

**JOINT SECTOR REVIEW**  
**of**  
**Danish Supported Environment and Urban Sector Program Support,**  
**World Bank Supported Sustainable Land Management Project**  
**and**  
**UNDP Supported Sustainable Land Management Medium-Sized Project**

**September 8-19, 2008**

**DRAFT REVIEW MISSION AIDE MEMOIRE**

**Objectives of Joint Review Mission**

1. The Joint Review Mission was conducted with the intention of undertaking a general and development partner specific assessments of the progress and constraints in program implementation with the view of promoting further steps towards the harmonization and alignment of the above-referenced development partner supported programs. This is in keeping with the Paris declaration of 2005 on Aid Effectiveness to support the harmonization, strengthening and use of developing country systems and procedures. In particular, the harmonization and alignment agenda that the Joint Review Mission seeks to promote is focused on the sustainable land and natural resources management agenda that is the common objective of the referenced development partner programs. The development partner institutions that participated in this Review Mission would like to emphasize its interest and commitment to further enhance the harmonization agenda as well as try to establish close linkages with the planning, monitoring and evaluation systems that are being promoted through the tenth five-year national plan.

**Promoting the Harmonization Agenda**

2. It is important to recognize that Danish support to EUSPS will end on December 31, 2009, and that the new program of Danish support to the Royal Government of Bhutan would likely commence in January 2010. The new program of Danish support will be defined by the priorities set in Royal Government of Bhutan's tenth five-year plan and the Government of Denmark's international aid agenda. However, the Joint Mission would like to ensure that future Danish, World Bank and UNDP support will respect and build on the results that have been achieved in terms of harmonization and alignment that is being promoted in the balance period of the current Danish support program.

3. The Joint Review Mission recognizes that there are substantial financial resources that are still available with the current Danish-supported EUSPS needs to be utilized before December 31, 2009. The Joint Review Mission recommends that RGoB explore

ways of accelerating the implementation of planned EUSPS activities as well as look for other priority areas within the Tenth five-year plan to utilize these resources, and particularly in promoting collaboration, synergies and cost-sharing between EUSPS, SLMP and UNDP's MSP programs in promoting sustainable land, water and natural resources management approaches. The Joint Review Mission recognizes that there is substantial scope for expanding and replicating the successes and learning from these three programs. For example, the World Bank's supported SLMP program has designed and tested a participatory community planning process for sustainable land management at gewog level that could potentially be extended to other gewogs in the country. The Joint Mission recommends that RGoB seek opportunities for further collaboration between SLMP and EUSPS to extend this successful participatory planning process to other gewogs within the available EUSPS resources, in particular in Component 2. This would require a meeting between RGoB agencies that are involved with implementation of the World Bank and UNDP programs and EUSPS Component 2 to discuss opportunities for collaboration between the three programs and for ensuring utilization of Danida's EUSPS funds. The Joint Review Mission will suggest some potential areas of collaboration between the development partners in their respective Review Aide-Memoires to strengthen capacity, tools and planning processes for upscaling and mainstreaming sustainable land, water and natural resource management in Bhutan, including support to the targeted poverty reduction interventions in the Tenth five-year plan.

### **Proposed Arrangements for Coordination and Collaboration**

4. The Joint Mission recognizes that effective mechanisms are already in place for collaboration between the World Bank supported SLMP and UNDP's MSP in respect to sustainable land, water and natural resource management. Joint Project Planning and Review meetings, joint field visits and collaboration on specific SLM activities has helped establish synergies between the two programs, improved sharing of lessons and field results, and improved cost effectiveness of SLM interventions supported by the two programs. A Multi-Sectoral Technical Advisory Committee ensures coordination and complementarity between the two programs, supports and guides the mainstreaming of SLM approaches in national and sector policy and programs and ensures coordination of the annual planning and reviews. The Joint Review Mission is of the view that the existing institutional arrangement for coordination of SLM interventions could incorporate Component 2 of the Danish EUSPS program, so that there is a single unified mechanism to effectively coordinate sustainable land and natural resource management activities of the three development partner programs. It is also suggested that UNDP's MSP be brought under the ambit of the Joint Program Steering Committee (PSC) that oversees the World Bank SLMP and DANIDA's EUSPS.

5. In addition, the Joint Review mission suggests that they will collectively look at opportunities for further aligning and harmonization of their respective programs, including the possibility of preparation of a single annual work plan and establishment of a single review and monitoring system that would directly feed into PLAMS that has been

instituted by the Gross National Happiness Commission. The Joint Review mission recommends that a consultant be hired as soon as possible to suggest ways of facilitating the further alignment and harmonization of sustainable land, water and natural resource management programs in Bhutan.

Attachments:

1. Danida EUSPS Review Mission Aide Memoire
2. World Bank SLMP Review Mission Aide Memoire

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## **Review Mission Aide Memoire**

**Joint Sector Review**

**Of**

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Project**

**and**

**UNDP Supported Sustainable Land Management  
Medium Sized Project**

**8-19 September 2008**

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## ABBREVIATIONS

DANIDA	Danish Development Assistance
DEC	District Environment Committee
DEO	District Environment Officer
DKK	Danish Kroner (1 DKK = 8 NU)
DUDES	Department of Urban Development and Engineering Services
Dzongkhag	District
EA	Environmental Assessment
EAA	Environmental Assessment Act
EC	Environmental Clearance
ECOP	Environmental Code of Practice
EMIS	Environmental Management Information System
EU	Environment Unit
EUSPS	Environment and Urban Sector Programme Support
FY	Financial Year
FYP	Five Year Plan
GEF	Global Environment Facility
Gewog	Block
JRT	Joint Review Team
LOD	Liaison Office of Denmark
MDG	Millennium Development Goals
MEA	Ministry of Economic Affairs
MoA	Ministry of Agriculture
MoU	Memorandum of Understanding
MoWHS	Ministry of Works and Human Settlement
NEC	National Environment Commission
NECS	National Environment Commission Secretariat
NEPA	National Environmental Protection Act
Nu	Bhutanese Nultrum (1 DKK = 8 NU)
PD	Programme Document
PPD	Policy and Planning Department
PSC	Programme Steering Committee
RAA	Royal Audit Authority
RGOB	Royal Government of Bhutan
RNR	Renewable Natural Resources
RTIO	Regional Trade and Industry Offices
SEA	Strategic Environmental Assessment
SLMP	Sustainable Land Management Project
SOER	State of the Environment Report
UNDP	United Nations Development Programme
UNEP	United Nation Environment Programme
USPS	Urban Sector Programme Support
WB	World Bank

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## 1 EXECUTIVE SUMMARY

*This Review Aide Memoire relates to the Danida programme only. A Joint Aide Memoire for WB, Danida, UNDP and RGoB has been produced as a separate document. Overall progress in EUSPS is satisfactory. Ample opportunities exist for increased harmonisation with World Bank and UNDP/GEF financed projects. Key concerns relate to the sustainability of investments under components 2 and 5 as well as the weak documentation of progress.*

*Summary of key recommendations for EUSPS:*

		<b>Responsible unit</b>
1	<i>Review the existing component monitoring and evaluation frameworks, including indicators, to ensure that they can be incorporated into the developing national monitoring and evaluation system (PlaMS) and, ii) if necessary, support partner ministries to facilitate integration of component supported activities into the national system.</i>	<i>GNH and LOD</i>
2	<i>NECS should be supported in its coordinating role on climate with a particular focus on the preparation for COP 14 and 15. This could also result in a roadmap for Bhutan efforts on climate adaptation and mitigation.</i>	<i>NEC</i>
3	<i>The Danish support to the Ministry of Agriculture as well as the UNDP projects should be incorporated into the existing institutional arrangement for coordination of Sustainable Land and Water</i>	<i>MoA</i>

	<i>Management interventions so that there is a single unified mechanism to coordinate sustainable land management and natural resource management activities of the three development partner programmes.</i>	
4	<i>Revise the component work plan for Component 3 in order to explicitly outline how component activities under output 3 will support this 10<sup>th</sup> FYP MEA programme. Activities supported under the final year should be fully aligned and integrated into RGoB programming in all aspects.</i>	MEA
5	<i>Increase capacity building of main stakeholders at decentralised level in decision making committees such as the Dzongkhag Development Committee, and Town Committees, as well as municipal engineers involved in supervision of contractors and overseeing municipal service provision and staff involved in operation and management and billing.</i>	MWHS MoA
6	<i>Activities supported by the component should be consolidated, ensuring that all work has been done according to specifications and is delivered in an operational state. In addition, actions should be taken to secure that the operation and management will be in place to get the full long term benefits for 1) the people receiving service and 2) the reduction of impacts on the environment</i>	MWHS MoA

## 2 BACKGROUND

This joint review coincides with the third review of EUSPS and midterm review for the WB/GEF SLMP and preparation of new phase of Danish support to EUSPS. It is being planned at a time when the Royal Government of Bhutan (RGoB) has released its draft Tenth Five-Year Plan document (July 2008 – June 2013) amidst significant changes in governance systems including a desire to reduce administrative burdens due to multi-donor practices and procedures.

Both the World Bank and Danida, in accordance with the joint Memorandum of Understanding (MoU) of 26 March 2004, have phased their bilateral and/or midterm reviews to coincide with the joint review. UNDP has also participated in the joint review.

This review mission focussed on possibilities for further harmonisation and alignment with RGoB structures and systems as well as among the three donors.

