



POVERTY OUTCOME EVALUATION



Final Report

UNDP Bhutan
November 2005

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ACRONYMS

AsDB	Asian Development Bank
BDFCL	Bhutan Development Finance Corporation Limited
BMZ	German Federal Ministry for Economic Cooperation and Development
BPMAS	Bhutan's Poverty Monitoring and Assessment System
CCA	Common Country Assessment
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
DADM	Department of Aid and Debt Management
Danida	Danish International Development Assistance
DBA	Department of Budget and Accounts
DoP	Department of Planning
DSP	Decentralization Support Programme
DYT	Dzongkhag Yargye Tshogdu
EODP	Essential Oils Development Programme
EPC	Entrepreneurship Promotion Center
FYP	Five-Year Plan
GTZ	German Technical Cooperation
GYT	Geog Yargye Tshogchung
ICD	Integrated Conservation and Development
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MLHR	Ministry of Labor and Human Resources
MoA	Ministry of Agriculture
MSME	Micro, Small and Medium Enterprises
MTI	Ministry of Trade and Industry
MYFF	Multi Year Funding Framework
NHDR	National Human Development Report
NSB	National Statistical Bureau
RBM	Result Based Management
REDP	Rural Enterprises Development Programme
RGoB	Royal Government of Bhutan
RNR	Renewable Natural Resources
RNRRC	Renewable Natural Resources Research Centre
RTIO	Regional Trade and Industry Office
PAAR	Poverty Assessment and Analysis Report 2000
PAR	Poverty Analysis Report 2004

SNV	Netherlands Development Organization
SRF	Strategic Results Framework
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
WFP	World Food Programme
WWF	World Wildlife Fund

GLOSSARY OF BHUTANESE TERMS

Chathrim	Act, statute
Dungkhag	Sub-district
Dungpa	Sub-district Administrator
Dzongdag	District Administrator
Dzongkhag	District
Dzongkhag Yargye Tshogdu	District Development Committee
Geog	Administrative Block
Geog Yargye Tshogchung	Block Development Committee
Gup	Elected head of a geog
Tsa Thrim Chenmo	Constitution
Woolah	Community labor contribution

EXECUTIVE SUMMARY

Introduction

According to the evaluation plan of the UNDP Bhutan, a poverty outcome evaluation is to be conducted in the third quarter of 2005 for the following outcome, which is stated in the Multi-Year Funding Framework (MYFF 2004-2007) of UNDP Bhutan: “**Replicable local poverty initiative(s) linked to development of small rural enterprises and policy changes undertaken**”.

The results framework for the outcome is as summarized in the following box :

Intended Outcome: Replicable local poverty initiative(s) linked to development of small rural enterprises and policy changes undertaken.

Outcome Indicators: Enabling environment, which includes finalization of national organic farming framework and marketing facilities for agricultural and non-agro rural enterprise development established.

Baseline: No specific policies or measures in place on rural enterprises development

This evaluation assesses Bhutan’s efforts to develop and implement a holistic approach to rural income generation and poverty reduction through the creation of enabling policy environment, strengthening of institutional capacity including information development, and promotion of rural enterprises. It identifies key issues in the pursuit of this outcome and proposes measures to increase the relevance, effectiveness and efficiency of UNDP cooperation in the area of poverty reduction.

For the purpose of the outcome evaluation, “enabling environment” as an outcome indicator has been disaggregated to:

- policy development including national organic farming framework;
- institutional capacity including human resources and information development; and
- marketing infrastructure.

Findings

In summary, the status of the outcome can be described as outlined below:

- **Policy Development**: The evaluation has recorded fairly significant progress in the recent years in the policy development for poverty reduction. Policy impact was visible in the fact that the Ninth Five Year Plan incorporates poverty reduction as a key development theme and a “poverty reduction” Cover Note was added to the Ninth Five Year Plan Main Document to serve as a comprehensive Poverty Reduction Strategy. There are also indications that the oncoming Tenth Five Year Plan would focus on poverty reduction as a key development priority considering the emphasis given to poverty reduction during the preliminary discussions for the formulation of the Tenth Five Year Plan. Most importantly, the draft Constitution incorporates reduction of inequalities of income, equitable distribution of public facilities and resources, private sector development based on fair market competition and prevention of monopolies, and creation of enabling conditions for true and

sustainable development of a good and compassionate society in Article 9 – Principles of State Policy, thus enshrining policy measures for poverty reduction and balanced socio-economic development as a constitutional mandate.

In line with the “high value, low volume” approach, drawing upon the country’s clean image and her well-preserved cultural and natural endowments, a national organic framework has been formulated and is expected to be approved shortly for implementation. In the private sector policy development, the emphasis on micro, small and medium enterprises (MSMEs) – which are thought to be more appropriate for Bhutan in terms of their potential to contribute to poverty reduction and balanced economic development – has been weak.

- **Institutional Capacity:** There has been considerable progress in terms of development of poverty-related information and data. The Poverty Assessment and Analysis Report 2000 and Poverty Analysis Report 2004 can be said to be landmarks for the country’s development planning. Not only have these reports provided breakthrough information and data, such as poverty information based on a wide range of social, economic and environmental indices and national poverty line for the first time in the country’s history, they have also provided the staff of the National Statistical Bureau and the Department of Planning with hands-on experience and skill to collect and analyze poverty-related data.

To systematically integrate and enhance poverty monitoring and assessment in the national development planning and M&E mechanisms, the Department of Planning has formulated a Framework Document for Bhutan’s Poverty Monitoring and Assessment System (BPMAS). However, the implementation of BPMAS has not made much headway due to limited human resources and staff turnover within the Department of Planning.

With respect to rural enterprises development, business promotion functions have been integrated in the Regional Trade and Industry Offices through the creation of Business Promotion Sections in these offices. Although embryonic, the Mission recognized this development as an important harbinger of the Ministry of Trade and Industry’s shift from a solely regulatory function to promotional and advisory functions.

The national decentralization policy is gradually translating to enhanced capacity of geog administrations for financial administration based on local priorities and decisions. However, financial decentralization is presently limited to implementation of budgets. Control and reappropriation of allotted budgets are presently centralized, affecting the continuity and effectiveness of implementation of development activities that spill over more than one fiscal year. To overcome this constraint, the Department of Budget and Accounts has developed Rolling Budget and Mid Term Expenditure Framework modules but have not been yet been able operationalize them due to lack of professional understanding and skill at the dzongkhag and geog levels at the present.

- **Marketing Infrastructure:** The Ministry of Agriculture has embarked on a vigorous programme to develop farm access and marketing services through construction of farm roads and power tiller tracks, development of vegetable market sheds, market outlets and cold-chain facilities, organization of farm produce trade fairs in neighboring countries, and strengthening of the Agriculture Marketing Section to a full-fledged Division with additional staff and equipment. As for non-agro enterprises, the Ministry of Trade is working on setting up a Business Information System, including information on markets and pricing, for a selected range of products/ produces. However, the development of the system is still in a conceptual stage.

It was noted that public marketing services and facilities both for agriculture and non-agro enterprises are relatively centralized at the present. Consequently, farmers in rural areas have

difficulty in marketing their produce. Reportedly, there are plans for the Ministry of Agriculture to regionalize agriculture marketing services.

In the handicrafts sector, there is a modest but very promising initiative underway to introduce electronic marketing system. A handicrafts website, with on-line shop, is in advanced stage of development and due to be launched shortly.

Following factors can be said to have influenced the outcome:

- **Bhutan's clean image** – as a result of its relatively unspoiled natural environment, cultural mysticism and geographic seclusion – lends itself very well to the concept of “high value, low volume” niche commodities, such as organic produce and handicrafts, based on the country's unique cultural and natural endowments.
- The fact that Bhutan, as a consequence of its **biophysical and demographic constraints**, cannot compete with its neighbors in terms of quantitative production serves as a driving factor for the country to orientate itself to “high value, low volume” niche commodities.
- The distinctively **Bhutanese development philosophy of Gross National Happiness** which in principle is embedded in right from the draft Constitution and Bhutan 2020 to the operational policies, plans and programmes, aligns very well with the concept of poverty reduction and removal of inequalities.
- The growing emphasis on poverty reduction as a basis for international development cooperation in general and the adoption of Millennium Development Goals in concert with national development goals and objectives in particular have helped Bhutan to embark on programmes to reduce poverty. In general, Bhutan has enjoyed **consistent and strong international development assistance**, enabling the country to continue with its development process in a progressive manner, building upon past experiences and introducing new programmes in response to the evolving circumstances and needs.
- **Improved availability of poverty related information and data** has translated into increased policy awareness and will to address poverty reduction by integrating poverty issues and eradication needs in national development policies and plans.
- The steady creation of **local governance environment** in the country provides for increased people's participation and local decision-making, therefore enhancing the prospects of local development plans and programmes more appropriately addressing the circumstances and needs of the people at the grassroots levels, including the poor, vulnerable and disadvantaged.

The Mission noted some impediments, the key ones being inadequate human resource and inadequate inter-institutional coordination. Inadequate human resource, both in terms of quantity and skills, is the biggest impediment to implementation of development programmes and activities in the country. The other major drawback is the inadequacy in inter-agency coordination between different ministries but sometimes also between agencies within the same ministry. Poverty is a multi-dimensional issue and poverty reduction interventions to have impact require an inter-sectoral and concerted approach.

UNDP's contribution to poverty reduction has been through direct project assistance as well as non-project assistance by way of policy dialogue, advisory service and awareness-building. Project portfolio related to poverty reduction is largely made up of projects to promote rural enterprises and to create enabling environment by means of policy development, information development and training. The UNDP flagship project in the area of poverty reduction is the Rural Enterprises Development Programme but due to flawed design it has so far not been able

to create direct impact on poverty reduction at the grassroots level although its contribution to some specific areas, for instance organic farming initiative and integration of business promotion functions in regional trade and industry functions, can be said to be crucial. UNDP's non-project assistance, or in other words "soft assistance", was noted to be fairly significant. Such assistance included facilitating in-country donor coordination, assisting the Royal Government in preparation of Millennium Development Goal and National Human Development Reports, mobilizing technical assistance from regional UNDP facilities, commissioning of independent studies to inform national decisions and policy making, helping establish the National Commission for Women and Children and assisting the organization in preparation of national reports to the Convention on the Elimination of all Forms of Discrimination Against Women, and supporting government efforts to refine and operationalize Gross National Happiness ideals.

Project-based partnership between the UNDP and Royal Government of Bhutan takes place in accordance with the National Execution Manual, which accords full national ownership of UNDP-assisted projects and the delivery of results. The non-project partnership is largely centered on works related to Millennium Development Goals, National Human Development Reports and Gross National Happiness, given the all-encompassing nature of these themes and their essence on poverty reduction and related issues. The key national agencies that the UNDP works with include the Ministry of Trade and Industry, Ministry of Agriculture, Department of Planning (previously Planning Commission Secretariat), National Statistical Bureau, Department of Budget and Accounts, National Commission for Women and Children, and Center of Bhutan Studies. As regards other international agencies, UNDP's project partners include the Netherlands Development Organization (Rural Enterprises Development Programme and Decentralization Support Programme), Danida (Decentralization Support Programme) and World Wildlife Fund (Linking and Enhancing Protected Areas in Temperate Forest Ecoregion of Bhutan). On a non-project basis, UNDP has worked with the GTZ in entrepreneurship skills development, World Bank in private sector policy development and strengthening pro-poor fiscal management. The Asian Development Bank's support to the Poverty Assessment and Analysis Report 2000 and Bhutan Living Standards Survey 2003 and UNDP's support to the Poverty Analysis Report 2004 were mutually-reinforcing. Within the UN System, UNDP has collaborated with the FAO to enlist their technical advisory assistance in the Rural Enterprises Development Programme and with the UNICEF to strengthen poverty related data in DrukInfo, a national database which has been customized from the ChildInfo database. Other international agencies consider UNDP having a stronger role in policy dialogue, lobbying and advocacy because of its upstream relationship with the government and non-partisan structure.

Recommendations

In the Area of Private Sector Development

- Develop policy or framework policy for private sector development with particular emphasis on micro, small and medium enterprises to provide a clear strategy and direction of how to go about developing MSMEs and delineation of institutional roles and responsibilities, possibly in the form of a public-private partnership strategy;
- To enhance entrepreneurial culture, introduce targeted rural enterprise projects (both communal and individual) based on a robust set of criteria such as adaptability, potential for policy impact, ability to create additional employment, and level of community interest. Such projects should be backed-up with access to easy rural credits, technical guidance and monitoring, capacity development, sustainable management of natural resources used for production, and marketing services;

- Conduct a study on comparative advantages and disadvantages of public sector versus private sector provision of rural business promotion services and on potential public-private synergies to inform policy development for MSMEs;
- Develop an institutional strategy clearly delineating the mandates and functions of various agencies and outlining inter-institutional coordination and linkage mechanisms to implement the Cooperative Act 2001 and, when approved, the regulations, thereby facilitating cooperative development;
- Produce a bilingual manual on cooperative formation and management to aid cooperative training programmes and for use as reference material. To overcome literacy constraint, the manual should be pictographic based on field pre-tests;
- Link community-based tourism to MSMEs during the development of supporting policy for MSMEs and include community-based tourism, where possible and appropriate, among targeted rural enterprise projects within the framework of the country's overall tourism sector policy;
- In order to gain an accurate and comprehensive picture there is a need for a consolidated study of rural enterprises financing situation, needs and constraints. This study will need to fully consider previous findings and recommendations and outline a strategy to improve financing for rural enterprises.

In the Area of Poverty Monitoring and Assessment

- Operationalize Bhutan Poverty Monitoring and Assessment System at the earliest possible, starting with the creation of a Poverty Unit within the Department of Planning. This is very critical in the context of the implementation of the Poverty Reduction Strategy and given the likelihood of poverty reduction being a top development priority in the oncoming Tenth Five Year Plan period;
- Develop geog poverty profiles, with disaggregated data, and integrate them in the Geog Planning Information System to aid geog development planning and enable targeted poverty reduction interventions;
- Produce Poverty Analysis Reports at least on a five-yearly basis. Such Reports should contain disaggregated data to enable targeted interventions for poverty reduction.

In the Area of Poverty Linkages with Decentralization and Environmental Conservation

- Develop policy recommendations on woolah based on the findings of the survey on Beneficiary Labor Contribution by the Center of Bhutan Studies;
- Design and implement strategies to enhance community ownership of integrated conservation and development (ICD) interventions and introduce fiscal and social mechanisms to sustain ICD interventions beyond the duration of externally assisted projects;
- Create a Crop Compensation Scheme, based on an endowment fund, to address the issue of crop depredation by wildlife and, concurrently, design and introduce new crop protection methods through research and innovation;
- Revamp the existing Tiger Conservation Fund to enhance the efficiency in delivery of compensation and to rationalize the compensation rates;
- Review existing conservation policy and legal framework and develop appropriate policy interventions to alleviate crop and livestock depredation by wildlife.

Proposed Direction for Future UNDP Programming

Based on the foregoing recommendations, it is suggested that UNDP programme its future poverty reduction projects along the following lines:

- **Policy Development**, focusing on MSMEs including the issue of marketing and business promotion service delivery, improved access to micro-finance and not forgetting community-based tourism as a potential avenue for MSMEs.
- **Targeted Rural Enterprise Projects**, with high demonstration and adaptability value based on a robust set of criteria and a holistic approach that addresses access to easy rural credits, technical guidance and monitoring, capacity development, sustainable management of natural resources, marketing services and social mobilization arrangements (cooperative development). Use of disaggregated poverty data for targeted interventions is crucial here.
- **Poverty Monitoring and Assessment**, facilitating and supporting relevant RGoB institutions to implement Poverty Reduction Strategy and Bhutan's Poverty Monitoring and Assessment System, and to prepare geog poverty profiles, with necessary data disaggregation, and integrate them in the Goeg Planning Information System.

Consistent with the above proposed future UNDP programming, there would be a need to forge new partnerships such as with the Ministry of Labor and Human Resources in the area of vocational training and village skills development, Ministry of Information and Communications in the area of developing access to information among rural communities, and Bhutan Development Finance Corporation Limited to enhance rural enterprise financing. Also, there would be the need to work with NGOs. Although the NGO fraternity in the country is still small and capacity is limited, existing NGO activities show innovation, are well-targeted at remote and marginalized communities, and have the benefit of not being bogged down by bureaucracy.

In terms of non-project assistance, the following are the possible areas in addition to what UNDP is already doing:

- **Poverty-environmental linkage studies**, focusing on enhancing the environmental sustainability of lemon grass oil production, quantitative assessment of the impacts of crop and livestock depredation on rural livelihoods, and the conservation and socio-economic impacts of ICD interventions and measures to sustain them.
- **Poverty-governance linkage studies**, focusing on woolah, its impacts on the poverty situation and policy recommendations building upon the findings of the Beneficiary Labor Contribution survey carried out by the Center of Bhutan Studies.

Lessons Learnt

Finally, the Mission has noted the following lessons from this evaluation:

- Policy impact is greater when backed-up by information and data.
- Demonstration approaches are critical to sustain policy impacts.
- Environmental sustainability needs to be integrated in poverty reduction programmes
- Poverty reduction goals are intricately linked to broader political and governance structures.
- Technical assistance will be more sustainable if it is based on collaboration and knowledge sharing.
- UNDP's comparative advantage as a neutral and trusted development partner is a prime asset.

1. INTRODUCTION

1.1 Purpose

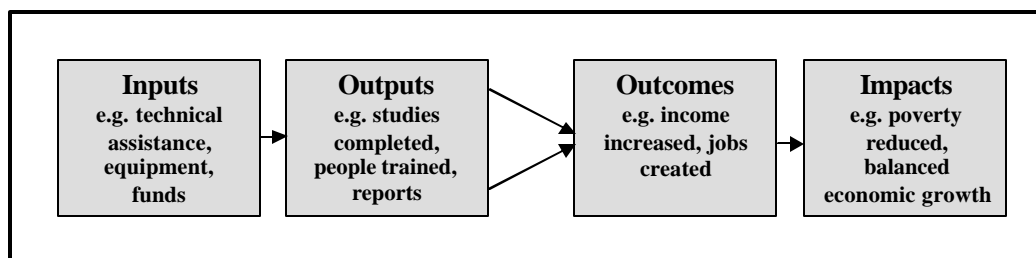
There is increasing recognition that producing good deliverables is simply not enough to gauge development effectiveness. Efficient or well-managed development projects and outputs lose their relevance if they yield no discernible improvements in development conditions and ultimately in people's lives. Being a key international development agency, the United Nations Development Programme (UNDP) has been increasingly focusing on achievement of clearly stated results. Of late, results-based management (RBM) has become UNDP's management philosophy.

As part of its efforts in enhancing RBM, UNDP has shifted from traditional project monitoring and evaluation (M&E) to results-oriented M&E, especially outcome monitoring and evaluation that cover a set of related projects, programmes and strategies intended to bring about a certain outcome.

Outcomes are developmental changes between the completion of outputs and the achievement of impact, and are achieved in partnership with others. Partners are agents or actors with whom UNDP has, or intends to have, a substantive relationship in the pursuit of common outcomes. Partners may include stakeholders, if they are involved in working towards the outcome; beneficiaries of outcome actions; and donors involved in some way with UNDP on the outcome.

Figure 1 illustrates how outputs and outcomes inter-relate during the process of achieving results.

Figure 1: The Results Chain



An outcome evaluation assesses how and why an outcome is or is not being achieved in a given country context, and the role that UNDP has played. Outcome evaluations also help to clarify underlying factors affecting the situation, highlight unintended consequences (positive and negative), recommend actions to improve performance in future programming, and generate lessons learned.

