

**Royal Government of Bhutan,  
Gross National Happiness Commission**

**Ministry of Foreign Affairs,  
Government of Denmark  
United Nations Development Programme  
United Nations Environment Programme**

## **Programme Document**

### **Joint Support Programme: Capacity Development for Mainstreaming Environment, Climate Change and Poverty Concerns in Policies, Plans and Programmes**

**Bhutan**

**14 November 2009**

## Programme Cover Page

<b>Country</b>	: Bhutan
<b>Programme title</b>	: <b>Joint Support Programme: Capacity Development for Mainstreaming Environment, Climate Change and Poverty Concerns in Policies, Programmes and Plans</b>
<b>Starting date and duration</b>	: January 2010 to December 2013 (4 years)
<b>National Agencies</b>	: Executing agencies: <ul style="list-style-type: none"><li>• Gross National Happiness Commission and</li><li>• Local Governments (Dzongkhags and Gewogs)</li></ul> Implementing partners: <ul style="list-style-type: none"><li>• National Environment Commission Secretariat</li><li>• Ministry of Agriculture</li><li>• Ministry of Economic Affairs</li><li>• Ministry of Works and Human Settlements</li><li>• Ministry of Home and Cultural Affairs</li></ul>
<b>Grants &amp; Budget</b>	: Government of Denmark Grant: DKK 20.0 million UNDP/UNEP Grant: USD 860,000

**Programme description:** The Joint Support Programme has been conceived to address the environment, climate change and associated poverty concerns as expressed in the Government's 10<sup>th</sup> Five Year Plan (2008-2013) and to use the experience gained to help prepare the 11<sup>th</sup> Five Year Plan beginning around mid 2011. The Government's strategy is to mainstream environment, climate change and poverty concerns into national policies and programmes and local development plans.


The main thrust of the Programme will be to support local governments with plan preparation and implementation, while also supporting the development of the national framework that would provide appropriate strategic directions and guidelines to local governments. The launch of the Programme coincides with the promulgation of the Local Governments' Act 2009, which constitutes the administrative, financial, regulatory, planning and implementation framework. The Programme will supplement capacity development under the Local Governance Support Programme and the consolidation of the annual capital grant transfer mechanism, which will substantially increase Gewogs' development budgets.

The Programme will support: capacity development of central and local government individuals and institutions and local councillors; and preparation of guidelines that can sustain the mainstreaming process. The main thrust of the Programme's capacity development interventions will be based on national institutions as training providers and in-service training. The private sector and civil society will also be targeted to enhance their engagement in environmental management.

**Royal Government of Bhutan**  
Date: 14/12/2009  
Secretary, GNH Commission

  
Signature

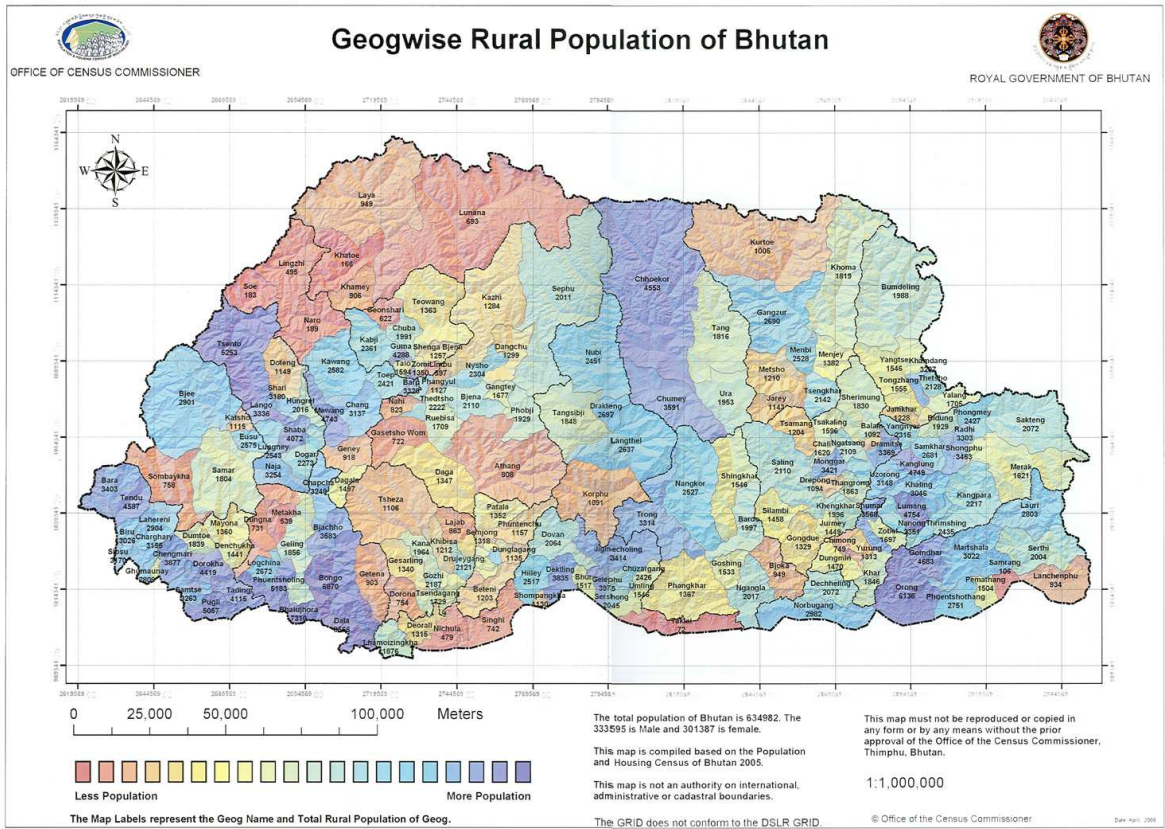
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Date:  
Counsellor, Head of LOD

  
Signature 14/12/09

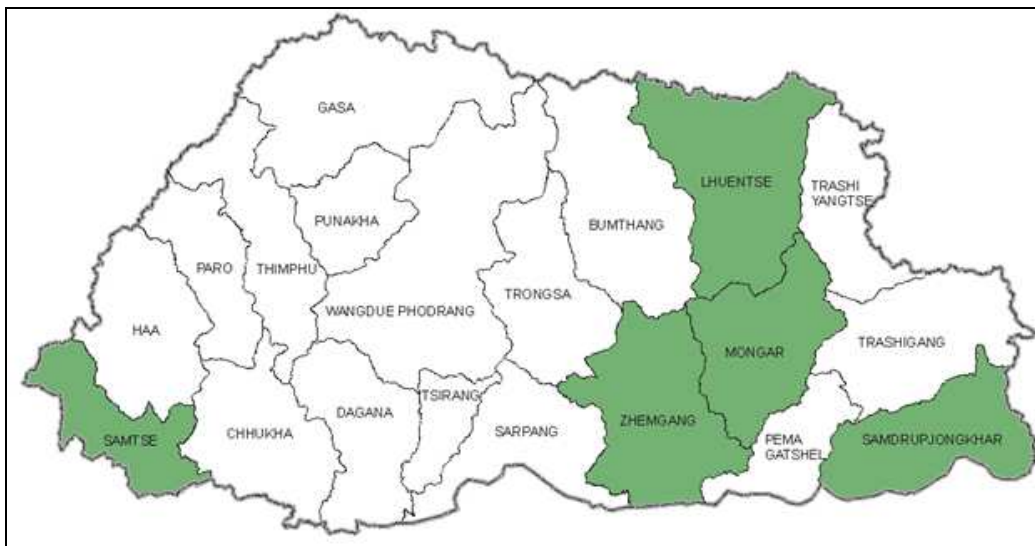
**UNDP/UNEP**  
Date: 14 Dec 2009  
UNDP Resident Representative  
UN Resident Coordinator

  
Signature

# Map of Bhutan



# Political Map of Bhutan



Note: The shaded Dzongkhags are the five poorest in Bhutan

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## List of Abbreviations

ADA	Austrian Development Agency
APR	Annual Programme Review
BAS	Budget and Accounting System
BCCI	Bhutan Chamber of Commerce and Industry
BPFPS	Budget Policy and Fiscal Framework Statement
CBS	Centre for Bhutan Studies
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
CEO	Chief Executive Officer
CNR	College of Natural Resources
CRC	Convention on the Rights of the Child
CSO	Civil Society Organisation
Danida	Danish International Development Assistance
DDC	District/ Dzongkhag Development Committee
DEC	District/ Dzongkhag Environment Committee
DEO	District/Dzongkhag Environment Officer (only in the joint programme document as DEO is also used for District/Dzongkhag Education Officer).
DKK	Kroner (currency of Denmark)
DoA	Department of Agriculture
DoF	Department of Forests (MoA)
DoL	Department of Livestock (MoA)
DPA	Department of Public Accounts (MoF)
DPO	District/Dzongkhag Planning Officer
DT	Dzongkhag Tshogdu (District Committee)
DYT	Dzongkhag Yargye Tshogdu (District Development Committee)
ECP	Environment-Climate Change-Poverty
EFRC	Environment-friendly Road Construction
EIMS	Environmental Information Management System
EUSPS	Environment and Urban Sector Programme Support (Danida)
FAO	Food and Agriculture Organization of the United Nations
FY	Fiscal Year
FYP	Five-Year Plan (of Bhutan)
GAO	Gewog Administrative Officer
GCM	Global Circulation Model
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GHG	Greenhouse Gases
GIS	Geographic Information System

GLOF	Glacial Lake Outburst Flood
GNH	Gross National Happiness
GNHC	Gross National Happiness Commission (RGoB)
GT	Gewog Tshogde (Block Committee)
HDI	Human Development Index
HRD	Human Resources Development
ICBP	Integrated Capacity Building Plan (for local governments)
ICDP	Integrated Conservation and Development Programme
IMS	Institute for Management Studies
INC	Initial National Communication (to UNFCCC)
IPCC	Intergovernmental Panel on Climate Change
JICA	Japan International Cooperation Agency
JSP-SC	Joint Support Programme Steering Committee
LDCF	Least Developed Countries Fund
LDD	Local Development Division (of GNHC)
LDPM	Local Development Planning Manual
LG	Local Government
LGSP	Local Governance Support Programme
LOD	Liaison Office of Denmark (in Thimphu, Bhutan)
MDGs	Millennium Development Goals
MFA	Ministry of Foreign Affairs (of Bhutan)
MoA	Ministry of Agriculture (of Bhutan)
M&E	Monitoring and Evaluation
MoEA	Ministry of Economic Affairs (of Bhutan)
MoF	Ministry of Finance (of Bhutan)
MoHCA	Ministry of Home and Cultural Affairs (of Bhutan)
MoLHR	Ministry of Labour and Human Resources (of Bhutan)
MoWHS	Ministry of Works and Human Settlement
MSME	Micro, Small and Medium Enterprises
MYRB	Multi-Year Rolling Budget
MYRBF	Multi-Year Rolling Budget Framework
NAPA	National Adaptation Programme of Action (Climate Change)
NEC	National Environment Commission (of Bhutan)
NECS	National Environment Commission Secretariat
NGO	Non-Government Organisation
NMEM	National Monitoring and Evaluation Manual
NMES	National Monitoring and Evaluation System
NPAG	National Plan of Action for Gender
NSB	National Statistics Bureau

Nu	Ngultrum (Bhutanese currency)
PAR	Poverty Analysis Report
PEI	Poverty Environment Initiative
PEMS	Public Expenditure Management System
PER	Public Expenditure Review
PlaMS	Planning and Monitoring System
PMCD	Plan, Monitoring and Coordination Division (of GNHC)
PMG	Programme Management Group
PPD	Policy and Planning Division
PSC	Programme Steering Committee
RAA	Royal Audit Authority
RDTc	Rural Development Training Centre
REAP	Rural Economic Advancement Programme
REDD	Reducing Emissions from Deforestation and Degradation
RGoB	Royal Government of Bhutan
RIM	Royal Institute of Management
RNR	Renewable Natural Resources
ROACH	Results-oriented Approach to Capacity Development and Change
RSPN	Royal Society for Protection of Nature
RTC	Royal Thimphu College
SAARC	South Asian Association for Regional Cooperation
SDC	Swiss Agency for Development and Cooperation
SDGs	SAARC Development Goals
SESP	Sustainable Environment Support Programme (Denmark)
SLMP	Sustainable Land Management Project (World Bank/GEF)
SNV	Netherlands Development Organization
SoE	State of Environment
TA	Technical Assistance
TD	Thromde Tshogde
TYT	Thromde Yenlag Tshogde
ToR	Terms of Reference
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UWICE	Ugyen Wangchuck Institute for Conservation and Environment
WB	World Bank
WTO	World Trade Organisation
WWF	World Wide Fund for Nature

## List of Bhutanese Terms

Chathrim	Law, statute
Chiwog	Territorial constituency for the election of Tshogpas to the Gewog Tshodge
Dzongdag	District Administrator
Dzongkhag	District
Dzongkhag Tshogdu	District Council
Dzongkhag Yargye Tshogchung	District Development Committee
Gewog	A county, smallest geographical unit for public administration, made up of a group of villages
Gewog Tshogde	County Committee
Gewog Yargye Tshogchung	County Development Committee
Gup	Elected head of a county
Gyalong Tshogdu	National Assembly
Mangmi	Elected deputy head of a county
Thromde	Municipality
Thromde Tshogde	Municipal Committee
Thromde Yenlag Tshogde	Municipal Committee for a satellite town
Tshogpa	Elected representative of a Chiwog

## **Executive Summary**

### ***Introduction***

This Joint Support Programme on Capacity Development for Mainstreaming Environment, Climate Change and Poverty Concerns in Policies, Plans and Programmes (hereafter referred to as the Joint Support Programme) aims to develop the capacity of local governments (Dzongkhags and Gewogs) to manage the environment, natural resources, and the effects of climate change. It intends to do this within the overarching 10<sup>th</sup> Five-Year Plan goal of alleviating poverty and the crosscutting development theme of environment. The Joint Support Programme brings together two donor programmes working in the area of environment, climate change, and poverty reduction. It amalgamates Component 2 of the Danish Sustainable Environment Support Programme (SESP); and the UNDP/ UNEP's Poverty Environment Initiative (PEI), Phase II. The SESP will succeed the current Danish Environment and Urban Sector Programme Support (EUSPS) that will end in December 2009. The UNDP/ UNEP's Programme "Mainstreaming Poverty-Environment Linkages in National Plans, Sectoral Strategies and Implementation" is implemented in two phases: Phase I (July 2008 – December 2009) focused on capacity development to address poverty and environment in an integrated manner, and capacity development to influence national policies on rural livelihoods in an environmentally sustainable manner; and Phase 2 (2010-2013) is intended to focus on capacity development and mechanisms to mainstream environmental concerns into development plans.

### ***National and Sector Context***

The Poverty Analysis Report (PAR) of 2007 estimated the poverty incidence in Bhutan at 23.2 %. The poverty rate was more severe in rural areas (30.9 %) compared with urban areas (1.7 %). The environment of Bhutan is pristine but also vulnerable to development activities and environmental change. Livelihoods in rural areas are dependent on natural resources mainly through agricultural production. Economic development, for example through hydropower development and road infrastructure, is a driver of poverty reduction but also with potential environmental costs at local level as well as at the national level. Climate change risks may also result in losses subject to the vulnerability of the economy and the local environment.

The development of Bhutan is guided by the *Gross National Happiness* philosophy. The poverty reduction strategy is covered by the 10<sup>th</sup> FYP that provides the overall development framework. The 10<sup>th</sup> FYP places particular emphasis on decentralisation and local government reforms. Environment is one of the pillars of Gross National Happiness and the Constitution has a dedicated Article on environmental conservation. It is for example a constitutional obligation to keep Bhutan's forest cover at a minimum of 60 % of the land area for all times. Environment does not appear as a defined sector in the 10<sup>th</sup> FYP but as a crosscutting development theme. Therefore, the 10<sup>th</sup> FYP includes mainstreaming of environment in infrastructure development, sustainable land management, climate change vulnerability, air and water quality, and protection of watershed as some of the crosscutting environmental themes.

Development plans of the 205 Gewogs are financed directly through annual capital grants that are allocated by Department of National Budget (DNB) through a formula taking population, land area and poverty into account; and recurrent grants where Ministry of Finance (MoF) uses a different formula. Financing will be channelled directly to local government at whose discretion activities, including those related to the environment and

climate change, are initiated locally according to priorities in local government development plans. Capacity to mainstream environment-climate-poverty linkages is a priority area in order to ensure that short-term development priorities do not result in long-term costs.

### ***Agreed Support***

The overall national development objective of the 10<sup>th</sup> FYP is: *Reduction of poverty from the estimated national poverty figure of 23.2% to less than 15%*. The aim of the Joint Support Programme is to contribute to the reduction of poverty in Bhutan, which is of highest priority to the RGoB. The *development objective* of the Joint Support Programme is: “sustainable development planning and implementation are undertaken at national and local levels that contribute to: alleviation of climate change impacts; conservation, protection and sustainable use of natural resources; and poverty reduction”. This is clearly and directly linked to the national development objective of reduced rural and urban poverty.

The expected outcomes of the Joint Support Programme are included in the *immediate objectives*: “1) strengthened national level capacity that facilitates national and local level five-year planning and implementation by mainstreaming environment, climate change and poverty concerns in policies, plans and programmes; and 2) strengthened local level capacity to formulate and implement five-year development plans and annual plans in which environment, climate change and poverty concerns are mainstreamed”.

The Joint Support Programme grant will be made up of a contribution of DKK 20 million from Denmark, and approximately USD 860,000 from UNDP/UNEP. The programme duration is four years (2010 – 2013). The exit strategy will mainly concern how to ensure that environment, climate, and poverty mainstreaming in local development plans become an integral part of the 11<sup>th</sup> FYP.

### ***Strategic approach***

The main strategies are: 1) develop national capacity for mainstreaming of environment, climate change and poverty concerns (ECP) into national policies, plans and programmes, especially those of relevance for local governance; and 2) based on the national ECP framework, develop local capacity for mainstreaming ECP into local development plans and annual plans, and for monitoring and evaluation of planning and implementation cycles in order to enhance the responsiveness to ECP challenges. The preparation of the local governments’ 11<sup>th</sup> Five-Year Plan will pose a particular opportunity to address the ECP challenges in the medium-term. Bhutanese public and private training institutions will be the main providers of training to national and local governments. The resulting framework of outcomes and outputs are shown below:

- Outcome 1: *ECP mainstreamed in all national policies, plans and programmes*
  - Output 1.1: ECP mainstreaming guidelines and indicators available for use by sectors
  - Output 1.2: Poverty-Environment linkages demonstrated and benefit sharing policies, strategies and guidelines developed
  - Output 1.3: Staff and modules available for ECP mainstreaming trainings at all levels in relevant educational and training institutes
  - Output 1.4: Competent staff available in all sectors including the Help

Desk at NECS to mainstream ECP

Output 1.5: Competent staff available in other sectors to mainstream ECP

Outcome 2: *ECP mainstreamed in all development plans and programmes at the local level*

Output 2.1: Revised Local Development Planning Manual is available for use by Local Governments;

Output 2.2: Benefit sharing mechanisms applied to selected conservation projects

Output 2.3: Competent staff available at the locals levels to mainstream ECP

Output 2.4: Local plans monitored for integration of ECP concerns

### ***Management and organisation***

The overall coordination of the Joint Support Programme is the responsibility of the Development Cooperation Division (DCD) together with the Plan Monitoring Coordination Division (PMCD) and Local Development Division (LDD) of the GNHC. A Joint Support Programme Steering Committee (JSP-SC) will be established as the main forum for dialogue and decision-making. DCD will be the member secretary of the JSP-SC. Implementation will be the responsibility of different agencies, under the overall supervision of a Programme Management Group, to be serviced by DCD, PMCD and LDD.

### ***Financial Management***

The Joint Support Programme will follow the financial management procedures of the RGoB. The budget is earmarked for specific capacity development activities. The funds for annual grants will flow from the MoF directly to the Dzongkhags and Gewogs. The recently revised Procurement Manual (2009) of RGoB will be applied for procurement of goods and services unless agreed otherwise.

### ***Monitoring***

The RGoB monitoring system and indicators will be applied. The National Monitoring and Evaluation System (NMES) is the RGoB monitoring framework for the results and financial management of the 10<sup>th</sup> FYP and annual plans. The results of the development plans are monitored in the PlaMS (Planning and Monitoring System). The PlaMS is under development, but is expected to be operational from 2010. Therefore, there are gaps to be filled in the Joint Support Programme monitoring system.

### ***Reviews and Evaluation***

Annual Programme Reviews (APR) will be carried out jointly with RGoB and preferably other development partners in the environment, climate change and natural resource management sectors. Joint reviews could be carried out with the LGSP. The APR could coincide with the September sessions of the JSP-SC. A joint mid-term technical review will be conducted during the third quarter of 2011 prior to launching the preparation of the 11<sup>th</sup> Five-Year Plan. A multi-stakeholder workshop will be conducted before, or in connection with, the mid-term review to share experiences on

the performance of various approaches to ECP mainstreaming with a view to converge these into a unified approach for a nationwide rollout.

At the end of the four year period it is anticipated that adequate capacity has been developed in training institutions, national agencies and local governments to sustain further capacity development. The exit strategy will be further elaborated during the third year of implementation by taking ongoing and planned programmes into consideration. A “terminal review” of lessons learned from the Joint Support Programme will be undertaken towards the end of 2013.

## 1 Introduction

This Programme Document is concerned with Denmark's and UNDP/ UNEP's formulation of a Joint Support Programme to primarily develop local governments' (Dzongkhags and Gewogs) capacity for managing the environment, natural resources, and the effects from climate change. The Joint Support Programme comprises Component 2 "Capacity development to mainstream environment" of the Danish Sustainable Environment Support Programme (SESP) and the UNDP/ UNEP's Poverty Environment Initiative (PEI), Phase II. The four-year SESP with a grant of DKK 70 million is intended to commence in January 2010 and will succeed the current Danish Environment and Urban Sector Programme Support (EUSPS) that will end in December 2009. The SESP Component 1 will provide budget support to Gewogs in accordance with RGoB's annual grants mechanism. The UNDP/ UNEP's Programme "Mainstreaming Poverty-Environment Linkages in National Plans, Sectoral Strategies and Implementation" is implemented in two phases: Phase I (July 2008 – December 2009) focuses on capacity development to address poverty and environment in an integrated manner, and capacity development to influence national policies on rural livelihoods in an environmentally sustainable manner; and Phase 2 (2010-2013) will focus on capacity development and mechanisms to mainstream environmental concerns into development plans.