The Joint Review Team (JRT) comprised Ms. Elsebeth Tarp, Joint Team Leader, Danida, Co- team leaders were: Mr. Kunzang Norbu, Head of Plan Monitoring and Coordination Division, Gross National Happiness Commission (GNHC), and Mr. Malcolm Jansen, World Bank. The GNH team further comprised Mr Norbu Wangchuk, Mr. Wangchuk Namgay, Mr. Phuntsho Wangyel, and Mr Tshering Penjor. Mr Karma L. Raptan represented UNDP, Bhutan. The Danida team comprised Ms Caroline van der Sluys, and Mr. Palle Lindegaard-Jørgensen, both external consultants to Danida. Mr. M. Adhikari and Mr. Tek B. Chhetri, Senior Programme Officer, LOD were valuable resource persons to the team.

A field visit, arranged for the Danish team and GNHC to Sarpang and Gelephu, was useful to the mission as it provided important insights into the context for implementing the components at Dzongkhag and Gewog level.

*The work of the JRT was facilitated by the constructive dialogue with the EUSPS and SLMP partners, including the National Environment Commission's Secretariat, the Ministry of Agriculture, the Ministry of Economic Affairs, the Ministry of Works and Human Settlements as well as Regional and District authorities, and the Liaison office of Denmark in Thimpu. In particular the team would like to thank the gewog committee in Dekiling as well as the District Environment Committee in Sarpang and the town committee in Gelephu for sharing their experiences and advice for future cooperation with the team. The findings and conclusions of this RAM reflect, however, the opinion of the JRT and not necessarily that of Danida or the Royal Government of Bhutan.*

### 3 SECTOR PROGRESS

**There has been significant development within the environment and natural resource sector in Bhutan since the last programme review.** The draft 10<sup>th</sup> Five Year Plan (FYP) builds on the significant achievements of the 9<sup>th</sup> plan, and maintains the strong commitment to environmental conservation, while recognizing the need to improve and sustain rural livelihoods as well as meet the challenges of increased economic growth and urbanization. Poverty reduction is a key priority in the 10<sup>th</sup> FYP.

**Within the environment sector specifically, priorities will continue to focus on sustainable development including poverty reduction.** There will be an increased focus on mainstreaming of environmental issues into sector policies, plans and programmes, as well as developing the appropriate strategies, legal and technical instruments, among others.

**Effective coordination of water resources management is a particular area of concern and very relevant for adaptation to climate change.** Within the renewable natural resource sector, the 10<sup>th</sup> FYP identifies improved and participatory management of natural resources and the sustainable utilization of forests, land and water as one of the crucial mechanisms for poverty reduction.

**Additional acts related to water, waste and urbanisation is under development.** Specific developments within environment include the development of a draft Water Act, to be completed by the end of 2008 — that Act will provide the legal framework for the effective management of water resources, and is of particular significance given the increasing recognition of the impact of climate change on availability and reliability of water resources. A draft Waste Management Act has also been developed, providing an important tool for effective control of solid waste, which is an increasing concern in the main urban centres. The National Urbanization Strategy provides the broader framework for overall guidance on urban development.

**Environmental clearance to be decentralised.** Decentralization of Environmental Assessment responsibilities, including the posting of District Environmental Officers to the Dzongkhags and the transfer of selected environmental clearance and inspection responsibilities to sector agencies means that the country's environmental safeguard



procedures continue to be strengthened. Environmental Codes of Practice (ECOPS) for a number of industrial sectors are one example of some of the practical tools being developed to strengthen safeguard procedures.

**The Land Act 2007 is a key output of relevance to all sectors and in particular to poverty reduction.** Recent developments include the promulgation of the Land Act and regulations, which will have significant implications for existing policies, acts and regulations. While progress can be seen in a number of RNR areas — community forestry initiatives is one example — much remains to be done to strengthen the capacity, tools and planning and monitoring processes at the lowest levels to ensure sustainable land and natural resource management in the country.

**A number of new studies over the past year have added significantly to the baseline information in the environment and RNR sectors.** Of particular interest are the Poverty Analysis Report (2007) and the Bhutan Living Standards Survey (2007), the latter providing additional information on the urban/rural divide and the differing priorities between the two with respect to investment priorities. The context within which environmental and natural resource management activities operate continues to be affected by the promulgation of new legal instruments such as the Local Government's Act 2007 and the Civil Society Organization Act 2007, strengthening the framework for fiscal decentralisation, including to the environment and sustainable land management, as well as increasing opportunities for civil society involvement in the development process.

**On the donor side important reports have been produced, which will enhance opportunities for harmonization and alignment.** The World Bank has recently completed an Environmental Safeguard Review (May 2008), and is taking steps to adopt country EA procedures, at least within the transport sector, as well as eventually aligning its procurement and financial management procedures to country systems. A Land Pooling Manual, to be jointly developed in collaboration with the Asian Development Bank will propose a common approach to land pooling.

**Danida has undertaken climate screening of its development assistance.** In 2008 the Danish Government has instructed Danida to undertake climate change screenings of the Danida financed development activities in partner countries including Bhutan, in order to suggest specific actions that can be taken to address adaptation to climate change and climate mitigation measures.

**EUSPS has commissioned two lessons learned studies as part of the preparations for the next phase of the support to environment in Bhutan.** One relates to the experience to date of gewog level experiences on the planning and regulatory frameworks in the RNR sector, and the second on the support to urban management and development in district towns.

**The UN gives important support to the climate change agenda,** focussing on the development of the second national communication to the UNFCCC and the implementation of the NAPA. The UN support is also supporting the preparation of a national capacity assessment for fulfilling the obligations of the three Rio conventions; biodiversity, climate change and desertification.

## 4 PROGRESS OF THE PROGRAMME

*General issues- monitoring and evaluation.*

**The new RGoB Monitoring system (PlaMS) will provide an integrated and effective tool for overall development planning, budgeting and financial control.** It is essential to see components results and outcomes within the context of overall progress towards national targets within the environment and RNR sectors. Recognizing the need for an effective system to measure the impact of its development plans, the RGoB is in the process of finalizing a national monitoring and evaluation system. This system links three elements, planning and programming, multi-year rolling budgets (MYRB), and public expenditure management systems (PEMS) , and it will enable monitoring of national, sector and local level development programmes with respect to national development strategy indicators, as well as providing links to the MDGs and SDGs. While parts of the system are still under development, it is expected to be operational soon, and it is being piloted in a number of key ministries. Eventually all plans and programmes, including those supported by development partners, will be included in this system.

In light of this, the JRT recommends: i) reviewing the existing component monitoring and evaluation frameworks, including indicators, to ensure that they can be incorporated into the developing national monitoring and evaluation system (PlaMS), and, ii) if necessary, supporting partner ministries to facilitate integration of component supported activities into the national system.

*For assessment of component specific progress and recommendations, kindly refer to EUSPS RAM annex II.*

## 5 PROGRAMME DISBURSEMENT AND EXPENDITURE

**The total programme disbursement and expenditure up to July 2008 is below expectations.** Even if the components manage to spend the budget planned for 2008 to December 2009 where the programme is scheduled to end, about 14 million DKK will be left un-utilized at the end of the programme implementation period (annex I).

**The JRT found financial reports from components and audit certificates of good quality,** with financial reports indicating RGoB contributions against the budget lines for recurrent costs and capital expenditures.

## 6 RISK ASSESSMENT

**Coherence in the programme as well as coordination continue to be risks related to achievement of overall objective.** The EUSPS Programme Document indicates that the integration of the urban and the environment programmes would be a big challenge, since the ministries in the Programme did not usually work together. This risk has been confirmed. Different strategies are applied in the components and there no overall natural

coordination. The Programme Steering Committee has not met since before the 2007 review. This risk will remain throughout the present phase of EUSPS.

**High ambition level in relation to decentralization continues to be a risk.** With the enactment of the Local Governments' Act 2007, it was anticipated that the quality and speed of decentralisation and devolution would have increased. This, however, has coincided with the adoption of the Constitution, new resource allocation mechanisms being worked out, possible amendments of the Local Governments' Act 2007 and elections to the local governments. The components implemented at decentralised levels are stretching the absorptive capacity of the local functionaries. Within the EUSPS this risk will be partly mitigated by aligning the planning processes in component II with the SLMP and the UNDP MSP.

## 7 CROSS CUTTING ISSUES

**Gender studies have been carried out by two components.** The JRT received the executive summary of a very comprehensive gender assessment commissioned by the Ministry of Economic Affairs. Among the 29 recommendation of the study some relate also the Labour Policies of Bhutan, but could be promoted under component 5, including the promotion of family friendly policies at work places with the provision of flexi time and affordable day care facilities within the premises. Gender assessments in environment and industries and mines including the private sector have been published. Follow up will be critical. NEC has also commissioned a study. This was only made available to the JRT on the last day of the mission and the team has not had time to go through it.

**Revision of tender documents to include provisions for the appropriate treatment of contracted workers in line with the laws of Bhutan.** The team observed that many workers are day labourers, and that women and children are suffering from the lack of any supportive facility established at the workplaces. The rights and working conditions of women workers, sometimes accompanied by small children, are areas which should be raised with component managers. In components 2 and 5 the tender documents should stipulate minimum safety for workers (men and women) and their children. For other Cross Cutting issues, kindly refer to the Danida Programme Assessment Format. (Available at LOD)

**Opportunities for disseminating the HIV/AIDS message (including awareness raising and preventive measures) could be explored in components 2, 4 and 5.** Awareness raising and preventive measures on HIV/AIDS have not been addressed in any of the components. There are some missed opportunities for promoting the national policies, at least in components 2, 4 and 5. Component managers should consider how the issue can be addressed in the remaining 18 months of EUSPS

## 8 STRATEGIC OPPORTUNITIES FOR FUTURE COOPERATION

**An important strategic orientation of the 10th plan is the focus on poverty reduction through targeted poverty reduction programmes implemented by RGOB directly or in collaboration with NGOs and local communities.** Promoting economic

opportunities, expanded access to markets, and providing land to the landless will be some of the key strategies for poverty alleviation. This is expressed in the synergizing integrated rural-urban development strategy. According to the 10th 5YP the targeted interventions will have tailored solutions given to the local specific poverty context and the pressing needs of that community. As limited access to land or landlessness is a defining characteristic of the poorest among the poor, the targeted poverty reductions will also include the distribution of land to the landless and a comprehensive programme of resettlement for the landless or land-poor families to areas where arable and productive land is available.