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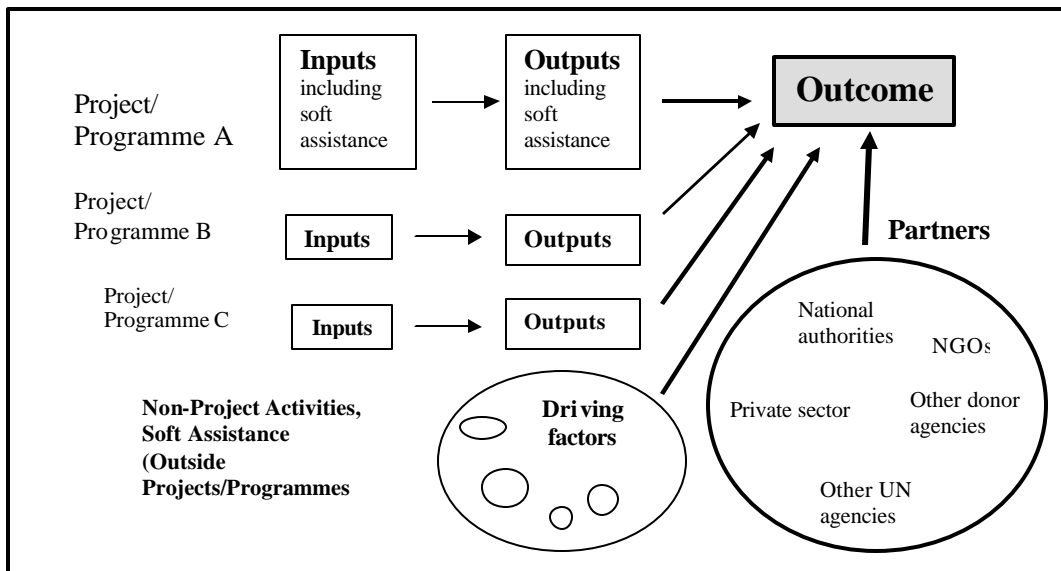
1.2 Methodology

Following the UNDP Guidelines for Outcome Evaluators, the four standard objectives of an outcome evaluation are as follows:

- Assess progress towards the outcome;
- Assess the factors affecting the outcome;
- Assess key UNDP contributions (outputs), including those produced through "soft" assistance, to the outcome;
- Assess the partnership strategy.

Figure 2 illustrates these four major components and their interplay in the evaluation process.

Figure 2: The Path to Outcome



The outcome evaluation was carried out by Mr. Ugen P. Norbu (National Consultant) in three stages:

- In the first stage, the Mission familiarized itself with the various UNDP project and non-project activities, and those of partner agencies. To this end, the Mission conducted a desk review of relevant documents and held discussions with the Evaluation Working Group and Consultation Team, UNDP senior management and programme staff, Royal Government of Bhutan (RGoB) officials and project counterparts, and representatives from partner agencies.
- In the second stage, the Mission accompanied by UNDP programme staff and RGoB project counterparts undertook a field trip to various UNDP-supported project sites at Trongsa, Mongar, Khaling (Trashigang) and Ura (Bumthang). The field trip not only included interactions with RGoB staff and local people involved in UNDP-supported project activities, but also gave the Mission the opportunity to meet with dzongkhag and geog officials and elicit their views on poverty and related issues.
- The third stage of the evaluation was devoted to analysis of field notes, additional literature review and writing of the evaluation report through an iterative process of consultation with the Evaluation Working Group and Consultation Team. Towards the end, a stakeholders' meeting was held to present the findings and elicit feedback. Based on the comments from the stakeholders, additional meetings were held with a number of government agencies and non-governmental organizations (NGOs) to seek clarifications and additional information to finalize the report.

Regular meetings with the Evaluation Working Group over the course of the evaluation provided invaluable feedback and guidance to improve and refine findings and other information in an iterative and participatory manner. At the outset of the evaluation, certain methodological aspects were discussed and decided, in order to ensure that this evaluation represents a meaningful exercise whose scope matches the time and resources available.

List of people met and literature reviewed or referred to are provided in Annexes 3 and 4 respectively.

1.3 Scope of the Outcome

The investments related to the poverty outcome are largely oriented towards developing and promoting rural enterprises and creating enabling environment by means of policy development, information development and training with the anticipation that these would contribute to reducing poverty in the rural areas, and not the other way round as suggested in the poverty outcome. Given this reality, it would be more appropriate to turn around the outcome as: “Small rural enterprises initiated and policy changes undertaken contributing to income generation and poverty reduction in the rural areas”.

The outcome indicators “Enabling environment, which includes finalization of national organic farming framework and marketing facilities for agricultural and non-agro rural enterprise development established” could add policy and institutional framework for micro, small and medium enterprises (MSMEs) development explicitly in the same vein as organic farming framework. This is suggested because policy and institutional framework for MSMEs is more encompassing than national organic farming framework although it can be reckoned that enabling environment would be inclusive of many things.

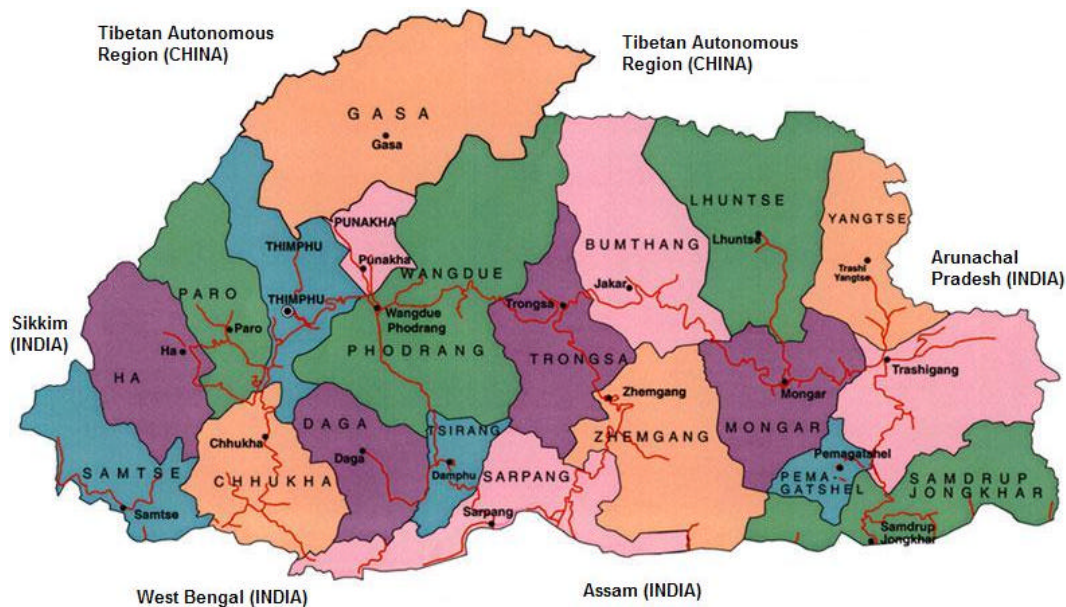
For the purpose of presentation of the outcome evaluation findings and conclusions, “enabling environment” as an outcome indicator has been disaggregated to: policy development including national organic farming framework; institutional capacity including human resources and information development; and marketing infrastructure

2. DEVELOPMENT CONTEXT

2.1 Brief Country Overview

Wedged between the giant nations of India and China, Bhutan is a small country both in terms of population and area. About 734,340 people live in this country of 38,394 km². The country is predominantly agrarian, with 79 percent of the population living in the rural areas. The rural population rely on an integrated livelihood system based on crop agriculture, livestock rearing and use of forest products, collectively known as the renewable natural resources (RNR) sector. The RNR sector accounts for one-third of the country's Gross Domestic Product (GDP). Other major GDP contributors are construction, electricity, transport, storage and communications, community, social and personal services, and manufacturing.

Figure 3: Political Map of Bhutan



Administratively, the country is divided into 20 dzongkhags (districts). The dzongkhags are further divided into several geogs, i.e. an administrative block made up of few to several villages. At the present, there are altogether 201 geogs in the country. Some of the dzongkhags, namely Chhukha, Samdrup Jongkhar, Samtse, Sarpang, Trashigang, and Zhemgang, have sub-districts, known as dungkhags. A dzongkhag is headed by a dzongdag, a dungkhag by a dungpa, and a geog by a gup. Dzongdags and dungpas are civil service officials whereas a gup is elected by the local community every three years.

At the central level, there are ten ministries and a number of non-ministerial bodies such as the National Commission for Women and Children, National Environment Commission, Royal Civil Service Commission, Royal Audit Authority, National Statistical Bureau, and Office of Legal Affairs. The ministries are the Ministry of Agriculture, Ministry of Education, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Health, Ministry of Home and Cultural Affairs, Ministry of Information and Communications, Ministry of Labour and Human Resources, Ministry of Trade and Industry, and Ministry of Works and Human Settlement.

For local level development programmes and activities, the Dzongkhag Yargye Tshogdu (DYT) and the Goeg Yargye Tshogchung (GYT) – both community-based institutions made up of publicly-elected community representatives and government representatives as observers – function as the principal institutions for decision-making and plan implementation. The Dzongkhag Administrations are mandated to provide policy guidance, technical oversight and backstopping to the DYT and GYT for planning and implementation of local development programmes and activities.

2.2 Poverty Scenario

While Bhutan's economic growth has been impressive, with GDP growth averaging 7 percent since 1980, the country still remains a poor country. There is relatively high level of poverty by international standards even if abject poverty and destitution are virtually absent. The existing state of poverty can be mainly attributed to the country's rugged and harsh terrain limiting infrastructure development and availability of land for economic activities, shortage of labor and markets due to a small and scattered population, largely subsistence-based traditional way of life, and nascency of the private sector.

Poverty in its broadest sense refers not just to a shortage of income but also to a lack of access to many of the other critical components of a healthy and fulfilling life. The Poverty Assessment and Analysis Report (PAAR) 2000 used a wide range of indices, namely household income, education, health, economic activities, physical facilities, environment, transport, communication, position of women, and non-material needs to assess the poverty situation in the country.

Some of the salient poverty features in the country, according to PAAR 2000, are outlined below:

- The country has an average per capita household income of Nu. 1,200 per month, with urban households averaging Nu. 2,130 per month and rural households Nu. 990 per month;
- Sixty-three out of 224 respondent geogs and towns report food insecurity;
- Sixty-five percent of the geogs have no access to electricity;
- One-third of the geogs are not connected by feeder roads;
- Forty-five geogs are below the national average for primary education enrolment rate;
- While there are pockets of poverty nationwide, majority are in the southeastern parts of the country within 53 geogs, and about 75 percent of poor households live in Pema Gatsel, Zhemgang, Mongar, Samdrup Jongkhar and Trashigang dzongkhags.

Subsequently, the Poverty Analysis Report (PAR) 2004 prepared by the National Statistical Bureau on the basis of the Bhutan Living Standards Survey (BLSS) 2003 established the overall poverty line at Nu. 740.36 per month. PAR 2004 marks the first attempt to construct a systematic and quantitative database at a national level with a wide range of living standard indicators covering both income and non-income aspects of wellbeing. It establishes the following points:

- An estimated 31.7 percent of the country's population fall below the overall poverty line;
- Poverty in the country is relatively a rural phenomenon, with 38.3 per cent of the rural population falling below the national poverty line compared to 4.2 per cent of the urban population;
- Poverty incidence is the highest in the eastern region, followed by central region, while it is comparatively lower in the western region.

Table 1: Prevalence and Incidence of Poverty

Disaggregation Parameter	Headcount Ratio	Share of the Poor %
Bhutan	31.7	100.0
Urban	4.2	2.6
Rural	38.3	97.4
Region		
Western Region (Thimphu, Paro, Ha, Samtse, Chhukha, Punakha and Gasa dzongkhags)	18.7	23.6
Central Region (Wangdue, Daga, Tsirang, Sarpang, Zhemgang, Trongsa and Bumthang dzongkhags)	29.5	24.2
Eastern Region (Lhuentse, Mongar, Pema Gatshel, Samdrup Jongkhar, Trashigang and Trashigang dzongkhags)	48.8	52.3

While poverty in Bhutan is recognized as a largely rural phenomenon, there are also concerns of urban poverty due to high rates of rural-urban migration particularly among poor rural residents. Inequalities are also very high. The richest 20 percent of the population are estimated to consume almost eight times more than the poorest 20 percent. Hunger and malnutrition arising from food insecurity are also closely associated with poverty. About 4 percent of the population suffer from chronic hunger as they cannot access sufficient food to meet the minimum calorific requirement of 2,124 Kcal per person per day. Seasonal food insecurity is estimated to affect 25 percent of the households. Finally, unemployment is emerging as a key issue. Unemployment rate has reportedly increased from 1.4 percent in 1998 to 1.9 percent in 2001 and 2.75 percent in 2003. As a demographically young country – with about 39 percent of the population below 15 years of age – it is estimated that in the next five years there will be roughly 91,000 young people seeking jobs.

2.3 Development Philosophy

Modern development started in Bhutan with the advent of the Five-Year Plan (FYP) development process and the opening of the first road in the beginning of the 1960s. Since then, the country has made very good progress in all spheres of development but more especially in the social services sectors such as education and health.

For more than two decades now, Bhutan’s development process has been guided by the home-grown philosophy of “Gross National Happiness”. Like human development, GNH recognizes that there are other aspects of development which are equally, if not more, important than gross national product. In the sphere of public policy, the GNH philosophy is to operate on the following four main pillars:

- Equitable socio-economic development, ensuring equity between individuals and communities as well as regions to promote social harmony, stability and unity and to contribute to development of a just and compassionate society
- Conservation of the environment, ensuring development pursuits are within the limits of environmental sustainability and are carried out without impairing the biological productivity and diversity of the natural environment
- Preservation and promotion of culture, instilling appreciation of the cultural heritage and preserving spiritual and emotional values that contribute to happiness and cushion the people from the negative impacts of modernization

- Promotion of good governance, developing the country’s institutions, human resources and systems of governance and enlarging opportunities for people at all levels to fully participate and effectively make development choices that are true to the circumstances and needs of their families, communities and the nation as a whole

To take forward the philosophy of GNH, Bhutan has designed its vision document *Bhutan 2020*, providing development goals, objectives and priorities with a twenty-year perspective and outlining key principles to guide the development process. Although not said as “poverty reduction”, the vision document does profoundly provide for poverty reduction. The human development objectives emphasize on improving access to education and health services for all, especially remote communities. The economic growth and development objectives stress on off-farm employment and rural industrialization to enhance rural economy, creation of small and cottage industries to benefit small-scale producers, and expansion of road network to improve access to essential services and markets and to enlarge opportunities and choices especially in the rural communities. And the balanced and equitable socio-economic development objectives call for equitable access to basic services and infrastructure, new initiatives to target vulnerable and disadvantaged groups, and prevention of growth of inequalities and income disparities.

Bhutan’s development programmes take place through the FYP cycle. Since the advent of the FYP process in the beginning of the 1960s, the country has implemented eight FYPs. Currently, the Ninth FYP (July 2002-June 2007) is in its fourth year of implementation and preparations have begun for formulation of the Tenth FYP (July 2007-June 2012). The Ninth FYP Main Document provides the macro-economic framework, key national as well as sector policy guidelines and general direction for implementation of the Ninth FYP development plans and programmes. Poverty features as a key development theme in the document, which states:

“Given the nature of poverty in Bhutan, comprehensive rural development supported by emphasis on infrastructure including social infrastructure, private sector-led income and employment generation, and good governance will remain the main strategy for reducing poverty in the Ninth FYP”.

2.4 UNDP’s Support in the Area of Poverty Reduction

The UNDP has remained a major development catalyst in Bhutan since the organization began its programme in the country in 1974. The foundation of its work has been to ensure that progress is based on people – their needs, their aspirations and their rights – a principle that harmonizes well with the Royal Government of Bhutan’s holistic approach to development based on the tenet of “Gross National Happiness”. The focus of UNDP’s work in the country is in the areas of good governance, poverty reduction, sustainable energy and environment including disaster management, and information and communications technology. UNDP assistance and support for poverty reduction in Bhutan fall mainly within the following areas:

- Strengthening poverty monitoring and assessment
- High impact poverty reduction programmes with linkages to private sector development
- Developing national capacity for pro-poor financial management
- Assessing youth employment promotion strategies

In terms of direct project assistance, UNDP’s support includes the following:

- Rural Enterprises Development Programme (BHU/02/002, BHU/02/003) with a budget of US\$ 3,210,688 – ongoing

- E-business Piloting and Readiness for Rural Women Artisans and Entrepreneurs in Bhutan Project (BHU/03/003) with a budget of US \$ 212,180 – ongoing
- Strengthening Poverty and MDG focused Analytical Capacity of the Government Project with a budget of US\$ 46,610 – closed
- Capacity Strengthening of the Department of Budget and Accounts on Pro-Poor Financial Management Project (BHU/03/M05) with a budget of US\$ 142,500 – closed
- Support to Development of a Poverty Monitoring System (BHU/02/M03) with a budget of US\$ 332,500 – closed
- Integrated Horticulture Development Programme (BHU/97/0038) with a budget of US\$ 5,261,602 – closed

In addition, there are two key UNDP-supported projects which are not poverty-specific but have relevance to poverty reduction through developing and implementing community-based conservation interventions and enhancing governance at the community level to plan and administer local development programmes and activities. These are:

- Linking and Enhancing Protected Areas in Temperate Broadleaf Forest Ecoregion (BHU/03/G35) with a budget of US\$ 1,855,000 – ongoing
- Decentralization Support Programme (BHU/00/004) with a budget of US\$ 3,590,000 - ongoing

2.5 Other International Agencies involved in Poverty Reduction

Helvetas supports several rural development programmes and projects, especially within the RNR sector, to improve food security, conserve and sustainably manage natural resources, enhance rural income-generation and livelihoods, generate rural employment opportunities, and develop capacity of rural communities and agricultural service institutions. Key Helvetas-supported projects include the Rural Development Training Project located in Zhemgang, East Central Region Agriculture Development Project covering Bumthang, Trongsa, Zhemgang and Sarpang dzongkhags, Participatory Forest Management Project, and the Natural Resources Training Institute at Lobesa, which trains extension personnel in the fields of agriculture, livestock development and forestry.

Netherlands Development Organization (SNV) is a co-financier of the Rural Enterprises Development Programme and, in connection with the Programme, provides technical advisory and capacity development assistance to the Ministry of Agriculture and Ministry of Trade and Industry. It is also co-financing and technically supporting the Decentralization Support Programme. Other SNV support in the area of rural development and poverty reduction includes rural access, pro-poor tourism, micro-finance, cooperative development, and area-based agricultural development specifically the Second Eastern Zone Agriculture Programme along with financing from the **International Fund for Agriculture Development**.

Danish development cooperation in Bhutan is guided by the overall objective of poverty reduction through sustainable economic development and the strengthening of the democratic process. Although **Danida** does not have a poverty programme in specific term, the Danida-supported Health Sector Programme Support and Education Sector Programme Support seek to increase access to quality health and education services for all, particularly the poor and disadvantaged. In addition, the Good Governance and Public Administrative Reforms Programme is expected to create conditions for increased public participation in national and local decision-making and administration of policies, laws, programmes and activities. Danida's involvement in private sector development has been mainly through its support to the

Bhutan Agro Industries, which has been conceived to enhance the income of local fruit producers and generate employment.

The **World Wildlife Fund** supports management of protected areas, including the Thrumshingla National Park jointly with UNDP through Linking and Enhancing Protected Areas in Temperate Broadleaf Forest Ecoregion Project, with emphasis on integrated conservation and development (ICD) activities that benefit local communities whilst addressing conservation objectives.

The **European Commission** is funding the Wang Watershed Management Project, which is aimed at enhancing the incomes and the general standard of living of the rural communities in Haa, Chhukha, Thimphu and Paro dzongkhags through sustainable management of renewable natural resources and development of more productive and environment friendly techniques for land use and management in the Wang watershed area. The project, which started in 2001, is scheduled to conclude in 2007. The EC is also supporting the strengthening of the Bhutan Chamber of Commerce and Industry with the view to make it a capable provider of effective advocacy services in the handicrafts and tourism sector.

German Federal Ministry for Economic Cooperation and Development (BMZ) through GTZ supports the Ministry of Agriculture with the “Sustainable Renewable Natural Resource Management Project”, which focuses on enhancing agricultural production, livestock production and forest management in the Punakha-Wangdue valley. It is scheduled to conclude by the end of 2005. Furthermore, BMZ through GTZ supports the Ministry of Labor and Human Resources (MLHR) with the Project “Advisory Services for Promotion of the Vocational Education and Training System in Bhutan”, which includes the promotion of entrepreneurship and private sector development.

The **Japanese International Cooperation Agency (JICA)** supports rural development and poverty alleviation through grant assistance for farm mechanization, development of rural access, agriculture research and extension, and strengthening of capacities for decentralization and local governance and through technical advisory and human resources development assistance in the areas of agriculture, rural access and local governance.