A Joint Strategic Framework for SESP and PEI Phase 2 was developed in accordance with the Terms of Reference (ToR) dated 4 June 2009. Following the debriefing session, the two development partners decided to formulate a Joint Support Programme with a view to enhancing harmonisation and alignment of the support.

The formulation team has held meetings with representatives from GNHC, NECS, MoA, MoF, Paro and Haa Dzongkhags, CBS, NSB, training institutions, and private sector and civil society organisations. A special meeting was held with HR officers from GNHC, NECS, MoA, MoEA, MoLHR, and MoWHS. A debriefing session was held on 31 July 2009 with government, private, civil society and development partner stakeholders. The comments received have been taken into account as relevant in the finalisation of the Joint Support Programme.

During discussions with central and local government officers it became evident that no substantiated HRD plans exist for Dzongkhags and Gewogs. Thus the task of aligning to existing institutional capacity development plans appears not to be possible. As a consequence, it is also not possible to identify funding gaps. The Joint Strategic Framework is based on the assumption that comprehensive HRD plans do not exist. However, it was observed that the World Bank/Global Environment Facility (WB/GEF) supported Sustainable Land Management Programme (SLMP) and Japan International Cooperation Agency (JICA) supported capacity development activities – as expressed in the Integrated Capacity Building Plan (ICBP) – appear very relevant. The multi-donor supported Local Governance Support Programme (LGSP), which among others include Danish and UNDP support, contains capacity development interventions targeting Gewogs with an emphasis on financial management aspects. It should be noted that it is the intention of this Joint Support Programme to build upon and align with the capacity development work already being undertaken at the Dzongkhag and Gewog levels.

## 2 Situation Analysis<sup>1</sup>

### 2.1 National Economy and Poverty Context

In economic terms, Bhutan is considered a least developed country. Its economy is one of the smallest in the world with a total Gross Domestic Product (GDP) of Nu 51,521.6 million in current market prices in 2008<sup>2</sup>. However, its GDP is also one of the fastest growing at an average of 9.1 percent per annum between 2000-2007. The Bhutanese economy basically revolves around four key sectors, namely hydropower, agriculture<sup>3</sup>, industry, and services.

Despite an impressive GDP growth rate, there is still a relatively high level of poverty in the country. According to the Poverty Analysis Report 2007 prepared by the National Statistics Bureau (NSB), an estimated 23.2 percent of the country's total population live below the national poverty line. Poverty in the country is mainly a rural phenomenon, with 30.9 percent of the rural population living below the total poverty line compared to 1.7 percent of the urban population. Poverty incidences are highest in Zhemgang, Samtse, Mongar, Lhuentse, and Samdrup Jongkhar dzongkhags and lowest in Thimphu, Paro, Gasa, Bumthang, and Haa Dzongkhags. The depth of poverty is low, i.e. few citizens of Bhutan are facing extreme poverty. But about 8 percent of the rural population is subsistence poor, meaning that they consume less food than indicated in the definition of the poverty line.<sup>4</sup> In September 2009 the NSB presented the results of the Bhutan Poverty Mapping exercise the preliminary highlights of which are: (i) poor areas in western Bhutan have high poverty rates, high headcounts and high inequality and (ii) poor areas in eastern Bhutan have high poverty rates, low headcounts and low inequality. Some 35 percent of the respondents in a survey<sup>5</sup> reported that they encounter food shortages during the year and are caught in a cycle of borrowing and repayment to meet food requirements.

With a consistently high share of development expenditures for health and education, Bhutan has steadily improved on the Human Development Index (HDI) scale. The 2009 HDI ranking for Bhutan was 132 out of 182 countries. It appears that more than 80 percent of people have access to basic facilities in health, education, water and sanitation. Less progress has been made in terms of access to income generating activities. RGoB's efforts to stimulate enterprises are not widespread in rural areas.

Until the Ninth FYP, the RGoB pursued poverty reduction through broad-based socio-economic development programmes. In the Tenth FYP, there is a tangible move towards targeted interventions for poverty reduction. A key example is the Rural Economic Advancement Programme (REAP), spearheaded by the GNHC. REAP is a strategic framework under which all of the RGoB's future growth and poverty

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<sup>1</sup> Annex A contains further deliberations on national policy, legal and capacity contexts.

<sup>2</sup> Source National Account Statistics, NSB October 2008. Real GDP expanded by 21.4% in 2007/08 (July-June), up from 6.3% in 2006/07 (Royal Monetary Authority of Bhutan)

<sup>3</sup> The agricultural sector is also known as the renewable natural resources sector, which is made up of crop production, livestock development, and forestry.

<sup>4</sup> The food poverty line is the minimum food basket containing 2,124 Kcal – corresponding to Nu 688.96 per month in 2007.

<sup>5</sup> Source: Sonam Tobgay et al: Fighting Hunger: The Right to Food, FAO, October 2008

reduction programmes will be developed and implemented under the Tenth FYP<sup>6</sup>. The implementation of the REAP is anchored at the local level, benefiting from the technical support of the various sectors, while the coordination of its implementation and progress monitoring is undertaken by GNHC.

## **2.2 National Policy**

### ***Constitutional Context***

The Constitution of the Kingdom of Bhutan, which was formally adopted in July 2008, features environmental conservation as a constitutional mandate. Article 5 mandates the government to protect, conserve and improve the pristine environment and safeguard the biodiversity of the country; prevent pollution and ecological degradation; secure ecologically balanced sustainable development; and ensure a safe and healthy environment. It further stipulates that the government shall maintain at least 60 percent of the country under forest cover at all times.

Article 22 of the Constitution is dedicated to local governments. With regards to local level capacity, the Article stipulates that local governments shall be supported by the central government in the development of administrative, technical and managerial capacities and structures, which are responsive, transparent, and accountable.

### ***Bhutan 2020***<sup>7</sup>

The Bhutanese development philosophy of ‘Gross National Happiness’ (GNH)<sup>8</sup> advocates a multi-dimensional development approach that seeks to maintain harmony and balance between economic, emotional and environmental well-being of the people and nation. Bhutan 2020 – the country’s vision - outlines human development, cultural preservation, balanced and equitable economic development, good governance, and environmental sustainability as the main development objectives.

### ***National Environment Strategy 1998***

The Middle Path National Environment Strategy (NES) for Bhutan aimed at highlighting issues, potential problems and constraints, and choices that should be made in order to ensure the conservation of natural resources while pursuing economic development. Bhutan chose the “middle path” of sustainable development in order to raise the living standards of the present population without compromising the life of future generations, the country’s cultural integrity and historical heritage. The NES outlined three main avenues of sustainable economic development: expanding hydropower, increasing agricultural self-sufficiency, and expanding the industrial base. Five key cross-sectoral issues that were essential to successful integration of environmental concerns with economic planning were: 1) the need for information systems and research on Bhutan’s environment, land ownership and use, demographics, social and cultural trends; 2) the need to develop local institutions that

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<sup>6</sup> The UNDP/UNEP Poverty Environment Initiative Phase 1 supported REAP in developing village-level participatory planning guidelines to assess livelihood options and analyse poverty-environment linkages.

<sup>7</sup> Planning Commission, A Vision for Peace, Prosperity and Happiness, May 1999

<sup>8</sup> His Majesty Jigme Singye Wangchuk crafted the Gross National Happiness philosophy in the late 1980s. The concept of GNH defines Bhutan’s development objective as improvement in the happiness and satisfaction of the people rather than Gross National Product (GNP).

facilitate popular participation; 3) the need for environmental legislation based on environmental quality standards; 4) the need for training and education in natural resources management – not only for policy-makers, but also for researchers, private sector managers, students, and the general public; and 5) the need for effective monitoring mechanisms, including environmental indicators, as well as the need for clear and effective enforcement procedures.

### ***Tenth Five-Year Plan***

The Tenth Five Year Plan provides the development framework for the financial years 2008/09 to 2012/13. The central objective of the Tenth FYP is poverty reduction, with the emphasis to reduce the proportion of the population living below the national poverty line from 23.1 percent to about 15 percent. The 10<sup>th</sup> FYP can be viewed as Bhutan's poverty reduction strategy. It stresses pro-poor social and economic development approaches such as expanding infrastructure and road connectivity in rural areas where the majority of the country's poor live, and strengthening of agricultural production and productivity to help raise rural incomes and improve food security.

Six key interrelated strategies have been identified to achieve poverty reduction in the Tenth FYP. These are: (1) vitalizing industry; (2) national spatial planning (including sustainable urban development and housing); (3) synergizing integrated rural-urban development; (4) expanding strategic infrastructure; (5) investing in human capital; and (6) fostering an enabling environment through good governance.

The 10<sup>th</sup> FYP addresses environment as one of the six crosscutting development themes (see box). It recognizes that protecting and conserving the environment will require greater attention than before as the accelerating pace of socio-economic development accompanied by increased infrastructure development, urbanization, industrialization, and consumption patterns is expected to create additional stress on the natural environment. At the same time, it emphasizes the need to use the country's environmental resources as a development asset for economic growth and poverty reduction within the limits of sustainability.

#### **Box: Environment as a cross-cutting development theme in the 10<sup>th</sup> FYP**

- Mainstreaming environment in rural road construction: Aim to implement environment friendly road construction (EFRC) methods. The additional costs to the already high investments required to implement these EFRC requirements may prove to be long-term cost-efficient.
- Sustainable land management: The rural environment concerns are soil degradation due to over grazing by livestock, loss of scarce agricultural lands due to urbanization, and non-sustainable use of forest resources.
- Climate change vulnerability: Climate change risks increase the proneness to flash floods, glacial lake outbursts and landslides due to excessive rain.
- Air and water quality: The ambient environment status is still relatively good but with emerging problems of air pollution in and around industrial sites and deteriorating water quality near urban centres, the air and water quality will deteriorate without effective environmental interventions.
- Awareness and capacity: Bhutan is faced with limited human capacity and expertise to manage the environment. Environmental awareness, education and sound practices can also be furthered.
- Protection of watershed: The vast hydropower resources are Bhutan's comparative advantage, but require management and protection of the critical watersheds. This provides not just an environmental benefit but also has an economic justification and thus a high development priority.

Source: Abstracts from the 10<sup>th</sup> FYP

The Tenth FYP features several policy and planning innovations compared to previous FYPs. Some of these are:

- Introduction of a '*Results-based Planning Framework*'. Based on the recommendations of the Mid-Term Review of the 9<sup>th</sup> FYP and the Good Governance Plus report (2005), a new planning approach is introduced with clearly defined planning objectives and results. The aim is to measure progress on results, achievements and impacts rather than processes, products and services;
- In order to create a dynamic planning and budgeting process, the planning process is embedded in a *multi-year rolling planning and budgeting framework* (MYRF) spanning over three years, meaning that plans and budgets will be updated annually for three successive years;
- The resource envelope will be based on projections determined by the *Budget Policy and Fiscal Framework Statement* (BPFSS) and accounts for all available resources to central and local government. Development funds for local governments (Dzongkhags and Gewogs) consist of earmarked central government grants as well as annual grants (capital and recurrent);
- The progress and results achievements of the Ninth FYP will be monitored through the *National Monitoring and Evaluation System* (NMES), which is closely connected to the results indicators of the plan. Data will be accumulated in the *Planning Monitoring System* (PlaMS) and the *Public Expenditure Management System* (PEMS).<sup>9</sup>
- The devolution of functions, powers and finances plays a key role in the 10<sup>th</sup> FYP but it is recognised that low capacity at local level, particularly in the Gewogs, is a challenge to the achievement of plan objectives.

### 2.3 Support to Decentralisation

The decentralization process was launched in 1981 when the Dzongkhag Yargye Tshogchung<sup>10</sup> (DYT – District Development Committee) was institutionalised in all the Dzongkhags. This was followed by the establishment of Gewog Yargye Tshogchungs (GYT – Block Development Committees) in 1991. The most recent developments in the decentralisation process are:

- Enactment of the Local Governments' Act 2007;
- Enactment of the Thromde Act 2007;
- Enactment of the Local Governments' Act of Bhutan 2009<sup>11</sup>.

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<sup>9</sup> The NMES with PlaMS, MYRB and PEMS is developed as a web-based system to include all levels of government. It is estimated that currently 45 out of 205 Gewogs now have Internet access through the Community Information Centres, e.g. at post offices.

<sup>10</sup> Tshogchung was later converted to Tshogdu.

<sup>11</sup> Upon enactment of this Act, the Local Governments' Act 2007, the Thromde Act 2007; the Dzongkhag Yargay Tshogdu Chathrim 2002; and Gewog Yargay Tshogchung Chathrim 2002 are repealed.

With the advent of parliamentary democracy in February 2008 and the enactment of the Local Governments' Act 2009, the RGoB and its development partners are preparing resources and programmes for the development of capacity of local governments and constituent bodies to undertake their functions and responsibilities effectively. A number of these functions and responsibilities relate to environmental management (e.g. regulation of environmental pollution, monitoring of mining and quarrying activities, protection of water sources) at the local level.

The 10<sup>th</sup> FYP ascertains that the final aspects of decentralisation will need to be undertaken within the 10<sup>th</sup> Plan period. The introduction of parliamentary democracy provides a special opportunity to fully consolidate the gains of decentralised local governance. The 10<sup>th</sup> FYP will promote greater autonomy in the way local governments plan and manage their development programmes. This is manifested in the inter-governmental fiscal transfer mechanism – the Annual Grant System, which will allow for better and more predictable development programming and facilitate a more responsive and realistic planning and budgeting exercise. Training interventions will be conceived to promote better planning, public expenditure management, conservation and protection of natural resources, monitoring of local development outcomes.

## **2.4 Environment and Climate Change**

### ***Environment Context***

Protection of the environment and dependency on natural resources is deeply ingrained in Bhutan's culture and economy. However, environmental conservation is becoming increasingly challenging as the country opens up to meet the new development needs of a growing and modernizing population. Pollution of air and water; reduced water resources; land degradation due to unsustainable agriculture, deforestation and overgrazing; infrastructure development and mining; solid waste; and biodiversity loss due to conversion of forest habitats are key challenges that currently confront the country.

There is no specific definition of what comprises "environment", and since environment is not a specific sector such a definition may not be required. Some sectors such as forestry may be considered to directly relate to environment, but environment is more than forestry and some forestry activities can have adverse environmental impacts. Elements of the environmental agenda are present in various sectors as shown in the examples below:

- *Ministry of Agriculture*: forest management, nature conservation, social forestry, watershed management, reforestation, pasture development and grazing management, sustainable agricultural practices.
- *Ministry of Works and Human Settlement*: environment-friendly road construction; and creation and management of infrastructure and services (e.g. sewerage, solid waste management system) for environmental management of urban centres.
- *Ministry of Economic Affairs*: geologic hazard and risk assessments, geotechnical advisory service, enforcement of mining law and regulations, monitoring of glacial retreats and mitigation of risks associated with glacial lake outburst floods (Department of Geology and Mines); sustainable

hydropower development and hydro-meteorology (Department of Energy); and environmental monitoring of industries and industrial pollution control.

- *Ministry of Home and Cultural Affairs*: natural disaster management.
- *Ministry of Health*: public health and hygiene, provision of safe drinking water.

The National Environment Commission Secretariat (NECS) has the mandate to support mainstreaming of environment in development policies, plans and programmes. NECS also has the mandate to set environmental standards for environmental monitoring and state of the environment reporting and the coordination and implementation of Multilateral Environmental Agreements<sup>12</sup> (MEAs). In line with the decentralisation policy, the NECS has designated the Dzongkhag Administrations as ‘competent authorities’ under the Environmental Assessment Act (2000) for issuing ‘environment clearances’ for projects of small scale (e.g. farm roads less than 5 km). For larger projects, NECS has the mandate or the authority is delegated to the environmental unit of line ministries (e.g. in Ministry of Economic Affairs and the Ministry of Works and Human Settlement). The functional mechanism for environmental mainstreaming and coordination at Dzongkhag level is the Dzongkhag Environmental Committee (DEC). Since 2007, Dzongkhag Environmental Officers (DEOs) have been appointed to manage the environmental assessment and clearance process at the Dzongkhag level.<sup>13</sup> The DEOs are also required to monitor the environment at Dzongkhag and Gewog levels and ensure that environmental concerns are incorporated into the FYP development plans of the Gewogs and Dzongkhags. The DEO acts as the member secretary to the DEC and provides technical backstopping to it.

Bhutan Millennium Development Goals Needs Assessment and Costing Report (2006 – 2015) documents that Bhutan will not only reach its environmental targets but will achieve MDG-Plus status in relation to the 7<sup>th</sup> MDG of ensuring environmental sustainability. It estimated that Nu.486.167 million will be required to undertake the interventions of which 66% is estimated for capacity development and disaster management interventions<sup>14</sup>. Environment is identified as a crosscutting development theme rather than a sector in the 10<sup>th</sup> FYP. Nevertheless, as a result of high visibility and the priority of environment in the GNH philosophy, the Constitution and the 10<sup>th</sup> FYP, environmental issues tend to be given a high priority in specific development activities. This may occur in two ways:<sup>15</sup>

- Through a high priority and visibility of environment (mainstreaming) in local government development plans (demand side);
- Through a sizeable budget allocation for environment in grant allocations (supply side).

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<sup>12</sup> Bhutan is party to a number of international conventions, e.g. International Plant Protection Convention, 1995; Convention on Biological Diversity, 1995; UN Framework Convention on Climate Change, 1995; Kyoto Protocol, 2002; Basel Convention, 2002; etc.

<sup>13</sup> The National Assembly Session in June 2005 directed NECS to appoint the Dzongkhag Environmental Officers.

<sup>14</sup> Bhutan Millennium Development Goals Needs Assessment and Costing Report November 2007

<sup>15</sup> Phase 1 of the UNDP/UNEP Poverty and Environment Initiative has a specific activity focused on determining public expenditure on environmental issues. The Public Environmental Expenditure Review will provide information by the end of 2009 to enable an analysis to be undertaken on the budget priority of environmental spending.

The 10<sup>th</sup> FYP ascertains that the rapid pace of development and modernisation places increasing pressures on natural resources and compromises their sustainable utilisation. Attention is required to ensure that the costs of environmental conservation do not fall disproportionately on the poor through limited access to cultivable land, water and forest resources. The opening of global and regional markets to high-value herbal, horticultural and niche products and the harnessing of hydropower potential provides opportunities to enhance living conditions and eradication of rural poverty. The vast hydropower resources are Bhutan's natural comparative advantage, the sustainable exploitation of which depends on the quality of the country's watersheds. Additionally, as a net sequester of greenhouse gases and user of clean energy, Bhutan could benefit from the new international regimes permitting emission trading.

Direct capital investment related to 'environment' falls in two main groups. One group could be termed 'green' investments mainly related to the Renewable Natural Resources (RNR) within the mandates supported by the Ministry of Agriculture (MoA), e.g. in forestry, nature conservation and sustainable management of agricultural, grazing and forest lands. A large part of the agriculture investment is for rural infrastructure such as farm roads and irrigation canals, which have significant potential for poverty alleviation using available productive natural resources, e.g. from improved access to markets and water security. The other group is 'brown' investments related mainly to urban, industrial, health and public works sectors e.g. waste management, sanitation and safe water, pollution control, and environment-friendly road construction.

Mainstreaming of environmental issues in development planning is one of the key responses of RGoB institutions to the high priority placed on environment in the GNH philosophy, the Constitution and the 10<sup>th</sup> FYP. GNHC and NECS have prepared interim guidelines for mainstreaming environment in national policies, plans and programmes. These draft environmental mainstreaming guidelines do not yet cover development plans made by local government. A first step in the mainstreaming of environment is to follow the laws, rules and regulations that concern environment directly or indirectly. An overview of the key policy, legal and capacity development contexts for environment and natural resources in Bhutan is included in Annex A. In addition, the 10<sup>th</sup> FYP emphasises among others: decentralising environmental governance and networking; strengthening environmental information management systems (SoE, EIMS, etc.) to support and improve decision-making; building and strengthening institutional capacity.

### ***Climate Change Context***

As a country with geologically fragile mountain terrain and variable climatic conditions, Bhutan is extremely vulnerable to the effects of climate change. The vulnerabilities are multi-faceted, ranging from instability in crop yields to spread of vector-borne diseases and glacial lake outburst floods. These vulnerabilities pose significant risks to the country's pro-poor growth development agenda as it is generally the poor who are most exposed, and with least resources to adapt. The National Adaptation Programme of Action for Climate Change (NAPA) has identified 19 climate change-related vulnerabilities. These are:

#### *Forest and Biodiversity sector*

- Drought in combination with increased lightning risks triggering forest fires.
- Change in phenological characters of plants/ loss of endemic species.
- Change in migratory pattern of the trans-boundary wildlife (resulting in loss/degradation of forest ecosystem and reduction of alpine rangelands. Furthermore, possible increase of vector-borne disease in wildlife due to warming).

#### *Agriculture sector*

- Crop yield instability. Loss of production and quality (due to variable rainfall, temperature, etc.). Decreased water availability for crop production. Increased risk of extinction of already threatened crop species (traditional crop varieties).
- Loss of soil fertility due to erosion of topsoil and runoff.
- Loss of fields due to flash floods, land slides and rill & gully formations. Soil nutrient loss through seepage.
- Crop yield loss (flowers & fruit drop) to hailstorms. Deteriorated produce quality (fruit & vegetables) by untimely incessant heavy rains and hailstorms.
- Delayed sowing (late rainfall). Damage to crops by sudden early (paddy) and late spring (potato) frost (ref. seasons shifting).
- Outbreak of pests and diseases in the fields and during storage where they were previously unknown.
- Damages to road infrastructures (food security)

#### *Natural Disaster and Infrastructure sector*

- Debris-covered glaciers forming huge moraine dam lakes that ultimately lead to GLOFs (i.e. flash floods and landslides, heavy siltation of the rivers, and other geotechnical hazards) GLOF will affect 'essential' infrastructure such as:
  - Hydropower systems (generation plants, transmission and distribution infrastructure) – the main export product.
  - Industrial estates/infrastructures.
  - Human settlements: urban, sub-urban and rural settlements.
  - Historical and cultural monuments.
  - Public utilities: roads, bridges and communications.
- Receding debris-free glaciers lead to reduction of water resources (possible shortages/variations).

#### *Water Resources and Energy sector*

- Temporal & spatial variation in flow, affecting notably electricity production/exports due to disruption of average flows for optimum hydropower generation.
- Increased sedimentation of rivers, water reservoirs and distribution network, affecting notably irrigation schemes' productivity/ agricultural crop yields.
- Reduced ability of catchment areas to retain water/increased runoffs with enhanced soil erosion (deterioration of environment).
- Deterioration of (drinking) water quality.

