

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA2200

Date ISDS Prepared/Updated: 20-Mar-2013

Date ISDS Approved/Disclosed: 22-Mar-2013

I. BASIC INFORMATION

1. Basic Project Data

Country:	Bhutan	Project ID:	P127490
Project Name:	Sustainable Financing for Biodiversity Conservation and Natural Resources Management (P127490)		
Task Team Leader:	Marinela E. Dado		
Estimated Appraisal Date:	14-Feb-2013	Estimated Board Date:	14-May-2013
Managing Unit:	SASDI	Lending Instrument:	Specific Investment Loan
Focal Area:	Multi-focal area		
Sector:	Forestry (60%), General agriculture, fishing and forestry sector (40%)		
Theme:	Biodiversity (60%), Land administration and management (20%), Participation and civic engagement (20%)		
Financing (In USD Million)			
Total Project Cost:	5.88	Total Bank Financing:	0.00
Total Cofinancing:		Financing Gap:	0.00
Financing Source			Amount
BORROWER/RECIPIENT			1.50
Global Environment Facility (GEF)			4.08
Local Communities			0.30
Total			5.88
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

2. Global Environmental Objective(s)

The project development objective (PDO) is to improve the operational effectiveness and institutional sustainability of the Bhutan Trust Fund for Environmental Conservation. The PDO is also the global environmental objective (GEO).

3. Project Description

Component 1: Enhancing the operational effectiveness and sustainability of BTFEC (US\$0.8 million)

The objective of Component 1 is to support BTFEC in carrying out the update and implementation of the Strategic Plan by adopting more modern governance and business practices and ensuring the adequacy of its resources and tools going forward. With a view to greater operational effectiveness, BTFEC's Board has endorsed the following improvements: (i) increase and diversification of BTFEC Board representation; (ii) prioritization of interventions in the seven program areas of the Strategic Plan 2010-2015; (iii) preparation of a sustainable plan for the Protected Area (PA) network; (iv) creation of a performance-based system to monitor and evaluate the impacts of BTFEC's grant program and institutional performance; (v) modernization of the grant-making process towards efficiency, equity and transparency; and (vi) review of options for BTFEC's future investment management.

To ensure that BTFEC has the resources and tools for implementing change, its Board agreed on the following changes: (i) recruitment of additional staff to share the numerous operational responsibilities and tasks; (ii) engagement of short-term consultants for legal advice on changes to BTFEC's structure, preparation of a sustainable financing plan for the PA system and introduction of modern operating systems and processes; and (iii) development of new business lines to expand BTFEC's management of funding for conservation initiatives.

Specifically, Component 1 will finance training, technical assistance, equipment and data management systems and limited piloting for updates to the Royal Charter, introduction of bylaws, prioritization of grant selection on the basis of needs, risks and opportunities, modernizing grant-making, revision of the Operations Manual, review of options for future investment management, staff capacity improvements, and development of a fund-raising strategy.

Component 2: Improving conservation management of the high altitude northern areas (HANAS) landscape in Bhutan (including protected areas and associated methods, forests and agricultural systems) (US\$2.84 million)

This component aims to demonstrate BTFEC's conservation outcomes and enhance its grant-making operations. To that end, BTFEC will finance grants – on a competitive basis – that would improve conservation management in the high altitude northern area ecosystems of Bhutan. The conservation grants for the targeted areas will be processed and approved through BTFEC's grant management system. In accordance with BTFEC's grant award process, the maximum grant amount is US \$300,000 and grant proposals are considered by BTFEC's Board twice a year.

Two types of grants will be provided under Component 2. The first type will support the testing and implementation of appropriate management strategies and proactive plans to anticipate and address threats to the protected area and biodiversity corridor complexes in HANAS. This would enable the conservation of broad leaf forests and other ecosystems within HANAS and help maintain their ecological integrity and the economic and ecological services they support. The activities that would be supported would include: (i) review and update of existing management plans for protected areas and zoning and enforcement of land-use regulations; (ii) monitoring of species of special concern, especially tigers and other charismatic species; (iii) research on critical species; (iv) engagement of local communities in habitat management and community stewardship and improved livelihoods and incomes; and (v) improved staff training and capacity for conservation. Hence, the grants would

finance expert services (including community mobilization), training, workshops and equipment.

The second type of grants will support a range of community activities that aim to strengthen the adoption of: (i) sustainable agricultural land use and grazing management practices; (ii) co-management of forests and alpine meadows; and (iii) community-based ecotourism and value addition products. Grants of this type would finance goods, small works, community mobilization and training as well as other consultancies.

