries out auditing functions at the national as well as LG levels. In line with the constitutional mandate (Article 25-1), the Audit Act of Bhutan 2018 and the Audit Rules and Regulations of the Kingdom of Bhutan 2020, it carries out performance auditing of the management and operation of a project or programme to assess achievement of economy, efficiency and effectiveness in the use of national resources. As a critical oversight institution, it plays an important role in promoting and strengthening public transparency, efficiency and accountability of public service performance. LGs are subject to annual auditing by RAA and audit reports are issued with identification of lapses. Since the CARE-LG activities will be integrated with the regular planned activities of LGs, the annual auditing by RAA will capture the activities.

159. A number of NGOs' activities also contribute to the national priorities of conservation and CCA activities. One of the most relevant NGO is the Royal Society for Protection of Nature (RSPN) is a non-profit public-benefit organisation working on ornithology and other conservation initiatives, including the climate change arena. It is an affiliated organisation under the UNFCCC civil society umbrella<sup>81</sup>.

#### (b) Evidence of Consultations and Stakeholders Engagement Plan

160. The design and preparation of CARE-LG was based on a consultative process involving key stakeholders from relevant Government Ministries and agencies. Right from the stage of concept development, a Technical Working Group (TWG) was formed with the official directive from the Ministry of the Macro-Fiscal and Development Finance (DMDF) of the Bhutan's Ministry of Finance. Under the overall guidance

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<sup>81</sup> <https://www.rspnbhutan.org/climate-change/>

of DMDF and coordination support of BTFEC, the TWG members maintained continuous touch and held series of discussions. The following are the list of TWG members:

Sl. No.	Name	Designation	Agency
1	Mr. Sangay Chedar	Dy Chief	Department of Planning, Budget and Performance (DPBP), MoF
2	Mr. Sangay Dorji	Dy Chief	Department of Local Governance and Disaster Management, MoHA
3	Mrs. Tshewang Choden	Dy Chief	Department of Macro-fiscal and Development Finance (DMDF), MoF
4	Mr. Kinley Tshering	Chief Program Officer	BTFEC
5	Mr. Leki Tshewang	Program Officer	BTFEC
6	Mr. Ugyen Tshering	Readiness Program Coordinator	BTFEC

161. Further, this prefeasibility study was primarily based on recent evaluation reports of the previous projects of PBG mechanism. The prefeasibility study process validated the consultations with the relevant agencies and organisations, as follows:

Date	Consultation (agencies/officials)
26/06/2023 (Monday)	<ul style="list-style-type: none"> <li>- Meeting with the Department of Macro-fiscal and Development Finance (DMDF), MoF - Mr. Loday Tsheten, Director and Ms. Tshering Choden.</li> <li>- Meeting with Local Government Division, Department of Planning, Budget and Performance (DPBP), MoF - Ms. Tandin Wangmo, Chief Planning Officer; Mr. Sangay Chedar, Dy Chief Planning Officer; Ms. Kinley Zangmo, Budget Officer.</li> <li>- Meeting with the Department of Local Governance and Disaster Management, MoHA - Mr. Kado Zangpo, Director and Mr. Sangay Dorji, Sr. Programme Officer (EU Budget Support Project Officer).</li> <li>- Meeting with the Policy and Planning Division, Ministry of Agriculture and Livestock - Mr. Karma Tshering, Chief Planning Officer.</li> </ul>
27/06/2023 (Tuesday)	<ul style="list-style-type: none"> <li>- Meeting with the Department of Environment and Climate Change (DECC), MoENR - Ms. Tashi Pem, Director General and team.</li> <li>- Meeting with the Bhutan Trust Fund for Environmental Conservation - Mr. Singye Dorji, Chief Finance Officer; Mr. Kinley Tshering, Leki Tshewang, Phuntsho Choden.</li> <li>- Meeting at Phobji Gewog Administration, Wangdiphodrang - Mr. Jamtsho, Gup and team of LG officials.</li> </ul>
28/06/2023 (Wednesday)	<ul style="list-style-type: none"> <li>- Meeting at Zhemgang District Administration - Mr. Kezang Jigme (Dzongdag) and team (Dzongkhag Livestock Officer; Dzongkhag Finance Officer; Dzongkhag Planning Officer; Accountants).</li> </ul>
29/06/2023 (Thursday)	<ul style="list-style-type: none"> <li>- Meeting at Nangkhon Gewog Administration, Zhemgang - Mr. Singye Wangchuk, Gup; Mr. Sonam, Mangmi, and RNR extension officials.</li> </ul>
30/06/2023 (Friday)	<ul style="list-style-type: none"> <li>- Meeting at Trong Gewog Administration, Zhemgang - Mr. Tashi Rabten, Gewog Administrative Officer.</li> <li>- Meeting at Trongsa District Administration - Mr. Wangdi Gyeltshen, Dzongda.</li> </ul>
03/07/2023 (Monday)	<ul style="list-style-type: none"> <li>- Meeting at Helvetas Bhutan - Mr. Lekey Wangdi.</li> </ul>
04/07/2023 (Tuesday)	<ul style="list-style-type: none"> <li>- Tsirang District Administration - Dzongrab, DPO, DFO, Env't. Officer.</li> </ul>
06/07/2023 (Thursday)	<ul style="list-style-type: none"> <li>- Meeting at the Royal Audit Authority - Auditor General and Dy, Auditor General of Performance Division.</li> <li>- Meeting with UNDP Environment Unit, UNDP Bhutan - Ms. Sonam Rabgye,</li> </ul>
07/07/2023 (Friday)	<ul style="list-style-type: none"> <li>- De-brief / way forward meeting with Department of Macro-Fiscal and Development Finance, Department of Local Governance and Disaster</li> </ul>

	Management, Department of Planning, Budgeting and Performance, Department of Environment and Climate Change.
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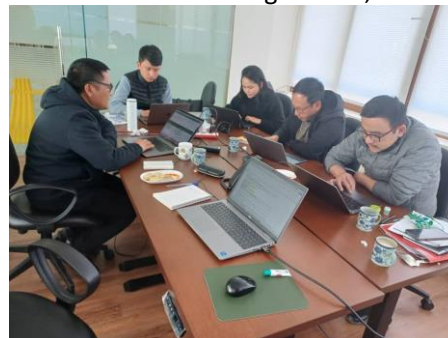
162. The meetings with various agencies and officials, including a few LGs, as listed in the table above (paragraph No, 156) were carried out to take stock of the current practices, procedures and their experiences on LG activities, planning processes, challenges and recommendations for way forward, with particular focus on CCA investments through the PBG mechanism. Their views were then recorded, particularly the best practices and suggestions for improvement in the next project design, that was conceived as CARE-LG.
163. The outcomes of these meetings were analyzed and compiled, and ultimately presented in a larger debriefing forum held on 7 July 2023 and participated by key officials from DMDF, DPBP, DLGDM and DECC, who are critical actors of CARE-LG in their respective capacity and mandate as NDA and proposed CARE-LG executing entities.
164. A major stakeholders' consultation to seek the final feedback and endorsement to the results of prefeasibility study report and funding proposal was held over a three-day workshop from 3-6 January 2024 in Gelephu, Sarpang Dzongkhag. The workshop was participated by the following:

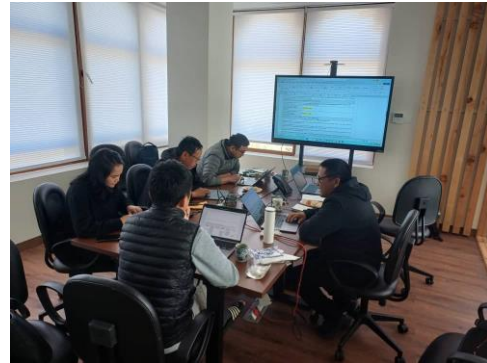
Sl. No.	Name	Designation/Agency
1	Mr. Sangay Chedar	Department of Planning, Budget and Performance (DPBP), MoF
2	Mr. Sangay Dorji	Department of Local Governance and Disaster Management, MoHA
3	Ms. Tshering Choden	Department of Macro-fiscal and Development Finance (DMDF), MoF
4	Mr. Kinley Tshering	BT FEC
5	Mr. Leki Tshewang	BT FEC
6	Mr. Ugyen Tshering	BT FEC
7	Mr. Kinley Rabgay	Department of Local Governance and Disaster Management, MoHA
8	Mr. Tshering Chopel	Local consultant
9	Mr. Nidup Peljor	Local consultant
10	Ms. Kesang Lhaki	Department of Planning, Budget and Performance (DPBP), MoF
11	4 Interns	BT FEC interns for data collection and other administrative assistance

*Picture of consultation workshop in Gelephu*



*final validation meeting of NDA, BT FEC and EEs*





165. CARE-LG implementation will be carried out with continuous participation and engagement of stakeholders. The stakeholders' engagement plan is attached as Annex 5.

#### (c) Identification of Executing Entities, Capacity Assessment and Due Diligence

166. The Project is proposed to be co-executed by the Department of Planning, Budget and Performance (DPBP) of the Ministry of Finance (MoF) and the Department of Local Governance and Disaster Management (DLGDM) of the Ministry of Home Affairs (MoHA) of the Royal Government of Bhutan (RGOB). This DPBP will be the lead Executing Entity (EE) for both Component 1 (Climate change adaptation integrated in LG grant allocation mechanism) and Component 2 (Climate resilient of local communities through CCA investments) of the project. The DLGDM will support DPBP with the awareness and capacity-building of the targeted LGs on mainstreaming climate change adaptation (Component 2) in the LG plans and programmes, in addition to the day-to-day implementation and technical supervision of the project activities in LGs. As per the assessment carried out by BTFEC, which was validated during this pre-feasibility study, both EEs demonstrate adequate institutional capacity and expertise to effectively manage the project. Both the agencies are a legally established Government departments with regular manpower of civil servants appointed under the centralized civil service system.

167. The DPBP is the overall agency for donor-funded project coordination and management. Its responsibilities include overseeing the effective and efficient allocation and management of public resources, including budget allocations to LGs and implementation/monitoring of PBG. The department carries out systematic fund disbursement and allocations to different agencies across the Government in line with the provisions of the National Finance Act, Rules and Regulations, and other guidelines.

168. The DLGDM is the central coordinating agency (based on LG Act 2009) that manages overall capacity development of LGs, supervise and monitor projects (on climate-change adaptation, gender mainstreaming, disaster management and other cross-cutting activities) in LGs and provides administrative and management support to LGs for implementation of decentralized functions. DLGDM has long experience of implementing similar donor-funded projects in and for LGs, including the UNCDF-LoCAL programme which promoted PBG mechanism for the previous two consecutive FYPs (10 years). This Department has implemented the previous projects on PBCAG under JSP, LGSDP and the recent CDLG&FD project under the European Union's (EU) Capital Budget Support.

169. Based on the required knowledge and skills of project management, and human resources in the two Departments, BTFEC assures the capacity of EEs to manage and facilitate the project implementation.

#### (d) Implementation and Governance of the Project

170. The primary implementing partners of the project are ready to ensure that the project is executed effectively and the desired results produced with clear visibility. In the first place, the MoF's DMDF

(NDA) accepts to ensure that the project is aligned with the Government's prioritized plans and execution within the established system. The conditions set in the BT FEC's accreditation to GCF as DAE will determine the project's financial management. The BT FEC (accredited GCF DAE) will also take the responsibility for overall supervision and monitoring to ensure that the project's execution is in line with the project design and GCF procedures.

171. Based on grant agreement between GCF and BT FEC, a legally binding subsidiary agreements will be signed between BT FEC and DMDF acting on behalf of Government.

172. The governance of the project is illustrated in the following diagram:

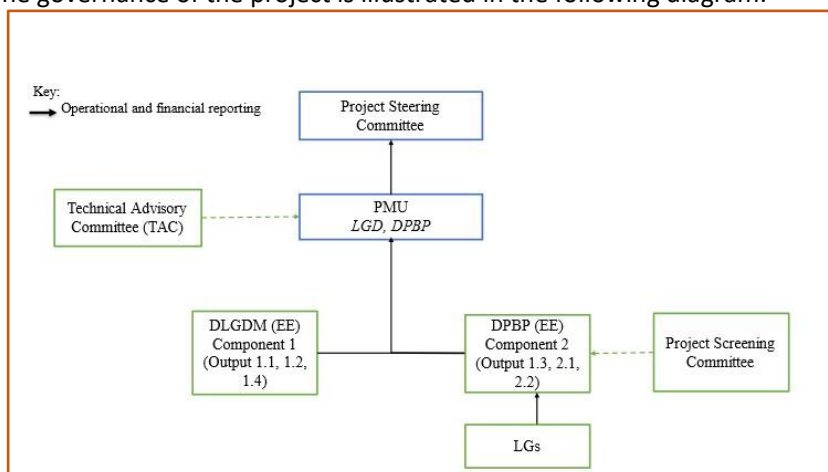


Figure 5: Project Governance Structure

173. The **Project Steering Committee (PSC)**, composed as follows, will act as the highest decision-making body of the project management:

- i. Director DPBP (Chair)
- ii. Director DLGDM
- iii. Director DMDF
- iv. Director DECC
- v. MD, BT FEC

174. Through the PSC meetings which will be held at least twice in a year, the PSC will:

Roles of the PSC include:

- i. Provide overall guidance and direction to the project including policy direction on the project management and performance.
- ii. Address project issues as raised by the PMU.
- iii. Provide guidance on new project risks, and agree on possible mitigation and management actions to address specific risks;
- iv. Advise on major and minor amendments to the project within the parameters set by GCF;
- v. Ensure coordination between various donor-funded projects and programmes;
- vi. Ensure coordination with various agencies implementing the project and their participation in project activities;
- vii. Monitor the progress of project activities through review of quarterly progress reports, and make appropriate directives for improvement or address issues;
- viii. Oversee the design and administration of the performance-based grant at the local level for climate resilience including approval of key performance assessment guidelines and eligibility criteria and approval of grant proposal from the local governments;
- ix. Review the project progress, assess performance, and approve the Annual Work Plan and budget;

- x. Appraise the annual project implementation report, including the quality assessment rating report;
- xi. Ensure human resources to support project implementation, arbitrating any issues within the project;
- xii. Provide direction and recommendations to ensure that the project deliverables are produced satisfactorily according to plans;
- xiii. Address project-level grievances;
- xiv. Approve the project Inception Report, Interim Review and Terminal Evaluation reports and corresponding management responses;
- xv. Review the final project report package during an end-of-project review meeting to discuss lesson learned and opportunities for scaling up;
- xvi. Establish and coordinate sub committees as required;
- xvii. Ensure highest levels of transparency and take all measures to avoid any real or perceived conflicts of interest.

175. The Chairperson of the PSC will:

- Chair and steer the PSC meetings.
- Ensure that the minutes of the PSC meetings are circulated on time and appropriate actions on the PSC recommendations are taken effectively.
- Call for extraordinary meetings, as may be deemed necessary.
- Act as the PSC focal point between PSC meetings.

176. A designated **Project Management Unit (PMU)** will be housed in DPBP to manage the day-to-day activities of the Project. A Project Manager (PM), hired for the project and specific to the Project activities, will lead the PMU team, staffed by programme management experts, financial specialists and M&E expert. The PMU will oversee and guide the project fund release and disbursement to EEs and LGs based on activity-level triggers in project-specific MoUs.

177. The Project Manager will ensure that the PMU carried out the following functions:

- (a) Consolidation of annual work plans and budgets.
- (b) Consolidation of budget revisions and re-appropriations between outputs with due endorsement by PSC.
- (c) Compile and submit quarterly financial reports, semi-annual progress report and annual progress report to the PSC.
- (d) Ensure timely submission of annual Auditors Reports to the PSC.
- (e) Assess the annual audit and ensuring follow-up on recommendations.
- (f) Review and recommend ToR for consulting services – for approval by the PSC.
- (g) Approve short-term advisors based on the ToR, including TAC and Screening Committee members.
- (h) Carry out pre-review of Gewog proposals.
- (i) Prepare tentative dates of PSC and TAC meetings and inform members.
- (j) Organise PSC and TAC meetings in consultation with EEs on agenda, dates and other logistics arrangements.
- (k) Ensure that the PSC and TAC members are informed well in advance.
- (l) Take minutes of PSC and TAC meetings and circulate to members, in consultation and approval by the Chairperson, with deadline for members to make their comments feedback, if any. Ensure circulation of PSC and TAC meeting minutes after incorporation of comments received from members, and monitor the actions or recommendations.
- (m) Report on the status and progress of the actions of the PSC and TAC decisions in the next PSC meeting.
- (n) Make available to the PSC and TAC any relevant information in a timely manner.
- (o) Perform any tasks as may be required by PSC.



178. The PMU will be supported by the Component Managers of the project Components in the respective EEs.
179. For smooth coordination and effectiveness of the project management, a designated staff from each beneficiary Gewog will function as EEs' representatives at the LGs and community levels of the project locations. S/he shall facilitate preparation and incorporation of the project's deliverables into their annual plans and will make operational and financial reporting to the EE, which will be finally submitted to PSC for review and decision-making.
180. A **Technical Advisory Committee (TAC)** will Advise the PMU and PSC on issues concerning stakeholder sector agencies and mainstream project learnings and lessons into the sector policies and programs and on the execution of the project. The TAC will be composed of technical experts/senior officials, but not limited to, the following agencies:
- i. DPBP
  - ii. BTFC
  - iii. DLGDM
  - iv. DMDF
  - v. DECC
181. The **Screening Committee** will be composed of subject experts from the relevant agencies, and the PMU will identify and invite the members to perform the following:
- i. Carry out in screening of Gewog plans proposed for use of PBGs.
  - ii. Participate in monitoring and assessments of project activities in the field, as may be required by PMU or PSC.
  - iii. Closely collaborate with PMU and EEs in carrying out the above tasks.

(e) **Budget and Procurement plan**

182. All procurement related to project activities under different outputs will be made by PMU and respective EEs in line with the Procurement Rules and Regulations 2023 of the Government of Bhutan. The Budget and Procurement Plan of the Project activities enclosed as Annexes to the Funding Proposal (**Annex 3 and 8**).

(f) **Institutional and Project Level Grievance Redressal Mechanism**

183. Attached as Appendix 6.

**VI. Conclusions and Recommendations**

184. CARE-LG fits within Bhutan's development approach as well as strategies of sustainable development under the overall framework of Gross National Happiness that seeks to achieve quality of life.
185. The impetus for the project lies in the adverse climate-change impacts due to its location in the mountainous Himalayas with fragile geographical terrain and scattered settlement pattern, with majority of people living in remote rural areas depending on climate sensitive sectors for their livelihoods.
186. The country is making unwavering efforts in CCA and community resilience through strategic interventions of annual capital grants to LGs. The country has strong climate change policy backed by regulatory instruments.
187. However, the country is constrained by limited financial resources to fund the incremental cost of climate actions, and CARE-LG is deemed as the potential support to bridge the financial gap.