**The National Land Commission (NLC) will play a crucial role in the implementation of the 10th 5YP.** The NLC is being supported by, among others, Danida through the Good Governance Programme. The Government will promote mainstreaming of environmental issues into the development planning process through the national planning framework and through awareness and capacity building of relevant sectors. Activities will include institutionalizing decentralised environmental impact assessment processes.

**Within this framework the future Danish support to environment and sustainable development in Bhutan can build on lessons learnt from previous phases as well as opportunities to strengthen the poverty-environment link in the 10th 5YP.** The future programme should be designed in a flexible way to promote further harmonisation and alignment; the modalities and structures should allow for other development partners to join the programme, and it should facilitate for as much (sector) budget support as possible. During the High Level Consultations in 2007 it was agreed to “continue in a new phase where the major part of the support will be budget support directly to the block grant for the decentralised level while a minor part will be for planning and capacity building” (Agreed Minutes – High Level Consultations Between The Kingdom of Bhutan and the Kingdom of Denmark, March 2007).

**Two scenarios to be considered for future programme under the above framework.** One scenario could include 2 separate components, both ideally to be financed under the block grant modality. The first could address the poverty-environment link through support to decentralised management of environment and natural resources, applying and further developing Sustainable Land Management Practices; the second could focus on incorporating and streamlining water resource management more consistently within the RNR sector. Earmarked funds could support the targeted poverty interventions in selected chiwogs already prioritized by the RGOB to ensure the environmental, social and economic feasibility of the interventions. An alternate scenario could consist of one component which integrates water resource management (productive and drinking water), supporting the poverty-environment link in the 10th 5YP.

**Urban poverty-environment issues** could be addressed in the future programme as part of the block grant opportunity. Potential further support to urban areas should take as a point of departure the Bhutan Living Standard Survey 2007 as well as the Bhutan National Urbanisation Strategy.

**There are opportunities to integrate a “climate angle” into the future programme. Sustainable land management practices combined with integrated water resources**

**management are considered best practices in adapting to climate change “on the ground”.** Developing the capacity to apply these practices at the lowest level increases the resilience of communities towards climate changes. A focus on water resources may also open for a possibility to also address the impacts of climate change at a national scale resulting in “to much and too little water”. This could comprise assistance to the implementing the water policy and legislation, adopting best practice for integrated water resource management planning adapted to Bhutanese conditions and further assisting the development of the institutional structure and management instruments.

Thimpu, 19 September 2008

Elsebeth Tarp  
Team Leader, Danish Review Team

## 8.1 Component specific progress

### 1. Component 1

**Component 1 has made significant progress towards achieving its outputs** and the expected end of component situation will most likely be achieved within the budget allocated by RGOB and Danida for the component. Progress includes

- **Policies and regulations have progressed** with the promulgation of NEPA, Waste management Bill and Water Act progressing and air and water quality standards approved. With the development of the regulations under NEPA the major elements of an environmental regulatory framework will be in place. The further implementation of the Environmental Information Management System and Environmental Outlook to be launched this year will provide further guidance to priorities and focus NECS activities in the years to come.
- **The development of draft Environmental Mainstreaming Guidelines for the key sectors** which potentially influence the environment; MoA, MEA and MoWHS is a significant step towards mainstreaming of environmental concerns into the implementation of the 10<sup>th</sup> FYP.
- **Decentralization of environmental assessment responsibilities to the district level through establishment of the District Environmental Units**, which are now staffed with one Environmental Officer in 20 Dzongkhag has led to improvements in the efficiency of the Environmental Clearance process and to some mainstreaming of environment into district and local planning processes. Additional capacity building will be needed to get the full benefits of decentralization.

**More human resources needed at NECS.** NECS however is also charged with new responsibilities, putting further tasks to the stretched staff resources of NECS. The coordination role of climate change mitigation and adaptation which also includes the preparations for COP 14 and 15 and the role in the implementation of a new water policy and law will be particular demanding.

***Recommendation:** The JRT recommends that NECS is supported in its coordinating role on climate with a particular focus on the preparation for COP 14 and 15. This could also result in a roadmap for Bhutan efforts on climate adaptation and mitigation. The review team agrees with the need expressed by NECS, to find a proper balance between the tasks to be undertaken and the staff resources available.*

### 2. Component 2 — Decentralized Natural Resource Management

**Important outcomes of, among others, component 2 activities have been the contributions to the review of a number of existing policies** including the land policy, the forest policy, as well as the Forest and Nature Conservation Act. The component

lessons learned study also indicates “the DRNMC and pilot gewog activities have indirectly contributed to the process of developing the 10<sup>th</sup> FYP and an inclusion of a broader attention to the RNR sector”.

**Documentation of results is weak.** It was difficult for the JSRT to assess progress based on information provided in the Component progress reports. The recently completed “Lessons Learned from Decentralized Natural Resource Management Component — gewog level experiences on planning and regulatory frameworks” provides a systematic and detailed assessment of the some of the strengths and weaknesses of the pilot gewog approach, and the recommendations of that report have been carefully analyzed.

**Monitoring, including local level monitoring, of environmental as well as social indicators should be enhanced.** The RNR investment activities have largely focussed on productive agricultural activities such as improved cowsheds, irrigation schemes, and farm roads, to mention a few. The prioritization of investments aimed at improving local livelihoods highlights the challenge of finding a balance between support to long-term sustainable land management activities versus the need to address short-term livelihood needs.

**The overall component development objective of developing and implementing a model for decentralized land use and management of natural resources will not be achieved**<sup>1</sup>. There has, however, been some progress towards achieving the three immediate component objectives, utilization of natural resources at the lowest appropriate level, supporting the policy and legal framework for the RNR sector, and enhanced capacity of MoA and local levels.

**Capacity development seems not to have been results-based, and as result, training impact in terms of increased RNR management capacity is not evident.** An integral part of the component strategy has been the provision of support to a substantial number of training activities to develop local capacities to manage renewable natural resources. One of the planning instruments supported by the component has been the development of gewog profiles. Although these gewog profiles may provide a good basis for a more integrated planning, it is not clear how this information has been applied in practice during the planning process, particularly with respect to the selection of investment activities. In the EUSPS supported gewogs it is also not clear to what extent approaches such as NRM and farm practice mapping and the use of indigenous knowledge have been incorporated into the profiles. Social impacts assessment have not been included, at least not documented.

**Need for a more holistic approach to community involvement.** Effective community participation is an important element in sustainable land management and planning. Meetings at gewog level suggest that while there has been community participation in prioritizing investments, lessons could be learned from SLMP in order to promote a more holistic approach to community involvement, including a consistent gender focus.

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<sup>1</sup> The Component 2 “Lessons learned from Decentralized Natural Resource Management Component Gewog Level Experiences on the Planning and Regulatory Frameworks” draft report concludes that “...the model approach to gewog level NRM based on procedures and guidelines developed over more than a decade of Danida support proved not to be feasible as a planning tool for practical implementation, the variability of the resource and socio-economic context of the gewog s was difficult to address with one model fit for all...”

**Impact of component II will increase significantly if joined with SLMP.** Given the somewhat mixed results of the component support to date, the limited time left to achieve desired component outcomes, and the opportunity that exists for a more effective collaboration between the World Bank supported SLMP and the UNDP's MSP, future Component 2 activities could benefit from being incorporated into the existing institutional arrangement for coordination of SLM interventions so that there is a single unified mechanism to coordinate sustainable land management and natural resource management activities of the three development partner programmes. Also further opportunities for aligning and harmonizing the three programmes should be examined. This will inter alia ensure that the valuable lessons learned from the various interventions are shared in a systematic and coherent manner, and is also in line with Danida's commitment to furthering the harmonization and alignment agenda.

**Specific areas of collaboration, based on initial discussions with the development partners and relevant RGoB institutions, could include the following**

- Supporting the establishment of a Dynamic Information Framework (DRUKDIF) to integrate geo-referenced biotic (biodiversity, land use, etc) and earth-scientific (meteorology, hydrology, soil and geology etc) information for Bhutan
- Support to the further development of social and environmental safeguards related to natural resource management
- Capacity building for scaling of SLM approaches

Reference is made to upcoming World Bank Mission Aide Memoire for further details.

*Recommendation: The Danish support to the Ministry of Agriculture as well as the UNDP projects should be incorporated into the existing institutional arrangement for coordination of Sustainable Land and Water Management interventions so that there is a single unified mechanism to coordinate sustainable land management and natural resource management activities of the three development partner programmes.*

### 3. Component 3

**Component 3 has made significant progress towards achievement of two out of the three key outputs** — the effective implementation of the EA Act and the Mines and Minerals Act and the development of Environmental Codes of Practice (ECOPS) — and more limited progress on the third output focussing on cleaner production mechanisms. Progress towards achieving the anticipated component outcomes<sup>2</sup> is difficult to determine as component progress reporting focuses on outputs and activities and does not include outcome indicators.

- **Significant progress is noted in relation to compliance monitoring and the systematization of environmental information within the trade and industries.** With respect to the decentralization of environmental assessment to the industrial and mining sectors, specific progress has focussed on the handing over of responsibility for the issuance of Environmental Clearances (ECs) to the

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<sup>2</sup> Component 3 includes two outcomes: (i) a 20% reduction in pollution from exiting industries and mines and cleaner production adopted in new mines and industries and (ii) sustainable institutions for environmental administration of mines and industries.



