



**PROJECT IDENTIFICATION FORM (PIF) <sup>1</sup>**

**PROJECT TYPE: Full-sized Project**

**TYPE OF TRUST FUND: GEF Trust Fund**

**PART I: PROJECT IDENTIFICATION**

Project Title:	Sustainable Financing for Biodiversity Conservation and Natural Resources Management in Bhutan		
Country(ies):	Bhutan	GEF Project ID: <sup>2</sup>	4579
GEF Agency(ies):	WB (select) (select)	GEF Agency Project ID:	P127490
Other Executing Partner(s):	Bhutan Trust Fund for Environmental Conservation (BTSEC), Ministry of Agriculture and Forests (including Departments of Forestry, Livestock and Agriculture), World Wide Fund for Nature (WWF), local communities	Submission Date:	2011-08-11
GEF Focal Area (s):	MULTI FOCAL AREA	Project Duration(Months)	60
Name of parent program (if applicable): ➤ For SFM/REDD+ <input checked="" type="checkbox"/>		Agency Fee (\$):	408,000

**A. FOCAL AREA STRATEGY FRAMEWORK<sup>3</sup>:**

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Indicative Financing from relevant TF (GEF/LDCF/SCCF) (\$)	Indicative Cofinancing (\$)
(select) BD-1	1.1 Improved management effectiveness of existing and new protected areas	1.1 New protected area (one) and 500,000 hectares of unprotected ecosystems	1,940,000	3,628,000
(select) BD-1	1.2 Increased revenue for protected area systems to meet expenditure required for management	1.3 Sustainable financing plans (three)	800,000	6,500,000
(select) LD-1	1.2 Improved agricultural management	1.2 Types of innovative SL/WM practices introduced at field level 1.3 Suitable SL/WM interventions to increase vegetative cover in agro-ecosystems	290,000	450,000

<sup>1</sup> It is very important to consult the PIF preparation guidelines when completing this template.

<sup>2</sup> Project ID number will be assigned by GEFSEC.

<sup>3</sup> Refer to the reference attached on the Focal Area Results Framework when filling up the table in item A.

(select) LD-1	1.4 Increased investments in SLM	1.5 Information on SLM technologies and good practice guidelines disseminated	130,000	200,000
(select) LD-3	3.2 Integrated landscape management practices adopted by local communities	3.1 Integrated land management plans developed and implemented 3.2 INRM tools and methodologies developed and tested 3.4 Information on INRM technologies and good practice guidelines disseminated.	100,000	150,000
(select) SFM/REDD-1	1.2 Good management practices applied in existing forests	1.2 Forest area (100,000 hectares) under sustainable management, separated by forest type. 1.3 Ecological services (water conservation) and incomes (ecotourism, NTFP, etc) generated through SFM	820,000	1,400,000
(select) (select)				
(select) (select)				
(select) (select)				
(select) (select)				
(select) (select)	Others			
Project management cost <sup>4</sup>				
<b>Total project costs</b>			<b>4,080,000</b>	<b>12,328,000</b>

<sup>4</sup> GEF will finance management cost that is solely linked to GEF financing of the project.

## B. PROJECT FRAMEWORK

<b>Project Objective: To improve the operational effectiveness of the Bhutan Trust Fund for Environment Conservation through improving conservation management of forests and alpine ecosystems in the high altitude northern areas landscape of Bhutan.</b>					
<b>Project Component</b>	<b>Grant Type (TA/IN V)</b>	<b>Expected Outcomes</b>	<b>Expected Outputs</b>	<b>Indicative Financing from relevant TF (GEF/LDCF/SCCF) (\$)</b>	<b>Indicative Cofinancing (\$)</b>
1. Enhanced operational effectiveness and sustainability of the Bhutan Trust Fund for Environment Conservation	TA	1.1 Improved conservation impact of BTFEC	<p>1.1.1 Revised Strategy and Action Plan, and Operational guidelines approved for improving the operational effectiveness of BTFEC</p> <p>1.1.2. Transparent, open and competitive system for prioritization of annual conservation grant program in operation</p> <p>1.1.3 Improved governance structure to increase participation of civil society in decision-making in grant making.</p> <p>1.1.4. Improved capacity to undertake independent monitoring and evaluation of effectiveness and impact of BTFEC's grant operations</p> <p>1.1.5 Revised criteria for review of BTFEC investment management and performance</p>	800,000	6,500,000

			1.1.6 BT FEC providing at least 50% of the country's conservation funding on annual basis from FY2015 onwards		
2. Improved conservation management of the high altitude northern areas landscape (consisting of protected areas, and associated alpine meadows, forest and agricultural ecosystems)	Inv	<p>2.1 Improved management effectiveness of protected areas and functional corridors for conservation of forests, wildlife and ecological processes</p> <p>2.2 Sustainable community grazing management approaches piloted for the restoration and use of degraded alpine meadows</p> <p>2.3 Sustainable community land management approaches piloted for the restoration and use of degraded agricultural lands</p> <p>2.4 Sustainable management of broadleaf forests for watershed protection and other ecosystem services</p>	<p>2.1.1 At least three protected areas covering over 1,000,000 hectares under improved management and protection</p> <p>2.1.1 Populations of selected key species stable or increasing</p> <p>2.2.1 At least 2,500 hectares of alpine meadows brought under sustainable grazing management practice and reduced impact on adjacent forests</p> <p>2.3.1 At least 2,500 hectares acres of vulnerable agricultural lands brought under sustainable community land management and reduced impact on adjacent forests</p> <p>2.4.1 At least 100,000 hectares of forest lands under sustainable management (reduced pressures) and providing supplementary income from ecotourism and use of NTFPs</p>	2,840,000	4,878,000

