



## AFoCO Project Document

<b>Project code</b>	<i>AFoCO/017/2020</i>
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<b>Project Profile</b>			
<b>Project title</b>	<b>Sustainable Community-based Enterprise development for Improved Rural Livelihood in Bhutan</b>		
<b>Project duration</b>	Start date: July 2020 End date: June 2025		
<b>Implementing Agency</b>	Social Forestry and Extension Division		
<b>Participating countries</b>	Bhutan		
<b>Project site</b>	12 Districts (Bumthang, Chukha, Thimphu, Paro, Haa, Gasa, Wangdue, Punakha, Tsirang, Lhuentse, Trashigang, Pemagatshel)		
<b>Main objective</b>	Support the forest dependent rural communities		
<b>Target Area<sup>1</sup></b>	Primary Target Area: Local Livelihood Improvement & Community-based Enterprise. Secondary Target Area: Strengthening Institutional Capabilities, Diversifying Resources & Promoting Regional Actions		
<b>Budget and source of finance</b>	Total: US\$ 1,400,000 AFoCO: US\$ 1,000,000 National: US\$ 400,000 (salary & travel) Others: N/A		
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<sup>1</sup> Refer to the list of target areas which is in accordance with the objectives and prevailing strategic plan of AFoCO (provided by the Secretariat).

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## **Abbreviation and Acronyms**

BLSS	Bhutan Living Standard Survey
CBFRM	Community Based Forest Resource Management
CF	Community Forest/Forestry
CFMG	Community Forest Management Group
CSO	Civil Society Organizations
DoFPS	Department of Forests and Park Services
FYP	Five Year Plan
GNHC	Gross National Happiness Commission
Hh	Household
M&E	Monitoring and Evaluation
MoAF	Ministry of Agriculture and Forests
NWFP	Non-Wood Forest Products
PAs	Protected Areas
RAA	Royal Audit Authority
RGoB	Royal Government of Bhutan
SFED	Social Forestry and Extension Division
TDs	Territorial Divisions

## SUMMARY

Community based forest resource management (CBFRM) encompasses Community Forest and Non-Wood Forest Product (NWFP) management groups. It started in Bhutan since 1990 with the aim to increase participation of the local communities in forest resource management. This importance of local community participation in governance is strongly recognized in Bhutan. Decentralization policy has resulted in substantial shift in the policy of forest resource management - a shift towards sustainable forest management & rural based enterprise development through their active participation, ultimately improving their rural livelihoods. The National Forest Policy of Bhutan 2011, supports establishment of community based forest management, it states “to empower rural communities manage their forests sustainably for socio-economic and environmental benefits, poverty reduction and to contribute to overall sustainable forest management at national.” And “strengthens the rights, responsibilities and capacities of local communities to access and sustainable use of NWFPs through institutionalization of cooperatives and management groups.” The Forest and Nature Conservation Act of Bhutan 1995 states that the group to which community forests have been transferred shall manage them for sustainable use.

CBFRM involves the dimensions of social, economic and conservation aspects including the decentralized forest management system through establishment of Community Forests and Non-wood Forest Products management groups, development of rural forest based enterprises and Heritage forests of cultural importance. CBFRM groups are the local institutions with the rights given to them to manage their forests resources, making them the custodians of Forests. The CBFRM groups are decision-making bodies, with their own bylaws– framing decision making, planning activities, making collective choices and which are mostly through consensus based discussion that are not imposed from outside. These locally derived rules are an important part of ensuring equity and governance within the group that provides an opportunity to redistribute the benefits of community forestry to poorer households. The community based commercial enterprises is an opportunity to promote the participation of women & youths, in participatory forestry and create a forum on networking of women entrepreneurs to build their confidence & learning, increase their representation in decision making bodies.

Forest resources especially Non-wood forest Products (NWFPs), play an important role in the daily lives and overall well-being of the rural communities in Bhutan. Particularly people living in the rural areas depend heavily on forest resources for their daily requirements like fuelwood, timber, grazing areas for their cattle and edible non-wood forest products, the CBFRM program seeks to strengthen this link between people and forests. The contribution from the forest resources especially NWFPs to peoples’ livelihoods and its potential for commercialization have been widely acknowledged. It is seen that the project support can make a significant contribution to the livelihood improvement, environmental conservation and sustainable use of forests resources.

The project will focus on community forestry and non-wood forest management group in 12 districts. These districts are selected based on the potentiality and issues of the community groups and since no donor agencies have reached their support in these districts. Community

Forests and non-wood forest product programmes are widely accepted by the rural communities. These programmes can create livelihood opportunities for rural communities and their participation in sustainable management of forests & biodiversity conservation.

### *Challenges and Way Forward*

Though CF and NWFP management groups are established, initiation of enterprise development; product design, development and marketing of the products are very limited. Therefore, capacity building at different levels needs to be supported. Lack of viable technology and its capacity to produce quality value added products, knowledge of markets and market access of the resources impedes the success of the groups. Addressing these challenges would be crucial in managing the community based forest resources, which in turn would generate employment, expertise and income for the CBFMR groups. Weak governance, poor management, lack of skills, networking facilities and limited financial resources are the major challenges faced by the groups. These groups are all rural based and some of the members may be vulnerable to climate change affects, therefore, it is high to initiate adaptation measures with communities. The project plans to address those challenges and issues through strengthening governance and management skills by capacity development of the group members, enabling networking for knowledge and information sharing, establishment of small/medium scale local enterprises, building capacity of both communities and forestry staff in product development, value addition and marketing, creating employment opportunities for youth and women.

With the implementation of these strategies, the project aims to contribute to strengthening both management and governance skills of group. This will also contribute to building vibrant democracy at the community level, sustainable management of resources, livelihood of group members including youth and women so that the groups will be able to sustain independently by the end of the project period.

The project support will be geared towards interventions to increase commercialization of wood and non-wood goods & services from the CBFMR groups which need to be developed and promoted. This will enable communities and small/medium scale rural enterprises to realize the economic benefits from sustainable management of their forests resources. Linkages between the community groups/enterprises and the private sectors/CSOs should be explored to ensure marketing opportunities and market linkages.

There is always a potential risk that the resources will be over-exploited especially in the case of high value NWFPs when there is high market demand and can entirely get depleted or become locally extinct. If resources get depleted, it will take more time to collect the raw materials for producing the crafts which will lead to higher prices of the products and thereby bring less income for the villagers. Therefore, the project will support the domestication and cultivation of NWFPs wherein the pressure on wild collection of commercially important NWFPs can be reduced and achieve the economies of scale.

There is a significant potential to generate employment and income in community-based

forestry groups and private enterprises from the production, processing and marketing of NWFP resources. Therefore, the project will support the establishment of community based commercial small/medium enterprise, as it is perceived as a viable and sustainable livelihood option for the rural communities. The community based forest enterprises have a high potential of providing livelihood opportunities to rural communities when managed sustainably and according to good governance principles.

With this project support, we intend to build the capacities of the forestry field staffs and the community members. With the necessary capacities and collaboration amongst groups, CBFMR groups will be able to produce and market high quality forest products, thus generating income and contributing to poverty alleviation at national level. With establishment of Community based forest enterprises, strengthening the group governance, promoting the inclusion of women & women entrepreneurs will ultimately contribute to equitable socio-economic development and empowerment of the rural communities. The project will also be aimed at market exploration, linkages and facilitation of the collaboration between producer groups, private sectors and other market actors. The development of a simple and robust market information system is equally foreseen. It is expected that these interventions will also contribute to the generation of employment, both in the groups as well as with private sector partners, particularly for young people.

The current project is also aimed at further consolidating the community-based forest management in Bhutan and capitalising on the rich experience gained over the past two decades of joint work in this field undertaken with development partners.

The support from this project to implement some of the main priorities of the CBFMR groups would directly contribute to RGoB's priority of maintaining healthy ecosystem. The main purpose of requesting the grant support is, therefore, to strengthen the livelihoods of rural people through the establishment of small/medium scale rural enterprises and marketing of forest products at the same managing the forest resources sustainably.

The foreseen long-term impacts of the partnership will be contributing to employment generation and providing additional source of income to the rural people through CBFMR enterprises development. With the project support, the DoFPS will be able to establish sustainable management schemes of CBFMR, improve information sharing & promote value addition. Further, it will strengthen the marketing of forest produces, networking and capacity building for stakeholders, which will all be designed to support the rural communities to increase their income from CBFMR on a sustainable basis.

## SECTION A. PROJECT CONTEXT

### 1 Background

The Kingdom of Bhutan is a landlocked country sandwiched between China and India, located in Eastern Himalayas and is heavily forested. The main source of revenue generation is through the generation of hydropower and followed by tourism sector. Forests play key role in sustaining the hydropower through sustainable management of forests thereby preventing environmental and land degradation.