#### *Health sector*

- Loss of life from frequent flash floods, GLOF and landslides.
- Spread of vector-borne tropical disease (malaria, dengue) into more areas (higher elevations) with warming climate.
- Loss of safe (drinking) water resources increasing water borne diseases.

The pressures of land-use change, habitat degradation, industrialization, urbanization, and infrastructure development compound the threat of climate change further.<sup>16</sup> Bhutan ratified the United Nations Framework Convention on Climate Change (UNFCCC) in August 1995 and the Kyoto Protocol in August 2002. The Initial National Communication (INC) submitted in November 2000 covered numerous topics, including: national circumstances related to climate change; a Greenhouse Gas (GHG) emission inventory; assessment of vulnerability and adaptation to climate change; policies and other measures to address climate change; education, training and public participation; and recommended research. Because of data constraints, the INC did not conduct any mitigation analysis, GHG emission projections, or temperature and precipitation projections under different IPCC emission scenarios using Global Circulation Models (GCM). The preparation of the Second National Communication began in August 2007 and is still under preparation. The NECS is the national focal point for UNFCCC. MoHCA has the mandate for coordination of disaster management. MoEA has the mandate for meteorological services in charge of monitoring the climate, weather forecasting and possibly future early warning.

The NAPA was prepared with a grant from the Least Developed Countries Fund for Adaptation to Climate Change (LDCF) and published in May 2006. Bhutan's NAPA includes nine priority adaptation projects selected from among 55 projects originally identified. The projects are ranked according to four criteria: (1) human life and health saved by the intervention; (2) arable land saved by the intervention; (3) essential infrastructure; and (4) estimated costs. The budget for the identified nine priority projects for urgent and immediate action is USD 7.9 Million. One project on "Reducing Climate Change-induced Risks and Vulnerabilities from Glacial Lake Outburst Floods in the Punakha-Wangdi and Chamkhar Valleys" has been funded by LDCF with co-financing from the Government of Austria, UNDP, WWF and RGoB. The NAPA is a tool to attract external funding, not only from the LDCF, but also from development partners.

The National Disaster Management Framework was published in 2006. The key objectives of the Framework are to: i) promote a disaster risk management approach with an emphasis on prevention, mitigation and preparedness, instead of an *ad hoc* reactive approach to dealing with disasters; ii) recognise the respective roles of different organizations in disaster risk management and provide all possible support to their work within the national framework for disaster risk management; and iii) establish linkages between disaster risk management and the activities in different development sectors.

Adaptation to climate change and disaster risk reduction is one of the areas where interventions may be required in Bhutan on a larger scale. Skills and procedures can be developed to address today's climate variability as an adaptation strategy<sup>17</sup> to be ready for tomorrow's climate change.

## **2.5 Environmental Management Capacity**

Environmental management occupies a pivotal place in the country's development agenda. This is evident from the high visibility of the environment component in the

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<sup>16</sup> Further information on climate change in Bhutan is included in the 'climate change screening of Denmark's development cooperation with Bhutan' (May 2008).

<sup>17</sup> See OECD's Policy Guidance on Integrating Climate Change Adaptation into Development Cooperation May 2009

GNH philosophy and the Constitution, and the existence of several policies and laws that provide for environmental management. However, there is an apparent capacity gap between policy formulation and policy implementation. Interactions with local government officials suggest that much of the medium- and long-term, specialization training are generally consumed at the central policy and planning level while the local government staff are largely confined to short training and study tours.

A key strategic measure of the RGoB is to strengthen environmental management at all levels (but more so at the local level) through ECP mainstreaming in development policies, plans and programmes. Since this is a new concept and process, the RGoB and its development partners are taking time to strategize as to how ECP mainstreaming can be undertaken at both central and local government levels and how other stakeholders (private sectors, civil society organizations and local communities) could be effectively involved. It is also considered that it will not only be enough to mainstream ECP into policies, plans and programmes but also to look at the quality of execution and the impact it makes on the overall development objectives of poverty reduction and environmental sustainability.

Capacity development, therefore, is extremely critical to enhance execution and realize desired impact. More so, in view of the fact that some of the local government staff positions (Dzongkhag Environment Officers and Gewog Administrative Officers) were created only recently and have been filled with new graduates (all have at least a bachelor's degree) with limited or no training/ experience in their respective fields of responsibilities. A comprehensive capacity development plan concerned with ECP mainstreaming has not been elaborated and therefore limited education and training has been undertaken within this broader aspect of environmental management. Bhutan has – on the other hand – educational and training institutions and a professional cadre that could accumulate and impart such competence to policy-makers, decision-makers, planning and environmental officers, and extension service staff. It is therefore a logical conclusion that the main thrust of capacity development interventions should be based on domestic and in-service training.

## 3 Rationale and Lessons Learned

### 3.1 Rationale for the Joint Strategic Framework

Bhutan 2020, the Constitution of the Kingdom of Bhutan 2008, and the 10<sup>th</sup> Five-Year Plan constitute the overall framework for outlining the rationale for the Joint Support Programme. There are other important contexts for the rationale which is summarised below:

#### Local Governments' Act of the Kingdom of Bhutan, 2009 (LG Act)

The LG Act provides the overall legal framework for local governance to which the Joint Support Programme will be aligned. Local government elections are planned to take place in 2010 – resulting in elected councils being established as follows:

- Dzongkhag Tshogdu (DT)
- Gewog Tshogde (GT)
- Thromde Tshogde (TT)

The Dzongkhag Tshogdu will – in its area of jurisdiction – comprise two elected representatives from each Gewog (*Gup and Mangmi*), one elected representative from the Thromde Tshogde, and one elected representative from the Thromde Yenlag Tshogdes<sup>18</sup>. The LG Act provides increased powers and expanded functions to the local governments, which among others include: promotion of holistic and integrated area-based development planning; conservation and enhancement of the environment; regulation of natural resource uses; regulation of pollution; and organisation of relief measures in case of natural disasters and emergencies. The local government functions are operationalised through five-year plans and annual plans and budgets, which respectively are accumulated in RGoB's five-year plan and annual plans and budgets. Within the monitoring framework provided by the government, the local governments will each monitor and evaluate their own implementation performance.

The composition of the Dzongkhag Tshogdus constitutes a good basis for coordinated planning and implementation across the local government units within a Dzongkhag's area of jurisdiction. Given the LG Act's emphasis on environment and natural resources management, there is ample scope for mainstreaming environment into the various sector plans in accordance with the sector ministries' policies and strategies – while at the same time addressing poverty-environment linkages.

#### Local Governance Support Programme (LGSP)

The LGSP was launched in July 2008 and will operate until June 2013. The LGSP has been conceived to assist in: strengthening and widening the block grant mechanism; improving the overall public expenditure management – emphasising accountability and transparency; and developing the local governments' financial management capacity. The RGoB executing agencies are GNHC, MoHCA and MoF. The development partners that support the LGSP directly are UNDP, UNCDF, Denmark, JICA, ADA and SDC. JICA, Helvetas and SNV are supporting the LGSP indirectly. The development partners' resources are provided as budget support –

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<sup>18</sup> Minor urban settlements – today only Thimphu and Phuntsholing have the status as autonomous municipal corporations/bodies.

complementing RGoB funding – for capital development and capacity development in local governments.

The LGSP contains capacity development interventions aimed at local governments in its Output 3: “*Effective national support/ training for local government designed*”, which include an update of RGoB’s “*minimum package of training to all LGs*” as indicated in the “Integrated Capacity Building Plan” developed by GNHC/LDD with assistance from JICA. The topics include: roles and responsibilities, administrative functions, planning, budgeting, financial management and bookkeeping. The target groups are: Dzongkhags sector heads, Gewog gups, mangmis, clerks, and tshogpas. The training provider will be the Royal Institute of Management (RIM), other relevant training institutes, and private training firms. The total cost of Output 3 is budgeted at USD 1.227 million.<sup>19</sup>

The SESP’s Component 1 will provide a further budget support allocation to the annual capital grant and will be managed and distributed in precisely the same way as already committed funds. The intent of the Joint Support Programme is to develop local government capacity so that capital investments are planned and implemented in such a way that environment, climate change and poverty concerns are appropriately integrated and addressed. This will complement the LGSP’s capacity development activities – with more emphasis on development planning – and will continue to the end of the 10<sup>th</sup> FYP. Furthermore, the LGSP 3<sup>rd</sup> PSC endorsed the establishment of a joint technical working on capacity development to, among others, coordinate LGSP and SESP support to capacity development for local governments.

#### Local governments’ capacity

Local government staff is made up of: 1) central government officers seconded by sector ministries but who relate administratively to the Dzongkhag administrations; and 2) staff assigned directly to the council administrations. The seconded officers are generally well educated and trained within their respective areas of specialisation, but other than the practical experience acquired from working at the district level, they have only a limited knowledge of holistic and integrated area-based development/ land use planning and environmental management.

The Dzongkhags’ 10<sup>th</sup> FYP capital and recurrent expenditure budgets contain limited provision for training. Training of the line ministries’ district officers is planned and budgeted for at the central level. The Dzongkhags’ HRD Plans are limited in scope and are not likely to address sustainable development planning that integrates environment, climate change and poverty reduction in a comprehensive manner<sup>20</sup>. The Joint Support Programme will provide the opportunity to develop local level capacity that will assist in meeting the LG Act’s requirement for comprehensive and sustainable development planning – bearing in mind that this will be a medium-to-long-term process that will run simultaneously with further decentralisation.

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<sup>19</sup> LGSP Joint Programme Document, June 2008 – pg 31-33.

<sup>20</sup> This statement is based on visits to Paro and Haa Dzongkhags Tshogdus and discussions with the Dzongdags and district officers.

### Capacity development of the Private Sector and Civil Society Organisations<sup>21</sup>

The Bhutan Chamber of Commerce and Industry (BCCI) indicated that it is interested in the following areas of capacity development in relation to environmental management:

- Outsourcing for engineering works;
- Building capacity in industry associations;
- Waste management; and
- Regular updating of environmental consultant skills.

Consultations with training providers indicated that there is some existing capacity for training private firms in certain aspects of environmental management. This interest exists primarily in private training providers such as the new Royal Thimphu College (RTC) and the Institute for Management Studies (IMS), the latter of which has indicated a specific interest in training local leaders in implementation of Gross National Happiness concepts in local planning<sup>22</sup>.

Public training institutions may also want to develop training initiatives for the private sector, although this does not appear to be a current focus for any of them. The relevant public training institutions that could provide such training are:

- Ugyen Wangchuck Institute for Conservation and Environment in Bumthang (housed within the Department of Forests in the Ministry of Agriculture);
- Rural Development Training Centre in Zhemgang (under the Ministry of Agriculture);
- College of Natural Resources at Lobesa (a unit of the Royal University of Bhutan); and
- Royal Institute of Management (RIM) at Semtokha (RIM is a member college under Royal University of Bhutan).

Consultations also led to the conclusion that there are potential new areas of private business activity that could require capacity development assistance. These include:

- A similar need may eventuate for outsourcing of forest management planning.
- The international carbon credit market: The international climate change adaptation and mitigation system is slowly moving towards formal recognition for carbon sinks (such as Bhutan's forests). This movement is being recognised through programmes such as Reducing Emissions from Deforestation and Degradation (REDD). It is likely that the post-Kyoto Protocol will begin to present rules that would enable Bhutan to capitalize on the huge developed country need for carbon sinks and other forms of carbon

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<sup>21</sup> Considerable reference to private sector participation in most development sectors is mentioned in the 10<sup>th</sup> FYP in relation to creating an enabling environment and by improving human resources capabilities. The 10<sup>th</sup> FYP also makes reference to NGOs' and CSOs' role in helping government and people achieve plan targets. They are expected to help local governments build their capacity and create effective governance systems with improved and enhanced accountability.

<sup>22</sup> In the July 19<sup>th</sup>, 2009 edition of the Bhutan Times, the CEO of IMS stated that the Institute intends having a course for local leaders on GNH, the intention being to "show how GNH impacts grassroots development plans and project frameworks". The CEO went on to say that "... it is essential for planners to understand how to incorporate the essence of GNH into development frameworks".

trading. Bhutanese firms need to be ready for the introduction of such schemes.

A small number of CSOs (such as RSPN and Tarayana Foundation) is involved in development planning and implementation at Gewog and Chiwog levels. Despite relative concentrated geographical focus, the CSOs have developed distinct skills in addressing the needs of remote and vulnerable communities needs. The involvement of the CSOs could benefit the Joint Support Programme in two ways: 1) by sharing their experience with government agencies; and 2) by including and testing the ECP mainstreaming in their approaches.

#### Mainstreaming of environment in policies, plans and programmes

In fulfilling the 10<sup>th</sup> FYP environmental objective of mainstreaming environment, the NECS and GNHC have produced an interim set of “Guidelines for Mainstreaming Environment in Policies and Programmes”, with support from UNDP/UNEP, AusAID, and Denmark. In addition, PEI Phase I is finalizing a draft set of Guidelines for Mainstreaming the Environment for Pro-poor Growth & Development in Policies, Strategies and Plans of the Royal Government of Bhutan.

In addition, other “sectors” and donor-funded programmes have an interest in the issue of mainstreaming. These include:

- Gender (as evidenced by Danish support to cross-government short-course training in gender mainstreaming in 2009/2010);
- Sustainable land management (as evidenced by the World Bank/ GEF funded Sustainable Land Management Programme based in the National Soil Service Centre of MoA);
- Gross National Happiness (as evidenced by the GNHC’s early-stage interest in guidelines for mainstreaming GNH into national planning);
- Disaster Risk Reduction and Management (as evidenced by the National Risk Management Framework based in MoHCA).

Consultations have indicated that there are different views about what should be done to finalize mainstreaming guidelines. The most efficient and sensible approach would appear to be to establish a set of integrated mainstreaming guidelines under the auspices of the GNHC. These would focus on a process that could be applied to national planning by any agency with a mainstreaming agenda. Underneath this “umbrella” would sit sector or interest-specific guidelines.

#### Environmental monitoring

There is a number of indicator “sets” in existence in Bhutan that purport to measure environmental performance of either specific programmes, or of the country as a whole. These include:

- The NECS’s Environmental Information Management System (EIMS) which is based on indicators developed for the second State of the Environment Report (known as Bhutan Environment Outlook 2008)<sup>23</sup>;
- Indicators used by the Sustainable Land Management Programme;

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<sup>23</sup> Ref. Appendix 1: “BEO Indicator Framework”, which outlines pressure, state and response indicators for land, water, air, and biodiversity.

- Ecological indicators used in the composite indicators of GNH;
- The Millennium Development Goal indicators;
- SAARC Development Goal indicators.

The most obvious “entry point” for establishing ECP indicators is the GNHC Planning and Monitoring System (PlaMS), which all stakeholders recognize as the government’s chosen peak overall monitoring system. The PlaMS is a web-based planning and monitoring information management system and will eventually enable real time online data entry, analysis, data storage, and report generation of development programmes and projects.

PlaMS is one component of what is known as the National Monitoring and Evaluation System (NMES), which monitors progress and performance of development programmes and projects. The other component focuses on institutional set-up and procedures, and is supported by the National Monitoring and Evaluation Manual (NMEM). The GNHC has with Danish assistance updated the NMEM and PlaMS. Work on PlaMS has resulted in refined outcomes, outputs, activities, and indicators originally proposed by the sectors as part of the 10<sup>th</sup> Five Year Plan Guidelines.

### **3.2 Review of lessons learned from previous phases**

#### *Environment and Urban Sector Programme Support (EUSPS) 2004 –2009*

The EUSPS Component 2: “Decentralised Natural Resource Management” (DNRM) was subject to a Lessons Learned Study in 2008<sup>24</sup>. Among other things, the Study concluded that:

- An integrated approach to Renewable Natural Resources (RNR) can add more value to RNR development activities – when infrastructure projects like farm roads and irrigation schemes can be packaged with productive RNR activities tapping the benefits from improved accessibility;
- The RNR sector has the potential to address environmental, social and economic changes, e.g. climate change impacts and food security. The interventions had contributed to enhanced adaptation skills through: water and crop management; linking production with market access; and increased income generation opportunities that reduces rural vulnerability.

Similarly, the EUSPS Component 5: “Support to Five District Towns” was subject to a Lessons Learned Study in 2008<sup>25</sup>. One of the Study’s recommendations was that it would make sense to widen the scope of development support to include rural-urban interactions, e.g. urban market and rural products; urban services and potential for increasing rural production and employment; and urban and rural land use planning. It was concluded that capacity development efforts would benefit from being planned and implemented in a broader framework that considers the needs of both districts and its towns.

Following the recommendations of the EUSPS/WB-SLMP Joint Review, September 2008, the existing monitoring and evaluation frameworks, including indicators, have

<sup>24</sup> MFA/Danida, Lessons Learned from Decentralised Natural Resource Management Component: Gewog level experiences on the planning and regulatory frameworks, September 2008.

<sup>25</sup> MFA/Danida, Lessons Learned from Support to Five District Towns: Municipal level experiences on planning and regulatory frameworks, October 2008.

been reviewed and TA has been provided to ensure that they are incorporated into the developing national monitoring and evaluation system (PlaMS). Further, that the support to the Ministry of Agriculture as well as the UNDP projects are incorporated into the existing institutional arrangement for coordination of sustainable land and water management interventions, so that there is a single unified mechanism to coordinate sustainable land management and natural resource management activities of the three development partner programmes. Finally, the recommendation to increase capacity building of main stakeholders at decentralised level in decision making committees such as the Dzongkhag Committee, and Town Committees, as well as municipal engineers, has been addressed in the design of the JSP.

### PEI Phase 1

Phase 1 of PEI focused on four outputs: support for the RGoB's REAP; support for the development of the Local Development Planning Manual (LDPM); initiation of the poverty-environment mainstreaming guidelines; and initiation of the Public Environmental Expenditure Review.

Phase 1 has not been formally reviewed, as this is not a requirement of the PEI system. However, it is clear from a combination of local consultation and a review of international PEI performance, that a number of lessons have been learned that should inform the programming of Phase 2. These include:

- Phase 1 has substantially raised the profile of poverty-environment linkages within the Royal Government of Bhutan. This success needs to be built upon and initiatives extended so that they become a consistent aspect of government planning;
- Phase 1 was specifically designed to work in combination with EUSPS's early environmental mainstreaming activities undertaken by NEC. This is a good example of donor harmonization;
- PEI Phase 1 was linked to existing UNEP/UNDP programming, and so did not benefit from a full formal preparatory phase;
- Some elements of Phase 1 as understood in the international application of PEI have not been undertaken in Bhutan's Phase 1, suggesting that they may need to be included in Phase 2;
- The drafting of PEI mainstreaming guidelines should have linked earlier with the recently published NEC-backed environmental mainstreaming guidelines. This issue needs to be dealt with in Phase 2 through closer harmonization between NEC and GNHC activities;
- Some concern has been exhibited about project management in Phase 1. It is clear that a strong system of project management needs to be instituted for Phase 2,
- PEI is more a policy support to government on poverty alleviation, rather than providing actual direct support for poverty interventions.

### Conclusion

In conclusion, the overall lessons learned from EUSPS and PEI Phase 1 call attention to a more harmonised capacity development approach with an enhanced emphasis on developing the local level capacities, both for employed staff and elected councillors. Accordingly, the logical step, as a follow-up on the lessons learned is a joint support capacity development programme that mainly focuses on the new elected bodies and other actors at the local level.

## **4 The Joint Support Programme**

### **4.1 Opportunities and Challenges**

#### *Opportunities*

The foregoing discussion points firstly to a series of opportunities to be built upon:

- There is a strong constitutional and political commitment to deepen decentralized reforms and local level democratization.
- Local level service delivery is a focus for the RGoB in the 10<sup>th</sup> FYP, and this presumably will be the case in the 11<sup>th</sup> Plan.
- Strong donor support for the decentralization intention of the RGoB should allow for more empowered local governments at all levels, with greater scope for accountability and participation.
- There is commitment by national authorities to a high and increasing level of Local Government resources.
- Development of new legislation, especially the Local Governments' Act of Bhutan 2009, provides further boost to the decentralization agenda.
- Awareness of the potential for environmental mainstreaming to both improve environmental outcomes, and lead to greater economic efficiency, has grown substantially since first raised as a new concept by the NEC in 2006.
- The administrative “infrastructure” of District Environment Officers and Dzongkhag Environment Committees, initiated in 2006 has also taken root more quickly and effectively than expected.
- Existing capacity development activity at the local level, through initiatives such as the Integrated Capacity Building Plan (ICBP) and the Local Development Planning Manual (LDPM), provide a strong basis upon which to build the Joint Support Programme.
- There are considerable efficiencies to be gained by linking the capacity development proposed for the Joint Support Programme, with the proposed Component 1 (Annual Capital Grants to Gewogs) of the SESP and the LGSP.
- RGoB's timely efforts in addressing the needs of the poorest groups through its poverty alleviation efforts.

#### *Challenges*

All of the above constitute a strong justification for further support. At the same time there are a number of areas of challenge which require attention:

- The Local Governments' Act 2009 is a framework law, which means that it is not supposed to provide fine-level implementation detail. Issues such as assigned function, financing mechanisms, internal organization of local government (including committee structure) will need to be specified in subsidiary regulations and by-laws.

- Much clearer/more and appropriate functional and fiscal assignments between Gewogs and Districts are needed as well as between the centre (line ministries) and local governments.
- Some policy development is still required at the central level to ensure that ECP mainstreaming and benefit-sharing are properly supported, and to allow for initiatives to be introduced at the local level.
- Capacity for mainstreaming ECP into local level annual and five-year planning is very weak. A considerable amount of capacity building work needs to take place before mainstreaming can take place effectively at the local level.
- Currently, a comprehensive capacity development plan on ECP mainstreaming for central and local government officers and other stakeholders has not been elaborated.

The Joint Support Programme will provide support to mainstream environment, climate change and poverty-related issues in national and local government policies, plans and programmes.

The principles of aid effectiveness are pursued with alignment to RGoB policies and programmes and seeking harmonisation with the LGSP. The Joint Support Programme will align with the 10<sup>th</sup> FYP and will provide support to environment and natural resource management within the context of the poverty reduction objective of the 10<sup>th</sup> FYP.

## 4.2 Objectives

The *development objective* is: sustainable development planning and implementation undertaken at national and local levels contributing to: alleviation of climate change impacts; conservation, protection and sustainable use of natural resources; and poverty reduction.

The *immediate objectives* are:

- 1) strengthened national level capacity that facilitates national and local level five-year planning and implementation by mainstreaming environment, climate change and poverty concerns in policies, plans and programmes; and
- 2) Strengthened local level capacity to formulate and implement five-year development plans and annual plans in which environment, climate change and poverty concerns are mainstreamed.