<p>3. Mainstreamed conservation and sustainable forest and natural resource management approaches (developed under Component 2) into national policies, strategies and plans and replication of such approaches elsewhere in Bhutan</p>	<p>Inv</p>	<p>3.1 Improved knowledge and capacity in sustainable management of protected areas, and forests, agricultural and grazing lands</p> <p>3.2 Improved sustainable management approaches mainstreamed into sector and geog level policy and planning to prevent loss and fragmentation of critical forests and habitats</p> <p>3.3 Replication and scaling-up of sustainable land and forest management practices</p>	<p>3.1.1 Procedures and guidelines for establishing sustainable resource management developed and documented for at least five natural types(e.g. grazing, forestry, protected areas, water and land management)</p> <p>3.2.1 Biodiversity and sustainable natural resource management considerations incorporated into revision of at least five existing NRM sector policies, strategies and guidelines (e.g. forestry, agriculture, grazing, watershed management, etc)</p> <p>3.2.2 Biodiversity and sustainable natural resource management considerations incorporated into annual development plans in at least five geogs (sub-districts)</p> <p>3.2.3 Sustainable land and forest management, sustainable practices developed under the project replicated in additional 100,000 hectares outside HANAS</p>	<p>440,000</p>	<p>950,000</p>
	(select)				
	(select)				
	(select)				

	(select)				
	(select)				
	(select)				
	(select)				
Project management Cost <sup>5</sup>					
<b>Total project costs</b>				4,080,000	12,328,000

**C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, (\$)**

Sources of Cofinancing	Name of Cofinancier	Type of Cofinancing	Amount (\$)
Others	World Wide Fund for Nature	Grant	1,200,000
Others	World Wide Fund for Nature	In-kind	300,000
National Government	RGoB Departments (Co-financing of BT FEC Grants within HANAS)	In-kind	1,500,000
Foundation	Bhutan Trust Fund	In-kind	500,000
Foundation	Bhutan Trust Fund	Grant	6,500,000
GEF Agency	World Bank Regional IDA Project	Soft Loan	2,028,000
Others	Local Communities	In-kind	300,000
(select)		(select)	
(select)		(select)	
(select)		(select)	
<b>Total Cofinancing</b>			12,328,000

<sup>5</sup> Same as footnote #3.

**D. GEF/LDCF/SCCF RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY<sup>1</sup>**

<b>GEF Agency</b>	<b>Type of Trust Fund</b>	<b>Focal area</b>	<b>Country name/Global</b>	<b>Project amount (a)</b>	<b>Agency Fee (b)<sup>2</sup></b>	<b>Total c=a+b</b>
WB	GEF TF	Biodiversity	Bhutan	2,740,000	274,000	3,014,000
WB	GEF TF	Land Degradation	Bhutan	520,000	52,000	572,000
WB	GEF TF	MULTI FOCAL AREA	Bhutan	820,000	82,000	902,000
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
<b>Total Grant Resources</b>				<b>4,080,000</b>	<b>408,000</b>	<b>4,488,000</b>

<sup>1</sup> In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table

<sup>2</sup> Please indicate fees related to this project.

## **PART II: PROJECT JUSTIFICATION**

### **A. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:**

**A.1.1 THE GEF FOCAL AREA STRATEGIES:** The proposed project is consistent with the GEF Strategy under GEF 5 “Improve Sustainability of Protected Area Systems” which supports the objectives of improving the sustainability of the protected areas located in the high altitude northern areas (HANAS) landscape of Bhutan and improving the long-term financial sustainability of these protected areas. The project will work through the existing Bhutan Trust Fund for Environment Conservation (BT FEC) to improve its operational effectiveness, transparency and capacity to support expenditures required for management of the HANAS landscape, and more importantly become an effective instrument for sustainable financing for biodiversity conservation in Bhutan as a whole. The HANAS landscape which occupies around 1,500,000 hectares consists of three protected areas, intervening biological corridors, agricultural lands and village settlements, alpine grazing lands and reserved forest lands. Within the HANAS landscape, the project will support efforts to expand and improve the management effectiveness of three existing protected areas and intervening forest corridors through review and update of existing management plans, zonation, monitoring of critical species, research, inventory and surveys and engagement of local communities in habitat management and community stewardship. It will also support efforts to reduce negative impacts of productive sectors and community actions, particularly outside the protected areas and support mainstreaming of biodiversity in local and sector policies and programs through targeted capacity building, documentation and dissemination of best practices, and highlight the contribution of biodiversity to ecotourism, and livestock and forest management. In terms of the GEF Strategy for Land Degradation, the project will support improved agriculture and sustainable land and grazing management interventions to arrest land and forest degradation and productivity losses and improve local livelihoods (LD-1). Specific interventions are aimed at creating opportunities that support sustainable land, grazing and forest management through development of good practice notes, policy documents and development of tools and technologies that would support the scaling up and replication elsewhere in the country (LD-3). Through these effort, the project will help reduce pressures on existing forest resources, in particular the broadleaf forests through targeted interventions in protected areas, alpine meadows and agricultural lands and support good management practice in existing forests (SFM/REDD+) and improve a range of services through SFM and even encourage the application of payment of ecosystem services in selected areas. The results emanating from the investments from the ground and experiences will provide a platform for generating national efforts and building capacity to further strengthen protected area and sustainable land, grazing land and forest management in the country.

**A.2. NATIONAL STRATEGIES AND PLANS OR REPORTS AND ASSESSMENTS UNDER RELEVANT CONVENTIONS, IF APPLICABLE, I.E. NAPAS, NAPS, NBSAPS, NATIONAL COMMUNICATIONS, TNAS, NIPS, PRSPS, NPFE, ETC.:** The project is consistent with the Royal Government of Bhutan’s effort to protect the pristine natural environment and its abundant biodiversity for the Bhutanese people and mankind at large through the establishment of the Bhutan Trust Fund for Environmental Conservation (BT FEC) for the conservation of environment and biodiversity in 1996. Following the first strategic plan, prepared in 1997, BT FEC has provided substantial funding to the Forestry Department to help achieve gains in preserving Bhutan’s environment and biodiversity through creation of protected areas, accompanying management plans and staff training.