In 2016, agriculture, livestock and forestry sectors contributed about 16.52% to GDP and country's Gross Domestic Product (GDP) in 2017 is 7.99%<sup>2</sup>. Asian Development Bank has forecasted GDP growth for Bhutan at 8% in 2018<sup>3</sup>. Total population of Bhutan is estimated at 692,895 in 2017, 34% residing in urban and 66% in rural areas and the poverty rate for Bhutan reported in 2017 is 8.2% (BLSS, 2017).

In general, private sector development in the country remains small with slow growth and limited employment opportunities. Unemployment, especially youth unemployment and increasing rural-urban migration particularly young population are some of the challenges. The BLSS 2017 reported that the working-age population is estimated at 506,611, about 32.8% in urban and 67.2% in the rural areas. The unemployment rate is 2% in 2017 concentrated in the younger working age group, and it is highest among in the youngest working age group of 15-24 years (BLSS, 2017).

More than 69% of the population lives in the rural areas and dependent on agriculture, livestock and forest is an integral part of their living. Bhutan has more than 71% of forest cover and out of which more than 50% of the land area is under the protected area systems (National Park, Wildlife Sanctuaries and Strict Nature reserve. Till June 2018, 750 community forests were established and managed by communities. It covers an area of 90,000 Hectares involving more than 31,000 of the total rural households, which 37.2% of the total rural household population.

#### *1.1 Enabling Policies in Community-based Forest Resources Management in Bhutan*

Before 1969, access to forest resources in Bhutan has been described as "open access" in which all people were entitled to enter the forest and utilize products as desired. In many areas, people self-regulated the utilization through traditional management systems that in turn regulated the impact of harvesting of the forest resources including NWFPs. After 1969, all forests were nationalized and people were no longer permitted to extract forest products freely: a system of permits and royalties was put in place in order to control and mitigate the negative impacts of forest extraction (Bhutan Forest Act, 1969).

In 1974, the first forest policy came into place, which set the framework for scientific forest management in Bhutan. This policy also included the objective of maintaining "a minimum of

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<sup>2</sup> Bhutan Living Standard Survey 2017, National Statistical Bureau.

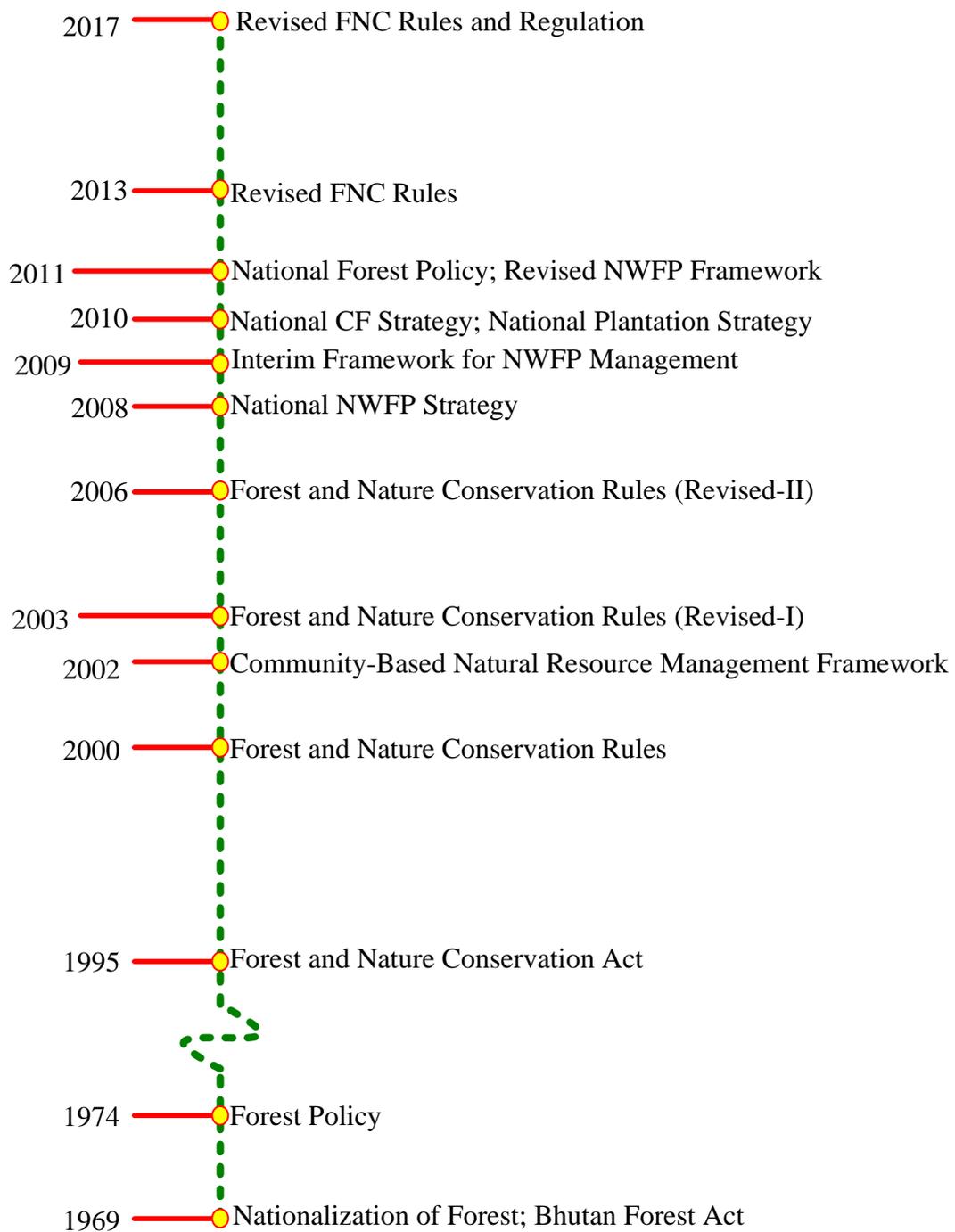
<sup>3</sup> ADB, website

60 % of the total land under forest” for all times to come. In 1979, the concept of Social Forestry emerged, while the legal basis for Community Forestry and private forestry came into place with the Forest and Nature Conservation Act in 1995.

Bhutan has a long tradition in Social Forestry, which has been initiated by His Majesty, the Fourth King in 1979 with a Royal Decree. However, it developed over the last few decades into the Community Forestry program of today. Since 2000 it was appropriately reflected in the Forest and Nature Conservation Rules (based on the Forest and Nature Conservation Act of 1995). From policy advice on the rules and regulations to the detailed manuals, Bhutan have had a good and sound start of the Community based forest resources management program.

In 2002, the Community-based Natural Resource Management (CBNRM) Framework was developed with the aim to: “Promote understanding about the importance and scope for expanding community-based approaches to natural resource management in Bhutan, and to provide suggestions for accelerating the translation of CBNRM concepts and objectives into practice”. CBNRM is seen as a practical expression of decentralization and an approach for improving the governance of natural resources at the local level. It is also a practical approach for improving livelihood security and environmental sustainability.

Community Based Forest Resource Management (CBFRM) Groups encompasses CFM G and NWFP management groups. CBFRM is a key component of Bhutan’s forest policy and is developing very dynamically in Bhutan. In the National Forest Policy (2011), one of the policy objectives is to ‘enable an economically viable, environmentally friendly and efficient forest based industry aimed at adding value to forest products and build capacity of private sector and rural communities to utilize, process and market forest products’.



**Figure 1: Timeline of Development of Policies related to CBFRM in Bhutan**

Besides huge progress made in community forestry and non-wood forest product development, still a lot of well-targeted work and support is needed to make CF and NWFP a success in terms of its expected outcomes and to ensure the sustenance of the CFMGs. Many groups seem, once a CF and NWFP is established, content with secured use and management rights and show a rather conservative attitude typically wanting to preserve as much resources as possible for coming generations.

Until fairly recently, this attitude was often fostered by foresters who first wanted to see proof of improved forest protection before the CFMGs started using the resource. Most groups harvest less forest produce, especially timber, than what they are entitled to according to their management plan. This is positive in terms of forest conservation, but it also means that the production potential of forest resources is not yet fully used for improving rural livelihoods and reducing poverty. Thus, there is scope for more active forest management for timber and NWFP production, increased processing of forest produce at the local level partly in collaboration with private sector enterprises thus creating local employment, and for marketing more forest produce and services from CFs.

At the same time, group governance to address distributional issues regarding the sharing of costs and benefits amongst the members, particularly taking into account the needs of disadvantaged households, continues to be critical to effectively reduce rural poverty. Other very important areas are capacity development on sustainable management of forest including silvicultural operation and good governance practices, record keeping, skill on enterprise development including product design, alternate income generating activities are still challenges. The promising development of CF and NWFP brings new opportunities beyond initial expectations, for example the availability of experience that could be relevant for the management of other common pool resources than forests, an increasing production potential for much sought-after timber or opportunities for improving local governance.

