

# INTEGRATED SAFEGUARDS DATA SHEET

## INITIATION/CONCEPT STAGE

Report No.:

Date ISDS Prepared/Updated: December 30, 2014

### I. BASIC INFORMATION

#### A. Basic Project Data

<b>Country:</b>	Bhutan	<b>Project ID:</b>	P143795
<b>Project Name:</b>	Generating Youth Employment and Community-Based Enterprise Development		
<b>Task Team Leader:</b>	Winston Dawes		
<b>Estimated Date of Approval:</b>	June 30, 2015		
<b>Managing Unit:</b>	GFADR	<b>Lending Instrument:</b>	JSDf
<b>Sector(s):</b>	Agriculture, Rural Development		
<b>Theme(s):</b>	Rural Development, Livelihoods		
Fragile and/or Capacity Constraints [    ]			
<b>Financing (in USD Million)</b>			
Total Project Cost:	\$1.25 million	Total Bank Financing:	<b>\$1.25 million</b>
Total Co-financing:		Financing Gap:	
<b>Financing Source</b>			<b>\$ 1.25 million</b>
BORROWER/RECIPIENT			
Total			
<b>Environmental Category</b>	B		
<b>Is this a Repeater project?</b>	No		
<b>Is this a Transferred project?</b>	No		

#### B. Project Objectives

*The project's development objective is to generate new and more productive sources of income for poor and vulnerable youth in selected dzongkhags in south-western and eastern Bhutan. The proposed project will achieve this objective by promoting the establishment or upgrading of existing youth-led, managed, and operated business enterprises that aim at generating employment for poor and unprivileged youth. In achieving this objective, the project will contribute to the national goal of enhancing economic opportunities for unemployed youth, alleviating rural poverty, and reducing the vulnerability of the local population in the poor and remote areas of the country which also are the most vulnerable to climate variability.*

### C. Project Description

The proposed project aims at supporting a pro-poor, youth-led, locally-driven enterprise development approach to generating new opportunities for youth employment in the south-western and eastern regions of Bhutan. Taking into account local need and social dynamics, the project would: (a) empower the poorest and most vulnerable communities through support for capacity building and investment in youth-driven enterprise initiatives; (b) create jobs for poor and unemployed youth through agricultural and natural resource based activities, and (c) improve the lines of communication between the local government and private sector entities and the unemployed youth in the poorest and most vulnerable communities, building local capacity, and raising awareness of employment options and opportunities.

The proposed JSDF project will consist of the following four components that will be implemented over the course of a four-year period:

**Component 1:** Support Structures to Facilitate Youth-Led Enterprise (YLE) Development (US\$150,000). The objective of this component is to establish specialized project technical support teams and equip them with the necessary capacity to assist youth living in the targeted communities to identify, develop, and lead new business enterprises in a sustainable manner. The teams will consist of specialists who have skills and experience in the niche products and services that the new youth-led enterprises are likely to pursue. A preliminary assessment identified the following potential niche products and services as those that can be developed with a modest investment and improvement in existing skills (see Annex 2 which presents a longer list of potential products and services as well as the types of support needed):

- Jams, juices, and syrups processed from local forest and cultivated fruits and berries; dried wild and cultivated fruits, berries, and mushrooms;
- Cottage products such as traditional art and crafts, soaps, aromatic oils and incense, hand-made paper, yak and sheep wool products, pottery for cooking and gardening, cane and bamboo items, and other similar niche products for the tourism and hospitality sector;
- Dairy products such as cheese and yogurt for tourists and local consumption;
- Community-based tourism with home stay and hospitality services;
- Non-wood forest products (NWFP) such as fodder, fiber and flosses, medicinal plants (exudates), natural dyes, ornaments, honey, and beeswax;
- Organic vegetables and seed production; and
- Briquette production, fresh water bottling, and small-scale furniture enterprises.

In working with the youth, the teams will ensure that new enterprises in any one community involve production and promotion of no more than three niche products or services depending on local conditions. This principal follows a community-based business development strategy known as “One Village-One Product” which aims to ensure a consistently good quality of the products, sufficient quantity of the products to be marketed at the national and even global levels, and the development of a brand that reinforces informal efforts at the community level to maintain needed quality and quantity of products. Another important reason to focus on a limited number of products is that it will facilitate broad-based mobilization and engagement of youth and other community members into enterprises to ensure economies of scale and efficient marketing. The aim is to select products that are part of Bhutan’s cultural and environmental heritage, have local importance, and can generate demand outside of the specific regions and ultimately as potential exports. The project would also seek to identify special niche market products that have potential for export.