The Royal Government of Bhutan has always accorded top priority for preservation and conservation of the natural environment, and considers it one of the 4 pillars of Gross National Happiness (GNH). The Constitution of Bhutan has made specific reference for the need to keep and maintain 60% of the country under forest for all times to come. The over arching goal of the newest 10<sup>th</sup> FYP (from 2008-2012) of the Royal Government of Bhutan is poverty alleviation in all forms and manifestations. The high altitude northern areas comprise some of the most marginalized and worst poverty stricken areas of country where there is little or no access to basic social amenities and services, but constitutes a significant portion of the country with very rich biodiversity of global importance and significance and with intact pristine environment. Thus, the project includes important national priorities, and is also very much in line with the **“Targeted Highland Rural Livelihood Support Program”** of the Ministry of Agriculture, which strives to enhance the rural livelihoods of communities living in these areas through implementation of sustainable development while at the same time protect and conserve the surrounding environment.



The proposed project takes cognizance of the National Biodiversity Strategy and Action Plan (2009) in supporting the protection of natural ecosystems within and outside the protected area system, supporting the management of forests for sustainable production and utilization, enhancement of local livelihoods through sustainable management of natural resources and the reduction of grazing pressures on natural ecosystems. The proposed project supports the main objectives of the national action Program to Combat land Degradation (2009) by helping in the conservation, rehabilitation and sustainable use of forest resources and promoting sustainable agriculture and land management practices to enhance local livelihoods.

The proposed project will build on, and complement achievements of a number of ongoing and completed GEF projects in Bhutan. In particular, it would strongly build on success of the *Linking and Enhancing Protected Areas in the Temperate Broadleaf Forest Ecoregion of Bhutan (LINKPA)* project, by expanding and strengthening conservation management of the Wangchuk Centennial National Park (WCNP) which has been recently declared incorporating the biological corridors between Jigme Dorji National Park (JDNP) and Bumdeling Wildlife Sanctuary (BWS) and most of the surrounding landscape. The proposed project will help strengthen management and conservation objectives in the extended landscape, expanding on the institutional and management and community development works initiated through LINKPA. The proposed project will extend sustainable land management activities in the northern temperate region, building on, and further expanding on the achievements of the *GEF Sustainable Land Management project*, using the community action planning and mapping techniques that have been developed under the SLM project. While, the *GEF Integrated Livestock and Crop Conservation program*, is focused on the documentation and characterization of indigenous wild livestock resources and its conservation, the proposed project will substantially expand activities to include piloting of management approaches in alpine meadows to reduce and manage grazing pressures and improve the viability and sustainability of these alpine meadows in accordance to the new policies being promoted through the updated Land Management Act.

## **B. PROJECT OVERVIEW:**

**B.1. DESCRIBE THE BASELINE PROJECT AND THE PROBLEM THAT IT SEEKS TO ADDRESS:** Although BTFEC exists as an instrument for funding conservation activities in Bhutan, it has certain limitations that need to be addressed to help improve its operational effectiveness and sustainability. These includes: (i) defining a clearly articulated long-term strategy that defines BTFEC's role and priorities; (ii) developing a transparent, open and competitive grant-making process and strengthening BTFEC's technical capacity to assist potential grant applicants in developing grant proposals; (iii) enhancing the voice of civil society in decision making regarding BTFEC's role and priorities; (iv) strengthening BTFEC's technical capacity for monitoring and evaluating the conservation impact of BTFEC grants, and for evaluating social and administrative factors that may decrease the effectiveness and efficiency of BTFEC grants; (v) establishing a system for analysis and utilization of lessons learned; (vi) review of investment management strategy and performance and development of system to measure performance against benchmarks and international best practice; and (vii) supporting the development of legal instruments for allowing the generation of non-budgetary resources for self-sustaining management of PAs, such as revenue from payments for environmental services, tourism fees and concession fees.

The baseline captures intent and effort on part of Royal Government of Bhutan and BTFEC management to improve the effectiveness of its operations, including developing and implementing a new strategy and action plan, improving its administration and financial management and fund raising capacity, and improving the effectiveness of its grant mechanisms, transparency and visibility. Although, in the first strategic plan of BTFEC approved in 1997, significant efforts were directed at establishing a protected areas network in the country and financing the establishment of the protected area network, significant issues continue to arise with respect to the ability of the rural population in and around these protected areas to participate equally in the benefits of economic development. The advent of a Constitutional Democracy in 2008 has resulted in greater demands for electricity and roads by the local people. Consequently, never has there been a greater need in the history of the BTFEC to assume leadership in prioritizing conservation threats and opportunities, working with partners to conceive the programs that would best address these priorities, encourage the creation of indigenous capacity to design, manage and monitor programs and provide funding for program implementation. A second strategic plan that is currently under preparation will be the first of several documents that will lay the foundation for providing this leadership.

The baseline in support of these efforts is reflected in part by the current annual grant making of around USD 0.6 million (based on an average over the last three years), but expected to be increased to around USD 1.5 million annually within the next three years. This baseline will be complemented by incremental funding from the project to help BTFEC implement the new strategy and action plan, including improving grant selection criteria, procedures for evaluation and assessment of impacts of grants, and independent evaluations, improving transparency and accountability and financial management to enable the BTFEC to become a major and instrument for sustained funding for conservation action in the country.

In terms of the High Altitude Northern Areas of Bhutan, the landscape that will be financed through BTFEC, is part of the fragile eastern Himalayan ecosystems. Located between 3000-5000m, the alpine and sub-alpine meadows and temperate broadleaf forests support a globally important biodiversity. Three of Bhutan's 10 protected areas are located in the high altitude northern region, but the protected areas in the mid-hills and duars (foothills) are ecologically linked, especially by animal migrations and hydrological processes. Hence the ecological disruption of the sensitive high altitude ecosystems will have significant impacts on the ecosystems and communities to the south. The newly-declared Wangchuck Centennial Park (WCP)—declared in 2009, to commemorate the coronation of the new monarch—is the biggest of Bhutan's protected areas. At almost 5,000km<sup>2</sup>, it holds special significance in that it is the only park in Bhutan that harbors the country's national animal (Takin), national tree (*Cupressus corneyana*), national flower (*Meconopsis grandis*), and the national bird (*Corvus corvus*), thus becoming a central feature in Bhutan's national pride, and culture. The WCP is bounded in the west by the 2nd largest park, the Jigme Dorji National Park of 4,371 km<sup>2</sup> and by the Bumdeling Wildlife Sanctuary of 1,521km<sup>2</sup> in the east. Together, these parks add to the extensive network of protected areas and corridors that includes some of the most threatened ecosystems and biodiversity ecoregions of the Himalayas.