The **World Bank** is financing the Decentralized Rural Development Project, which seeks to improve market access and increase the agricultural output for rural communities in selected areas of Bhutan through development of farm infrastructure such as farm roads, power-tiller tracks, irrigation channels, geog RNR extension centers and marketing facilities. The Bank is also financing the Rural Access Project and has provided policy assistance for private sector development.

The support of **Asian Development Bank (AsDB)** has been crucial in poverty-related information and policy development. Of note are the PAAR 2000 and BLS 2003. In addition, AsDB is supporting projects pertaining to basic skills development for employment generation, feeder roads in rural areas, and rural electrification.

The **World Food Programme's** work in Bhutan focuses on increasing rural children's access to education, encouraging the building of rural feeder roads that promote trade, and improving access of rural households to agricultural services. The **Food and Agriculture Organization of the UN** renders agriculture-related technical advisory assistance to the Rural Enterprises Development Programme. The FAO is also supporting the MoA in the development and establishment of Virtual Extension, Research and Communication Network (VERCON) to enhance linkages between agriculture research and extension programmes so as to respond to farmers' needs more effectively.

3. FINDINGS

3.1 Status of the Outcome

Policy Development

Poverty Reduction

Policy impact in the area of poverty reduction is highly visible as a result of improved availability of poverty data. The Ninth FYP Main Document incorporates poverty as a key development theme for the first time in the history of the country's Five Year Plans. In addition, a Cover Note on Poverty Reduction has been added to the Ninth FYP Main Document to make it the country's Poverty Reduction Strategy (PRS) and reinforce poverty reduction in the national development framework. The publication of the Poverty Analysis Report 2004, which for the first time establishes the country's poverty line and provides quantitative data with broad geographical and urban-rural disaggregation, and the first MDG Report has further increased awareness and reinforced policy thinking on poverty reduction. There are indications that the RGoB will be giving more impetus on poverty reduction in future plans and programmes. For instance, preliminary discussions on the formulation of the Tenth FYP have deliberated on poverty reduction as a top development priority.

The most significant development in the country's recent history is the drafting of the Tsa Thrim Chhenmo, i.e. the Constitution of the Kingdom of Bhutan, and its dissemination for public review in March 2005. What is of importance to poverty reduction is that the draft Constitution explicitly incorporates reduction of inequalities of income, equitable distribution of public facilities and resources, private sector development based on fair market competition and prevention of monopolies, and creation of enabling conditions for true and sustainable development of a good and compassionate society in Article 9 – Principles of State Policy, thus enshrining policy measures for poverty reduction and balanced socio-economic development as a constitutional mandate.

National Organic Farming

Progress towards the outcome in relation to the national organic farming framework can be termed as significant considering the short span of time since the organic initiative begun. The national framework for organic farming in Bhutan has been formulated by a core team of officials representing RNR Research Center (Western Region), MoA-Rural Enterprises Development Programme, National Plant Protection Center, MoA's Policy and Planning Division, National Soil Services Center, Bhutan Agriculture and Food Regulatory Authority, Agriculture Marketing Services and Horticulture Division. The framework is expected to be approved by the MoA shortly. The framework provides the rationale for organic farming in Bhutan, defines organic farming, its key principles and necessary safeguards, and outlines policy needs, strategies for implementation and future directions for the organic programme, including institutional arrangements.

Private Sector Development

With respect to private-sector policy development especially in relation to micro, small and medium enterprises (MSMEs) in rural areas, there is still some way to go. Private sector development, as it is now, is highly skewed towards urban industrialization and trade. An Industries and Investment Act has been drafted and is under review by the Ministry of Trade and Industry but it is not clear to what extent this legislation links to rural income generation or creation of MSMEs. The policy component of the MTI-REDP would have been an excellent opportunity to address the need for a policy environment enabling creation of MSMEs in rural

areas had the programme been designed with greater prudence. The Mission noted that the review of existing business establishment regulations and procedures is ongoing and recommendations to simplify regulations and licensing procedures especially for establishment of micro and small enterprises are under deliberation.

E-Commerce

Under the “E-business Piloting and Readiness for Rural Women Artisans and Entrepreneurs” Project, the MTI has developed policy recommendations for E-Commerce, including institutional arrangements for E-Commerce and legislation for E-Commerce, for consideration within the overall policy framework for information and communications technology that is being developed by the Ministry of Information and Communications.

Institutional Capacity

Poverty-related Information Development

There has been marked improvement in the availability of information and data on poverty in Bhutan in the recent years through a progressive sequence of report production. The Poverty Assessment and Analysis Report 2000 (supported by the AsDB) provided qualitative assessment and data on poverty based on a wide range of indices such as income, access to road, electricity, health care and education, and vulnerability to natural disasters.

Subsequently, the Poverty Analysis Report 2004 (supported by the UNDP) provided quantitative assessment and data on poverty with regional and rural-urban disaggregations based on Bhutan Living Standards Survey 2003 (supported by the AsDB) and established national poverty line for the first time in Bhutan. These reports have created increased awareness and served as an eye-opener especially within the government. Since these reports were prepared by RGoB institutions, namely the Department of Planning and the National Statistical Bureau, through a process involving training, consultation, data collection, validation and analysis, the staff of these institutions have gained hands-on experience and skill for poverty-focused data collection and analysis.

Poverty Monitoring and Assessment

To systematically integrate and enhance poverty monitoring and assessment in the national development planning and M&E mechanisms, the Department of Planning has formulated a Framework Document for Bhutan’s Poverty Monitoring and Assessment System (BPMAS). The document outlines the objectives, components and principles of the BPMAS, institutional framework and implementation strategies. However, the implementation of BPMAS has not much headway due to limited human resources and staff turnover within the Department of Planning. In the recent years, a number of experienced DoP staff have left the organization either on promotion-based transfers or on secondment to international agencies. Their replacements have been mostly fresh graduates with no prior policy, planning or M&E experience. In addition, some of the DoP staff are pursuing studies abroad creating staff vacuum and aggravating human resource constraint.

National Organic Programme

Following the approval of the national framework for organic farming in Bhutan, a national organic programme is expected to be established with an organic unit set up under the Department of Agriculture to coordinate the implementation of the national organic programme and a technical working group formed for inter-agency coordination. Since these activities are yet to take place and are subject to the approval of the national framework for organic farming in Bhutan, it is premature to make an assessment on the institutional arrangements for organic

farming programme at this stage. Having said that, it needs to be mentioned that existing interim institutional arrangements for organic farming activities between the Department of Agriculture, RNR-Research Centers and field programmes seems to be functioning adequately to maintain the impetus on organic farming.

Business Promotion Services

Although still embryonic, the integration of business promotion functions in the Regional Trade & Industry Offices (RTIOs) through the creation of Business Promotion Sections and the starting of two additional RTIOs – one at Trongsa and the other at Mongar – certainly serves as an important harbinger of MTI's shift from a solely regulatory function to promotional and advisory functions.

Decentralization

The national decentralization policy, in conjunction with externally supported programmes such as the Decentralization Support Programme, is translating gradually to enhanced capacity of geog administrations for financial administration based on local priorities and decisions. The Gups of Tangsibji and Nubi geogs in Trongsa reported managing a budget of Nu. 6 million and Nu. 2.2 million respectively for geog developmental activities. In complement to the delegation of fiscal administration responsibility and access to financial resources, training programmes have been conducted for geog functionaries to more effectively plan, administer and monitor developmental activities and budget. However, control and reappropriation of local development budgets are still centralized affecting the continuity and effectiveness in the implementation of local development activities, especially when they spill-over more than one fiscal year. To overcome this constraint, the Department of Budget and Accounts has developed Rolling Budget and Mid-Term Expenditure Framework modules. These modules are, however, yet to become operational as the professional understanding and skill to apply them are at the present severely lacking at the dzongkhag and geog levels. The implementation of the decentralization process is also impeded by the lack of decentralization of human resources. The geog administration has to rely on dzongkhag, regional and central institutions for technical backstopping and information which slows down implementation of geog activities.

Marketing Infrastructure

Agricultural Enterprises

Marketing services for agricultural enterprises are improving. Based on the principle of what the MoA terms as the "Triple Gem", which is productivity, accessibility and marketability, the MoA is giving considerable emphasis on developing access and markets for agricultural produce. The MoA has embarked on a vigorous programme to construct farm roads and power tiller tracks to enhance farm access and to develop marketing facilities through construction of vegetable market sheds, market outlets, creation of cold-chain facilities, organization of farm produce trade fairs in neighboring countries, and strengthening of the Agriculture Marketing Section to a full-fledged Division directly under the MoA Secretariat and with additional staff and equipment.

Non-Agro Enterprises

With regards to non-agro enterprises, the MTI is working on setting up a Business Information System for a selected range of products/ produce. The Business Information System will include market and pricing information. Since the system is still in a conceptual stage, it is premature to comment on it.

Decentralized Marketing

Public marketing services and facilities both for agricultural and non-agro enterprises are highly centralized at the present. Partly because marketing services are centralized and have not reached many rural communities, farmers have extreme difficulty in selling their produce. Marketing constraint deter many farmers from producing more than what is needed. This issue was emphasized by many people that the Mission interacted with. However, activities are being planned to regionalize agriculture marketing services and it is anticipated that this will improve the marketing situation.

E-Commerce

An electronic marketing system, including website with an on-line shop, for handicrafts is being set up. The website is in an advanced stage of development and is due to be publicly launched shortly. It is being designed to have at least 300 products on display with information on materials, production process and prices.

3.2 Factors Influencing the Outcome

Driving Factors

Bhutan's Clean Image

Bhutan's clean image – as a result of its relatively unspoiled natural environment, cultural mysticism and geographic seclusion – lends itself very well to the concept of organic farming. Moreover, limited road access and rugged topography have prevented farm inputs such as chemical fertilizers and pesticides from reaching many farming communities. For instance, farmers in Gasa dzongkhag are said to have never used chemical fertilizers or pesticides and, therefore, are in a favorable situation to participate in organic farming should market for organic farm produce be established.

Biophysical and Demographic Factors

The fact that Bhutan, as a consequence of its biophysical and demographic constraints, cannot compete with its neighbors in terms of quantitative production serves as a driving factor for the country to orientate itself to “high value, low volume” niche commodities, such as organic farm produce and culture-based products e.g. handicrafts, building on its comparative advantage of having a relatively unspoiled natural environment and well-preserved cultural heritage.

Conducive Policy Environment

The distinctively Bhutanese development philosophy of Gross National Happiness, which in principle is embedded in right from the draft Constitution and Bhutan 2020 to the operational policies, plans and programmes, aligns very well with the concept of poverty reduction and removal of inequalities.

Religious Factor

Organic farming can find greater acceptability among Bhutanese farmers, who are largely averse to using pesticides due to religious sentiment against killing of all forms of living organisms.

Consistent International Development Assistance

The growing emphasis on poverty reduction as a basis for international development cooperation in general and the adoption of MDGs in concert with national development goals and objectives in particular have helped Bhutan to embark on programmes to reduce poverty. In general, Bhutan has enjoyed consistent and strong international development assistance. This has enabled the country to continue with its development process in a progressive manner, building upon past experiences and introducing new programmes in response to the evolving development circumstances and needs.

Improved Availability of Poverty-related Information

Improved availability of poverty related information and data through an incremental sequence of surveys and report production, has translated into increased policy awareness and will to address poverty reduction by integrating poverty issues and eradication needs in national development policies and plans.

Policy Impetus on Decentralization

The national decentralization policy has received immense impetus with the re-enactment of the DYT and GYT Chathrims in 2002, enhancing the authority and responsibility of the DYT and GYT, and the creation of the Department of Local Governance to implement the national decentralization policy in a coordinated and coherent manner. The steady creation of local governance environment provides for increased people's participation and local decision-making, therefore enhancing the prospects of local development plans and programmes more appropriately addressing the circumstances and needs of the people at the grassroots levels, including the poor, vulnerable and disadvantaged.

Impeding Factors

Inadequate human resource, both in terms of quantity and skills, is the biggest impediment to implementation of development programmes and activities in the country. Human resource constraint is further aggravated by the country's scattered population distribution, weak infrastructure, difficult topography and disruptive climatic conditions. Furthermore, qualified human resources are largely concentrated in central agencies due to better career advancement opportunities and access to better working amenities. As a result, there is often a gap between policy development at the central level and policy implementation at the dzongkhag and geog levels.

The other drawback that the Mission notes is the inadequacy in inter-agency coordination between different ministries but sometimes also between agencies within the same ministry. Poverty is a multi-dimensional issue and poverty reduction interventions to have impact require an inter-sectoral and concerted approach.

3.3 UNDP Contribution

Funding and technical support for organic farming initiatives, including the development of organic policy framework, have come solely from the Rural Enterprises Development Programme, which is funded by UNDP with co-financing from SNV. The MoA-REDP can therefore be said to have the most significant impact in terms of developing the organic farming programme, including the policy framework.

Although the MTI-REDP has private sector policy development component, the component as it exists does not have a visible connection to rural income generation and poverty reduction because it was weakly designed at the time of project formulation.

UNDP-supported projects “Strengthening Poverty and MDG-focused Analytical Capacity in the Government” and “Support to Development of a Poverty Monitoring System” have been valuable in developing the capacity of the Department of Planning and the National Statistical Bureau in developing and analyzing poverty related information and data, and designing strategies to mainstream poverty assessment and monitoring in the planning system. Most significantly, the Poverty Analysis Report 2004 establishes national poverty line for the first time in the country and presents quantitative data with broad regional and rural-urban disaggregation, creating awareness and stimulating policy development. In addition, the project “Capacity Strengthening of the Department of Budget and Accounts on Pro-Poor Financial Management” has helped the DBA develop their core capacity in terms of trained personnel and Rolling Budget and Mid-Term Expenditure Framework modules for more effective financial decentralization even if these modules are yet to become operational for want of professional understanding and skills at the dzongkhag and geog levels.

As a key advocate and coordinator of work on MDGs and because of its longstanding working relationship with the Department of Planning, formerly the Planning Commission Secretariat, the UNDP has become a principal catalyst for policy development in the area of poverty reduction.

Besides project-related support, UNDP has provided crucial non-project, or “soft assistance” in other words, contributing to the current status of awareness, policy development and institutional capacity in poverty reduction. Non-project UNDP assistance included:

- facilitating in-country donor coordination in the area of poverty reduction and taking lead role in closely coordinating with the RGoB for preparation and conduct of Round Table Meetings;
- assisting the RGoB in the preparation of MDG Reports with the emphasis on monitoring progress towards MDG targets and using the reports for advocacy and informed policy-making;
- assisting the RGoB in the preparation of National Human Development Reports (NHDRs), facilitating in-depth analysis and recommendations focusing on themes and concepts of national significance;
- organizing special events, such as the International Day for Eradication of Poverty, and capitalizing on such events to create public awareness and formalize adoption of recommendations by RGoB through launching of reports such as the Poverty Analysis Report 2004;
- mobilizing technical assistance from the Regional UNDP Project on Macroeconomics of Poverty Reduction, for a national study for pro-poor development strategy for Bhutan;
- commissioning independent studies on poverty to inform national decision-making and policy formulation. Such studies have been on the subjects of cottage and small enterprises development, woolah contribution, and democracy, good governance and happiness;
- coordinating and supporting participation of relevant national officials in regional UNDP training programmes, workshops and seminars related to poverty reduction;
- assisting the RGoB in the preparation of national reports to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the setting up of the National Commission for Women and Children. The CEDAW is relevant for poverty reduction among women in that it, among other things, advocates for removal of economic

discrimination against women, enhancement of participation of women in economic activities, and increased access for women to health care and education services;

- supporting RGoB efforts to refine the GNH conceptual framework and develop formal mechanisms to operationalize GNH ideals in national policies and programmes.

3.4 Partnership

National Partners

All UNDP-assisted projects are nationally executed in accordance with the National Execution Manual agreed between the RGoB and UNDP. In principle, this arrangement accords full national ownership of UNDP-assisted projects and delivery of results. In the area of poverty reduction, RGoB partners, both project and non-project, include MTI, MoA, Department of Planning, National Statistical Bureau, Department of Budget and Accounts, National Commission for Women and Children, and Center of Bhutan Studies. Besides RGoB agencies, UNDP works with the National Women's Association of Bhutan, a Bhutanese NGO, in the area of textile development for rural women. It was noted that the potential to work with other Bhutanese NGOs has not been adequately harnessed. Although still nascent, the Bhutanese NGO fraternity is growing and with the likely enactment of an NGO Act in the near future it is expected to have a more substantial role in developmental activities especially at the grassroots level. Existing NGO activities are small but show innovation, are relatively less bureaucratic, and well targeted to respond to the circumstances and needs of specific communities particularly the poor, marginalized or disadvantaged.

Partnership with other International Agencies

Among international agencies, SNV is the principal partner. The SNV co-finances the REDP and provides technical advisory and capacity development services through a combination of international and national expertise. It is also co-financing and technically supporting the Decentralization Support Programme. With Danida, which has major involvement in good governance and public administrative reforms, UNDP collaborates in matters related to decentralization. In Thrumshingla National Park, UNDP and WWF collaboratively support protected area management and ICD activities through Linking Protected Areas in Temperate Broadleaf Forest Ecoregion of Bhutan Project.

Other international agencies that UNDP has collaborated with on a non-project basis include GTZ, AsDB and World Bank. UNDP has collaborated with GTZ in entrepreneurship skills development and with the World Bank on policy development in the private sector and strengthening pro-poor fiscal management. AsDB's support to PAAR 2000 and BLSS 2003 and UNDP's support to PAR 2004 were mutually reinforcing. The incremental build-up of poverty-related information and data through qualitative and quantitative assessments is a good example of how synergy can work between donors.

Within the UN System, UNDP collaborates with FAO for technical advisory assistance in the area of agriculture development. Specifically, FAO provided expertise pertaining to the establishment of a farm level food processing plant at Dagapela under the REDP. UNDP has coordinated with UNICEF on integrating poverty data in DrukInfo, a national database which has been customized from ChildInfo database.

Perception of UNDP's Role

UNDP is looked up to by other donor agencies for policy dialogue, lobbying and advocacy because of its stronger upstream relationship with the RGoB especially through coordination of

Round Table Meetings, MDGs and NHDRs. They also see that UNDP has played a pivotal role in raising greater awareness on poverty and general human development needs through their work on poverty analysis, MDGs and Human Development Reports. Vis a vis UNDP, the other donors that the Mission met saw themselves as more effective in responding to field programmes because of their ability to quickly access financial resources and technical assistance as a result of comparatively smaller bureaucracy. However, it was noted that the UNDP's core resources (TRAC) can be expeditiously mobilized to respond to immediate funding needs as well as can be creatively used in complement with other UNDP funding sources to address larger development assistance needs.

4. KEY ISSUES AND RECOMMENDATIONS

4.1 Private Sector Development

Private Sector Policy Supporting Micro, Small and Medium Enterprises

Development of micro, small and medium enterprises (MSMEs) in the rural areas is key to private sector development in a country such as Bhutan because of its small domestic market size, rugged terrain, limited infrastructure, high transaction costs and small labor force. However, in the absence of MSME supporting policy, development of MSMEs has been slow, ad hoc and uncoordinated.

Partly because there is no MSME supporting policy, rural enterprises development is currently very much government-driven. There is a need for a shift (consistently with capacity development and increased awareness) to private-sector led rural enterprises development. With the RGoB performing regulatory, monitoring, promotional and marketing functions, the public response to entrepreneurship development is likely to be subdued and there is also possibility of conflict of interests.

- **Recommendation # 1:** It is recommended that a policy or framework policy for private sector development with particular emphasis on micro, small and medium enterprises be developed as to provide a clear strategy and direction of how to go about developing MSMEs, including delineation of institutional roles and responsibilities and identification of public-private synergies

Promotion of Entrepreneurial Culture

As a consequence of Bhutan's tradition as a generous welfare state and subsistence-based way of life, entrepreneurial culture is generally lacking within the Bhutanese society especially in the rural areas. Targeted projects on enterprises in rural areas based on an integrated approach which combines access to easy rural credits, technical guidance and monitoring, capacity development, sustainable management of natural resources used for production, and marketing services would be extremely valuable to demonstrate entrepreneurship and foster entrepreneurial culture among rural communities.