Component 3: Capacity building for mainstreaming of conservation and sustainable forest and natural resource management approaches in national policies, strategies and plans (US\$0.44 million)

The lessons from the management of PAs and the HANAS landscape derived from the implementation of Component 2 will inform policies pertaining to key natural resource sectors, including watershed management, upland agriculture and livestock, forestry, wildlife conservation and also infrastructure development. Such learning and experience would contribute to the development and improvement of existing conservation and NRM guidelines, provide examples of good practices and support new models of integrating PAs, 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. It will facilitate the replication of lessons and good practices more broadly throughout the country. The implementation of activities under this component will also be supported through BTFEC's competitive grant-making processes and systems.

At this stage of project preparation, the activities proposed for support under this component could include: (i) gap analysis of policies and guidelines on conservation management; (ii) high level exchange program with countries that implement high impact conservation policies; (iii) workshops for implementing agencies to share lessons and experiences; (iv) stakeholder meetings toward mainstreaming conservation and NRM into national policies; (v) local community consultations; and (vi) dissemination of good practices, results and outcomes stemming from the implementation of the grant-funded activities.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will be implemented by the Bhutan Trust Fund for Environmental Conservation (BTFEC) with its office in Thimpu, Bhutan. The conservation grants made by BTFEC under Component 2 will support activities in the northern alpine areas of the country, covering an area around 1.5 million hectares. This will include three national parks, farmer's agricultural lands and alpine pastures, as well as forests outside the protected areas. The significant characteristics of the three national parks that will be focused under this project are described below:

Jigme Dorji National Park is Bhutan's second largest protected area (4,316 square kilometers) with an altitude range of 1,400 to above 7,000 meters. The park is a vital watershed covering almost half of northern Bhutan, and is an important natural conservatory of glaciers, alpine meadows and scrublands, sub-alpine and temperate conifer forests, warm and cool temperate broadleaf forests, major rivers and streams, and the flora and fauna that inhabit these ecosystems. Jigme Dorji harbors numerous charismatic species of wildlife, many of which are endangered or extinct elsewhere in the world. The park is also famous for its flora, and more than 300 species of plants found here are used in indigenous medicine. Jigme Dorji has a resident human population of more than 1,000 households. Jigme Dorji also contains sites of cultural and economic significance. Mount Jomolhari and Mount

Jitchu Drake are worshipped as homes of the local deity. The fortresses of Lingshi Dzong and Gasa Dzong are sites of historical importance. The rivers Mo Chhu, Wangdi Chhu and Pa Chhu have their sources in the glacial lakes located in the park.

Wangchuck Centennial Park was launched on 12 December 2008 as a tribute to the leadership of the Wangchuck dynasty. Located in central-northern Bhutan, it is also the country's largest park covering 4,914 square kilometers. It is source to headwaters of four major river systems: Punatsang chu, Mangde chu, Chamkhar chu and Kuri chu. It represents the middle Himalayan ecological biomes, ranging from blue pine forests to alpine meadows, over an altitude of 2,500 to 5,100 meters. The park is home to 244 species of vascular plants, 23 species of large mammals and 134 bird species. About 6,000 people reside in the National Park, while about 15,000 live in the immediate environs, mostly practicing agriculture and raising livestock.

Bumdelling Wildlife Sanctuary in north-eastern Bhutan contains a rich diversity of flora and fauna as well as some of the most scenic alpine lakes. Covering 1,520.61 square kilometers between 1,500 to 6,000 meters, the Sanctuary was gazetted in 1995 and operationalized in 1998. Bumdelling Valley within the sanctuary is one of the country's two wintering spots for the endangered Black-necked crane. The park has 3,000 resident households and several cultural and religious sites of international significance.

5. Environmental and Social Safeguards Specialists

Susrutha Pradeep Goonesekera (SASDS)

Darshani De Silva (SASDI)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	This is applicable given the project's emphasis on management of natural resources over large spatial territories. However, potential adverse environmental and social impacts on human populations or environmentally important areas including forests, grasslands and other natural habitats are expected to be very limited. The project is expected to bring about positive impacts that will support biodiversity conservation and ensuring sustainability of community livelihoods. An overall environmental and social assessment and a process framework have been prepared to ensure the environmental and social sustainability of project financing.
Natural Habitats OP/BP 4.04	Yes	While the overall activities of the project will be focused on deriving significant conservation benefits, activities such as habitat management and community development activities around the protected areas have the potential to bring forth negative environmental impacts to natural habitats if necessary environmental safeguards management practices are not in place. The