The northern area has globally significant natural habitat that includes charismatic and iconic species such as the tiger, snow leopard, takin, blue sheep and several species of hornbills, pheasants and large raptors. Bhutan's northern temperate forests support the only ecotype of tigers adapted to high altitudes, and tigers are even found in elevations around 4000m. Ecologically, these high altitude ecosystems maintain critically important ecological links to ecosystems lower down the mountains and far beyond Bhutan's southern borders. The river systems that originate from the glaciers and water towers of Bhutan's mountains sustain biodiversity and human lives and livelihoods in the mountains, and in the Gangetic Basin, and the vast Sunderbans mangroves.

Despite the remoteness of this region, climate change has emerged as a threat to the integrity of the ecosystems, ecological communities, and the people residing in the high altitude mountain areas of Bhutan. It is estimated that around 65,000 people (roughly 10% of country's total population) live and eke out a livelihood here. The temperate broadleaf forests and other alpine ecosystems are under threat from population growth, patterns of agricultural cultivation, livestock grazing, and urbanization. Although, the population of the northern areas is low, the population growth in subsistence based rural economy, such as Bhutan, contributes directly to deforestation through increased consumption of fuelwood. While Bhutan is self sufficient in per capita availability of fuelwood at the national level, at the village level, the availability of fuelwood falls short than the requirement due to the concentration of settlements in the valleys and other favorable locations. This can impose extra stress on the forests near settlements, leading to fragmentation and degradation of the protected landscapes and forests. Agriculture also directly competes with forests for land to feed the growing population. The area under cultivation is increasing with most suitable land already under agriculture and potential for additional allocations to agriculture is likely to be at the expense of heavily forested areas that lie immediately above the remote villages. Further, about 90% of the rural households own livestock and dependency on protected areas, alpine meadows and surrounding forests for grazing livestock adversely affects the high altitude temperate ecosystems. This is further compounded by the fact that alpine meadows, which are the traditional grazing grounds in the high mountain areas is rapidly degrading and becoming infested with weeds, forcing herders to move their livestock into the surrounding protected areas, corridors and forests for grazing.

In response to the challenge, various efforts are underway to help manage and conserve this region and reduce threats and impacts described above. This provides the baseline program for improving the management of the northern complex of reserves and forests and includes the following: (i) a program funded by WWF to improve natural resource management in the Wangchuk National Park by the reduction of rural poverty in the area surrounding the park, improving management planning, staff training, baseline inventory and improving opportunities for alternative livelihood interventions, through community forestry, agriculture and livestock intensification, renewable energy development, environmental awareness and reduction of human and wildlife conflicts. The total of WWF funding is the equivalent of USD 620,000 for the above effort. (ii) WWF is also providing funding support for piloting co-management approaches in Wangchuk National Park at an average of around \$USD 250,000 annually. (iii) The BTFEC is financing the preparation of a management plan and related activities to the amount of USD 320,000 in Wangchuk National Park, as well as funding for biological baseline assessments in Bunderling Wildlife Sanctuary and Jigme Dorji National Park of around USD 10,000, (iv) RGoB is supporting staffing, infrastructure and operational and maintenance costs associated with these three protected areas and linked corridors of around USD 300,000 annually, (v) The World Bank through its regional IDA program (USD 2.028m equivalent) will support a program in Bhutan to build capacity to address wildlife trade through regional cooperation, and habitat protection and management to conserve endangered species, including the tiger, elephant, rhinoceros, red panda and pigmy hog. The regional program will facilitate experience sharing on wildlife management, wildlife trade management, and support research and learning aimed at improving cooperation for management of habitats and forests, (vi) RGoB programs in support of implementation of existing legal regulations for conservation of the biological corridors network; and (vii) various RGoB supported land management campaigns and other programs are supporting sustainable land management, community forestry initiatives and catchment conservation outside of the three protected areas.

Building on the existing baseline activities, the proposed GEF increment is expected to take proactive mitigations and adaptation measures to enhance protection of Bhutan's forests and other critical ecosystems in the northern areas, and improve the productivity and sustainability of its alpine meadows, and agricultural lands and ecological services, lives and livelihoods of the people, and the local economy. These measures are expected to help in improving the management of existing forests and facilitate the reduction of deforestation and loss of critical habitats and ecosystems.

- B. 2. INCREMENTAL /ADDITIONAL COST REASONING: DESCRIBE THE INCREMENTAL (GEF TRUST FUND) OR ADDITIONAL (LDCF/SCCF) ACTIVITIES REQUESTED FOR GEF/LDCF/SCCF FINANCING AND THE ASSOCIATED GLOBAL ENVIRONMENTAL BENEFITS (GEF TRUST FUND) OR ASSOCIATED ADAPTATION BENEFITS (LDCF/SCCF) TO BE DELIVERED BY THE PROJECT:** The GEF grant will provide the needed incremental investments that would be more difficult to attain through government budgetary or non-governmental sources for the technical, capacity-building, and implementation work necessary to improve the operational effectiveness and sustainability of the BTFEC and achieve mainstreaming of sustainable grazing and land management, biodiversity and forest conservation, and protected area management in the HANAS landscape. The proposed GEF financing will complement the substantial counterpart investment resources from the existing incentive systems in place and additional financing provided through BTFEC and WWF. Without the GEF increment, the BTFEC would continue to lack leadership in prioritizing conservation threats and opportunities in the country, be unable to conceive programs that can best address the priorities in the country, lack capacity to design and manage programs that best suit Bhutan's conservation needs and lack capacity and commitment to monitor the impact of its grant program on conservation outcomes. The GEF increment will also be used to improve the management and capacity of the newly established Wangchuck Centennial Park (WCP) and enhance information sharing, capacity development and long-term monitoring with the adjacent JDNP and BWS and inter-connected biological corridors. The overall intent of the GEF increment is to improve effectiveness and sustainability of BTFEC and the management of critical alpine ecosystems and protected lands in these high altitudinal areas for biodiversity conservation to help conserve broadleaf forest and other vulnerable ecosystems and species in this region and improve its financial sustainability. In particular, the GEF increment will support the following key activities:

**Component 1: Enhanced the operational effectiveness and sustainability of the Bhutan Trust Fund for Environment Conservation.**

This component will work towards improving the conservation impact and sustainability of the existing Bhutan Trust Fund for Environment Conservation. This would be achieved through provision of technical support and capacity building to strengthen the ongoing effort to improve the effectiveness of BTFEC. In particular, this component will help implement a revised Strategy and Action Plan for the BTFEC and operational guidelines; to enable BTFEC to assume leadership in prioritizing conservation threats and opportunities, work with partners to conceive the programs that can best address these priorities, encourage the creation of indigenous capacity to design and manage programs and provide funding for program implementation. This Component, in particular, will help implement a new Strategic Plan for BTFEC to enable it to provide leadership and strategic direction for environmental conservation in Bhutan. It will help identify the interrelated areas of program implementation and define the strategies for meeting the goal of this whole initiative. It will support the development of a detailed action plan that will specify a transparent system for prioritization of annual conservation grant making; define the allocation of monetary resources to the different program areas, detail requirements for project implementation, create systems for monitoring and evaluation and lay out the course for improving the performance and operations of the Trust Fund itself. It would help to improve publicity and visibility of its operations. The intent of this component is to help BTFEC demonstrate its determination, competence and success in achieving the goals of this Strategic Plan through rigorous implementation of the Action Plan and measurable proof of habitat and biodiversity conservation, as well as improved quality of life for rural citizens. BTFEC should become an effective instrument for biodiversity and sustainable forest conservation and management action in the country and one of the main sources of sustained funding for conservation in Bhutan. A special sub-account (or sinking fund) within BTFEC will be established with operational and financial rules and regulations (to be developed during project preparation) for the project, with oversight responsibilities of BTFEC management. Specific activities that will be supported under this Component are:

- (a) Formulation and implementation of a Second Strategic Plan and Action Plan to enable BTFEC take leadership in setting priorities for conservation in Bhutan;
- (b) Prioritization of threats and opportunities for addressing environment and biodiversity concerns in Bhutan, and development of programs for addressing these priorities;
- (c) Development of a more transparent, open and competitive grant-making procedure (including the incorporation of clear biodiversity and natural resource criteria and social criteria for making grants), based on global best practice and strengthening the technical capacity of BTFEC to assist potential grant applicants;
- (d) Analysis, discussion and development of options for modifying BTFEC's governance structure to increase the participation of civil society in decision-making and thereby increase the BTFEC's attractiveness to potential international donors and also produce more effective conservation results;
- (e) Creation of systems for monitoring and evaluation of the impacts of the grants and improving performance and operations of the Trust Fund;
- (f) Definition of measures for reviewing investment management strategy and performance, including measuring performance against benchmarks and international best practices; and
- (g) Development of new instruments to allow for generation of non-budgetary revenues for self-sustaining management of PAs, including payments for environmental services, tourism fees and concession fees.

**Component 2: Improved conservation management of high altitude northern areas landscape in Bhutan (including protected areas and associated alpine meadows, forests and agricultural ecosystems) with community participation to conserve temperate broadleaf forests and other ecosystems**

This component is aimed at testing and demonstrating the improved grant making and operational effectiveness of BTFEC that will be developed under Component 1 of the project. Under Component 2, BTFEC will provide grants to firstly, test and implement appropriate management strategies and proactive plans to anticipate and address threats to the protected area and corridor complex and consequently the forests contained within HANAS to ensure sustained conservation and maintain their ecological integrity and the economic and ecological services they support. These would include the following activities:

- (a) Review and update of existing management plans for WCP, JDNP and BWS. Development of management guidelines and protocols for improving ecological connectivity and viability of corridors and habitat linkages with other parks, especially Thrumshing La National Park and Jigme Singye Wangchuk National Park;
- (b) Review and update of zoning plans of parks for appropriate management options and enforcement of land-use regulations. This will include core zones and corridors for tigers and snow leopards and other key species;
- (c) Monitoring of species of special concern, especially tigers, snow leopards, and their prey using scientifically robust, standardized survey methods.;
- (d) Research on snow leopard and tiger behaviour, ecology, and genetics to understand and develop appropriate conservation strategies for these iconic, umbrella species;
- (e) Gradient-directed transect biological surveys to establish a biodiversity baseline. Specific surveys of rivers to establish in-stream monitoring systems using biological (fish, aquatic insects) and physical (water flows, depth, substrate etc) indicators to monitor flow regimes and water quality. This will directly feed information into the Bhutan Dynamic Information Framework (DrukDIF) that is currently being developed to provide a decision system for land management in the country;
- (f) Engagement of local communities in habitat management and community stewardship through appropriate community-based resource management strategies (e.g., sustainable forestry, alternative income generation, improved livelihood opportunities based on or linked to sustainable forest use, ecotourism, etc.);
- (g) Reduction in conflicts with tigers and other species through: staff recruitment and training; engaging and building community support; rewards systems as incentives by channeling fines to local communities; and
- (h) Capacity building for effective and efficient conservation and protection of parks and corridors in the field.