- **Recommendation # 2:** Introduce targeted rural enterprise projects (both communal and individual) based on a robust set of criteria such as adaptability, potential for policy impact, ability to create additional employment, and level of community interest to enhance entrepreneurial culture. Such projects should be backed-up with access to easy rural credits, technical guidance and monitoring, capacity development, sustainable management of natural resources used for production, and marketing services.

Inadequate Business Development/ Promotion Services for Rural Enterprises

Business development/ promotion services are centralized, government-led and urban-centric. In order to expand its business development/ promotion services, the MTI has created business promotion sections within all the six RTIOs. This development is recent. Therefore, it needs to be seen what impact the business promotion sections in the RTIOs have on rural enterprises development.

The Mission noted two contrasting views. The first view is that the private sector would have a more enterprising and expeditious approach to delivery of business promotion services because of the monetary stake they would have in such activities and the entrepreneurial relationship with the producers. The other view is that the private sector may not find it profitable to deliver business promotion services to the rural communities due to high costs in reaching out to them given the scattered distribution of rural populations, literacy constraint and poor rural infrastructure. Therefore, the merits and demerits of provision of business promotion services by government vis a vis private sector agencies (and also NGOs) need to be fully assessed and areas of synergy through effective public-private partnership need to be explored and recommended.

- **Recommendation # 3:** Conduct a study on comparative advantages and disadvantages of public sector versus private sector provision of rural business promotion services and on potential for synergies and inter-institutional coordination. Such a study would be a valuable input for the formulation of policy on MSMEs (links to Recommendation # 1).

Implementation of Cooperative Policy

Existing business associations have focused largely on modern and urban enterprises. Consequently, the circumstances and needs of rural enterprises are not adequately represented in private sector development. The enactment of the Cooperative Act 2001 provides for emergence of rural business cooperatives and associations. To support the implementation of the Act, regulations for cooperative formation and management have been formulated and are under review by the Ministry of Home and Cultural Affairs. The Cooperative policy and legal framework will need to be operationalized with emphasis on mobilizing and organizing rural communities and developing their skills to participate in policy dialogue and issues pertaining to rural enterprises, and to respond to their collective needs effectively.

- **Recommendation # 4:** To facilitate the implementation of the Cooperative Policy, the development of an institutional strategy clearly delineating the mandates and functions of various agencies and outlining inter-institutional coordination and linkage mechanisms to implement the Cooperative Act 2001 and, when approved, the regulations, is recommended.
- **Recommendation # 5:** A bilingual manual on cooperative formation and management is recommended to aid cooperative training programmes and for use as reference material. To overcome literacy constraint, the manual should be pictographic based on field pre-tests.

Community-based Tourism

Tourism ranks as one of the country's top revenue earners, yet rural communities have so far had very limited opportunity to participate in tourism and directly benefit from it. This has so far been a significant weakness in the country's tourism sector. Given the country's agrarian culture, there is a great potential for community-based tourism enterprises such as community-run visitor centers, local food restaurants, local festivals and cultural shows, family lodges,

community-managed campsites, and local handicrafts and souvenir shops. This potential needs to be translated into reality in keeping with the country's pro-poor and equitable development philosophy. Through out the world, the tourism industry now views community participation and local benefits as integral to sustainable tourism. Experiences from several countries show that host communities soon become disillusioned and resentful of tourism activities that does not leave significant benefits behind for the local communities. Needless to say, tourism that is devoid of community participation and does not directly benefit local communities will perpetuate inequalities between rural and urban communities. Having said that, the Mission recognizes that there are some micro-level community-based tourism initiatives already ongoing and the Tourism Sector Master Plan has incorporated community-based tourism as one of the avenues for sustainable tourism development in the country.

- **Recommendation # 6:** Link community-based tourism to MSMEs during the development of supporting policy for MSMEs (Recommendation # 1) and include community-based tourism, where possible and appropriate, among targeted rural enterprise projects (Recommendation # 2) consistent with the country's overall tourism sector policy.

Access to Financing

Inadequate access to finance is a major constraint to the development of MSMEs. The Bhutan Development Finance Corporation Limited (BDFCL) is the only financial institution that specializes in micro-financing services (credits and savings) for rural enterprises development. It has credit offices in all the dzongkhags and has begun mobile banking system to reach remote communities. However, there exists the opinion that BDFC micro-credit scheme as it is now is too small to serve the purpose of long-term development of rural enterprises. Also, the distribution of micro-credits is geographically skewed as a result of market forces.

- **Recommendation # 7:** In order to gain an accurate and comprehensive picture there is a need for a consolidated study of rural enterprises financing situation, needs and constraints. This study will need to fully consider previous findings and recommendations and outline a strategy to improve financing for rural enterprises.

4.2 Poverty Monitoring and Assessment

Institutional Arrangement

Largely because poverty is a multi-dimensional issue and has been addressed through various sectoral plans and programmes by different ministries and their agencies, there is no clear institutional set-up for poverty monitoring and assessment. To address this need and other poverty monitoring and assessment needs, the Framework Document for BPMAS was developed. However, the implementation of BPMAS has not much headway due to limited human resources and staff turnover within the Department of Planning.

- **Recommendation # 8:** Operationalize BPMAS at the earliest possible, starting with the creation of a Poverty Unit within the Department of Planning with additional staff, training and equipment. This is very critical for the implementation of the Poverty Reduction Strategy and given the prevailing indication albeit preliminary to address poverty reduction as a top development priority in the oncoming Tenth FYP and the need for a nodal agency to facilitate inter-institutional coordination and linkages.

Data Disaggregation for Targeted Poverty Reduction Programmes

The Poverty Analysis Report 2004 establishes that poverty in Bhutan is largely a rural phenomenon, with 38.3% of the rural population falling below the national poverty line compared to 4.2% of the urban population. This suggests that the key to poverty reduction is to focus on income generation, employment and infrastructure development in rural areas. However, existing poverty data does not disaggregate beyond broad regional level. As financial and human resources are limited, poverty reduction interventions will need to be targeted in areas where communities are more vulnerable due to impoverishment. Geographical data disaggregation by dzongkhags and geogs as well thematic disaggregation by gender, age, demographic conditions, etc would be necessary to aid planning and design of targeted poverty reduction interventions.

- **Recommendation # 9:** Develop geog poverty profiles, with disaggregated data, and integrate them in the Geog Planning Information System to aid geog development planning and enable targeted poverty reduction interventions.

Production of Poverty Analysis Report on a Regular Basis

Baselines have been set with the production of PAAR 2000 and PAR 2004, allowing for monitoring and assessing poverty trends in the future which will in turn aid five-year development planning. The PAR 2004 was developed from the BLSS 2003. The National Statistical Bureau intends to produce the next BLSS in 2008 but it is not yet confirmed if a PAR will emerge from the next BLSS.

- **Recommendation # 10:** It is recommended that the BLSS 2008 be followed up with the production of the next Poverty Analysis Report in 2009 and that production of these Reports on at least a five-yearly basis be made an inherent feature of the national development planning cycle. Such Reports should contain disaggregated data to enable targeted interventions for poverty reduction as mentioned in the previous recommendation.

4.3 Poverty Linkages with Governance and Environment

Poverty-Governance Linkage

Decentralization

Although the Mission could not establish any tangible decentralization-poverty linkage, discussions with the Gups that the Mission met suggest that all segments of the local community including the poorer households should be benefiting from the decentralization process since the national decentralization policy mandate that all development programmes which are prepared at the geog and community level must reflect the actual needs of the people at the grassroots level. Accordingly, local development needs and priorities emanate from the grassroots level through village community meetings where each household, irrespective of their social or economic standing, is required to send a household member. It was noted that the DSP is linked to poverty reduction in terms of geographic coverage. The five dzongkhags which were compositely ranked as most vulnerable based on a wide range of poverty indices according to the Poverty Assessment and Analysis Report 2002 were selected for block grants under the DSP. These dzongkhags are Gasa, Pema Gatshel, Zhemgang, Lhuentse, and Trongsa.

Woolah (Community Labor Contribution)

A unique feature of local development programmes is the use of woolah for construction of infrastructure that serve as common goods, such as community lhakhangs, schools, basic health units, foot trails, farm roads and irrigation channels. As per a survey conducted by the Center of Bhutan Studies, on an average a household spent nearly 28 days on woolah in 2003. Remuneration receipt from woolah is very low, with almost 68 percent of the woolah performers in 2003 not having received any remuneration. In light of the foregoing, woolah contribution is considered burdensome and heavy taxation to the rural communities.

- ***Recommendation # 11:*** Develop policy recommendations on woolah based on the findings of the survey on Beneficiary Labor Contribution by the Center of Bhutan Studies

Poverty-Environment Linkage

Integrated Conservation and Development

Over the past decade or so, integrated conservation and development (ICD) approach has increasingly become integral in conservation strategies, especially in the management of protected areas, the world over. Bhutan too has taken to ICD approach as a viable strategy for conservation and protected area management. The ICD approach focuses on reconciling conservation objectives and local community development needs and making them mutually reinforcing to the extent possible. In Thrumshingla National Park, which is being supported through a UNDP project with GEF funding and in partnership with WWF, the park management has initiated a number of ICD activities, which include subsidized supply of CGI roofing sheets to reduce extraction of wooden roofing shingles from fir forests, provision of solar lighting sets to rural households, community lhakhangs and schools to reduce fuelwood consumption, support for alternative livelihoods such as weaving to wean off local people from environmentally damaging economic activities such as grazing, and a scholarship programme for rural children who come from poor families.

It has also been reported that because of the benefits from ICD interventions, local communities are happy to be included in the Thrumshingla National Park and forge partnership with the park staff. However, an assessment by a team of UNDP Bhutan staff in May 2005 suggests that such partnership may not sustain once ICD interventions cease as a result of conclusion of external assistance. In this respect, it was reported that the park management had submitted a proposal for endowment fund to sustain ICD interventions. The proposal has, however, is said to have been rejected by the Ministry of Finance.

- ***Recommendation # 12:*** Design and implement strategies to enhance community ownership of ICD interventions and introduce fiscal and social mechanisms to sustain ICD interventions beyond the duration of externally assisted projects. A possibility is that of establishing ecotourism activities inside the park that generates revenue for local communities to sustain ICD activities such as the scholarship programme for children from poor families.

Crop and Livestock Depredation by Wildlife

The issue of crop depredation by wildlife which has very serious impacts on food security and poverty reduction remains unresolved despite being a longstanding discussion especially between foresters and agriculturists. Reportedly, the farmers of Kertsho and Chungphel in Thrumshingla National Park have left their agricultural lands fallow because of recurrent damage of crops by wildlife. Livestock depredation by wild predators is also an issue although not as pronounced and widespread as crop depredation. The latter is also to some extent

alleviated by the introduction of Tiger Conservation Fund, which provides compensation to farmers for depredation of livestock by tigers and leopards. Policy interventions and human-wildlife conflict management measures need to be developed and implemented to address the issue of crop and livestock depredation by wildlife before it goes out of hand with the growth in resentment of farmers. Poverty reduction and conservation objectives need to be effectively reconciled so that one does not undermine the other – this, in fact, is a key principle of the ICD approach.

- **Recommendation # 13:** Create a Crop Compensation Scheme, based on an endowment fund, to address the issue of crop depredation by wildlife and, concurrently, design and introduce new crop protection methods through research and innovation.
- **Recommendation # 14:** Revamp the existing Tiger Conservation Fund to enhance the efficiency in delivery of compensation and to rationalize the compensation rates.
- **Recommendation # 15:** Develop policy interventions to alleviate crop and livestock depredation by wildlife.

Environmental Sustainability of Rural Enterprises

The importance of environmental sustainability of rural enterprises came out strongly in the Essential Oils Development Programme (EODP). Lemon grass oil production, which has benefited the rural communities of the eastern dzongkhags of Mongar, Trashigang, Lhuentse and Trashi Yangtse in terms of income generation and employment for the last many years, is now being questioned on the ground of environmental sustainability. Issues pertaining to environmental sustainability of lemon grass oil production include purported setting of forest fires by lemon grass oil producers, decline in regeneration of lemon grass due to absence of management intervention, and high fuelwood consumption for distillation (see Box 1).

- **Recommendation # 16:** Conduct an indepth analysis of the environmental sustainability issues related to lemon grass oil production and formulate a viable proposal to sustain lemon grass oil production based on community-based lemon grass resources management and promotion of alternative fuel/ clean energy.

Box 1: Lemon Grass Oil Production: A Socio-Economic Boon or an Environmental Bane?

Lemon grass oil production over the years has proven a lucrative enterprise for the rural people of Mongar, Lhuentse, Trashigang and Trashi Yangtse dzongkhags. There are 172 distillation units, of which around 130 are reported to be operational at any given working season, i.e. two and a half months in a year. On average, each unit is said to employ 10 people. This translates to a total employment of 1,300 people, of which about 65 percent are said to be women who are engaged in grass-cutting. At the wage of Nu. 100 per day per employee, lemon grass oil production accounts for more than Nu. 9 million in wage generation. Each person employed earns more than Nu. 7,000 in a working season or Nu. 3,000 a month, which is much above the average national per capita household income of Nu. 1,200 per month as estimated by the Household Income and Expenditure Survey 2000. On top, export sales income has been good despite static export price and rising production costs. In 2004, the Essential Oils Development Programme reported export sales income of Nu. 4.9 million, all of which directly went to the distillers. Each distiller would, therefore, have got an income of more than Nu. 37,000 in 2004.

However, lemon grass oil production is fraught with a number of environmental issues.

First, there is the issue of forest fires. Forestry and civil administration officials allege lemon grass oil producers of deliberately setting fires in Chir Pine forests, where lemon grass grow wild as understorey vegetation, to invigorate lemon grass regeneration. On the other hand, lemon grass promoters and producers refute such allegation and suggest that such allegations are not based on facts but speculation.

Then there is the issue of lemon grass regeneration being on the decline in several areas, which obviously has implication on the sustainability of lemon grass oil production. The decline can be basically attributed to the absence of management techniques in the lemon grass growing areas. If the lemon grass production is to continue to benefit the rural communities, the aspect of sustainable management of lemon grass resources needs to be carefully studied and recommendations made for introducing appropriate interventions. Prescribed burning (controlled and rotational) may be an appropriate management technique but this will need to be complemented with equipment, training, and social mobilization and accountability strategies. It was noted that in Drametsi area, prescribed burning of lemon grass growing areas is being piloted under the Participatory Forest Management Programme managed by the Social Forestry Division of the Department of Forestry. Such pilot activities need to be introduced in more areas to have a comparative basis for future interventions.

The issue of land tenure also comes into play since the lemon grass growing areas are actually forest areas which are under the custody of the Department of Forestry as per the Forest and Nature Conservation Act 1995. While forest areas can be used for extraction/ grazing based on a permit system, the law does not permit any physical management interventions – least of all burning – by the users. Having said that, it needs to be emphasized that the Forest and Nature Conservation Act 1995 does provide for creation of community forest management. However, the process of establishing community forest management can take a long time.

Lastly, fuelwood consumption is said to be high for lemon grass oil distillation. Although the Mission could not get any hard data on fuelwood consumption, interactions with a few lemon grass oil producers suggested that each distillation unit consumes on average 1-2 truckloads (about 5-10 tons) of fuelwood in one working season. Assuming that this figure is correct, fuelwood consumption amounts to a total of about 650 to 1,300 tons in each working season, which is considerable and more so because fuelwood in general is in short supply in much of the eastern region. Consequently, it has become increasingly difficult to get enough fuelwood for lemon grass oil distillation. This, and the fact that lemon grass regeneration is diminishing in some areas, has led some lemon grass oil producers to give up the business or engage in it only on an intermittent basis. The possibility of using electricity, where distillation units are close to power transmission grids, improving design of stoves used in distillation units, and establishing community woodlots for production of fuelwood, needs to be examined to alleviate fuelwood problem and to reduce production cost.

5. PROPOSED DIRECTION FOR FUTURE UNDP PROGRAMMING

Based on the recommendations in the foregoing section, it is suggested that UNDP programme its future poverty reduction projects along the following lines:

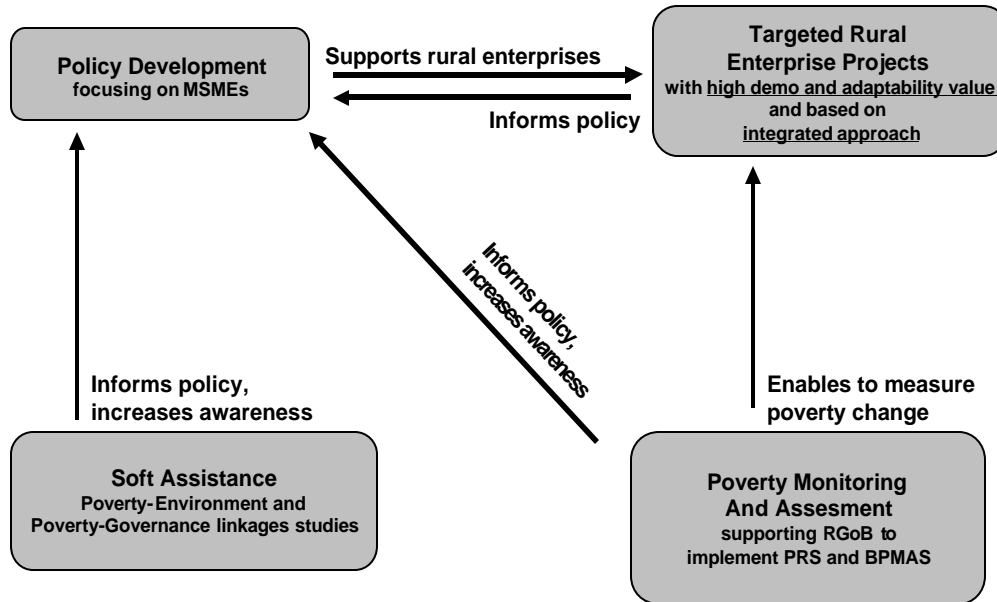
- **Policy Development**, focusing on MSMEs including the issue of marketing and business promotion service delivery, improved access to micro-finance and not forgetting community-based tourism as a potential avenue for MSMEs.
- **Rural Enterprise Projects**, with high demonstration and adaptability value and based on a robust set of criteria and a holistic approach that addresses access to easy rural credits, technical guidance and monitoring, human skills and product development, sustainable management of natural resources, marketing services and social mobilization arrangements

(cooperative development). Use of disaggregated poverty data for targeted interventions is crucial here.

- **Poverty Monitoring and Assessment**, facilitating and supporting relevant RGoB institutions to implement PRS and BPMAS and to prepare geog poverty profiles, with necessary data disaggregation, and integrate them in the Geog Planning Information System.

The linkages between the above three proposed areas of cooperation are illustrated in Figure 4.

Figure 4: Linkages between Areas of Support Proposed for Future UNDP Programming



Consistent with the above proposed future UNDP programming, there would be a need to forge new partnerships such as with the Ministry of Labor and Human Resources in the area of vocational training and village skills development, Ministry of Information and Communications in the area of developing access to information among rural communities, and Bhutan Development Finance Corporation Limited to enhance rural enterprise financing. Also, there would be the need to work with NGOs. Although the NGO fraternity in the country is still small and capacity is limited, existing NGO activities show innovation, are well-targeted at remote and marginalized communities, and have the benefit of not being bogged down by bureaucracy.

In terms of non-project assistance, the following are the possible areas in addition to what the UNDP is already doing:

- **Poverty-environmental linkage studies**, focusing on enhancing the environmental sustainability of lemon grass oil production, quantitative assessment of the impacts of crop and livestock depredation on rural livelihoods, and the conservation and socio-economic impacts of ICD interventions and measures to sustain them.
- **Poverty-governance linkage studies**, focusing on woolah, its impacts on the poverty situation and policy recommendations building upon the findings of the Beneficiary Labor Contribution survey carried out by the Center of Bhutan Studies.