Regional Trade and Industry Offices (RTIOs) — these offices now issue 100% of all ECs within the 17 listed sectors.

- **Both the national and regional levels have raised a concern related to MEA’s dual and somewhat conflictive role as “promoter” of industrial development; and “controller”** (with respect to environmental clearance and inspections) as a result of the assignment of responsibilities in the EA Act. An additional concern was the lack of ability to ensure effective environmental management through penalization for non-compliance of the EC conditions.
- **ECOPS have now been completed for the 17 sectors**, and are undergoing final editing. These instruments in particular will be appreciated at the regional level where environmental management capacity of the Environmental Units (EUs) is still weak and practical implementation tools are extremely important.

**Progress with respect to the development and adoption of cleaner production mechanisms is less encouraging;** little progress is noted in the last year. The 10<sup>th</sup> FYP does, however, include a programme specifically aimed at sustainable environmental management and institutionalizing cleaner technology (MEA programme 06). The draft 2008-2009 component work plan does not specifically refer to these institutionalization activities, although it is the understanding of the JRT that planned component support will of course include this.

*The JRT recommends that the component work plan be revised to explicitly outline how component activities under output 3 will support this 10<sup>th</sup> FYP MEA programme. Activities supported under the final year should be fully aligned and integrated into RGoB programming in all aspects.*

#### 4. Component 4

**Component 4 has mainly contributed to building capacity.** Engineering and planning capacity at DUDES, engineering capacity at Dzongkhag level, project management and financial management at Dzongkhag level has been strengthened through international long term and in country training. A tracer study will evaluate the impact of the in-country trainings.

- **Urban governance has benefited from Component 4 support.** The Municipal Act, building rules, urban area and property regulations and water and sanitation rules has been developed. The Building and Urban Development Acts are under preparation. Further development of the urban sector policies will be informed by the National Urbanization Strategy developed with support from the World Bank and the Cities Alliance.
- **Environmental focus on urban solid waste management.** An Urban Environmental Management Policy was planned as an output of the component 4, but has not yet been initiated. In view of the limited time left, the JRT suggests that the component management consider to focus further on the urban waste management issue including further awareness activities, and aim at coordinating these activities with NECS efforts in developing the Waste Management Act.

**Further strengthening financial aspects of feasibility studies performed as part of preparations of investment in urban infrastructure could increase sustainability of investment.** A Municipal Finance Specialist to be recruited soon will contribute to developing policies and methodologies.

## 5. Component 5

**Town structural plans developed for all five towns** have shown their value as an overall frame for decisions on and implementation of investments in urban infrastructure and service delivery. The JRT recognises the progress made by all five towns in implementing the whole planning cycle starting from structural plans, allocation of budgets for prioritisation by Town Committees, development of designs, tendering and contracting, supervision and construction.

*Recommendation: The JRT recommends that activities supported by the component should be consolidated; ensuring that all work has been done according to specifications and is delivered in an operational state. In addition, actions should be taken to secure that the operation and management will be in place to get the full long term benefits for 1) the people receiving service and 2) the reduction of impacts on the environment*

### **Financial sustainability of urban service provision is a major issue in Bhutan.**

Lessons learned from five towns supported under component 5 and 10 towns of the Bhutan- Urban Development Project confirms that the financial sustainability of the infrastructure investments done in particular on water supply, sewage treatment and sewerage and solid waste management service provision cannot be sustained by user payments without both a significant increase of the user payments and government contribution to the local budgets. As advised under component 4, the Municipal Finance Specialist should be able to provide more guidance on this important issue.

**Need for further capacity development, including planning and social assessment skills.** Lessons learned from five towns supported under component 5 and 10 towns of the Bhutan- Urban Development Project further confirms that the weak capacity at districts and municipal level continues to be a constraint for effective implementation of urban services.

*The JRT recommends to increase capacity building of main stakeholders at decentralised level in decision making committees such as the Dzongkhag Development Committee, and Town Committees, as well as municipal engineers involved in supervision of contractors and overseeing municipal service provision and staff involved in operation and management and billing.*

**Urban poverty-environment issues could be addressed in the future programme as part of the block grant opportunity.** Potential further support to urban areas should take as a point of departure the Bhutan Living Standard Survey 2007 as well as the Bhutan National Urbanisation Strategy.

## Annex III

### BHUTAN: Selected international agreements and conventions related to climate and environment

Agreement/Convention	Status - Date
Convention for the Protection of the Ozone Layer (Vienna Convention) - 1988	Accession - 23 August 2004
Convention on Biological Diversity	Signed - 11 June 1992 Ratified - 25 August 1995
The Cartagena Protocol on Biosafety	Accession - 26 August 2002
Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	Accession - 15 August 2002 Entry into force - 13 November 2002
Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention) - 1992	Accession - 20 August 2002
Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa - 1994	Accession - 20 August 2003 Entry into force - 18 November 2003
International Treaty on Plant Genetic Resources for Food and Agriculture - 2001	Signed - 10 June 2002 Ratified - 02 September 2003
International Plant Protection Convention - 1952	Adherence - 20 June 1994
United Nations Convention on the Law of the Sea	Signed - 10 December 1982
Male Declaration on Control and Prevention of Air Pollution and its Likely Transboundary Effects for South Asia	Ratified - April 1998
United Nations Framework Convention on Climate Change (UNFCCC)	Signed - 11 June 1992 Ratified - 25 August 1995 Entry into force - 23 November 1995
Kyoto Protocol	Accession - 26 August 2002 Entry into force - 16 February 2005

From ICIMOD

**BHUTAN**  
**Sustainable Land Management Project**  
**World Bank First Mid-Term Review Mission of September 7-19, 2008**

Draft Aide Memoire

**Background:**

1. An IDA Mission comprising Malcolm Jansen (Task Team Leader), Samantha Forusz (Senior Social Development Specialist), Manvinder Mamak (Senior Financial Management Specialist) and Kumaraswamy Sankaravadivelu (Senior Procurement Specialist) visited Bhutan from September 7-19, 2008 to undertake the first of two planned mid-term reviews of the Sustainable Land Management Project. The MTR review was part of a broader Joint Sector Review of the Danish Environment and Urban Program Support (EUSPS), the World Bank's Sustainable Land Management Project (SLMP) and UNDP's GEF Sustainable Land Management Medium Sized Project (MSP). The Joint Review mission was aimed at assessment of progress and constraints in the implementation of sustainable land management and environmental management programs and identification of opportunities for further harmonization and alignment between the three donor-supported programs. The joint review was in keeping with the recommendations of Paris declaration of 2005 on Aid Effectiveness to support the harmonization, strengthening and use of developing country systems and procedures. The Joint Review mission met with RGoB officials, especially the Gross National Happiness Commission (GNHC), National Environment Commission Secretariat (NECS), Ministries of Economic Affairs, Finance, Agriculture, Works and Human Settlement, and relevant Dzongkhag and Geog staff and Field staff. A Joint Review wrap-up meeting was held on September 19, 2008 and chaired by Head, Development Cooperation Division of the Gross National Happiness Commission (GNHC). Members of the Joint Program Steering Committee also participated in the Joint Mission Review wrap-up meeting. A separate meeting was held to discuss SLMP specific issues under the chairmanship of the Secretary, Ministry of Agriculture on September 18, 2008. The Bank Team also briefed the Honorable Minister of Agriculture on the progress of the SLMP project.

**SLMP Project Objectives and Description**

2. The SLMP project is financed by a GEF grant of US\$ 7.66m. Parallel financing is provided by RGoB (US\$ 1.51m), Beneficiaries (US\$ 0.95m) and Danida (US\$ 5.77m), the latter through its Environment and Urban Policy Support Program (EUSPS). The aim of the project is to strengthen institutional and community capacity to anticipate and manage land degradation in Bhutan. This is to be achieved through the following four components:

- Pilot projects to demonstrate effective application of land degradation prevention approaches in three geogs;
- Mainstreaming and replication of practices for protection against land degradation;
- Policy support and guidance for mainstreaming land degradation prevention practices; and
- National level support for coordination of implementation of land degradation prevention practices.

### **Specific Objectives of the Mid-Term Review**

3. The objectives of the first of the proposed two Mid-Term Reviews of the project was the following:

- Analysis of implementation experiences during the past over 2 years of project implementation;
- Identification of key issues and constraints encountered during implementation of the project, specifically in terms of the pilot geog SLM activities;
- Review of experiences in mainstreaming SLM approaches in geog, dzongkhag, sector and national policies and programs;
- Identification of specific changes in project design, implementation and oversight arrangements and opportunities to revise and adjust project scope and components; and
- Identification of additional and new activities, and opportunities for further collaboration with Danish EUSPS and UNDP's MSP programs

### **Summary of Progress in Project Implementation:**

4. The project has been effective for the past 30 months. Project implementation is progressing very satisfactorily. The development, testing and refinement of the participatory SLM action planning methodology, including area-based participatory natural resource mapping has been very successful. Participatory natural resource mapping has been completed in 47 of the 49 chiogs in the three pilot geogs and has been extended to two of the six additional geogs identified for scaling-up of SLM. Capacity building of RNR staff, geog and dzongkhag administration and Geog SLM planning teams is progressing very well. The early initiation and effective sequencing of orientation, training, awareness creation, mapping and training of communities and RNR staff has paved the way for the smooth transition in the implementation of SLM activities in the six additional geogs identified for scaling-up of SLM approaches. It is also encouraging that field staff have been able to effectively adapt to conditions in the field, including some delay in fund flows, and ensure that the implementation of project activities were not significantly affected by such constraints. Following the initial focus on the pilot on-the-ground investments at the beginning of the project, efforts are now being made to extend and mainstream SLM approaches in other sector policies and programs. The project has supported the development of rules and regulations for implementation of the revised Land Act 2007 and enhancing understanding of rangeland management issues that would later feed into the revision of grazing policy and regulations.