		mitigation measures to be put in place are provided as part of the safeguards documentation.
Forests OP/BP 4.36	Yes	The project envisages community and private forests and some limited afforestation of degraded areas to curb land degradation. However, commercial forestry activities will not be permitted under the project. The mitigations measures to be put in place are provided as part of the safeguards documentation.
Pest Management OP 4.09	Yes	The project might involve the procurement and use of pesticides on a limited scale to enhance crop production in farmer agricultural lands. However, the procurement and distribution of pesticides in Bhutan is well controlled through a centralized system and there will be no procurement of pesticides classified as Class Ia, Ib and II by WHO. Revised operational guidelines for the conservation grant program would provide specific guidance on use of pesticides and a template to develop a pest management plan is in place. This has been documented as part of the project safeguards documentation.
Physical Cultural Resources OP/ BP 4.11	Yes	The sites selected for project financing have significant physical cultural resources, which are protected by the RGOB. In order to ensure such sites remain protected, the activities financed by the project will use practices that will ensure further preservation of such sites. Environmental screening/ assessment will address risks to the cultural/religious sites. In addition, safeguard documentation includes implementation process during chance finds.
Indigenous Peoples OP/BP 4.10	No	The initial assessment confirmed that there are no social groups having a social and cultural identity distinct from the dominant society that would make them vulnerable to be disadvantaged in the development process.
Involuntary Resettlement OP/BP 4.12	Yes	While the project activities does not entail any spatial relocation of persons, there may be minimum level of restrictions to natural resources by local communities due to improved natural resource management practices. However, such restrictions would not be caused by the project itself but they could materialize on the basis of

		decisions at the community level. Therefore, a process framework for the participation of local communities in the implementation of project activities has been developed to ensure transparency and equity. Any changes in how local communities exercise customary tenure rights will emerge from a consultative process satisfactory to the communities.
Safety of Dams OP/BP 4.37	No	Not applicable
Projects on International Waterways OP/BP 7.50	No	While the project area consists of trans-boundary water resources, the project activities will not be directly linked to the use of such resources. Hence this policy has not been triggered
Projects in Disputed Areas OP/BP 7.60	No	Not applicable

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the Restructured project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The Royal Government of Bhutan (RGOB) acknowledges the importance of ensuring that the local communities living in the high altitude areas are directly involved in programs aimed at improving the conservation and management of protected areas, forests, meadows and agricultural lands. Most of the poor inhabitants in these areas are dependent 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. The Project focuses on sustaining the long- term capacity of these ecosystems to provide the goods and services needed by the communities. In this context, the proposed project would include activities to strengthen local institutions and their capacity in order to attain or achieve the desired global benefits of protecting the rich biological and other natural resources in Bhutan's high mountain areas. The project will help enhance the capacity of 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.).

The project is expected to have positive environmental and social impacts in the long term by enabling communities living in these critical areas of the country to use natural resources and land in a more sustainable manner and help them achieve better and sustained livelihood practices. However, in the short term limited environmental impacts related to physical activities under Component 2 are envisaged. These impacts are likely to be limited to the project areas and immediate surroundings and can be managed through better environmental screening, planning and implementation that will be introduced through the project. Any impact that will be adverse towards the stability of natural habitats, changes forest resources or detrimental to cultural/ heritage/religious sites will be avoided through such a process.

The project will follow a participatory and inclusive process that would involve beneficiary

<p>communities in the selection, implementation and monitoring of project investments. Consultations with local communities indicate a strong support for the project, in particular for grants to improve natural resource conservation beneficial for their livelihoods. Such practices will bring about positive social impacts to the communities living in the project areas. Given that Component 2 grants would be small, localized in nature, the project will not result in significant adverse social impacts, such as physical relocation of people or the large scale acquisition of private lands. Any social investments aimed at sustainable livelihoods and natural resource extraction will be carried out in consultation with and ownership by the communities residing in the areas.</p>
<p>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</p>
<p>The project expects to achieve improved conservation and sustainable use of natural resources as its long term impact of project interventions, which will be both environmentally and socially positive. The project supports the enhancement of the operational effectiveness and sustainability of the Bhutan Trust Fund for Environmental Conservation (BT FEC). This will be achieved through the introduction of best practices into BT FEC’s grant making and development of financing options to sustain future conservation activities including integrating environmental and social safeguard processes.</p>
<p>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</p>
<p>Not applicable.</p>
<p>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</p>
<p>RGOB has prepared an Environmental and Social Assessment and Management Framework (ESAMF) for the project in order to screen/ assess, use appropriate mitigations, and manage any environmental and social impacts resulting from the grant financing activities under the Component 2. The ESAMF requires each grant to be subjected to screening and, if necessary, to conduct appropriate level of environmental and social assessment and preparation of an Environmental and Social Management Plan (ESMP), subject to no objection letter from a competent agency as well as from the Bank. A grant-specific ESMP consists of a set of mitigation, monitoring, and institutional measures to be taken during implementation to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels. The plan also includes the actions needed to implement these measures. The approved grants will be subjected to periodic monitoring by BT FEC and progress will be reported as part of the overall reporting process. Training will be provided to different stakeholders to implement and monitor the environmental and social management of the grants. While there is general awareness of the need to ensure environmental and social sustainability of grant making in BT FEC, specific skills are yet to be built within the institution. Understanding the importance of this, BT FEC will institutionalize these safeguards processes as part of its operations and will be reflected in the revised Operations Manual along with adequate and dedicated staffing. The practice will be incorporated into BT FEC’s monitoring and evaluation system to be developed as part of the project financing, thereby mainstreaming the environmental and social sustainability into the core of BT FEC’s operations.</p> <p>The framework provided guidance on precautionary measures that should be in place for number of safeguard policy areas. It identifies the monitoring process and due diligence required while undertaking activities in the vicinity or within forest areas and natural habitats. It proposes the</p>