188. As a means to accelerate poverty alleviation and strengthen balanced sustainable development, the country continues to focus on empowering people at the local level in terms of providing greater support for development assistance as well as capacity development of LG functionaries. This is also done in the face of ongoing decentralization and devolution of functional and financial assignments to LGs, to foster effective and sustainable democratic governance and development management at the local level.
189. LGs in Bhutan have a well-developed and regulated planning system with clear steps for participation of citizens. The LG planning system is a bottom-up process starting at the village level, and the decentralization system ensures a people centric plan formulation carried out with use of various participatory tools. LGs maintain high utilization rates absorption capacity of capital grants.
190. The country has reputation for the successful implantation of PBG mechanism for CCA and community resilience. That ensures CARE-LG's successful implementation as well as positive results. The Government's objective of institutionalization of the system through integration within the Government's planning and budgeting process is encouraging, and confirm sustainability of the interventions beyond the project. The project process will catalyze local and national policy change through demonstration of effectiveness of small-scale, locally designed adaptation investments, and providing incentives for a greater budget allocation to CCA. These efforts will drive community ownership and buy-in while demonstrating the long-term sustainability of large-scale climate investments.
191. The climate change policy of the country and NAP 2023 are providing high government commitment to advance on climate change adaptation and contribute to achievement of relevant SDG goals. The PBG mechanism meets a number of objectives, including to enhance climate resilience and adaptive capacity at the local level; to improve local CCA financing mechanism and narrow the fiscal gap in climate change impacts response; and, to provide tangible incentives for LGs to improve in key performance areas, while adhering to national standards and good practices.
192. The Project's climate-results would see reduced climate change vulnerability as a result of enhanced adaptive capacity of the community for improved community livelihoods. Specifically, the two Outcomes and activities will address the existing institutional, social, economic and gender barriers, while generating co-benefits.
193. The prefeasibility assessment findings recommend CARE-LG as suitable with high potential of positive climate results and impact to the vulnerable communities, with promising ownership, institutionalisation and sustainability.

## VII. Appendices

### Appendix 1: List of top 120 vulnerable Gewogs.

Dzongkhag	Gewog	Sensitivity	Adaptive Capacity	Vulnerability Index	Vulnerability Rank	Male	Female	Total
Gasa	Lunana	0.44	0.13	3.33	1	348	351	699
Thimphu	Naro	0.33	0.13	2.47	2	163	87	250
Chukha	Getana	0.63	0.33	1.93	3	392	428	820
Mongar	Thang-Rong	0.62	0.37	1.67	4	717	889	1,606
Chukha	Maedtabkha	0.6	0.37	1.64	5	322	335	657
P/Gatshel	Chongshing	0.57	0.38	1.52	6	352	419	771
Chukha	Doongna	0.6	0.39	1.51	7	554	537	1,091
Zhemgang	Bardo	0.55	0.37	1.5	8	931	803	1,734
Dagana	Khebisa	0.57	0.4	1.41	9	597	618	1,215
Mongar	Kengkhar	0.48	0.34	1.4	10	881	963	1,844
Mongar	Balam	0.57	0.41	1.39	11	418	494	912
S/Jongkhar	Wangphu	0.48	0.35	1.39	12	898	905	1,803
Lhuentse	Jarey	0.55	0.4	1.38	13	494	514	1,008
Zhemgang	Goshing	0.58	0.42	1.37	14	699	697	1,396
Trashigang	Merag	0.42	0.31	1.35	15	858	704	1,562
Trashigang	Sagteng	0.46	0.35	1.34	16	1,098	963	2,061
Dagana	Dorona	0.52	0.39	1.33	17	415	337	752
W/Phodrang	Kazhi	0.56	0.43	1.32	18	695	594	1,289
Chukha	Loggchina	0.55	0.42	1.3	19	1,386	1,308	2,694
Samtse	Duenchhukha	0.48	0.37	1.3	20	1,176	983	2,159
S/Jongkhar	Lauri	0.42	0.33	1.28	21	830	884	1,714
Mongar	Jurmed	0.52	0.41	1.28	22	589	658	1,247
Tsirang	Pungtenchhu	0.52	0.4	1.28	23	665	666	1,331
W/Phodrang	Dangchhu	0.6	0.48	1.26	24	546	556	1,102
Mongar	Silambi	0.56	0.44	1.26	25	634	723	1,357
Dagana	Largyab	0.47	0.37	1.26	26	454	389	843
T/Yangtse	Yalang	0.52	0.41	1.26	27	687	685	1,372
Bumthanng	Tang	0.49	0.39	1.25	28	1165	1153	2318
Zhemgang	Shingkhar	0.51	0.41	1.25	29	676	600	1,276
Samtse	Pemaling	0.57	0.46	1.24	30	1,692	1,570	3,262
Samtse	Namgyalchhoeling	0.56	0.45	1.24	31	1,672	1,469	3,141
Haa	Gakiling	0.44	0.36	1.23	32	743	549	1,292
Lhuentse	Gangzur	0.53	0.43	1.23	33	1,141	1,121	2,262
Tsirang	Semjong	0.52	0.42	1.23	34	712	600	1,312
P/Gatshel	Dechhenling	0.53	0.43	1.23	35	790	890	1,680
P/Gatshel	Chhimoong	0.47	0.38	1.23	36	276	288	564
Mongar	Shermuhoong	0.47	0.38	1.23	37	797	830	1,627
Zhemgang	Bjoka	0.49	0.4	1.22	38	434	422	856
T/Yangtse	Yangste	0.55	0.45	1.21	39	684	669	1,353
Samtse	Tading	0.53	0.44	1.21	40	2,425	2,294	4,719
Mongar	Na-Rang	0.47	0.39	1.21	41	593	670	1,263
Sarpang	Chhudzom	0.49	0.41	1.2	42	1,460	1,204	2,664
Bumthanng	Ura	0.47	0.39	1.2	43	871	853	1724
Mongar	Gongdue	0.5	0.42	1.19	44	616	618	1,234
Chukha	Bongo	0.53	0.44	1.19	45	1,758	1,905	3,663
T/Yangtse	Toedtsho	0.52	0.44	1.19	46	744	836	1,580
Tsirang	Doonglagang	0.54	0.45	1.19	47	779	767	1,546
Tsirang	Serigithang	0.51	0.43	1.18	48	731	648	1,379

Dzongkhag	Gewog	Sensitivity	Adaptive Capacity	Vulnerability Index	Vulnerability Rank	Male	Female	Total
Dagana	Kana	0.5	0.42	1.17	49	1,271	1,239	2,510
P/Gatshel	Yurung	0.52	0.44	1.17	50	516	612	1,128
Trashigang	Shongphu	0.53	0.45	1.17	51	963	962	1,925
Mongar	Chagsakhar	0.47	0.41	1.14	52	1,206	1,288	2,494
Samtse	Norgaygang	0.51	0.45	1.13	53	1,940	1,803	3,743
Thimphu	Lingzhi	0.38	0.33	1.13	54	276	214	490
Trashigang	Udzorong	0.44	0.39	1.12	55	1,349	1,411	2,760
P/Gatshel	Khar	0.49	0.44	1.12	56	820	757	1,577
W/Phodrang	Nahi	0.58	0.52	1.11	57	291	305	596
W/Phodrang	Phobji	0.55	0.5	1.11	58	1,039	1,082	2,121
Mongar	Tsakaling	0.57	0.51	1.11	59	544	542	1,086
Trashigang	Kangpar	0.43	0.39	1.1	60	772	819	1,591
P/Gatshel	Chhoekhorling	0.46	0.42	1.1	61	338	365	703
T/Yangtse	Tongmajangsa	0.55	0.5	1.1	62	890	892	1,782
T/Yangtse	Boodeling	0.52	0.48	1.08	63	1,043	1,099	2,142
Tsirang	Barshong	0.46	0.43	1.07	64	423	419	842
P/Gatshel	Nanong	0.45	0.42	1.07	65	1,056	1,067	2,123
Lhuentse	Tsaenkhar	0.55	0.51	1.07	66	1,004	931	1,935
T/Yangtse	Khamdang	0.52	0.48	1.07	67	1,644	1,668	3,312
Lhuentse	Maedtsho	0.44	0.41	1.07	68	470	475	945
Dagana	Tashiding	0.49	0.47	1.06	69	843	844	1,687
Samtse	Doomtoed	0.42	0.4	1.06	70	756	677	1,433
Chukha	Phuentshogling	0.5	0.48	1.05	71	2,991	2,795	5,786
W/Phodrang	Athang	0.48	0.45	1.05	72	409	364	773
Dagana	Nichula	0.44	0.42	1.05	73	242	192	434
Dagana	Tsangkhā	0.51	0.49	1.04	74	838	817	1,655
Mongar	Saling	0.49	0.47	1.04	75	973	956	1,929
Trashigang	Phongmed	0.46	0.45	1.04	76	1,305	1,312	2,617
Trashigang	Radhi	0.5	0.49	1.03	77	1,169	1,177	2,346
S/Jongkhar	Gomdar	0.43	0.42	1.03	78	1,578	1,628	3,206
P/Gatshel	Zobel	0.43	0.41	1.03	79	832	864	1,696
Trongsa	Korphu	0.45	0.45	1.01	80	404	345	749
Gasa	Laya	0.37	0.37	1.01	81	579	496	1,075
Tsirang	Tsholingkhar	0.52	0.52	1.01	82	892	853	1,745
Thimphu	Soe	0.39	0.39	1.01	83	101	81	182
Punakha	Kabisa	0.54	0.53	1.01	84	1,296	1,246	2,542
Samtse	Dophuchen	0.45	0.46	0.99	85	2,708	2,711	5,419
Samtse	Sang-Ngag-Chhoeling	0.51	0.52	0.99	86	1,579	1,482	3,061
Mongar	Tsamang	0.51	0.51	0.99	87	444	488	932
W/Phodrang	Phangyuel	0.55	0.55	0.99	88	519	445	964
Trashigang	Khaling	0.42	0.43	0.99	89	1,270	1,186	2,456
T/Yangtse	Jamkhar	0.43	0.44	0.98	90	516	483	999
Zhemgang	Nangkhor	0.47	0.48	0.98	91	1,329	1,273	2,602
Bumthanng	Chhumig	0.41	0.43	0.97	92	1748	1447	3195
Punakha	Toedwang	0.54	0.55	0.97	93	620	693	1,313
Haa	Samar	0.49	0.51	0.97	94	509	491	1,000
Zhemgang	Phangkhar	0.44	0.46	0.97	95	596	568	1,164
Paro	Nagya	0.44	0.46	0.96	96	1,664	1,623	3,287
P/Gatshel	Dungmaed	0.4	0.42	0.95	97	662	609	1,271
Lhuentse	Kurtoed	0.43	0.45	0.94	98	379	361	740
S/Jongkhar	Martshala	0.41	0.44	0.94	99	1,381	1,208	2,589

<b>Dzongkhag</b>	<b>Gewog</b>	<b>Sensitivity</b>	<b>Adaptive Capacity</b>	<b>Vulnerability Index</b>	<b>Vulnerability Rank</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Bumthanng	Chhoekhor	0.43	0.46	0.94	100	2042	1905	3947
Punakha	Goenshari	0.47	0.5	0.94	101	413	281	694
Samtse	Yoeseltse	0.47	0.51	0.93	102	1,320	1,312	2,632
Trashigang	Thrimshing	0.44	0.48	0.93	103	1,244	1,304	2,548
Punakha	Shelnga-Bjemi	0.51	0.55	0.93	104	522	481	1,003
W/Phodrang	Saephu	0.47	0.51	0.92	105	875	854	1,729
Dagana	Drukjeygang	0.43	0.46	0.92	106	965	977	1,942
Sarpang	Jigme Chhoeling	0.44	0.47	0.92	107	1,743	1,515	3,258
Lhuentse	Maenbi	0.48	0.52	0.92	108	1,191	1,150	2,341
Dagana	Tsenda-Gang	0.45	0.49	0.92	109	921	908	1,829
Tsirang	Tsirang Toed	0.43	0.46	0.92	110	769	682	1,451
Mongar	Drepoong	0.47	0.51	0.91	111	427	477	904
Mongar	Ngatshang	0.45	0.49	0.91	112	775	870	1,645
Haa	Sangbay	0.34	0.38	0.91	113	472	439	911
P/Gatshel	Shumar	0.5	0.55	0.9	114	1,478	1,648	3,126
Sarpang	Gakiling	0.44	0.49	0.9	115	1,105	1,020	2,125
Lhuentse	Khoma	0.45	0.5	0.9	116	731	770	1,501
Chukha	Samphelling	0.49	0.54	0.89	117	2,106	1,971	4,077
Punakha	Talog	0.48	0.54	0.89	118	628	577	1,205
Tsirang	Rangthangling	0.46	0.52	0.89	119	803	782	1,585
Tsirang	Gosarling	0.51	0.59	0.88	120	925	939	1,864
						<b>109,000</b>	<b>105,973</b>	<b>214,973</b>

## Appendix 2: ESS and SEAH Screening

### Part A: ESS Risk Factors

Please indicate your answers to the questions below and provide an explanation on the response selected. In cases when the TBD response has been selected please explain briefly why you are not able to determine now and when in the project cycle the question will be addressed.

If the criteria is not applicable to the project you may write N/A in the justification box.

Risk Factors	YES	NO
Will the activities involve associated facilities and require further due diligence of such associated facilities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Please provide a justification of your answer:</i> The project will not support the establishment of any new associated facilities		
Will the activities involve trans-boundary impacts including those that would require further due diligence and notification to affected states?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Please provide a justification of your answer:</i> All project activities will be confined within the given Gewog boundaries.		
Will the activities adversely affect working conditions and health and safety of workers or potentially employ vulnerable categories of workers including women and children?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Please provide a justification of your answer:</i> The project is not expected to have adverse effect on health and safety of workers. The project will employ local women, men and youth, to support site-specific and upgrades, including climate-smart retro-fitting. This will be done <b>as per the provisions of Occupational Health and Safety (OHS) of the Labour and Employment Act which considers</b> health measures, safe working conditions and equal pay for equal amount of work for women, men, and youth. No children below the age of 18 will be employed.		
Will the activities potentially generate hazardous waste and pollutants including pesticides and contaminate lands that would require further studies on management, minimization and control and compliance to the country and applicable international environmental quality standards?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Please provide a justification of your answer:</i> No pesticides or any other chemicals will be used under project activities. Any agriculture-related activities will use organic varieties made locally. The project activities are not expected to generate any hazardous waste and/or pollutants.		
Will the activities involve the construction, maintenance, and rehabilitation of critical infrastructure (like dams, water impoundments, coastal and river bank infrastructure) that would require further technical assessment and safety studies?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Please provide a justification of your answer:</i> In some areas, the project may support creation of small-scale ponds for local storage, stabilization and afforestation of stream banks to prevent erosion. These will not involve creation of hard infrastructure and will only use soil, grasses and plants available locally.		
Will the proposed activities potentially involve resettlement and dispossession, land acquisition, and economic displacement of persons and communities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>Please provide a justification of your answer:</i> The project activities are not expected to involve resettlement and dispossession, land acquisition, and economic displacement of persons and communities. While some small-scale water storage for drinking or irrigation use could be expected, such storage will be on community lands which are free from any incumbrances. Any siting of project activities in government or community lands will be initiated only upon prior informed consent and clearances from the concerned stakeholders, in line with the established practices of seeking clearance from the community members, particularly those likely to be affected.		
Will the activities be located in or in the vicinity of protected areas and areas of ecological significance including critical habitats, key biodiversity areas and internationally recognized conservation sites?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

<p><i>Please provide a justification of your answer:</i></p> <p>Project activities will be implemented in the targeted Gewogs, some of which will be located in or around protected areas, biological corridors or other areas of significant biodiversity. No physical activities will disturb existing ecosystems as any climate-smart retrofitting actions will be within the footprint of existing infrastructure. Conversely, the project activities will have positive impacts on the conservation of critical ecosystems, by raising livelihood avenues and standards.</p>		
Will the activities affect indigenous peoples that would require further due diligence, free, prior and informed consent (FPIC) and documentation of development plans?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>There are no indigenous people in Bhutan. However, the population of Bhutan comprises of ethnic communities that have cultural variations but are integrated and the major ethnic groups themselves are not necessarily distinct or exclusive. While an explicit FPIC is not required, principles for FPIC will be demonstrated through the project's participatory approach and require that any siting of project activities in Government or community lands will be initiated only upon prior informed consent and clearances from the concerned stakeholders.</p>		
Will the activities be located in areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>The targeted Gewogs will prepare and submit their project proposals within the invest menu that will define the specific project themes or areas. As part of the PBG mechanism guideline, a detailed project preparation and proposal process will be put in place, which will include, in addition to the investment menu, the exclusion list that will discourage project activities that will have negative affect on historical and cultural monuments, sites and practices. These guidelines will ensure that there will be no adverse impacts on cultural sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture. The project will implement chance find protocol.</p>		

## Part B: ESS Specific environmental and social risks and impacts

Assessment and Management of Environmental and Social Risks and Impacts	YES	NO	TBD
Has the E&S risk category of the project been provided in the concept note?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Has the rationale for the categorization of the project been provided in the relevant sections of the concept note?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Are there any additional environmental, health and safety requirements under the national laws and regulations and relevant international treaties and agreements?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>The project involves activities with only minimal or no adverse environmental and/or social risks and/or impacts.</p>			
Are the identification of risks and impacts based on recent or up-to-date information?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>A qualified ESS expert from BTFEC has reviewed the project concept note and logframe and is satisfied that all activities fall within ESS Category-C.</p>			
Labour and Working Conditions	YES	NO	TBD
Will the activities potentially have impacts on the working conditions, particularly the terms of	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

employment, worker's organization, non-discrimination, equal opportunity, child labour, and forced labour of direct, contracted and third-party workers?			
<p><i>Please provide a justification of your answer:</i></p> <p>Where labour from the community is engaged for project activities, it will be undertaken by the LG authorities in accordance with the Labour and Employment Act of Bhutan and its regulations, which specify working conditions, terms of employment, non-discrimination, equal opportunity and child labour.</p>			
Will the activities pose occupational health and safety risks to workers including supply chain workers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>The project will involve climate-proofing of existing critical community assets/infrastructure by engaging community labour from within the communities. The minor occupational health and safety risks likely to occur to workers will be dealt and managed, both in the planning phase and during implementation of the activities, in line with the provisions of Occupational Health and Safety (OHS) of the Labour and Employment Act that considers health measures, safe working conditions.</p>			
<b>Resource Efficiency and Pollution Prevention</b>	<b>YES</b>	<b>NO</b>	<b>TBD</b>
Will the activities generate (1) emissions to air; (2) discharges to water; (3) activity-related greenhouse gas (GHG) emissions, (4) noise and vibration; and (5) wastes?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>The implementation of project activities is not expected to generate any emissions to air; discharges to water; activity-related greenhouse gas and wastes. This is because the project activities confined to climate proofing on existing community infrastructure or for climate resilient agriculture practices or for enhancing ecosystem services, and the new large-scale infrastructure constructions are not within the scope of the project.</p> <p>Minor noise may be generated from climate-smart retrofitting activities. The timing and extent of these activities will be determined by the affected communities and appropriate measures will be taken.</p>			
Will the activities utilize significant amount of natural resources including water and energy?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>Project activities pertain to climate proofing of existing community facilities which may involve micro scale green initiatives and Nature-based Solutions for enhanced ecosystem services and community resilience; Climate resilient and innovative agriculture practices for improved livelihoods such as improved seeds, micro agro-processing initiatives, zero land production technologies such as vertical farming technologies, that allow for growing plants in stacked layers, optimizing space utilization and reducing the need for land); Climate proofing of existing critical community assets/infrastructure.</p> <p>These activities will involve limited use of natural resources. Additionally, water volumes utilized will be low and appropriate measures will be taken to ensure that such water use does not affect water requirements in the locality. The RGOB safeguard norms to maintain minimum environmental flow will apply to all project activities that draw water from natural sources as per the National Environment Protection Act and its regulations; and the Water Regulations in alignment with the Water Act 2011. The e-flow regulation Bhutan requires 30% of the lean flow of natural streams at catchment to be maintained as e-flow in all project activities.</p>			
Will there be a need to develop detailed measures to reduce pollution and promote sustainable use of resources?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>The project activities are related climate proofing on existing community infrastructure or for climate resilient agriculture practices or for enhancing ecosystem services. There would be no need and requirement for</p>			



measures to reduce pollution or use of resources.			
<b>Community Health, Safety, and Security</b>	<b>YES</b>	<b>NO</b>	<b>TBD</b>
Will the activities potentially generate risks and impacts to the health and safety of the affected communities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Please provide a justification of your answer:</i> Through augmentation and climate proofing of existing community assets, the project will enhance health and safety of the affected communities.			
Will there be a need for an emergency preparedness and response plan that also outlines how the affected communities will be assisted in times of emergency?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Please provide a justification of your answer:</i> The development of an emergency preparedness and response plan is not anticipated. In case of emergency, the approved government preparedness and response mechanism will be used.			
Will there be risks posed by the security arrangements and potential conflicts at the project site to the workers and affected community?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Please provide a justification of your answer:</i> Project activities will be limited within local Gewog boundaries and involve homogenous local communities.			
<b>Land Acquisition and Involuntary Resettlement</b>	<b>YES</b>	<b>NO</b>	<b>TBD</b>
Will the activities likely involve land acquisition and/or physical or economic displacement?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Please provide a justification of your answer:</i> Project activities will pertain to existing community assets or ecosystem services and agriculture areas within associated with these existing assets. The project activities are not expected to involve resettlement and dispossession, land acquisition, and economic displacement of persons and communities. While some small-scale water storage for drinking or irrigation use could be expected, such storage will be on community lands which are free from any incumbrances. Any siting of project activities in government or community lands will be initiated only upon prior informed consent and clearances from the concerned stakeholders			
<b>Biodiversity Conservation and Sustainable Management of Living Natural Resources</b>	<b>YES</b>	<b>NO</b>	<b>TBD</b>
Will the activities potentially introduce invasive alien species of flora and fauna affecting the biodiversity of the area?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Please provide a justification of your answer:</i> The project will only use local or existing species of flora in its activities.			
Will the activities have potential impacts on or be dependent on ecosystem services including production of living natural resources (eg. agriculture, livestock, fisheries, forestry)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Please provide a justification of your answer:</i> The project will help improve capacity of communities in management of natural resources and reduce negative impacts.			
<b>Indigenous Peoples</b>	<b>YES</b>	<b>NO</b>	<b>TBD</b>
Will the activities potentially have any indirect impacts on indigenous peoples, ethnic minorities, or vulnerable and marginalized groups?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Please provide a justification of your answer:</i>			