Secondly, under this component, BTFEC will support a range of activities at the community and farm level to strengthen the adoption of sustainable land use and grazing practices, based on the productive potentials of these lands and enhance the diversity of crops and cropping practices to enable communities to cope to climate impacts, reduce the threat and vulnerability to biological and other natural resources, help maintain hydrological flows and improve local incomes. The intent is to restore and use these degraded areas in a more productive and sustainable manner and consequently help mitigate against any further expansion of agriculture and livestock grazing into the existing natural temperate forests and other alpine ecosystems within HANAS. Specific outcomes expected are:

- (a) Pilot rangeland (alpine meadow) co-management with herders through improved management planning, increase in productivity for domestic livestock by re-seeding degraded natural rangeland with native grass species, and developing improved pasture on private/government lease land (on a limited scale) in the vicinity of permanent villages for better livestock management, rotational grazing, breed improvement, product development and value addition.;
- (b) Sustainable co-management of forests and agricultural lands in non-core wildlife habitats to provide improved and diversified agricultural and forest products and incomes to local communities and engage them as conservation stewards. This would be achieved through

biophysical and socio-economic mapping to identify causes and incidence of land degradation, identification of 'hotspots' of land vulnerability, community decision making and prioritization of SLM practices and investments, training and implementation and community monitoring, and subsequent mainstreaming of SLM practices into geog level planning. This activity will help bring land under unproductive and destructive practices, such as shifting cultivation (tseri), steep and vulnerable slopes and degraded forest lands under improved production and sustainable practices;

- (c) Building on existing experiences with community based forest management in the country, the project will support regeneration of selected degenerated forest lands outside of protected areas and help improve incomes to communities from collection and marketing of non-timber forest products; and
- (d) Community management of critical sub-watersheds or water sources (water management interventions) to protect water sources and critical forest resources.

Further, under this Component, BTFEC will support activities aimed at conserving broadleaf forests outside of the protected areas to generate sustainable flows of ecosystem services, improve climate adaptation and provide sustainable sources of incomes to local communities through ecotourism, sustainable forest product harvest and development of value-addition products.

**Component 3: Mainstreamed conservation and sustainable forest and natural resource management approaches in national policies, strategies and plans, and the replication of such approaches elsewhere in Bhutan**

The lessons from protected area management, as well as management of alpine pastures, agricultural lands and catchment forests derived from Component 2 will inform policies pertaining to key natural resources sectors, including watershed management, upland agriculture and livestock, forestry, wildlife conservation and also infrastructure development. The learning and experience of Component 2 will also contribute to development and improvement of existing natural resource management guidelines and provide good examples of best practice in key natural resource management sectors and support new models of integrating protected area, sustainable grazing and agricultural management approaches into sector and geog (sub-district) level planning to prevent the loss and fragmentation of forests and critical habitats. The audience for this component will be decision makers at the national, dzongkhag and geog levels. In particular, Component 3 will support the following activities:

- (a) Documentation and dissemination of best practice notes and guidelines for protected area management, sustainable alpine meadow management and land and forest management;
- (b) Dialogue and consultation on mainstreaming protected area, sustainable forest and alpine meadow management approaches into national and sector policies and strategies and integration into national, district and local level planning;
- (c) Capacity building, dialogue and technical support to facilitate mainstreaming of sustainable natural resource and forest management approaches to dzongkhag (district) and geog (sub-district) level action planning; and
- (d) Replication and up-scaling of sustainable forest and natural resource management approaches more broadly within the country (outside of the project areas).

Since the BTFEC is an existing organization which is totally funded in terms of administrative costs from its own resources, there will be no GEF-funded project management costs associated with the project.

The expected global environmental benefits are the establishment of an effective and sustainable funding instrument to support the conservation of globally important biodiversity. More specifically, the project will support the conservation of endangered species such as a unique high montane tiger ecotype, snow leopards, bird communities; the conservation of headwaters and water towers that

support and sustain life in the Himalayan range and in the Gangetic basin; the potential for reduced GHG's leading to around 150,000 tons of reduced carbon emissions through carbon sequestration and REDD+ with the potential for carbon-trading to promote conservation in one of the most climate-vulnerable regions of the world. The estimation of carbon benefits is based on the assumption of carbon stock in Bhutan broadleaf forests of 60 tC/ha and a 0.5% annual forest degradation rate. This would result resulting in avoided carbon emissions from reduced degradation of 100,000 hectares of 150,000 tons over the project life. At a later stage, this estimation will be refined using FAO EXACT or other tools and distinguished between direct and indirect effects. SFM benefits are directly linked to Components 2 and 3 of the project.

**B.3. DESCRIBE THE SOCIOECONOMIC BENEFITS TO BE DELIVERED BY THE PROJECT AT THE NATIONAL AND LOCAL LEVELS, INCLUDING CONSIDERATION OF GENDER DIMENSIONS, AND HOW THESE WILL SUPPORT THE ACHIEVEMENT OF GLOBAL ENVIRONMENT BENEFITS(GEF TRUST FUND) OR ADAPTATION BENEFITS (LDCF/SCCF). AS A BACKGROUND INFORMATION, READ [MAINSTREAMING GENDER AT THE GEF.](#)":** The Royal Government of Bhutan strongly recognizes the critical importance of ensuring the local communities living in the high altitude areas are directly involved and participate in programs aimed at improving the conservation and management of protected areas, forests, meadows and agricultural lands. The rural poor living in these areas usually depend on natural ecosystems either for grazing, agriculture and other livelihood needs. They are severely affected when the environment or the natural resources on which they depend are degraded. It is therefore in their interest to sustain the long term capacity of these ecosystems to provide the goods and services that they are dependent on. Drawing on experiences in the country, the government feels that in order to address such concerns, communities in particular women and vulnerable groups must be directly involved and participate in decision making and interventions, including specifically the management of protected and forest land, alpine grazing areas and productive agricultural lands. Therefore, the approach promoted through the proposed project aims at strengthening local institutions and capacity as a fundamental requisite to attain or achieve the desired global benefits of protecting the rich biological and other natural resources in these high mountain areas. Through this effort, the project will help enhance the capacity of these ecosystems to provide a variety of benefits to local communities (e.g. sustained water flows, non-timber forest products and edible products, sustainable agriculture and livestock productivity, ecotourism benefits, etc). Analysis would be undertaken during project preparation to identify specific ecosystem and livelihood benefits that could incur to local communities.