A diagram showing the linkages between the hierarchy of objectives is attached as Annex B. It shows how the Joint Support Programme's objectives meet the objectives of i.e. Bhutan 2020, 10<sup>th</sup> FYP, and the MDGs.

## 4.3 The Strategic Approach

The main strategies are: 1) develop national capacity for ECP mainstreaming into national policies, plans and programme, especially those of relevance for local governance; and 2) based on the national ECP framework, develop local capacity for mainstreaming ECP into local development plans and annual plans, and for monitoring and evaluation of planning and implementation cycles in order to enhance the responsiveness to ECP challenges. The preparation of the local governments' 11<sup>th</sup>

FYP will provide a specific opportunity to address ECP challenges in the medium-term. Bhutanese public and private training institutions will be the main providers of training to national and local governments. The main thrust of the capacity development interventions will be on the corporate performance of the different units of local governments and how they interact with central government. Corporate competence depends on skills and attitudes of each individual officer in the local government units. The results-oriented approach to capacity development and change (ROACH) will be pursued.<sup>26</sup>

A flow diagram is attached in Annex C to illustrate how capacity development support through the Joint Support Programme of the Danish SESP Component 2 and the UNDP/UNEP PEI Phase 2 would build on the overall mainstreaming and local capacity development processes being undertaken by RGoB.

The strategic framework of outcomes and outputs are shown below:

### **Programme Outcomes and Outputs**

<p>Outcome 1: <i>ECP mainstreamed in policies, plans and programmes</i></p> <p>Output 1.1: ECP Mainstreaming guidelines and indicators available for use by sectors</p> <p>Output 1.2: Poverty-environment linkages demonstrated and benefit sharing policies, strategies and guidelines developed</p> <p>Output 1.3: Staff and modules available for ECP mainstreaming trainings at all levels in relevant educational and training institutes</p> <p>Output 1.4: Competent staff available in all sectors and Help Desk of NECS</p> <p>Output 1.5: Competent staff available in other sectors to mainstream ECP</p>
<p>Outcome 2: <i>ECP mainstreamed in all development plans and programmes at the local level</i></p> <p>Output 2.1: Revised Local Development Planning Manual available for use by local governments;</p> <p>Output 2.2: Benefit sharing mechanisms applied to selected conservation projects</p> <p>Output 2.3: Competent staff available at the local level to mainstream ECP</p> <p>Output 2.4: Local plans monitored for integration of ECP concerns</p>

The urban dimension is not mentioned in the draft SESP Programme Document of 23 April 2009. While it is recognised that rural poverty is the major issue, which would warrant funding support to the Gewog administrations, one also has to accept that urban consumption of natural resources and pollution have a substantial impact on the rural environment and rural people's livelihoods and that area-wide environmental planning and management will need to include both the rural and urban dimensions.

<sup>26</sup> Reference is made to "MFA/Danida, A Result-Oriented Approach to Capacity Change, February 2005.

#### 4.4 Outcomes and Outputs

The outcomes and outputs structure presented below is an overall framework, which will be operationalised through a sequence of Annual Work Plans and Budgets.

##### **Outcome 1: ECP mainstreamed in national policies, plans and programmes (US \$ 1,750,000)**

In order to achieve its socio-economic development goals as defined in the 10<sup>th</sup> Five Year Plan, pro-poor environmental considerations and climate change adaptation responses need to be systematically integrated into development planning processes in Bhutan. The initiation of the concept of national level environmental mainstreaming can be traced back to the Guidelines for the Preparation of the 10<sup>th</sup> Plan (2007-2012), which states that:

“Environment is a cross-cutting issue that is intimately intertwined with poverty reduction. Therefore, all sectors, agencies, Dzongkhags and Gewogs should mainstream environmental issues in all their policies, plans, programmes and projects and build adequate mitigation measures to minimize any adverse impact on the environment”. (Clause 2.3(iv))

This requirement led to environmental awareness training undertaken by NEC under the EUSPS programme for all sector agencies during the second half of 2006. It also encouraged other donors, most notably UNDP, to consider supporting the government’s attempts to build mainstreaming capacity. Evidence from EUSPS and PEI Phase I indicates that there is still work to be done at the national level to support overall policy development, capacity building, and implementation at the level of sector policies and programmes.

The Plan Monitoring and Coordination Division (PMCD) of the GNH Commission with support from lead and sparring partners under each of the outputs will be responsible for coordinating the activities under this Outcome.

##### **Output 1.1: ECP Mainstreaming Guidelines and Indicators available for use by sectors (US \$510,000)**

Consultations have indicated that, at the level of overall national policy, there are the following areas of concern that are proposed to be addressed by the Joint Support Programme.

##### *Review and refine ECP mainstreaming guidelines*

A harmonised set of integrated ECP guidelines will be finalized by the end of 2009.<sup>27</sup> The guidelines include sector specific guidance for most of the relevant sector agencies. These guidelines will need to be reviewed and refined in order to ensure that contribution from central agencies, Dzongkhags and Gewogs that ECP is mainstreamed in the 11<sup>th</sup> FYP.

*The lead agency for this sub-output will be the NECS with GNHC as the sparring partner.*

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<sup>27</sup> If this turns out not to be the case, then an urgent and early JSP activity should be to produce a set of integrated ECP guidelines.

*Establish national and local level ECP indicators*

Strengthening of national level ECP mainstreaming relates to national indicators. The evidence of efforts to mainstream ECP will be borne out through monitoring and evaluation systems. The main activities associated with this area of concern will be:

- Establishment of preliminary ECP indicators during the Inception Phase to be applied for FY 2010/11 in selected Dzongkhags;
- Refinement of the PlaMS, or establishment of a complementary system prior to development of the 11<sup>th</sup> Plan guidelines, to ensure that ECP indicators have been fully introduced into the system;
- Review of the “Monitoring Matters: Comparative Analysis of Innovative Approaches” (MOMA)<sup>28</sup> to assess the extent to which this approach can improve locally-based monitoring;
- Assistance to Centre for Bhutan Studies (CBS) to continue refinement of the GNH Index, the GNH indicators, and the screening tools;
- Assistance to the National Statistics Bureau and the Department of Public Accounts to develop work on Public Environmental Expenditure Review (begun in Phase 1 of PEI), and review the possible modalities for green national accounting. This activity would build on the developing linkages between the GNHC PlaMS indicators, the CBS GNH work, and the NEC’s Environmental Information Management System (EIMS).
- Results based monitoring- the effectiveness of mainstreaming and state of environment
- Develop environmental baseline data at the Dzongkhag and Gewog level, based on a review of local-level data availability (and taking account of existing sources such as MoA’s “Country Stat Bhutan”, “Dynamic Information Framework for Bhutan – DrukDIF”, and the NEC’s EIMS).

*The lead agency for this sub-output will be GNHC with CBS, NSB and DPA as sparring partners.*

**Output 1.2 Poverty-environment linkages demonstrated and benefit sharing policies, strategies and guidelines developed (US \$ 240,000).**

Economic analyses and other integrated ecosystem assessments are required to establish the evidence of poverty environment linkages in Bhutan and to make the case for mainstreaming ECP.

ECP mainstreaming also relates to the concept of benefit sharing mechanisms. Suggestions for local level benefit sharing programme activities will be presented under Outcome 2. In addition, however, policy development will be required at the national level to ensure that there is a clear and fair process for implementing local initiatives. Care will need to be taken to ensure that there is no duplication between

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<sup>28</sup> The Faculty of Life Sciences of Copenhagen University is the coordinating institution. MOMA has been applied in a number of developing countries – having the objective that local communities and national agencies have access the most reliable methods for monitoring resource use and trends.

the Joint Support Programme and the proposal recently submitted to FAO by the new Watershed Management Division of MoA<sup>29</sup>. Attention should also be paid to lessons learned from:

- The MoA's "One Gewog, Three Products" programme;
- The sustainable hydropower development policy, which provides for ploughing back one percent of the royalty of hydropower sales to MoA for watershed management;
- The new Forest Policy
- The Global Environment Facility project, "Mainstreaming biodiversity management into the tourism sector in Bhutan" (a proposal has been submitted for GEF approval and is planned to be implemented from August 2010 to September 2014), and which has a component dealing with mechanisms for the reinvestment of a portion of ecotourism and nature-based tourism revenues into biodiversity conservation;
- Other experiences gained from recent attempts to support "community tourism" (especially in SNV-supported projects).

In addition, the issue of human-wildlife conflict is of considerable concern to farmers and the RGoB. The benefit sharing activity of the Joint Support Programme will look closely at this problem, especially in relation to locally controlled compensation programmes. The main activities under this sub-output will be:

- A set of integrated eco-system assessments and other studies that would focus on combined economic, social, and environmental analysis of alternative development scenarios in selected sectors (using tools such as multi-criteria analysis);
- Economic analyses related to key poverty-environment issues (e.g., human-wildlife conflicts, subsidies on agriculture commodities, indoor air pollution, environmentally-friendly road construction, soil conservation, etc.);
- Continuation of the Public Environmental Expenditure Review (PEER) analysis, using the Phase I PEER as a baseline;
- A study of international experience with benefit sharing as it relates to the Bhutanese context;
- As a result of the abovementioned study, production of a set of recommendations for reforming central level policy to allow for benefit sharing at the local level to take place;
- Development of a set of trial benefit-sharing activities to be implemented in poor Gewogs, in conjunction with RSPN and the Tarayana Foundation;

*The lead agency for this output will be Policy and Planning Division and Watershed Management Division of the Ministry of Agriculture, with NECS and GNHC as sparring partners.*

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29. Project Proposal - FAO/Multi-donor Partnership Programme (FMPP) and RGoB (July 27, 2009) "Rewarding land users for the provision of environmental services (PES): a framework for a national PES strategy in Bhutan".

**Output 1.3: Staff and modules available for ECP mainstreaming trainings at all levels in relevant educational and training institutes (US \$ 300,000)**

A number of Bhutanese training institutions may be able to offer training in ECP mainstreaming tools to central sector Ministries, local governments and other stakeholders. These institutions include the Royal Institute of Management, other national training institutes such as the Rural Development Training Centre, and new private training institutes such as the Institute for Management Studies, and the Royal Thimphu College. Proposed activities associated with capacity development of training institutions include:

- Review the capacity development needs, of specific Bhutanese training institutions (and their capacity/ability to offer ECP mainstreaming training);
- Development of partnerships between RIM and other relevant Bhutanese training institutes to coordinate and develop an integrated training package for application of the “Guidelines for ECP mainstreaming in national policies and programmes.” This proposed integrated package would aim to train Policy and Planning Division staff of various line ministry agencies and programme/ planning officers in the BCCI/ private sector associations and CSOs. It would need to rely on the common pool of knowledge and skills available within RIM and partner Bhutanese training institutes;
- To complement the in-country pool of knowledge and skills, development of partnerships between RIM and a regional/international training institute may be of considerable value. For example, collaboration with Australian and any other international institutes collaborated with NECS to build the capacity of Bhutanese government officials in environmental mainstreaming. There is indication that AusAID may be willing to provide funds for a second round of mainstreaming capacity building, which would take place in 2010/2011.
- Training of trainers (ToT) for implementing the integrated training package for ECP mainstreaming in national policies and programmes.
- Intensive training on use of the ECP mainstreaming guidelines for sector agencies, prior to initial drafting of 11<sup>th</sup> Plan sector chapters.
- Specific capacity building within NEC, MFA and other relevant agencies to assist with international climate change negotiations as they relate to carbon sinks.
- Development of a training module on ECP mainstreaming in local level development planning;
- Development of research capacity of CNR, UWICE and Regional RNR Research Centres on issues pertaining to natural resources management, climate change and poverty with special focus on the inter-linkages.

*The lead agency for this output will be the NECS with GNHC and other relevant agencies as sparring partner.*

**Output 1.4 Competent staff available in all sectors including the Help Desk in NECS to mainstream ECP (US \$ 350,000)**

Activities associated with developing the capacity of sector Ministries and parliamentarians to understand ECP mainstreaming in policies and programmes would include:

- Training of Policy and Planning Division staff of all ministries and relevant autonomous agencies and constitutional bodies in the application of “Integrated Guidelines for ECP mainstreaming in policies, plans and programmes”;
- Capacity development of the NECS/ Inter-institutional Help Desk to provide (i) effective policy and planning guidance and backstopping to the Policy and Planning Divisions of sector line ministries and non-ministerial central agencies and Local Governments for ECP mainstreaming in policy-making and development planning processes and (ii) concrete demonstration of mainstreaming processes and tools at central and local level.
- Institutional strengthening of the newly created Watershed Management Division under Department of Forests (DoF). This will essentially include assistance in developing an organizational development plan that describes among other things the organizational structure, its functions, staffing and training needs in relation to staff functions, and equipment needs.
- Capacity development of the Department of Public Accounts, NSB and other agencies on PEER and Green Accounting.
- Production of the next Bhutan Environment Outlook Report in advance of the 11<sup>th</sup> Five Year Plan to aid ECP mainstreaming in the formulation of the 11<sup>th</sup> Five Year Plan;
- Bi-annual environmental workshops for parliamentarians preceding the National Assembly session to highlight key environmental issues and concerns. The NECS could organize such workshops in collaboration with Bhutan’s Parliamentary Environment Committee. This activity should build on the system developed by the UNDP Parliamentary Capacity Building project.

*The lead agency for this output will be the NECS and GNHC as sparring partners.*

**Output 1.5 Competent staff available in other sectors to mainstream ECP (US \$ 350,000)**

A final area of concern in relation to capacity development at the national level is with the private sector and civil society organisations. With regard to their capacity development needs including advocacy, research, awareness-raising and capacity building and training, the following activities are proposed to be undertaken:

- Capacity of CSOs enhanced to contribute to area-wide planning and forest planning. Development of short courses in environmental management for industry associations;
- Development of targeted “update” short courses for environmental consultants;

- Development of a linkage between the private sector and capacity building within NEC and the Ministry of Foreign Affairs to assist with international climate change negotiations as they relate to carbon sinks.
- Design and implementation of an extensive capacity development programme with CSOs (such as RSPN and Tarayana Foundation) focusing on environmental management at the Chiwog level, and incorporating ECP mainstreaming in local-level plans, and support to village/Gewog benefit sharing trial activities.
- Seed funding for CSO activities in the areas of eco-efficient house design and construction; rainwater collection; environmentally friendly connectivity; and other benefit sharing initiatives associated with watershed protection and carbon capture.
- Assistance for staff to research alternative means of dealing with human-wildlife conflict especially focused on possible locally controlled compensation funds.
- Assistance for staff of CSOs to better understand benefit sharing approaches that might be applied in poor rural communities.
- Provision of assistance to the proposed Environmental Resources Information Centre in Thimphu, which will contain library, research and conference facilities – being planned by RSPN.

*This output will be the management responsibility of the Board for managing CSO fund currently under consideration, with assistance from NECS.*

**Outcome 2: ECP mainstreamed in all development plans and programmes at the local level (US \$ 2,380,000)**

Outcome 1 deals with ECP mainstreaming activities that need to take place at the national level in order to provide the framework for development of local ECP guidelines and capacity.

The Local Development Division (LDD) of the GNH Commission with support from lead and sparring partners under each of the outputs described below will be responsible for coordination of the activities under this Outcome.

**Output 2.1 Revised Local Development Planning Manual is available for use by Local Governments (US \$ 230,000)**

Once the structure for national level integrated guidelines has been agreed upon, and sector-level customized ECP guidelines have been finalized, there will be a need to integrate these into the Local Development Planning Manual – to be ready for FY 2011/12 annual plan preparation. This Manual will assist Gewogs and Dzongkhags in both annual planning (the Local Development Planning Manual already exists that focuses on the annual plan preparation) and five-year planning so that environmental management, climate change adaptation, and disaster risk reduction including gender concerns are adequately addressed. They will also need to meet the requirements of the new Local Governments’ Act (2009) with respect to “holistic and integrated area-based development planning” (Article 42, clause (g)).

It is suggested that they should be informed by whatever guidelines have been produced by the Sustainable Land Management Programme for its work with Chiwogs and Gewogs. The following activity will be undertaken:

- Further development of the Local Development Planning Manual (LDPM) by integrating ECP concerns towards the preparation of holistic and integrated area-based development/ land use plans for the 11<sup>th</sup> FYP.

*The lead agency for this output will be the GNHC with NECS and MoHCA as sparring partners.*

**Output 2.2 Benefit Sharing Mechanisms applied to selected conservation projects (US\$160,000)**

An area of concern is strengthening of local capacity for ECP mainstreaming is in relation to benefit sharing. Outcome 1 presented activities associated with developing a policy and administrative structure for benefit sharing. However, it is at the local level that benefit sharing will take place, and where it will improve the livelihoods and impact of poor people in rural communities. Special attention needs to be paid to the lessons learned from the Sustainable Land Management Programme’s work in this area at the Chiwog and Gewog level. The following activities<sup>30</sup> will be undertaken:

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<sup>30</sup> Proposed activities should be fully integrated with the work being undertaken by the following: Tarayana Foundation in its 36 villages; SLMP in its “scaled up” work in 170 villages; REAP in its 10 villages; RSPN in its work with local communities in and around conservation areas; and ICDPs implemented by the Department of Forests in protected areas

- Translation of the outcomes of the national-level benefit sharing studies undertaken under Outcome 1 into local level trial activities;
- The trial activities to be guided by a set of developed benefit sharing guidelines.

*The lead agency for this output will be Watershed Management Division of MoA with GNHC as sparring partners.*

**Output 2.3 Competent Staff Available at the Local Levels to mainstream ECP (USA \$ 1,540,000)**

Capacity development needs at the local level are with Dzongkhags, Gewogs and Thromde councillors and staff. Consultations at the district level indicated that the two biggest concerns that Dzongkhags have with regard to environmental issues is lack of capacity to deal with environmental management, climate change adaptation, and disaster risk reduction challenges. Dzongkhag Environment Officers have made a significant impact since they were introduced in 2006/7. However, along with the Dzongkhag Environment Committees, there is still an expressed need for capacity development work to be undertaken.

There is also a need for other local staff to be trained in ECP mainstreaming, such as Dzongkhag Planning Officers, Gewog Administrative Officers, RNR extension agents and Dzongkhag engineers. Better environmental training of Dzongkhag engineers would help to alleviate environmental problems associated with development activities.

Under the LGSP, the GNHC is expected to prepare the objectives and a mechanism to provide and pilot ear-marked capacity development grant to LGs. The aim is to move from a purely supply driven modality of capacity development for LGs overtime as institutional capacities develop to a mix of supply and demand driven modality whereby LGs determine their own capacity development requirements and are financed to purchase these training needs. The JSP will build on the above experiences. When the capacity development grants guidelines/system are tested and established through the LGSP support the Danish contribution earmarked for this output will be provided as a discretionary grant for capacity development for LGs with the possibility of enhancing the grant.

The grant from PEI 2 will be available for ECP capacity development of LGs.

*The lead agency for this output will be GNHC with MoHCA and LGs.*

**Output 2.4 Local plans monitored for integration of ECP concerns (US \$450,000)**

The effects of the ECP mainstreamed LG plans will be assessed on an annual basis in accordance with the annual planning cycle in order to judge the plans' responsiveness to the ECP challenges and to provide input to the forthcoming annual plan. The main activities will be:

- Monitoring of the ECP contents in the annual plans and their effects by applying the ECP indicators and targets;
- Assessment of the extent to which the ECP mainstreaming in local plans has facilitated sustainable development;
- Application of lessons learned in the forthcoming annual plan; and
- Documentation provided on achieved results based on the "Planning and Monitoring System" (PlAMS).

*The lead agencies for this output will be the GNHC and NECS with support from training institutions.*

***Result and Resources Framework***

A Result and Resource Framework is attached as Annex D. It presents the above outcomes and outputs in table format, and includes an indication of the relative emphasis of the SESP and PEI Phase 2, along with the agency responsibility and proposed budgets.

**4.5 Crosscutting Issues and Themes**

***Democratisation and respect for human rights:*** The Constitution of Bhutan guarantees fundamental rights to all Bhutanese citizens and provides rights of equality before the law, equal and effective protection of the law. Bhutan has ratified the Convention on the Rights of the Child (CRC)<sup>31</sup> and the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). "However, Bhutan still faces the challenge of translating constitutional rights and intentions into reality. Equal access and opportunities for all Bhutanese will continue to be of importance" (source: Bhutan – Denmark Partnership – Strategy for Development Cooperation 2008-2013, p.16). Land issues, including resettlement and provision of land for the land-less remain important governance issues.

Bhutan has progressed significantly in terms of social justice and development rights. With high levels of investment the health and education sectors, Bhutan is one of the few countries in the world that will meet its part of the 20:20 compact (20% of public investment in health and education). The strong commitment towards fulfilment of obligations of the State to its citizens is also evident in the Constitution.

The 2008 Constitution paved the way for democratic governance and popular participation. The first democratic elections were held in March 2008 based on universal adult franchise with 80 % voter turnout, which brought the Druk Phuensum Tshogpa party to power – winning 94% of the seats in the National Assembly. Local self-governance is being pursued with the enactment of Local Government Act of Bhutan 2009 and local government elections which will establish councils with

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<sup>31</sup> The Labour and Employment Act 2007 defines children as being below the age of 18 years.

elected representatives. The involvement of civil society organisations as development partners is encouraged.

One aim of the Joint Support Programme – as it relates to the new concept of benefit sharing – is to investigate ways in which poor villages can be given rights over and access to the resources (land, forests and water) that they are responsible for managing. The upcoming National Forests Policy 2009 will support this aspect of the Joint Support Programme.

**Environment:** Article 5 (Environment) of the Constitution of Bhutan treats every Bhutanese as a trustee of the Kingdom's natural resources and environment. Environment is one of the four pillars of the GNH. Accelerated economic and social development – which among others result in high urbanisation rates and changed consumption patterns – place increased attention to environmental management in years to come. A number of laws have been enacted to strengthen environmental management and to protect and conserve natural resources. These laws are:

- Forest and Nature Conservation Act 1995
- Mines and Mineral Management Act 1995
- Environmental Assessment Act 2000
- Pesticides Act 2000
- Biodiversity Act of Bhutan 2003
- Road Act 2004
- National Environment Protection Act 2007
- Waste Prevention and Management Act 2009

The National Environment Protection Act is an umbrella law, which requires all other laws and regulations governing the use of land, water, forests, minerals and other natural resources to be consistent with it. It specifically lays down principles and directives for the protection of environmental quality and the maintenance of forest, biodiversity and ecosystem integrity. A Water Bill is being drafted, which when passed will promote sustainable use and protection of water resources with increased attention to watershed management.