5. Monitoring systems are in place to measure impacts of project interventions (24 indicators) that are monitored regularly. The project has initiated updating of land use and cover maps for the entire country to enhance future spatial planning and monitoring. There is now an improved understanding of techniques and species for different land situations that provides useful information for expansion and replication of SLM. Documentation of Indigenous Knowledge on soil fertility management has been initiated and a manual based on the participatory action planning is being refined and finalized that would result in an operational framework and tool kit and a catalogue of SLM interventions and technologies (traditional and new), all of which would be very helpful for up-scaling SLM in the additional project geogs and elsewhere in Bhutan.

6. The backlog of FMRs and financial reports has been cleared and financial reporting is up-to-date as of June 30, 2008. Inconsistencies in the procurement plan have been addressed and the filing system of documentation relating to procurement is satisfactory. Differences between FMRs and BAS reports have been corrected and interim financial reports are being submitted on a timely basis.

7. While, there has been significant progress in field based activities, delays in fund flows to the geogs still persists to some extent. Field staff have adapted to these constraints and ensured that planning and implementation of activities were not seriously affected by delays in fund flows. However, as upscaling to additional geogs is planned in the next fiscal year, it is important that this issue be addressed as an urgent priority so as to ensure that future investments are not significantly affected. The mission undertook a review and assessment of accounting, fund flow and reporting systems in one of the pilot geogs/dzongkags and provided recommendations to the Project Management Team (PMT) for further streamlining and tightening of financial management systems, including quarterly projection of expenditures, expediting approval and clearance procedures, and improving financial reporting of expenditures.

#### **Mission Recommendations and Agreements:**

8. The mission reached agreement with RGoB on the following specific actions in order to further consolidate on achievements so far, and ensure smooth implementation of project activities in the future.

9. **Component 1: Pilot Projects to demonstrate effective application of land degradation prevention approaches:** Resource mapping of chiogs in the three pilot geogs have been completed and provide the basis for planning of sustainable on-the-ground investments in consultation with local farmers. These maps include spatial delineation of land use categories, land degradation areas, hydrology and irrigation, non-wood forest product, firewood and timber collection areas, tsamdros (grazing) areas, and private and community forest areas. Beside the Natural Resource maps, information on soil fertility and biodiversity, and indigenous technical knowledge on soil and soil fertility management has helped guide effective participatory SLM planning at the chiog level. Annual planning has been progressing very well with the support of RNR staff and local communities. Chiog annual action plans have been completed and are compiled into geog level annual work plans that provide the basis for SLM investments at the chiog level. The chiog action plans are screened for potential social and environmental impacts at chiog and geog levels. Investments have been made on-the-ground, including support for conversion of tseri (shifting cultivation) lands to wetland cultivation, construction of bench terraces and hedgerows, organic vegetable cultivation, development of orchards, irrigation canal renovation, community forestry, protection of water sources, and other sustainable land management activities. Special efforts have been made to ensure that all segments of the population in the chiog benefit (in terms of training and investments) from the project, including women, the poor and disadvantaged households. Implementation has picked up considerably in the second year of the project reflecting a “learning curve” in effective implementation by the field staff, resulting in a cumulative delivery of about 85% of planned investments and budget targets in the three pilot geogs.

10. Although, there has been good progress in the implementation of SLM activities in the pilot geogs, there are some specific issues that might need further attention. These include: (i) ensuring that there is a balance between short-term livelihood benefits and long term SLM interventions to facilitate farmer decisions on the implementation of SLM interventions on their lands. This is particularly critical to farmers who have small land-holdings and hence need

adequate short-term incentives for introducing SLM interventions that have longer gestation periods. Opportunities might exist, particularly in chiogs that are close to the road to promote farm and non-farm based rural enterprise programs so as to provide a source of additional income to the farmers, and hence facilitate decision making on SLM interventions; and (ii) ensuring some limited financial and technical support to the pilot geogs beyond the planned three-year implementation period. This would enable these chiog communities to develop adequate capacity and expertise to sustain their SLM activities on the longer term and encourage the institutionalization of the SLM planning process at the geog level.

***Agreements:***

- ***It was agreed that Geog Planning Teams will seek opportunities for enhancing farm and non-farm income generation activities during the chiog work planning exercises, in particular in the scaling-up geogs. Where such opportunities exist, the Planning Teams will seek to link such efforts with existing programs and markets and help “package” short-term together with long-term incentives.***
- ***PMT and Geog Planning Teams will consider financial and technical support to pilot geogs beyond the initial three-year implementation period in order to build further commitment and implementation capacity for SLM in these rural communities.***

11. **Component 2: Mainstreaming of practices for protection against land degradation:**

As part of the effort to replicate successful SLM practices emanating from lessons of component 1, project staff have identified six additional geogs in consultation with relevant dzongkhag staff for up-scaling of the SLM approach. In order to ensure effective implementation in the scaling up geogs, efforts have been made to sequence, plan and manage preparatory activities to compensate for the limited manpower available in the up-scaling geogs. It is anticipated that the up-scaling would likely be easier in the up-scaling geogs, as participatory natural resource mapping methodology has been developed, participatory action planning methodology has been developed and tested, orientation and training of geog RNR and geog planning teams has been initiated, awareness of staff and communities on SLM approaches is in progress and mapping of natural resources has been initiated. Hence chiog action planning is expected to be completed well before the planned implementation of SLM activities in the scaling up geogs. Further, analytical tools for biophysical and socio-economic baselines has been developed, documentation of results of SLM activities and technologies is in progress, along with the ongoing process for completion of the participatory manual and tool kit for SLM. The documentation of Indigenous Technical Knowledge (ITK) on soils and soil fertility management has been completed, which along with the documentation of SLM techniques would provide a good basis for successful replication of traditional and current SLM technologies in the up-scaling geogs. The project is supporting, as a new activity, the updating of land use and land cover maps of Bhutan. This two-year effort will generate new maps for the entirety of Bhutan, which will facilitate decentralized area-based (SLM) planning and better monitoring of development activities. The updated maps (the last maps were developed in 1996) will make use of recent high-resolution satellite imagery. This will be an important contribution of the project towards better understanding of land use and land cover and facilitate the extension and mainstreaming of SLM approaches in Bhutan.

12. Given, the success of the introduction and implementation of SLM approaches in the three pilot geogs in Component 1, the focus in the remaining period of the project would be on mainstreaming and extension of SLM lessons from the field. This would entail a more systematic documentation and dissemination of participatory SLM action planning and natural resource mapping processes in the field, as well as best practices, technologies and experiences from the

field. The extension of the participatory planning process from the geog to dzongkhag level in RNR and other related sectors would help link SLM planning with the broader the area-based planning approach at the next level and facilitate the overall geog and dzongkhag management of the successful planning process piloted by the project.

***Agreements:***

- ***The project will further support the documentation and dissemination of methodologies of participatory planning and mapping that have been tested and refined in the field, as well as other relevant learning experiences and best practice in SLM.***
- ***The project will support the development and testing of methodologies and tools for linking SLM planning at the Geog level to Dzongkhag level area-based planning. This would require close collaboration with relevant stakeholders including GNHC, PPD/MoA, local governance and Dzongkhag administration.***

13. **Component 3: Policy support and guidance for mainstreaming land degradation prevention practices:** While, the emphasis during the initial years of the project has been focused on SLM investments in the three pilot geogs, some initial efforts have been made to mainstream SLM in sector and national policies and programs. SLM planning guidelines are now included in the tenth five-year national plan, which is expected to be approved shortly. The project has supported the newly formed National Land Commission Secretariat to create awareness and improve capacity to implement the regulations of the new Land Act of 2007. In addition, the project is supporting a rangeland management study to get a better understanding of tsamdros and grazing management issues. The study is expected to provide information and recommendations for revision and alignment of the existing grazing policy with the requirements of the new Land Act. In addition, requests for proposals for thematic studies have been called for, and so far six proposals have been received and will be evaluated for their suitability and funding. These thematic studies are intended to enable geographic and thematic scaling up of SLM practices in Bhutan by providing learning and recommendations for improving sector policies, and regulations and programs relating to SLM. Discussions are underway with the Department of Livestock to support pilot on-the-ground activities to test the provisions of the Land Act relating to tsamdros (grazing) development and management that is expected to feed into the revision of grazing rules and regulations.

14. While, some efforts have already been made to support the mainstreaming of SLM practices in national and sector policies and programs, it is anticipated that this component would take more significance in the remaining period of the project. Documentation of lessons and experiences from the pilot geog sites as discussed in previous sections of the aide-memoire related to Components 1 and 2 should help contribute towards mainstreaming of SLM approaches in national and sectoral policies. In particular, the recent revision of the Land Act of 2007, requires changes in policies and regulations in the forestry, livestock and agricultural sectors, to bring them in alignment with the requirements of the Land Act. Experiences from the pilot geogs and other activities/studies supported by the project can contribute towards such policy and regulatory changes. These also include the Thematic Studies that are to be supported by the project, provided these are specifically focused on generating appropriate lessons and information for management and policy development.