There are no indigenous people in Bhutan. However, the population of Bhutan comprises of ethnic communities that have cultural variations but are integrated and the major ethnic groups themselves are not necessarily distinct or exclusive. While an explicit FPIC is not required, principles for FPIC will be demonstrated through the project's participatory approach and require that any siting of project activities in government or community lands will be initiated only upon free and prior informed consent and clearances from the concerned stakeholders.

Cultural Heritage	Yes	NO	TBD
Will the activities restrict access to the cultural heritage sites and properties?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>The project activities will be prepared and implemented within the prescribed investment menu and the exclusion list will not allow project activities to have no negative affect on historical and cultural monuments, sites and practices.</p>			
Will there be a need to prepare a chance-find procedure in case of the discovery of cultural heritage assets?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>Given the project activities being small-scale activities of existing community works, it is not expected to discover any cultural heritage sites.</p>			
Stakeholder engagement and grievance	Yes	NO	TBD
Will the activities include a continuing stakeholder engagement process and a grievance redress mechanism and integrated into the management/implementation plans?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><i>Please provide a justification of your answer:</i></p> <p>As a locally-led adaptation project, there will be consistent stakeholders' engagement and participation at all levels. The project will engage with the target communities in areas of awareness raising, adaptation planning, adaptation investment proposal development and implementation of adaptation investments. All projects of BTFEC include a project-level GRM. Moreover, a detailed grievance redressal mechanism and process is put in place, particularly to use for the project.</p>			

## Part C: Sign Off

**Sign-off:** Specify the name and designation of the person responsible for the environmental and social screening and any other approvals as may be required in the accredited entity's own management system.

This ESS screening undertaken during the prefeasibility study was reviewed by Dr. Karma Tshering, Managing Director, Bhutan Trust Fund for Environmental Conservation and Mr. Kinley Tshering, (Chief Program Officer, Bhutan Trust Fund for Environmental Conservation). The project risk screening and project log frame were reviewed by Mr. Kinley Tshering, the ESS specialist at the BTFEC.

*Under AE's ESS system, sign-off is required from the relevant climate/environment technical advisor, the project lead in the target country, and the head of the climate change team in Bhutan Trust Fund for Environmental Conservation. The full ESS screening process will be undertaken at FP stage.*

## Part D: SEAH Risk Screening Checklist

Ensuring basic risk mitigation measures are in place ahead of stakeholder engagement	Responsibility	Comments
Does the AE have a SEAH Policy (or SEAH provisions in another policy)?	AE	Yes, BTFEC has a policy on sexual harassment as part of the corporate code of conduct <sup>82</sup> . Further, the constitution of Bhutan provides constitutional protection against SEAH
If the AE has contracted out stakeholder consultations, does that entity have a SEAH Policy (or are they contractually bound to apply the AE's)?	AE/Consultant	All procurement contractual parties in Bhutan are subject to the national laws which prohibit SEAH
Does the AE have an employee Code of Conduct?	AE	Yes - respect fair and just rights for all employees without discrimination based on religion, ethnicity, gender or sexual orientation is a major principle of the code of conduct
If the AE has contracted out stakeholder consultations, does that entity have an employee Code of Conduct (or are they contractually bound to apply the AE's)?	AE/Consultant	The on-going revision of AE's procurement manual considers the inclusion of this requirement in the contractual arrangements. Further, all procurement contractual parties in Bhutan are subject to the national laws which prohibit SEAH
Have AE employees and consultants conducting stakeholder consultations been trained on preventing SEAH and the Code of Conduct?	AE/Consultant	Code of conduct is binding for all employees
Does the AE have a grievance mechanism in place in case of early SEAH complaints from stakeholder engagement?	AE	Yes
Does the AE have a specialist on staff who can undertake the more advanced assessment in Stage 4 as well as deal with early SEAH complaints if they arise; and if not, does the AE require budget and /or assistance with this?	AE	AE's focal person for GRM is mandated to undertake assessments and to deal with any SEAH complaints.  AE will organize training on SEAH Risk assessment and mitigation when developing Funding Proposals through the AE fees utilization plan under "Providing technical guidance, as necessary, for project implementation"
Contextual Level (and Baseline Conditions)	Reference	Comments
Does the country have laws prohibiting sexual harassment / stalking generally?	Labour and Employment Act of Bhutan, 2007; The Local Government Act of Bhutan 2009	Yes- national laws in Bhutan prohibit SEAH
Do labor laws prohibit sexual	Labour and	Sexual harassment of people seeking

<sup>82</sup> HR Manual of BTFEC

harassment in the workplace?	Employment Act of Bhutan, 2007	employment, employees, colleagues or employers are prohibited
Does the country have laws prohibiting intimate partner violence (IPV)?	Domestic Violence Prevention Act of Bhutan 2013	Yes - the act defines intimate personal relationships as part of domestic relationship
What is the prevalence of GBV in the country?	National Gender Equality Policy, 2020	More than 44.6% of women and girls experienced one or more forms of partner violence during their lifetime
What is the legal age a person can marry?	Guidelines of issuance of marriage certificate	Age of 18 for both male and female. Bhutan ratified the Convention on the Rights of the Child in 1990, which sets a minimum age of marriage of 18
Despite any laws, what is the prevalence of childmarriage in the country?	National Review Report on the Implementation of Beijing Declaration and Platform for Action, 2019 (NCWC, RGoB)	The proportion of women (20-24 years) who married before the age of 18 years decreased from 8.7 percent in 2012 to 5.5 percent in 2017
What is the income level of the country?	World Bank ranking (H, HM, M, LM, L)- <a href="https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html">https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html</a>	Lower Middle Income
Where does the country rank on global genderindices?	Bhutan PEFA Assessment of Gender Responsive Public Financial Management, May 2023 ( <a href="https://www.pefa.org/node/5112">https://www.pefa.org/node/5112</a> )	126 out of 146 countries in 2022
Is there a national action plan on GBV and/or sexual harassment?	National Plan of Action for Gender (NPAG), 2008-2013	Yes
Does the country have specialized services for survivors of GBV (at both the national and locallevel) including women's shelters, adequate medical facilities and facilities which provide psycho-social support?	Local governments/ NGOs	National Commission for Women and Children (NCWC) and Respect Educate Nurture and Empower Women (RENEW)
Is the country currently experiencing war, internalconflict or humanitarian disaster?	National / Media	No
<b>Project Level Risks</b>	<b>Responsibility</b>	<b>Comments</b>
Are women concentrated in lower paid roles andmostly line-managed and supervised by men?	AE	No. The national work force wage rate is same for men and women. Supervisory role of men and women depends on nature of work and not on gender differences.

Are piece-rate systems or other performance- related pay structures used where individuals are in control of how much other workers get paid?	AE	Type of system depend on type of contractual arrangements as per service regulations guided by labour law.
Will project workers have control over life- changing resources such as the allocation of compensation for displacement or access to basic or highly sought-after resources?	AE	No. Such compensation if applicable will be as per national systems which have defined auditable protocols <sup>83</sup>
Will security personnel be used? Will they be armed?	AE	Not for project activities
Will there be an influx of male workers into the project area (as opposed to only using local labor)?	AE	The scale of project activities do not warrant influx of workers from outside the project gewogs
Are local communities poor and lacking basic resources?	AE	Urban poverty rate is 8.2%, while rural poverty stands at 23.9% – and 61.4% of Bhutanese poor live in rural areas
Will migrant workers be employed by the project, especially those who may not speak the local language? Will they be employed on a temporary or daily basis?	AE	The scale of project activities do not warrant influx of workers from outside the project gewogs
Will project workers all have formal contracts?		Yes, however day based workers employed by local contractors at site may not engage in formal written contracts although they may be as per local norms and standards
Will goods frequently be transported over long distances, especially through poor and/or remote communities?	AE	Scale of good to be transported at gewog level for project activities will be minimal and not frequent
Are worksites or project activities based in remote locations? Will worksites be spread out, with isolated spaces?	AE	No, workers for performance based grant projects will be confined within one gewog.
Will project workers live in the community or in worker housing? If in worker housing, is it mixed sex?	AE	The project workers will in general be residents of project gewogs. Workers who live in worker houses, where required, will have separate housing for men and women.
Will workers be required to travel long and potentially unsafe distances, and at times of day when transport options may be limited?	AE	No, workers for performance based grant projects will be confined within one gewog
Will the project operate in highly pressurized work environments, with tight seasonal deadlines?	AE	No
Is the project located within a male-dominated sector where female workers will be employed?	AE	No
Have communities, especially low income/vulnerable communities, voluntarily raised concerns in relation to SEAH/GBV during consultations?	AE	No
Have any changes been made to project design or adaptive management undertaken due to	AE	No

<sup>83</sup> Property Assessment and Valuation Agency of Bhutan

concerns of stakeholders and communities? (If yes, work through this checklist again)		
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## Part E: Checklist of Potential SEAH Risk Mitigation Measures

Mitigation	Comments
<b>POLICY AND CODE OF CONDUCT</b>	
Does the AE have a SEAH policy which covers the project?	Yes, BTFEC has a policy on sexual harassment as part of the corporate code of conduct. Further, the constitution of Bhutan provides constitutional protection against SEAH <sup>84</sup>
Does the project have a Code of Conduct prohibiting SEAH by workers?	While the project does not have a specific Code of Conduct prohibiting SEAH, national laws in Bhutan prohibit SEAH <sup>85</sup>
Are clauses included in procurement contracts which commit contractors, subcontractors, suppliers, drivers and security personnel (if applicable) to adhere to the AE Code of Conduct (or EE equivalent)?	The on-going revision of AE's procurement manual considers the inclusion of this requirement in the contractual arrangements. Further, all procurement contractual parties in Bhutan are subject to the national laws which prohibit SEAH (see footnote 2)
<b>SUPERVISION AND TRAINING</b>	
(For larger, longer-term projects) Is there a trained SEAH specialist in the project team?	No. However, every district in Bhutan has a focal person for the National Commission for Women and Children as well as a Gender Focal Person. This expertise can be leveraged by the project activities in the gewogs.
Does the project plan to train all project workers on the Code of Conduct, SEAH and what is prohibited behaviour?	Creating awareness on SEAH will be included within awareness sessions for climate change and risks for communities as well as during the training of LG members
<b>RECRUITMENT AND PERFORMANCE ASSESSMENT</b>	
Are recruitment procedures in place, with interview panels staffed by at least two people?	Panel interviews shall be mandatory by both national and AE regulations
Are candidates' identities checked at interview and are references requested?	Yes
Are all workers required to be hired on formal contracts?	Yes, however day based workers

<sup>84</sup> The Constitution of the Kingdom of Bhutan 2008, prohibits a person from toleration or participation in acts of 'abuse of women' (article 8) and requires the State to ensure the right to work, vocational guidance and training and just and favourable conditions of work; the right to fair and reasonable remuneration for one's work; elimination of all forms of discrimination and exploitation against women including abuse, violence, harassment and intimidation at work in both public and private spheres (Article 9) as a Principles of State Policy.

<sup>85</sup> Sexual harassment of people seeking employment, employees, colleagues or employers are prohibited by Labour and Employment Act of Bhutan, 2007. The Local Government Act of Bhutan 2009 (Chapter 4) provides protection for women, children and the physically challenged and eliminate physical, mental and emotional abuse and violence against women and children.

Mitigation	Comments
	employed by local contractors at site may not engage in formal written contracts although they may be as per local norms and standards
Are written procedures in place for performance appraisals, promotions, and any performance-related pay increases (if applicable)?	Yes
<b>GRIEVANCE REDRESS MECHANISMS (GRM)</b>	
Does the project have a GRM for community members to raise SEAH-related complaints and concerns and is it confidential and survivor-centred, with multiple reporting channels?	The project GRM is open for all forms of complaints, grievances, feedbacks
Does the project have a GRM for project workers to raise SEAH-related complaints and concerns and is it confidential and survivor-centred, with multiple reporting channels?	The GRM has provisions for confidentiality
Are the staff who manage the GRMs equipped and trained to respond to SEAH reports in a safe and effective way?	The LG GRM committees are established institutions and are aware of GRM processes. Further, AE will organize training on SEAH Risk assessment and mitigation when developing Funding Proposals through the AE fees utilization plan under "Providing technical guidance, as necessary, for project implementation"
Are persons, communities and countries affected or potentially affected by the activities consulted and that effective SEAH GRMs to receive complaints and feedback are established and function in a collaborative manner and in a way that is complementary to GCF independent Redress Mechanism, and requiring that any gaps or weaknesses be addressed?	Project GRM is based on existing and functional local level GRM and at the BTFC.
Are affected communities (or likely to be affected, by the GCF-financed activities) informed about SEAH GRMs at all three levels – at the earliest opportunity of the stakeholder engagement process and in an understandable format and in all relevant languages?	Project GRM will be discussed further and clarified during project implementation within each project gewog
<b>INVESTIGATION AND RESPONSE</b>	
Are there written procedures for dealing with SEAH complaints or concerns and a dedicated and trained female staff member to deal with these (if no specialist is available)?	SOP for GBV and Response, 2020  For SEAH issues, the representatives of NCWC at every level will be engaged
Has a service provider mapping been undertaken to identify which services are available for survivors of SEAH?	SOP for GBV and Response, 2020 defines the sector service entities for different types of SEAH survivors
If there are no public or private service providers in the area, has the project identified and budgeted for outside providers?	Public service providers are available
<b>AWARENESS RAISING</b>	
Will/have gender-sensitive and culturally appropriate outreach materials been prepared (such as posters, signage, etc.) on SEAH in all relevant languages?	Gender-sensitive and culturally appropriate outreach materials will be prepared during implementation as part of awareness and knowledge management
Has the community been informed about potential SEAH risks for the project and how to prevent them and use the GRM?	Creating awareness on SEAH and GRM will be included within awareness sessions for climate change and risks for communities as



Mitigation	Comments
	well as during the training of LG members
Have any rapid mobile surveys or text surveys been developed to regularly obtain feedback from workers and/or the community?	Project GRM includes provisions for mobile or text
PROCUREMENT AND PARTNERSHIP	
Have SEAH prohibitions and mitigation measures been included in procurement documents?	The on-going revision of AE's procurement manual considers the inclusion of this requirement in the contractual arrangements. Further, all procurement contractual parties in Bhutan are subject to the national laws which prohibit SEAH
Are there clauses in the EE contract requiring them to prohibit SEAH in their workforce?	EE contractual arrangement will be bound by national laws which prohibit SEAH
PHYSICAL WORKSPACE	
Will separate facilities for men and women be provided at all work sites?	Yes for all sites where both men and women are engaged
Are SEAH risks included in workplace safety assessments, including worker accommodation and transportation?	Yes. Will be guided by labour regulations
Are project workers informed of areas that are off-limits, for example areas around schools (or other places where children are present)?	This mitigation is not relevant to this project as local grants will be confined to gewogs and project workers will be from within the gewog

## Appendix 3: Gender Assessment

### 1. Introduction

CARE-LG recognises that gender equality is important for inclusive and holistic development and that the adaptive capacity of both women and men are equally important for communities' resilience to climate-change impacts. The project is cognisant of the tendency for women being more vulnerable than men to the impacts of climate change due to multiple factors, such as social structures and norms, as well as economic opportunities (Bhadwal et al., 2019; Goodrich, 2019). Women's vulnerability is intensified by their limited access to information, lack of mobility and decision-making power, as well as their limited financial resources and training. Gender-based social and cultural norms, including the division of labour, can also negatively influence women's adaptive capacity. Increasing out-migration of working-age men is also attributed for increased workloads and responsibilities for women, children and the elderly (Bachmann et al., 2019), thereby constraining the potential to improve their adaptive capacity in the long run.

As in other mountainous countries, the impacts of climate change in Bhutan are not gender neutral. Due to gender-differentiated traditional roles in agriculture, health and nutrition, women are likely to face the heaviest burdens of climate impacts. The gender assessment for the GEF/ LDCF-NAPA III project suggested that women are likely to be vulnerable because of their roles in rural communities, which are largely confined to agricultural and domestic activities within the households while men go for off-farm non-agricultural work or carry out heavier tasks such as ploughing and firewood collection. At 43.5%, the agriculture sector accounts for the highest employment in Bhutan. Of this, women constitute 53.3%<sup>86</sup>, implying the importance of agricultural livelihoods for the development and wellbeing of Bhutanese women and, therefore, their vulnerability to climate change. While a higher percentage of women is engaged in agriculture, surveys carried out for an in-depth assessment on climate change and gender<sup>87</sup> revealed that fewer women than men were aware of climate-smart and resilient agriculture initiatives. The assessment also highlighted those rural men and women have different views and solutions on how to cope with climate change. The study published by the National Commission of Women and Children (NCWC) in partnership with UNDP (2020)<sup>88</sup>, revealed gender differences with respect to climate vulnerability, participation in decision making on climate action and benefit sharing. The study found that the responsibilities held by women become more difficult, productivity decreases, and women and girls are disproportionately affected with male out migration, increasing violence and sexual exploitation, health problems, and deteriorating working conditions. This underlines the importance of gender mainstreaming in climate change adaptation strategies, both in terms of planning, budgeting, targeting of interventions and execution.