DECs have been established and DEOs appointed in all 20 districts. The DEC's are assessing: EIAs and land/forest permits of local projects to ensure that potential negative environmental impacts are minimised. Once the Local Governments' Act 2009 becomes effective, the DEC's will assume new roles and responsibilities, which besides their regulatory functions will also include developmental functions, e.g. the area-wide five-year development plans – of which climate change adaptation will become an important issue.

Clearly, a significant aim of the Joint Support Programme is to lead to improved consideration of the environment in local development planning. Most previous donor assistance to the environment has focused at building national level capacity (although the establishment of DEC's and DEOs is an exception to this). This new programme moves to the local level, where there is much to be done to build capacity and improve environmental management and climate change adaptation.

**Gender equality:** In Bhutan, gender relations have traditionally been based on equality and reciprocity. The RGoB has ensured that women issues are incorporated in development initiatives. Even though Bhutan has acceded to the CEDAW, women

are still disadvantaged especially in relation to participation in governance at all levels, tertiary education, economic and employment activities. Other pertinent women's issues to be addressed are: enhanced awareness among women on HIV/AIDS<sup>32</sup>; the growing incidence of domestic violence; and trafficking and prostitution. The National Commission for Women and Children developed the National Plan of Action for Gender 2008-2013 (NPAG) in cooperation with GNHC to promote gender equality.<sup>33</sup> The NPAG's recommendations are incorporated into the 10<sup>th</sup> FYP. Results-based action plan with indicators, baselines and targets have been developed across the seven critical areas for action. The 10<sup>th</sup> FYP sees gender as a crosscutting issue to be mainstreamed by all sector ministries with a view to integrating gender perspectives into policies and legislation. The local governments, in accordance with the Local Governments' Act of Bhutan 2009, are empowered to promote democratic and accountable governments and provide protection for women, children and the physically challenged; and eliminate physical, mental and emotional abuse and violence against women and children.

The aims of the Joint Support Programme, within the overall framework of the 10<sup>th</sup> FYP and the NPAG, will be to monitor the development in the indicators and if required, support the enforcement of the above legal and gender mainstreaming needs to: enhance women's participation in the local planning processes to promote that women's priorities are adequately reflected; encourage the development of integrated mainstreaming guidelines, which could provide a template for other "sector-specific" mainstreaming guidelines, including those related to gender and finally, collection, analysis and dissemination of gender disaggregated data of those receiving capacity development support under the JSP and male and female beneficiaries of local capital investments.

***Employment and private sector development:*** Over the next seven years approximately 63,000 young people educated at secondary level will enter into the labour market. The RGoB recognises the need to provide employment opportunities as essential to promoting social stability. An increasing problem is lack of employment opportunities for the educated youth in the Gewogs, resulting in a situation where many leave for urban areas in search of income and better living conditions.

Trade, industry/ manufacturing and services are at the heart of the 10<sup>th</sup> FYP's development strategy to promote economic development and thereby contribute to poverty reduction. Strategies have been conceived to increase private sector participation with a view to stimulating rural and urban economies. Bhutan submitted an application for accession to the World Trade Organisation (WTO) in 1999, but a conclusion has not yet been reached.

One of the most significant international responses to the recent global credit crisis has been initiatives aimed at supporting the development of "green jobs". This is now

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<sup>32</sup> Till date, 144 people have been infected with the virus of which 24 have succumbed to the disease. A National HIV Aids Commission and Multi-sectoral Task Force in all the Dzongkhags are active in advocating preventive measures, creating awareness and preparing for outbreaks of the disease.

<sup>33</sup> GNHC carries the overall role of gender focal point for the RGoB and there are also gender focal points in each RGoB institution/ministry.

a major plank of the work of UNEP and UNESCAP<sup>34</sup>. The Joint Support Programme will investigate ways in which green jobs might be encouraged through specific, village-oriented benefit sharing initiatives in poor Gewogs, amongst other by promoting agro-processing and market access in the local development planning.

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<sup>34</sup> The United Nations Economic and Social Commission for Asia and the Pacific is the regional development arm of UN in the Asia-Pacific region. UNESCAP seeks to overcome of the region's challenges related to: poverty reduction; managing globalisation; and tackling emerging social issues.

## 5 Programme Management and Organisation

### 5.1 Programme Management and Technical Assistance

A senior officer of DCD in GNHC Secretariat will be appointed as the *programme manager*, who, with PMCD and LDD of GNHC, will coordinate and oversee overall progress and intervene if delays and other problems occur. NECS, MoA and MoHCA will each appoint a senior officer who will act as the focal point/manager and coordinate activities within their respective ministry/ agency. At the Dzongkhag level, it will be the DPO and the DEO who will jointly act as the focal point. The focal points will be responsible for programme implementation in their respective central and local government units.

A *Programme Management Group* (PMG) will be established, which will be made up of members from RGoB and development partners (see Annex E.2 for the proposed ToR – to be endorsed by the JSP-SC). The RGoB member will be the GNHC Programme Manager and the focal points in PMCD, LDD, NECS, MoA/ SLMP and MoHCA. The development partner members will be UNDP/UNEP and Denmark. The PMG will meet at least once every three months to review progress, discuss the way forward, and address important strategic issues. Representatives from other national agencies, training institutions, civil society and private sector will be invited on an ad-hoc basis when these representatives can contribute to the issues being discussed. The GNHC Programme Manager will act as secretary to the PMG.

Short-term international, regional or national *technical assistance* (TA) can be accessed to advice with programme implementation in cases where adequate resources in the government system are not available to undertake special tasks. ToR will be prepared for each assignment that clearly specifies activities and reporting requirements. The PMG will prepare these ToR, which will be endorsed by the JSP-SC.

#### Role of central government

The primary role of central government is to mainstream ECP into policies and programmes and to ensure that the outcomes of this activity are effectively communicated to the concerned stakeholders. The mainstreaming of ECP will impact on national level plans and local government policy guidelines that will inform the local level plan preparation and implementation. Another important aspect will be to mainstream ECP into the secondary and tertiary education institutions' curricula to ensure that the future professional cadres possess the competence to address environment, climate change and poverty reduction challenges. The GNHCS and NECS will assume the following functions:

#### *Gross National Happiness Commission Secretariat*

- Overall coordination and management of the Joint Support Programme.
- Management of capacity development of DPOs and GAOs.
- Policy and planning guidance and backstopping to the PPDs of sector line ministries and non-ministerial central government agencies and Dzongkhags and Gewogs.

#### *National Environment Commission Secretariat*

- Management of capacity development of DEOs.

- Technical guidance and backstopping to the environmental units of sector line ministries for environmental assessment and monitoring.

### *Role of local government*

The primary role of local governments is to mainstream ECP into their development and annual plans based on planning and policy guidelines from line ministries/ central agencies. The two most relevant committees<sup>35</sup> in relation to the Programme are: 1) District Development Committee (DDC) that will be responsible for the planning aspects; and 2) District Environmental Committee (DEC) that will be responsible for environmental and natural resources management concerns. The interface between the two committees is ensured because most senior district officers are members of both committees, including the DPO and the DEO. The argument for maintaining the two committees is that DEC's have a regulatory function as well as a developmental function. The two committees will be the main fora for discussing and agreeing on actions to be taken on planning and ECP mainstreaming – and thus ensure that the combined expertise of senior district officers come in play. The LG Act of Bhutan 2009 stipulates that council members will constitute the membership of the committees, but that these can be expanded as warranted with the necessary sector expertise.

## **5.2 Programme Steering Committee**

A Joint Support Programme Steering Committee (JSP-SC) will be established, which will be made up of members from RGoB and development partners (see Annex E.1 for the proposed ToR – to be endorsed by the JSP-SC at its first meeting). The RGoB members will be the GNHC, NECS, MoHCA and MoA. The development partner members will initially be UNDP/UNEP and Denmark, but will be expanded if other development partners embark on compatible programmes. The JSP-SC will meet half-yearly to decide on major strategic directions and resolve conflicting issues – and in due consultation with other ministries if such issues relate to their mandated responsibilities. The Secretary of the GNHC will chair the JSP-SC, and the Programme Manager will act as secretary to the JSP-SC.

The LGSP has endorsed setting up thematic working groups to support the Steering Committee. There will be overlapping memberships between the LGSP-SC and the JSP-SC and as such it will be possible to have an overall coordination of the two programmes. However, if the LGSP sets up thematic working groups of relevance for the JSP, it should be considered that either JSP-SC or JSP management participate in these.

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<sup>35</sup> The Local Government Act of Bhutan 2009 does not contain clauses on the committee structures, but it is assumed that District Development Committees – with somewhat similar functions as the current DYT – will be established as a ‘committee’ that will report to the full Council.

## 6 Budget and Financial Management

The Danish funding for the Joint Support Programme forms part of the SESP budget in the amount of DKK 20 million (29% of the total grant of DKK 70 million) corresponding to USD 3.64 million<sup>36</sup>. The Danish grant will be monitored in DKK and transfers to the Programme will be based on the current DKK-Nu exchange rate. Only for budgetary purposes the amount in below Table 6.1 has been converted to USD. UNDP/UNEP's contribution is USD 0.86 million. The combined budget per output is shown in Table 6.1. The detailed budget is presented in the Results and Resources Framework (ref. Annex D).

**Table 6.1: Joint Support Programme budget (USD '000 and DKK)**

Outcomes & Outputs	2010		2011		2012		2013		Total		DKK	
	SESP	PEI	SESP	PEI	SESP	PEI	SESP	PEI	SESP	PEI	Total	SESP
<b>Outcome 1: ECP Mainstreamed in policies, plans and programmes</b>	<b>246</b>	<b>104</b>	<b>369</b>	<b>156</b>	<b>369</b>	<b>156</b>	<b>246</b>	<b>104</b>	<b>1,230</b>	<b>520</b>	<b>1,750</b>	<b>6,765</b>
1.1: ECP Mainstreaming Guidelines and Indicators	66	36	99	54	99	54	66	36	330	180	510	1,815
1.2: Poverty-Environment and Benefit Sharing	20	28	30	42	30	42	20	28	100	140	240	550
1.3: Education & Training Institutions	40	20	60	30	60	30	40	20	200	100	300	1,100
1.4: Sector Ministries & Help Desk	60	10	90	15	90	15	60	10	300	50	350	1,650
1.5: Private Sector & CSOs	60	10	90	15	90	15	60	10	300	50	350	1,650
<b>Outcome 2: ECP Mainstreamed in all development plans &amp; programmes at local level</b>	<b>408</b>	<b>68</b>	<b>612</b>	<b>102</b>	<b>612</b>	<b>102</b>	<b>408</b>	<b>68</b>	<b>2,040</b>	<b>340</b>	<b>2,380</b>	<b>11,220</b>
2.1: Revised Local Development Planning Manual	30	16	45	24	45	24	30	16	150	80	230	825
2.2: Benefit Sharing	12	20	18	30	18	30	12	20	60	100	160	330
2.3: Local Government CD	286	22	429	33	429	33	286	22	1,430	110	1,540	7,865
2.4: Monitoring ECP Integration	80	10	120	15	120	15	80	10	400	50	450	2,200
<b>Technical Assistance</b>	<b>109</b>		<b>109</b>		<b>73</b>		<b>73</b>		<b>364</b>	<b>-</b>	<b>364</b>	<b>2,000</b>
<b>Total</b>	<b>763</b>	<b>172</b>	<b>1,090</b>	<b>258</b>	<b>1,054</b>	<b>258</b>	<b>727</b>	<b>172</b>	<b>3,634</b>	<b>860</b>	<b>4,494</b>	<b>20,000</b>

In addition to the Danish contribution of DKK 20 million to the JSP, there are unallocated funds reflected in the overall SESP. The unallocated funds could be used

<sup>36</sup> The exchange rate of DKK 5.5 to USD 1.0 is applied.

for interventions that will contribute to the overall scope of the SESP, but which have not yet been specified as specific outputs or activities. One such option relevant to the JSP could be support to urban towns which are small rural towns that are highly interlinked with the neighbouring Gewogs. Such support would also be a logical continuation of the support provided under the Danish EUSPS.

**Flow of funds:** Lead agencies for each of the JSP outputs representing the local governments and relevant national agencies (GNHC, MoA, NECS and MoHCA) will prepare annual work plans and budgets aligned to the 10<sup>th</sup> FYP and capacity development activities proposed under the various outputs of the JSP. The education and training institutions will be contracted by GNHC or a national agency as relevant. Similarly, support to PS and CSO capacity development will be provided through the Board for CSO fund currently under consideration. The PMCD and LDD will each compile a comprehensive annual work plan and budget at Outcome level for prioritisation and approval by JSP-SC. Funding from the Joint Support Programme is included as earmarked support with funds transferred to and accounted for by the relevant national and local agency. The Programme Manager – with the assistance of the PMG – will coordinate the programme and monitor the tasks according to annual work plans.

The RGoB procedures for financial management and procurement will be applied. Danish and UNDP/UNEP funds will be channelled to GNHC, which in turn will route the funds to DPA and respective national agencies and local governments in accordance with their respective budgets. Subject to decision by the JSP-SC, procurement of some services may be managed by LOD/UNDP in line with procurement procedures of the respective organisations.

**Accounting:** Dzongkhags and Gewogs will prepare quarterly expenditure reports to DPA on the finances and activities according to the procedures developed by the MoF and GNHC, as stipulated in the Annual Grants Guidelines for Local Governments. DPA will prepare annual financial statements. The Budget and Accounting System (BAS) has been applied so far, but Multi-Year Rolling Budgets (MYRB) and Public Expenditure Management Systems are in the process of being introduced.

**Auditing:** The RGoB auditing procedures will be applied. In accordance with the Audit Act, the Royal Audit Authority (RAA) will audit the accounts of public institutions including the Dzongkhags on an annual basis and for Gewogs at least every second year. Each Gewog is an independent accounting entity. An annual audited financial statement shall be submitted to LOD and UNDP/UNEP once it is endorsed by Parliament.

## 7 Feasibility, Risk Management and Sustainability of Results

### *Feasibility*

The Joint Support Programme is deemed feasible as it: a) improves the national policy framework for environmental management and climate change adaptation, which provides strategic directions for local level planning and capital investments – with due consideration to poverty issues; b) coincides with the implementation of the 2009 Local Government Act, which devolves increased planning and executive powers to local governments; c) develops national and local capacity and awareness to deal with environment and climate challenges; d) influences the way in which the Gewog Annual Capital Grants are applied to enhance sustainable livelihoods in a cost-effective manner; and e) will fit into and build on ongoing government initiatives of local-level capacity development for sustainable development planning and management.

### *Risks and Risk Mitigation*

There are a number of risks associated with the implementation of the programme. These are summarized in the table below:

**Table 7.1: Risks, assessment and risk mitigation measures.**

<b>Risks</b>	<b>Likelihood</b>	<b>Potential Impact</b>	<b>Risk mitigation measures</b>
The implementation of the Local Governments' Act encounters difficulties.	Possible	Medium	Joint Support Programme should have an input to the writing of regulations under the new law.
Mainstreaming ECP into local level annual and five-year planning may not happen due to low local level capacity.	Possible	High	Programme management should stress local level capacity development for mainstreaming ECP above all others.
ECP mainstreaming guidelines may not become part of GNHC 11 <sup>th</sup> Plan Guidelines.	Possible	High	GNHC has considerable ability to determine the content of the 11 <sup>th</sup> Plan Guidelines. As long as ECP guidelines are produced in a timely fashion, this risk should be minimized.
Lack of technical support for implementation at local level.	Possible	High	Annual work plans need to ensure adequate application of technical assistance during the course of the Joint Support Programme.
Uncertain policy and capacity at the central level may hamper the proposed main focus on local level CD.	Possible	Medium	Initial Joint Support Programme work should focus on completing mainstreaming awareness raising and policy development at the central level.
Lack of human resources at central level for oversight and coordination.	Likely	High	The Joint Support Programme will require full-time project management from the GNHC (either based in LDD or DCD). The RGoB needs to work with the two donors to ensure that daily, full-time project management is sourced from GNHC.
National M&E not adequate for monitoring local level implementation and impact of such.	Possible	Medium	The RGoB is currently revising the NMES and the PLaMS. The Joint Support Programme needs to ensure that this system takes local-level indicators into account. Lessons learned regarding M&E from previous decentralization projects will also be taken into account.

Corruption and misuse of funds at local level.	Possible	Medium	ADB/WB is supporting nationwide capacity building on the use of the new procurement manual 2009, as well as support to update the existing Financial Rules and Regulations. Quite strong audit procedures are in place and the Royal Audit Authority performs audit of Gewog accounts at least every second year.
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The Joint Support Programme will be implemented on the following assumptions: a) sector ministries are fully committed to execute their part of the Programme; and b) local government stakeholders are correspondingly committed to mainstream ECP into their development plans and annual plans. Risks and assumptions will be monitored as part of the Joint Support Programme monitoring system.

### ***Sustainability of Results***

Clearly, a considerable focus on the Joint Support Programme is on building capacity at both central and local levels. The purpose of this focus is to ensure that ECP mainstreaming becomes a consistent part of RGoB planning activity long after development partners have departed.

The sustainability of the capacity development activity will to a large extent be dependent on civil servants remaining in their posts for a reasonable period of time, or that they at least are transferred to positions where the acquired competence will remain useful. The sustainability aspect is enhanced by the fact that the training is provided by Bhutanese educational and training institutions and could in future be provided on a continuing basis. The sustainability aspects are, furthermore, enhanced by guidelines being prepared and policies being mainstreamed – both of which will capture the main thrust of the Programme.

## 8 Monitoring, Reporting and Reviews

### 8.1 M&E system and indicators

GNHC has indicated that the Joint Support Programme monitoring system and associated indicators should be based on the RGoB indicators and M&E system. An outline of the Joint Support Programme's performance monitoring system in accordance with the PlaMS is attached as Annex F. During the formulation of the Joint Support Programme, gaps were identified in the national indicators and monitoring: i) the structure of the planning and financial monitoring system (NMES) is still being developed; ii) the Gewog output and outcome indicators were not available, and iii) there is no comprehensive environmental indicator system for the environment in place that applies at the Gewog level.

#### *National Monitoring and Evaluation Framework*

The 10<sup>th</sup> FYP moves away from traditional process monitoring, to a results-oriented monitoring and evaluation system, which places greater emphasis on assessment of outcomes. The GNHC will review the performance of plans through Mid-Term and Terminal Reviews. It will also conduct periodic evaluations based on new indicators such as the *Gross National Happiness Index* and various plan targets in collaboration with relevant stakeholders. The lessons and recommendations of these evaluations will then be used as guidance for the prioritization of the 11<sup>th</sup> FYP and updating long-term plans.

The National Monitoring and Evaluation Manual (2006) is the guidance for M&E of the 10<sup>th</sup> FYP. A revision and update of the Manual is forthcoming. The manual is a guideline for the NMES. The NMES is a results-based monitoring system. The monitoring system is expected to become operational during FY 2009/2010.

The M&E system takes place at four levels (national, sector, Dzongkhag, Gewog) and integrates:

- The Planning and Monitoring System (PlaMS). This is reporting to GNHC on the impacts, outcomes and outputs of programme implementation. The PlaMS is a database system established to monitor results, but it is only as good as the data and indicators included from the programmes. Indicators used in PlaMS are due to be completed in late 2009.
- The Multi-Year Rolling Budget (MYRB). This is the budget planning and reporting to DNB on the budget outputs of the plan implementation.
- The Public Expenditure Management System (PEMS). This is the reporting to DPA of MoF on the expenditures.

Efforts are being made to fully integrate the financial management systems into the NMES – especially to integrate the existing accounting system into PlaMS. PlaMS has been revised to enable collection of financial data to allow reporting on output-based expenditure. For the time being, the two systems are separate. There have also been delays in the MYRB implementation, as the line ministries and agencies are not yet fully involved. The draft revision of the “Organisation of M&E in NMES” is shown in Table 8.1.

**Table 8.1: Organisation of M&E in NMES**

M&E Level	M&E Review Committee	Review Members	M&E Coordinator/ Focal Point	Focus of M&E	Frequency of Review
National	GNH Commission	GNH Commission members, chaired by Prime Minister	GNH Commission Secretariat	Outcomes Impacts Budget performance at output level	Annual Mid-term, End of plan
Ministry and Agency	GNH Committee	Heads of Departments or equivalent, chaired by Minister or Head of Autonomous Agency	Policy and Planning Division	Activities Outputs Outcomes	Semi-annual Annual
Dzongkhag	GNH Committee/ Dzongkhag Tshogdu	Dzongkhag Tshogdu Members, Dzongdag, Planning Officer & Sector Officers. Chaired by DT Chairperson	Dzongkhag Planning Unit	Activities Outputs Outcomes	Semi-annual Annual
Gewog	GNH Committee/ Gewog Tshogde	Gewog Tshogde Members, Gewog Sector Staff. Chaired by GT Chairperson	Gewog Administrative Officer	Activities Outputs	Semi-annual Annual

Source: National M&E Manual (draft revision, 2009) and 10<sup>th</sup> FYP

PlaMS is a centralized data collection and management system. It will enable real time online data entry, analysis, data storage, and report generation of development programs and projects. Currently, many Gewogs are yet to get internet access, which prevents them from being directly linked up to PlaMS. As an intermediate measure, the Gewogs will report the monitoring data to the Dzongkhag DPO in hard copy, who will then enter these into the system. The current Dzongkhag plans have limited outcome information, as the LDP Guidelines are very project and activity focussed, which is correspondingly the case for Gewogs.

An M&E Coordinator or focal point at each level is to be appointed for undertaking monitoring and evaluation at the designated levels and supporting the review committees. The concept of a Mobile M&E Team is introduced in the 10th FYP whereby the GNHC in collaboration with the line ministries and agencies will form a multi-disciplinary team. The team will undertake regular field visits to monitor and assess the implementation of development programs and projects and recommend solutions for reorientation and reprioritization of plans to the Government.

#### State of the Environment Reporting

In addition to monitoring the results of the 10th FYP, it is relevant to assess outcomes in terms of changes in the state of environment at the Dzongkhag and Gewog levels. NECS has developed an EIMS (Environmental Information Management System), which is just about to go “online”. The EIMS captures national level aggregated data but does not yet include local or core environmental indicators. The most developed source of local level data on natural resources is the RNR census produced by MoA. A new RNR census has been prepared and is expected published at the end of 2009.

The conclusion based on an analysis of potential core indicators is that there is very little data available to establish Gewog-level indicators for monitoring the state of environment. This was also confirmed by GNHC when existing sources of potential environmental indicators for PlaMS were assessed. GNHC is preparing a socio-economic profiling for Dzongkhags and Gewogs, which will be available during 2009. Data for gender disaggregated indicators are not available unless specified as such in the indicators of the development plans (no example was identified).