***Agreements:***



- *It was agreed that PMT/MoA will continue to entertain thematic proposals at the national and dzongkhag levels, and encourage proponents to submit proposals that are either aimed at replication of SLM or contribute to improved understanding of natural resources management issues. Less emphasis would be given to proposals that are single activity focused.*
- *Specific attention would be focused on dissemination of lessons and experiences emanating from SLM interventions at the geog level and from thematic studies and consultancies.*
- *The mission emphasized the need to initiate studies on farm economics to get a better understanding of incentives that drive farmer decisions regarding the use of their lands.*

15. **Component 4: National level support for coordination of implementation of land degradation prevention practices:** The Multi-Sectoral Technical Advisory Committee (MTAC) that was formed during the project preparation phase continues to provide advisory and technical support to the project as well as provide guidance for mainstreaming SLM in national and sector policies. MTAC now serves as a joint committee for both SLMP project and UNDP's medium sized project for improving capacity for SLM, thus enabling effective coordination of SLM interventions between the two projects. A proposal is under discussion to bring DANIDA'S EUSPS project (in particular Component 2) under the same coordination mechanism so as to enable synergies and more effective coordination of SLM activities within the three projects. In addition, monitoring systems are in place, and reporting to MoA is functional. Annual review meetings help share lessons of SLM.

***Agreements:***

- *PMT, in consultation with PPD/MoA will reach agreement on modalities for improving collaboration with EUSPS (Component 2), including specific activities for joint action and support.*

**Institutional Arrangements**

16. Institutional arrangements are in place in the pilot geogs and contributing to the effective implementation of project activities. SLM Geog Field Coordinators and Planning Officers (the latter recruited from within the geogs) are working very closely and effectively with the geog RNR staff in planning and implementation of SLM activities. SLM Planning Teams have been established in each of the six additional scaling up geogs and have been trained in SLM planning approaches and techniques. At the national level, a Project Director and Project Manager are in place, both have additional job responsibilities, but this arrangement seems to be satisfactory. The post of Finance Officer has been filled with a suitably qualified officer. While, institutional arrangements seem adequate at this juncture, it is important to review if additional support is needed at the PMT level, as the intensity and scope of activities are expected to substantially increase from henceforth. In particular, the scaling up of activities to additional geogs, the documentation and dissemination of learning from the pilot geogs, the increased emphasis on mainstreaming of SLM approaches at the national and sector levels, the need for enhanced coordination with EUSPS activities, and requirements for regular reporting to RGoB and World Bank would increase the work load of the PMT staff.

17. In terms of capacity enhancement for SLM, the project has supported regional and international training and study tours. A training needs assessment has been undertaken to identify capacity gaps and assess the priority training needs for enhancing and promoting the mainstreaming of SLM approaches in the country under UNDP's MSP. However a more comprehensive assessment is needed to determine long-term training and specialized skills training requirements. Such as training needs assessment would ensure that project support for technical and long term training is focused and relevant to Bhutan. Further, it would be useful to encourage MTAC members to visit geog pilot sites and discuss opportunities for strengthening implementation in scaling up geogs, for improving coordination with geog and dzongkhag administrations, and for dissemination of participatory processes and experiences in support of mainstreaming and policy development.

***Agreements:***

- ***MTAC members have agreed to visit pilot geog sites to review progress and impact, and provide guidance and advise to MoA for extension and up-scaling of SLM approaches, in particular advise on capacity and training needs, and opportunities for mainstreaming SLM.***
- ***PMT/MoA has agreed to undertake a training needs assessment to determine long-term and specialized training needs for SLM up-scaling and mainstreaming, which will be reviewed by MTAC, and then form the basis for future project support for such training.***
- ***Given, the increased work load anticipated from Year 3 onwards on account of the gradual shift towards implementation of Components 1, 2 and 3 of the project, PMT/MoA will assess the need for additional staff support (either on transfer or contract basis).***

**Social and Environmental Aspects**

18. At the end of the second year of project implementation in the pilot *geogs*, broad community participation from 1,835 beneficiary households continues to be a hallmark of the successful SLM action planning process. *Geog SLM Planning Teams* (GSPTs) have been formed in each *geog*. GSPTs have encouraged participation from both women and more vulnerable sections of the community. Early planning and effective sequencing of orientation, awareness creation, training of communities and RNR staff, and mapping have established a solid foundation for the successful introduction SLM activities in the six scaling-up *geogs*.

19. Participatory Action Planning at the *chiog* level has helped ensure that the interventions selected reflect the different needs and resources of community members, while a participatory M&E study planned during the third year of implementation will help the project assess if there have been resource-linked differences in the benefits of these intervention. In addition to the use of a number of tools, including opportunity/problem analysis, to rank interventions against community established criteria, a social and environmental screening was undertaken to assess in any of the proposed interventions would have a negative impact on the livelihood resources of vulnerable households or the environment. Formats have been developed and tested for screening of environmental and social impacts of proposed investments. Investments are screened at the *chiog* SLM planning stage, and later reviewed by the GSPTs and *Geog Yargye Tshogchung* (GYTs) to ensure that any potential social or environmental impacts are managed.

20. Willingness to adapt SLM practices which will yield long-term benefits can be challenging for farmers with short-term livelihood needs, particularly those with small holdings. GSPTs have worked to address this issue by packaging short-term livelihood inputs with longer-term SLM activities. For the foreseeable future, annual plans need to continue to support short-term interventions, such as the provision of seeds and seedlings, in parallel with SLM interventions. The project will also explore further opportunities for income generation and livelihood diversification (bee keeping, food processing, etc.) during the annual planning process, in an effort to encourage adaptation of SLM practices by reducing short-term livelihood risks to farmers.

***Agreements:***

- ***Given the rich qualitative and quantitative data available, there is a need to synthesize and present the data in a consolidated and simplified format. The PMT will prepare At-a-Glance overviews of each chiog. These overviews will be posted in the respective chiogs, updated on a twice yearly basis, and submitted to the Bank as part of the semi-annual progress reports.***
- ***The PMT and GSPTs will explore the possibility of providing non-formal education and/or vocational training opportunities to enable illiterate and vulnerable community members to increase their livelihood and income generation options.***
- ***GSPTs will seek opportunities for enhancing farm and non-farm income generation activities during the chiog annual planning exercises, particularly in the scaling-up geogs. Where such opportunities exist, the GSPTs will seek to link such efforts with existing programs and markets, packaging short-term interventions with longer-term SLM activities.***

**Monitoring and Evaluation**

21. Participatory monitoring and evaluation frameworks have been developed and implemented. Baseline information has been refined and information on impacts is being monitored. MoA has presented a monitoring overview of the project. Indicators to capture productivity and farmer income gains of SLM interventions as well as community and government contributions to the project have been included. Erosion plots have been established in the three pilot geogs to help establish natural erosion rates in Bhutan under different slope and climatic conditions and quantify the beneficial effects of SLM practices to reduce soil erosion. Measurements in these plots are expected to be made at the end of 2008, and regularly thereafter. The establishment of the erosion plots is considered as an alternative to the global indicator that was originally defined for the project, but later considered to be impractical and difficult to measure. The participatory monitoring and evaluation framework for the project (with 24 indicators) provides a valuable tool to measure the long term impact of the project. Some opportunities exist for further tightening of monitoring information. GNHC has developed a web-based planning and monitoring system (PLaMS) to capture outcomes and impacts of the implementation of the Tenth five-year plan, and ensure a unified national system for monitoring of development activities.

22. Based on the monitoring report provided, it is reasonable to predict that planned targets would be achieved for most indicators by the end of the project. In particular, it is important to note that there has been substantial progress in increasing the number of farmers and extent of land under SLM practices. In Nangkhor and Phuentsholing geogs over 21% and 11% of tseri

land (shifting cultivation) have been converted to sustainable forms of land use (e.g. orchards, agro-forestry and other wetland forms of land use). In addition, a total of around 950 acres of vulnerable lands have been improved (bamboo cultivation, water source protection, SALT, plantations, community forestry, etc.) in the three pilot geogs. Over 80% of GYT, 10% of DYT and 15% of RNR staff in the Dzongkhags and 35% of pilot geog farmers have been trained in the application of SLM techniques.

***Agreements:***

- *In terms of the PDO objective indicator “increase in number of farmers practicing SLM techniques”, it was agreed that only a few specific SLM practices relevant to each pilot or up-scaled geog will be aggregated to provide information for this indicator.*
- *In terms of the government contribution to the project, all forms of in-kind and cash contributions will be captured, including staff time, monetized value of proportion of contribution to the project in terms of office support, office space, equipment and maintenance, etc.*
- *PMT/MoA will discuss with GNHC and ensure that SLMP outcome indicators are captured in PLaMS.*

**Procurement Aspects**

23. The mission reviewed the procurement plan for FY08 and found some inconsistencies in the dates for procurement milestones and advised the PMT to revise the dates to ensure a more realistic timetable. The procurement plan was revised and re-submitted to the Bank and found satisfactory. As per the procurement plan, there are fifteen items indicated in the plan under the “goods” category. The procurement of five of the items has been completed. The PMT indicated that they will process the procurement of the remaining items in accordance with the timetable provided in the plan. In terms of the plan for Consultancy Services, four of the six identified consultancy contracts are ongoing, one contract is under process and the last remaining procurement for contract services will be initiated in November 2008.

24. In terms of the procurement activities to be carried out at the dzongkhag level, the mission noted that separate procurement plans for the three dzongkhags would be necessary, as funds are released directly to the dzongkhags through Letters of Credit. The mission also reviewed the filing system and contract management system and found these satisfactory. Overall, the procurement performance for the project is considered **satisfactory**.

***Agreements:***

- *In consultation with the respective dzongkhags, PMT/MoA will prepare separate procurement plans for the three dzongkhags and submit these to the Bank by September 30, 2008.*

**Financial Management and Disbursement**

25. **Disbursement:** Against the original grant allocation of USD 7.66 million, the disbursements as on September 4, 2008 stand at USD 1.822 million, reflecting approximately 24% disbursement. The funds disbursed to date against Statement of Expenditure (SOE) based withdrawal applications, reflect project expenditures up to June 30, 2008. There is a significant opportunity to reduce the present disbursement lags and MoA may want to consider switching to report based disbursements as discussed in detail later in aide memoire.

