



UNDP-UNEP POVERTY-ENVIRONMENT INITIATIVE
PNUD-PNUE Initiative Pauvreté-Environnement
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Bhutan

Basic facts of the PEI in Bhutan

- Following a successful Preparatory Phase (October 2007–April 2008), Phase I of PEI in Bhutan commenced in July 2008 and was completed in December 2009. Phase I focused on improving understanding of poverty-environment linkages in the context of Bhutan, finding poverty-environment mainstreaming opportunities and challenges, and finding champions within the government and NGOs/individuals to advocate poverty-environment mainstreaming in Bhutan.
- The Gross National Happiness Commission (former Planning Commission) led the formulation of PEI Phase II and Denmark's (DANIDA) support to poverty-environment issues in the country in the form of a *Joint Support Programme for Capacity Development in Mainstreaming Environment, Climate Change and Poverty concerns in Policies, Plans and Programmes (JSP)*.
- Phase II of PEI commenced in January 2010 and will be completed in July 2013, to coincide with completion of the 10th Five-Year Plan (the overarching national development strategy).
- The *development objective* of JSP 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) Strengthen national-level capacity to facilitate national- and local-level five-year planning and implementation by mainstreaming environment, climate change and poverty concerns in policies, plans and programmes
 - 2) Strengthen local-level capacity to formulate and implement five-year development plans and annual plans in which environment, climate change and poverty concerns are mainstreamed.
- PEI coordinates efforts with other agencies such as AUSAID, FAO and UNCDF and the European Union.
- The leading coordination and implementation agency is the Gross National Happiness Commission (GNHC). Other main implementing partners include the Department of Local Government, National Environment Commission, Ministry of Agriculture, Ministry of Economic Affairs, Ministry of Works and Human Settlements, Ministry of Finance, Ministry of Home and Cultural Affairs, local governments units, and civil society organizations (CSOs).
- The overall budget of JSP is around USD 4.2 million, made up of contributions from Government of Denmark (ca. USD 3.27 million), PEI (USD 0.75 million) and UNDP Bhutan (USD 0.11 million, TRAC (core) funds).

The context of poverty-environment mainstreaming in Bhutan

- Bhutan's Vision 2020 document envisions environmental conservation as dynamic and treats natural resources as an immense asset, not merely to be preserved but also to be used wisely and sustainably for socio-economic development.

- Article 5 of the Constitution of the Kingdom of Bhutan (2008) mandates the Royal Government of Bhutan to ensure ecologically balanced sustainable development while promoting justifiable economic and social development.
- Bhutan's Gross National Happiness philosophy, an overarching development framework, takes environmental conservation into account as an integral component.
- The National Environment Commission of the Royal Government of Bhutan has identified the lack of environmental mainstreaming as one of the main shortcomings of the 9th Five-Year Plan and has suggested that environmental issues be mainstreamed at the planning stage of the strategic plans, programmes and policies in the 10th Plan. The 10th Five-Year Plan (2008–2013) guidelines demonstrate the commitment to mainstreaming and consider environment as a cross-cutting issue that is intimately intertwined with poverty reduction.
- The key strategies of the 10th Five-Year Plan to reduce poverty through environmental management interventions include: sustainable use of environmental resources as an asset by the local communities for better income and well-being, community-based ecotourism, bio-prospecting and implementation of interventions to reduce human-wildlife conflicts.
- Despite the strong relationship between economy, environment and poverty in Bhutan, there is a lack of detailed diagnosis of key poverty-environment linkages with the principal poverty reduction and growth priorities – such as agriculture, water and sanitation, energy and tourism.
- Over the course of Phase I, the Gross National Happiness Commission (GNHC) – Bhutan's apex planning agency – assumed a central role in integrating pro-poor environmental considerations in planning processes, at both the central and local levels.
- The Gross National Happiness Commission (former Planning Commission) has developed the programme as a “whole of government” approach to the mainstreaming of poverty, environment and climate issues – covering both central-level ministries and local government.
- The JSP is being implemented in close coordination with the Local Governance Support Programme (LGSP), a multi-donor programme that provides capacity development and financial support (through block grants) to local governments.