## 1.2 SWOT Analysis of the Department of Forests & Park Services

**Table 1: SWOT Analysis**

<b>Strengths</b>	<b>Weakness</b>	<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Enabling policy environment (Constitutional mandate of a minimum 60% forest cover for all times to come, National Forest Policy, Forest and Nature Conservation Act, Rules &amp; regulations)</li> <li>• Relevant strategy, framework, guidelines, manuals in place</li> <li>• Adequate forestry field staff</li> <li>• Strong conservation law enforcement</li> <li>• Abundant natural resources (water, timber, NWFPs)</li> <li>• Participatory forest management's contribution to improved forest condition and environmental conservation</li> <li>• Social cohesion and collaboration within/between the communities</li> <li>• Existing CF and NWFPs group networking &amp; associations</li> </ul>	<ul style="list-style-type: none"> <li>• Limited capacity on skills &amp; technology on forest based enterprises</li> <li>• Weak Monitoring, Evaluation &amp; reporting</li> <li>• Limited advocacy and awareness program on good governance practices</li> <li>• Inadequate National fund support</li> <li>• Resource (timber &amp; NWFPs) disparity among community forests</li> <li>• Limited literacy of the rural community</li> <li>• Lack of technical capacity of the rural communities on forest resources management</li> <li>• Lack of advanced technology and equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Strong participatory forest management regimes</li> <li>• Employment generation</li> <li>• Enhance additional Income</li> <li>• Innovate community based forest resources management models</li> <li>• Set up small/medium scale forest based enterprises</li> <li>• Establish integrated wood based industries</li> <li>• Build capacities to build social capital</li> <li>• Enhance women participation in decision making</li> <li>• Provide healthy ecosystem services (PES, carbon credits, Ecotourism, drinking &amp; irrigation water)</li> <li>• Domestication/cultivation of commercially important NWFPs</li> <li>• Value addition of forestry products</li> <li>• Reduce Human Wildlife Conflict incidences through community participation in conservation</li> <li>• Willingness of the rural communities to participate in community forest resource management</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer of staffs (technically trained staff's transfer hinders the progress of the project as the replacement takes time to develop the technical capacity)</li> <li>• No assured markets for forest products</li> <li>• Market competition with neighboring countries</li> <li>• Fluctuation in demand &amp; market price</li> <li>• Exploitation of wild forest resources</li> </ul>

## **2 Conformity with AFoCO's Objectives and Strategic Priorities**

The project is in line with AFoCO Strategic plan under priority 4 “ Livelihoods improvement through forest ecosystems services. The proposed project will more focus on communities in the rural areas particularly community forest management group (CFMG) and Non-wood forest management product groups in 12 districts.

This project will explore the income generating and creating employment opportunities through community based enterprise development. Though there is limited experiences on community based payment for ecosystems services, ecotourism development and carbon trading, this project will upscale those program directly with communities in the rural areas. The project will also contribute to the environmental conservation through climate smart initiatives such as PES, Ecotourism and sustainable forest based enterprises.

## **3 Regionality**

Bhutan is rich in forest resources such as the Non –wood Forest Products ( NWFPs). Some of the potential NWFPs are Chirata (*Swertia Chirata*), Satuwa (*Paris polyphylla*), *Rubia crodifolia* and Pipla (*Piper pedicellatum* and *Piper longum*), which are collected and traded by local communities. *Picorohiza kurroa* is seldom collected from few locations and sold. Sustainable harvesting of NWFPs in Bhutan is still an issue. Unsustainable harvesting techniques of plant species would bring more harm than revenue generation in long term. In 2017-2018, more about 10 million Ngultrum (Bhutan currency) was generated (SFED, 2018), but it does not included huge revenue generation from Cordyceps (*Cordyceps sinensis*).

The collectors sell their collected NWFPs to middlemen. Then, the middlemen resell it to the trader groups either in Bhutan or to neighboring country, India. The exporters' agents mostly are not tied exclusively to the exporters, and they choose to sell their purchases through other channels. The largest parts of NWFPs are exported to India in raw form or as raw materials (unfinished product or not value added). However, there are cases of illegal collection of NWFP in the southern end of the country and is a challenging tasks for the Bhutanese law enforcement. Transboundary illegal collection of NWFPs and timber still exists, if not rampant. It is also important to look into transboundary conservation opportunities with neighboring countries. Trade linkages and networks will be established with project intervention through product development & diversification for local communities as well CSO's/private sectors.

### **3.1 Geographic Information**

The project is targeted to cover potential community forest and non-wood forest management groups in the 12 districts (Bumthang, Chukha, Thimphu, Paro, Haa, Gasa, Wangdue, Punakha, Tsirang, Lhuentse, Trashigang, Pemagatshel). Currently, these districts are not covered by other funding agencies due to limited funds. It is crucial that we capitalize on the existing groups and upscale the groups based on the potentiality.

**Table 2: Project Sites with selected CF/NWFP Groups**

Name of Districts	Baseline of groups (CFMG)	Potential NWFP groups for this project	Target (Potential CF groups for this project)	Target (Potential NWFP groups) for this project
Bumthang	33	5	10	5
Chukha	56	7	10	7
Thimphu	21	2	5	2
Paro	27	3	5	3
Haa	18	0	3	
Gasa	7	3	2	3
Wangdue	85	1	10	1
Punakha	39	0	5	
Tsirang	45	2	5	2
Trashigang	53	7	10	7
Lhuentse	35	3	5	3
Pemagatshel	52	12	5	10
Total	481	45	75	45
Total groups to be supported by the project	45+75 = 120 In total 120 CBFRM groups will be involved in the implementation of this project			



**Figure 2: Map of the Project Area**

### ***3.2 Environmental Information***

Bhutan has relatively well-conserved natural resources. The Constitution calls on every Bhutanese to be “a trustee of the Kingdom’s natural resources and environment for the benefit of the present and future generations.” Forest is the most extensive land use system in Bhutan with a total area of 2,730,889 hectares. More than 71% of the total geographical area of the country is under forest cover. As more than 51% of the country’s geographical area is under the protected areas (PA) system it means that the pressure is increasing on the areas beyond or outside of the PA system and immediate interventions are required in these areas. The total arable land in Bhutan is 7.8 percent and only 2.93 percent is under cultivation, resulting in more pressure on forestland and resources.

CBFRM is one of the key components of Bhutan’s forest policy and has been gaining popularity in the country. The National Forest Policy of Bhutan (2011) and the Forest and Nature Conservation Rules and Regulations of Bhutan (2017), gives customary rights and practices of resource management and utilization to the community members. Under supervision and with technical, administrative, and organizational support of the Department of Forests and Park Services (DoFPS), each CFMG shall be responsible for sustainable management of forest resources, in accordance with the approved management plan. The Head of the Department approves the management plans, but before seeking approval, the plans are reviewed by the technical person (forest officer) to ensure that all the safeguards are in place. One of the important technical aspects is to ensure right calculation of annual harvesting limits (AHL) of forest resources. AHL ensure that no over harvesting is prescribed in the plan and implemented, which otherwise will hamper sustainability of resources. In addition, monitoring plans are also clearly mentioned in the management plan to ensure harvesting of forest resources are done as per the prescription, which are technical as well as policy safeguards that will ensure sustainable harvests while minimizing negative impacts on the environment.

CFMGs and NWFP management groups are the new local institutions that consist of local people who are given the rights to manage and utilize the resources making them the custodians of the Forests. There are more than 85,800 hectares of forestland under the 750 CFs benefitting more than 31,000 households directly. Between 2013 -2016 that is the period the number of CFMG has increased, the total volume of timber harvested from the 508 CFs is about 58,740m<sup>3</sup>. The timber harvest trend shows that there is substantial difference between volume of actual harvest and AHL. On average annual volume of timber harvested is only about 13% (14,685m<sup>3</sup>) of the total AHL of 117,160m<sup>3</sup>, which indicates that, there is huge potential for fulfilling the rural timber requirement besides having huge potential generate income from payment for ecosystem services and ecotourism.

There are many NWFPs in Bhutan ranging from medicinal and aromatic plants, wild vegetables, mushrooms, incense, dyes, gums, fruits, essential oils, fibres, ferns, cane and bamboo. In the absence of adequate technical capacity on NWFPs, particularly knowledge on resources and their ecology and availability, habitats, opportunities and threats, the Department has been following the precautionary principle of protection over sustainable utilization and management. One of the broad principles is to allow for NWFP resource harvesting on

community basis rather than issuing permits to individual collectors, traders and exporters. More than 9 NWFPs have harvesting guidelines and many more are under development. These guidelines are developed mainly to safe guard from over harvesting or resources. Nevertheless, there is a management plan with by-laws of each NWFP ensure sustainable harvesting. Currently, there are more than 140 NWFP management groups formed for the management of various important NWFP species.