In terms of gender, planning at the community level will ensure inclusion of women, poor and vulnerable groups in planning and implementation of project activities as is practice in all World Bank supported operations. Women, poor and vulnerable households will participate in village committees and in decision-making regarding use of natural resources and on any restrictions on the use of such resources. An operational manual for village level participatory action planning and implementation developed under the on-going sustainable land management project, will guide the inclusion of such vulnerable peoples in the decision making process.

**B.4 INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS THAT MIGHT PREVENT THE PROJECT OBJECTIVES FROM BEING ACHIEVED, AND IF POSSIBLE, PROPOSE MEASURES THAT ADDRESS THESE RISKS TO BE FURTHER DEVELOPED DURING THE PROJECT DESIGN:** The extent of climate change on the habitat can become a risk, especially if the consequential impacts are extreme and severe such that erosion, landslides, and high precipitation overcome the threshold of habitat and population resilience. Extreme natural catastrophic events driven by climate change could also render infrastructure and other economic development, that are targeted to be sources of sustainable park management financing unviable. While the extent of climate change can be projected and some mitigations can be planned and put in place, controlling it is beyond the scope of the project. The project success would also depend on favourable

government policy to support PES and adopt fund-transfer mechanisms for conservation from infrastructure that are supported by ecosystem services and intact ecosystems. Thus, the project will work at the central level to leverage appropriate policy. Because the RGoB is pro-conservation this is not seen as a significant risk.

There is a risk in the communities being not fully participating and engaging as conservation stewards. Even after creating awareness and training given to the communities, the risk of reverting back to unsustainable harvesting and utilization of natural resources in these high mountainous areas is high. This would have serious consequences on the rich biodiversity of the area and also undermine their own rural livelihood sustainability. Therefore, project will develop appropriate policy and legal framework to promote sustainable utilization of natural resources for both income generation purposes. Alternative sustainable and renewable options would be made available to the communities. Participatory monitoring of these activities will help in further understanding among the end users. Appropriate economic analyses and participatory consultations to determine community issues and needs make them aware of climate-related vulnerabilities, and provide appropriate economic and other incentives and payments needed to promote better stewardship will be undertaken to minimize risks.

Finally, there is the risk of ineffective management of the BTFEC that could reduce its effectiveness as a key conservation institution in the country. To minimize the risk, the project will work towards supporting the implementation of a new strategy and action plan for BTFEC to improve its transparency, accountability and effectiveness. This will be facilitated through technical and operational support to BTFEC through the project. Where possible, the project will try to leverage financial support from prospective international donors and from the Royal Government as part of additional co-financing. It will highlight the need to address development issues of the mountain areas in a holistic manner involving all relevant stakeholders for maximum benefit in appropriate forum and meetings.

#### **B.5. IDENTIFY KEY STAKEHOLDERS INVOLVED IN THE PROJECT INCLUDING THE PRIVATE SECTOR, CIVIL SOCIETY ORGANIZATIONS, LOCAL AND INDIGENOUS COMMUNITIES, AND THEIR RESPECTIVE ROLES, AS APPLICABLE:**

The overall approach will be an effective blend of actions at the local level (geog and dzongkhag) and central levels and of community action. The BTFEC will have responsibility for financial management oversight, grant making and monitoring of the project. Institutions within the Ministry of Agriculture and Forests will be largely responsible for implementation of activities within HANAS, in cooperation with WWF, local level geog and dzongkhag administration. WWF and the Wildlife Conservation Division within MOAF will provide technical support, in particular for implementation of activities within the WCP, JGNP and BWS and connecting corridors. The departments of agriculture, livestock and forests through their agents at the dzongkhag and geog levels will provide operational and technical support for implementation of sustainable land, forest and alpine meadow management in the project area. The use of the existing Technical Advisory Panel of the BTFEC or similar arrangement, as appropriate, will be defined during project preparation to provide oversight and coordination support for project activities and guide the mainstreaming of lessons and experience emanating from the project into national and local policy, planning and programs.

The project will use the expertise and experience within BTFEC to oversee the coordination and monitoring of project activities. It would apply grant making mechanisms and systems developed, and further improved under the project within BTFEC for this purpose. The project will further strengthen the evaluation and monitoring of grant financing within BTFEC.

Coordination at the sub-project or grant level with relevant stakeholders and local beneficiaries will be achieved through appropriate awareness activities, consultation and institutional arrangements, as appropriate to ensure fair, informed and collective decision making on the use and management of natural resources. All households will be represented in the village committees and will be directly involved in mapping of village resources, determination of project investments at the village level,



defining benefit sharing arrangements, monitoring of reciprocal commitments for implementation of sustainable land and forest management activities, sustainable grazing management activities, etc.

**B.6. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:** The project proposal on Sustainable Financing for Biodiversity Conservation and Natural Resources Management will be overseen by BTFEC. The implementation will be led by the Department of Livestock, Agriculture and Forests that come under the administration of the Ministry of Agriculture and Forest, WWF and other relevant NGOs and line agencies. The technical advisory panel within BTFEC or similar mechanism will oversee and guide grant selection and help ensure coordination with Government priorities and with other externally funded development projects. This will include projects such as the “Integrated Livestock and Crop Conservation”, “GEF funded Sustainable Land Management Project” and “GEF MSP SLM project” being implemented by NSSC, DOA, MoAF. All these other projects have conservation cum sustainable development as their main theme and therefore, it is very important that coordination between these projects take place in order to minimize costly duplications and omissions. A periodic coordination meeting will be held between such projects to facilitate exchange of work plans, progress and discuss issues of mutual interest and importance. It will also coordinate existing efforts of WWF and other NGO’s organization (such as the Royal Society for the Protection of Nature) through the existing BTFEC coordination mechanisms that are functional.