6. LESSONS LEARNT

- **Policy impact is greater when backed-up by information and data.** The incremental development of information and data on poverty as illustrated in the outcome analysis has greatly influenced policy thinking and development in the country.
- **Demonstration approaches are critical to sustain policy impacts.** Direct policy support often focuses on the production of a tangible document whose success and implementation are far from guaranteed. Demonstration approaches that provide bottom-up entry points to policy formulation are likely to have more sustainable impact.
- **Environmental sustainability needs to be integrated in poverty reduction programmes.** As illustrated by the case of lemon grass oil production, environmental sustainability needs to be fully taken in account during design and implementation.
- **Poverty reduction goals are intricately linked to broader political and governance structures.** The national decentralization process in the country has brought about important shifts in development governance, enhancing the opportunity for local communities to participate in decisions concerning development in their areas. All stakeholders, especially the communities at the grassroots level, need to be sensitized about new opportunities and their capacity developed to participate in poverty reduction programmes. RGoB agencies have a critical facilitating role and, therefore, their capacity and awareness in this regard needs to be enhanced.
- **Technical assistance will be more sustainable if it is based on collaboration and knowledge sharing.** Technical advisory assistance when used for collaborative work and knowledge-sharing can have more sustainable impact on capacity development than when used just for project-related implementation purpose.
- **UNDP's comparative advantage as a neutral and trusted development partner is a prime asset.** Policy dialogue and advocacy is essential to reinforce the lessons learned from project assistance. UNDP's leadership in donor coordination and regional initiatives around overarching development themes, such as the MDGs, can be instrumental in leveraging and consolidating development assistance.

Annex 1

Terms of Reference for Poverty Outcome Evaluation

Background

The growing demand for development effectiveness is largely based on the realization that producing good deliverables is simply not enough. Efficient or well-managed development projects and outputs will lose their relevance if they yield no discernible improvements in development conditions and ultimately in people's lives. Being a key international development agency, the United Nations Development Programme (UNDP) has been increasing its focus on achievement of clearly stated results. Nowadays, results-based management (RBM) has become UNDP's core management philosophy.

As part of its efforts in enhancing RBM, UNDP has shifted from traditional project monitoring and evaluation (M&E) to results-oriented M&E, especially outcome monitoring and evaluation that cover a set of related projects, programmes and partnership strategies intended to bring about a higher level outcome. An outcome evaluation assesses how and why an outcome is or is not being achieved in a given country context, and the role that UNDP has played. Outcome evaluations also help to clarify underlying factors affecting the situation, highlight unintended consequences (positive and negative), recommend actions to improve performance in future programming and partnership building, and generate lessons learned.

Outcome to be Evaluated

According to the evaluation plan of the UNDP Bhutan, a poverty outcome evaluation is to be conducted in the third quarter of 2005 for the following outcome, which is stated in the Multi-Year Funding Framework (MYFF 2004-2007) of UNDP Bhutan; "**Replicable local poverty initiative(s) linked to development of small rural enterprises and policy changes undertaken**". The outcome evaluation is inclusive of a mid-term review of the Rural Enterprise Development (RED) programme, one of the ongoing major projects contributing to the outcome. A detailed results framework for the outcome is summarized below:

Intended Outcome: Replicable local poverty initiative(s) linked to development of small rural enterprises and policy changes undertaken.

Outcome Indicators: Enabling environment, which includes finalization of national organic farming framework and marketing facilities for agricultural and non-agro rural enterprise development established.

Baseline: No specific policies or measures in place on rural enterprises development

Brief National Context Related to the Outcome

In the fight against poverty the importance of economic growth and its fair and equitable distribution cannot be over-emphasized, it is important to pay attention to the composition of growth and its impact on balanced socio-economic development and regional equity issues.

Bhutan's economy, which is largely dependent on public sector investments and foreign aid, has been experiencing steady growth rates between 6 and 8 percent in the past decade driven primarily by hydropower, construction, service and power intensive manufacturing sectors. The trend is projected to endure stable mainly due to increasing exports of hydropower. Despite the steady economic growth, the progress made in poverty alleviation is not as impressive as it

could be. For example, the expanding hydropower sector in Bhutan does not have the same stimulus as an employment creator due to its low employment elasticity. In this respect the private sector needs to be given more importance and space to grow in a greater extent. The public sector cannot be considered as a sustainable engine of growth and providing employment opportunities in the long run.

These looming threats together with the fact that poverty is to a large extent a rural phenomenon in Bhutan, give rise for an urgent need to design and implement policies to enhance rural income generation and scope for self-employment through the development of the private sector. The Royal Government of Bhutan (RGoB) has also identified this need and hence emphasis has been given in the 9th Five Year Plan (FYP, 2002-2007) to the development of a dynamic and strong private sector. During the 9th FYP, continued support has been extended to encourage the growth of small and micro-industries, particularly those in rural areas.

Notwithstanding the achievements in the rural sector, it still continues to face several constraints arising from the small size of the domestic market, lack of financial and labor resources, underdeveloped infrastructure and the disadvantages associated with landlockness among other factors. Addressing these issues will be vital in order to safeguard the balanced development between rural and urban communities in the future.

UNDP Priority Areas of Support

There have been two relatively large UNDP programmes supporting rural sector; namely RED and Integrated Horticulture Development. UNDP's assistance in the area of poverty reduction has focused on six strategic areas: (i) facilitating in the creation of strategies, policies and enabling environment for the growth and development of rural enterprises; (ii) enhancing institutional capacities of agencies and institutions supporting the development of rural enterprises; (iii) improving the coordination of horticultural development in Bhutan; (iv) providing appropriate and locally adapted management recommendations for horticultural crops; (v) developing a portfolio of technical, management and business tools necessary for the creation of rural enterprise systems; and (vi) enhancing the productivity and marketing of products produced and sold by rural agro-based industries. In this regard, UNDP has been cooperating with the following partners in achieving development results in the strategic areas:

- Department of Aid and Debt Management (DADM);
- Department of Planning (DoP);
- Ministry of Agriculture (MoA);
- Ministry of Trade and Industry (MTI);
- Bhutan Development Finance Corporation (BDFC);
- Dzongkhags; and,
- Community Organizations.

UNDP Projects Associated with the Outcome

The following table shows the UNDP-supported ongoing projects that are associated with the outcome "Replicable local poverty initiative(s) linked to development of small rural enterprises and policy changes undertaken". Contribution to the outcome was also made through various non-project activities (soft assistance).

List of UNDP supported projects that are associated with the outcome :

Project No.	Project Title	Focal area	Source of Fund	Total Budget (in US\$)	Project Duration	Executing Agency
BHU/02/002	Rural Enterprise Development	Rural development	TRAC	2,049,497	08/2002 – 07/2007	MoA
BHU/02/003				1,161,191		MTI
BHU/03/003	E-business Piloting and Readiness for Rural Women Artisans and Entrepreneurs in Bhutan	Rural development	Women in Development Fund (Government of Japan)	212,180	2003 – 2005	MTI, PPD
	Strengthening Poverty and MDG focuses Analytical Capacity	Poverty	TRAC	46,610	07/2004 – 11/2004	Dept. of Planning, MoF
BHU/03/M05	Capacity Strengthening of DBA on Pro-Poor Financial Management	Capacity Development	Thematic Trust Fund	142,500	01/01/2004 – 31/12/2004	Department of Budget and Accounts, MoF
BHU/02/M03	Support to a Development of a Poverty Monitoring System	Capacity Development	Poverty Thematic Trust Fund	332,500	09/2002 – 08/2003	Planning Commission Secretariat, CSO
BHU/97/0038	Integrated Horticulture Development Programme	Rural Development	TRAC	5,261,602	07/1997 – 06/2003	MoA, MTI
BHU/03/G35	Linking and Enhancing Protected Areas (LINKPA)	Environment	UNDP/GEF	1,855,000	05/2003 – 2008	WWF
BHU/02/006	Decentralization Support Programme	Governance	TRAC	3,590,900	07/2003 – 12/2006	MoHCA
BHU/02/CO1						

Objectives of the Outcome Evaluation

The poverty outcome evaluation is expected to analyze the status of the outcome, particularly in relation to UNDP contribution to the outcome through project activities and soft assistance.

The outcome evaluation is expected to address the following issues:

Outcome analysis

- What is the current situation and possible trend in the near future with regard to the outcome?
- Whether sufficient progress has been achieved vis-à-vis the outcome as measured by the outcome indicator?
- What are the main factors (positive and negative) that affect the achievement of the outcome?
- Whether the outcome indicators chosen are sufficient to measure the outcomes?
- To what extent synergies in programming such as partnerships including among various UNDP programmes related to outcome

Output analysis

- Are the UNDP outputs still relevant to the outcome?
- Has sufficient progress been made in relation to the UNDP outputs?
- What are the factors (positive and negative) that affect the accomplishment of the outputs?
- Assess whether rural enterprise development concerns have been considered in the national development planning.
- Assess UNDP's ability to advocate best practices, and influence integration of rural enterprise development into national policies and plans.

Output-outcome link

- Whether UNDP's outputs or other interventions can be credibly linked to the achievement of the outcome (including the key outputs, projects, and soft assistance);
- What are the key contributions that UNDP has made/is making to the outcome?
- What has been the role of UNDP soft-assistance activities in helping achieve the outcome?

- With the current planned interventions in partnership with other actors and stakeholders, will UNDP be able to achieve the outcome within the set timeframe and inputs – or whether additional resources are required and new or changed interventions are needed ?
- Whether UNDP’s partnership strategy has been appropriate and effective. Has UNDP been able to bring together various partners across sectoral lines to address rural sector concerns in a holistic manner?
- Assess UNDP’s ability to develop national capacity in a sustainable manner (through exposure to best practices in other countries, holistic and participatory approach). Has UNDP been able to respond to changing circumstances and requirements in capacity development?
- What is the prospect of the sustainability of UNDP interventions related to the outcome?

In addressing the above-mentioned issues the evaluation team is expected to examine and assess the interventions from the viewpoint of following areas:

Private sector development

- Rural enterprise development with particular reference to cottage and small enterprises development
- Creating an enabling environment
- Niche market development
- Natural resource based development
- Handicraft sector
- Tourism sector
- Access to financial services

Poverty monitoring

- Poverty analysis report
- Geog Planning Information System
- Rural tele centers
- Coordination between agencies

Decentralized governance, planning and linkages between environment and poverty

- Enhanced authority and responsibility of local development committees (GYTs and DYT) for geog-based development e.g. geog-based planning and prioritization of development activities from 9th Five Year Plan
- Importance of environment and poverty linkages (e.g. Thrumshingla National Park initiatives)

The results of the outcome evaluation (and the mid-term review) will be used for re-focusing the interventions during the second half of the current CCF and MYFF (if necessary) and guiding future programming.

Products Expected from the Outcome Evaluation

The key products expected from this outcome evaluation are two comprehensive analytical reports – one for the poverty outcome evaluation and the other for the mid-term review of the RED programme. The evaluation reports shall include the following contents:

- Executive summary; (1-2 page(s))
- Introduction; (1 page)
- Description of the evaluation methodology; (6 pages)
- An analysis of the situation with regard to the outcome, the outputs, and the partnership strategy; (5-6 pages)

- Analysis of salient opportunities to provide guidance for the future programming; (3-4 pages)
- Key findings (including best practice and lessons learned); (2-3 pages)
- Conclusions and recommendations; (2-3 pages) and,
- Annexes: Charts, ToR, field visits, people interviewed, documents reviewed, etc.

The tentative page numbers serve only as a guideline for the Evaluation Team. However, it is expected that the mid-term review report is not more than half of the size of the outcome evaluation report.

The mission is required to discuss and finalize the evaluation reports prior to departure from Bhutan. Both reports shall be submitted in hard copy and electronic form.

Methodology

An overall guidance on outcome evaluation methodology can be found in the UNDP Handbook on Monitoring and Evaluating for Results and the UNDP Guidelines for Outcome Evaluators. The evaluators should come up with a suitable methodology for this outcome evaluation based on the guidance given in these two documents.

During the outcome evaluation, the evaluators are expected to apply the following approaches for data collection and analysis:

- Desk review of relevant documents (project document with amendments made, review reports -midterm/final, donor-specific, etc);
- Discussions with the Senior Management and programme staff of UNDP Country Office;
- Interviews with and participation of partners and stakeholders; and,
- Field visits to selected project sites;
- Consultation meetings.

Evaluation Team

The evaluation team will comprise of three consultants: one international consultant (as the team leader) and two national consultants (as team members). The international consultant should have an advanced university degree and at least eight years of work experience in the field of rural and private sector development, sound knowledge about results-based management (especially results-oriented monitoring and evaluation). The team leader will take the overall responsibility for the quality and timely submission of the evaluation reports to the UNDP Country Office.

Specifically, the team leader will perform the following tasks:

- Lead and manage the evaluation mission;
- Design the detailed evaluation scope and methodology (including the methods for data collection and analysis) for the two reports;
- Decide the division of labor within the evaluation team;
- Conduct an analysis of the outcome, outputs and partnership strategy (as per the scope of the evaluation described above) for the two reports;
- Draft related parts of the evaluation reports; and
- Finalize the whole evaluation report and the mid-term review of the RED programme.

The national consultants should have advanced university degrees and at least five years work experience in the areas of rural and private sector development. They should have sound knowledge and understanding of private sector and rural areas in Bhutan, and have experience in conducting evaluation. One national consultant will focus on the poverty outcome evaluation

and the other on the mid-term review of the RED programme, performing the following tasks respectively :

- Review documents;
- Participate in the design of the evaluation methodology;
- Conduct an analysis of the outcome, outputs and partnership strategy (as per the scope of the evaluation described above);
- Draft related parts of the evaluation report; and,
- Assist Team leader in finalizing document through incorporating suggestions received on draft related to his/her assigned sections.

Implementation Arrangements

To facilitate the outcome evaluation process, UNDP Bhutan will set up an Evaluation Working Group (EWG). The team shall consist of relevant UNDP staff and RGoB focal points. The EWG will assist in connecting the evaluation team with UNDP Programme Unit, senior management, and key stakeholders. In addition, the EWG will provide both substantive and logistical support to the evaluation team, ensure participatory evaluation process, and comment on the draft evaluation report. The Head of Poverty and MDG Unit with support of the EWG members will facilitate the evaluators in the specific areas of expertise to develop plan, methodology and scope of evaluation; conduct field visits; and organize meetings. During the evaluation, EWG will help identify the key partners for interviews by the evaluation team. The evaluation will retain its full integrity and flexibility to determine the best approach to collecting and analyzing data for the outcome evaluation.

At the end of the mission period, the draft evaluation reports will be shared with UNDP Country Office, DADM, DoP, MoA, MTI and other key stakeholders for comments.

Evaluation mission schedule (1st to 28th October, 2005)

Activity	Timeframe and responsible party
Evaluation design and workplan	Half a day, by the evaluation team
Desk review of existing documents	3 and half days, by the evaluation team
Field visits, interviews with partners, and key stakeholders	12 days, by the evaluation team
Drafting of the evaluation reports	5 days, by the evaluation team
Debriefing with UNDP	Half a day, UNDP and the evaluation team
Debriefing with partners	Half a day, partners and the evaluation team
Finalization of the evaluation reports (incorporating comments received on first drafts)	6 days by the evaluation team

Working Days:

28 working days for team leader
 28 working days for the national consultants

Specific Responsibilities

Country Office – to provide logistical support; facilitate meetings and interactions with relevant stakeholders; comment on the draft report; and follow up on recommendations.

Evaluation Focal Team – ensure participatory evaluation process; connect the evaluation team with Programme Unit, Senior Management and key stakeholders; facilitate evaluation mission to develop plan, methodology and scope of evaluation; and comment on the draft report.

Government counterpart – participate in meeting and presentation of findings as per the mission schedule; provide needed information and documents related to the outcome evaluation; and comment on the draft report.

Partners/Key stakeholders - participate in meeting and presentation of findings as per the mission schedule; provide needed information and documents related to the outcome evaluation; and comment on the draft report.

Selected Documents to be Reviewed by the Evaluators

The evaluators should study the following documents:

- UNDP Handbook on Monitoring and Evaluating for Results
- UNDP Guidelines for Outcome Evaluators
- UNDP Results-Based Management: Technical Note
- United Nations Development Assistance Framework (UNDAF) for Bhutan (2002-2007)
- UNDP 1st and 2nd Country Cooperation Framework (CCF) for Bhutan
- UNDP Strategic Results Framework (SRF) for Bhutan (2000-2003)
- UNDP Multi Year Funding Framework (MYFF) for Bhutan (2004-2007)
- UNDP Results-Oriented Annual Report (ROAR) for Bhutan (2001, 2002)
- UNDP Project documents, project monitoring reports, and project evaluation reports
- UNDP National Human Development Report for Bhutan
- Bhutan MDG Report
- 8th and 9th Five Year Plan documents
- National policies, strategies, and plans related to the outcome

Annex 2
Itinerary

DATE	TIME	ACTIVITY/MEETING	VENUE
26 Sep MON – 30 Sep FRI	Whole week	Preparatory work by Mr. Ugyen P. Norbu, National Consultant	UNDP
01 Oct SAT	Afternoon	Arrival of Mr. Eduardo Quiroga in Thimphu	
	Afternoon	Sharing of desk review material	
02 Oct SUN	Whole day	Desk review and meeting of Evaluation mission team*	
03 Oct MON	09:30 am	Meeting with Evaluation Working Group*	UNDP
	11:00 am	Briefing with Senior Management	UNDP
	03:00 pm	Call on the Honorable Secretary, Dasho Sangay Thinley, Ministry of Agriculture (MoA)	MoA
	04:00 pm	Meeting with Director, Department of Aid and Debt Management, Ministry of Finance	DADM
04 Oct TUE	10:00 am	Meeting with Joint Director of Agriculture and MoA-REDP Component Managers (Detailed discussion and consultation on RED MoA activities)	Hotel Pedling
	01:00 pm	Lunch	Hotel Pedling
	02:00 pm	Meeting with Component Managers of MTI-REDP (Detailed discussion and consultation on RED MTI activities)	Hotel Pedling
05 Oct WED	09:30 am	Meeting with Ms. Megan Ritchie, Officiating Director and Mr. Kasper Tideman, Rural Enterprise Model Advisor, Netherlands Development Organization (SNV)	UNDP
	12:00 am	Meeting with Mr. Roland Wittur, Coordinator, German Development Organization (GTZ)	UNDP
	03:00 am	Meeting with Honorable Secretary, Dasho Karma Dorji, Ministry of Trade and Industry (MTI)	MTI
	04:00 pm	Meeting with Mr. Tashi Penjor, General Manager, and Mr. Ngawang Gyeltshen, Managing Director, BDFC	BDFC
06 Oct THU	09:30 am	Meeting with Mr. Phintsho Dorji, Officer in Charge, FAO	FAO
	02:00 pm	Meeting with Dr. Saamdu Chhetri, Deputy Resident Coordinator, Helvetas	Helvetas
	03:00 pm	Meeting with Representative, Danida	Danida
	04:00 pm	Meeting with Mr. Torben Bellers, Minister Counsellor, Mr. Pem T. Dorji, Programme Officer, and Mr. Tek B. Chhetri, Programme Officer, Liaison Office of Denmark	LoD

DATE	TIME	ACTIVITY/MEETING	VENUE
07 Oct FRI	09:00 am	Meeting with Mr. Neichu, Deputy Director, Bhutan Chamber of Commerce and Industry	BCCI
	12:00 pm	Meeting with Ms. Renata Lok Dessallien, Resident Representative UNDP and Resident Coordinator UNDP System	UNDP
	03:00 pm	Briefing with Evaluation Consultation Team on the meetings with stakeholders	UNDP
08 Oct SAT	10:00 am	Visit to Weekend Vegetable Market (extension for better marketing) (Thimphu)	
	02:00 pm	Visit to RNRRC Yusipang, Organic Research Demonstration Site (Thimphu)	