The impacts of climate change such as incidences of natural disasters are expected to be more dramatic in the fragile mountains environment such as Bhutan's. The greater vulnerability of poor households (HH) and people dependent on subsistence agriculture and forests to such risks are of high concern and call for adequate adaptation measures, which would ultimately contribute to conservation. Benefits from forests accrue in many different forms such as; income from hydropower, employment from environment stewardship and tourism, water rights, employment and income from harvesting and selling forest products. It is also important to explore alternative for income generation. Domestication of NWFP cultivation is very important measure that this project is going to support.

### ***3.3 Socio-Economic Information***

Bhutan has total land area of 38,394 sq. kilometer and there are 20 districts in the country. The total population is estimated at 692,895 in 2017, 34% residing in urban and 66% in rural areas and the poverty rate for Bhutan reported in 2017 is 7.99% (BLSS, 2017). About 69% of the population lives in the rural areas. About 71% of households in the country are landholders, out of which 60% owns 5 acres or less and 11% of households own more than 5 acres of land. Overall, 29% of households do not own land.

The main sources of revenue generation in the country are hydropower and tourism. In 2015-16, hydropower has contributed about 16% while tourism sector has contributed about 6% to total revenue generation. A majority (38.8%) of households reported that their main source of income is wages or salaries followed by sale of vegetables (14.5%), and other (12.2%). The GDP of the country is about 7.99% while Agriculture, Livestock & Forestry sectors contribute about 16.52% to the GDP.

The general literacy rate among the population 6 years and above is 66% with 82% in urban and 58% in rural areas. Across all ages, 73% of males and 59% of females are literate. Literacy rates are higher among the younger age groups and are lowest for the older group of 65 years and above.

The working-age population is estimated at 506,611 — about one third (32.8%) in urban areas and two-thirds (67.2%) in the rural areas. The country's unemployment rate is estimated at 2% but there is no significant difference in the unemployment rates for males (1.8%) and females (2.2%). In urban areas, the unemployment rate is 4.6%, compared with less than one percent (0.8%) in the rural areas. Unemployment is concentrated in the younger working-age groups. It is highest among those in the youngest working-age group, 15–24 years with 11% unemployed. Among the Districts, the unemployment rate is highest in Thimphu (5.5%) (BLSS, 2017).

About 71% of households in the country are landholders, out of which 60% owns 5 acres or less and 11% of households own more than 5 acres of land. Overall, 29% of households do not own land. The land ownership is higher in rural areas.

Almost all (99.5%) households have access to improved water sources. 92% of households in Bhutan have access to improved sanitation facility. Almost all households (99.0%) have access to electricity in Bhutan. All urban households (100.0%) have access to electricity, and 98% of rural households have access to electricity.

The CF and NWFP program recognizes the important of good governance, gender, equity, income and recourses. Out of 750 CF, 508 CF have generated significant income, as of June 2018 the cash balance is about Nu. 65 million (USD .8 million) resulting an average of Nu. 3,035 (USD 50) per CFMG members (Household) only for cash balance. However, the actual income scenario is much higher; some of the CFMGs have already made some expenditure for forests and the groups.

NWFP has huge potential to generate income for the communities in the rural areas and improve their livelihood. The National Forest Policy 2011 states “to enable economically viable, environmentally friendly and efficient forest based industry aimed at adding value to forest products and build capacity of private sectors and rural communities to utilize, process and market forest products.” Till June 2018, the formation of management group has enabled to earn income about 9.97 million (USD 0.2 million) by 144 groups, which is an average of Nu. 3,234 per member (Households).

However, both the CF and NWFP groups in the country lac capacity to add value and produce quality products, which ultimately lands on selling as raw materials or low quality products.

## SECTION B. RATIONALE AND OBJECTIVES

### 1 Rationale

#### 1.1 Stakeholder Analysis

This project is expected to involve mainly the community-based organization (CF and NWFP groups). However, other relevant stakeholders would be involved directly or indirectly. Particularly for PES schemes; municipal, schools and other institutions will be involved.

This project targets 120 CBFMRM groups for the sustainable management of forest resources and enhancing their livelihoods. All this groups have scientific management plan which are prepared based on detailed resource assessment through community participation. The annual harvesting limits (AHL) of the forest resources are prescribed in the management plan, which are strictly being followed and monitored.

In this project period, it is targeted to establish a minimum of five community based rural enterprises. Initially those groups, which have potential of excess forest resources, PES opportunity and Ecotourism potentiality, will be selected for enterprise development. However, the enterprise development will be increased during the project period based on the capacity, experiences and market opportunity.

**Table 3: Stakeholder Analysis**

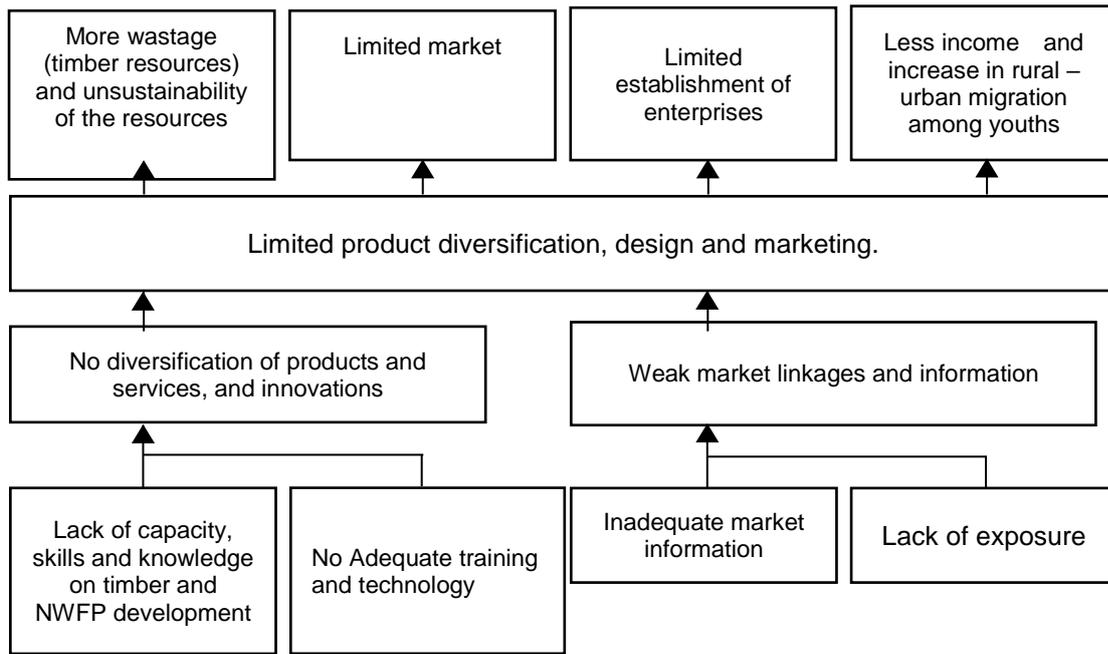
Stakeholder group	Characteristics	Problems, needs, interests	Potential benefits	Involvement in the project
Primary stakeholders				
Community Forest Management Group	Interest and willingness to participate, Social structure, cultural values, capacity and skills	Capacity and skills on different field Good governance practices Support to establish enterprise Lack of Equipment	Established enterprise Generate income Create employment Sustainable management of resources Improved skills	Implementation of project plans
Non-Wood Forest management Groups	Interest and willingness to participate, Social structure, cultural values, capacity and skills,	Capacity and skills on different field Good governance practices Support to establish enterprise Lack of Equipment	Capacity and skills on different field Good governance practices Support to establish enterprise Lack of Equipment	Implementation of project plans

<b>Stakeholder group</b>	<b>Characteristics</b>	<b>Problems, needs, interests</b>	<b>Potential benefits</b>	<b>Involvement in the project</b>
Social Forestry and Extension Division, Department of Forests and Park Services	Adequate staffing and office space, Capacity of the staff Office equipment	Technical capacity to support groups in term of skill development and innovations	Enhance capacity of the division Documentation of cases	Implementation of project plans
<b>Secondary stakeholders</b>				
Field Forest Division/National Park Offices	Adequate staffing and office space, Capacity of the staff	Technical capacity to support groups in term of skill development and innovations Monitoring	Enhance capacity of the division	Technical support M & E Reporting and maintaining records
Local Government	Decision making Adequate office equipment	Governance Time and focus	Support office equipment	Administrative support
Middleman/Whole sellers	Community & resource mobilization Market linkages	Post-harvest technique Value addition Business skills	Enhanced capacity	Processing & marketing
Consumers/Buyers	End users of timber, NWFPs, PES, Ecotourism	Lack of awareness on organic & local products	Access to organic & local products	End users
<b>Tertiary and other stakeholders</b>				
Private sectors/CSO's (Civil Society Organizations)	Markets linkages	Lack of networking No Adequate forum to exchange Product development and marketing	Facilitate in marketing of products	Product development and marketing from community groups

## ***1.2 Problem Analysis***

There are 750 CF and 143 NWFP groups established in the country. Some groups have potential to generate income through sale of products and services, but some do not have enough resources in their areas. However, that can improved through several means. Some of the pertinent problems that the project support to improve and enhance are:

- Lack of community based enterprise for Forestry products
- Limited alternative income generating activities (Payment for Ecosystem Services, Ecotourism, Carbon trading, etc.).
- Limited capacity of communities to manage resources sustainably.
- Lack of skills to develop new forest products.
- Lack of knowledge and technology on climate change adaptation approaches.