process to be in place to mitigate impacts to physical cultural resources during planning and implementation of activities and during chance finds. The ESAMF also guides the planning and implementation of pesticide usage in project areas.

The ESAMF also includes a framework for preparation of a resettlement action plan, if it cannot be managed through the ESMP. While the ESAMF has been prepared with inputs from community consultations, the framework provides the process to be established during the implementation of grant making. It also focuses on how to ensure gender and social inclusion, participation, grievance redressal and monitoring mechanisms. Since the exact social impact of the grant activities will only be identified during project implementation through grant making under Component 2, the process framework will ensure that mitigation of any negative impacts deriving from development activities or potential restriction access by communities to natural resources will be based on a participatory process involving all affected stakeholders. Their consent regarding the type of mitigation measures to compensate any loss of income or the scale of restriction of resource use will be required. Any desired changes by the communities in the ways in which local populations exercise customary tenure rights in the project sites will not be imposed on them, although it may emerge as community requirement that will be fully governed by the communities through a well-documented consultative process. The ESAMF also guides the improvement of the existing grievance redressal mechanism in place.

The ESAMF preparation consultations confirmed there were no indigenous groups present in these communities with a social and cultural identity distinct from the dominant society that would make them vulnerable to being disadvantaged in the development process. Since project activities will revolve around community needs, as well as conservation through a participative and inclusive process, the project will ensure that vulnerable groups are involved in decision making throughout the planning and implementation phase of the project, and that these groups will be provided assistance in accordance to their priorities. Initial screening and subsequent assessment will ensure social development needs will be identified as part of grant requests and grant approvals will be also based on measures taken by the grant proponents to address such needs.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The key stakeholders of this project include BTFEC, Ministry of Agriculture and Forests (MOAF), NGOs, local, district (dzongkhag) and sub-district (geog) administrations and communities living in the northern alpine areas of Bhutan. Initial consultations were held with these stakeholders, to brief about the project and environmental and safeguards measures that will be put in place and to obtain their feedback. At the central level, consultative meetings were held with the Ministry of Finance and Ministry of Agriculture and Forests. The institutions within the MOAF will be responsible for the implementation of Component 2 activities in cooperation with NGOs, local, dzongkhag and geog administrations as well as local communities. The grants will be implemented largely by the departments of forestry, wildlife conservation, and livestock of MOAF, all of which have extensive experience working on World Bank and other donor-supported programs. Dzongkhag and geog administrative bodies, non-government organizations and local community organizations will participate in grant implementation. Hence the project is designed to ensure strong participation by all stakeholders in the selection, implementation, monitoring and operation and maintenance of project investments. The ESAMF has been disclosed to the public by RGOB on March 14, 2013 and in the World Bank Infoshop on March 17, 2013.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	22-Nov-2012
Date of submission to InfoShop	17-Mar-2013
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Bhutan	14-Mar-2013
<i>Comments:</i>	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	22-Nov-2012
Date of submission to InfoShop	17-Mar-2013
"In country" Disclosure	
Bhutan	14-Mar-2013
<i>Comments:</i>	
Pest Management Plan	
Was the document disclosed prior to appraisal?	NA
Date of receipt by the Bank	NA
Date of submission to InfoShop	NA
"In country" Disclosure	
<i>Comments:</i>	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
OP/BP 4.04 - Natural Habitats	
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
OP 4.09 - Pest Management	
If yes, has the PMP been reviewed and approved by a safeguards specialist or SM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]

OP/BP 4.11 - Physical Cultural Resources		
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
OP/BP 4.12 - Involuntary Resettlement		
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
OP/BP 4.36 - Forests		
Does the project finance commercial harvesting, and if so, does it include provisions for certification system?	Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>] NA [<input type="checkbox"/>]
The World Bank Policy on Disclosure of Information		
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
All Safeguard Policies		
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader:	Marinela E. Dado	
<i>Approved By</i>		
Regional Safeguards Coordinator:	Name: Zia Al Jalaly (RSA)	Date: 22-Mar-2013
Sector Manager:	Name: Valerie Marie Helene Layrol (SM)	Date: 21-Mar-2013