

Bhutan for Life

Sustainable Financing Mechanisms Feasibility Assessment

Terms of Reference

I. Background and Summary

As detailed in WWF’s 2021 guide that describes the core elements and development process of a Project for Permanence (PFP) initiative¹, the PFP approach was originally conceived in 2011 by a group of conservationists, former bankers, and management consultants who imported ideas from the mainstream financial sector and project finance models to create a new model to protect and finance large ecosystems. The PFP approach draws on private finance practices used to organize and fund complex and well-defined projects.

While PFPs are designed to combine and leverage financing from donors and other sources (often increasing the level of funding commitments from the government of the country in which the PFP is occurring), they leverage much more than funding. The PFP approach is also a powerful means to catalyze governments to commit to effective policies for long-term climate-responsive planning and conservation. They generate agreement among national governments and a variety of private and public donors and partner institutions on specific and high priority activities and outcomes to meet national commitments. These activities must be fully funded during the PFP implementation period and the annual costs to maintain impacts achieved are required to be covered from sustainable financing sources thereafter. Before and during a PFP’s implementation period, the PFP initiative creates the institutions and builds capacity needed to permanently protect high-value natural assets and associated ecosystem benefits. Therefore, a PFP deal presents an extraordinary opportunity to achieve greater climate and conservation outcomes than could have been achieved through piecemeal projects.

WWF has been supporting the use of the PFP approach since 2013 through Bhutan for Life (BFL)², a public-private partnership designed to secure financial sustainability for large-scale, landscape management in the country’s national Protected Area System by combining public funding sources with private philanthropic funding and uniting them around common climate and conservation strategies and goals. The PFP closed in 2018 with the Royal Government of Bhutan, World Wildlife Fund (WWF), donors and partners from around the world announcing their commitment to implement a PFP with US\$ 43 million in donations to permanently protect Bhutan’s network of protected areas – the first PFP in Asia. This funding, which includes a US\$ 26.6 million grant from the Green Climate Fund (GCF), combined with US\$ 75 million from the Bhutan government (US\$ 47M in baseline funding and US\$ 28M in new financing) is contributed over a 14-year period to support the Bhutan for Life (BFL) program. The program will ensure that there are sustainable sources of recurring funding at levels needed to properly manage Bhutan’s protected areas—which constitute 51% of the country, the highest percentage of land designated as protected in Asia.

The Bhutan for Life (BFL) program was designed using the Project Finance for Permanence (PFP) approach to combine funding from donors with increasing financial contributions from the government of Bhutan (significantly above baseline) during a 14-year implementation period to improve management of the integrated network of protected areas. The PFP was launched in October 2018 following the creation of the donor-funded transition fund managed by the Bhutan for Life Fund Secretariat (BFLFS), and the start of the GCF-funded project that supports it.

¹ <https://thedocs.worldbank.org/en/doc/e250338394b2f74c591c629ad44cc202-0370052021/original/PFP-ASL-WWF-REPORT-2021-Dec-7.pdf>

² https://www.ted.com/talks/tshering_tobgay_this_country_isn_t_just_carbon_neutral_it_s_carbon_negative?language=en

The government of Bhutan is to identify and begin implementing sustainable financial mechanisms so that by the end of the 14-year implementation period, new recurring public domestic and/or private resources are secured at levels that sufficiently cover long-term funding needs (\$7.1M/year in 2016 USD – i.e. long-term funding needs in 2032 would be \$7.1M/year plus inflation since 2016) for the protected area network to maintain BFL’s impacts.

II. Objectives

The objectives of this consultancy are to:

- i. Identify and describe in detail 4-5 of the highest priority, feasible and pragmatic sustainable financing mechanisms that can make a significant contribution to covering the long-term funding needs (\$7.1M/year in 2016 USD) to support Bhutan for Life (BFL) Program goals in perpetuity;
- ii. Provide a market analysis (“Feasibility”) that led to the identification of said mechanisms, which covers the following: criteria analyzed for their selection; the proposed structure for each and entities involved; the financial assumptions behind each one (elaborated in an Excel model); the cost-effectiveness of implementing each mechanism; the related risks for each; and complementarity of each instrument to current or new sources of funding. Within the context of how the Royal Government of Bhutan’s financial resources are assigned and allocated to the National Protected Area System, provide specific recommendations for how to implement each of those 4-5 highest priority sustainable financing mechanisms during BFL’s implementation period.