**Figure 3: Problem Tree**

### 1.3 Logical Framework Matrix

**Table 4: Logical Framework Matrix**

<b>Activities</b>	<b>Narrative</b>	<b>Objectively Verifiable Indicators</b>	<b>Means of Verification</b>	<b>Assumptions</b>
<p>Identification of potential NWFP/CF for enterprise development Prepare a business plan</p>	<p>Establishment of NWFP/CF based Enterprise in rural areas and proper implementation of business plan</p>	<p>At least 5 community-based rural enterprise established by the end of the project period</p>	<p>Plans and reports</p>	<p>Sustainable supply of natural resources. Unconditional support from interested rural communities.</p>
<p>Identification of CF with potential PES Stakeholder Consultation meetings 3. PES management plan preparation</p>	<p>Increase alternative income generating activities through payment of environment services</p>	<p>At least 3 PES schemes initiated in Community Forests: 900 ha of CF area will be managed for PES 300 hh will be involved</p>	<p>Approved Management plans</p>	<p>-support from the relevant stakeholders. -Increased awareness on environment conservation</p>
<p>Identification of CF with potential for ecotourism Stakeholder Consultation meetings Support construction of Trails, Gazebos, signage)</p>	<p>Increase alternative income generating activities through ecotourism and instill sense of proper waste management</p>	<p>At least 5 Community based ecotourism identified and operationalized in CFs.</p>	<p>Management plans and reports</p>	<p>-support from interested rural communities and other relevant stakeholders</p>
<p>Training on silviculture Workshop on good governance Training on sustainable resources</p>	<p>Enhance capacity of communities and forestry staffs to manage resources sustainably</p>	<p>1. CF &amp; NWFP group members - at least 1,000 members (households) trained on sustainable management of forest resources 2. at least 200 forestry staffs</p>	<p>Training report</p>	<p>Enabling policy environment and training manuals in place</p>

Activities	Narrative	Objectively Verifiable Indicators	Means of Verification	Assumptions
<p>management Organize exposure visits to countries with successful community based enterprise, ecotourism, PES)</p>		<p>trained -Exposure trips organized, preferably to AFoCO member countries and materialized 20 CF &amp; NWFP group members 20 forestry staffs</p>		
<p>Procurement of timber and NWFP processing and packing equipment Training in wood and NWFPs product design and development Facilitate market linkages (Buyer - Seller meetings, networks and Auction) Training on operation and maintenance of equipment</p>	<p>Improve skills to develop new forest based products, establish market linkages and enhance capacity of local communities to operate and maintain equipment</p>	<p>-5 units of timber and NWFP processing and packaging equipment -About 100 CF members trained in wood product development -At least 5 new NWFP products developed and market linkages established. -At least 25 CF/NWFP members from 5 enterprises trained on operation and maintenance of equipment</p>	<p>Reports Meeting minutes.</p>	
<p>Consultation meeting with stakeholders Documentation/ Case studies Printing and publications Field surveys/ assessments</p>	<p>Enhance knowledge and technology on climate change adaptation approaches</p>	<p>Vulnerable communities identified, indigenous adaptation practices documented and climate smart adaptation measures initiated. Important/ vulnerable timber and non-timber species documented</p>		

Activities	Narrative	Objectively Verifiable Indicators	Means of Verification	Assumptions
<p><b>Outputs</b></p> <p>Small-scale community based rural enterprise for forest products established.</p> <p>Increase alternative income generating activities – initiate three Payment for environmental Services (PES) Scheme and five community-based ecotourism identified and operationalized.</p> <p>Enhance capacities community members and forestry staff on sustainable management of forest resources.</p> <p>Develop skills at least two wood products and five non-wood forest products</p>	<p>-CBFRM groups will create avenues for viable enterprise development and has a huge potential to engage youth, particularly school dropouts in small-scale community-based enterprise. -</p> <p>-Enhance the capacities of the community groups and the staffs on the sustainable forest resource management.</p> <p>-Capacity and technical skills on running enterprises and value addition of goods will also be focused.</p>	3 PES and 5 Community-based ecotourism established	Business plans Reports	Technical Training Institute collaborates with SFED, DoFPS
		Trained 1,000 group members and 200 forestry staff on different aspects of sustainable forest management	Management plans of PES and ecotourism development by communities	
		Trained 1,000 group members and 200 forestry staff on different aspects of sustainable forest management	Training reports  Progress report	
		-About 100 CF members trained in wood product, -5 new NWFP products developed and market linkages established. -At least 25 community members from 5 enterprises trained on operation and maintenance of equipment	Training Reports  Progress Report	
<p><b>Objectives</b></p> <p>To promote CF and NWFP industries by</p>	Promotion of community based rural enterprises will increase the income and	No. of community based enterprise established and operationalized	Plans and report	

Activities	Narrative	Objectively Verifiable Indicators	Means of Verification	Assumptions
<p>establishing community based enterprises. To develop alternative income sources for livelihoods of rural communities. To enhance knowledge and technology on climate change adaptation through sustainable forest management.</p>	<p>employment opportunities of the rural communities. This project will also contribute to the strategic interventions such as sustainable forest management and improving the livelihoods of the rural communities. The capacities of key stakeholders will be enhanced in implementing the project at the central, local governments.</p>	<p>Initiated PES ( water) and Community-based ecotourism</p> <p>Vulnerable communities identified, indigenous adaptation practices documented and climate smart adaptation measures initiated. Important/ vulnerable timber/NWFP species documented</p>	<p>Income generated from PES and Ecotourism</p> <p>Reports Documentation</p>	<p>Acceptance of the communities on climate smart adaptation measures.</p>
<p><b>Goal</b> Sustainable management of forest resources enhanced and livelihoods of rural communities improved.</p>	<p>-Scientific management of CF &amp; NWFP plans -Income generation through establishment of enterprises.</p>	<p>-Approved management plans. -Income status of the household members</p>	<p>-Management plans -Reports -Record &amp; book keeping</p>	<p>Enabling Government policy.</p>

## ***1.4 Justification***

This project will provide support to capacity building and establishment of enterprise. Capacity building will be carried in two categories; i) the capacity buildings of forestry staff who are supporting the communities in the field and ii) for the community members. During the project period, at least 1200 people will be trained on different aspect of sustainable management and enterprise development that will include forestry staff and community members.

Though skills development for communities is important, it becomes imperative to support equipment for producing some quality products either wood or NWFP products.

During the project period, an alternative income generating opportunities will be explored and emphasis will particularly be on payment for environment services and community-based ecotourism development. During the project period, the target is to initiate and establish at least 5 community based enterprise on timber and NWFP, establish 3 community-based PES and 5 community-based ecotourism.

## **2 Objectives**

### ***2.1 Main Objective (Development Objective)***

In the 12<sup>th</sup> Five Year Plan, one of the major objectives for the Royal Government of Bhutan (RGoB) is to increase the income and employment opportunities of the rural communities. This project support fits in very well with the policy of the RGoB. This project will also contribute to the strategic interventions such sustainable forest management and improving the livelihoods of the rural communities. This project will build capacities of key stakeholders in implementing the project at the central, local governments and rural communities.

The main objectives are:

- To promote CF and NWFP industries by establishing community based enterprises.
- To develop alternative income sources for livelihoods of rural communities.
- To enhance knowledge and technology on climate change adaptation through sustainable forest management.

### ***2.2 Specific Objective(s) and Success Criteria & Indicators***

Currently the community based forest management groups have huge potential to generate income from forest resources that are not yet being explored by the groups. To tap the commercial potential of these resources (Timber, NWFPs) there is a need to improve the market systems through investments into the resources and creating innovative forest based enterprises. Currently the groups sell the forest products mostly in raw form without any value addition resulting in much lower benefits as compared to finished products. The support from the project will be for setting up the forest-based enterprises, developing skills and capacities of the communities on value addition, product development & design, branding. The project is expected to support networking of community based forest management groups to facilitate

marketing of the products and information & experience sharing.

Efficient use of timber & NWFP resources through improved capacity of the vulnerable communities and improved implementation of the management plan are climate smart adaptation activities. Domestication/cultivation of the potential NWFPs will be initiated to reduce the pressure on wild resources.