Through this component, the project also is expected to enhance self-reliance by substituting imported products with the new products produced in the project communities, and strengthen the community's social fabric and pride through collective activities such as the branding and marketing of community products at the local and national levels. To the extent feasible, the selection of value chains for the proposed project will be coordinated with RRCDP activities, especially in terms of its horticulture and non-timber forest products development, particularly in the western dzongkhags. Thus, citrus and other horticulture production supported by the RRCDP in target areas can be linked to post-harvest processing of these fruits by the YLEs. The same links will occur with activities based on the processing of non-timber forest products. Component 1 includes three sub-components. The following are all aimed at supporting youth in developing new enterprises in the project dzongkhags.

- (a) **Rapid Market Assessment and Business Planning.** The project will fund rapid economic and technical studies that will assess an area and its natural resources' potential for community-based enterprises, ecotourism, and development of value-added niche products through simple, yet green and creative processing. These assessments will formulate ways to increase benefits for local communities from these enterprises and support services and products. Based on community discussions and a participatory decision making process, no more than *three value chains* for niche products or services for any one community will be selected and studied for technical and economic feasibility. There will be a corresponding number of master business plans developed for each selected value chain to be used as a foundation for each enterprise. The master plans will have two elements: (i) a market analysis to confirm the viability of and demand for the niche products/services, and (ii) a business plan that follows a generic template (the template will be a guide for enterprises in developing their own specific business plans). Based on the stakeholder consultations, Annex 4 presents a list of potential activities that could be supported in the 10 project dzongkhags.
- (b) **Project Advisory Network Establishment.** Based on the results of the rapid market studies, the PMU will support the establishment of a project advisory network (PAN) that will include representatives of relevant state agencies (for example, Agency for Promotion of Indigenous Crafts, Tourism Council of Bhutan), educational institutions, NGOs (for example, Youth Development Fund, Royal Textile Academy, Loden Foundation, Tarayana Foundation), and the private sector (for example, senior staff of major local travel agencies, BioBhutan). The objective of the PAN is to select the business proposals that will receive funding and then provide independent technical support and overall guidance to young entrepreneurs from the initial stage throughout the enterprise development and operation. Specifically, the PAN will:
  - Review and approve selected value chain business plans and small grant proposals submitted by Youth Led Enterprises (YLEs) after they are reviewed by the project management to ensure that the proposal meets basic criteria (see description of Component 3, section b) ;
  - Advise on branding and standards for local cooperative associations when they are established.
  - Provide advice and guidance on business opportunities.
  - Assist in the establishment of an association of YLEs to ensure coordination of capacity building activities, exchange of experience, joint procurement, and brand marketing.
  - Assist in identifying experts and trainers with specialized expertise and resources that will become members of the mobile training and mentoring teams (see below).
- (c) **Mobile Training and Mentoring Team Formation.** The project will create a mobile training and mentoring team (MTMT) consisting of competitively selected experts/trainers on the following



topics: (i) entrepreneurial skills; (ii) business management skills; (iii) technical skills along selected value chains; and (iv) ICT skills. Depending on the selected products for the value chain, the project will recruit international (or local, if available) experts to train and coach MTMTs, and assist in the preparation of a capacity building and mentoring program tailored to the needs of specific enterprises. Specifically, the MTMT will:

- Provide awareness building and technical advice to YLEs in the preparation of small grant funding proposals which would be submitted for consideration to the Project Advisory Network (PAN);
- Advise and guide in the preparation of business plans;
- Support the setting up of YLEs in project target areas;
- Provide training and capacity building to YLEs in entrepreneurial, business, technical, and ICT skills; and
- Implement a mentoring and coaching program.

Through the MTMT, the project will identify young people from the targeted project area who are capable, motivated, and interested in developing their own small-scale enterprise. These motivated youth could serve as a catalyst for encouraging and mobilizing other unemployed or under-employed youth to explore the route of entrepreneurship. The project will identify potential young people through broad campaigns, using Facebook and other social networks, mass media at the national level, village meetings, and information dissemination at the community level. It is anticipated that many of these individuals will be youth with connections to the RRCDP or other development project areas who are now living in the dzongkhag centers or other urban areas, and seeking employment or business development opportunities.