The Feasibility Study produced by this consultancy will provide the necessary supporting analysis to formulate cost-effective financial mechanisms recommendations for long-term sustainability of the PA network, in accordance with the BFL Program’s Milestone 16: *“By Year 4 [2022], feasibility assessments for new sources of sustainable financing have been completed, and by Year 8 [2026], new sources of long-term sustainable financing for Bhutan’s protected area network have been developed, approved by the RGoB, implemented, and are producing funding that is flowing to the PA network.”*

Consultant(s) should work in close coordination with the team overseeing the consultancy, which will consist of BFL Fund, Ministry of Finance, and WWF-US. Regular check-ins should be held with that team to review, advance and discuss.

The WWF-US Earth for Life team will review progress and provide quality control of deliverables. The Feasibility Study will be submitted to the Ministry of Finance and BFL Fund’s Board of Trustees for their review and approval.

III. Main consultancy activities:

1. Identify and summarize 10-15 existing and/or new sustainable financing mechanisms (drawing from the BIOFIN catalogue³ of 150 as helpful) with the potential to support the BFL Program (based on both the amount of permanent recurring funding that could be dedicated to BFL goals, and the legal, political, and operational feasibility of implementing the mechanism). Provide a concise background analysis and projections for each identified.
2. From that list of 10-15 sustainable financing mechanisms, create a shortlist of 4-5 by:
 - a. Explicitly estimating the amount/range of permanent annual recurring funding generated by the mechanism that could realistically be dedicated to the BFL Program (clearly documenting assumptions, and projecting amounts for each year through 2032).

³ <https://www.biofin.org/finance-solutions>

- b. Explicitly assessing the legal, political, and operational feasibility of implementing the mechanism, describing the main specific challenges (including the time required for the mechanism to be able to generate recurring funding for BFL, the government of Bhutan ministries/departments or other actors that must be involved, likely one-time and recurring costs to develop and implement the mechanism, any unavoidable restrictions on how the funding must be used, etc.) and specific opportunities related to each of those three feasibility categories. Detail the methodology for the final selection criteria used.
 - c. Based on points 2a. and 2b., rank the individual mechanism (of the 4-5 prioritized) based on which represent the best opportunities (with an explicit consideration of risks) for BFL to achieve Milestone 16, and explicitly state why.
3. For each of the 4-5 prioritized sustainable financing mechanisms, describe in detail the background analysis:
 - a. How the mechanism generates funding (payment rationale, who the payers are, etc.)
 - b. Legal status: guiding legal framework(s) and year of establishment
 - c. Flow of funds between organizations
 - d. Annual revenue projections for each year through 2032 and assumptions (including relevant unit based on mechanism type)
 - e. Role of Government entity(ies) implementing the mechanism, and relevant experience. Identify any capacity gaps.
 - f. Explanation of relevant ecosystem service, related climate risk, and maps of relevant sites
 - g. Analysis of market potential, including willingness and capacity to pay per user/buyer; potential pipeline
 - h. Complementarity and/or coherence to GCF requirements (e.g., sale of carbon credits) and/or other sources of funding
 - i. Any known restrictions on reinvestment of revenues, based on flow of funds between organizations, legislation, benefit-sharing, etc.
 - j. Risks related to development and implementation of the mechanism, identifying any unknown information. Assign a level of certainty
 - k. Any other important information
4. Identify specific actions to expand/implement each of the 4-5 prioritized sustainable financing mechanisms, including:
 - a. Whether to modify and/or create legislation or regulation
 - b. Specific additional necessary analysis
 - c. Proposed timing of the specific actions
 - d. Estimation of related costs
 - e. Proposed roles for individual organizations/entities regarding the specific actions (where appropriate)
 - f. Any other important considerations and recommendations