*The specific objectives are as follows:*

1. Establish five community-based rural enterprise for forestry products by end of the project period.
2. Increase alternative income generating activities – initiate three Payment for environmental Services (PES) Scheme for timber, NWFPs & water and five community-based ecotourism identified and operationalized.
3. Enhance capacities of 1,000 community members and 200 forestry staff on sustainable management of forest resources
4. Develop skills at least two wood products and five non-wood forest products
  - About 100 CF members trained in wood product development.
  - At least five new NWFP products developed and market linkages established.
  - At least 25 community members from five enterprises trained on operation and maintenance of equipment.
5. Enhance knowledge and technology on climate change adaptation approaches.
  - Vulnerable communities identified, indigenous adaptation practices documented and climate smart adaptation measures initiated.
  - Important/ vulnerable timber and non-timber species documented.

## SECTION C. DESCRIPTION OF PROJECT INTERVENTIONS

### 1 Work Plan and Schedule

**Table 5: Work Plan and Schedule**

Outputs	Performance Indicator	Responsible Person/ Body	Annual Timeline																			
			2020		2021				2022				2023				2024				2025	
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
A.1 (1 <sup>st</sup> Activity of Output 1) - Support establishment of NWFP/ Wood based enterprise at local level																						
A.1.1 Identification of potential NWFP/CF for enterprise development	Potential NWFP/ CF groups identified	SFED																				
A.1.2 Consultation meetings/ workshop	Minutes of the meetings/works hop proceeding	SFED																				
A.1.3 Procurement of equipment	Invoice	SFED/ TDs/PAs/ Communities/																				
A.1.4 Training on operation & maintenance of equipment	Training report	Technical Training Institute (TTI)																				
A.2 (2 <sup>nd</sup> Activity of Output 1) Prepare business plan																						
A.2.1 Business plan preparation training	Business plan	SFED/ private consultancy firms/business institutes																				
B.1 (1 <sup>st</sup> Activity of Output 2)- PES schemes initiated in CF																						
B.1.1 Site identification	Site visit	SFED field forestry staff,																				

Outputs	Performance Indicator	Responsible Person/ Body	Annual Timeline																			
			2020		2021				2022				2023				2024				2025	
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
		local government and communities																				
B.1.2 Consultation meetings with stakeholders	Minutes of the meeting Report	SFED																				
B.1.3 Protection and management of watersheds	Report	CBFRM groups																				
B.2 (2 <sup>nd</sup> Activity of Output 2) Community based ecotourism identified and operationalized in CFs																						
B.2.1 site identification	Site visits	SFED, field forestry staff, local government and communities																				
B.2.2 Consultation meeting with stakeholders	Minutes of the meeting, Report	SFED/TDs/PAs																				
B.2.3 - Support infrastructure (Trails, Gazebo, signage)	Report	Communities/ SFED/ NCD																				
C.1 (1st Activity of Output 3 )- Community members and forestry staffs trained on sustainable management of resources.																						
C.1.1 Training on silviculture	Training report	UWICER/SFED																				
C.1.2 Workshop on good governance	w/shop report	SFED																				
C.1.3 Training on resource assessment	Report	SFED/UWICER																				
C.1.4 Organize exposure visits to countries with successful community based enterprise, ecotourism, PES)	Report	SFED																				

Outputs	Performance Indicator	Responsible Person/ Body	Annual Timeline																			
			2020		2021				2022				2023				2024				2025	
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
C.1.4 Participate in International workshop/conference/seminar/exhibitions, etc. including 2 participants from project area train on project management and performance	Report	SFED																				
D.1 (1 <sup>st</sup> Activity of Output 4) CF members trained in wood product development.																						
D.1.1 Training in wood product development	Training report	TTI																				
D.2 (2 <sup>nd</sup> Activity of Output 4) NWFP products developed and market linkages established.																						
D.2.1 Procurement of timber and NWFP processing and packing equipment		TTI																				
D.2.2 Training on product development and design	Training report	TTI																				
D.2.3 Facilitate market linkages (Buyer - Seller meetings, Auction)	Report	DAMC/SFED																				
D.3 (3 <sup>rd</sup> Activity of Output 4) - Community members trained on operation and maintenance of equipment.																						
D.3.1 Training on operation and maintenance of equipment	Minutes of the meeting, Report	TTI/ Vocational Training Institute (VTI)																				
E. 1 (1 <sup>st</sup> Activity of Output 5) - Vulnerable communities identified, indigenous adaptation practices documented and climate smart adaptation measures initiated.																						
E.1.1 consultation meetings with stakeholders	Minutes of the meeting, Report	SFED/ Communities																				

Outputs	Performance Indicator	Responsible Person/ Body	Annual Timeline																			
			2020		2021				2022				2023				2024				2025	
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
E.1.2 Documentation/ Case studies	Report	SFED																				
E.1.3 Printing and publications		SFED																				
E. 2 (1 <sup>st</sup> Activity of Output 5) Important/ vulnerable timber and non-timber species documented.																						
E.2.1 Consultation meeting with stakeholders		SFED/ Field forestry staff																				
E.2.2 Field surveys/ assessments	Surveys/Reports	SFED and Field Forestry staff																				
E.2.3 Documentation/ Case studies	Reports	SFED																				
E.2.4 Printing and publications		SFED																				
E.2.5 Domestication/cultivation of NWFPs (nursery development)	Report	SFED/ Communities																				
F. Project Monitoring and Evaluation (Mid-term, final and ex-post)	Nos	AFoCO/External/ SFED/MoAF																				

## 2 Project Budget (USD)

**Table 6: AFoCO Budget Outlay**

Activity	Budget Allocation by Year (USD)										Remarks
	Unit	Unit Cost	Quantity	Total	2020	2021	2022	2023	2024	2025	
<b>Objective 1-</b> To promote NWFP industries by establishing community based enterprises.											
<i>(Output 1)</i> - Small scale community based rural enterprise for forest products established											
<i>A.1 (1<sup>st</sup> Activity of Output 1)</i> - Support establishment of NWFP/ Wood based enterprise at local level											
A.1.1 Identification of potential NWFP/CF for enterprise development	Nos	2000	5	10000	3000	3000	4000				This activity is reduced to 3 <sup>rd</sup> year as we have to complete the identification within 3 <sup>rd</sup> year of the project, so the establishment and operation of enterprise could start sooner. However, the total budget remains the same.
A.1.2 Consultation meetings/ workshop	Nos	2500	5	12500	2500	2500	2500	2500	2500		
A.1.4 infrastructure/ equipment	Nos	37000	5	185000		35000	60000	55000	35000		
A.1.5 Training on operation & maintenance of equipment	events	3000	5	15000		3000	9000		3000		
<i>A.2 (2<sup>nd</sup> Activity of Output 1)</i> - Prepare business plan											
A.2.1 Consultation meeting & Business plan preparation training	Nos	5000	5	25000		10000	10000	5000			
<b>Objective 2</b> - To develop alternative income sources for livelihoods of rural communities.											
<i>(Output 2)</i> - Increase alternative income generating activities (PES, Ecotourism, etc.)											
<i>B.1 (1<sup>st</sup> Activity of Output 2)</i> - PES schemes initiated in CF											
B.1.1 Site identification	Nos	1500	3	4500		2000	2500				
B.1.2 Consultation meetings with stakeholders	Nos	3000	3	9000			3000	6000			

Activity	Budget Allocation by Year (USD)										Remarks
	Unit	Unit Cost	Quantity	Total	2020	2021	2022	2023	2024	2025	
B.1.3 Protection and management of watersheds	<i>Ha</i>	2000	15	30000		5000	10000	10000	5000		
<b>B.2 (2<sup>nd</sup> Activity of Output 2) - Community based ecotourism identified and operationalized in CFs</b>											
B.2.1 site identification	<i>Nos</i>	1200	5	6000		4000	2000				This activity is reduced by USD 4,000 and to 3 <sup>rd</sup> year as we have to complete the identification within 3 <sup>rd</sup> year of the project, so the establishment and operation of enterprise could start sooner. However, the target remains the same.
B.2.2 Consultation meeting with stakeholders	<i>Nos</i>	2000	5	10000		8000	2000				This activity is in line with B.2.1 since these two activities should go simultaneously.
B.2.3 Support infrastructure (Trails, Gazebos, signages etc.)	<i>Nos</i>	15000	5	75000	15000	30000	15000	15000			This activity is aimed to complete within 4 <sup>th</sup> year of the project and since 5 <sup>th</sup> year is kept more for consolidation. The total budget is increased by USD 25,000 since this is the main activity for enterprise development. While