The MDGs are an important system of core development indicators for Bhutan. Goal 7 focuses on environmental sustainability, with target 9 addressing land use and climate change, and target 10 addresses water and sanitation.

#### Reporting and M&E procedures

Dzongkhags and Gewogs will follow the reporting guidelines prescribed in the NMEM of GNHC for monitoring the implementation of activities funded under the Annual Grants. Financial and physical progress reporting shall comply with the formats in PlaMS and FRR. Financial reports and accounts shall be submitted quarterly to MoF through the Budget and Accounting System (BAS) and physical progress reports half-yearly to GNHC through PlaMS. The Dzongkhag administrations will play a lead role in consolidating financial and progress reports for Gewogs that do not report directly to DPA and GNHC.<sup>37</sup>

The Joint Support Programme M&E procedures will correspondingly follow the procedures established by the NMES and its guidance manual (the NMEM). Additional M&E capacity development related to the environment and links to poverty reduction are part of the Programme, as explained in Section 4.4. Support can be provided from the Joint Support Programme to strengthen Gewog-level M&E on environment, under the guidance of the DEOs and sector agencies such as NECS and MoA. This includes developing environment output and outcome core indicators. The indicators should provide information about the environmental performance of the 10th FYP and the state of the environment in the Gewogs. Reporting of Joint Support Programme implementation performance is done twice annually in progress reports to the JSP-SC. The programme manager will compile the progress reports.

The PlaMS Joint Support Programme Profile is attached as Annex F. The Profile contains: 1) goals and indicators for MDGs, SDGs, 10<sup>th</sup> FYP and the GNH Index; and 2) a Preliminary Programme Result Matrix, which outlines performance indicators and targets for the Programme's outcomes and outputs. See below for the indicators for objectives and outcomes. A set of proposed SoE output/outcome indicators for Gewogs is proposed in Annex G for land, water resources, forest, rural access, and rural waste management. Performance and SoE indicators will be regularly updated consistently with PlaMS and EIMS.

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<sup>37</sup> Source: Guidelines for Annual Grants for Local Governments, Section 11

<b>Result Levels</b>	<b>Indicators</b>	<b>Baseline</b>	<b>Target</b>
<i>Development objective</i> “sustainable development planning and implementation undertaken at national and local levels contributing to: alleviation of climate change impacts; conservation, protection and sustainable use of natural resources; and poverty reduction”	<ul style="list-style-type: none"> <li>Principles of sustainable development considered in policies, plans and programmes</li> <li>Loss of environmental resources reduced</li> </ul>	-	<ul style="list-style-type: none"> <li>Integration into 11<sup>th</sup> Plan</li> <li>Demonstrated reduction</li> </ul>
<i>Immediate objectives</i>	<ul style="list-style-type: none"> <li>ECP professionals at the centre</li> <li>ECP professionals at the local government level</li> </ul>	-	<ul style="list-style-type: none"> <li>ECP professionals in 10 ministries, key autonomous agencies and constitutional bodies</li> <li>ECP professionals in all Dzongkhags and Gewogs</li> </ul>
<b>Outcome 1: ECP mainstreamed in policies, plans and programmes</b>	<ul style="list-style-type: none"> <li>ECP mainstreamed new policies</li> <li>10FYP assessed against ECP concerns</li> <li>National programmes in key ministries, autonomous agencies and constitutional bodies assessed against ECP concerns</li> </ul>	-	<ul style="list-style-type: none"> <li>ECP mainstreamed into 5 policies</li> <li>ECP mainstreamed into 10FYP during the mid-term review</li> <li>ECP mainstreamed into 10 key programmes</li> </ul>
<b>Outcome 2: ECP mainstreamed in all development plans and programmes at local level</b>	<ul style="list-style-type: none"> <li>Percentage of ECP mainstreamed local government development plans and programmes</li> </ul>	-	<ul style="list-style-type: none"> <li>70%</li> </ul>

## **8.2 Reviews**

### Annual Programme Reviews

Annual Programme Reviews (APR) will be carried out jointly with RGoB and preferably other development partners in the environment, climate change and natural resource management sectors. Joint reviews could be carried out with the LGSP. The APR could coincide with the September sessions of the JSP-SC.

### Mid-term review

A joint mid-term technical review focussing on ECP capacity development and the resulting outcomes will be conducted in 2011 prior to launching the preparation of the 11<sup>th</sup> Five-Year Plan, which takes stock of the local governance context and the performance of SESP and PEI Phase 2 – based on which general recommendations will be made for the 11<sup>th</sup> FYP plan preparation, the remaining annual plans of the 10<sup>th</sup> FYP, and the exit strategy. A multi-stakeholder workshop will be conducted before, or in connection with, the mid-term review to share experiences on the performance of various approaches to ECP mainstreaming with a view to converge these into a unified approach for a nationwide rollout.

### Exit strategy

At the end of the four year period it is anticipated that adequate capacity has been developed in training institutions, national agencies and local governments to sustain the further capacity development. The exit strategy will be further elaborated during the third year of implementation by taking ongoing and planned programmes into consideration. A “terminal review” of lessons learned from the Joint Support Programme will be undertaken towards the end of 2013.

## 9 Implementation

### *Phasing and rollout*

The PEI Phase 2 will follow-on from Phase 1, whereas SESP will have a six-month Inception Phase, as the SESP has a different focus compared to the EUSPS. During the Inception Phase, detailed work plans and budgets for SESP will be prepared for FY 2010/11 and FY 2011/12, while also consolidating the conceptual framework including the M&E system for performance and outcome monitoring in due consultations with RGoB and development partners engaged in local level capacity development.

Since the capital development grants will be made available to all Gewogs, it is found pertinent to disseminate information to all 20 Dzongkhags and their respective Gewogs and Thromdes on the ECP Guidelines once they have been finalised in order to influence the annual planning process and the preparation of the 11<sup>th</sup> five-year plans. A limited number of Dzongkhags and Gewogs will be selected based on poverty and vulnerability criteria in order to provide more intensified capacity development support. It is anticipated that two to three batches of intensified support will be provided to Dzongkhags and Gewogs during the four-year period. The first batch will be selected during the Inception Phase<sup>38</sup>. The experience from the intensified support will be fed into general information that will be provided to all Dzongkhags with a particular attention to the preparation of the 11<sup>th</sup> five-year plans.

**Tentative time schedule for the Joint Support Programme**

Outcomes and Outputs	FY 10/11	FY 11/12	FY 12/13	
	2010	2011	2012	2013
<b>1 ECP mainstreamed in policies, plans and programmes</b>				
1.1 ECP mainstreaming guidelines and indicators				
1.2 Poverty-environment linkages and benefit sharing				
1.3 Capacity Development of Education & Training Institutions				
1.4 Capacity Development of sector ministries & Help Desk				
1.2 Capacity Development of Private Sector & CSOs				
<b>2 ECP mainstreamed in all development plans and programmes at local level</b>				
2.1 Revised Local Development Planning Manual				
2.2 Benefit sharing				
2.3 Capacity Development of Local Governments				
2.4 Monitoring ECP integration				
Inception Phase				
Joint Mid-term Review				
Joint Annual Reviews				
RGoB Guidelines for 11 <sup>th</sup> FYP preparation				

<sup>38</sup> An initial consideration during the Programme preparation was to select the five poorest Dzongkhags and their Gewogs for more intensified support. In case the more elaborate selection criteria are not ready during the Inception Phase for the first batch of Dzongkhags and Gewogs, the poverty selection criteria may apply.

## **10 Legal Context or Basis of Relationship**

For the UNDP/UNEP this JSP document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the RGoB and the United Nations Development Programme, signed between the two parties in June 2007. The host country's implementing agency shall, for the purposes of the Standard Basic Agreement, refer to the Government co-operating agency described in the Agreement.

The following types of revisions as endorsed by the JSP-PSC may be made to this JSP document under the signature of the UNDP Resident Representative only, provided assurance is given that the other signatories of the JSP document have no objection to the proposed changes:

- Revisions in, or addition of, any of the annexes of the project document;
- Revisions which do not involve significant changes in the outcomes, outputs or activities of the JSP, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation; and
- Mandatory annual revisions that rephrase the delivery of agreed JSP inputs, or increased expert or other costs due to inflation or taken into account agency expenditure flexibility.

The Government of Denmark and RGoB will enter into a specific Government to Government Agreement for the SESP with the Programme Documents on SESP and JSP forming integral part of the agreement. The general provisions of the present agreement are set forth in the Agreement on General Terms and Procedures of Development Cooperation between the Government of Kingdom of Denmark and the Royal Government of Bhutan of 28 August 1990.

## **Annex A: Policy, Legal and Capacity Development Contexts**

### **National context for promoting environmental management**

#### Constitutional Context

The Constitution of the Kingdom of Bhutan, which was formally adopted in July 2008, features environmental conservation as a constitutional mandate. Article 5 of the Constitution stresses that:

“Every Bhutanese is a trustee of the Kingdom’s natural resources and environment for the benefit of the present and future generations and it is the fundamental duty of every citizen to contribute to the protection of the natural environment, conservation of the rich biodiversity of Bhutan and prevention of all forms of ecological degradation including noise, visual and physical pollution through the adoption and support of environment friendly practices and policies.”

The Article mandates the government to protect, conserve and improve the pristine environment and safeguard the biodiversity of the country; prevent pollution and ecological degradation; secure ecologically balanced sustainable development; and ensure a safe and healthy environment. It further stipulates that the government shall maintain at least 60 percent of the country under forest cover for all time and the Parliament may enact environmental legislation to ensure sustainable use of natural resources, intergenerational equity and the sovereignty of the State over its own biological resources.

Article 22 of the Constitution is dedicated to Local Governments. The first and fourth paragraphs of this Article state the following visionary, clear and supportive statements on Local Governments:

“Power and authority shall be decentralized and devolved to elected Local Governments to facilitate the direct participation of the people in the development and management of their own social, economic and environmental well being.

The objectives of Local Government shall be to: (a) provide democratic and accountable government for local communities; (b) ensure the provision of services to communities in a sustainable manner; (c) encourage the involvement of communities and community organizations in matters of local governance; and (d) discharge any other responsibilities as maybe prescribed by law made by Parliament.”

With regards to local level capacity, the Article stipulates that local governments shall be supported by the central government in the development of administrative, technical and managerial capacities and structures, which are responsive, transparent, and accountable (Section 18a).

#### Bhutan 2020

The Bhutanese development philosophy of ‘Gross National Happiness’ advocates a multi-dimensional development approach that seeks to maintain harmony and balance between economic, emotional and environmental well-being of the people and nation. Bhutan 2020, the country’s vision document to maximize GNH, outlines human development, cultural preservation, balanced and equitable economic development, good governance, and environmental sustainability as the main development

objectives. These objectives are elucidated with considerable foresight in the following Bhutan 2020 statements:

“(Happiness) is to be achieved within the framework of traditional values and ethics, and through concerted efforts to achieve sustainable improvements in the standard of living, the quality of life, and levels of well-being and welfare.

Future development that not only recognizes, promotes and instils an appreciation and awareness of the nation’s rich cultural heritage and its continued value as a rich fund of social philosophy, but also its role in meeting spiritual and emotional needs, in maintaining our distinctive identity, and in cushioning us from some of the negative impacts of modernization.

The benefits of development are (to be) shared equitably between different income groups and regions and in ways that promote social harmony, stability and unity and contribute to the development of a just and compassionate society.

Development of our institutions, human resources and systems in ways that enable us to reduce our dependence on others, to manage an increasingly complex process of development, and to enlarge opportunities for people at all levels to participate more fully and effectively in decisions that have a bearing on their lives and livelihoods and the future of their families, communities and the nation.

The (development) choices made in response to the many challenges that confront the nation embody the principle of environmental sustainability and do not impair the biological productivity and diversity of the natural environment.”

### Tenth Five-Year Plan

The Tenth Five Year Plan (FYP) provides the development framework for the financial years 2008/09 to 2012/13. The central objective of the Tenth FYP is poverty reduction, with the emphasis to reduce the proportion of the population living below the national poverty line from 23.1 percent to about 15 percent. The Tenth FYP can be viewed as Bhutan’s poverty reduction strategy. It stresses pro-poor social and economic development approaches such as expanding infrastructure and road connectivity in rural areas where majority of the country’s poor live, and strengthening of agricultural production and productivity that will help raise rural incomes and improve food security.

Six key strategies have been identified to achieve poverty reduction in the Tenth FYP. These are: (1) vitalizing industry; (2) national spatial planning (including sustainable urban development and housing); (3) synergizing integrated rural-urban development; (4) expanding strategic infrastructure; (5) investing in human capital; and (6) fostering an enabling environment through good governance.

The Tenth FYP addresses environment as a crosscutting development theme. It recognizes that protecting and conserving the environment will require greater attention than before as the accelerating pace of socio-economic development accompanied by increased infrastructure development, urbanization, industrialization, and consumption patterns is expected to create additional stress on the natural environment. At the same time, it emphasizes the need to use the country’s environmental resources as a development asset for economic growth and poverty reduction within the limits of sustainability.

Local Governments' Act of the Kingdom of Bhutan, 2009 (LG Act)

The LG Act enacted in September 2009 will provide the overall legal framework for local governance to which SESP and PEI Phase 2 will be aligned. Local government elections are planned to take place during 2010 – resulting in elected councils being established as follows:

- Dzongkhag Tshogdu (DT)
- Gewog Tshogde (GT)
- Thromde Tshogde (TT)

The Dzongkhag Tshogdu will – in its area of jurisdiction – comprise two elected representatives from each Gewog (*Gup and Mangmi*), one elected representative from the Dzongkhag Thromde, and one elected representative from the Dzongkhag Yenlag Thromdes<sup>39</sup>. The LG Act provides increased powers and expanded functions to the local governments, which among others include: promotion of holistic and integrated area-based development/ land use planning; conservation and enhancement of the environment; regulation of natural resource uses; regulation of pollution; and organisation of relief measures in case of natural disasters and emergencies. The local government functions are operationalised through five-year and annual plans and budgets, which respectively are accumulated in RGoB's five-year and annual plans and budgets. Within the monitoring framework provided by the government, the local governments will each monitor and evaluate their own implementation performance.

The composition of the Dzongkhag Tshogdus constitutes a good basis for coordinated planning and implementation across the local government units within a Dzongkhag's area of jurisdiction. Given the LG Act's emphasis on environment and natural resources management, there is ample scope for mainstreaming environment into the various sector plans in accordance with the sector ministries' policies and strategies – while at the same time addressing poverty-environment linkages.

The following key milestones indicate the progress of decentralisation in Bhutan:

- Institutionalization of DYT in the Dzongkhags in 1981, followed by the establishment of GYT in the Gewogs in 1991;
- Grant of full autonomy and self-governing status to Thimphu Thromde in 1995, followed by Phuentsholing Thromde in 1999;
- Enactment of the DYT and GYT Chathrims 2002 by the 80<sup>th</sup> Session of the Gyalyong Tshogdu, providing authority and direction to the two local institutions for decentralized governance;
- Election of Gups based on adult franchise and their appointment as Chairpersons of GYT in 2002;
- Introduction of Gewog-based planning in the Ninth Five Year Plan (2002-2008);
- Enactment of the Thromde Act of the Kingdom of Bhutan 2007 by the 87<sup>th</sup> Session of the Gyalyong Tshogdu;

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<sup>39</sup> Minor urban settlements – today only Thimphu and Phuntsholing have the status as autonomous municipal corporations/bodies.

- Enactment of the Local Governments' Act of the Kingdom of Bhutan 2009<sup>40</sup>.

*Bhutanese laws that provide for environmental management*

There are several laws in the country that provide for environmental management. The key ones are outlined below:-

*Forest and Nature Conservation Act 1995:* This law provides for the protection and sustainable use of forests, wildlife and related natural resources of Bhutan, and covers sustainable forest management, protection of government reserved forests, social and community forestry, transport and trade of forestry produce, protected areas, wildlife conservation, soil and water conservation, and forest fire prevention.

*Mines and Mineral Management Act 1995:* This Act recognizes the preservation, protection and setting of environmental standards and conservation of natural resources as critical for sustainable mining practices, and stipulates various procedures and requirements to ensure that mining projects are planned and carried out with full consideration of environmental management needs.

*Environmental Assessment Act 2000:* The Act establishes procedures for the assessment of potential effects of strategic plans, policies, programmes, and projects on the environment, and for the determination of policies and measures to reduce potential adverse effects and promote environmental benefits. The Act requires the Royal Government of Bhutan to ensure that environmental concerns are fully taken into account when formulating, renewing, modifying and implementing any policy, plan or programme.

*Pesticides Act 2000:* This legislation was enacted with the objective to ensure that integrated pest management is pursued, thereby limiting the use of pesticides as a last resort; assuring that appropriate types and quality of pesticides are introduced into the country; and that pesticides are effective when used as recommended whilst deleterious effects on human beings and the environment are minimized.

*Biodiversity Act of Bhutan 2003:* This law asserts the sovereignty of the country over its biodiversity resources and lays down the conditions for the grant of access to biodiversity resources, benefit sharing, and protection, and describes various rights, offences and penalties related to biodiversity use.

*Road Act 2004:* The Act accords the Department of Roads the mandate to adopt and promote environment friendly practices and techniques in the implementation of road activities. It requires that all road construction and maintenance works conform to environmental considerations, geological stability considerations and preservation of agricultural land.

*National Environment Protection Act 2007:* The Act is an umbrella law, which requires all other laws and regulations governing the use of land, water, forests, minerals and other natural resources to be consistent with it. It specifically lays down

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<sup>40</sup> Enacted by the Extraordinary Session of the Parliament on 11<sup>th</sup> September 2009. The Act repeals DYT and GYT Chathrimis 2002 and the Thromde Act of the Kingdom of Bhutan 2007.

principles and directives for the protection of environmental quality and the maintenance of forest, biodiversity and ecosystem integrity.

*Waste Prevention and Management Act 2009:* This is the most recent environmental law ratified by the Parliament. The purpose of the Act is to protect and sustain human health through protection of the environment by reducing the generation of waste, promoting the segregation, reuse and recycling of wastes, disposal of waste in an environmentally sound manner, and effective functioning and coordination among implementing agencies.

*The Water Act (draft):* The Bill is currently under preparation. The purpose of the Bill is to ensure that water resources are protected, used, developed, conserved and managed in an economically efficient, socially equitable, and environmentally sustainable manner.

#### Local Government Support Programme (LGSP)

The LGSP was launched in July 2008 and will operate until June 2013. The LGSP has been conceived to assist in: strengthening and widening the block grant mechanism; improving the overall public expenditure management – emphasising accountability and transparency; and developing the local governments’ financial management capacity. The RGoB executing agencies are GNHC, MoHCA and MoF. The development partners that support the LGSP are UNDP, UNCDF, Denmark, JICA, ADA, SDC, Helvetas, and SNV. The development partners’ resources are provided as budget support – complementing RGoB funding – for capital development in local governments.

The SESP’s Component 1 will provide a further budget support allocation to the block grant mechanism and will be managed and distributed in precisely the same way as already committed funds. The intent of SESP’s Component 2 and PEI Phase 2 is to develop local government capacity so that capital investments are planned and implemented in such a way that environment, climate change and poverty concerns are appropriately integrated and addressed.

### **Capacity development context**

#### Central Agencies’ Capacity

*Gross National Happiness Commission:* The GNH Commission functions as the central government body for direction and coordination of the formulation of all national and sectoral policies, plans and programmes and to ensure that the GNH concept is fully considered in policy-making, planning and implementation processes. Other functions include monitoring and evaluation to assess development impacts and progress towards national goals and targets; coordination of international development assistance; and capacity building support for development planning and management. The GNH Commission has appointed Dzongkhag Planning Officers (DPOs) and Gewog Administrative Officers (GAOs) to guide and support development planning and management at Dzongkhag and Gewog levels respectively. The GNH Commission has the role of managing capacity development of DPOs and GAOs.

The GNHC's responsibilities expand as planning and monitoring become more complex and elaborate. The GNHC's staff is relatively small with many young professionals. Due to its efficient performance, many development partners look to GNHC as the executing agency for their joint programmes, which may risk of overstretching GNHC's operational capacity.

*National Environment Commission Secretariat:* The NEC functions as a high level body with inter-ministerial representation for policy decisions and guidance on matters related to environmentally sustainable development and institution of measures to integrate environmental management in the overall development process. The NEC Secretariat is responsible for policy and technical assistance to line ministry agencies and Dzongkhag administrations for the implementation of the Environmental Assessment Act 2000. The NECS also acts a focal agency for a number of crosscutting environmental issues such as water resources management and climate change. The NEC has placed Dzongkhag environment officers (DEOs) in all Dzongkhag districts to assist the Dzongkhag administrations in matters related to environmental assessment and monitoring of development programmes and activities, and mainstreaming environmental considerations in development plans. The NEC has the role of managing capacity development of DEOs.

In the past few years, the NECS's capacity has been affected by the departure of a number of well-trained/ experienced staff for jobs in international organizations, the private sector, and politics. Consequently, this has slowed down the progress of some of the earlier initiatives such as the Environmental Information Management System and the second national Greenhouse Gas Inventory.

*Ministry of Agriculture:* MoA was formed in 1985, bringing together the Departments of Agriculture (DoA), Livestock (DoL) and Forests (DoF) under one organizational umbrella. The key functions of the MoA are to: develop agriculture, livestock and forests for the benefit of the Bhutanese through continuous research and development processes; raise the living standards of the rural communities through promotion of farm-based activities and delivery of research, extension and marketing services; protect the natural environment through sustainable and judicious use and management of land, water, forest and biological resources; and ensure food safety through preventive and mitigation measures. In addition to DoA, DoL and DoF, the Ministry is made up of a number of non-departmental agencies namely the Council for RNR Research of Bhutan, National Biodiversity Centre, Agriculture Marketing Services, Information and Communication Services, and Bhutan Agriculture and Food Regulatory Authority. At the Dzongkhag level, MoA activities are implemented by the Dzongkhag sectors of agriculture, livestock and forestry and at the Gewog level by the Gewog RNR centres which are made up of extension staff belonging to agriculture, livestock and forestry. The MoA has the role of managing capacity development of RNR staff at the Dzongkhag and Gewog levels.

The MoA is the second largest government ministry (3,036 employees as of 2007<sup>41</sup>). Given its vast organizational structure and mandate, the MoA's capacity development needs keep evolving. Of particular note is the recent creation of the Watershed

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<sup>41</sup> Source is Royal Civil Service Commission as cited in the Statistical Yearbook of Bhutan 2008.