09 Oct SUN		Group 1 (Poverty Outcome Evaluation) Group 2 (REDP Mid-Term Review)	
	08:00 am	Departure for Trongsa (6.5 hrs)	
	02:30 pm	Arrival at Trongsa	
	03:30 pm	Meeting with Dasho Dzongdag and Sectoral Heads , Dzongkhag Administration, Trongsa	Hotel Norling
	04:30 pm	Meeting with Director, RTIO, Trongsa	Hotel Norling
10 Oct MON		Both Groups	
	09:30 am	Meeting with Gup s and other community members to discuss governance and community capacity development issues (Decentralization Support Programme)	Hotel Norling
	11:00 am	Meeting with BPS staff, RTIO, Trongsa	RTIO Trongsa
	03:00 pm	Depart for Bum thang and halt for the night (2.5 hrs)	
11 Oct TUE		Both Groups	
	06:00 am	Departure for Mongar (65 hrs)	
	03:30 pm	Meeting with Dasho Dzongdag and Sectoral Officers, Dzongkhag Administration, Mongar	Dzongkhag Administration
	04:30 pm	Meeting with EODP staff, Mongar (REDP MTI component)	EODP Office
12 Oct WED		Group 1	
	09:00 am	Depart for T/gang and halt for the night. On the way, meeting with lemon grass producers at Sherichhu and Drametsi	
13 Oct THU		Group 1	
	08:00 am	Depart for Khaling (2 hrs)	
	11:00 am	Visit National Handloom Development Project and E.biz project beneficiaries	
	03:00 pm	Visit Potato Chips Production Unit (REDP MOA Micro Grant)	
	04:30 pm	Depart for Mongar and halt for the night (4.5hrs)	
14 Oct FRI		Group 1	
	08:00 am	Depart for Bumthang	
	03:00 pm	Visit Thrumshingla Management Park office and meet Park staff (Poverty-environment linkage)	
	04:30 pm	Visit medicinal plant farmer at Ura, Bumthang (REDP- MoA micro grant)	
	Evening	Arrive in Bumthang and halt for the night	

DATE	TIME	ACTIVITY/MEETING	VENUE
15 Oct SAT	09:00 am	Depart for Thimphu (9hrs)	
	Evening	Arrive in Thimphu	
16 Oct SUN	Whole day	Drafting of reports	
17 Oct MON	09:00 am – 01:00 pm	Drafting of reports	
	02:00 pm	Briefing with UNDP Deputy Resident Representative on preliminary findings of the outcome evaluation	
18 Oct TUE	Whole day	Drafting of the reports	
19 Oct WED	Whole day	Drafting of the reports	
20 Oct THU	02:00 pm	Briefing of preliminary findings to the Evaluation Working Group	UNDP
21 Oct FRI	10:00 am	Meeting with Evaluation Consultation Team	UNDP
	Afternoon	Revision of the evaluation reports based on comments received from Evaluation Consultation Team	
22 Oct SAT	Whole day	Revision of the evaluation reports continued	
23 Oct SUN	Whole day	Revision of the evaluation reports continued	
24 Oct MON	Morning	Circulation of the revised draft report to all the stakeholders	
25 Oct TUE	Morning	Preparation of the presentation for the debriefing session	
	03:00 pm	Meeting with Steering Committee of the RED P	MTI
26 Oct WED	Whole day	Finalization of the REDP MTR Report	UNDP
27 Oct THU	10:00 am	Debriefing session with the stakeholders on the outcome evaluation findings	UNDP
	Afternoon	Incorporation of comments on poverty outcome evaluation findings from the stakeholders' briefing session	
28 Oct FRI		Incorporation of comments	
31 Oct – 22 Nov (10 working days)		Additional meetings and finalization of the Poverty Outcome Evaluation Report	

***Evaluation mission members:**

Mr. Eduardo Quiroga, Team Leader
Mr. Ugen P. Norbu, National Consultant
Ms. Neera Lama, National Consultant

****Evaluation Working Group:**

Ms. Yuden Dorji MoA
Ms. Karma Tsering MTI
Ms. Tshering Pem UNDP
Mr. Aki Hakanen UNDP
Ms. Wangdi Tshering UNDP

*****Evaluation Consultation Team:**

Ms. Yuden Dorji	MoA
Ms. Karma Tsering	MTI
Mr. Rinzin Dorji	MTI
Ms. Leki Wangmo	DADM
Mr. Rinzin Dorji	DoP, MoF
Mr. Kasper Tideman	SNV
Representative	GTZ
Representative	BDFC
Representative	FAO
Representative	WFP
Mr. Toshihiro Tanaka	UNDP
Ms. Tshering Pem	UNDP
Mr. Aki Hakanen	UNDP
Mr. Wangdi Tshering	UNDP
Ms. Marie Pedersen	UNDP
Ms. Seeta Giri	UNDP

Group 1 (Poverty Outcome Evaluation)

Sites to visit:

Thimphu, Trongsa, Mongar, Khaling (Trashigang), and Ura (Bumthang)

Members:

Mr. Ugen P. Norbu, National Consultant (Outcome Evaluation)
Ms. Sonam Choetso, Programme Assistant, UNDP Poverty & MDG Unit
Ms. Karma Choden, Financial Assistant, UNDP

Group 2 (REDP Mid-Term Review)

Sites to visit:

Thimphu, Trongsa, Mongar, Dagana, and Paro

Members:

Mr. Eduardo Quiroga, Lead Consultant
Ms. Neera Lama, National Consultant (REDP Mid-term Review)
Ms. Yuden Dorji, Coordinator, MoA-REDP
Ms. Karma C. Tshering, Coordinator, MTI-REDP
Mr. Aki Hakanen, UNV, UNDP Poverty & MDG Unit

Annex 3

List of People Met

In Thimphu

United Nations Development Programme

1. Ms. Renata Lok Dessallien, Resident Representative & UN System Resident Coordinator
2. Mr. Toshihiro Tanaka, Deputy Resident Representative
3. Ms. Tshering Pem, Asstt Resident Representative, Poverty & MDG Unit
4. Mr. Aki Hakanen, UNV Programme Officer, Poverty & MDG Unit
5. Ms. Sonam Choetso, Programme Assistant, Poverty & MDG Unit
6. Mr. Wangdi Tshering, Head, Programme Management & Support Unit
7. Ms. Marie Pedersen, Programme Officer, Governance Unit

Ministry of Agriculture

8. Dasho Sangay Thinley, Secretary
9. Mr. Ganesh B. Chhetri, Joint Director, Department of Agriculture
10. Mr. Kadola, Administrative Officer, Horticulture Division
11. Mr. Pema Dakpa, Officiating Programme Director, National Post Harvest Center
12. Mr. Sangye Chewang, Chief Marketing Officer
13. Ms. Kesang Tshomo, RNR-RC (Western Region), Yusepang
14. Ms. Irene Christiansen, SNV Consultant, MoA-REDP
15. Ms. Yuden Dorji, Department of Agriculture (Coordinator, MoA-REDP)
16. Ms. Laxmi Thapa, Research Assistant, Horticulture Division, RNRRC Yusepang
17. Mr. Dophu Namgay, Research Assistant, Horticulture Division, RNRRC Yusepang

Ministry of Trade and Industry

18. Dasho Karma Dorji, Secretary
19. Ms. Karma C. Tsering, Policy & Planning Division (Coordinator, MTI-REDP)
20. Mr. Sonam Tshering, Coordinator, Institutional Structures
21. Mr. Sonam Tashi, Coordinator, Rural Enterprise Models
22. Mr. Jambay Yeshe, Coordinator, Skills Development
23. Mr. Sonam Rinchen, Coordinator, Marketing and Marketing Systems
24. Mr. Kasper Tideman, SNV Advisor for Rural Enterprise Model, MTI-REDP

Other RGoB Agencies

25. Mr. Sonam Wangchuk, Director General, Department of Aid & Debt Management
26. Ms. Leki Wangmo, Programme Officer, Department of Aid & Debt Management
27. Mr. Lham Nidup, Director, Department of Budget and Accounts
28. Mr. Lam Dorji, Director, Department of Planning
29. Mr. Kuenga Tshering, Director, National Statistical Bureau
30. Ms. Tashi Wangmo, Head, PPD, Ministry of Labor and Human Resources

Private Sector Organization/ NGOs/Financial Institution

31. Mr. Nawang Gyetshe, Managing Director, Bhutan Development Finance Corporation
32. Mr. Tashi Penjore, General Manager, Bhutan Development Finance Corporation
33. Mr. Julio Banzon, SNV Advisor, Bhutan Development Finance Corporation
34. Mr. Neichu, Deputy Director, Bhutan Chamber of Commerce & Industry
35. Ms. Yangden Penjor, Director, Youth Development Fund

36. Ms. Chime P. Wangdi, Director General, Tarayana Foundation
37. Ms. Tshering Lham, Offtg Executive Director, Royal Society for the Protection of Nature
38. Mr. Rinchen Ongmo, Coordinator, ICDP, Royal Society for the Protection of Nature

Other International Agencies

39. Ms. Megan Ritchie, Officiating Country Director, Netherlands Development Organization
40. Dr. Saamdu Chhetri, Deputy Resident Coordinator, Helvetas/ SDC Coordination Office
41. Mr. Torben Bellers, Minister Counsellor, Liaison Office of Denmark
42. Mr. Pem T. Dorji, Programme Officer, Liaison Office of Denmark
43. Mr. Tek B. Chhetri, Programme Officer, Liaison Office of Denmark
44. Mr. Phintsho Dorji, Officer-in-Charge, FAO

During Field Trip

Trongsa Dzongkhag

45. Mr. Lhab Dorji, Dzongdag
46. Mr. K.B. Rai, Dzongkhag Planning Officer
47. Mr. Nawang Dorji, Dzongkhag Education Officer
48. Ms. Dechen, Dzongkhag Health Supervisory Officer
49. Mr. Leki Tenzin, Dzongkhag Agriculture Officer
50. Mr. Dorji, Dzongkhag Livestock Officer
51. Mr. Tashi Dhendup, Dzongkhag Forestry Officer
52. Mr. Yeshey Samdrup, Regional Director, RTIO
53. Mr. Tenzin Duba, Gup, Tangsibi Geog
54. Mr. Pema Rinzin, Tshogpa, Tangsibji Geog
55. Mr. Phuntsho, Gup, Nubi Geog

Mongar Dzongkhag

56. Mr. Minjur Dorji, Dzongdag
57. Mr. Tappo, Dzongrab
58. Mr. Tandin Dorji, Dzongkhag Agriculture Officer
59. Mr. Dorji Wangchuk, Dzongkhag Livestock Officer
60. Mr. Sangay Dorji, Assistant Dzongkhag Education Officer
61. Mr. Chhimi Tshewang, Dzongkhag Health Supervisory Officer
62. Mr. Lekey Wangdi, Assistant Dzongkhag Planning Officer
63. Mr. Tashi Norbu Sherpa, Municipal Engineer
64. Mr. Sangay, Project Chemist, Essential Oils Development Programme
65. Mr. Galey Tenzin, Community System Specialist, Essential Oils Development Programme
66. Mr. Dorji, Lemon Grass Oil Quality Inspector, Sherichhu
67. Mr. Kinlay Namgay, Lemon Grass Oil Quality Inspector, Sherichhu
68. Mr. Jigme Dorji, lemon grass oil producer, Chaskhar
69. Mr. Sangay, farmer, Chaskhar
70. Mr. Tshewang Tashi, lemon grass oil producer, Drametsi Baheng
71. Mr. Ugyen Wangchuk, lemon grass oil producer, Yayung

Khaling (Trashigang Dzongkhag)

72. Ms. Jambay Zangmo, National Handloom Development Programme
73. Ms. Duptho Zangmo, grantee, MoA-REDP Micro-Grant

Ura (Bumthang Dzongkhag)

74. Mr. Ngawang Norbu, Park Manager, Thrumshingla National Park
75. Ms. Sonam Tshomo, grantee, MoA-REDP Micro-Grant

Participants at the Debriefing Session, 27 Oct 2005

1. Ms. Renata Lok Dessallien, UNDP Resident Representative & UN Resident Coordinator
2. Mr. Toshihiro Tanaka, Deputy Resident Representative, UNDP
3. Ms. Tshering Pem, Asstt Resident Representative, Poverty & MDG Unit, UNDP
4. Mr. Karma Phuntsho, Head, Policy and Planning Division, Ministry of Agriculture
5. Mr. Jigme Dorji, Department of Budget and Accounts
6. Mr. Lam Dorji, Director, Department of Planning
7. Mr. Roland Wittur, Resident Coordinator, GTZ
8. Mr. Kasper Tideman, SNV REM Advisor, Ministry of Trade and Industry
9. Mr. Dawa Penjor, UNDP Consultant
10. Ms. Marie Therbjerg, Liaison Office of Denmark
11. Ms. Emi Dyce, Japan International Cooperation Agency
12. Ms. Leki Wangmo, Department of Aid and Debt Management
13. Ms. Yuden Dorji, REDP Coordinator, Ministry of Agriculture
14. Ms. Sangeeta Koenig, Helvetas
15. Ms. Rinchen Lhazom, Planning Officer, Policy and Planning Division, Ministry of Works and Human Settlement
16. Ms. Tashi Wangmo, Policy and Planning Division, Ministry of Labor and Human Resources
17. Ms. Karma C. Tsering, REDP Coordinator, Ministry of Trade and Industry
18. Mr. Ugen P. Norbu, UNDP Consultant
19. Mr. Eduardo Quiroga, UNDP Consultant
20. Mr. Aki Hakonen, UNV Programme Officer, Poverty & MDG Unit, UNDP
21. Mr. Ugyen Namgyal, Bhutan Development Finance Corporation
22. Mr. Phintsho Dorji, Officer-in-Charge, FAO
23. Mr. Chhimi Dorji, Bhutan Chamber of Commerce and Industry
24. Ms. Ilona Leskinen, UNV Programme Officer, Poverty & MDG Unit, UNDP
25. Mr. Wangdi Tshering, Head, Project Management Support Unit, UNDP
26. Mr. Tandi Dorji, Communications Officer, National Environment Commission Secretariat

Annex 4

Literature Reviewed/ Consulted

Documents

1. Beneficiary Labor Contribution Survey by the Center of Bhutan Studies, 2005
2. Bhutan 2020: A Vision for Peace, Prosperity and Happiness, Planning Commission, RGOB, 1999
3. Bhutan Common Country Assessment 2005 (Draft), RGoB and UN System in Bhutan
4. Bhutan Millennium Development Goals Report 2002, Royal Government of Bhutan
5. Bhutan Private Sector Survey by a Joint Mission of MTI, BCCI, UNDP and the World Bank, 2002
6. Convention on the Elimination of All Forms of Discrimination Against Women Handbook
7. Cooperatives Act 2001, Ministry of Home Affairs, RGoB
8. Cottage and Small Enterprises Development in Bhutan: Prospects, Status and Recommendations by Tashi Wangyal, UNDP Consultant, 2005
9. Danida in Bhutan, Information Sheets on Danida Activities in Bhutan, Liaison Office of Denmark, undated
10. Dzongkhag Yargye Tshogdu Chathrim 2002, Ministry of Home Affairs, RGoB
11. Expanding Markets through Bhutan's E-business Pilot Project on Textile Handicrafts, Terminal Report by Victor G. Perez, UNDP/UNV/MTI E-business Advisor, 2005
12. First Assessment Report: Linking and Enhancing Protected Areas in the Temperate Broadleaf Forest Ecoregion of Bhutan by Jigme Tobgyal, UNDP Consultant, 2005
13. Framework Document for Bhutan's Poverty Monitoring and Assessment System, Planning Commission Secretariat, RGoB, 2003
14. Geog Yargay Tshogchung Chathrim 2002, Ministry of Home Affairs, RGoB
15. Guidelines for Outcome Evaluators, UNDP Evaluation Office, 2002
16. National Framework for Organic Farming in Bhutan (Draft), Department of Agriculture, Ministry of Agriculture, RGoB, 2004
17. Ninth Plan Main Document (2002-2007), Planning Commission, RGoB, 2002
18. Poverty Assessment and Analysis Report 2000, Planning Commission, RGoB, 2000
19. Poverty Analysis Report Bhutan, National Statistical Bureau, RGoB, 2004
20. Poverty Reduction Strategy Paper: A Cover Note to the Ninth Plan Main Document, Department of Planning, RGoB, 2004
21. Results-Oriented Monitoring and Evaluation, A Handbook for Programme Managers, UNDP Evaluation Office, 1997
22. SNV Information Sheets on Activities in Bhutan
23. Statistical Yearbook of Bhutan 2003, National Statistical Bureau, RGoB, 2004
24. Toward a Pro-Poor Development Strategy for Bhutan by SR Osmani et al, A Report prepared under UNDP Regional Project on Macroeconomics of Poverty Reduction, 2005
25. UN Development Assistance Framework Business Plan for Bhutan 2002-07, RGoB and UN System in Bhutan, 2003

26. UNDP Bhutan SRF/ROAR/MYFF Narratives , 2002
27. UNDP Bhutan Annual Report 2004
28. UNDP Project Fact Sheets
29. UNDP Project Documents
30. UNDP Project Quarterly and Annual Progress Reports
31. Wang Watershed Management Project Information Handout, 2003

Websites

www.adb.org: website of the Asian Development Bank

www.bhutanstudies.org.bt: website of the Center of Bhutan Studies

www.dop.gov.bt: website of the Department of Planning, Ministry of Finance, RGoB

www.helvetas.org.bt: website of Helvetas Bhutan

www.moa.gov.bt: website of the Ministry of Agriculture, RGoB

www.mti.gov.bt: website of the Ministry of Trade and Industry, RGoB

www.undp.org: website of the United Nations Development Programme

www.undp.org.bt: website of UNDP Bhutan Country Office

www.worldbank.org: website of the World Bank

Annex 5

Expected Results and Achievements of UNDP Poverty-Related Projects

1. STRENGTHENING POVERTY AND MDG FOCUSED ANALYTICAL CAPACITY IN THE GOVERNMENT (UNDP Project No. 00036155, managed by UNDP Poverty & MDG Unit)

Project Period: July-November (operationally closed)

Expected Results	Achievement
<u>Expected Long-term Outcome (UNDAF):</u> National capacity to analyze, monitor and report on human and income poverty and inequality improved	
<u>Expected Long-term Outcome (MYFF):</u> Statistical capacities and analytical processes of regular MDG and Poverty reporting established	
<u>Expected Short-term Outcome:</u> National capacity to analyze statistics to report on MDGs, and human and income poverty improved	
Expected Output 1: Analytical capacity of NSB strengthened to produce comprehensive poverty profiles;	<ul style="list-style-type: none"> ▪ Four officials from DoP and NSB trained in poverty data analysis ▪ Poverty Analysis Report 2004 produced and launched on International Day for Poverty Eradication; 1,000 copies printed. The Report establishes national poverty line for the first time.
<u>Expected Output 2:</u> Capacity to analyze statistics for monitoring and reporting on MDGs enhanced	<ul style="list-style-type: none"> ▪ Training workshop on the analysis of statistics for poverty and MDG-related monitoring and reporting held for planners and statisticians from central and dzongkhag agencies

2. CAPACITY STRENGTHENING OF THE DEPARTMENT OF BUDGET AND ACCOUNTS ON PRO-POOR FINANCIAL MANAGEMENT (BHU/03/M05, managed by UNDP Poverty & MDG Unit)

Project Period: January – December 2004 (operationally closed)

Expected Results	Achievement
Long-term Outcome: Pro-poor policy reforms to achieve MDG targets	
Medium-term Outcome: DBA able to allocate and monitor resources in a pro-poor way.	
<u>Short-term Outcomes:</u> 1) RGoB uses pro-poor 3-year rolling budgets including pro-poor Mid-Term Expenditure Frameworks 2) DBA's capacity for financial monitoring increased	
<u>Outputs for Outcome 1:</u> 1) Capacity of DBA in preparing rolling budget and MTEF built 2) Capacity of DBA staff developed for public expenditure analysis	<ul style="list-style-type: none"> • Report on using MTEF as a development tool prepared and extensively used in workshops to sensitize the participants on shifting from line-item to output-based budgeting • A core group of senior government officials trained in public budgeting and fiscal management with emphasis on MTEF. The core group now takes a lead role in taking the MTEF initiatives further.