IV. Deliverables

Deliverable	Acceptance Criteria	Due Date	Payment Amount
1. Preliminary report (Zero Draft) that covers activities 1 and 2 (and all sub-bullets under them)	Review and approval by WWF-US, MoF, and BFL Fund of the Preliminary report (Zero Draft)	Within 4 weeks from Agreement start date	10%

2. Draft report (Draft One) that covers activities 1 through 4 (and all sub-bullets under them) for review and comment	Review and approval by WWF-US, MoF, and BFL Fund of the Draft One report	Within 8 weeks from Agreement start date	20%
3. Workshop with PowerPoint presentation of Draft One report that summarizes findings and recommendations for stakeholder feedback	Completion of the Draft One report workshop with BFL Fund, WWF-US, and MoF	Within 12 weeks from Agreement start date	20%
4. Final report (including all Excel analysis) that covers activities 1 through 4 (and all sub-bullets under them) with bibliography	Review and approval by WWF-US, MoF, and BFL Fund of the Final report	Within 15 weeks from Agreement start date	30%
5. PowerPoint presentation that summarizes Final Report, including findings and recommendations	Completion of the presentation of the Final Report	Within 16 weeks from Agreement start date	20%

V. **Proposal Documents to Include**

- a. For a consulting firm/team of consultants: Signed cover page on bidder's letterhead with the bidder's contact information.
- b. Technical Proposal:
 - i. Corporate Capabilities, Experience, Past Performance, and 2 client references. Please include descriptions of similar projects or assignments and at least two client references. Corporate capabilities should include geographic representation.
 - ii. Qualifications of Key Personnel. Please attach indicative CVs that demonstrate how the team proposed will meet the minimum requirements listed in Section VI (Minimum Requirements). Qualifications should specify Key Personnel background and experience working in relevant geography.
 - iii. Overview of Technical or Methodological Approach. The Technical Proposal should describe how the bidder intends to carry out the requirements described in Section III.
- c. Financial Proposal. Offerors shall follow instructions outlined [] and use the cost proposal template provided

VI. **Minimum Requirements**

- a. Proven track record of developing sustainable financing mechanisms (drawing from BIOFIN's Catalogue of Finance Solutions as helpful) for protected areas in various countries required.
- b. Understanding of relevant processes, policies, and legal framework in Bhutan. Demonstrated experience working in Bhutan will be an added advantage.
- c. Ability to proactively engage with relevant stakeholders during data collection
- d. Experience in engaging with multiple stakeholders to ensure inclusion of all necessary partners
- e. Ability to perform field visits and interviews in Bhutan.
- f. Demonstrated professional-level fluency in oral and written English is required.

VII. **Evaluation Criteria**

In evaluating proposals, BFLFS will seek the best value for money considering the merits of the technical and cost proposals. Proposals will be evaluated in collaboration with WWF-US and MoF using the following criteria:

Evaluation Criteria	Score (out of 100)
Is the proposed approach and methodology appropriate to the assignment and practical in the prevailing project circumstances?	25
Does the bidder have the ability to work in or have a local team presence in Asia?	20
Does the bidder's past performance demonstrate recent proven experience doing similar work?	25
Does the bidder and the proposed personnel have the specific technical expertise for the assignment?	20
Cost: Costs proposed are reasonable and realistic, reflect a solid understanding of the assignment.	10

VIII. Proposal Timeline

Request for Expression of Interest (EoI)	1 st of November 2023
Submission of Expression of Interest (10:30 AM BST)	30 th of November 2023
Review of EoI and short listing of bidders	15 th of December 2023
RFP issued to selected consultants/firms	22 nd of December 2023
Clarifications submitted to BFLFS	5 th of January 2024
Clarifications provided to known bidders	19 th of January 2024
Complete proposals due to BFLFS no later than 04:00 pm BST	31 st of January 2024
Final Selection	15 th of March 2024