Management Division under the DoF. This newly created division will require substantial support in terms of staff training, equipment and technical assistance.

#### Other central agencies

*Department of Roads, Ministry of Works and Human Settlement:* DoR has the mandate to promote the environment-friendly road construction concept and practices, including the enforcement of environmental assessment processes and environmental codes of practice.

*Department of Urban Development and Engineering Services, Ministry of Works and Human Settlement:* DUDES is the lead government agency for urban planning and development. This mandate includes the creation and management of environmental management infrastructure such as storm water drainage, sewerage and municipal solid waste disposal systems in urban centres. It is also responsible for providing engineering services for development of various government infrastructure including national highways, district roads and feeder roads.

*Department of Geology and Mines, Ministry of Economic Affairs:* DGM has the responsibility for geologic mapping, geologic hazard and risk assessments, geotechnical advisory service, mineral exploration, enforcement of Mines and Minerals Management Act 1995 and Mines and Minerals Management Act 2002. A major program of the DGM in recent years is the monitoring of glacial retreats and mitigation of risks associated with glacial lake outburst flood.

*Department of Energy, Ministry of Economic Affairs:* DoE has the mission to facilitate and administer sustainable hydropower development for national economic growth and to provide reliable and clean energy.

*Department of Industry, Ministry of Economic Affairs:* In view of the potentially adverse environmental impacts of industrial development, especially in terms of pollution of air, water and land, and conversion of forest and agricultural lands for development of industrial infrastructure, the DoI has adopted and internalized environmental assessment in the industry sector and collaborates with NEC to carry out environmental monitoring of industries.

#### Training Institutions' Capacity

*College of Natural Resources:* Established as the Natural Resources Training Institute at Lobesa in 1992, the institute was renamed as the College of Natural Resources (CNR) and inducted as a member institute of the Royal University of Bhutan in July 2004. The CNR provides two-year diploma courses in the fields on animal husbandry, agriculture and forestry. A primary emphasis of the CNR is to use integrated and participatory approaches in the management of renewable natural resources with farm households at the centre of the rural development process. On completion of their course, the CNR graduates are employed by the MoA with most of them being posted in the Dzongkhags and Gewogs. In addition to the regular diploma courses, the CNR organizes short trainings depending on additional training needs of the MoA. The faculty of CNR consists of well-qualified staff, but given the fact that ECP mainstreaming is a new planning tool, it is envisaged that the faculty will require

training that equips them with the knowledge and skills to enable them to integrate ECP mainstreaming into their training programmes.

*Ugyen Wangchuck Institute for Conservation and Environment:* The MoA established the UWICE in August 2008. The mandate of the UWICE is to provide professional training and education and enhance research and development in the field of forestry and environmental studies. The UWICE commenced one-year certificate courses from September 2008. In the immediate future, it also intends to provide two-year diploma courses covering various aspects of conservation science, wildlife management and sustainable forestry and include subjects such as soil conservation, social forestry, and extension and communication. The UWICE's faculty is currently limited in terms of training experience. The Institute is collaborating with various foreign universities/ institutes, such as the University of Montana, with the intent to establish training courses of high quality and to supplement and develop in-house faculty.

*Royal Institute of Management:* The RIM, which is an autonomous government training institution, established in 1986, conducts diploma courses in financial management and public administration as a part of its regular programme for the civil service. In addition to regular courses, the institute provides management courses on a needs basis for private sector agencies and local government institutions. In 2002-2004, under government directive, the institute carried out capacity development of geog functionaries in development administration and financial management. With the enactment of the new Local Governments' Act (2009), plans are in place for the Institute to commence capacity development of local government institutions in development planning and prioritization in collaboration with the CNR and the Rural Development Training Centre based in Zhemgang.

*Rural Development Training Centre:* Established in 2008, the RDTC has been created by the MoA to provide skills-based farm business training, agriculture awareness and apprenticeship training, and community leadership and management training.

#### Private sector capacity

The private sector is still maturing in Bhutan, and lags behind the public sector in terms of its ability to take on capacity development activity. This is because, until relatively recently, most economic activity and employment was focused on the government sector. However, it is clear that this is changing, and that there is strong government support for building capacity within private business. This is a concept shared by the private sector, at least as it is represented by the Bhutan Chamber of Commerce and Industry (BCCI).

Consultations with the BCCI, and with training providers, indicated a growing interest in capacity building for environmental management. The majority of private firms in Bhutan would be considered to be small-to-medium sized in larger economies. As a consequence, their ability to train and build human resource capacity by themselves is limited. To date, firms have relied on training institutions to provide them with environmentally qualified staff. Manufacturing firms based close to the southern border have relied on Indian specialists to provide environmental consulting and contract services. Companies requiring skills in managing environmental approvals

and environmental management planning have been able to call on a small coterie of Bhutanese consultants.

The BCCI has consistently indicated its interest in capacity development to the government in recent years. It is currently working with the Ministry of Labour and Human Resources to produce a Human Resource Development Plan for the private sector. Another outcome of this BCCI interest is the 50million Ngultrum allocation to private sector capacity development activities in the 10<sup>th</sup> Five Year Plan. According to the BCCI, however, this is a “nominal” allocation only as there is apparently no real government budget for these activities.

#### Civil society organisation (CSO) capacity

Civil society activity in Bhutan is not extensive, but some of the NGOs that do operate have been in existence for some time and have solid work programmes and considerable experience. Consultations were held with the two main environment NGOs, and two social sector NGOs.

The social sector NGO with closest connection to the interests of the Joint Support Programme is the Tarayana Foundation. The foundation was established in 2003, and undertakes community development work in 36 villages contained within 5 Dzongkhags. It focuses on housing improvement, connectivity, and improving opportunities for disadvantaged rural children. Fieldwork is undertaken by 20 staff, and a number of volunteers, who use government poverty maps and ground truthing to select villages in most need. According to Tarayana, environmental awareness in the villages that they work in is generally good, but there is a need for technical assistance and funding.

Tarayana has the potential to make significant improvements in both livelihoods and environmental security in the poorest villages by focusing on: better house design and construction; rainwater collection; environmentally-friendly connectivity; micro-finance; and other benefit sharing initiatives associated with watershed protection and carbon capture. SESP and PEI could assist by building the capacity of Tarayana staff, and by seed funding of the abovementioned activities.

The two main environmental NGOs - Royal Society for the Protection of Nature (RSPN) and the World Wide Fund for Nature (WWF) – are both heavily involved in nature conservation in protected areas. This focus involves direct work with species conservation, and improving the physical infrastructure and management planning of protected areas. Perhaps of more interest to SESP and PEI, is the NGOs shared interests in livelihoods support in and around protected areas. In particular, WWF has long experience with Integrated Conservation and Development Planning (ICDP), and has supported a number of trials in different parts of the country. Both agencies are familiar with the use of local-level participatory rural appraisal tools such as “village resource mapping” and resource use and prioritization mapping.

Both environmental groups touched on the issue of human-wildlife conflict, which has been of growing concern to the government in recent years. The central fund that compensates farmers for crop loss is rapidly depleting, and a more efficient locally based alternative is required to better deal with fraudulent claims.

The NGOs also expressed interest in the issue of rainwater harvesting, the implication being that water sources in some remote villages are drying up, and more efficient means need to be found to provide reliable and clean water supplies.

Both groups agree that there is a strong need for capacity development in environmental planning at the Gewog level, with Gups and Gewog Administrative Officers being specifically mentioned. A suggestion was also made that capacity development efforts should be targeted at Ministry of Home Affairs officers who will implement the new Local Governments' Act, and who will directly influence Gups.

#### Local governments' capacity

Local government staff comprises: 1) central government officers seconded by sector ministries but who relate administratively to the Dzongkhag administrations; and 2) staff assigned directly to the council administrations. The seconded officers are generally well educated and trained within their respective areas of specialisation, but other than the practical experience acquired from working at the district level, they have only a limited knowledge of holistic and integrated area-based development/land use planning.

The Dzongkhags' 10<sup>th</sup> FYP capital and recurrent expenditure budgets contain limited provision for training. Training of the line ministries' district officers is planned and budgeted for at the central level. The Dzongkhags' HRD Plans are limited in scope and are not likely to address sustainable development planning that integrates environment, climate change and poverty reduction in a comprehensive manner<sup>42</sup>. The Joint Support Programme will provide the opportunity to develop local level capacity that meet the LG Act's requirement for comprehensive and sustainable development planning – bearing in mind that this will be a medium-to-long-term process that will run simultaneously with the further decentralisation.

#### Environment and poverty linkages in policies and programmes

Bhutan has an effective and efficient environmental impact assessment and development approval system. However, as is the case in most countries, the focus of environmental protection is predominantly on “safeguarding”. For sustainability goals to be reached, and for poverty alleviation goals to be met, efforts need to go beyond compliance with standards and mitigation of adverse impacts, to identifying environmental sustainability as an objective of the development process. This requires a focus on policies and projects that promote integration of environment and poverty linkages into development strategies themselves, rather than as an “add-on” component. This new way of thinking has been called “environmental mainstreaming”.

The RGoB is just beginning to see the need to go beyond the sector-level approach. An unfortunate side effect of establishing environment Ministries is the perception that there is an “environment sector” that is de-linked from economic drivers, as well as the perception that addressing environmental issues is the exclusive responsibility of environmental authorities or units. As a result, government ministries dealing with

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<sup>42</sup> This statement is based on visits to Paro and Haa Dzongkhags Tshogdus and discussions with the Dzongdags and district officers.

other sectors are not held accountable for the environmental sustainability of the policies and projects that they promote.

There are significant benefits to incorporating environment and poverty mainstreaming thinking into sector and national development planning. First, mainstreaming promotes thinking about efficiency. A precautionary approach supports anticipation and avoidance of recurring consequences associated with inadequately designed or irreversible actions. Second, it can help to deal with cumulative, indirect, and additive impacts from many small projects. This is because mainstreaming requires thinking about environmental consequences of development activities across all sectors. Finally, mainstreaming allows us to place environmental concerns properly at par with social, economic, and cultural considerations. This simultaneous consideration of the four “pillars” of sustainable development is key to Bhutan’s implementation of the concept of Gross National Happiness. It also allows for a proper linkage to be made between poverty reduction and the environment.

Poverty reduction is the main goal of the 10th Five Year Plan. According to the development philosophy of Gross National Happiness, Government programmes aimed at reducing poverty need to simultaneously conserve the natural environment. This means that the 10th Plan needs to take full account of the linkage between poverty and the environment.

Poverty can clearly be reduced by tackling environmental degradation, and by conserving existing environmental assets as much as is possible. Environmental mainstreaming allows poverty alleviation to be addressed, by requiring line Ministries with a poverty “remit” to ensure that they address environmental concerns in sector planning.

The RGoB has made an excellent start in linking environmental, climate, and poverty concerns in national level planning. This work began in 2006 with the introduction of an environmental mainstreaming requirement in the 10<sup>th</sup> Plan guidelines, and introductory training courses organised by the NEC. It continued in 2007 with the initiation of environmental mainstreaming guidelines prepared by NEC under an AusAID grant, and then further developed with the introduction of PEI Phase I in 2008.

There is, however, still considerable work to be done at the national level to ensure that a sound policy and administrative basis exists for ECP mainstreaming to become an ongoing and consistent aspect of RGoB strategic planning.

#### *Environment and poverty linkages in local government development and action plans*

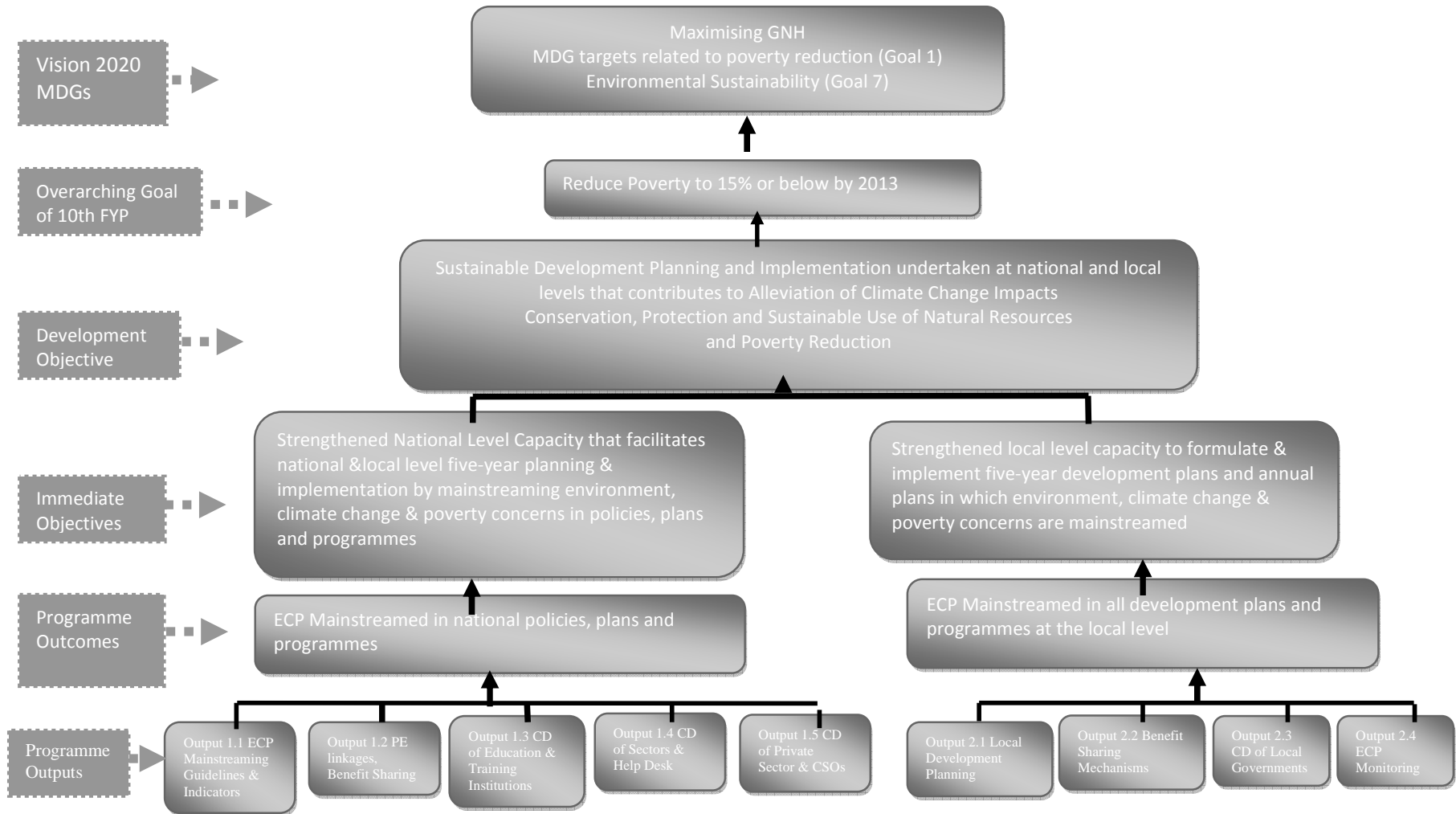
The RGoB’s ambitious decentralization policy adds another dimension to environment and development in Bhutan. Legislation passed in 2002 vested political and financial authority to Dzongkhag and Gewog administration. This provided Gewogs, for example, with the authority to implement regulations and other measures that relate to safe disposal of waste; control and prevention of air, soil, and water pollution; protection and harvesting of edible forest products; and on issues related to the depredation of crops by livestock and wildlife.

Decentralization has been further supported with the enactment by the Parliament of the Local Governments’ Act of Bhutan 2009. Although it is too early to say how the Act will be implemented through regulations, it is already clear that it preserves local

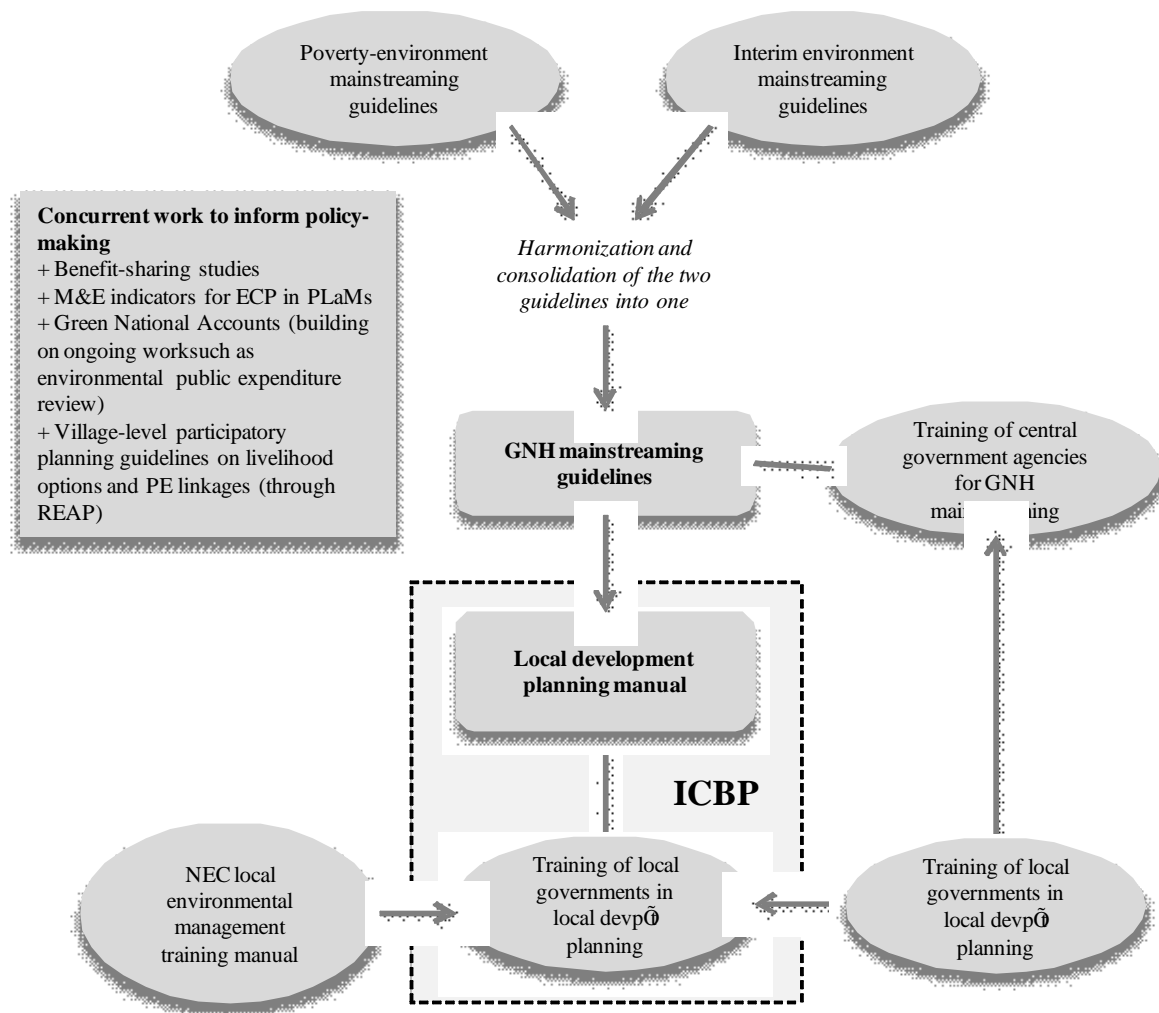
authority of environmental management that was first specified in the 2002 DYT and GYT Chatrims.

It is likely that the new Act will require much stronger capacity at the local level. National strategic planning is requiring more significant input from the Gewog and Dzongkhag level as time passes. Previous five-year plans have essentially consisted of collections of development project “wish lists”, built up from the Gewog level. Upcoming five-year plans will require a much more sophisticated approach to “holistic and integrated area-based development planning” at the local level (Article 42, clause (g)). While this is a positive move, capacity at the Dzongkhag and Gewog level is inadequate to enable these new reforms to take place effectively. This problem has been recognised by the RGoB, and by donors, and is one of the main reasons why the Joint Support Programme is focusing its attention at this level.

## Annex B: Linkages between hierarchy of objectives



## Annex C: Flow Diagram – Integrating Capacity Development



The above flow diagram is an attempt to illustrate how the capacity development support provided through the Joint Support Programme would fit in and build upon the overall GNH mainstreaming and local capacity development processes being undertaken by the RGoB.

There are basically two main vehicles through which environment-climate-poverty (ECP) mainstreaming in development policies and plans will need to take place. One is the **GNH Mainstreaming Guidelines**, which are being prepared by the GNHC. These guidelines will essentially include poverty reduction and environmental sustainability, as these are fundamental ingredients of the GNH philosophy. The other is the **Local Development Planning Manual**, which is prepared by the RIM for GNHC (with assistance from SNV). The manual is primarily meant for Gewog Administrative Officers and Dzongkhag Planning Officers. Within the manual, the most appropriate entry point for ECP mainstreaming is Tool 6 (GNH check), which covers poverty and environmental conservation. Step 2 of the manual also provides for initial environmental examination of prioritized activities.

At the present, two sets of mainstreaming guidelines related to environment and poverty exist. The NECS have produced the (interim) **Guidelines for Mainstreaming Environment in Policies and**

**Programmes.** At the same time, the GNHC is preparing the **Poverty-Environment Mainstreaming Guidelines** with support from the UNDP/UNEP PEI Phase 1. There is an apparent need to harmonize and consolidate the two guidelines into a single set of guidelines. Once this is realized, the guidelines will need to sit properly under the GNH Mainstreaming Guidelines, which in turn will influence the Local Development Planning Manual.

After the GNH Mainstreaming Guidelines and Local Development Planning Manual are finalized (with ECP mainstreaming needs addressed) and adopted, training of central and local government staff will need to take place. As a part of the GNH Mainstreaming Guidelines and Local Development Planning Manual, ECP mainstreaming is expected to be integrated in the overall local capacity development training package developed by the RIM and executed in collaboration with other in-country training institutions such as the CNR Lobesa and RDTC Zhemgang<sup>43</sup>. Capacity development support to in-country training institutions to effectively impart ECP mainstreaming knowledge and skills to local government staff as a part of the overall local capacity development training package will therefore be crucial.

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<sup>43</sup> The NECS is developing a local environmental management training manual for local government staff. It is felt that this training manual should become part of the overall local capacity development training package to avoid duplication and develop synergy.

## Annex D: Results and Resources Framework

**Development objective:** sustainable development planning and implementation are undertaken at national and local levels that contribute to: alleviation of climate change impacts; conservation and sustainable use and protection of natural resources; and poverty reduction.