The CEDAW Committee's General Recommendations 25 states that it is not enough to guarantee women treatment that is identical to that of men. The Committee emphasized that "a purely formal legal approach is not sufficient to achieve women's de facto equality with men, which the Committee interprets as substantive equality. The CEDAW general recommendation no. 37 states the importance of taking concrete steps to address discrimination against women in the fields of disaster risk reduction and climate change through the adoption of targeted laws, policies, mitigation and adaptation strategies, budgets and other measures.

In this respect, this analysis is done to help understand the national gender context, including in the targeted Gewogs of CARE-LG, with the objective to embed gender equality and social inclusion (GESI) across the CARE-LG activities and implementation process. Based on the key findings of this analysis, a gender action plan (GAP) is proposed in the second part of this document.

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<sup>86</sup> Bhutan Labor Force Survey Report 2022, National Statistics Bureau, RGoB.

<sup>87</sup> Gender and Climate Change in Bhutan: with emphasis on the NDC priority areas - Agriculture, Energy and Waste Report 2020 by UNDP, National Commission for Women and Children and the National Environment Commission.

<sup>88</sup> Gender and Climate Change in Bhutan with a Focus on a Nationally Determined Contribution Priority Areas: Agriculture, Energy and Waste, 2020.

## 2. National Gender Equality and Mainstreaming Context

### 2.1 Policy context

The *National Gender Equality Policy (NGEP) 2019*<sup>89</sup> provides the overall policy guideline and framework for gender-mainstreaming and gender-equality promotion in the country. It envisions a society where substantive equality is practised with equal opportunities for women and men, and boys and girls to achieve their full potential and benefit equitably from the social, economic and political development in the country.

The policy acknowledges the importance of sensitization and awareness around gender issues as a measure to influence changes in society and ensure real implementation of gender responsive policies, plans and projects. It recognises that women shoulder the burden of home, care-work and employment, which is why it is important to formally recognise women's contribution in the informal economy. The gender stereotypes permeate the types of sectors that men and women are employed in, and a greater engagement and contribution of women in the relevant social and economic sectors will directly contribute to the country's sustainable productivity and growth.

The policy upholds the need for the following to promote gender equality and gender mainstreaming in the social, political and economic domains:

- ◆ Increasing women's participation in the workforce and in decision-making through an inclusive lens across all sectors and levels of Government;
- ◆ Building a network of women leaders and aspiring leaders across the spectrum of society to promote women's participation in public offices and encouraging male champions as allies and advocates;
- ◆ Exploring and adopting affirmative and targeted actions to improve women's representation in the public sphere at the national and local levels, including for those with disabilities;
- ◆ Implementation of advocacy and awareness to encourage women's participation in decision-making and showcase role models that highlight women's contributions in society;
- ◆ Creating a culture of prevention and zero tolerance to gender-based violence (GBV) for the current and future generations.
- ◆ Developing measures to protect those that identify themselves outside the traditional gender roles based on specific gender identities;
- ◆ Developing and implementing evidence-based interventions to address gender issues faced by women and girls due to their varying vulnerabilities, particularly related to trafficking, sexual harassment and employment;
- ◆ Mainstreaming gender in all disaster and climate change related initiatives through acknowledgment of the differential impacts of disasters and climate change on women and men, and the positive roles that women can play in adaptation and mitigation efforts;
- ◆ Enhancing access to finance and market opportunities, and providing capacity and skills development support for women including rural and socio-economically disadvantaged women.

The *Climate Change Policy (of Bhutan) 2020* upholds the importance of promoting the identification

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<sup>89</sup> RGoB, 2019.

and transfer of appropriate technologies to support gender responsive mitigation and adaptation actions. The policy specifically maintains that gender issues shall be integrated across all climate change actions through situational analysis of gender gaps and advance the identified gender aspects that need to be addressed through gender responsive climate actions.

## 2.2 Legal and Regulatory Context

The *Constitution of the Kingdom of Bhutan 2008* provides general conditions pertinent to gender-equality. Article 7 (Fundamental Rights) guarantees fundamental rights including an equal pay for work of value, and protection from discrimination on the grounds of race, sex, language, religion, politics or other status. Article 8 (Fundamental Duties) prohibits a person from toleration or participation in acts of 'abuse of women'. Article 9 (Principles of State Policy) maintains that the State will provide justice through a fair, transparent and expeditious process, while minimizing inequalities of income, wealth and public facilities among individuals and people. The Article requires the State to enable the citizens to secure an adequate livelihood. In particular, it requires the State to: ensure the right to work, vocational guidance and training and just and favourable conditions of work; the right to fair and reasonable remuneration for one's work; elimination of all forms of discrimination and exploitation against women including abuse, violence, harassment and intimidation at work in both public and private spheres.

The *Labour and Employment Act of Bhutan 2007* stipulates the need for promotion and protection of workers' welfare through a fair and just labour administration system. The Act requires promotion of employment and protection of labour, while prohibiting forced or compulsory labour, worst form of child labour, discrimination against sexual harassment and forceful dismissal.

The *Domestic Violence Prevention Act of Bhutan 2013* upholds right to equality, freedom and security of a person in preventing domestic violence and promotion of harmony, coexistence and respect within families and domestic relationships. The Act provides a prompt and just legal remedy for the victims of domestic violence<sup>90</sup>.

The *Local Government Act of Bhutan 2009* (Chapter 4) provides protection for women, children and the physically challenged and eliminate physical, mental and emotional abuse and violence against women and children.

## 2.3 Institutional Arrangement of Gender Equality and Mainstreaming

The *National Commission for Women and Children* (NCWC) is the national lead actor on gender mainstreaming. The Commission functions with a vision of creating a harmonious society of equality and respect in all spheres of life for women and men through gender-responsive interventions including the review, reform, advocacy and formulation of policies, legislations, plans, projects and activities from a gender equality perspective<sup>91</sup>.

The Gender focal points (GFP) appointed in various agencies both at the national and local levels, help NCWC with its gender mainstreaming functions. A GFP is entrusted with the responsibility to oversee gender mainstreaming activities at an organizational, policy and operations level of the agency she/he works<sup>92</sup>. Specifically, a GFP carried out the following tasks:

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<sup>90</sup> Under the Act, violence includes any act, omission or behaviour towards a person which results in physical, sexual, emotional or economic abuse.

<sup>91</sup> <http://www.education.gov.bt/dys/?p=3903>

<sup>92</sup> Terms of Reference of GFPs.

- a) Conduct gender sensitization/gender capacity building training/workshops in the agency/organization;
- b) Develop and maintain a knowledge database on gender and gender issues in the respective agencies;
- c) Advice, support and advocate for gender mainstreaming efforts in the Agency/Organization;
- d) Encourage and monitor the use of specific measures and tools for mainstreaming gender among sectors of your Agency/Organization;
- e) Encourage and make sure that gender is mainstreamed in all plans, policies and programs/projects of the agency/organization;
- f) Input sectoral information into the Gender Equality Monitoring System (GEMS) regularly or on the biannual basis;
- g) Support, advocate, mainstream and implement gender protection and wellbeing aspects and gaps into legislation, policies, plans and programs, projects and activities;

Besides the GFPs network, the NCWC Secretariat also uses a Gender Expert Group (GEG), made of individual experts from different government and non-government agencies. The GEG is also provides technical support to GFPs' activities.

The role of Civil Society Organisations (CSO) in promotion of women empowerment and protection of women's issues is growing. They function as NCWC's key partners in gender mainstreaming across the public life<sup>93</sup>. Similarly, the international non-government organizations (INGOs) play significant roles in strengthening the functions of NCWC as the state gender mainstreaming machinery in terms of partnership in implementation of relevant projects and programmes to strengthen sensitisation and advocacy on gender-mainstreaming.

## 2.4 Strategies on Promotion of Gender Equality and Mainstreaming

There are several mechanisms in place that contribute to mainstreaming gender and promotion of gender equality, including the following:

### a. **Integration of gender-equality concerns in all government policies:**

The *protocol for policy formulation* requires integration of cross-cutting issues in the draft policy, and gender is one of the cross-cutting themes to be considered as a minimum necessary condition. The protocol also makes it mandatory for the proponent agency to consult all relevant stakeholders who may be affected by the policy (example, women).

As part of the process for a policy's endorsement by the Cabinet, an independent expert team formed by relevant individuals from different agencies screens the policy using a standard *Policy Screening Tool*, which includes gender-equality as one of the 26 screening parameters. The screening requires the policy to obtain a high benchmark score for every parameter to get endorsed for implementation. For gender mainstreaming, the screening tool categorizes the

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<sup>93</sup> [https://www.ncwc.gov.bt/partner\\_organization](https://www.ncwc.gov.bt/partner_organization)

policy using the four rating levels: (i) will increase gender inequality; (ii) do not know the effects on gender equality; (iii) will not have any negative effects on gender equality; and iv) will promote gender equality.

**b. *Integration of gender into the national development planning process:***

One of the gender-mainstreaming practices in the country has been to incorporate gender-equality indicators in the Five-Year Plan (FYP) documents and strategies. The 11<sup>th</sup> FYP consolidated Bhutan's efforts on gender mainstreaming by adopting its overall development goal as 'Self-reliance and Inclusive Green Socio-economic Development'. The current 12<sup>th</sup> FYP (2018-2023) guideline has a separate chapter requiring the sectors to implement the mainstreaming process while formulating their development plans and programmes. It adopted the objective of providing equitable access to resources and opportunities to all citizens, reducing inequality and promoting gender equality by empowering women and girls. It has "Gender Equality" as a separate National Key Results Area<sup>94</sup>.

The 4<sup>th</sup> LGKRA of the 13<sup>th</sup> FYP covering the period 2023-2028 states that '*By 2029, Dzongkhag/Thromde has proactive social protection and support measures*', requiring LGs to facilitate the provision of social protection schemes to elderly and vulnerable groups of people by ensuring to mainstream cross-cutting themes (gender, environment, disability, climate, etc) across all projects.

**c. *National Plan of Action for Gender Equality (NPAGE):***

The preparation and implementation of the *National Plan of Action for Gender Equality (NPAGE)* as strategic intervention to mainstream gender has been a practice since the fifth FYP. Initially introduced as 'Women in Development' section in the 5<sup>th</sup> FYP, it was implemented as NPAGE from the 10<sup>th</sup> FYP (2008-2013) as an overall strategy for gender-mainstreaming in the planned programmes and activities. The existing NPAGE (2019 to 2023) corresponds to the current 12<sup>th</sup> FYP (2018-2023) and covers about 10 critical areas of: Good governance; health; ageing, mental health and disabilities; gender-based violence; gender stereotypes and prejudices; economic empowerment; education and training; women in poverty; media and sports; and, environment and climate-change.

**d. *Gender Equality Strategy in the Bhutanese Civil Service 2018-2023:***

Through the coordination of NCWC, RCSC has put in place a Gender Equality Strategy in the Bhutanese Civil Service 2018-2023 with the aim of enhancing women leadership in the Bhutanese civil service. With the overall objective to achieve 15% of women in executive positions in the civil service by 2023, the strategies include:

- Creating a supportive and enabling work environment by strengthening work-life balance, enhancing childcare facilities at work place, strengthening sexual harassment at work place through institutionalization of internal framework, increasing knowledge sharing forum for senior/mid-level female civil servants, and consistent gender awareness in agencies;
- Stepping up women capacities and aspirations through inclusion of gender curricula in civil service training institutes and training courses, promotion of gender role models through award system and talk shows, and monitoring of mid-level female civil servants for professional development and leadership progression.

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<sup>94</sup>RGoB, 12 FYP Guideline.

- Balancing decision-making by increasing gender representation in committees, and gender sensitisation for executives, managers and supervisors.
  - Gender mainstreaming in HR plans and policies by implementing gender-equity measures such as placement of female executives in preferred locations, development and implementation of specific gender-equality action plans and targets in organisations, systematic collection and use and analysis of sex-disaggregated data and preparation of HR and budget plans with gender perspective.
  - Monitoring and evaluation to learn and improve by implementation of gender-equality monitoring system (GEM) and, gender assessment and evaluation in the FYP mid-term and annual reviews.
- e. **Gender Equality Monitoring System (GEMS):** allows relevant departments and agencies to report on progress towards the results and changes. The system manages data and information on 52 indicators towards achieving seven outputs: women's access to health services, women's access to education, participation of women in sustainable rural development, female youth unemployment, women's competency and skills in entrepreneurship, mechanisms to address violence/sexual harassment, and women's participation in governance and decision-making. The system seems to help NCWC in strengthening accountability of the sectors in gender mainstreaming. As part of the system, annual gender focal-point (GFP) meetings are conducted. During these meetings, GFPs set targets of gender mainstreaming activities within their respective sectors.

### 3. Key Gender Data

#### 3.1 Bhutan's Gender Data in Global Context

The World Economic Forum's (WEF) Global Gender Gap Index (GGGI) 2022<sup>95</sup> ranks Bhutan 126 out of 145 countries, and 5<sup>th</sup> out of the 9 South Asian Countries. The country's rank within the four dimensions is highest in the Educational Attainment, ranking 111 out of 145 countries.

*Table 1: Key Gender Data in Global Context*

WEF, Global Gender Gap Index (GGGI) 2022			
Dimension	Rank (out of 145 countries)	Ranks in South Asia	
General GGGI	126	Bangladesh	1
Economic participation and opportunity	126	Nepal	2
Educational Attainment	111	Sri Lanka	3
Health and Survival	125	Maldives	4
Political empowerment	125	Bhutan	5
		India	6
		Iran	7
		Pakistan	8
		Afghanistan	9
UNDP's Human Development Index <sup>96</sup>			
HDI 2022 rank	127 out of 191 countries; HDI 2021 was 125 of 191		

<sup>95</sup> Benchmarks gender parity state and evolution on the four of dimensions (Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment).

<sup>96</sup> <https://hdr.undp.org/data-center/country-insights#/ranks>



	countries; medium HDI countries.
Gender HDI	3 <sup>rd</sup> Group of 5 country groups; medium HDI countries
Gender-Inequality Index	98 out of 191 countries

South Asia is the lowest of the 9 regions covered, and has the widest gender-gap on Economic Participation and Opportunity dimension with only 35.7% of the gender gap closed.

UNDP's Human Development Index (HDI) 2021/2022 categorizes Bhutan under the medium HDI category of countries with 127<sup>th</sup> in the over HDI rank out of 191 countries. This is a backward shift by two positions from 125 in 2020. By gender development index, Bhutan is in the 3<sup>rd</sup> of 5 groups of country categories, indicating only medium equality in HDI achievements between women and men. The gender inequality index rank that measures inequality achievement between women and men in the three dimensions of reproductive health, empowerment and the labour market is 98 out of 191 countries.

### 3.2 National Sex-Disaggregated Data

*Table 2: Demographic Data*

Sl. No.	Statistics	Value	Women	Men	Source
1	Population	727,145	346,692 (47.7%)	380,453 (52.3%)	SYB 2023, NSB
2	2023 Projected population	770,276	369,184 (48%)	401,092 (52%)	Population Projections Bhutan, 2017 - 2047, NSB
3	Sex Ratio	110			SYB 2023, NSB
4	Total dependency ratio	47			
	Child dependency ration	38.3			
	Old age dependency ratio	8.7			
4	Median Age	26.9	26.6	27.2	SYB 2023, NSB
5	Aging Index	22.7	22.7	22.8	SYB 2023, NSB
6	Life Expectancy (years)	70.2	71.7	68.8	SYB 2023, NSB
	Infant mortality rate	15.1	13.5	16.6	SYB 2023, NSB
	Child mortality rate	19.0	18.4	19.4	SYB 2023, NSB
	Under five mortality rate	34.1	31.9	36	SYB 2023, NSB
	Disability prevalence	2.1	2.3	2	SYB 2023, NSB
7	Employment rate	94.1%	92.1%	95.6%	SYB 2023, NSB
8	Unemployment rate	5.9%	7.9%	4.4%	SYB 2023, NSB
9	Youth unemployment rate	28.6%	32.8%	24.4%	SYB 2023, NSB
10	No. of households	163,001	Female headed households – 29.3%		
11	Literacy rate		77.1%	63.6%	
11	Average age at first marriage	22 years (24 for men and 21 for women)			

Table 3: Labour force and employment

Sl. No.	Statistics	Value	Women	Men
1	Economically active population - 15 years and above	305,983	134,633 (44.0%)	171,350 (56.0%)
2	Labour Force Participation Rate	63.1%	53.5%	73.4%
3	Peak labour participation age		25 to 44 years	
4	Employed persons	287,785	123,748 (43.0%)	164,037 (57.0%)
5	Overall employment rate	94.1%	92.1%	95.6%
6	Employment-to-population Ratio	59.3%	49.2%	70.2%

Source: Labour Force Survey Report 2022, National Statistics Bureau, Bhutan.

Table 4: % of proportion of employed persons by age-group

Sl. No.	Age-group	Women	Men	Both Sex
1	15-64	91.7	95.3	93.7
2	18-64	91.7	95.3	93.7
3	15-19	55.9	69.7	62.5
4	20-24	69.4	76.8	73.1
5	25-29	87.2	91.4	89.4
6	30-34	93.2	96.7	95.1
7	35-39	95.9	97.5	96.8
8	40-44	97.3	99.3	98.5
9	45-49	97.0	98.9	98.1
10	50-54	98.2	99.3	98.9
11	55-59	99.0	99.4	99.2
12	60-64	99.1	98.6	98.8
13	65+	100.0	100.0	100.0
14	Bhutan	92.1	95.6	94.1

Source: Labour Force Survey Report 2022, National Statistics Bureau, Bhutan.

Table 5: % of proportion of employed persons by sector

Sl. No.	Sector	Persons	Women	Men	% proportion
1	Agriculture	125,160	53.3	36.1	43.5
2	Industry	39,414	53.3	16.9	13.7
3	Service	123,210	37.2	47.0	42.8
4	All sectors	287,785	100.0	100.0	100.0

Source: Labour Force Survey Report 2022, National Statistics Bureau, Bhutan.

Table 6: % of employed persons by employment nature

Sl. No.	Employment nature	Women	Men	Both
1	Employee (regular paid)	24.9	42.0	34.6
2	Employee (Casual paid)	1.9	7.5	5.1
3	Own-account worker (Non-agriculture)	15.1	12.4	13.5
4	Own-account worker(Agriculture)	23.2	20.9	21.9
5	Family worker (Non-agriculture)	4.8	2.1	3.2
6	Family worker (Agriculture)	29.6	14.3	20.9
7	Employer	0.5	0.9	0.7
8	Apprenticeship/Internship	0.1	0.0	0.1
	Total	100.0	100.0	100.0

Source: Labour Force Survey Report 2022, National Statistics Bureau, Bhutan.

Table 7: % of employed persons by major occupation

Sl. No.	Major occupation	Women	Men	Both
1	Managers	4.7	6.1	5.5
2	Professionals	7.9	8.7	8.3
3	Technicians and Associate Professionals	3.8	8.0	6.2
4	Clerical Support Workers	3.2	1.4	2.1
5	Services and Sales Workers	16.1	12.5	14.0
6	Skilled Agricultural, Forestry and Fishery Workers	53.0	35.5	43.0
7	Craft and Related Trades Workers	7.1	9.1	8.2
8	Plant and Machine Operators and Assemblers	0.3	8.6	5.1
9	Elementary Occupations	3.8	6.3	5.3
10	Armed Forces Occupations	0.0	3.9	2.2
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Labour Force Survey Report 2022, National Statistics Bureau, Bhutan.