A number of activities of Sustainable Land Management (SLM) have been identified in the UNCCD National Action Program (NAP) for Bhutan. Both SLMP and SLM MSP focus on capacity development and mainstreaming of land management. This project will draw valuable lessons and experiences from SLMP and SLM MSP regarding initiating SLM activities in high altitude mountain areas especially in the area of rehabilitation of degraded lands through watershed and catchment protection, promoting sustainable agricultural and livestock practices through implementation of SLM technologies and tools.

**C. DESCRIBE THE GEF AGENCY’S COMPARATIVE ADVANTAGE TO IMPLEMENT THIS PROJECT:** The World Bank has comparative advantages which will benefit the project objectives. The World Bank has a strong country and regional presence and linkages between the project activities and the World Bank country assistance strategies. As the World Bank is involved in a number of conservation initiatives in the region there is good possibility of sharing and exchange of experiences and lessons. The project will specifically contribute to achievement of MDG 1. Eradicate extreme poverty and hunger; MDG 7: Ensure Environmental Sustainability; MDG 8: Global Partnerships for development. The World Bank was the GEF Implementation Agency for the establishment of BTFEC which will be great advantage as it seeks to work through the BTFEC for implementation of the proposed project. Since World Bank is already implementing GEF SLM in Bhutan, it would facilitate sharing of lessons learned and experiences from the project. The SLM project has already developed a number of participatory tools that have been tested in the field through the SLM project that can be easily replicated and applied in the proposed project to involve communities in management of protected areas, agricultural lands and alpine meadows. The World Bank has also good experience, within and outside Bhutan in mainstreaming local community based natural resource management approaches in policy and planning at that national and local level. The World Bank can bring a large international experience to share with Bhutan in natural resource management. The World Bank will also bring to the project, its ability to convene and support regional country cooperation for wildlife and forest conservation although its regional wildlife project (that includes Nepal, Bhutan and Bangladesh).

**C.1 INDICATE THE CO-FINANCING AMOUNT THE GEF AGENCY IS BRINGING TO THE PROJECT:**

The regional wildlife project has an IDA allocation of USD 41.25 million, of which USD 2.25 million is specifically allocated for Bhutan. The project is under implementation. The project is supporting management interventions on the ground to conserve key species and ecosystems and facilitate lesson and experience sharing, and improve efforts at control of trade in wildlife and wildlife products. Over 80% of the project budget for Bhutan supports conservation, protection and management of PAs and

reserved forests and therefore provides an opportunity for ensuring complementarity of activities between the two projects. Mechanisms for coordination between the two projects will be defined during project preparation. To facilitate this coordination, a single World Bank Task Team will support both projects.

**C.2 HOW DOES THE PROJECT FIT INTO THE GEF AGENCY'S PROGRAM (REFLECTED IN DOCUMENTS SUCH AS UNDAF, CAS, ETC.) AND STAFF CAPACITY IN THE COUNTRY TO FOLLOW UP PROJECT IMPLEMENTATION:**

The Bhutan Country Assistance Partnership recognizes that in rural areas where subsistence systems prevail, communities need to be able to greatly diversify products and improve productive potential of their natural resources. This would require better environmental stewardship and enhanced capability to adapt to any climatic variability. The sustainable management of forest, agricultural and grazing lands will help reduce degradation of these production lands, improve their productivity, enhance local incomes and improve prospects of these communities to adapt to climatic changes. Increased conservation and sustainable use of land in the higher mountain regions that are characterized by steep slopes would greatly facilitate and improve water flows to, and reduce vulnerability of downstream agricultural and grazing lands. With better incomes and improved productivity, local communities will be better equipped to respond to natural disasters such as landslides.

In terms of other components, such as forest and livestock management, these will be implemented through existing dzongkhag and geog staff in the area, with oversight and technical support from the Departments of Livestock and Forestry. Given, the experience of the ongoing GEF Sustainable Land Management project, and the small scale nature of these activities, it is feasible to implement the project through the existing arrangements.


The World Bank brings to the project extensive experience in management of natural resources and environment programs in the region. The project team will consist of technical specialist from the Washington, Colombo and New Delhi offices, who have extensive experience working on GEF and Bank natural resources, forestry and biodiversity conservation projects. The technical team has task managed and previously supported the design and implementation of the GEF/IDA India Ecodevelopment and Biodiversity Conservation and Rural Livelihood Improvement projects, Pakistan Protected Areas Management Project, Sri Lanka Medicinal Plant Conservation and Sustainable Use project, Bhutan Sustainable Land Management project, India Sustainable Land and Ecosystem Management program and the recently approved Regional Wildlife project. In addition, the Bank will bring extensive experience in social and environmental assessment, legal, fiduciary and procurement expertise and monitoring expertise from its country offices in the region. The small World Bank office in Bhutan, which oversees broad dialogue and relationships with the Royal Government of Bhutan, would also include this project as part of its oversight.

**PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)**

**A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):** (Please attach the [Operational Focal Point endorsement letter\(s\)](#) with this template. For SGP, use this [OFP endorsement letter](#)).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
Mr. Karma Tshiteem, (GEF Operational Focal Point)	SECRETARY and GEF OPERATIONAL FOCAL POINT,	GROSS NATIONAL HAPPINESS COMMISSION (GNHC), ROYAL GOVERNMENT OF BHUTAN	06/24/2011

**B. GEF AGENCY (IES) CERTIFICATION**

This request has been prepared in accordance with GEF/LDCF/SCCF policies and procedures and meets the GEF/LDCF/SCCF criteria for project identification and preparation.					
Agency Coordinator, Agency name	Signature	DATE (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Karin Shepardson GEF Executive Coordinator The World Bank		August 11, 2011	Akiko Nakagawa	202 473-9012	Anakagawa@worldbank.org