Main activities

- Undertake comprehensive review of public expenditure on environment.
- Strengthen capacity on statistical tools to develop poverty-environment-climate indicators.
- Initiate capacity assessment of in-country training institutions on poverty-environment-climate mainstreaming.
- Conduct consultation workshop on developing poverty-environment-climate indicators and aligning them with Gross National Happiness Index, Planning and Monitoring System (PlAMS), and Bhutan Environment Outlook (BEO) indicators.
- Undertake rapid survey of water resources; develop integrated water resource management plan.
- Review policy protocol and policy screening tools from poverty-environment-climate perspective.
- Initiate study to explore pro-poor benefit sharing mechanism.
- Review mining royalties and assess the potential mechanisms for pro-poor benefit sharing of sustainable mining revenues.
- Initiate pilot to reduce human-wildlife conflict in Kangpara village under Trashigang district.
- Initiate study to explore the possibilities of introducing electric passenger buses, cabs and other environment-friendly modes of transport in Bhutan.
- Conduct study to validate the benefit of environment-friendly road construction and integrate environment-friendly road construction (EFRC) training modules in the curriculum of engineering colleges and institutes.

- Conduct training for local fabricators and technicians on the design, construction, operation and maintenance of energy-efficient stoves.
- Initiate study and mainstream poverty-environment-climate concerns into nonformal education and GNH education guidelines.
- Review local government resource allocation formula from environment/vulnerability perspective.
- Conduct training on the use of "Drivers-Pressure-State-Impact-Response" model for state-of-the-environment reporting.
- Conduct participatory environmental and social assessment for industrial or hydropower development.
- Initiate capacity assessment focusing on four thematic areas in five pilot districts (Samtse, SamdrupJongkhar, Lhuentse, Zhemgang and Mongar).
- Develop guidelines & performance indicators and assessment for the five pilot districts to access Capacity Development Grant.
- Develop mechanisms for self-sustained compensation of crop and livestock loss through insurance schemes and payment for ecosystem services (PES).
- Assess climate change vulnerabilities in targeted communities across Bhutan.
- Initiate capacity building of local government on vulnerability assessment of climate change, in order to improve capacity to integrate climate adaptation measures in local development planning.
- Conduct skills-based training on renewable energy and environmentally friendly construction.
- Support six long-term training (MSc.) related to poverty-environment-climate fields of study.

What has been achieved to date?

- **Targeted Poverty Interventions:** GNH Commission launched the Rural Economy Advancement Programme (REAP) as a targeted poverty intervention programme under the 10th Five-Year Plan. REAP is a new initiative in the 10th Five-Year Plan to identify sections of the population who have not benefited much from the broad-based poverty reduction interventions and for whom special programmes need to be implemented to accelerate poverty reduction during the plan period. PEI supported the GNH Commission in developing an integrated Village Development Planning (VDP) framework and secured funding support to implement targeted interventions in two pilot villages. The GNH Commission has received support from the government to support 50 villages in the current plan period (2008–2013).
- **Analysis of Public Expenditure on the Environment (PEE):** The PEE analysis for the 9th Five-Year Plan (2003–2007) was undertaken to provide information to the government whether enough investment was made to protect the resource base. The analysis indicated an average PEE of 7.4 percent during the 9th plan period. The average PEE as a percentage of GDP has been estimated at 2.8.
- **Lessons-learning workshop on mainstreaming environment to address pro-poor development in Bhutan:** The workshop provided a platform to exchange ideas and views amongst key stakeholders to understand the linkages between poverty and environment and how these links are integrated in the mainstream development agenda in Bhutan.
- **Application of poverty-environment mainstreaming guidelines to 10th Five-Year Plan Programme sectors:** This resulted in creating awareness of poverty-environment linkages and development of capacity development activities to integrate environmental issues into the development of sector programmes. The exercise also made recommendations to the GNH Commission on the steps to be undertaken to integrate poverty-environment issues in the national development planning process (i.e., 11th Five-Year Plan).
- **Integration of poverty-environment issues in Local Development Planning Manual (LDPM):** The LDPM aims to improve local- and district-level planning and plan implementation. Through various

consultative process, PEI has been successful in convincing the GNH Commission to integrate poverty-environment issues into the LDPM, which was finalized in the beginning of 2011.