Table 8: % of proportion of employed persons by level of education

Sl. No.	Level of Education	Women	Men	Total
1	No education	45.1	33.2	38.3
2	Primary/Nursery	8.2	15.9	12.6
3	Lower Secondary	4.0	7.5	6.0
4	Middle Secondary	10.8	11.6	11.2
5	Higher Secondary	10.9	10.6	10.7
6	Certificate/Diploma	2.1	2.2	2.1
7	Bachelor's Degree	7.4	9.2	8.4
8	Master's Degree & Above	1.4	2.4	2.0
9	Monastic Education	0.1	4.4	2.6
10	Non-Formal Education	10.1	2.9	6.0
	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Labour Force Survey Report 2022, National Statistics Bureau, Bhutan.

Table 9: % of total employed persons by major economic activity

Sl. No.	Major economic activity	Total	Women	Men	Total
1	Agriculture, Forestry and Fishing	125,160	53.3	36.1	43.5
2	Mining and Quarrying	1,446	0.2	0.7	0.5
3	Manufacturing	19,577	7.9	6	6.8
4	Electricity, Gas, Steam and Air Conditioning Supply	3,929	0.9	1.8	1.4
5	Water Supply; Sewerage, Waste Management and Remediation Activities	51	0	0	0
6	Construction	18,391	1.3	10.2	6.4
7	Wholesale & Retail Trade; Repair of Motor Vehicles and Motorcycles	27,210	12.2	7.4	9.5
8	Transportation and Storage	9,096	0.4	5.3	3.2
9	Accommodation and Food Service Activities	9,581	5.1	2	3.3
10	Information and Communication	2,726	0.6	1.2	0.9
11	Financial and Insurance Activities	3,727	1.4	1.2	1.3

12	Real Estate Activities	808	0.4	0.2	0.3
13	Professional, Scientific and Technical Activities	1,178	0.5	0.3	0.4
14	Administrative and Support Service Activities	1,616	0.4	0.7	0.6
15	Public Administration and Defence; Compulsory Social Security	30,538	5.3	14.6	10.6
16	Education	16,381	5.6	5.8	5.7
17	Human Health and Social Work Activities	8,772	3.3	2.9	3
18	Arts, Entertainment and Recreation	1,977	0.4	0.9	0.7
19	Other Service Activities	5,282	0.7	2.7	1.8
20	Activities of Households as Employers	18	0	0	0
21	Activities of Extraterritorial Organizations and Bodies	320	0.2	0.1	0.1
	<b>Total</b>	<b>287,785</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Labour Force Survey Report 2022, National Statistics Bureau, Bhutan.

Table 10: % Number of employed persons by type of enterprise

Type of enterprise	Female	Male	Both sex
Government Agency	13	16.5	15
Armed Forces	0.6	7.2	4.4
Agriculture Farming	52.9	35.3	42.9
Public/Government Company	4.2	6.7	5.6
Private Limited Company	1.7	4.0	3.0
Private Business	26.9	29.9	28.6
A Household(s) as a Domestic Worker	0.3	0.1	0.2
NGO/INGO/CSO	0.4	0.3	0.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Labour Force Survey Report 2022, National Statistics Bureau, Bhutan.

Table 11: % of unemployment

Sl. No.	Statistics	Value	Women	Men
1	Unemployment rate	5.9% (18,198 persons)	7.90%	4.40%
2	Unemployment-to-population ratio	3.80%	4.20%	3.20%
3	Reason of unemployment:			
	· Qualification mismatch	10.5	8.6	13.2
	· Lack of adequate qualification	21.4	23.7	18.1
	· Lack of experience	7.4	8.8	5.3
	· Lack of skills	3.8	3.3	4.6
	· Person with Disability	0.3	0.4	0.3
4	Preference of unemployed persons for employment in different sectors:			
	· Government	77.5	79.8	74.5
	· Armed Force	3	1.6	4.8
	· Government Corporation	5.1	5.5	4.6

· INGOS and NGOS	1.6	2	1.1
· Private sector agencies	12.8	11.1	15.1

*Source: Labour Force Survey Report 2022, National Statistics Bureau, Bhutan.*

Bhutan's women population consist of 47.7% (346,692) of the country's total population (727,145), with the sex ratio of 110 (Table 2). The population in the year 2023 is projected at 770,276 with 48% (369,148) women<sup>97</sup>.

The percentage of economically active women (15 years and above) stands at 44% (134,633) out of 305,983 persons. There is a striking difference in women's labour force participation rate at 53.5% against that of men at 73.4%. The number of employed women (123,748 or 43%) is also less than that of men (164,037 or 57%) out of the total number of 287,785 employed persons. The women's overall employment rate is 92.1% compared to men's overall employment rate at 95.6%. The employment-to-population ratio of women and men stand at 49.2% and 70.2% respectively. The percentage of women's employment by age-group (15-65+years) is 92.1% with men's employment (95.6%) being more in all age-groups (Table 4).

A majority (53.3%) of women employed are in the agriculture and industry sectors (Table 5), with a large number of them being employed in the family works (29%) compared to men in the same works at 14.2%. Similarly, the number of paid women (Table 6) are far less (24.9% regular paid and 1.9% of casual paid) than that of men (42% regular paid and 7.5% casual paid). While there are more employed women (7.9%) than men (8.7%) at the professional occupations, there are more men managers (6.1%) than women (4.1%). A large number of employed women are taking the occupations related to services and sales works, and the skilled agricultural, forestry and fishery works (Table 7).

In terms of education (Table 8), the percentage of women employed with higher qualification is less compared to their men counterparts. Almost 50% of the employed women have no education. Majority of them have studied up to middle and higher secondary education, and the number of employed women with the master's degree and above (1.4%) is just half of that of men (2.4%). More than half (53.3%) of them is in the major economic activities of agriculture, forestry and fishing and their participation in the public administration (5.3%) is far less than that of men (14.6%) – (Table 9), indicating that engagement of women in the paid works is less than that of men.

By type of enterprise, employed women are more in the agriculture farming (52.9%) against that of men (35.3%). Participation of employed women in the government agency is strikingly low (13%) when compared to that of men (16.5%) – (Table 10). Out of 123,748 or 43% of employed women (Table 2), the contribution to the total employment by enterprise is very high in the household or domestic works (69.6%), while their contribution in the Government agency is low at 37.2%.

The total unemployment rate of women (7.90%) is greater than that of men (4.4%) with the women unemployment-to-population ratio being 4.20% compared to men's at 3.20% (Table 11). Lack of adequate education is the primary reason for women's greater unemployment rate.

<sup>97</sup> Population and Housing census of the country is conducted every ten years. The data in this study is based on the latest census conducted in the year 2017, as there is no analysis done on the projected population in the subsequent years.

### 3.3 Poverty rates and composition of female headed households

As noted in the preceding section, agriculture farming is the key area of women's employment, with the household or domestic works being the main activities of engagement. According to the *Bhutan Living Standard Survey Report* (BLSS) of Bhutan 2022, the female headed households make up 32.9% of households in the country, with 29.3% and 35.3% in the urban and rural households, respectively. The household size tends to decline with the increase in per capita household consumption quintile, from an average of 5.1 for the poorest quintile to 2.7 for the richest.

According to the *Bhutan Poverty Analysis Report* (NSB, 2022), the share of individuals in poverty is under 1% among households of only one member, and reaches 40.2% among households with nine members or more. On an average, female-headed households are observed to be less poor than male-headed households. The poverty rates are highest among households with very young heads (under 25 years of age) at 13.3% and for those with heads over 65 at 20.9%. Food scarcity is more in rural than urban, with some poor households often experiencing food insufficiency for a whole day and night.

The literacy rate across all ages is 77.1% for males and 63.6% for females. Persons without formal education have the highest marriage rate at 78.7%. The average age at first marriage is 22 years in the country, 24 years for males, and 21 years for females.

### 3.4 Gender focused approaches and lessons learned

Gender equality has been considered and included as an important aspect across all activities of the previous programmes. An important intervention of gender, environment, climate-change, disaster and poverty (GECDP) mainstreaming at the local level as been emphasized with the primary objective to build LGs' and communities capacity in mainstreaming GECDP issues into LG plans and programmes.

However, the previous programmes did not have any specific activities targeted at women, and gender equality is considered in terms of having 'some' women representatives in capacity building workshops, etc. It indicates that gender equality promotion is approached and measured more in quantitative terms (i.e., counting the number of women and men) and there is a vast gap in analysis on qualitative aspects, in terms of mainstreaming gender beyond sex disaggregated data. Issues around skewed social gender norms and patriarchal structures remain more or less untouched, thereby requiring to break the social and cultural barriers.

Stakeholders' consultation reported that although they do try to adhere to the national gender mainstreaming policies and guidelines to the most extent possible, it is difficult to implement the policies since the 'planning and implementation system' is not adequately developed to ensure full execution. They pointed out that the key challenge is in the gender-neutral policies and practices that promote gender-blindness.

## 4. Analysis of Gender Gaps

### Policy and institutional challenges

Despite having in place, a national gender equality policy and constitutional mandate for legal protection of gender equality, there are several challenges, some of which are:

- Implementation of policies without clear strategies of 'how'.
- The gender mainstreaming as stated in policies and legislations are theoretical and lacks a concerted practical approach, resulting in gender-blind approaches.

- GFPs not adequately trained and empowered.
- Multiple stakeholders are involved in work on gender equality and women's rights without coordination. Enhanced coordination could provide opportunities for collaborations, replications and to avoid duplications.
- Poor institutionalization of gender mainstreaming in the planning and budgeting processes. There is lack of institutional ownership and accountability by the sectors. Gender is looked at as an add-on responsibility to their primary function.
- Limited capacity on gender equality, gender mainstreaming, gender budgeting and the use of a clear gender lens.
- Poor collection, analysis and use of sex disaggregated data (SADD) at policy and programme level.
- Lack of a well-functioning M&E system to capture progress on a regular basis.
- Sensitisation and awareness programmes are implemented, but the most relevant do not always attend them.
- Poor implementation of the knowledge and lessons learned from capacity building programmes.
- Community attitudes and perceptions on gender equality also impede implementation of gender mainstreaming activities. Gender equality approaches are not regarded as important. This discourages and compromises the motivation of the gender equality champions.
- The knowledge and communication management on gender equality and gender mainstreaming is poor. It needs to be improved for better results on gender mainstreaming and gender equality promotion.
- The misconception that gender equals to women only creates hesitation and suspicion amongst men.
- Training and capacity building programmes for men on gender mainstreaming is important, in order for men to be able to understand women's issues.
- Budget is one of the main constraints in implementing gender equality activities at all levels and sectors.

### Structural challenges

According to the *Bhutan Gender Report for RNR and LGs* prepared under the EU Technical Assistance Support project in 2022<sup>98</sup>, women face a wide range of challenges in order to participate and perform at the same level as men. These challenges range from skewed social norms and feminisation of agriculture to poor access to finance and all other kinds of resources, including training, technologies, finance and agriculture related works. The mindset that girls should do farming work more than boys introduces young women to agriculture at early age, which in turn prevents them from participating in other activities, including the education. Women are primarily involved in backyard farming on smaller plots<sup>99</sup>. There is a certain degree of division of labour between the sexes in agriculture, although somewhat fluid. Research indicates that the Bhutanese women are usually engaged in works like firewood collection, crop cultivation and vegetable gardening, whereas men are engaged in ploughing, construction, trading and other business or income-generating manual activity.

The cultural norms on access to productive land and other resources differs from place to place, and women are not necessarily discriminated against on property share holdings and access to agricultural resources. In the Western part of the country, access to property share is determined by the role and responsibilities adopted by the household members. As such, women remain at home taking charge of the household properties such as houses and agricultural land, and as they are involved more in taking care of parents and children, they are given more preference to inherit

<sup>98</sup> This report is hereafter referred to as the *Bhutan Gender Report*.

<sup>99</sup> UNDP/NCWC, 2020



properties.<sup>100</sup> With regards to land rights, men are reported to be the main decision-makers regarding land use, and women make decisions only if men are absent<sup>101</sup>.

Bhutanese women are also challenged by limited access to and control of resources such as finance, technologies and user-friendly equipment, thereby impeding their capability and efficiency in agricultural development. Despite the equal legal rights enshrined in policies and legal instruments, Bhutanese women have limited access and control of resources. Women's poor access to credit remains a challenge despite governmental efforts to include specific provisions on women's access to credits in financial policies<sup>102</sup>.

Remoteness and limited facilities in remote areas are the main challenges for women farmers. Considering the rugged terrain of the country, certain equipment and machineries are not easily available. An ICIMOD/FAO report concludes the following: A range of new and inexpensive agriculture machinery, adapted to local conditions, could potentially enhance labour productivity, reduce work burden and drudgery, and enable women to gain new skills and knowledge that can transform rural gender relations and reduce inequalities. It could also allow them to shift from subsistence to more market-oriented farming<sup>103</sup>.

### Feminisation of Agriculture

From the participation point of view, feminisation of agriculture is seen as a positive opportunity. More women in the agricultural works provides opportunity for women's better engagement and influence in the decision-making. Feminisation of agriculture is a platform and window of opportunities for women to participate, engage and be involved in decision-making processes. Majority of women in agriculture works also means that women benefit more from the farming related works such as trainings and meetings related to RNR activities, memberships to farmers' groups and cooperatives, which indirectly strengthens the presence of women for gender equality. However, the UNDP/NCWC report from 2020 states that only 75 percent of women feel comfortable in speaking out in farmers groups as compared to 88 percent of men,<sup>104</sup> which indicates that head-counting the number of women and men respectively is not enough. Therefore, while the feminisation of agriculture empowers women to participate in income generating activities, it is however important to look at whether these initiatives lead to gender transformative change. Otherwise, there may be a risk of increasing women's time on productive as well as reproductive work.

Stakeholders of the *Annual Gender Report* pointed out the lack of targeted actions towards female farmers and recommended that farmers' training must be given based on more women's participation – customize the training based on special needs of women in farming works. Limited number of female extension officials can pose another challenge as the women farmers may not be more comfortable dealing with male extension personnel in rural settings. Women thinks that most men's (and also some women) attitude on women as 'weaker group and therefore cannot perform as men' basically resulting from men's lack of understanding on women issues also justifies the need for women Government officials at the local level, or train the male officials on gender.

### Effects of climate change on women

Climate change (CC) affects women disproportionately<sup>105</sup>. As stated in the NCWC/UNDP 2020, gender

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<sup>100</sup> Interviews in Paro and Thimphu Dzongkhags, 2022

<sup>101</sup> UNDP/NCWC, 2020

<sup>102</sup> NCWC, 2019

<sup>103</sup> ICIMOD/FAO, 2021

<sup>104</sup> UNDP/NCWC, 2020

<sup>105</sup> WFP, 2022

differences are visible with respect to CC vulnerability, participation in CC decision-making and action, and in diverse levels of benefit sharing. Differences also exist with respect to the felt effects of climate change on personal life. A relatively higher proportion of women experience a decrease in household income, as well as changes in household food habits and in the natural resources they depend on. Climate change increases women's workload more than that of men's, and that climate change impacts women more than men. Despite being disproportionately affected, women speak out to a lower degree in climate projects at local level.

However, women tend to cope with climate change differently. While men look out for other kind of employments such as migrating to the cities or borrowing money to cope with the effects climate change, women change consumption patterns as well as farming practices to a higher degree. It means that women can play a vital role in the agriculture field against climate change such as crop rotation, varietal selection, afforestation and soil conservation etc. This conveys that more resources should be given and made readily available for women to manage adaptation measures. As women are those who experience climate change impacts, they should be trained more and sensitised on use of climate-smart technologies, weather forecasting, climate change pattern and adaptation measures.

### Challenges women face in LGs

Despite policy efforts to increase the gender balance, women's participation in decision making is still low, especially in LGs. In the 2016 Local Government elections, 11 percent of women candidates were elected in the LG leadership positions. Out of 3,500 candidates contesting in the LG elections 2021, 1,437 (1,252 men and 185 women) were elected to the various Local Government Offices<sup>106</sup>, the women's share being only 12.9%. As of today, there are only seven women Gups (the highest elected local position) out of the 205 in total, representing 3.4%. The proportion of women Tshogpas (elected representatives of villages at the Gewog level) is just 14.6% and the proportion of women Mangmis (elected Dy. Gup) stands lower at 10.7%. For the appointed positions at local level, there are many sectors with no female leaders at all. The low levels are explained by the mindset by both women and men that women cannot perform confidently. Women feel restrained by not being outspoken enough or having the confidence to voice opinions. Lack of required infrastructure and facilities needed for women's differential needs discourage women to take up jobs at remote locations, and moreover, women are held back by their reproductive roles and the burden of household duties to be at equal competitive edge as men.

According to the Department of Local Governance and Disaster Management (DLGDM), the rules in place do not differentiate between men and women in terms elections or capacity building, but women lack confidence to take bold decisions and are unable to assess and take risks of shouldering leadership roles and responsibilities. Biologically women are weak, and people tend to be carried away by this notion. Low education level does not have much impact on women's participation in political contest. Instead, it is the social norms and practices that prevent women's participation in local politics and decision-making. These social norms attribute values to women that say that 'they cannot do what men can, that they are less achievers or performers, that women are better in household chores and other domestic activities than men as well as care-givers'. According to the Election Commission of Bhutan (ECB), existence of deep-rooted gender biases determines women participation or election, and not necessarily because of low education. Women's participation in political, civil, economic and social life at all levels is limited due to social and cultural perception about men and women's leadership with stereotypic image of women as less capable leaders. Nevertheless, ECB's efforts to promote women's participation is encouraging based on the belief that more women will help in inclusive decision-making, and incorporating women's rights and interests. Women's leadership and role can bring vast changes in local governance as it will promote inclusive interaction and balanced views. More women can influence decisions on women affairs that men

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<sup>106</sup> <https://www.ecb.bt/declaration-of-the-results-of-the-polls-of-the-third-local-government-elections-2021/>

cannot understand.

Time constraints is also a key challenge to women's participation. At local levels women find it difficult to find time to participate in decision making. Women do considerable agricultural work and spend many hours a day on unpaid caring responsibilities and household chores. Bhutanese women are undertaking the majority of the unpaid care work and bear a disproportionate responsibility for domestic unpaid care work that largely goes unrecognised. Women often remain pressured to fulfil gender roles and to carry out majority of unpaid care work and heavy chores back home. To overcome such challenges, it's important to advocate both men and women on the importance of having equal gender representatives in the decision making or implementing developmental activities.

Stakeholders of the *Bhutan Gender Report* also makes specific observations that gender-balance is important, but men's understanding of women's issues is more important than equality in number. They pointed out that even if women are not elected, men must understand women's issues and interests. Gender inequality issues arise when men do not understand and take on board women's interests. It is ok to have more males in the key leadership positions, but women's interests should be incorporated equally and attended. More number of women is important, but that is not a sufficient condition for gender-equality as number does not determine women influence. Even if there are more women on board, if men cannot understand and are not willing to incorporate women's issues, the gender-gap will remain. The main problem of gender inequality arises when the society feels men are more capable than women based on the old traditional beliefs.