**Immediate objectives:** 1) strengthened national level capacity that facilitates national and local level five-year planning and implementation by mainstreaming environment, climate change and poverty concerns in policies and programmes; and 2) strengthened local level capacity to formulate and implement five-year development plans and annual plans in which environment, climate change and poverty concerns are mainstreamed.

Expected Outcomes	Outputs	Sub-outputs	Agency Responsibility	Relative Donor Focus (SESP)	Relative Donor Focus (PEI 2)	Approximate Budget Allocation (US\$) (SESP)	Approximate Budget Allocation (US\$) (PEI 2)	Total (US\$)
<b>Outcome 1: ECP mainstreamed in policies, plans and programmes</b>	<b>1.1 ECP Mainstreaming Guidelines and Indicators available for use by sectors</b>	Review and Refine ECP Mainstreaming Guidelines	NECS with GNHC	Medium	High	80,000	80,000	160,000
		National and local ECP indicators established	GNHC with CBS, NEC, NSB and DPA	Medium	Medium	250,000	100,000	350,000
	<b>1.2 Poverty – Environment Linkages demonstrated and benefit sharing policies and strategies, guidelines developed accordingly.</b>	Analysis and assessments to demonstrate poverty-environment linkages and promote benefit sharing policies and strategies	PPD (MoA) with NECS and GNHC	Medium	High	100,000	140,000	240,000
	<b>1.3 Staff and Modules available for ECP Mainstreaming trainings at all levels in relevant educational and training institutes</b>	Capacity developed in education and training institutions to enable training of stakeholders at all levels to mainstream ECP	NECS with GNHC and other relevant agencies	Medium	Medium	200,000	100,000	300,000
	<b>1.4 Competent Staff available in all sectors including the proposed Help Desk to mainstream ECP.</b>	Capacity developed in sector ministries and national agencies to Mainstream ECP including the proposed Help Desk to be set up at the NECS.	NECS and GNHC	Medium	Medium	300,000	50,000	350,000
	<b>1.5 Competent staff</b>	Capacity developed in other	CSO Authority	Medium	Medium	300,000	50,000	350,000

	available in other sectors to mainstream ECP.	stakeholders (e.g. PS and CSOs)						
<b>Sub-total Outcome 1</b>						<b>1,230,000</b>	<b>520,000</b>	<b>1,750,000</b>
<b>Outcome 2: ECP mainstreamed in all development plans and programmes at local level</b>	<b>2.1 Revised Local Development Planning Manual is available for use by Local Governments</b>	Integration of ECP concerns into Local Development Planning Manual	GNHC with NECS and MoHCA	High	High	150,000	80,000	230,000
	<b>2.2 Benefit Sharing Mechanisms applied to selected conservation projects</b>	Local benefit sharing guidelines developed and tested	PPD (MOA), Watershed Management Division of Department of Forests (MoA) with GNHC	Low	High	60,000	100,000	160,000
	<b>2.3 Competent staff available at the local levels to mainstream ECP.</b>	Capacity developed in administration and elected bodies at the level of Dzongkhags, Gewogs, and Thromdes	GNHC with MOHCA and LGs	High	High	1,430,000	110,000	1,540,000
	<b>2.4 Local plans monitored for integration of ECP concerns</b>	ECP contents of annual plans monitored and response provided	GNHC with NECS	High	Medium	400,000	50,000	450,000
<b>Sub-total Outcome 2</b>						<b>2,040,000</b>	<b>340,000</b>	<b>2,380,000</b>
<b>Total JSP</b>						<b>3,270,000</b>	<b>860,000</b>	<b>4,130,000</b>

## **Annex E: ToR for Programme Steering Committee and Management Group**

### **Annex E.1: ToR for the Steering Committee**

#### **1 Background**

The Joint Support Programme Steering Committee (JSP-SC) will be the formal mechanism for decision-making concerning the Joint Support Programme between the Gross National Happiness Commission (GNHC), the Liaison Office of Denmark (LOD) and the UNDP/UNEP.

#### **2 Mandate and scope**

The JSP-SC decides on the overall priorities of the programme in accordance with the programme document, the Government Agreement, and other legal documents. Where deviations from the programme document are considered necessary, the JSP-SC can make relevant decisions. The JSP-SC cannot alter overall programme objectives, but may recommend changes in immediate objectives, outputs and programme management.

The mandate of the JSP-SC includes approval of major planning documents, progress reports, work plans, budgets, audit reports, and decisions required regarding major implementation issues such as procurement and technical assistance as outlined in the annual work plans.

The JSP-SC will share some members with the Local Governance Support Programme Steering Committee. This will enable consideration of any issues that cross both joint programmes.

#### **3 Composition**

Members of the JSP-SC are suggested to be:

- GNHC:
  - Secretary of GNHC (chairperson)
  - Head of PMCD/GNHC
  - Head of LDD/GNHC
  - Head of DCD/GNHC (member secretary)
- Sector agencies:
  - NECS Head of PCD or DG
  - Chief Planning Officer of PPD/MoA
  - Head of DLG/MoHCA
- Local Government level:
  - One local Government representative (Gup). LDD will request a nomination at the annual meeting of Gups.
  - One representative of District Environmental Officers (DEO). The representative will be nominated at the annual symposium for DEOs organised by NECS.

- Development partners
  - Head of LOD
  - Head of Environment and Energy Unit of UNDP

#### **4 The specific tasks of the JSP-SC comprise:**

- Strategic decisions and guidance to ensure an effective mainstreaming of environment in local government plans and their implementation.
- Endorsement of annual work plans and budgets.
- Overseeing the results and follow up of audits carried out by the RAA as part of the overall external audit process
- Approval of programme reporting including annual financial statement and progress reporting.
- Approval of timing and ToR of technical reviews and annual programme reviews in coordination with LGSP.
- Approval of ToR for Technical Assistance
- Decisions on follow-up on recommendations from the APR and Technical Reviews.
- Decisions on deviations from the Joint Support Programme document subject to recommendations from JSP-SC members and/or an APR.

#### **5 Working procedures**

- The GNHC Secretary chairs the JSP-SC meetings.
- Decisions are reached by consensus.
- Frequency of meetings: The JSP-SC meets twice annually (January and September) and according to needs.
- Notice and procedures for announcing meetings: The DCD/GNHC will announce the meetings with at least two weeks' notice. All documentation for the meetings (plan/budget, reports, proposals for adjustments, etc.) shall be distributed to the members at least one week in advance together with an agenda.
- Procedures for documenting decisions: The DCD/GNHC is responsible for drafting the minutes of the JSP-SC meetings and distributing these to all participants within a week after the meeting. The JSP-SC approves the minutes at the next meeting.
- LDD shall ensure coordination with the LGSP SC (in particular concerning Annual Grant budget support and environmental mainstreaming in Gewog annual work plans).

## **Annex E.2: ToR for the Programme Management Group**

### **1 Background:**

The Programme Management Group (PMG) will guide the planning and implementation of the Joint Support Programme and will refer to the (JSP) Steering Committee (JSP-SC). The Head of the Local Development Division of GNHC will head the PMG supported by the JSP Programme Manager. The PMG will be housed in the Local Development Division (LDD).

### **2 Mandate and Scope:**

The PMG will be overall responsible for planning and monitoring the JSP implementation. PMG will meet on a quarterly basis and at least two weeks prior to the JSP-SC sessions. Extraordinary meetings may be called at the request of any of the PMG members.

### **3 Specific Tasks:**

- Consolidation of annual work plans and budgets.
- Consolidation of budget revisions – revisions and re-appropriations between outputs shall be approved by the JSP-SC.
- Compile and submit quarterly financial reports, semi-annual progress report and annual progress report to the PSC.
- Ensure timely submission of annual Auditors Reports to the JSP-SC.
- Assess the annual audit and ensuring follow-up on recommendations.
- The JSP-SC shall assess and follow-up on the RAA recommendations
- Review and recommend ToR for consulting services – for approval by the JSP-SC.
- Approve short-term advisors based on the ToR.
- Call for JSP-SC meetings with minimum two weeks notice.
- Compile documents and issues for JSP-SC meetings and forward agenda.
- Draft and distribute minutes of JSP-SC meetings to all concerned.
- Review proposals and recommend for approval of timing and ToR for the Annual Joint Reviews (AJR).

### **4 Working Procedures**

The PMG will operate according to the following working procedures:

- The JSP Programme Manager will be in-charge of for secretarial work for the JSP-SC and the PMG.
- NECS and each sector ministry shall report on progress made at each PMG session.
- Decisions will be made by consensus based on presentations and ensuing deliberations.

- The PMG members shall be provided with the agenda and materials 10 days in advance of the PMG sessions.

**v. Composition:**

The members of the PMG are:

- Head of LDD, Chairperson
- Head of PMCD, Deputy Chairperson
- JSP Programme Manager, Secretary
- NECS, Head of Policy and Planning Department/focal person
- MoA, Head of Policy and Planning Department/focal person
- MoHCA, Head of Department of Local Government/focal person
- Representative from SLMP
- UNDP, Head of Environment and Energy/ Programme Officer
- LOD, Programme Officer

Other relevant participants maybe invited as resource persons as and when required.

## Annex F: PlaMS Joint Support Programme Profile

PROGRAMME PROFILE	
<b>Administrative Unit: Gross National Happiness Commission</b>	<b>Sector: Environment and Climate Change</b>
<b>Programme: Capacity Development for Mainstreaming ECP Concerns in Policies, Programmes and Plans</b>	<b>Plan Phase: Draft</b>

### Contribution to International and National Goals

Classification	Categories	Goals	Targets/Indicators
MDGs	<ul style="list-style-type: none"> <li>Poverty</li> <li>Environment</li> </ul>	Goal 1: Eradication of Extreme Poverty; Goal 7: Ensure Environmental Sustainability.	1.a: Reduce by half the proportion of people living on less than a dollar a day. 1.b: Achieve full and productive employment and decent work for all, including women and young people. 7.a: Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources. 7.b: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss: - Proportion of land area covered by forest; - Proportion of total water resources used.
SDGs	<ul style="list-style-type: none"> <li>Livelihood</li> <li>Environment</li> </ul>	Goal 1. Eradication of hunger and poverty; Goal 2. Halve proportion of people in poverty, Goal 3: Ensure adequate nutrition and dietary improvement for the poor; Goal 4: Ensuring a robust pro-poor growth process; Goal 6: Reducing social and institutional vulnerabilities of the poor, women and children; Goal 8: Ensuring effective participation of poor & women in anti-poverty policies and programmes; Goal 17: Acceptable level of forest cover; Goal 18: Acceptable level of water and soil quality; Goal 19. Acceptable level of air quality Goal 20: Conservation of bio-diversity.	

<p>10<sup>th</sup> Plan Strategic Themes</p>	<ul style="list-style-type: none"> <li>• Decentralised Government</li> <li>• Employment</li> <li>• RNR Sector</li> <li>• Trade Sector</li> <li>• Tourism Sector</li> <li>• Geology &amp; Mines</li> <li>• Energy Sector</li> <li>• Road Sector</li> <li>• Urban Development</li> <li>• Transport Sector</li> <li>• Cultural Heritage</li> </ul>		<p><b>Development targets:</b></p> <ul style="list-style-type: none"> <li>• Agriculture sector growth 4%</li> <li>• Maintain full employment &lt;2.5%</li> <li>• Population living below poverty line &lt; 15%</li> <li>• Enhance mean annual household cash income Nu 35,000</li> </ul> <p><b>RNR targets:</b></p> <ul style="list-style-type: none"> <li>• Proportion of wetland with dry season irrigation increased from 40% to 70%;</li> <li>• Loss of/ from crop damage by wildlife reduced from 40% to 20%;</li> <li>• At least 30-40% of farmers practice sustainable land management;</li> <li>• Farmers engaged in horticulture export cropping increased from 10% to 25%;</li> <li>• Value of Non Wood Forest Products increased from Nu 60 mn to Nu 100 mn;</li> <li>• Income generated from natural resources through forest management as community &amp; private forestry increased from Nu 1 mn to Nu 37 mn;</li> <li>• Proportion of households involved in community and private forestry increased from 4% to 7%;</li> <li>• Land under vegative forest cover maintained at a minimum of 60%;</li> <li>• Arable agricultural land maintained at present level of 7.8% of total land area;</li> <li>• Area under sustainable forest management increased from 5% to 10%;</li> <li>• Proportion of forest managed as community &amp; private forestry increased from less than 1% to 4%.</li> </ul>
<p>GNH Index</p>	<ul style="list-style-type: none"> <li>• Ecology</li> <li>• Living Standards</li> <li>• Good governance</li> </ul>		<p>12: Perception of pollution of rivers  13: Perception of soil erosion  14: Method of waste disposal  41: Income sufficiency to meet every day needs  42: Food insecurity  66: Performance of central government in reducing income gap</p>

**Table 1: Preliminary Programme Result Matrix**

Result Levels	Indicators	Baseline	Target
<p><i>Development objective</i> “sustainable development planning and implementation undertaken at national and local levels contributing to: alleviation of climate change impacts; conservation, protection and sustainable use of natural resources; and poverty reduction”</p>	<ul style="list-style-type: none"> <li>• Principles of sustainable development considered in policies, plans and programmes</li> <li>• Loss of environmental resources reduced</li> </ul>		<ul style="list-style-type: none"> <li>• Integration into 11<sup>th</sup> Plan</li> <li>• Demonstrated reduction</li> </ul>
<p><i>Immediate objectives</i></p> <ul style="list-style-type: none"> <li>• strengthened national level capacity that facilitates national and local level five-year planning and implementation by mainstreaming environment, climate change and poverty concerns in policies, plans and programmes; and</li> <li>• Strengthened local level capacity to formulate and implement five-year development plans and annual plans in which environment, climate change and poverty concerns are mainstreamed.</li> </ul>	<ul style="list-style-type: none"> <li>• ECP professionals at the centre</li> <li>• ECP professionals at the local government level</li> </ul>	<p>-</p> <p>-</p>	<ul style="list-style-type: none"> <li>• ECP professionals in 10 ministries, key autonomous agencies and constitutional bodies</li> <li>• ECP professionals in all Dzongkhags and Gewogs</li> </ul>
<p><b>Outcome 1: ECP mainstreamed in policies, plans and programmes</b></p>	<ul style="list-style-type: none"> <li>• ECP mainstreamed new policies</li> <li>• 10FYP assessed against ECP concerns</li> <li>• National programmes in key ministries, autonomous agencies and constitutional bodies assessed against ECP concerns</li> </ul>	<p>-</p> <p>-</p> <p>-</p>	<ul style="list-style-type: none"> <li>• ECP mainstreamed into 5 policies</li> <li>• ECP mainstreamed into 10FYP during the mid-term review</li> <li>• ECP mainstreamed into 10 key programmes</li> </ul>
<p><b>Output 1.1: ECP Mainstreaming Guidelines and Indicators Available for Use by Sectors</b></p> <ul style="list-style-type: none"> <li>• ECP mainstreaming guidelines reviewed and refined</li> <li>• ECP indicators established</li> </ul>	<ul style="list-style-type: none"> <li>• ECP guidelines finalised and accepted;</li> <li>• Sector specific ECP guidelines finalised and accepted.</li> <li>• Policies and programmes selected of relevance for ECP mainstreaming;</li> <li>• ECP mainstreaming in selected policies finalised and accepted.</li> <li>• National and local level ECP indicators in PlAMS;</li> </ul>	<p>-</p> <p>-</p> <p>-</p>	<p>-</p> <ul style="list-style-type: none"> <li>• All essential policies and programmes mainstreamed;</li> <li>• Trials undertaken for the RNR Sector</li> <li>• ECP national level monitoring system operational</li> </ul>

	<ul style="list-style-type: none"> <li>Monitoring system developed for national level monitoring consistent with the EIMS.</li> </ul>		
<p><b>Output 1.2: Poverty-Environment Linkages demonstrated and benefit sharing policies, strategies and guidelines developed</b></p> <ul style="list-style-type: none"> <li>Poverty-environment linkages demonstrated</li> <li>Benefit sharing policy and procedures established</li> </ul>	<ul style="list-style-type: none"> <li>Economic analyses</li> <li>National benefit sharing policy and procedures finalised and accepted</li> </ul>	<ul style="list-style-type: none"> <li>PEER</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>5 economic analyses inform policy decisions</li> <li>Benefit sharing initially tested in 15 Gewogs</li> </ul>
<p><b>Output 1.3: Staff and modules available for ECP mainstreaming trainings at all levels in relevant education and training institutions</b></p> <ul style="list-style-type: none"> <li>Capacity developed in education and training institutions</li> <li>Capacity developed in sector ministries and national agencies</li> </ul>	<ul style="list-style-type: none"> <li>Training institutions selected, policy curricula developed, and training capacity mobilised.</li> <li>Training needs assessment conducted in sector ministries and national agencies;</li> <li>Training conducted for identified staff</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>All essential ECP themes are covered</li> <li>Staff of GNHC, NECS, MoA, and MoHCA receives training.</li> </ul>
<p><b>Output 1.4: Competent staff available in all sectors including Help Desk at NECS to mainstream ECP</b></p> <ul style="list-style-type: none"> <li>Sector ministries</li> <li>Help Desk at NECS</li> </ul>	<ul style="list-style-type: none"> <li>ECP professionals</li> <li>Policy guidance and mainstreaming tools</li> </ul>		<ul style="list-style-type: none"> <li>ECP professionals in 10 ministries and key autonomous agencies and constitutional bodies</li> <li>Help Desk operational by 2009/2010</li> </ul>
<p><b>Output 1.5: Competent staff available in other sectors to mainstream ECP</b></p> <ul style="list-style-type: none"> <li>Private Sector</li> <li>Civil Society Organisations</li> </ul>	<ul style="list-style-type: none"> <li>Training provided to private sector associations</li> <li>Training provided to civil society organisations</li> </ul>		<ul style="list-style-type: none"> <li>All relevant PS associations</li> <li>All relevant CSOs</li> </ul>

<b>Result Levels</b>	<b>Indicators</b>	<b>Baseline</b>	<b>Target</b>
<b>Outcome 2: ECP mainstreamed in all development plans and programmes at local level</b>	Percentage of ECP mainstreamed local government development plans and programmes	0%	70%
<b>Output 2.1: Revised Local Development Planning Manual is available for use by Local Governments</b> <ul style="list-style-type: none"> <li>Integration of ECP concerns into Local Development Planning Manual</li> </ul>	<ul style="list-style-type: none"> <li>ECP integrated Local Development Planning Manual</li> </ul>	-	<ul style="list-style-type: none"> <li>205 Gewogs and 20 Dzongkhags use the ECP integrated Local Development Planning Manual from 2011/12 FY</li> </ul>
<b>Output 2.2: Benefit sharing mechanisms applied in selected conservation projects</b> <ul style="list-style-type: none"> <li>Local benefit sharing guidelines developed and tested</li> </ul>	<ul style="list-style-type: none"> <li>Benefit sharing applications at local level</li> <li>Increased income</li> </ul>	-	<ul style="list-style-type: none"> <li>Increased number of benefit sharing trials</li> <li>Demonstrated benefits</li> </ul>
<b>Output 2.3: Competent staff available at local levels to mainstream ECP</b> <ul style="list-style-type: none"> <li>Capacity developed in administration and elected bodies at the level of Dzongkhags, Gewogs and Thromdes</li> </ul>	<ul style="list-style-type: none"> <li>ECP integrated Capacity Development Strategy and Plan</li> <li>Discretionary grant strategy and guidelines</li> <li>ECP mainstreaming advocacy, awareness, capacity development and training</li> </ul>	-	<ul style="list-style-type: none"> <li>ECP integrated Capacity Development Strategy in place by 2010/11FY</li> <li>Discretionary grant strategy and guidelines in place by 2010/11FY</li> <li>Local government functionaries of all 20 Dzongkhags and 205 Gewogs trained using the Integrated Capacity Development Strategy before 2011/12FY</li> </ul>
<b>Output 2.4: Local plans monitored for integration of ECP</b> <ul style="list-style-type: none"> <li>ECP contents of annual plans monitored and response provided</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate response to ECP challenges</li> </ul>	-	<ul style="list-style-type: none"> <li>ECP contents monitored in all Dzongkhag and Gewog plans</li> </ul>

## Annex G: Proposed SoE Outcome and Output Indicators for Gewogs

This proposed selection of core environment indicators could be considered in the further development of environmental monitoring at Gewog level in PlaMS. These core indicators can be used as proxies for environmental monitoring relevant for the Joint Support Programme, and in general for RGoB, until it is feasible for the PlaMS to provide reports on environmental output and outcome indicators at Gewog level.

Indicator level	Code	Indicators	Sources of Data	Remarks
<b>Theme A: Land</b>				
Output	A1.1	Area under sustainable land management (agriculture land and pasture)	Gewog RNR	
	A1.1.1	Acres of agricultural land under improved land management (terracing, bunding, bio-engineering, check-dams)	Gewog RNR	
	A1.1.2	Acres of land under organic farming	Gewog RNR	Also in PlaMS
	A1.1.3	Acres of land under improved pasture	Gewog RNR	Also in PlaMS
Outcome	A2 (i)	Level of farm productivity (paddy)	Gewog RNR	
	A2 (ii)	Level of farm productivity (maize)	Gewog RNR	
<b>Theme B: Water resources</b>				
Output	B1.1	Number of households with access to safe drinking water	DHS, DE	
	B1.2	Environmental assessment carried out for irrigation schemes	DAO, DE, DEO	
Outcome	B2.1	Number of months of drinking water shortage	Gewog RNR, BHU	
	B2.2	Number of days water shortage faced during paddy transplantation	Gewog RNR	
<b>Theme C: Forests</b>				
Output	C1.1	Sustainable management of forest resources	Gewog RNR	
	C1.2	Acres of land under Social Forestry schemes	Gewog RNR	Also in PlaMS
	C1.3	Acres of land under Community Forestry schemes	Gewog RNR	Also in PlaMS
	C1.4	Number of households with electricity	Gewog RNR	
	C1.5	Number of farmers stall-feeding cattle	Gewog RNR	
Outcome	C2	Area under forest cover	RNR Census	
<b>Theme D: Rural Access</b>				
Output	D1	Km of farm roads constructed	DAO, DE, DEO	
Outcome	D2	Proportion of Gewog's population living more than one hour's walk from road head	Gewog RNR	Also in PlaMS
<b>Theme E: Rural Waste Management</b>				
Output	E1.1	Number of waste disposal facilities established at community level	GAO, DEO (environment)	
	E1.2	Community Waste Management Committees established	GAO, DEO	
Outcome	E2	Incidence of communicable diseases	BHU	