Activity	Budget Allocation by Year (USD)										Remarks
	Unit	Unit Cost	Quantity	Total	2020	2021	2022	2023	2024	2025	
											budgeting we have also considered cost of the materials and services, the target remains the same.
<b>(Output 3)- Enhance capacity of communities and forestry staffs to manage resources sustainably.</b>											
<b>C.1 (1st Activity of Output 3)-Community members and forestry staffs trained on sustainable management of resources.</b>											
C.1.1 Training on silviculture	<i>Nos</i>	10000	4	40000		10000	10000	10000	10000		
C.1.2 Workshop on good governance	<i>Nos</i>	12000	5	60000		6000	20000	12000	12000	10000	
C.1.3 Training on resource assessment	<i>Nos</i>	12000	4	48000		12000	12000	12000	12000		This activity is aimed to complete within the 4 <sup>th</sup> year of the project and kept 5 <sup>th</sup> year for consolidation. The total budget and target remains the same.
C.1.4 Organize exposure visits to countries with successful community based enterprise, ecotourism, PES)	<i>events</i>	25000	4	100000		50000	25000	25000			This target and total budget remains unchanged. The only difference is the increased in 10,000 during the 1 <sup>st</sup> year and reduce by 5,000 during the 2 <sup>nd</sup> and 3 <sup>rd</sup> year.
C.1.5 Participate in International workshop/conference/seminar/exhibition	<i>Lumpsum</i>			37500	10000	10000	10000	7500			This activity is aimed to conclude by the 4 <sup>th</sup> year of the project period and we will focus more on impact assessment during the final project period.

Activity	Budget Allocation by Year (USD)										Remarks
	Unit	Unit Cost	Quantity	Total	2020	2021	2022	2023	2024	2025	
											The budget is reduced by 10,000 USD which is adjusted for other activities. There is no change in target.
<b>(Output 4)-</b> Develop skills to develop new forest based products.											
<b>D.1 (1<sup>st</sup> Activity of Output 4) -</b> CF members trained in wood product development.											
D.1.1 Training in wood product development	<i>Nos</i>	<i>10000</i>	<i>2</i>	<i>20000</i>		<i>5000</i>	<i>5000</i>	<i>10000</i>			
<b>D.2 (2<sup>nd</sup> Activity of Output 4) -</b> NWFP products developed and market linkages established.											
D.2.1 Procurement of timber and NWFP processing and packing equipment	<i>Lumpsum</i>			<i>50000</i>		<i>20000</i>	<i>30000</i>				This activity is aimed to conclude by 2 <sup>nd</sup> and 3 <sup>rd</sup> year of the project, so final year of the project will be more on consolidation. The budget is reduced by USD 20,000 from original plan, since it will be done on cost sharing basis with communities. The target remains unchanged.
D.2.2 Training on product development and design	<i>Nos</i>	<i>8000</i>	<i>5</i>	<i>40000</i>		<i>16000</i>	<i>8000</i>	<i>8000</i>	<i>8000</i>		Budget is reduced by 10,000 based on budget required assessment for training of this activity. Target is not changed

Activity	Budget Allocation by Year (USD)										Remarks
	Unit	Unit Cost	Quantity	Total	2020	2021	2022	2023	2024	2025	
D.2.3 Facilitate market linkages (Buyer - Seller meetings, Auction)	Nos	5000	3	15000	5000	5000	5000				This activity is reduced by one year but the budget and target remain same.
<b>D.3 (3<sup>rd</sup> Activity of Output 4) - Community members trained on operation and maintenance of equipment.</b>											
D.3.1 Training on operation and maintenance of equipment	Nos	3375	4	13500		2000	4000	4500	2000	1000	
<b>Objective 3 - To enhance knowledge and technology on climate change adaptation through sustainable forest management.</b>											
<b>(Output 5) - Enhance knowledge and technology on climate change adaptation approaches</b>											
<b>E. 1 (1<sup>st</sup> Activity of Output 5) - Vulnerable communities identified, indigenous adaptation practices documented and climate smart adaptation measures initiated.</b>											
E.1.1 consultation meetings with stakeholders	Events	7000	2	14000			7000	7000			
E.1.2 Documentation/ Case studies	Nos	5000	2	10000			5000	5000			
E.1.3 Printing and publications	Lumpsum	6000	NA	6000				3000	3000		This activity is concentrated during the 3 <sup>rd</sup> and 4 <sup>th</sup> year to print and publish the documents. The budget is also reduced by USD 1,000 based on estimates, but there is no change in target.
<b>E. 2 (1<sup>st</sup> Activity of Output 5) - Important/ vulnerable timber and non-wood species documented.</b>											
E.2.1 Consultation meeting with stakeholders	events	7000	2	14000		7000	7000				
E.2.2 Field surveys/ assessments	Nos	5000	3	15000	5000	5000	5000				Budget is reduced by 50% and adjusted for other activities. Target remains unchanged.
E.2.3 Documentation/ Case studies	Nos	3000	3	9000		3000	3000	3000			Budget is reduced to 9,000 from 15,000 as

Activity	Budget Allocation by Year (USD)										Remarks
	Unit	Unit Cost	Quantity	Total	2020	2021	2022	2023	2024	2025	
											the activity will be carried out by SFED in collaboration with the field staff, so budget may be only required for write-shop. Target remains unchanged.
E.2.4 Printing and publications	<i>Lumpsum</i>	5000	NA	5000					2500	2500	
E.2.5 Domestication/cultivation of NWFPs (nursery development)	<i>Nos pf NWFP Species</i>	7000	5	35000		9000	10000	12000	4000		This activity is spread over the 4 years with target remaining unchanged. The budget is increased to USD 35,000 from USD 20,000 based on cost estimation and requirement. Target remains unchanged..
F. Monitoring and Evaluation (Mid-term Review, Final and Ex-post)	<i>Nos</i>	16000	1	16000			16000				Planned to field a consultant to conduct mid-term review of the project. The AFoCO Secretariat is expected to do the evaluation of the project. Therefore, the total budget has been reduced by USD 14,000.
<b>Others</b>											
Computers, GPS and other equipment	<i>Lumpsum</i>	1000		24000		15000	7500	1500			The reduced fund from the procurement

Activity	Budget Allocation by Year (USD)										Remarks
	Unit	Unit Cost	Quantity	Total	2020	2021	2022	2023	2024	2025	
											for NWFP D.2.1 and training D.2.2 has been invested to this activity per considering the efficiency of the project (USD 24,000).
Consumables	<i>Lumpsum</i>			5000	1000	1000	1000	1000	1000		
Miscellaneous costs	<i>Lumpsum</i>			5000		1000	1000	1000	1000	1000	
Vehicle hiring/Rental/purchase	<i>Lumpsum</i>			36000	4000	32000					Initially, budget was planned to hire a vehicle for the project since the Bhutan government has a policy to not to encourage procurement of new vehicle even for the project, but this has been relaxed and allowed to procure vehicle under project funded. Therefore, The budget was brought forward and increased by USD 16000 mainly to procure new vehicle for the project. Procurement of new vehicle will have more beneficial then hiring, since vehicle

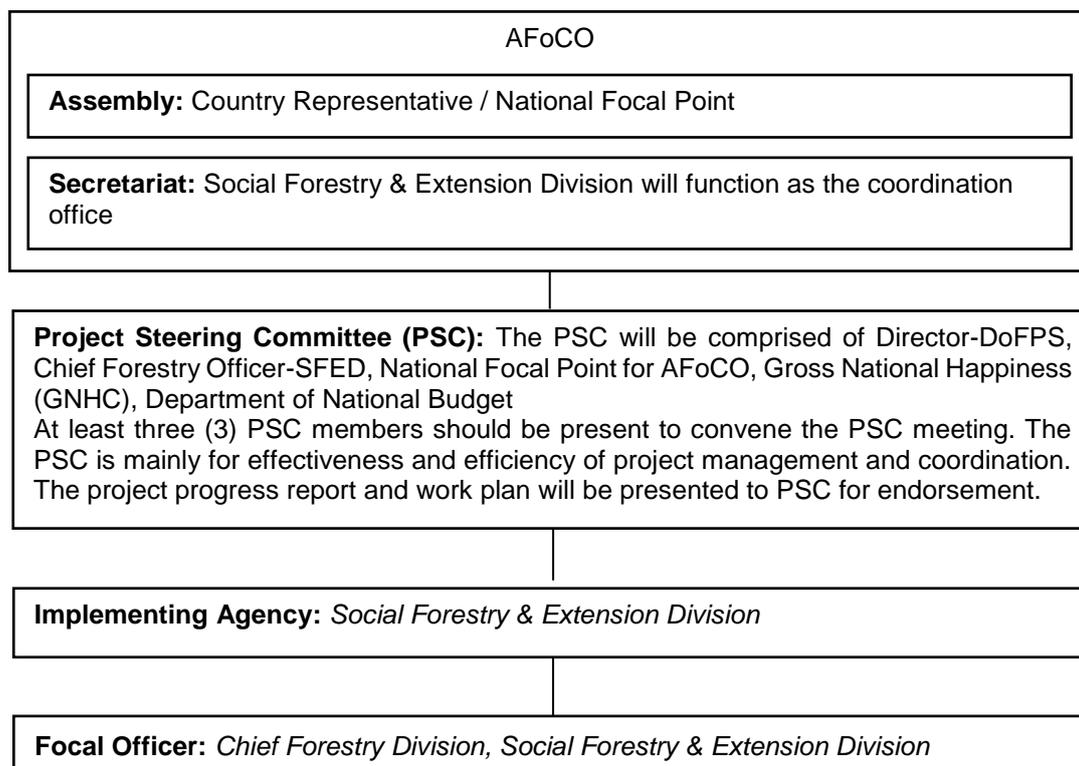
Activity	Budget Allocation by Year (USD)										Remarks
	Unit	Unit Cost	Quantity	Total	2020	2021	2022	2023	2024	2025	
											become the project property can be utilized judiciously . In addition, the SFED/project office will be more responsible for monitoring of project activities to ensure implementation of activities as per the project documents. As well as the project area spread out in 12 districts and project sites are far flung, need to travel more. More so, after the completion of project period the vehicle which is procured by the project will more useful in monitoring of other SFED program and make it successful. The maintenance and fuel cost for the vehicle will be supported by the Bhutan government.
			<b>Total</b>	<b>1,000,000</b>	<b>45,500</b>	<b>311,500</b>	<b>311,500</b>	<b>216,000</b>	<b>101,000</b>	<b>14,500</b>	