## 5. Recommendations for Action

- (i) Conduct gender assessment in the targeted Gewogs in terms of population, women's involvement in decision-making forums and local groups (farmers' group; cooperatives; water users' group; farm road maintenance groups; participation and engagement in Zomdus; community forest management; and other community engagement groups.
- (ii) Based on the findings of the assessment, carry out gender equality sensitisation and trainings to the women likely to be involved in the project activities. The sensitisation should be based on women's importance for involvement, inclusive growth, women's differential needs, etc.
- (iii) Carry out sensitisation and awareness training to men in the targeted Gewogs/communities on gender and gender-responsive development coordination, including demystifying gender-biased perceptions, attitudes and stereotypes.
- (iv) Conduct training to the communities (both men and women) on planning and implementation of gender-responsive project activities, including M&E process and knowledge and communication management on gender equality.
- (v) In the assessment for Gewog adaptation plans, include types and nature of gendered roles, and how the project activities must be designed and implemented based on such gendered roles.
- (vi) Agriculture employs the largest proportion of Bhutanese population, with the proportion of women (53.3%) constituting more than men. Therefore, climate-smart and resilient agriculture initiatives under component two must target women to benefit significantly.
- (vii) A range of new and inexpensive agriculture machinery, adapted to local conditions, could potentially enhance labour productivity, reduce work burden and drudgery, and enable women to gain new skills and knowledge that can transform rural gender relations and reduce

inequalities. Therefore, gender-friendly farm mechanization is recommended.

### 1. Objectives of the Performance-Based Grant Mechanism (PBGM)

Based on the screening of Gewog Adaptation Plan from the 120 most vulnerable gewogs as assessed by the NAP Assessment report, 60 most vulnerable gewogs will be selected to access to Climate Adaptation, Resilience and Engagement Grant for Local Governments (CARE-LG). The mechanism to access this grant is called the Performance-Based Grant Mechanism (PBGM). CARE-LG is a five-year GCF-funded and BTFEC-supported project of USD 10 million grant project comprising of two components as follows;

- Component 1. Climate change adaptation integrated in LG grant allocation mechanism (USD 1,240,146).
- Component 2. Climate resilient of local communities through CCA investments (US 8,295,275)

Component 1 is dedicated to creating awareness on climate change and enhancing capacity of local communities as well as local LG officials to respond to climate change impacts; integrating Performance-Based Grant Mechanism (PBGM) into the planning and budgeting system of RGoB; and developing and disseminating knowledge and learning products on experiences gained and lessons learned from the implementation of the project. This will cover 120 most vulnerable gewogs (out of 205 Gewogs in Bhutan) in order of the climate-vulnerability ranking assessed by the Climate Change Vulnerability Analyses and Mapping for National Adaptation Plan (NAP) Formulation Process in Bhutan 2023<sup>107</sup> prepared under the GCF readiness window.

Component 2 is dedicated to supporting adaptation interventions through PBGM and innovation on climate mitigation and adaptation a local government levels covering a minimum of 60 most vulnerable gewogs.

The 120 gewogs covered by awareness and capacity enhancement will be eligible to prepare Gewog Adaptation Plans to be supported through component two. Using a performance and screening assessment of the proposed gewogs adaptation plans, a minimum of 60 most vulnerable gewogs will receive financing from output 2.1 of CARE-LG.

This guideline provides a framework for development of the Gewog Adaptation Plans, assessment, and screening of the Gewog Adaptation Plans. Based on the performance of the of the PBG under 2.1, to enable the grant mechanism to be performance-based and oriented towards strengthening the climate resilience of most vulnerable local communities across Bhutan. It is expected that the project will enable PBGM to be gradually roll-out to all Gewogs during the 13<sup>th</sup> FYP.

### 2. Overall Process of the Performance-Based Grant Mechanism (PBGM)

- i. The 120 gewogs covered by awareness and capacity enhancement through component one will prepare Gewog Adaptation Plans through a participatory and inclusive process. Each Gewog Adaptation Plan will propose annual plans and budget within the Gewog Adaptation Plan.
- ii. The Gewog Adaptation Plans are submitted to the PMU with endorsements from the Gewog and Dzongkhag.
- iii. The PMU will engage the Screening Committee (SC) to assess the Gewog Adaptation Plans and rank the Gewog Adaptation Plans/Gewogs based on the scoring awarded to each Gewog Adaptation Plan/Gewog. This assessment will be based on Performance and Proposal Assessment Criteria (See section 5). The Performance and Proposal Assessment Criteria will be initially reviewed and updated by the SC during the initial months of project implementation and it will be approved by the PSC.

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<sup>107</sup> The report is referred in this document as CVAM 2023.

- iv. The PSC consider approval for financing Gewog Adaptation Plan of the at least 60 most eligible gewogs through CARE-LG project's output 2.1 of component two. The approval will comprise of in-principle approval of overall Gewog Adaptation Plan and actual approval for year one of the plan.
- v. Implementation of each annual plan of the selected Gewog Adaptation Plans will be assessed for its performance annually and approval for subsequent annual plans will be based on the performance score.
- vi. In case a particular gewog under-performs and subsequent year grants are stopped the PSC will consider funding of Gewog Adaptation Plan of the next vulnerable gewog on the scoring awarded to each Gewog Adaptation Plan/Gewog from among the 120 gewogs.

### 3. Size of the Grants under component two of CARE-LG

The size of the total grants to each of the selected gewogs or selected Gewog Adaptation Pan is foreseen to be in the tune of approximately US\$ 125,000 for the whole plan.

At the end of the project, the actual size of annual CARE-LG resources through PBGM accessed by each vulnerable Gewog involved will depend on the level of compliance of the Gewogs with the Performance and Proposal Assessment Criteria.

### 4. Structure of Gewog Adaptation Plan

To enable the CARE-LG investments are targeted to enable climate resilience of the communities and landscapes within a gewog and to facilitate organized assessment as well as monitoring and evaluation Gewog Adaptation Pan proposal shall follow a standard template as follows; The maximum number of pages should be 10 pages. Other details can be Annexed.

Each Gewog Adaptation Pan shall have a project overview section as follows;

Project Overview				
<b>Project Title</b>				
<b>Gewog (name)</b>				
<b>Dzongkhag (name)</b>				
<b>Expected adaptation outcome (total number of beneficiaries disaggregated be sex)</b>		Male	Female	Total
	<i>Number of direct beneficiaries</i>			
	<i>Indicate % of direct beneficiaries vis-à-vis total population of the gewog</i>			
<b>Total investment</b>	<b>Budget proposed from CARE-LG (Nu):</b>			
	<b>Budget for overall Gewog FYP (Nu):</b>			
<b>Implementation:</b>	<b>Total project lifespan (No of years)</b>			
	<b>Is this Proposal included Gewog FYP?</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>		
<b>Gewog Population</b>	<i>Population (male)</i>			
	<i>Population (female male)</i>			
<b>Project Objectives (list the objectives):</b>				

The Main document shall have the following structure;

**1. Background and rationale:**

**1.1:** *Gewog information*

- Agriculture data (Area and production),
- Livestock data – Type and population
- Forestry data – Area by forest types
- Water, Sanitation, and Hygiene (WASH) data

**1.2:** *Rationale for the proposal*

- climate vulnerabilities and impacts,
- adaptation needs that the prospective intervention is envisaged to address.
- Baseline
  - Challenges (related to terrain, climate risks, access to ecosystem services, access to technologies, access to markets, access financing for climate adaptation, employment issues, etc)
- Potentials
  - Social, environmental, and economic potentials of the Gewog

**2. Project description:**

**2.1** *Project objectives*

**2.2** *Project components*

- Follow categories under indicative list of Interventions (section 4.2 of this document)
- Quantitative or qualitative description of climate adaptation outcomes/benefits

**2.3** *Project outputs with result indicators*

- describing results related to
  - climate risks and impacts
  - enhancing adaptive capacity of communities, local environment or assets including physical assets or otherwise

**2.4** *Project Activities with targets*

- Describe each activity with baseline, targets and rational for the activity to be implemented

**2.5** *Alignment with 13 FYP of the gewog*

**2.6** *Gewog Adaptation Plan Formulation Process*

- Vulnerability assessment and tools used
- Chiwog level consultations
- Gewog level consultations
- Dzongkhag level consultations
- Technical support availed

**3. Implementation arrangements:**

**3.1**

- Who is responsible for overall day to day management,
- Who is responsible for monitoring and supervision of activities;
- Who is responsible for monitoring *environmental and social safeguards*
- Other stakeholders and their roles

**4. Financial Information:**

**4.1** *Detailed budget*



Component (with component no: 1,2 etc)	Output (with output no : 1.1, 1.2 etc)	Activities (with activity no: 1.1.1, 1.1.2, etc)	Indicate cost (Nu)
Total			

#### 4.2 Multi-year budget

Activities (with activity no: 1.1.1, 1.1.2, etc)	Total cost (Nu)	Year 1	Year 2	Year 3	Year 4	Year 5

*Note: Annual performance-based will be assessed. Only those Gewogs whose performance of the is rated above 95% score will be eligible to be considered innovation grant under output 2.1.*

#### 4.3 Annual Plan budget

Prioritize and define logical sequence of each activity with costs divided by each quarter

Activities (with sub-activity no: 1.1.1a, 1.1.2a, etc)	Total cost (Nu)	Q 1	Q 2	Q 3	Q 4

*Note: Activities must be broken into sub-activities.*

#### 5. Annexes

- Forwarding letters from Gewog endorsed by the Gup
- Forwarding letter from Dzongkhag endorsed by Dzongdag
- Vulnerability assessment report
- Consultation reports and minutes
- Prior informed clearances
- Drawings and designs (if relevant)
- Other references

### 4. Investment Menu to facilitate the preparation of Gewog Adaptation Plans

The adaptation interventions and technologies applied during implementation of erstwhile LoCAL facility supported through UNDCF followed by EU budget support for local-level climate adaptation actions included redevelopment/ improvement of farm roads, bridges, irrigation systems, and rural water supply schemes, sustainable land management, landslide and flood risk mitigation, promotion of new crop varieties and vegetable production, biogas plant development, etc.

Although the individual investments in past phases were of small scale, the previous phases were not restrictive of any ESS category. The proposed CARE-LG project will cater to only those investment activities that fall under the ESS category C. Therefore, while the investment proposals will be driven by local demand, and can related to the proven technologies and solutions from the previous phase, only those that align with ESS category C will be applicable for support through CARE-LG.

#### 4.1 CARE-LG Investment Areas

CARE-LG investments and eligible funding through PBGM must be aligned with Gewogs' mandates and are a subset of the Gewog 13 FYP. The CARE-LG investments must be targeted to enabling climate resilience of the communities and landscapes within a gewog. This investment menu is a guidance to enable vulnerable Gewogs to prepare their Gewog Adaptation Plan to be financed by component two of CARE-LG through PBGM. It has been developed to assist in the identification of potential interventions for climate change resilience. It is prepared in alignment with Bhutan's Climate Change Policy (2020), NDC, and the NAP, 2023<sup>108</sup>, which has focused on 6 core sectors and the cross-cutting Climate services and Disaster Risk Reduction, the Strategic Program for Climate Resilience and Country Work Program for the Green Climate Fund and lessons from previous phase of performance-based local grants for climate resilience.

The types of interventions categorized by NAP to enable climate resilience range from direct interventions through technology transfer, and infrastructure investments, to soft components such as market access, capacity building and management of information and data. The sectors identified for such interventions included are water, agriculture and livestock, forests and biodiversity, human settlements and climate-smart cities, health, energy, climate services and disaster risk reduction.

However, CARE-LG financing can only be used for interventions related to climate change adaptation and for activities with minimal or no adverse E&S risks and/or impacts. Hence, the categories of interventions for CARE-LG are summarized into four categories as follows;

1. Green initiatives and Nature-based Solutions for enhanced ecosystem services and community resilience including interventions related to forests and biodiversity
2. Climate resilient and innovative agriculture and livestock practices for improved livelihoods
3. Climate proofing of existing critical community assets/infrastructure within limits of environmental and social risk category C (activities with minimal or no adverse E&S risks and/or impacts)
4. Disaster planning, management and response

#### 4.2 CARE-LG indicative list of Interventions

An indicative list of potential interventions under each investment area has been prepared to facilitate the preparation of Gewog Adaptation Plans so that these plans are in alignment with the NAP, 2023 as well as with the CARE-LG requirements. Interventions beyond this list can be included in the Gewog Adaptation Plans if such interventions are in alignment with the priority areas of NAP, 2023 (see NAP p. 50-78) and are included in the 13 FYP of the Gewog so that linkages with CCA rationale and Gewog's mandates are ensured.

##### ***Intervention category 1: Green initiatives and Nature-based Solutions for enhanced ecosystem services and community resilience including interventions related to forests and biodiversity***

Indicative interventions	Remarks
Enrichment of upgrading of degraded catchment areas	
Water source protection measures	
Sustainable Natural Resource Management	
Studies on seasonal fluctuations and longer-term changes in available water sources, including water source mapping	
Community-based forest management to conserve land/forest and water sources	

<sup>108</sup> Kingdom of Bhutan: First National Adaptation Plan, 2023 (adapted but not yet published).

Best practices on forests and biodiversity management including insect and pest management, damages and forest fire management (eg. Forest fire alarm and response system and fire-fighting equipment and training)	
Forest protection and conservation measures, including prevention of illegal logging and poaching	
Use of bio-diversity as sustainable tourism product to increase the 'socio-economic' value of the natural environment and to stimulate nature conservation	
Introduction of native tree species that are fast growing and more disease resistant	
Substitutes to forest wood products	
Sensitization and promotion of forests as carbon sink	
Studies on the valuation of forests for eco-system services and sustainable community income generation	
Inventory of natural resources to support to CCA scenario and strategy development	

***Intervention category 2: Climate resilient and innovative agriculture and livestock practices for improved livelihoods***

Indicative interventions	Remarks
Farm-level efficient and sustainable use of water for agriculture (drip irrigation, sprinkler systems or similar technologies including automation)	
Integrated approach to water management and other key infrastructure investments is also included for the water sector	
Introduction of cultivars and crops that are resistant to pest, diseases and drought and are legally allowed	
Nurseries	
Measures to protect agriculture from floods, erosion, and landslides and enhance land productivity (SLM practices, agro-forestry interventions)	
Measures to enhance agriculture land productivity (SLM practices, soil fertility management, other technologies)	
Protection of livestock against disease and infections and improved animal health services	
Equipment and technologies to address climate adaptation or gender concerns	
Developing alternative or additional income generating livelihoods options (eco-friendly and/or community-based tourism)	
Post-harvest and storage technologies and infrastructure	

***Intervention category 3: Climate proofing of existing small-scale community service facilities within limits of environmental and social risk category "C" (activities with minimal or no adverse E&S risks and/or impacts) and in alignment with the Exclusion list***

indicative intervention	Remarks
<i>Incremental climate proofing of small-scale existing community access ways within an already built-up area without additional footprint and adverse impacts on environment:</i> <ul style="list-style-type: none"> <li>- Establishment/maintenance of rainwater drainage system;</li> <li>- Minor maintenance of existing small-scale community access ways if such works are aligned with the ESS C requirements and Exclusion list.</li> </ul>	
<i>Incremental climate proofing of the existing –irrigation and drinking water schemes:</i> <ul style="list-style-type: none"> <li>- Measures for improved efficiency in water use, e.g. repair of existing water supply schemes and irrigation channels, options to reduce loss of water in</li> </ul>	

conveyance and adapt to reduced availability of water due to climate change; - Protecting and managing water sources from drying; - Small scale climate-resiliency interventions to prevent damage from flooding and landslides; - Improved methods of water harvesting and storage (field ponds for agriculture and household level storage devices in water stressed locations; - Climate-proofing of existing irrigation systems with improved technologies to enable efficiency of the systems	
<i>Incremental climate proofing of existing service facility- Community structures and public spaces, if these are aligned with the ESS category C requirements and Exclusion List):</i> - Climate resilience building designs and design standards; - Minor structural climate-resiliency enhancements to withstand high intensity rainfall and storm water, snow loads and hail storms, high wind velocities; - Internal climate controls for energy efficiency	

#### **Intervention category 4: Disaster planning, management and response**

Indicative interventions	Remarks
Establishing local early warning systems and measures against flooding	
Strengthening community response and support systems in case of adverse climate change-related events: landslides, floods, food insecurity, disease outbreak (human, animals, crops), depletion of local (drinking) water source	
Improve household and community food storage and distribution mechanisms	

### **4.3 Non-Eligible Expenditures under CARE-LG**

CARE-LG funds cannot be used for interventions, which are not linked with CC impacts, and interventions. The following areas of expenses are considered ineligible under CARE-LG financing through PBGM. Utilization of CARE-LG funds for the following purposes will impact the eligibility of CARE-LG for subsequent years and for implementation of remaining Gewog Adaptation Plan.

- Procurement and maintenance of vehicles
- Security purposes
- Religious activities
- Investments in private businesses, companies
- For purposes of loans, credits, guarantees
- Salaries and operating costs of institutions

## **5. Eligibility for PBGM Allocation through CARE-LG**

### **5.1 Performance and Proposal Assessment Criteria for Gewog Adaptation Plan**

For accessing financing through component two of CARE-LG, the Gewog adaptation plans will be initially assessed using Gewog Adaptation Plan Assessment Criteria as follows. The 60 highest scoring Gewogs will be eligible for CARE-LG financing under output 2.1. However, Gewog Adaptation Plans that include elements that are indicated in the exclusion list will be disqualified.

No	Gewog Adaptation Plan Assessment Criteria	Total Sore	Allocated score
1	Environment, Climate, Gender, Disaster and Poverty Considerations	100	
1.1	Gender considerations <i>Guidance:</i> Gender issues discussed with gender disaggregated data = 20 Gender issues discussed but no gender disaggregated data = 10 Gender issues not discussed at all = 0	20	
1.2	Poverty and food security considerations <i>Guidance:</i> Poverty alleviation & food production actions with indicators = 20 Poverty alleviation and food production issues discussed but no indicators defined = 10 Poverty alleviation and food production issues not discussed = 0	20	
1.3	Environmental considerations <i>Guidance:</i> Potential negative or positive environmental impacts of the proposed activities discussed and mitigation actions identified where required = 20  Potential negative or positive environmental impacts of the proposed activities discussed but no mitigation actions identified = 10  Potential negative or positive environmental impacts of the proposed activities not discussed = 0	20	
1.4	Climate change and disaster with indicators for improving resiliency <i>Guidance:</i> Climate change and disaster indicators defined = 20 Climate issues discussed but no indicators = 10 Climate issues not escribed = 0	20	
1.5	Social - Number of beneficiaries assessed  > 50% gewog population = 10 - 20-49% gewog population = 5 - < 19% gewog population = 1	10	
1.6	Vulnerable groups identified and discussed	10	

The gewogs who have accessed the PBG under project outputs 2.1 will undergo a performance assessment during the 3rd year of implementation as per the Performance Assessment Criteria. Those gewogs who score over 90% will be eligible to be considered for innovation financing under project output 2.2.