26. **Financial Management: Adequacy of project financial management arrangements: Proposal to enhance quantum of fund releases to dzongkhags/geogs to six months requirement:** In response to repeated complaints of delays in release of Letter of Credits (LCs) to the dzongkhags/geogs and its consequent impacts on the field level activities, the project is considering enhancing the quantum of fund releases from the present quarterly basis to six monthly releases. During the mission, the Team visited Chukha dzongkhags in an effort to track and understand the fund flow process and identify the bottlenecks. The Mission held discussions with project staff at the central and field level and recommend the following measures to resolve the fund flow issues:

**Agreements:**

- ***Strengthen the internal control system at all level for e.g. PMT/MoA will closely monitor the receipt of the release of LC letter and inform the Geog/Dzongkhag by forwarding the L.C letter through fax or email, to Geog/Dzongkhag/Gup on time, so that money can be released to Field Coordinator on time. Necessary computer/fax machine required for this purpose should be made available to them.***
- ***PMT/MoA will closely monitor with DPA and ensure that the L.C is issued in time (delays in fund releases for the current financial year 2008-09 may be considered as an exceptional situation arising out of the delay in the passing of the National budget).***
- ***As soon as the L.C letter is received, the Geog Accountant will prepare the voucher required for preparation of cheque and get it signed by the Finance Officer (F.O.) as and when available. The cherub has to be signed by both Finance Office and the Gap. Therefore whenever the F.O. is available the voucher and the cherub will be signed the F.O. Once the GUP comes to collect the cheque all the required documents are ready and the GUP as a second signatory of the cheque, will sign the cherub and collect it from the Geog Accountant.***
- ***Given that below the Gup level, the entire dealings are in cash, any decision on the quantum of funds to be released will need to carefully consider the security concerns of the field staff (who will retain fairly large volumes of cash in hand) and the resultant increase in the risk exposure of project funds not being used for intended purposes.***
- ***Keeping the above concerns in mind, the project may want to consider building a buffer to the quarterly release (equivalent to fund requirements of 2 months) and thus allowing for processing time for the next release.***

27. **Project expenditures and submission of quarterly Financial Management Reports (FMRs):** The project has established a good and consistent record of preparing good quality reliable quarterly financial reports (based on BAS reports) and submitting the same to the Bank on a timely basis. In respect to the last FMR for the quarter ending June 30, 2008, expenditures reported for the fiscal year 2007-08 (ending 30 June 2008) stand at Nu.33.173 million and the cumulative expenditures for the project as on the same date are reported as Nu.61.288 million.

28. Against the cumulative reported expenditures of Nu.61.288 million (as per FMRs), the project has submitted cumulative claims amounting to Nu.51.354 million, indicating a short claim of Nu.9.934 million. These differences appear to be prima facie on account of errors in preparation of SOEs and an immediate reconciliation exercise is required to be undertaken.

#### *Agreement*

- ***Complete the reconciliation process and submit the same to the Bank by November 15, 2008 - this will enable the Bank to authorize submission of supplementary claim of expenditures, if required.***

29. **Switching to Report based disbursements:** Partly on account of the adequate demonstrated capacity at the project level to prepare reliable and timely FMRs and with the objective to reduce the duplication of work in preparation of SOEs, the mission recommends that MoA/MoF considers switching to report based method of disbursement. This will require the following tasks: (a) RGoB to obtain Bank's approval for the change in the disbursement method; (b) closing of the USD Advance Account; (c) refund or adjustment of the withdrawn amounts not accounted for; (d) opening of a new designated account in Nu; and (d) submission to the Bank of forecast of expenditures for the next two quarters.

30. **Financial Management Rating:** The financial management performance is rated as **Moderately Satisfactory (MS)**. The FM system operates well and needs only moderate supervision and Bank input. There are **moderate** shortcomings but they (a) do not materially affect the system's capacity to provide timely and reliable information for managing and monitoring implementation of the project; (b) do not indicate substantial weakness in the overall control framework of the project; and (c) are being addressed by the borrower.

#### **New and Additional Activities proposed for Project Support**

31. PMT/MoA has proposed a number of new or planned activities for project support that are expected to further strengthen and improve outcomes of the project. These are the following:

- **Updating the land use and land cover maps of Bhutan.** Land use and land cover maps were last prepared in 1996, and hence are outdated and of limited use for spatial planning in Bhutan. The project will support a two-year program that is aimed at revising the land use and land cover maps of Bhutan using recent high-resolution satellite imagery (ALOS). These maps will improve planning and monitoring of SLM and other area-based development activities and natural resource risk management. Already, three persons have been trained in mapping and satellite images for the entire country have been procured by the project.
- **DRUKDIF:** Supporting the establishment of a Dynamic Information Framework (DRUKDIF) to integrate geo-referenced biotic (biodiversity, land use etc.) and earth-scientific (meteorology, hydrology, soil and geology etc.) information for Bhutan. An improved integration of geo-referenced (GIS) and temporal data will enable the testing of future scenario's on land use changes and climate change story lines as a spatial decision-support tool. DRUKDIF would be valuable tool to facilitate informed decision-making on

natural resource use and trade-offs and could facilitate policy and planning for natural resource management.

- **Extension of support to Pilot Geogs beyond the initial three-year implementation period:** This would entail the extension of limited financial and technical support to pilot geogs beyond the initial three-year implementation period in order to build further commitment and implementation capacity for SLM in these rural communities.
- **Rural Enterprise Development Support:** The project will provide additional financial, technical, training and marketing support to the pilot and up-scaling geogs for further focused interventions to improve farm and non-farm incomes and livelihood diversification (bee keeping, food processing, basket weaving, etc.). The intention is provide adequate short-term incentives to farmers by “packaging” short-term livelihood inputs with longer-term SLM activities. Willingness to adapt SLM practices which will yield long-term benefits can be challenging for farmers with short-term livelihood needs, particularly those with small holdings.
- **Support for Non-formal and Vocational training:** As literacy could be an important factor in helping farmers diversify their livelihood options, thereby reducing the risk of adopting SLM practices for small farmers, SLM/MoA could investigate the possibility of providing non-formal education and/or vocational training to illiterate, semi-literate, and vulnerable residents in the project chiogs. The project could support training in specific income or livelihood support activities or literacy programs.

### **Harmonization and Collaboration between SLMP and Danish EUSPS Program**

32. Effective mechanisms are already in place for collaboration between SLMP and UNDP’s MSP project. Joint Project Management Team meetings, joint field visits and collaboration in specific SLM studies (e.g. study on Indigenous Technical Knowledge on soil and soil fertility) have enabled establishment of synergies between the two programs, improved sharing of lessons and improved cost effectiveness of SLM activities. The Multi-Sectoral Technical Advisory Committee (MTAC) ensures coordination and complementarity between the two programs, supports and guides the mainstreaming of SLM approaches in national and sectoral policies that is an overall objective of both programs, and ensures coordinated annual planning and reviews of the two programs.

33. While, the SLMP and the EUSPS program have a common Project Steering Committee, opportunities for closer coordination and collaboration between SLMP and relevant components of EUSPS has not been fully exploited. Since the SLMP and the Decentralized Natural Resources Management Component (Component 2) of EUSPS both aim at positively influencing national planning and policy process by feeding field learning and experiences, there exist ample opportunities in aligning both the field activities as well as strategic work of the two projects. Integration would help minimize duplication and overlap and help build synergies between these two programs. While there might be differences in the on-the-ground approach between the two projects, both have the same overall objective of mainstreaming SLM in the national planning and policy process. Hence, this provides valuable insights into the integration of SLM approaches with decentralized natural resources management (planning capacities and gaps, information management, safeguards for environment and social issues, etc at local level). All these lessons would not only guide the next phase of Danish support to RGoB in aligning the Danish and other collaboration for budget support through block and tied grants but also provide for enhancing the capacity and clarifying practical and policy issues at various levels.

34. Therefore it is recommended that the SLMP and component 2 of EUSPS arrange for a harmonized work plan and coordination of their work. This will include sequencing and partnership in terms of implementing their respective activities, building synergy, minimizing possible duplications, providing a convenient framework for joint reviews and evaluation, and ensuring collaboration in the implementation of selective activities. Significant events to pursue through such an approach would entail joint planning, joint implementation of activities, and sharing of learning and experiences from the pilot sites of both projects. Some additional ideas for joint collaboration between SLMP and EUSPS have been discussed and include the following:

- **DRUKDIF**: Supporting the establishment of a Dynamic Information Framework (DRUKDIF) to integrate geo-referenced biotic (biodiversity, land use etc.) and earth-scientific (meteorology, hydrology, soil and geology etc.) information for Bhutan. An improved integration of geo-referenced (GIS) and temporal data will enable the testing of future scenario's on land use changes and climate change story lines as a spatial decision-support tool. DRUKDIF would be valuable tool to facilitate informed decision-making on natural resource use and trade-offs and could facilitate policy and planning for natural resource management.
- **Social and Environment Safeguards related to Natural Resource Management**: As part of the harmonization agenda, this activity would support the strengthening of capacity and skills to enable RGoB to manage the social impacts of its development. In particular, support could be directed at: (a) establishing the institutional arrangements, including organizational structure, information systems, enforcement and monitoring systems for planning and management of social aspects; and (b) supporting results based capacity building for Participatory Planning and Management of Resettlement, Rehabilitation and Social Assessment.
- **Building Capacity for Scaling of SLM Approaches**: Support for strengthening capacity at national and decentralized level to apply participatory planning and monitoring tools that were developed through the SLMP in order to scale up SLM. This might include support for stakeholders in SLM policy development and implementation activities at both central, dzongkhag and geog level, including training for Geog SLM Field Coordinators, study visit for Multi-Sectoral Technical Advisory Committee members, and training in low-cost soil and water conservation techniques for RNR extension staff and Research Center researchers, etc. In addition, training could be extended to RNR staff of the geogs and dzongkhags in which the ten chiogs that have been identified in the Tenth five-year plan for targeted poverty interventions are located. This would enable the application of a more focused participatory planning and targeted processes for implementation of interventions at the chiog level that builds on the SLMP experiences, as well as limited on-the-ground interventions.