**Table 7: Royal Government of Bhutan Support Budget**

Activity	Budget Allocation by Year (USD)									
	Unit	Unit Cost	Quantity	Total	2020	2021	2022	2023	2024	2025
<i>Salary and Travel</i>										
Staff	<i>Nos.</i>	1,000 per month	<i>6</i>	<i>360000</i>	<i>36000</i>	<i>72000</i>	<i>72000</i>	<i>72000</i>	<i>72000</i>	<i>36000</i>
Supporting staff in the field	<i>Nos.</i>	800 per annum	<i>10</i>	<i>40000</i>	<i>4000</i>	<i>8000</i>	<i>8000</i>	<i>8000</i>	<i>8000</i>	<i>4000</i>
Total				<i>400000</i>	<i>40000</i>	<i>80000</i>	<i>80000</i>	<i>80000</i>	<i>80000</i>	<i>40000</i>

## SECTION D. IMPLEMENTATION ARRANGEMENTS

### 1 Organizational Structure



**Figure 4: Organizational Chart**

The concerned forestry field offices of the districts will submit their technical and financial progress reports to SFED and will compile for further reporting to AFoCO through Gross National Happiness Commission (GNHC).

For the technical progress reporting, forestry field offices will submit annual reports to SFED, which SFED will further summarize and will be submitted to AFoCO through GNHC. The SFED will do yearly reporting based on the log frame, assess the progress, and define interventions if the results are not according to the expectations.

Project evaluations will be based on RGoB standards and the agreed activities in the project document. The project implementers and GNHC will evaluate the outcomes of the project for their intended impacts at different stages. This process are to determine the success of interventions, lessons learned and recommendations for future projects in which the monitoring and annual progress reports will form one of the evidences for evaluation. On the financial front, the Royal Audit Authority of Bhutan (RAA) will audit utilization of the budget annually as a standard procedure for all donor funded projects.

## **2 Staff Resource Plan**

The Non-Wood Forest Products & the Social Forestry Section under the SFED will coordinate the plans and programs proposed in the project. Currently the two sections has 6 staffs who are experienced and have the capacity to provide technical assistance to field offices and rural communities in planning and implementing the activities of this project.

In each territorial divisions and park field offices, there are focal persons who have the technical capacity to coordinate and carry out CF & NWFP development activities. Further, there are forestry staffs posted at block level coordinating forestry extension services to rural communities. Moreover, there are established CFs and NWFP Management groups where project interventions can be directly implemented. The SFED also involves other relevant stakeholders in various CF & NWFPs development programmes.

## **3 Reporting and Monitoring Arrangements**

Territorial divisions and park offices will submit field reports to the SFED annually. The SFED, after verification, shall provide physical and financial reports to the AFoCO whereas only financial reports will be submitted to the Directorate Services, Administration & Finance Division, MoAF. As a part of monitoring & evaluation, arrange joint review team from AFoCO and DoFPS can also to the project areas if the funding agency deemed necessary.

The implementing agencies will submit both the financial and physical reports to SFED, which will review, compile for further submission to AFoCO. The field offices and SFED would ensure that fund is released to implementers and it is used for the intended activities. The field offices will submit the expenditure report to directorate services under Ministry of Agriculture and Forests and physical progress to SFED. The SFED will review the reports sent by field offices and compile for further submission to the donor agency.

Further, the equipment and structures built with the funding from this project would be handed over to the beneficiaries with proper handing-taking at the end of the project period.

## **4 Risk Management and Sustainability**

### ***4.1 Assumptions and Risks***

The project is expected to fulfil its goals smoothly if the products developed have a sustained market. A number of *threats* to the CF and NWFP program could arise, which have to be considered for the future:

- Decreasing importance of forestry (in the wide political sense) with the commitment at policy-level becoming weaker, resulting in insufficient financial support, which endangers the sustainability of the CF and NWFP program.
- The commitment from DoFPS will change and this will hamper the economic possibilities for CFs.
- The products developed might not always have a steady market as demand and price can fluctuate.

However, The activities proposed in this project have been developed in line with the current 12<sup>th</sup> Five Year Plan (FYP) and are expected to be carried out with full support and endorsement of the regulating bodies.

***Assumptions:***

- The political environment remains conducive for the CF and NWFP program.
- RGoB provides increasingly sufficient funds that allow the CF and NWFP program to sustained and to operate on a sustainable basis.
- The CF and NWFP groups will have fund and can be utilized for the development of CF and NWFP program.
- A detailed market analysis would be done to ensure that the products developed under this project will have assured market linkages.

Currently we do not foresee any challenging risks that would impede the implementation and achievements of the project objectives.

***4.2 Sustainability***

To sustain what is supported by the project is critical and have to have exit strategy in place so the entire project support activities are not collapse after the project period.

The National Forest Policy 2011 has clear direction of CF and NWFP programme for future development and it states that” to empower rural communities manage forests sustainably for socio-economic and environmental benefits, poverty reduction and to contribute to overall sustainable forest management a national level.” The Forest and Nature Conservation Act of Bhutan 1995 substantiate more legal support to CF and NWFP program, it states that “the group to which community forests have been transferred shall manage them for sustainable use”. The Forest and Nature Conservation Rules and Regulation 2017 is clear about CF and NWFP program management in future and it states that “Any area of State Reserved Forests suitable for control and management by NWFP management group may be designated as NWFP management Unit”.

Over the past years, the CBFRM programme have continued to grow. This reflects a continuous popularity of participatory approaches to forest management with rural communities in the country. Besides quantitative growth in terms of numbers of groups or area covered by community groups, there are encouraging indications that a growing number of groups are starting to manage their forests more actively to generate benefits from subsistence use of forest products, but also from marketing excess forest products and ecosystem services. There is also interest and support from DoFPS to advance on income generation and poverty reduction through CF and NWFP management.

The project support will be focused on the processes and aspects of community-based forest resource management (CBFRM) that are seen as key for its long-term sustainability.

Enhancement of group governance and the promotion of the flow of economic benefits to communities from sustainable forest resource management are the long term benefits for the groups.

Further, the institutionalization support for community based resource management with relevant government agencies and other organizations will be established for information sharing and networking. It is thus expected that this will enable the groups as well as other stakeholders supporting community-based forest management to carry participatory forest resource management forward after the project support phases out.

All equipment provided through this project will be either owned by the government or by the communities and it is their responsibility to maintain and use this equipment on sustainable basis. Operation and maintenance of these facilities are always budgeted in the regular governmental budget or in the farmer group's budget. The infrastructure and equipment owned by local communities' groups, the operation and maintenance are their responsibilities, under the purview of staff from the local government and DoFPS. By-laws of CF and NWFP group are already drawn within the management plans, so any equipment support provided to group would be govern by the by-laws.

The project will build capacity in key stakeholders implementing the project, particularly at central, local governments and at community level. This proposed project will also contribute to strategic interventions such as sustainable management forest resources and improved livelihood of communities, which will ensure that communities can sustain by themselves.

In Bhutan, the Royal Government provides very strong political and institutional support to conservation of its natural environment. The government covers the staff salary, basic travel costs and other operational costs. The project fund is utilized entirely for the proposed activities. Even after five years of project cycle, the project implementers will be able to maintain and continue activities with the help of government, through the financial assistance and equipment, skills and knowledge they have received from the project.