Performance and Proposal Assessment Criteria comprises of the following;

No	Performance Assessment Criteria	Total Sore	Allocated score
<b>2.</b>	<b>Alignment with Local Governance and Planning norms</b>	<b>100</b>	
2.1.	Compliance with Annual Grant Guidelines (AGG)	30	
2.2	Realistic Planning and Budgeting	50	
2.2.1	Proliferation of activities in the past year  Note: Proliferation to be understood as defined an applied by MoF	30	
2.2.2	Under expenditure (inverse) Guidance: > More than 20% of approved budget unspent (0) 10-19% of approved budget unspent (10) Full utilization of planned and approved budget (20)	20	
2.3	Compliance with LDPM  <i>Guidance:</i> Evidence of all steps 1- 5 = 20 Evidence of 4 out of 5 step = 10 Evidence of Less than 4 steps = 0  <i>Note: 5 steps described in the LDPM (focusing on community engagement in the planning process -gewog-chiwogs-communities - LDP p 10-20). This is applied on the new proposal for PBGM well as past years geog plan</i>  Step 1: Evidence of consultations with communities, Step 2: Prioritisation, with community engagement, with evidence of consultations with Chiwog Zomdu Step 3: Decision-making in the GT, Step 4: Implementation plan with clear division of work with communities, preparation of tender documents/community contracts and Step 5: Monitoring of work of projects and provision of periodic feedback to stakeholders	20	

## 5.2 Exclusion List

To ensure that the Gewog Adaptation Plans are aligned with environmental and social category C, the Performance Assessment Parameter will also include an exclusion list which will disqualify financing of Gewog Adaptation Plans that have specific risk factors and would (i) raise the overall environmental and social risks of the proposed activities to Category B or A) or (ii) require more detailed and specific assessments.

The exclusion list comprises of the following<sup>109</sup>;

- i. Production or activities involving harmful or exploitative forms of forced labor
- ii. Use of hazardous chemicals,
- iii. Engaging in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora
- iv. Production of or trade in alcoholic beverages, tobacco;

<sup>109</sup> Based ADB's exclusion list and description of elements that risk raising of ESS category beyond C

- v. Production of, trade in, or use of unbonded asbestos fibers;
- vi. Commercial logging operations or the purchase of logging equipment
- vii. Heavy construction material-related sectors;
- viii. All mining, mineral processing and extraction activities;
- ix. Activities that include permanent reduction of water flows in a watershed due to multiple withdrawals or increases in sedimentation
- x. Activities that permanently interfere with migratory routes or wildlife movement
- xi. Activities that will increase traffic congestion and accidents due to increases in vehicular traffic on community roadways
- xii. Activities that may potentially generate risks to the health and safety of workers involved in the activity; to the vulnerable population or employ of children.
- xiii. Activities that may generate hazardous waste, emissions to air, and effluents that would adversely impair the quality of the environment and adversely affect the health and well-being of the affected communities
- xiv. Activities will generate risks of displacement of individuals or communities (whether temporary or permanent and whether economic or physical) from the areas they are occupying or restrict access to natural resources that the communities depend on for livelihood
- xv. Any infrastructure that may be constructed, rehabilitated or expanded that has the potential to pose hazards to the environment and the communities
- xvi. Activities that may potentially affect cultural heritage including tangible and intangible cultural resources
- xvii. Introduction of Alien Invasive Species (AIS), Chemical fertilizers and pesticides.

## 6. Reporting

The Gewogs will report on the use of the CARE-LG resources through regular RGoB reporting system using a specific FIC for this purpose as well as in the physical progress reports. The reporting requirements and deadlines for the CARE-LG follow the rules and regulations for the annual capital grants as per the AGG and Fund Release Guidelines. Progress reports should be sent to PMU on a quarterly basis.

## Appendix 5: Stakeholder Engagement Plan

### Executive Summary

This Stakeholder Engagement Plan (SEP) presents the comprehensive multi-stakeholder engagement that was conducted prior to development of the GCF project: Climate Adaptation, Resilience and Engagement in Local Governments (CARE-LG) in Bhutan.

The design and preparation of CARE-LG was based on a consultative process involving key stakeholders from relevant Government Ministries and agencies. The consultation process is given under paragraph 160 to 164 of pre-feasibility study. The preparation process has been stakeholder and country-driven through face-to-face meetings, workshops and discussions and those conducted virtually over the phone. These engagements informed the design of the project, thus ensuring inclusive engagement and clarity on the role of key stakeholders of the project, their interests, priorities and needs. Further, this prefeasibility study was primarily based on recent evaluation reports of the previous projects of PBG mechanism. The summary of evaluation report has been presented in annex 11 (appraisal/evaluation report) of funding proposal. Existing capacities, constraints and opportunities at the level of communities, their organizations as well as in local institutions and agencies in the government were discussed. These engagements helped identify potential actions and strategies that would best achieve the desired results of the project in the local context.

The Stakeholder Engagement Plan seeks to ensure equitable access and sharing of benefits from the project as well as equitable and meaningful participation of women and vulnerable groups within communities. Development of the SEP involved information sharing and interactions with stakeholders.

Three key groups were identified along with their interests and potential roles in the project (Table 3 and 4): i) Primary or key stakeholders which included communities and their representatives; ii) Local and national government agencies; and iii) Development Partners and NGOs.

Key elements of the stakeholder engagement strategy are:

- i. Ensuring free and prior informed consent of all participants as a recognized good practice in the stakeholder engagement process and consultations of the project.
- ii. Ensuring representation and participation of women and vulnerable groups at all stages of the project.
- iii. Creation of a supportive environment for meaningful involvement of women and members from vulnerable groups to participate in the implementation of project activities and benefit from the project.
- iv. Continuous engagement with community leaders, local NGOs, CBOs, and CSOs to ensure their ownership and commitment to project implementation. Community engagements will be most intense during the initial phase of preparing the Gewog Adaptation Plans for financing through CARE-LG but will be sustained throughout its life cycle.
- v. Community-based groups and associations such as Water User Associations, Community Forest Groups, Road User Groups, agriculture and livestock groups, or other livelihoods or natural resource use and management groups at the community level will also be considered key stakeholders at the community level.
- vi. Ensuring meaningful participation and ownership of project activities and assets by community members.
- vii. Enhancing capacities of local communities and local government, through sensitization and training, restoration of assets, and related infrastructure. This will ensure long-term support to communities for adaptation planning, management of resources through local institutions and implementation of adaptation measures for long term resilience to climate change induced risks and impacts.



- viii. Formal frameworks and mechanisms to ensure transparency, including multiple channels of communication and information dissemination, and resolve grievances of individuals and communities in an efficient, transparent and cost-effective manner.
- ix. Alignment with provisions for gender and environmental an social action plan of the project.
- x. Maintain dialogue with the relevant Bhutanese government ministries, agencies, local community groups, private sector agencies, NGOs and international development partners related to the project activities.

## 1. Introduction

The stakeholder consultations are an on-going process taking place during the project life and during this process it is necessary to ensure that stakeholders are informed about environmental and social consequences of the project implementation and ensure the opportunity for feedback.

### 1.1 Relevant Bhutanese Regulations Pertaining to Public Consultations

According to Bhutanese regulations, public consultation is included in the project development process where a given project may significantly affect the quality of the environment and are part of the environmental impact assessment. However, for other projects which might involve policy and system set up, public participation and consultation is still necessary. Over the last six decades, Bhutan's developmental journey has been guided by the philosophy of Gross National Happiness which provides a people-centric approach to development.

The most important Bhutanese legislation concerning public participation in the decision- making process are as follows:

- The Constitution of the Bhutan; Article 9 (23) of the constitution requires the state to “encourage free participation in the cultural life of the community, promote arts and sciences and foster technological innovation” as a matter of state policy. Article 22 (1) empowers specifies that the “Power and authority shall be decentralised and devolved to elected Local Governments to facilitate the direct participation of the people in the development and management of their own social, economic and environmental well-being”. Further, Article 22 (3) states that, “local governments shall ensure that local interests are taken into account in the national sphere of governance by providing a forum for public consideration on issues affecting the local territory” and defines encouraging the involvement of communities and community organisations in matters of local governance as an objective of the local governments.
- National Environment Protection Act of Bhutan (NEPA), 2007, its Article 15 states that every individual has the right to be informed about the state of the environment and all activities which are being proposed that could affect the environment; Article 16 accords rights to seek legal redress by any individual whose right to a safe and healthy environment has been affected or is likely to be affected shall have the right to seek legal redress and Article 18 requires that conservation of natural resources to be based on a participatory approach aimed at achieving an equitable sharing of the costs and benefits of conservation among resource users. NEPA's Article 86 (a) entitles citizens to participate in decision-making processes concerning the environment and for contributing views during the process of drawing up policies, plans and project formulation and implementation.
- Water Act, 2011 in its Article 7 requires communities to participate in the integrated management of water resource for which beneficiaries and stakeholders shall be consulted.
- Bhutan water policy, 2003 (Article 7.1.4) call for operational management of water resources to be carried out at the regional and local level with active participation of the stakeholders; Article 6.2.5 encourages water related programs to take into consideration the important roles of women and men with respect to equal sharing of burden and benefits and to involve women in planning, development and management of water resources programs.

- Climate Change Policy of the Kingdom of Bhutan 2020 (Article 5) requires all agencies to carry out stakeholder consultations in preparing strategies, programs and plans for climate change actions including local government, communities, civil society and the private sector. Ensuring meaningful participation of all relevant stakeholders in climate change action in a coordinated and coherent manner with clear roles and responsibilities is a goal of the policy.

## 1.2 GCF Requirements

All GCF-funded projects are required to meet best international practices and specifically the requirements for stakeholder engagement and public consultations. The project stakeholder engagement activities should be robust and enough disclosure on information should be made in order to promote better awareness and understanding of its strategies, policies and operations. During this disclosure, the project requires to:

- Identify people or communities that are or could be affected by the project as well as other interested parties;
- Ensure that such stakeholders are appropriately engaged on environmental and social issues that could potentially affect them, through a process of information disclosure and meaningful consultation; and
- Maintain a constructive relationship with stakeholders on an on-going basis through meaningful engagement during project implementation.

## 1.3 Stakeholder Engagement for CARE-LG

This SEP presents the strategy to ensure equitable access to and sharing of benefits from the project and equal involvement of all sections of the community in its activities. It aims to provide a framework for meaningful and informed participants of stakeholders in the project and also provides a framework to facilitate and ensure the participation of women and vulnerable groups (the elderly, people with disabilities, landless poor and youth, as well as minority groups who may face social and economic exclusion) in project activities. These groups often face additional exposure to climate change risks and impacts due to limited access to resources and facilities and often have limited representation in local institutions and additionally could have unique needs.

This SEP is based on information gathered both during the preparation of the concept note and during the preparation process of the SAP funding proposal. The plan is closely aligned with the overall project design and its activities. The project is designed to enable LGs and vulnerable communities at the local level in Bhutan to strengthen their climate resilience by enhancing their adaptive capacity and knowledge in adoption of climate responsive interventions with financing support from the project.

The SEP provides guidelines on how to engage different stakeholders throughout the life cycle of the CARE-LG project. Additionally, the key purpose of this SEP is therefore to identify mechanisms by which the project can constructively engage with local authorities, communities and Community-Based Organisations. The SEP aims to help ensure project activities have the maximum impact on the ground by addressing the needs and interests of relevant stakeholders including the most vulnerable among the communities.

## 2. CARE-LG Project Description

CARE-LG is a five-year GCF-funded and BTFEC-supported of USD 10 million grant project comprising of two components as follows;

- Component 1. Climate change adaptation integrated in LG grant allocation mechanism
- Component B. Climate resilient of local communities through CCA investments

Component one is dedicated to creating awareness on climate change and enhancing capacity of local

communities as well as local LG officials to respond to climate change impacts; integrating Performance-Based Grant Mechanism (PBGM) into the planning and budgeting system of RGoB; and developing and disseminating knowledge and learning products on experiences gained and lessons learned from the implementation of the project. This will cover 120 most vulnerable gewogs (out of 205 Gewogs in Bhutan) in order of the climate-vulnerability ranking assessed by the Climate Change Vulnerability Analyses and Mapping for National Adaptation Plan (NAP) Formulation Process in Bhutan 2023<sup>110</sup> prepared under the GCF readiness window.

Component two is dedicated to supporting adaptation interventions through PBGM and Innovation on climate mitigation and adaptation a local government levels covering a minimum of 60 most vulnerable gewogs.

The 120 gewogs covered by awareness and capacity enhancement will be eligible to prepare Gewog Adaptation Plans to be supported through component two. Using a performance and screening assessment of the proposed gewogs adaptation plans, a minimum of 60 most vulnerable gewogs will receive financing from component two of CARE-LG.

Institutional stakeholders were involved in the review of the draft proposal document and its annexes at various stages during the FP preparation process. This includes review and discussion prior to finalization of the, Pre-Feasibility study and SAP funding proposal and its annexes. The entire package of working files made available to stakeholders during its development whatsapp and email to solicit comment. Feedback from the stakeholders was incorporated into the relevant documents and a revised final draft shared for a second and final validation prior to submission.

### Project Stakeholders

The project will have four groups of stakeholders, namely: 1) primary stakeholders at the community level including community-based organizations; 2) Government agencies at the local and national level and, including NGOs engaged in research; 3) NGOs and Multilateral agencies, both local and international; and 4) Private sector stakeholders and individual entrepreneurs.

#### Group 1: Primary Stakeholders

Primary or key stakeholders in the project fall under four broad groups: 1) Communities, specifically including farmers (both women and men) as well as vulnerable groups; 2) Community-based groups and associations such as Water User Associations, Community Forest Groups, Road User Groups, agriculture and livestock groups, or other livelihoods or natural resource use and management groups at the community level; 4) Entrepreneurs and private sector players such as community contractors and gewog bases service providers.

In addition to participation in awareness and capacity development activities of the project, the primary stakeholders, through the LGs, will participate in the planning, design, implementation and monitoring of results from on-ground project activities. These include Gewog Adaptation Plans that comprise of;

- Green initiatives and Nature-based Solutions for enhanced ecosystem services and community resilience including interventions related to forests and biodiversity
- Climate resilient and innovative agriculture and livestock practices for improved livelihoods
- Climate proofing of existing critical community assets/infrastructure within limits of environmental and social risk category “C” (activities with minimal or no adverse E&S risks and/or impacts)
- Disaster planning, management and response
- Cross-cutting interventions

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<sup>110</sup> The report is referred in this document as CVAM 2023.

## Group 2: Government Agencies

### *Project Steering Committee*

The Project Steering Committee will provide overall guidance to the project and ensure coordination between project agencies, including policy level support and direction. Its members include representatives from government agencies including the departments of Public Budget and Planning (DPBP), Local Governance and Disaster Management (DLGDM), Macroeconomic and Development Finance (DMDF), Environment and Climate Change (DECC) and the Bhutan Trust Fund for Environment Conservation (BT FEC).

### *Technical Advisory Committee (TAC)*

The TAC provide strategic technical advice and support to PMU and PSC on the execution of the project. The TAC will be composed of technical experts/senior officials, but not limited to DPBP), DLGDM), | DMDF), DECC.

### *The Project Management Unit*

The project will establish a PMU at Thimphu within the DPBP that will provide overall coordination on project implementation, monitoring, evaluation and reporting. The PMU will be supported by Component Managers placed at the DLGDM (component 1); DPBP (Component 2).

### *The Royal Audit Authority (RAA)*

The RAA is an independent constitutional entity, that carries out auditing functions at the national as well as LG levels. It carries out performance auditing of the management and operation of a projects or programme to assess achievement of economy, efficiency and effectiveness in the use of national resources and promotes transparency, efficiency and accountability of public service performance. LGs are subject to auditing by RAA and audit reports are issued with identification of lapses. Since the CARE-LG activities will be integrated with the regular planned activities of LGs, the annual auditing by RAA will capture the activities.

### *Local Government Agencies*

The gewogs that participate in the project activities will receive support by way of training and relevant communication. Staff from local government agencies, particularly from the participating Gewog and Dzongkhags will receive training and resources that equip them to support the preparation of Gewog Adaptation Plans and for its implementation.

#### *Bhutan Trust Fund for Environmental Conservation (BT FEC)<sup>111</sup>*

As the accredited entity to GCF and implementing entity of CARE-LG project the BT FEC has the role of GCF oversight and monitoring project results including in the development of knowledge products and dissemination; Interim and Terminal Evaluations; Social and environmental safeguards and gender action plan

## Group 3: Development partners and NGOs

### *Development Partners*

There National Adaptation Plan (NAP) 2023<sup>112</sup> recommends that performance-based grant (PBG) should

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<sup>111</sup> [https://www.bhutantrustfund.bt/public\\_page/getreports/19](https://www.bhutantrustfund.bt/public_page/getreports/19)

<sup>112</sup> Kingdom of Bhutan, First National Adaptation Plan, 2023

be utilized as an entry point for climate adaptation planning for LGs. The investment menu to support the preparation of Gewog Adaptation plans for CARE-LG's performance grant to FLs is designed based on NAP, 2023. In the near future, the Government intends to institutionalize PBG mechanism as a strategy to mainstream CCA across all portfolio of grant windows. The lessons learnt from the project will be disseminated to promote large scale replication in the country, through the support of possible subsequent phases of CARE-LG from potential development partners or funding windows.

## NGOs

The National Commission for Women and Children have a focal person in every Dzongkhag, normally the gender focal person of the Dzongkhag. They are responsible for mainstreaming gender equality and child protection and wellbeing issues in the respective dzongkhags which includes addressing gender Issues at the workplace.

Respect Educate Nurture Empower Women (RENEW) – Bhutan is an NGO at the national level that focuses on reaching out to poor, disadvantaged and adolescent girls and women. The NGO has a community-based support system and focal persons in all 20 dzongkhags that provide support related to domestic violence and gender-based violence. The Tarayana Foundation is a national NGO that work with the most marginalized communities and provides support to such communities in terms of community mobilization, enhancing access to basic needs and services, increasing opportunities for education and enhancing livelihood prospects. The Tarayana Foundation has a field office in Tsirang Dzongkhag. The Royal Society for Protection of Nature (RSPN) is a non-profit public-benefit organization working on ornithology and other conservation initiatives, including the climate change arena. It is an affiliated organization under the UNFCCC civil society umbrella<sup>113</sup>.

The engagement of the focal persons or field offices of these NGOs will be explored, particularly, in garnering their support in implementation of the GAP and in ensuring that the project benefits the most vulnerable groups and communities.

Group 1 Stakeholders are very important to the success of the activity but may have a moderate influence on the process. They may require special emphasis to ensure that their interests are protected and that their voices are heard. This includes communities and their organizations

Group 2 Stakeholders are central to the planning process as they are both important and influential. These should be key stakeholders for partnership building, as well as grassroots extension and project staff local government fall under this group. The private sector partners, both corporate and entrepreneurs also fall under this group.

Group 3 Stakeholders are not the central stakeholders for an initiative and have moderate influence on its success or failure. They are unlikely to play a major role in the overall process of project implementation. However, they will be consulted with and will contribute to the overall project strategy. A summary of the influence and interests of each stakeholders are presented Table 1.