<p>Expected Results</p> <p><u>Outputs for Outcome 2:</u></p> <ol style="list-style-type: none"> 1) Action plan for more efficient release and accounting procedures 2) Financial monitoring guidelines for DBA developed 	<p>Achievement</p> <ul style="list-style-type: none"> ▪ Faster and more efficient fund disbursement mechanism put in place from FY 2004/05. ▪ Financial monitoring guidelines have been developed for use by MoF and AFDs in all sectoral agencies as well as dzongkhags and geogs.
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3. E-BUSINESS PILOTING AND READINESS FOR RURAL WOMEN ARTISANS AND ENTREPRENEURS IN BHUTAN (BHU/03/003, managed by UNDP Poverty & MDG Unit)

Project Period: August 2003 – October 2005 (ongoing)

Expected Results	Achievement
<p><u>Long-term Outcome:</u> An enabling environment created for the use of ICT in small and medium enterprises (SME) development</p>	
<p><u>Intermediate Outcome</u> Contribution made to the knowledge-base on e-business in Bhutan</p> <p><u>Short-term Outcomes:</u></p> <ol style="list-style-type: none"> 1) Capacities of rural handicraft producing women strengthened 2) Capacities of handicraft entrepreneurs strengthened 3) Creation of enabling environment for e-business facilitated 	
<p><u>Outputs for Outcome 1:</u></p> <ul style="list-style-type: none"> ▪ Rural women handicraft producers trained in business skills 	<ul style="list-style-type: none"> ▪ Vegetable dying training conducted for weavers in Khoma and Radhi geogs. ▪ Product diversification and designing workshop -cum-training held in Khaling. Project management along with NHDP and Handicrafts Emporium are currently developing 14 products for test marketing.
<p><u>Output for Outcome 2:</u></p> <ul style="list-style-type: none"> ▪ Training provided to handicraft intermediaries 	
<p><u>Outputs for Outcome 3:</u></p> <ul style="list-style-type: none"> ▪ Policy framework regarding e-business examined and strategies identified ▪ E-business pilot project established ▪ Support to MTI provided for e-business ▪ Lessons monitored, learned and shared 	<ul style="list-style-type: none"> ▪ Legal and policy framework for e-business in other countries being examined by the MTI's legal officer and project UNV to come up with legal and policy framework for e-business ▪ Analysis of crafts and tourism index in progress. This will feed into the development of an e-business plan for handicrafts ▪ IT personnel of MTI trained in e-business and web-page development in India. Subsequently, MTI's IT personnel and the Project UNV trained IT personnel of NHDP and Handicrafts Emporium in basic e-business, internet, e-mail and basic computer operation ▪ IT and communication equipment provided to Khaling NHDP office, Handicrafts Emporium and RTIO ▪ E-business orientation training conducted at Khaling.

**4. SUPPORT TO DEVELOPMENT OF A POVERTY MONITORING SYSTEM
(UNDP Project No. BHU/02/M03, managed by UNDP Poverty & MDG Unit)**

Project Period: September 2002 – August 2003 (operationally closed)

Expected Results	Achievement
<u>Intended Outcome (as stated in the Country Results Framework):</u> Improved national capacity to monitor human and income poverty, in accordance with the Millennium Development Goals	
<u>Long-term Outcome:</u> National policies better targeted towards the poor <u>Intermediate Outcome:</u> National Poverty Monitoring mechanism operational	
<u>Short-term Outcome:</u> National capacity to analyze, monitor and report on human and income poverty and inequality improved	
<u>Output 1:</u> A national poverty monitoring system set up	<ul style="list-style-type: none"> • All dzongkhag statistical officers equipped with computer, printer and CD-ROM burner to install ChildInfo/BhutanInfo as the central database; UNICEF supported training • Attendance of two senior PCS officials at the “High Level Technical Workshop on Poverty Monitoring Assessment” • Draft framework document for poverty monitoring and assessment system for Bhutan formulated • A concise list of poverty monitoring indicators agreed and integrated in the MoF’s planning and monitoring system
<u>Output 2:</u> Methodologies for establishing poverty lines	<ul style="list-style-type: none"> ▪ SAARC poverty profile for Bhutan drafted ▪ Senior government staff from PCS and from PPDs of relevant ministries trained in the area of poverty monitoring systems, poverty lines, PPA, policy impact analysis in a series of workshops by IDEA International
<u>Output 3:</u> Poverty Impact Analysis of selected RNR development policies	<ul style="list-style-type: none"> • First Participatory Poverty Impact Assessment conducted, focusing on the construction of farm roads, as a capacity development exercise for future PPA
<u>Output 4:</u> Participatory Poverty Assessment methodologies developed	(the above also applies for this output)
<u>Output 5:</u> Institutional capacity for poverty monitoring, including MDG reporting, strengthened	<ul style="list-style-type: none"> • First MDG Report prepared

5. INTEGRATED HORTICULTURE DEVELOPMENT PROGRAMME (BHU/97/003, managed by UNDP Poverty & MDG Unit)

Project Period: July 1997- June 2003 (closed)

Expected Results	Achievement
<p><u>Programme Development Objective:</u> In keeping with the RGoB objective to increase income, living and nutritional standards of the rural population through horticulture, the IHDP will assist the RGoB in building its capacities through TA, training and equipment support in the critically important sub-programmes, viz coordination, marketing, post-harvest, technology development, extension, and aromatics and medicinal plant development.</p>	
<p>1) Coordination of horticultural development in the country improved</p>	<ul style="list-style-type: none"> ▪ Coordination Unit functioning ▪ Increased public awareness on horticulture topics through media and commodity stakeholder workshops ▪ A commodity database on major crops was compiled but was still under review at the end of the project period ▪ Number of policy and legal studies to support drafting of appropriate policies and legislations. Interim seed and seedling standards were drafted for major horticulture crops, quality standards for apple and mandarin were formalized and tested, and Cooperatives Act enacted
<p>2) Marketing system for domestic/ export horticultural produce improved</p>	<ul style="list-style-type: none"> ▪ Agriculture Marketing Section strengthened, with a staff strength of five qualified officers and one support staff and necessary office equipment in place ▪ New Sunday markets established at Gyelposhing, Drametsi, Lingmethang, Yadi (all in Mongar dzongkhag). Existing Sunday markets at Paro and Trashigang improved with additional sheds and the old market at Samdrup Jongkhar was rebuilt with proper structures and space. The orange depot at Nanglam complete, a collection depot at Langthel built, and a chirata dryer installed at Zangthel ▪ Dzongkhag profiles have been collected and documented, and based on these first draft of the marketing plan has been formulated ▪ A series of marketing activities undertaken by the end of the project ▪ Market information collection increased to 15 main markets from the earlier 6 main markets, and all 20 dzongkhag extension officers trained in market information collection
<p>3) Post-harvest losses of horticultural produce reduced</p>	<ul style="list-style-type: none"> ▪ Post-Harvest Unit strengthened with eight technical and six support staff in place, a substantial increase from the three technical staff at the beginning of the establishment of the PHU ▪ Two different types of low-cost fruit and vegetable store set up and tested at RNRRC Yusepang, three ambient stores for potatoes set

Expected Results	Achievement
4) Appropriate and locally adapted management recommendations for horticultural crops and enable growers to optimize their returns from horticultural produce provided	<p>up in the eastern region, and six small capacity vegetable stores set up in the western region. The 50MT cold store with pre-cooler at the PHU complex complete</p> <ul style="list-style-type: none"> ▪ Provisional packing and grading quality standards in place for three crops; a demonstration pack-house, including automatic grader, functional at the PHU site; a manual potato grader has been fabricated for wider distribution; model on-farm pack-houses set up for promotion in six different apple growing regions; and trials on improved packaging for apples and potatoes carried out. ▪ Harvest practices for Red Delicious and Fuji apples studied and harvest guides developed ▪ Refrigerated transportation of fruits and vegetables stalled as it was deemed not to be feasible ▪ Demonstration laboratory for farm-level food processing developed, farm level dryer developed and distributed to two sites, Dakpai at Zhemgang and Densing at Trongsa, and farm-level potato chipping adopted ▪ Post-harvest laboratory established at PHU, Paro but the one at RNRRC Khangma not established as the RNRRC was to shift to a new location <ul style="list-style-type: none"> ▪ List of priority horticultural crops for research prepared, national focal person identified for eight major crops, and National Horticulture Research Policy and Strategy drafted for use as the guiding document for horticulture research through the 9th FYP. ▪ More than 65 new fruit varieties and 10 rootstocks introduced and under evaluation and more than 49 vegetable crop varieties introduced and tested. ▪ Studies and testing of appropriate/ adaptive crop management and production practices ongoing ▪ On-farm integrated crop management trials for priority crops established, demonstration orchards established in three locations, backyard fruit tree demonstration initiated, walnut trial-cum-demonstration in ten locations, citrus demonstration in six eastern dzongkhags, and mango demonstration in 4 locations underway. ▪ Model kitchen gardens to demonstrate year-round vegetable production techniques established in Khangma and Yusepang; tomato lines for drought and heat resistance obtained and under trial; low -cost green houses using mud bricks and plastic under trial; winter off-season vegetable production trials underway in various locations. ▪ Collection of wild mushrooms ongoing; germplasms for local mushroom species cultured for use in cultivation trials; and truffles harvested for the first time in Bhutan.
5) An effective horticultural extension programme	<ul style="list-style-type: none"> ▪ Horticulture topics incorporated in the school

<p>Expected Results</p> <p>with on-the-ground demonstrations – growing potential crops in farmers’ fields and demonstrating improved crop management practices developed</p>	<p>Achievement</p> <p>curriculum</p> <ul style="list-style-type: none"> ▪ Increased public awareness on horticulture topics through media and commodity stakeholder workshops ▪ A total of 38 extension and research trained in extension communication and an extension manual has been produced and distributed to all the dzongkhags. ▪ Support provided to the Information Communication Services for Dzongkha translation of extension/ information materials and radio and video extension programmes. ▪ Focal teachers trained for School Agriculture Programme, vegetable seeds supplied to 13 schools, guidelines for vegetable and fruit production developed and distributed to all schools, and farm tools supplied to five pilot school farms.
<p>6) Existing commercial aromatics and medicinal plants and identify additional species with potential for commercial exploitation generating alternate sources of sustainable income to the farmers developed</p>	<ul style="list-style-type: none"> ▪ First draft of manual on collection and cultivation of medicinal and aromatic plants developed and circulated. ▪ In collaboration with the Institute of Traditional Medicine Services, multiplication and agronomic on cultivable medicinal species initiated. 27 low -altitude and 31 high -altitude species prioritized for cultivation and three herb gardens established at altitudes ranging between 2,400 and 4,200 masl, covering 36 low- and high-altitude species. ▪ Development of production technology for six species of medicinal plants initiated, six species released for cultivation together with a prototype portable drying unit, with 25 farmers cultivating these species and being able to meet annual demand for four species by the Institute of Traditional Medicine Services. ▪ Abundance survey of 16 rare species of medicinal plants conducted.
<p>7) Rural agro-based industries through provisions of efficient marketing, processing and quality control services to the producers and exporters of horticulture produce including essential oils and medicinal plant products, starting with lemon grass oil promoted.</p>	<ul style="list-style-type: none"> ▪ A fabricated stainless steel lemon grass oil distillation unit installed at Yusepang, and a laboratory scale distillation unit installed and used for testing oil recovery rate. ▪ Marked improvement in the technical areas related to good manufacturing practices and quality control of lemon grass oil. ▪ Equipment procured for setting up a workshop for repairing stainless steel distillation units but establishment of the workshop itself delayed due to lack of a suitable central site. Subsequently, indication was there to set up the workshop alongside the collection depot to be constructed at Sherichhu. ▪ Marketing of lemon grass oil improved, evidenced by the sale of 12 tons of lemon grass oil in the UK during 2000 season fetching a gross payment of Nu 6.2 m. ▪ Marketing system starting from collection of oil from farmer’s site to the forwarding of the consignment in place.

6. DECENTRALIZATION SUPPORT PROGRAMME (UNDP Project No. BHU/02/006, BHU/02/C01, managed by UNDP Governance Unit)

Project Period: July 2003 – December 2006 (ongoing)

Expected Results	Achievement
<u>Long-term Outcome:</u> Measurable reduction in spatial disparities of Gross National Happiness as confirmed by standardized verifiable indicators	
Intermediate Outcome Men and women take greater control of their own development planning and implementation management decision-making	
<u>Output 1:</u> Sensitized local governance institutions create enabling local environment for complete decentralization policy implementation	<ul style="list-style-type: none"> ▪ Dzongdags' meeting on decentralization held ▪ 2003 Annual Conference for GYT/DYT chairmen supported by DSP ▪ All Dzongkhag Planning Officers trained in the use of RGoB Budget & Accounting System ▪ Dzongkhag sector staff from Gasa, Pema Gatshel, Trongsa, Lhuentse and Zhemgang trained in Facilitation and Participatory Community Planning ▪ 32 GYTs trained in Geog Planning Facilitation
<u>Output 2:</u> Policies and practices enhancing citizen participation in local planning, decision-making and implementation management institutionalized	<ul style="list-style-type: none"> ▪ Development Grants disbursed to 32 Geogs for locally defined development activities as per geog plan ▪ Decentralization Study Tour for dzongkhag staff conducted ▪ DYT/GYT Chathrims printed and distributed ▪ DYT/GYT Chathrim Implementation Manual completed, printed and distributed to all DYT and GYT ▪ Basic office equipment procured and disbursed to 176 GYTs
<p><u>Output 3:</u> Conducive conditions and support systems to create and manage local self-reliant cooperatives established</p> <p><u>Output 4:</u> Capacity enhanced in MHCA to provide overall management support for decentralization policy implementation</p>	<ul style="list-style-type: none"> ▪ Dzongkhag level Cooperatives Workshop held in June 2004 ▪ Farmer Groups' workshop on Cooperatives Act held in June 2004 ▪ 13 Cooperative Focal Points nominated in ministries and agencies and workshop held for the focal points ▪ A series of brief workshops on Cooperatives Act held for Chairpersons of DYT and GYT, and for leaders of farmer groups and associations • A staff from DGL participated in UNCDF regional decentralization workshop • Equipment procured for project management by MHCA • Decentralization workshop for government officials and donor representatives held • Two reports produced looking at the existing planning and budgeting system and implementation of local governance legal framework

7. LINKING AND ENHANCING PROTECTED AREAS IN THE TEMPERATE BROADLEAF FOREST ECOREGION (UNDP Project No. BHU/03/G35, managed by UNDP Environment Unit)

Project Period: May 2003 – April 2008 (ongoing)

Expected Results	Achievement
<p><u>Intended Outcome (as stated in the Country Results Framework):</u> Improved capacity of local authorities and community-based groups in environmental management and sustainable energy development</p>	
<p>Output 1: Developed conservation and management guideline, regulatory framework and capacity for biological corridor management</p>	<ul style="list-style-type: none"> - Socio-economic study of communities living the two corridors completed; study on grazing, tseri and pangzing to be completed by 2004 - 17 park staff trained on park management and anti-poaching activities; - 6 senior officers and 4 community leaders visited protected areas of Malaysia, Singapore and Thailand to understand good management practices of parks in developed countries including sustainable financing plan. - To enhance communication, 5 handsets and two mobile base procured and installed in park warden offices in Autsho and Lingmithang. - Field gears provided to the park staff
<p>Output 2: Developed model initiatives for effective biological corridor management and conservation by the local authorities and communities in selected sites</p>	<ul style="list-style-type: none"> - Completed Socio-economic studies in the corridors and grazing, tseri and Pangzhing studies underway in TNP and biological corridors - ICDPs for all geogs included in the annual workplan; 25 village level meetings/consultations held to identify and plan ICDPs in the 8 geogs; - An anti-poaching unit was created at the park office; the park also introduced a system of informants whereby information on land encroachment, poaching activities etc.
<p>Output 3: Strengthened conservation and sustainable use of biological resources in the Thrumshingla National Park</p>	<ul style="list-style-type: none"> - The park management is now gradually taking over all area of the Thrumshingla National Park from territorial divisions so that management of the park becomes effective. As of June 2004, five geogs out of total nine geogs have come under the total administrative control of the park. - Construction of Park headquarter at Ura initiated and 20% completed. - Information center at Yon kola established; - Environmental education programme focusing the road workers, schools and local communities under implementation; - Most intensively used winter grazing land identified - ICDPs for 8 geogs developed in consultation with the communities and implemented by the district extension staff; - Socio economic data collected, biological study will be completed by 2004

8. RURAL ENTERPRISES DEVELOPMENT PROGRAMME (BHU/02/002, BHU/02/003, managed by UNDP Poverty and MDG Unit)

Project Duration: August 2002 – July 2007 (ongoing)

MTI Component 1: Enabling Policy Environment	
Expected Results	Achievement
<p><u>Expected Long Term Objective:</u> Support national strategies to enhance sustainable livelihood through increased income and employment in rural areas.</p> <p><u>Expected Immediate Objectives :</u></p> <ul style="list-style-type: none"> ▪ Assess the impact of globalization and WTO rules based trading system of Bhutan; ▪ Create an enabling policy environment for private sector development; ▪ Formulate a Technical Assistance Proposal for the establishment of a Foreign Investment Promotion Division / Agency ▪ To Strengthen the Operational and Manpower Capacity of Policy and Planning Division of MTI 	
<p><u>Expected Outputs:</u></p> <p>1. An action-oriented plan to mitigate the impacts of globalization and the WTO rules based on trading system of Bhutanese economy.</p>	<p>It was decided that this activity would not be undertaken in order to avoid duplication of works by the Department of Trade.</p>
<p>2. Recommendations on appropriate policies and regulations to facilitate private sector development in Bhutan.</p>	<ul style="list-style-type: none"> ▪ Draft Industries and Investment Act of the Kingdom of Bhutan prepared. ▪ The national RED facilitator has been recruited in January 2005 to develop the Business Promotion.
<p>3. Strengthened Operational and Manpower Capacity of Policy and Planning Division of MTI</p>	<p>Four officers from the Division participated in the Program for Development Managers (PDM) course at the Asian Institute of Management.</p>
<p>4. Industries and Investment Act and simplification of business licensing procedures.</p>	<ul style="list-style-type: none"> ▪ An International Consultant had been recruited to assess the business licensing procedures, rules, regulations, guidelines and policies that govern the establishment of business in the Kingdom. Report is under discussion. ▪ Business information handbook developed
<p>5. Technical Assistance Document for the establishment of a Foreign Investment Promotion Division and appropriate mechanisms for implementation and promotion of foreign direct investments in Bhutan</p>	<ul style="list-style-type: none"> ▪ FDI expert was recruited to draft a TA document on Institutional Arrangements for the Implementation of Foreign Investment Policy in Bhutan. ▪ Study tour undertaken by the senior officials to Singapore, Honkong, Sri Lanka Maldives, and Thailand. ▪ FIAS consultant and Regional Program Coordinator for South Asia presented and discussed the findings of the existing institutional arrangements within the Department of Industry for the implementation of foreign investment policy in July 2005.

MTI Component 2: Institutional Support Structures and Skills Development	
Expected Results	Achievement
<p><u>Expected Objectives</u></p> <p>1. To strengthen national public sector institutions and employees to build up their capacities to support entrepreneurship development.</p>	

<p>2. To build up a core cadre of entrepreneurs in rural areas who are able to take advantage of opportunities offered through market information, enterprise development, and other models.</p> <p>3. To establish a consolidated and coordinated entrepreneur support services at the Regional and Dzongkhag levels to use these services as primary frontline contact in the delivery of entrepreneurship and enterprise development programme.</p>	
<p><u>Expected Outputs</u></p> <p>1. Capacity strengthening needs assessment of institutions (both regulatory and services) and rural firms at manpower and institutional level.</p>	<ul style="list-style-type: none"> ▪ A Capacity Strengthening Specialist was recruited in 2004. Needs assessment study has been made at the RGoB institutional level and at the BCCI and Business Association level. ▪ Two days RTIO Strategy Development Workshop was held in April 2004 focusing on the need for RTIOs to shift from existing regulatory and monitoring to business promotional roles. Draft strategy development plans for RTIOs drafted. ▪ Needs and demands assessment of enterprises in Phuentsholing, Gelephu, and Samdrupjongkhar conducted. ▪ Economic profile of each of the 20 Dzongkhags prepared. ▪ Regional Directors participated in a 2-week programme on Micro, Small, and Medium Enterprises (MSME).
<p>2. Development of curricula for training for services and regulatory organization's personnel and entrepreneurs.</p>	<p>EPC has been able to develop manuals and conduct awareness workshops as a result of refresher course on small business management in March 2003.</p>
<p>3. Training all stakeholders in collaboration with EPC.</p>	<ul style="list-style-type: none"> ▪ The CEFE TOT program was conducted from August 18 to September 14, 2004. 17 participants (from the EPC, BCCI, private sector, financial institutions, Department of Human Resources, Ministry of Labour and Human Resources, Vocational Institutes and Ministry of Agriculture) were trained. The EPC now uses superior time-tested CEFE training in conducting entrepreneurship courses. A pool of CEFE trainers has also been created. ▪ EPC consultants attended 'Advanced SME Management Course' and they have become more competent in the delivery of training services to both existing and potential entrepreneurs.
<p>4. Establishment and operationalization of Demo Projects</p>	<p>Work on REMs ongoing. See component 4B.</p>
<p>5. Establishment of Promotion Section in RTIOS and structuring of both institutional and service functions.</p>	<ul style="list-style-type: none"> ▪ Apart from the 4 existing RTIOs, 2 additional offices have been established in Trongsa and Mongar. BPS offices launched in all RTIOs.
<p>6. Strengthen the capacity of Promotion Section of RTIOs</p>	<ul style="list-style-type: none"> ▪ Orientation programme for 6 promotional officers conducted in July 2003. ▪ Attachment with Rural Enterprise Facilitator for 1 year where they acquired on-the-job skills needed when they take up their responsibilities in the Regions. ▪ Comprehensive entrepreneurship course (CEC) imparted to BPS officers from 17 November to 21 December 2004 where they became familiar with business enterprise functional areas of business management.