- **Development of poverty-environment indicators as part of the national GNH Survey:** PEI supported the Center for Bhutan Studies to develop poverty-environment indicators as part of the overall GNH survey.
- **Formation of interagency helpdesk to support poverty-environment mainstreaming efforts:** An interagency helpdesk was established to support the government's mainstreaming efforts. Capacity building for the helpdesk members (ToT) was supported through AusAid capacity building programme on environment and initiated by Griffith University (Australia). The members will support sectors in reviewing new policy formulation and plans to integrate environmental issues.
- **Design of the Local Climate Adaptive Living (LoCAL) in partnership with UNCDF:** This is intended to provide increased financing for climate change adaptation (CCA) to local governments and to build their capacities in relation to CCA. This will be achieved primarily through the development of a CCA Grant System and an adapted CCA planning process. Because of the CCA mandate, the LoCAL will be integrated under the JSP as a "third outcome" and the implementation will commence from July 2011.

Lessons learned

- PEI's approach to mainstreaming poverty-environment considerations in the planning process has prompted close review at the national and local levels. The resulting amendments to the planning process will have important ramifications, including an improvement in coordination – both horizontal and vertical – amongst sectors and different levels of government. The amendments will also facilitate effective mainstreaming of other cross-cutting issues (e.g., disaster risk reduction, climate change, etc.).
- In Bhutan linkages between poverty and environment are recognized and addressed through numerous projects, programmes and policies and at all levels. There is a need to document on-going practices and highlight opportunities and challenges for better coordination between development activities that achieve pro-poor environmental outcomes. PEI as a mechanism should facilitate taking the evidence from projects/programmes on the ground to convince policy makers to integrate into the larger national programme.
- Finding the critical decision windows within policy and plan formulation will be crucial for effective mainstreaming of poverty-environment issues across different levels of government.
- Awareness of poverty-environment linkages from the highest (Cabinet) to lowest level (village representative) should be a continuous process for effective integration. This needs to be supported by wide range of tools and capacity building programmes to demonstrate the benefits of poverty-environment-linked interventions.
- Engage the Gross National Happiness Commission (former Planning Commission) is crucial to ensure other government agencies take mainstreaming seriously. Awareness and capacity building was crucial to create buy-in from sectors other than environment.
- PEI focuses on poverty reduction as the final outcome of poverty-environment mainstreaming efforts. This resonates well with line agencies, which share a similar goal, and with the Gross National Happiness Commission and the Ministry of Finance.
- Good understanding of the PEI programme and strong involvement by the UNDP Country Office strengthens synergies with on-going projects and increases impacts and chances of success.

- PEI support will be used to improve the pro-poor environmental outcomes from application of the block grants.
- The size of the programme has attracted other donors so that it has come to resemble an environment sector-wide approach. Other agencies, such as AUSAID, FAO and UNCDF, are also coordinating their technical support and there are discussions with additional donors, such as the EC, to coordinate with the programme.
- Strengthening and coordinating the information systems on environment, climate and poverty is critical to inform national planning, budgeting and monitoring frameworks as well as public environmental expenditure review (PEER).

Way forward

- PEI Bhutan will continue to strengthen partnerships within the government agencies and development partners to successfully implement the current programme and add on new programmes contributing to sustainable development.
- The findings from the policy review and assessment exercise (PEER, Policy review, GNH Indicators, Capacity Assessment, etc.) will be used to make informed decisions by the government for long-term sustainability of its development programs.
- PEI through the JSP will support the development of a capacity development strategy in poverty-environment-related issues for the local government to access the demand-driven capacity development grant. This is expected to enhance the capacity of the local government in identifying and reflecting poverty-environment issues in the local development plans of the current five-year plan and beyond.
- Now that sector work plans have been agreed and approved, the GHN Commission will need to undertake continual monitoring with UN and DANIDA support
- An inter-department committee led by the National Statistical Bureau will put in place a system to institutionalize poverty-environment indicators
- The National Environment Commission is undertaking a review of national training institutions to provide poverty-environment-climate training
- The Department of Local Government is undertaking a needs assessment of poverty-environment-climate priorities for capacity building, starting with the five districts with the highest poverty incidence. The Ministry of Finance is preparing to start a Public Expenditure Review focusing on expenditure by local government.
- The Agricultural Ministry is developing policies and pilot implementation for benefit sharing around watersheds (with additional FAO support) and to reduce the costs of damage from human-wildlife conflicts. The Ministry of Economic Affairs will develop policies on mining royalties to focus on benefit sharing with affected households
- The Ministry of Works and Human Settlements will expand the implementation of policies on environmentally friendly road construction
- The Gross National Happiness Commission will prepare, with others, guidance for mainstreaming poverty, environment and climate into the next five-year plan – drawing from guidance already available from Phase 1 of PEI.
- Selected NGOs will pilot test poverty-environment interventions in partnership with local governments.