Table 1: Summary of the influence and interests of each stakeholders

Stakeholder Name	Stakeholder Interest in Project	Impact of Project on Stakeholder	Influence of Stakeholder on the project
Department of Local Governance and Disaster Management (DLGDM) <sup>114</sup>	supervising and monitoring the development planning and implementation of LGs, including	Enhanced capacity DLGDM to coordinate local development plans and programme	<ul style="list-style-type: none"> <li>• Representation at PSC, TAC and SC;</li> <li>• Coordination with LGs</li> <li>• Management of component one</li> </ul>

<sup>113</sup> <https://www.rspnbhutan.org/climate-change/>

<sup>114</sup> <https://www.dlgdm.gov.bt/about-lg/22>

	capacity building supervising and monitoring the development planning and implementation of LGs, including capacity building		
Department of Macro-Fiscal and Development Finance (DMDF) <sup>115</sup>	Upscaling and testing of PBG Mechanism and allocation of resources for climate residence of local governments	Insights and learning from PPG mechanism of CARE-LG	<ul style="list-style-type: none"> <li>• Representation at PSC, TAC;</li> <li>• Coordination with development partners and NGOs</li> <li>• Coordination with government functionaries</li> <li>• Influence on the structure and governance of PBG mechanism</li> </ul>
Department of Planning, Budget and Performance (DPBP) <sup>116</sup>	<ul style="list-style-type: none"> <li>• Project's design to enable resource allocation for local climate actions</li> <li>• Alignment with national resource allocation formula and criteria (RAFC)</li> </ul>	<ul style="list-style-type: none"> <li>• Insights and learning from PPG mechanism of CARE-LG and advice on mainstreaming PPG mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• Representation at PSC, TAC and SC</li> <li>• Management of component two</li> <li>• planning, budgeting and performance monitoring, including the development of Government resource allocation formula and criteria (RAFC), Mainstreaming PGB Mechanism for inter-governmental fiscal transfers for implementation of the planned development activities</li> </ul>
Local Government-Dzongkhag	<ul style="list-style-type: none"> <li>• Coordination of formulating and implementing local developments</li> <li>• participation in the capacity building activities</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity enhance to support gewogs to prepare adaptation plans</li> </ul>	<ul style="list-style-type: none"> <li>• accountability for the use of funds in adherence with the guidelines</li> </ul>
Local Government-Gewog	<ul style="list-style-type: none"> <li>• participation in the capacity building activities</li> <li>• Local development &amp; economy; increased legitimacy and mandate; natural resources; climate resilient assets</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity improved to prepare adaptation plans with climate resilient interventions</li> <li>• Gewogs are able to address local climate risks and impacts</li> </ul>	<ul style="list-style-type: none"> <li>• accountability for the use of funds in adherence with the guidelines</li> <li>• Preparation, implementation and monitoring of Gewog Adaptation Plans</li> <li>• Ensuring that Gewog Adaptation plans are targeted to address climate risks and impacts</li> <li>• Follow planning guidelines for mainstream local planning as well as for preparation of Gewog Adaptation Plans</li> </ul>
The Royal Audit Authority (RAA)	<ul style="list-style-type: none"> <li>• efficiency and effectiveness in the use of national resources and promotes transparency, efficiency and</li> </ul>	<ul style="list-style-type: none"> <li>• Insights and learning from PPG mechanism of CARE-LG</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic auditing and identification of lapses for improvement and accountability</li> </ul>

<sup>115</sup> <https://www.mof.gov.bt/departments/department-of-macroeconomic-affairs/>

<sup>116</sup> <https://www.mof.gov.bt/departments/department-of-national-budget/>

	accountability of public service performance		
Community representatives and leaders	<ul style="list-style-type: none"> <li>Local development &amp; economy; increased legitimacy and mandate; natural resources; climate resilient assets</li> </ul>	<ul style="list-style-type: none"> <li>Capacity improved to prepare adaptation plans with climate resilient interventions</li> </ul>	<ul style="list-style-type: none"> <li>Preparation, implementation and monitoring of Gewog Aaptation Plans</li> </ul>
Development partners and NGOs	<ul style="list-style-type: none"> <li>Partner: Policy; institutional frameworks; ecological restoration and improved resource management</li> </ul>	<ul style="list-style-type: none"> <li>Insights and learning from PPG mechanism of CARE-LG</li> </ul>	<ul style="list-style-type: none"> <li>support in implementation of the Gewog Adaptation Plans, gender, Environmental and social action plan.</li> </ul>
Project Steering Committee	<ul style="list-style-type: none"> <li>Supervisor: Policy; institutional frameworks; project results</li> </ul>	<ul style="list-style-type: none"> <li>Insights and learning from project</li> </ul>	<ul style="list-style-type: none"> <li>Provide guidance and strategic direction sot project</li> </ul>
TAC	<ul style="list-style-type: none"> <li>Advisory: Policy; institutional frameworks; project results</li> </ul>	<ul style="list-style-type: none"> <li>Insights and learning from project</li> </ul>	<ul style="list-style-type: none"> <li>Provide advisory services to PMU and PSC</li> <li>Provie linkage and coordination other departments and agencies</li> </ul>
SC	<ul style="list-style-type: none"> <li>Technical: Screening and assessment of grant proposals</li> </ul>	<ul style="list-style-type: none"> <li>Insights and learning from project</li> </ul>	<ul style="list-style-type: none"> <li>Technical assessment of gewog adaptation plans for eligibility of grant financing through PBG mechanism</li> </ul>

## Stakeholder Engagement Programme

### Purpose and goals

The goal of the stakeholder engagement programme is to ensure that the project activities are inclusive, gender responsive and equitable across all sections of the targeted populations. This specifically includes vulnerable groups within the community and women. It will ensure that traditional knowledge and skills are recognized and harnessed to help communities build resilience to climate change. The SEP will ensure free and prior informed consent from communities is obtained during engagement and prior to any interventions. The SEP will ensure any potential risks of ill effects of the project on communities are avoided and mitigated by identifying vulnerable groups, potentials for conflict or disenfranchisement based on the safeguard's measures designed for the project. Stakeholder engagement will continue through the project's life cycle and will ensure mechanisms are in place that provide communities information about the project and its activities in accessible forms. The stakeholder engagement is also required to identify different priorities and capacities of the different stakeholder groups identified above to support their active and inclusive engagement.

The different types of stakeholder engagement activities to be undertaken along with the types of stakeholders, responsible agency and the time-table. These comprise of the following:



- Meetings and workshops conducted during project implementation phase.
- Awareness and mobilization activities which will be conducted during project inception and prior to all physical interventions, and will involve both communities as well as stakeholders from non-government agencies.
- Local level risk and vulnerability assessment that contribute towards mainstreaming of climate concerns and gender-responsive interventions for CCA in Gewog Adaptation Plans
- Capacity building activities including training programmes, workshops with communities and with extension staff.
- Monitoring and reporting of project activities using participatory approaches that involve focal points and volunteers from local institutions.
- Coordination and planning meetings held throughout the project period.
- Knowledge sharing within and between other projects as well as through national platforms.

### Communication channels and methods

This process of engagement will continue through the project life cycle as all relevant project partners are part of the project steering committee. Formal communication channels will be instituted along mechanisms for communication and grievance redress.

Consultations and communications with communities will be conducted during the initiation phase of the project and throughout its implementation.

The project will utilise all available communication channels for dissemination of information, including reports, training and awareness materials. Innovative use of mobile information and communication technologies (ICT) will ensure the project reaches all members of the community. According to the 2021 Info-Comm Bulletin<sup>117</sup> 98.1% of the population in Bhutan uses the internet and 99.5% uses mobile cell phones. All Gewogs HQ have access to mobile networks. In-person, field-based engagements with communities will be the primary form of communication for the Gewog officials. The project will undertake a wide range of on-site mobilisation and awareness raising activities. Focal points each gewog will be identified to share information with the rest of the communities the project gewogs. Communities will be directly engaged in participatory planning, implementation and monitoring of activities through Gewog Adaptation Plans. This will further enhance the communication of information between communities and project staff. A summary of the methods of communication to be used with the different stakeholders is provided below.

Table 2: Summary of methods of communication with different stakeholders

Stakeholder	Means of communication and engagement	Rules and precautions
Communities including women and vulnerable groups	Direct meetings	Prior intimation to community leaders and relevant govt. agencies
		In accordance with accepted social customs
		Free, prior and informed consent for activities and communication with community elders/leaders
		Engagement through framework designed by full time gender and social engagement specialist/ Gender focal person of the Dzongkhag.
		Communication in local language

<sup>117</sup> , “Annual Info-Comm and Transport Statistical Bulletin (12th Edition, 2021).”



Stakeholder	Means of communication and engagement	Rules and precautions
	Public meetings/awareness camps	Prior intimation to community leaders and relevant govt. agencies
		– same as direct meetings –
	Mobile Phones	Communication in local language
		Access of women and vulnerable groups to phones will be assessed
		Citizen sensing approaches
	Public radio, television	– same as mobile phones –
LG officials and community representatives	Direct meetings	In accordance to national rules and regulation for public communication
		Communications from and to authorised focal points
		In accordance to established communication protocols
		Follow existing administrative protocols for meetings, communication and grievance redress
		Translation into Dzongkha for ground staff if needed
	Official letters	– same as direct meetings –

#### Disclosure and information sharing policy

Communication channels will be identified during project inception to ensure the stakeholder, be they members of the community, or staff in local-government or non-government agencies, are able to contact the focal persons in the Gewog, Dzongkhag or PMU. Focal persons at all levels of the project implementation structure, and within communities at all project sites will be accessible to communities. Information pertaining to the project, including reports and training materials, will be shared in print and will remain available on-line. Transparency will be ensured through routine, two-way communication and information provision to the stakeholders to ensure they receive timely information about the services and support available.

The project's implementation will be guided by a series of safeguard documents, other than this SEP. These include a Gender Analysis and Action Plan and the Environmental and Social Action Plan; Grievance Redressal Mechanism and Framework Guidelines for CARE-LG Performance-Based Climate Resilience Grant Mechanism (PBGM)

#### Time Table

Table 3: Timeline of various stakeholder engagement activities. Detailed Multi Year Workplan is presented in Annex 4 of the proposal document.

Type of stakeholder engagement	Periodicity/Date	Locations	Partnerships/Agencies
Lesson learning workshops	Once in two years	National	All Gewogs

Type of stakeholder engagement	Periodicity/Date	Locations	Partnerships/Agencies
Baseline survey	Once in Year one	Dzongkhag and local (gewog and chiwogs)	PMU and gewogs
Training curriculum needs assessment	Initiation phase/Year 1	Dzongkhags and gewogs (Chiwogs and communities)	Dzongkhags and gewogs
Sensitization/Awareness	Continuous/Year 1 onward	Local - field based	PMU, Dzongkhag, PMU, local government extension and development staff
Training of Communities	Continuous/Year 1 onward till year 3	Gewogs and Chiwogs	Trainees: Community members and representative of community organizations
Training of LG officials	Continuous/Year 1 onward till year 3	Dzongkhag, Gewog	Trainees: technical staff from Dzongkhags and LG members; LG technical staff.
Participatory planning	Continuous/Year 1 onward	Local - field based	LG officials and community members
Physical interventions	Continuous/Year 2 onward	Local - field based	Dzongkhag, gewog officials, technical and extension staff, local focal points,
Monitoring and reporting	Continuous/Year 1 onward	National, dzongkhag and local - field based	National PMU, Dzongkhag, gewog officials, technical and extension staff, local focal points

### Resources and Responsibilities

Stakeholder engagement activities will be coordinated by the PMU project manager. The PMU will guide the selection of focal points, resource persons and trainees for technical capacity building within government agencies and training of trainers. The Dzongkhags and Gewogs will also be responsible for the collection of data as part of regular planning, monitoring and reporting and will host the management information systems that are proposed. The bulk of the proposed activities directly involve stakeholders and on-ground work with communities.

Table 4: Detailed stakeholder engagement plan

Main Interest (Output No.)	project. Activities)	Stakeholder Group	Mode of engagement including
1.1	Awareness and training programs to targeted local communities empowering them with the technical knowledge and understanding of climate change vulnerability and adaptation options to identify and prioritize adaptation actions and prepare Gewog plans.	Primary Stakeholders	Participation in consultation and training workshops
		Government Agencies	Development of training curriculum Participation in consultation

Main Interest (Output No.)	project. Activities)	Stakeholder Group	Mode of engagement including
			and training workshops
1.2	climate adaptation awareness and training programs to targeted LG officials empowering them with the technical knowledge and understanding of climate change vulnerability and adaptation options to inform preparation of Gewog adaptation plans.	Primary Stakeholders	Participation in consultation and training workshops
		Government Agencies	Participation in consultation and training workshops
1.3	Following identification and prioritization at the level of LG and local community, this output will focus on integrating PBG into planning and budgeting process, and training on developing climate adaptation grant proposal by the LGs targeting the grant facility.	Primary Stakeholders	Participation in consultation workshops
		Government Agencies	Participation in consultation workshops  Workshops for Development of governance structure and procedures for PBG mechanism
1.4	promote cross-learning and create a network of climate change advocates and practitioners among LGs, and support learning exchanges between LGs as well as site visits to ongoing projects funded through the grant facility	Primary Stakeholders	Participation in consultation workshops
		Government Agencies	Information dissemination
2.1	Detailed guideline covering the call for Gewog adaptation plans, screening of Gewog plans, defining eligible investments menu, monitoring and evaluation and execution of PBG for adaptation intervention	Primary Stakeholders	Participation in consultation workshops & Information dissemination  Local level planning consultation
		Government Agencies	Information dissemination  Technical support
		Development partners and NGOs	Technical support Social and environmental safeguards and gender action plan monitoring

Main Interest (Output No.)	project. Activities)	Stakeholder Group	Mode of engagement including
2.2	Provide support for additional piloting of innovative climate-responsive technologies and practices	Primary Stakeholders	Local level planning consultation
		Government Agencies	Information dissemination  Technical support  Social and environmental safeguards and gender action plan monitoring
		Development partners and NGOs	Technical support

The stakeholder engagement plan has been well integrated with project work plan and budget. Hence a separate budget allocation for SEP is not required.

### Information Disclosure

Information about the project will be made available to all stakeholders with links to the following documents as described in Table 1 before the start of project activities.

Table 5: List of documents and the form in which they will be shared with stakeholders at different levels.

Sl.	Stakeholder	Documents Provided	As link	Print
1	Project Steering Committee	PFS, FP, ESAP, GAP, SEP	X	
2	National Government (Component Managers)	PFS, FP, ESAP, GAP, SEP	X	
3	Local Government	PFS FP, ESAP, GAP, SEP	X	X
4	Community based organizations	ESAP, GAP, SEP	X	X
5	Technical Advisory Committee	PFS FP, ESAP, GAP, SEP	X	X
6	Screening Committees	PFS	X	X

### Monitoring and Reporting

The project will use standard BTFEC approaches and RGOB procedures for M&E processes. Target beneficiaries and communities in project sites will be involved in regular monitoring and assessments of project activities through focal persons. Project staff, focal points and volunteers will be required to conduct regular monitoring exercises. A comprehensive monitoring framework for the project will be designed

## Appendix 6: Grievance Redressal Mechanism

### Project Background

The objective of CARE-LG project is to strengthen climate resilience of the most vulnerable communities in Bhutan by enhancing technical and institutional adaptive capacities and knowledge, and supporting adoption of climate-responsive infrastructures, technologies and practices integrated within the existing Government financial transfer system. The project of a US\$ 10 million recipient-executed grant consists of the following components:

- Component 1. Climate change adaptation integrated in LG grant allocation mechanism;
- Component 2. Climate resilient of local communities through CCA investments

### Project Grievance Redress Mechanism

The Environmental and Social Action Plan for the project requires the establishment of an efficient and transparent Grievance Redress Mechanism (GRM). The objectives of this GRM are to:

- Provide affected people with avenues for launching a complaint or resolving any dispute that may arise during the course of the project implementation. The GRM will assist in providing credible, fair and transparent resolution to complaints and grievances in a timely, effective and efficient manner that satisfies all parties involved;
- Build trust and cooperation as an integral component of broader community consultation that facilitates corrective actions.

The GRM for the project will comprise of the following process:

#### (1) Receipt and Registration of Grievance(s)

Any affected party may file a complaint directly or through a representative and complainants can request confidentiality.

Any grievance related to the project activities can be reported through the concerned Tshogpa, Gewog Administration, or other authorities for its resolution to the Gewog Dzingsel Tshogpa (Gewog Dispute Resolution Committee). The channel for grievances submission can be either personal submission or through mail, e-mail, telephone, project staff or text messaging/SMS.

Alternatively, any member of the Gewog Administration or officials associated with the project, its vendors/suppliers, other stakeholders and the public at large could also lodge complaints on the website of the BTFEC (<https://www.bhutantrustfund.bt/lodge-complaint>). These complaints could relate to:

- a. Allegations of fraud, malpractices or corruption related to the project activities;
- b. Environmental and/or social damages/harms caused by project activities.

It would be preferable that the complainant, provide some contact details so that concerned authorities can contact the person for additional information, if required during investigation. However, where feedback is not required by the complainants, they may choose not to provide such details.

All such submissions should be recorded in writing at the Gewog office by the Gewog Administrative Officer.

## **(2) Sorting and Processing**

It is anticipated that various types of grievances will be reported wherein different follow-up actions will be required. The grievances can be categorized into four types: (a) comments, suggestions, or queries; (b) complaints relating to non-performance of the project; (c) complaints referring to violations of law and/or corruption while implementing the project activities; (d) complaints against authorities, officials or community members involved in the project management; and (e) any complaints/issues not falling in the above categories.

The Gewog Administration will maintain a record of complaints by the above categories as and when such grievances are received.

## **(3) Acknowledgment and Follow-up**

When a complaint is made or the grievance is reported, the Gewog office receiving the complaint or grievances should acknowledge its receipt and should brief the complainant, informer or aggrieved/affected person about the grievance resolution process, provide contact details and, if possible, the name of the contact person who is responsible for handling the grievance.

## **(4) Verification, Investigation and Action**

The concerned Gewog Administration receiving the grievance should gather adequate information about the grievance reported to determine its validity and resolve the grievance. Grievances that are straightforward (such as queries and suggestions) can be resolved quickly by contacting the complainant. Grievances that cannot be resolved by grievance receiving authorities/office at their level should be referred to a higher level for verification and further investigation. The concerned authorities/offices dealing with the investigation should ensure that the investigators are neutral and do not have any stake in the outcome of the investigation. The grievance redressal will be as follows:

- (a) If the Gewog Administration receives a grievance from the aggrieved/affected individuals or communities, the Gewog Dzingsel Tshogpa shall try to resolve grievances within 7 working days by negotiating and mediating between the affected parties if the grievance is of such nature that Gewog Dzingsel Tshokpa can resolve it. However, any grievances warranting sanctions for violation of statutes shall not be negotiated by the Tshogpa but rather inform the concerned authorities/offices empowered to impose such sanctions and such report should be copied to the Dzongkhag Administration. In the event, the parties are not satisfied with the decision from such arrangements, the parties shall submit appeal to the Dzongkhag Administration directly with copies to the PMU and BTFEC.
- (b) Upon receipt of grievance appeal the Dzongkhag Dzingsel Tshokpa (Dzongkhag Dispute Resolution Committee) shall verify and investigate, if necessary, and render its decision within 15 working days. In the event, the parties are not satisfied with the decision of the Tshokpa, the parties shall submit appeal to BTFEC.
- (c) Upon receipt of grievance appeal from the Dzongkhag, the BTFEC shall activate the Complaint Management Committee of BTFEC which will pursue face to face resolution or provide a mediated resolution in the case of administrative cases or refer to the Board of BTFEC in the case of major cases. Where the Board is not able to resolve the case, it shall be forwarded to the Anti-Corruption Commission of Bhutan by the BTFEC. The BTFEC shall verify and investigate and render its resolution within 15 working days.
- (d) In the event, the parties are not satisfied with the decision of the Dzongkhag GRC or at any stage of grievance management process, the parties can also alternatively submit their grievances to the Court of Law for further adjudication as per court procedures.

- (e) Any affected person by the project can also send email, voice or video recordings and file online complaints to the Independent Redress Mechanism of GCF to seek redressal.

#### **(5) Monitoring and Evaluation for GRM**

The grievances should be monitored to track and assess the extent to which progress is being made to resolve them. The grievance data can be analyzed and evaluated to make policy and/or process changes to minimize similar grievances in the future. Record of each grievance received and its resolution should be considered as part of the progress reporting of the project activities.

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