	<ul style="list-style-type: none"> ▪ Business Promotion Service Officers trained in developing business plan.
7. Support the Promotion Section in replicating REMs /demonstration projects to potential entrepreneurs.	EPC conducted series of workshops in the regions in 2 nd quarter of 2005. 262 rural entrepreneurs participated.

MTI Component 3: Marketing and Marketing Systems	
Expected Results	Achievement
<p><u>Expected Objectives:</u></p> <ul style="list-style-type: none"> ▪ Continuous Monitoring, Research, Analysis and Strategising of Market Conditions: The sub-component aims at establishing systems for continuous monitoring and analysing of market conditions for exploitation by entrepreneurs. Which in effect, will create a market - environment scanning service that continuously updates the range of domestic and export products and product markets in which Bhutanese entrepreneurs can participate, based on the range of production possibilities available to producers in Bhutan? ▪ Business Information Systems: to establish a Market Information System (MIS) that is seamlessly interfaced with production, skills, management, finance and other entrepreneurial information, that will provide up -to-date relevant information to rural entrepreneurs and other information seekers. 	
<p><u>Expected Outputs:</u></p> <p>1. Continuously monitoring of market situation, and to identify potential domestic and export markets, range of products and production regions.</p>	<ul style="list-style-type: none"> ▪ Market research for Bhutanese handicrafts had been undertaken in Australia, U.K and Japan; ▪ Bhutanese Information Evening was held in Melbourne, Australia to introduce Bhutan's potential as a supply source to selected entrepreneurs; Participants included the Body Shop and one of Australia's largest and respected importer, wholesaler, and retailer of arts and crafts, Ishka. ▪ HWL Consulting has presented SWOT analysis facing the Handicraft Sector and a number of strategies to increase sale of Bhutanese handicraft products was outlined. ▪ Market research report on hand-woven textiles prepared. ▪ Market research report on the "International Market for Wooden Handicraft" prepared. ▪ Market research report on natural dyes prepared. ▪ Glossary on Bhutanese handicraft terminology.
2. Establish Business Information Systems	<ul style="list-style-type: none"> ▪ Business Promotion Service started within 6 RTIO
3. On-the-job training to public and private sector personnel in market research, marketing testing, and marketing.	<ul style="list-style-type: none"> ▪ Two seminars on supply chain management conducted. ▪ Presentation to the handicraft community on market research findings on hand-woven textiles, wooden handicrafts, and natural dyes.

MTI Component 4: Non-Agro Enterprises	
Sub Component 4.1: Lemon Grass Oil Production	
Expected Results	Achievement
<p><u>Expected Objective:</u> The objective of the sub-component is to expand and increase participation and the value-addition factor of a farm-community-enterprise vertically integrated system to produce high-value products based on lemon grass and other essential oils.</p>	
<p><u>Expected output:</u> 1. Market Strategy for Lemon Grass</p>	<ul style="list-style-type: none"> ▪ Community Systems Specialist recruited in 2003. The CSS engaged in establishment of lemon grass oil producers' group. Senior scientists' experts from FFDC visited Bhutan from April 22 to May 30, 2004 to prepare a detailed master plan. The master plan discussed thoroughly between the programme and the consultants, and submitted to the Department for further discussions and approval to launch the activities. ▪ Marketing of lemon grass oil noted with tremendous success. In 2004
2. Sustainable Utilization of Lemon Grass	<ul style="list-style-type: none"> ▪ A meeting was held among stakeholders where several prominent issues were discussed, which included CBNRM strategies in lemon grass utilization, studies of fuel wood depletion and corrective actions, resource mapping and demarcation, production, quality management and marketing. ▪ Workshop on "Lemon Grass Industry" held in Mongar on November 8 & 9, 2004. ▪ Central collection depot constructed at Sherichu, Mongar in 2003. ▪ Simple and illustrated manual for harvesting and distillation of lemon grass drafted.
3. Increased technical autonomy of lemon grass producers	Movement towards lemon grass oil producers group, constitution, and bylaws has been drafted.
4. Assured quality control of lemon grass	<ul style="list-style-type: none"> ▪ Parameters for quality assurance, product specification, and management system have been established. Quality control laboratory also has been strengthened. ▪ The EODP quality inspectors conduct regular field visits to monitor the quality production of oil, and to ensure that quality management is observed in the production season. ▪ To provide fast and efficient technical services the two quality inspectors were given motorcycles purchased with project funds, to facilitate their mobility. ▪ EODP continued to enhance the internal capacity by conducting in house refresher course.
5. Lemon Grass collection groups established	<ul style="list-style-type: none"> ▪ First workshop for formation of lemon grass group was held in Phowan in 14 October 2003. ▪ Responsive Participatory appraisal workshops held with the assistance of SNV's community system specialist, the programme convened a workshop on Group formation in "Lemon Grass Industry" in Mongar on November 8 & 9- 2004. ▪ During the Steering Committee Meeting in January 2005, it is decided that the only sub-component of lemon grass collection groups

	formation would be considered under the RED programme
6. Established management system for group collection of lemon grass	<ul style="list-style-type: none"> ▪ Workshop on Co-operatives Act held in Bumthang from March 29 – 31, 2004. ▪ Workshop on formulation of Rules and Regulations for the Co-operatives” held in Mongar from June 15-17, 2004. ▪ The structure of the group has been finalized. The formation of the group has been initiated with the election of 12 representatives for all distillers. Further, the by elaws and materials for the constitution were also discussed to be included in the draft. The draft would be further discussed with the representatives and the distillers before it is endorsed for final adoption. ▪ With assistance from the Community System’s Specialist, a constitution and by-laws have been drafted. ▪ A study tour for interim management committee was organized to Bumthang and Trongsa from March 25-30, 2005.

MTI Component 4: Non-Agro Rural Enterprises	
Sub-Component 4.2: Rural Enterprise Models	
Expected Results	Achievement
<p><u>Expected Objective</u> To develop a portfolio of replicable technical, management and business tools necessary for creation of rural non -farming enterprise systems, and to use these to facilitate the development of a number of non-agricultural enterprises. The portfolio will be based on real-life entrepreneurial sectors and ventures.</p> <p><u>Expected Outputs</u> 1 Detailed resource inventories will be carried out in the districts</p>	<p>The REM Specialist, the International REF, and the National REF conducted detailed sub sector analysis (consisting of resource inventories & market scans) during the first 4 months of 2005. Report contained detailed information on the following sub-sectors: Wood handicrafts, Wood furniture, Bamboo, & cane: handcr afts, Incense products, Natural health care products, mobile sawmill. Three sub-sectors were prioritized for interventions, namely wood handicrafts (wood lathe, cane & bamboo and incense).</p>
2. Product based market researches for both domestic and international markets will be carried out, after which techno economic feasibility studies will be carried out for the establishment of the REMs.	<ul style="list-style-type: none"> ▪ General market assessments were commissioned in the UK, Japan, and Australia and a detailed market assessment was commissioned for Australia. ▪ Comprehensive Strategy & Action Plan for 3 sub-sectors (cane & bamboo, wood lathe and incense) designed and adopted. ▪ Three areas identified by the RED sub-sector scrutinized from the international market prospective. 16-member delegation led by the Director, Department of Industry visited the Thai Royal Projects in December 2004. ▪ Based on the identified potential REM products, the programme financed the participation of 8 entrepreneurs from the rural enterprise based on

	wood, cane, bamboo, textile, agro products, and natural incense sticks.
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MTI Component 4: Non-Agro Enterprises	
Subcomponent 4.3: Rural Enterprise Grant Scheme	
Expected Results	Achievement
<u>Expected Objective:</u> Develop a small grants scheme for the benefit of non-farm based entrepreneurs.	
<u>Expected Output:</u> N/A	<ul style="list-style-type: none"> ▪ The following documentation has been developed & approved: REGS Policies & Guidelines; REGS Guidelines for filing a Business Plan by Applicants; REGS Application form; REGS Agreement (legal document) ▪ After approval, the REGS Scheme has been advertised by MTI on BBS and in the Kuensel. ▪ The International REF, National REF and EPC have trained the BPS Officers on 3 components and the training took place from 25th April up to the 6th May . ▪ 15 REGs applications have been received out of which the REGs approval committee has approved 11 in August 2005.

MTI Component 4: Non-Agro Enterprises	
Subcomponent 4.4: Handicrafts Development	
Expected Results	Achievement
<u>Expected Objective:</u> To develop a portfolio of replicable technical, management and business tools necessary for creation of rural non -farming enterprise systems, and to use these to facilitate the development of a number of non-agricultural enterprises.	
<u>Expected Output</u> 1. Establish a strong & coordinated core arts & crafts group.	<ul style="list-style-type: none"> ▪ 10 participants trained
2. To establish a core group of designers in Bhutan.	
3. To expand & extend dyeing skills of weavers.	
4. To enhance the sewing skills of sewers & tailors for commercial production.	
5. Expansion of retail products	
6. Development of textiles products as state gift.	
7. Development of institutional Hotel & Resort Products	
8. Collaboration with International Designers-Transformation of Bhutanese fabrics contemporary products.	
9. Overseas Exhibition	
10. Establishment of Bhutan artisan information website	
11. Photography of Bhutanese Weavers	

MoA Component 5: Agriculture Enterprises	
Sub-Component 5.1: High Value Niche Organic Products	
Expected Results	Achievement
<u>Expected Long Term Objective</u> The long term objective for the Rural Enterprise	

<p>Development Programme is to support national strategies to enhance sustainable livelihoods through increased income and employment in rural areas.</p> <p><u>Expected Short Term Objective</u> To establish organic/natural production & marketing process as a viable enterprise for Bhutanese farmers.</p>	
<p><u>Expected Outputs</u></p> <p>1. National strategies and policies for the growth and development of organic farming in Bhutan.</p>	<ul style="list-style-type: none"> ▪ Organic Market Development (FAO) completed; ▪ MoA explored different options for certification of organic products; no final decision made; ▪ TA for Organic Farming (UNV) completed in 2004; ▪ Draft National framework for organic farming in Bhutan is prepared and will be presented to the ministry for formal clearance in October 05.
<p>2. To establish Demonstration and Trial Farms</p>	<ul style="list-style-type: none"> ▪ Organic research initiated in all research centres. ▪ RC-Yusipang fully organic. ▪ Model demo farms production initiated in Paro. ▪ Information leaflets on organic farming practices developed printed and distributed. ▪ School organic agriculture programme initiated within 4 schools.
<p>3. Development of organic standards</p>	<ul style="list-style-type: none"> ▪ Initiated assessment visits by INDOCERT were conducted on red rice production area, and Medicinal plant production to assess the suitability for certification. ▪ Food Safety and Quality Standard Specialist (FAO) undergoing his final mission.

<p>MoA Component 5 Subcomponent 5.1: Fruit and Vegetable Processing</p>	
<p>Expected Results</p>	<p>Achievement</p>
<p><u>Expected Objective</u> To reduce post harvest losses and encourage on farm semi or fully processing for farm-community enterprises, product development and value addition.</p>	
<p><u>Expected output</u></p> <p>1. To reduce post harvest losses and encourage and establish fruit and vegetable processing or value – addition through semi-processing and processing</p>	<ul style="list-style-type: none"> ▪ NPHC staff attended courses in food processing at Thailand ▪ First training on food processing provided to farmers and entrepreneurs in Dagana in August 2005 ▪ 2nd Mission of Agro-processing specialist (FAO) complete sept.05 ▪ Product development unit commissioned and trial on product development initiated. ▪ Farm level processing specialist (FAO) completed mission in Nov 2004 ▪ Jams, jellies, and other products are developed and prepared for market testing. ▪ Manual for food processing developed.

2. Establish farm community enterprises	<ul style="list-style-type: none"> ▪ 1st ISPP Citrus suppliers group formation initiated in Dagana Dzongkhag ▪ Techno feasibility conducted for setting up 2nd plant at Goling, Zhemgang. ▪ NHPC identified to manage the Plant. ▪ Refrigerated trucks procured for trial/demonstration on cool chain model. ▪ 1st Integrated semi processing plant (ISSP) started at Dagapela.
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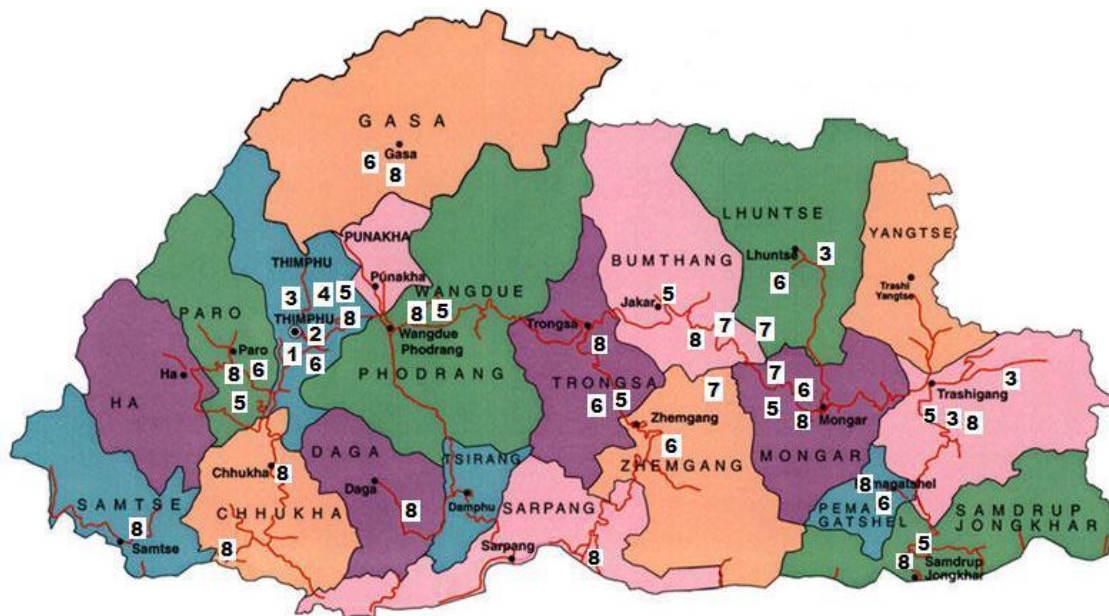
MoA Component: Agriculture Enterprises Subcomponent 5.3: Horticulture Development/ Marketing	
Expected Results	Achievement
<u>Expected Objective:</u> Improve quality, value and export of horticulture produce <u>Expected Outputs</u> 1. Establish commercialised production and export of horticultural produce	With the beginning of RED implementation increase in volume and value of export noted for potatoes, mandarins, apples, and vegetables.
2. Market opportunities for fresh or farm level processed horticulture products improved, linking farmers to markets	Market Research for fresh fruits & vegetables conducted in Kolkota. Fruits & vegetable export commenced in 2005 to Kolkota. A detailed study was conducted on cordyceps marketing in Singapore & Hong kong. Marketing of cordyceps conducted. Fresh summer fruits and vegetable exhibition held in Dhaka in July 2004. Fruits export to Dhaka commenced in 2005. Panbang farmers group exported Mandarins worth Nu.8 million in 2004 season.

MoA Component 5: Agro Enterprises Sub Component 5.4: Horticulture Development/ Marketing Micro Capital Grant Scheme	
Expected Results	Achievement
<u>Expected Objectives</u> To establish new enterprises, to expand existing enterprises and for pilot projects to establish the viability of a proposed enterprise.	
<u>Expected Output</u> Model enterprises set up to encourage small agri-businesses in rural areas.	11 Projects have been supported and these include: <ul style="list-style-type: none"> ▪ 3Potato & Banana chips units ▪ Ambient temperate apple storage facility. ▪ Mushroom unit ▪ Orchid nursery ▪ Vegetable seed production ▪ Medicinal/culinary herb ▪ Log mushroom cultivation ▪ Cornflakes production ▪ Commercial straw mushroom

Note:

- 1) The tables for Projects # 1-7 have been compiled from the respective project progress reports posted in the UNDP Projects Monitoring Sheet
- 2) The tables for Project # 8 have been reproduced from the Mission Report of the Mid Term Review of the Rural Enterprises Development Programme, November 2005

Annex 6
Geographic Spread of UNDP Poverty -Related Projects



1. Strengthening Poverty and MDG Focused Analytical Capacity in the Government
2. Capacity Strengthening of the DBA on Pro-Poor Financial Management
3. E-business Piloting and Readiness for Rural Women Artisans and Entrepreneurs
4. Support to Development of a Poverty Monitoring System
5. Integrated Horticulture Development Programme
6. Decentralization Support Programme
7. Linking and Enhancing Protected Areas in Temperate Broad Forest Ecoregion of Bhutan
8. Rural Enterprises Development Programme

Annex 7

Poverty Related Documents Produced with UNDP Support

Listed in chronological order starting from 2002

1. Millennium Development Goals Progress Report 2002
2. Private Sector Survey Report, 2002 (in collaboration with the Ministry of Trade and Industry, Bhutan Chamber of Commerce and Industry and World Bank)
3. Framework Document for Bhutan's Poverty Monitoring and Assessment System, 2003, by the Planning Commission Secretariat (now Department of Planning)
4. Poverty Reduction Strategy: Cover Note to the Ninth Five Year Plan Main Document, 2004, by the Department of Planning
5. Poverty Analysis Report, 2004, by the National Statistical Bureau
6. Beneficiary Labor Contribution Survey Report, 2005, by the Center of Bhutan Studies
7. Cottage and Small Enterprises Development in Bhutan: Prospects, Status and Recommendation by Tashi Wangyal, 2005
8. Toward a Pro-Poor Development Strategy for Bhutan, 2005, by SR Osmani et al
9. Democracy, Good Governance and Happiness: Some Views from the Kingdom of Bhutan by Renata Dessallien, 2005
10. Expanding Markets through Bhutan's E-business Pilot Project on Textile Handicrafts: Trudging from Tradition to Innovation, Report by Victor Perez, UNDP/UNV/MTI E-business Programme Advisor, undated

Documents produced under the Rural Enterprises Development Programme

1. Revised Feasibility Study for establishment of Semi- processing Plant in Bhutan by Saipin Maneepun, FAO Report for MoA-REDP, 2003
2. Sub-sector Analysis of Textile, Cane and Bamboo, and Wood Lathe by Maureen Liebl, Report for MTI-REDP, 2003
3. Farm Level Food Processing by Conrad Perera, FAO Report for MoA-REDP, 2004
4. Feasibility Study for to identify an alternate site for the establishment of 1st ISPP in Bhutan & revise financial analysis of ISPP by Nenda Wangchuk and Lynne Kennedy, FAO Report for MoA-REDP, 2004
5. Development of Quality & Food safety for Horticulture Produce by Ramesh Bhat, FAO Report for MoA-REDP, 2005
6. Feasibility study to identify an alternate site for the establishment of first ISPP in Bhutan & Revised Financial Analysis by Nenda Wangchuk, REDP Report for MoA-REDP, undated
7. Basic Business Records by Lynne Kennedy, undated
8. REDP Micro Capital Grants to Develop Rural Enterprises by Lynne Kennedy, undated
9. Food Processing Extension Guide Technical Series 1 – 5 by National Post-Harvest Center, 2005
10. Tips on Composting by MoA-REDP, undated
11. Organic Farming: Working in Harmony with Nature, MoA-REDP, undated

12. Vermi Composting by MoA-REDP, undated
13. Japan Market Report for Handicrafts Items and Artwork by SNV for MTI-REDP, undated

Note: The list of REDP documents have been taken from Mission Report of the Mid Term Review of REDP