### Social Aspects

At the end of the second year of project implementation in the pilot *geogs*, broad community participation from 1,835 beneficiary households continues to be a hallmark of the successful SLM action planning process. *Geog SLM Planning Teams* (GSPTs) have been formed in each *geog*, and are comprised of a Field Coordinator (FC), Renewable Natural Resource (RNR) extension staff<sup>3</sup>, the *Gup* in an advisory role, and four community members as *Geog SLM Planners* (GSPs), who receive a monthly stipend from the project. The GSPs are selected by their communities, or *chiogs*, through a process of nomination and voting, and endorsed by the *Geog Yargye Tshogchung* (GYT). However, in Radhi, a Natural Resources Management group existed prior to the project, and this group carries out the functions of GSPs, and receives a group stipend. While the majority of the GSPs are male, Field Coordinators have encouraged participation from both women and more vulnerable sections of the community. In Nangkhoh, for example, three of the four GSPs are women, and in the six scaling-up *geogs*<sup>4</sup>, FCs have requested each *geog* to select two male and two female members as GSPs. Early planning and effective sequencing of orientation, awareness creation, training of communities and RNR staff, and mapping have established a solid foundation for the successful introduction SLM activities in the six scaling-up *geogs*.

**Annual Action Plans:** Participatory Action Planning training was provided, over a two week period, in each of the pilot *geogs*, facilitated by the Project Management Team (PMT) and a Community Participatory Planning Specialist (CPPS). A refresher training was given by the PMT prior to the advent of the second annual participatory action planning process. This training, as well as the previous experience of both the GSPTs and *chiog* communities, helped reduce the time needed to carry out the planning process from approximately four days to just one day. In addition to receiving a briefing on project supported activities, GSPTs received training in a number of participatory learning tools and approaches, as well as on-the-job training and backstopping during action plan development at the *chiog* level. The action planning process has documented and shared among the pilot *geogs*.

During the first year of project implementation, GSPTs spent approximately four days in each of the communities in order to understand the *chiog* context, undertake a household level livelihood analysis, and facilitate the establishment of development priorities. Focus group discussions and community meetings enabled GSPTs to understand the rules, regulations, and existing institutions in each *chiog*, as well as develop resource maps and review income and expenditure patterns.

In terms of establishing development priorities, the objective of the GSPTs was to ensure that all farmers were fully informed about the advantages, disadvantages, as well as the consequences of and options for each ranked intervention. In addition to the use of a number of tools, including opportunity/problem analysis, to rank interventions against community established criteria, a social and environmental screening was undertaken to assess in any of the proposed interventions

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<sup>3</sup> There are RNR extension staff for agriculture, forestry, and livestock.

<sup>4</sup> The six scaling-up *geogs* are: Logchina and Bongo (Chukka dzongkhag), Bardo and Goshing (Zemgang dzongkhag) and Thrimsing and Lumang (Tashigang dzongkhag).

would have a negative impact on the livelihood resources of vulnerable households or the environment.

The participatory action planning process helps ensure that the interventions selected reflect the different needs and resources of community members, while a participatory M&E study planned during the third year of implementation will help the project assess if there have been resource-linked differences in the benefits of these intervention.

Given the rich qualitative and quantitative data available, there is a need to synthesize and present the data in a consolidated and simplified format. This could include At-a-Glance overviews of each *chiog*. These overviews could be posted in the respective *chiogs* and updated on a twice yearly basis so to provide an updated snap-shot of the SLM activities at the *chiog* level.

**Socioeconomic and Livelihood Data:** Rich qualitative and quantitative data have been collected as part of the annual planning process. In addition, as agreed with the Bank during the March 2007 mission, the project has conducted a livelihood analysis survey in Nangkhor and Phuentsholing *geogs*.<sup>5</sup> The survey, which was completed in August 2008, indicated that overall, landholdings are diminishing due to land fragmentation from inheritance and the sale of land to non-residents. Soil fertility is decreasing, due to top soil erosion and lack of manure, and crop productivity has been affected by disease, pests, and post-harvest damage.

The survey also identified the following two socioeconomic indicators that will be monitored in both the three pilot and six scaling-up *geogs*:

1. Thirty percent (30%) of farmers in the lowest agricultural income group will increase their income, from agriculture, to the moderate income group by the end of five years.
2. Farmers trained in SLM practices, such as composting, FYM shed management, orchard development, and are applying these practices will experience a 10% increase in income from cash crops at the end of five years.

In Nangkhor paddy cultivation is the primary source of income, and all but 2% of the households own irrigated paddy land or *Chhuzhing*. By contrast in Phuentsholing, only approximately 35% of the households own *Chhuzhing*, and ginger and wage employment are the main sources of income. Remittances were an important source of income for households in both *geogs*. The majority of households in both *geogs* cultivate crops on less than one acre, including vegetables, ginger, millet, maize, and oranges. While most crops are produced for household consumption, oranges, potatoes, and vegetables are produced for income generation. The majority of households in both *geogs* owned some cattle and poultry, with cheese, meat, butter, and eggs as the most commonly sold livestock products. Nearly all household in both *geogs* are heavily dependent on forest produce for fuel and timber.

While literacy rates in both *geogs* were relatively low, literacy rates in Phuentsholing (62%) were significantly higher than those in Nangkhor (33%), with a majority of this group having completed a primary school education. As literacy could be an important factor in helping farmers diversify their livelihood options, thereby reducing the risk of adopting SLM practices for small farmers, MoA may wish to investigate the possibility of providing non-formal education

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<sup>5</sup> A decision was made to exclude Radhi *geog*, as it has been the subject of many surveys by other projects, and is being covered by the SLMP under a study on rangeland management and grazing conflicts, which is expected in November 2008.

and/or vocational training to illiterate, semi-literate, and vulnerable residents in the project *chiogs*.

Willingness to adapt SLM practices which will yield long-term benefits can be challenging for farmers with short-term livelihood needs, particularly those with small holdings. GSPTs have worked to address this issue by packaging short-term livelihood inputs with longer-term SLM activities. For the foreseeable future, annual plans will need to continue to support short-term interventions, such as the provision of seeds and seedlings, in parallel with SLM interventions. The project will also explore further opportunities for income generation and livelihood diversification (bee keeping, food processing, etc.) during the annual planning process, in an effort to encourage adaptation of SLM practices by reducing short-term livelihood risks to farmers. Where such opportunities exist, the GSPTs will seek to link such efforts with existing programs and markets, packaging short-term interventions with longer-term SLM activities.

**Indigenous Technical Knowledge:** During the first two years of the project, a study has been carried out on Indigenous Technical Knowledge (ITK) of soils and soil management in the three pilot *geogs*. The study is based on information gathered from farmers during the annual planning process, as well as from a questionnaire designed to collect information on soil classification, indicators used to assess soil fertility, ancestral practices, and known mitigations measures. The project plans to continue to collect this information in the scaling-up *geogs* to gain a better understanding of traditional practices, and where appropriate, adapt SLM interventions to reflect local knowledge and practices.

**Sheytimi Grazing Conflict:** The Royal Government of Bhutan has promoted livestock development as one means of alleviating rural poverty and increasing economic self-reliance. However, over-grazing in *tsamdro* – natural grazing land – or unequal sharing of community grazing resources, is the primary cause of decreasing grassland production and community conflicts. In Radhi *geog*, it is estimated that the conflict over *tsamdro* between Radhips, who have limited grazing land, and the Merak herders, whose only source of livelihood is livestock, exceeds two decades.<sup>6</sup> The situation is further complicated by the fact that the grazing land is apparently registered to a private owner, who allegedly gave a portion of the *tsamdro* to the Radhips, and allocated another area for use by the Merak herders. Accusations of over-grazing, failure to pay compensation for lease rights, encroachment, and cattle injury have further exacerbated tensions. Overgrazing of the area under conflict (Sheytimi), viewed as common property by some stakeholders, has led to degradation and destroyed significant portions of arable land downstream. The owner of the land filed a court case in 2002, which was subsequently appealed to the High Court, and from whom a final decision is awaited.

In collaboration with the *dzongkhag* administration, the RNR Research Center, and the Community Based Natural Resource Management program, the SLM Project Manager facilitated a stakeholder workshop in Radhi in May/June 2007. The workshop succeeded in creating awareness of the consequences of over-grazing and elicited suggestions from stakeholders to ban grazing and rehabilitate degraded areas. However, due to the uncertainty of the status of the proposed Land Act (now enacted), no action plan could be prepared, and a follow-up workshop was proposed.

Following the passage of the Land Act, a one-day follow-up workshop was held in July 2007. Unfortunately the potential for resolution was undermined by the unavoidable absence of key

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<sup>6</sup> Grazing Conflict: Analysis of the Causes and Recommendations (the case of Sheytimi). Council of RNR Research, Ministry of Agriculture, Bhutan.

participants, as well as the communication that the *tsamdro* owner planned to surrender her land to the Government under the new Land Act in order to receive compensation. In addition, concerns about the mechanisms and timing regarding the enforcement of the new Land Act created further uncertainty among the stakeholders. The project has continued to follow-up with the *dzongkhag* and RNR Regional Coordinator on progress towards resolution, and is supporting the process by holding a two-week training on conflict management and facilitation in September 2008, and has commissioned a study on grazing issues which is expected to be completed in November 2008.