**Component 2: Youth Capacity Building and Empowerment (US\$210,000).** This component will aim at empowering youth to set up and meaningfully participate in community-based enterprises, and equip them with entrepreneurial, organizational, business, and technical skills to generate sustainable jobs and income. This will be achieved through training and mentoring programs, learning by doing, and exchange of experiences through established horizontal networks supported by the MTMT. This component will include three types of core training activities:

- (a) **Capacity Building for Youth Empowerment (Organizational Development and Life Skills).** Youth groups will be provided with tailored training on organizational development and on life skills that will boost their ability to participate actively in society. This capacity building will equip the young people with an ability to make decisions, leading to an increased feeling of self-worth and confidence based on problem-solving through participatory and active learning. It is expected that after the young people receive this training, they will have more confidence and be more likely to want to engage in the businesses developed in their areas, and their capacity to do so will be developed throughout the life of the project. The design of this training will build on the experience of the Youth Development Fund (NGO).
- (b) **Business and Technical Training in Specific Skills and Product Development.** A special training program will be developed on business skills, business planning, financial and records management, and production and marketing rules. Technical training also will be provided on topics related to adding value to specific niche products. The latter will be tailored to the demands of the youth enterprises and needs of the value chain program, and provided by a MTMT comprised of competitively selected private service providers. Private and state agents providing technical training on niche products' design, production, and marketing will be identified, and the training will be provided by relevant international and local experts (for example, topics may include



textiles, industrial design, small scale fruit and berry processing, small scale cheese production, and community-based tourism). This approach to upgrading skills will benefit not only the youth residing in the project dzongkhags, but will be open to youth from other areas, especially in and around Thimphu, resulting in a ripple effect.

Training will be arranged to ensure that the MTMTs can provide the initial and follow-up training to YLEs, coaching, and mentoring. It is important to link payment to MTMTs between the training and mentoring services of the project beneficiaries. MTMTs will be paid on the basis of their performance. The payments will be made in two parts: (a) the first payment will be made after the submission of training completion report and the YLE verification report, and (b) the second payment will be based on coaching, mentoring, and follow-up support provided to YLEs over a 6-12 month period after receiving training. Capacity building and coaching will be delivered using modern communication technologies. The project will use mobile training approaches to ensure quality, cost effectiveness, and outreach to geographically isolated areas. Existing community centers, classrooms (after school hours), and other spaces would be used.

The MTMT will establish a mentoring system with the YLEs to provide ongoing support using such ICT technologies as mobile phones and the internet. It is expected that even if young people drop out of project activities, the skills and qualifications (including certificate provided at the end of the trainings) will enable them to seek quality jobs elsewhere.

- (c) ICT training and application: The project will use ICT extensively to overcome the remoteness of the target areas, and contribute to establishing stronger brand identity for local products. A mobile ICT team will provide marketing support as well as help to create and maintain websites linked to markets outside of the target regions. It also will help YLEs and community-based groups to maintain communications networks aimed at marketing products/services, handle basic management functions such as accounting, and access knowledge and information through web-based training. Thus, this component will finance the procurement of ICT support for the YLEs and community-based groups (such as forestry enterprises) and related training for their members. This capacity building will address the currently low ICT skills in the region, where a rapid assessment indicated that there is almost no use of ICT other than mobile phones which are rarely used for data transmission.

**Component 3:** Operationalization of YLEs (US\$640,000). The objectives of this component are to (a) build capacity for establishing YLE internal governance arrangements that will ensure the sustainability of the YLEs, and (b) provide seed capital to operationalize the YLEs.

- (a) Capacity Building for Established YLEs: Institutional development and internal governance arrangements will be supported through the same MTMT involved in the first project year in establishing the YLEs. Particular attention will be paid to business accounting, transparency, and rules for members to join or leave the YLE, sharing arrangements for input and marketing efforts, and contracting arrangements. It is expected that the YLEs will attract additional persons once they are operational, requiring a nimble administrative structure. For example, if jam is the niche product, then multiple YLEs should be open to pooling resources and outputs to form a producer group of high quality jam producers to meet market demand. In addition, there will be the need to guard against elite capture of the resources that would be made available through the project. Thus, the project's Internal Auditor will conduct simple financial and performance audits, which would be made publicly available to communities to provide information on internal governance arrangements and the recommendations for management improvements. A significant negative audit finding would bar the YLE from accessing further project financing.



- (b) Grants for New Enterprises. YLEs will be eligible to compete for small business grants after completion of the capacity building and empowerment program, which is expected to take place during the first nine months of the project. Eligibility criteria will include (i) establishment of a legal entity, (ii) completion of mandatory training, (iii) involvement of an agreed minimum percentage of youth and women, and (iv) submission of an acceptable business plan. The Grant Administrator and PMU staff will carry out a preliminary review of proposed applications for a grant. If the proposal meets the minimum eligibility criteria, it will be sent to the Project Advisory Network (PAN), consisting of independent evaluators with relevant and known expertise in the sectors covered by this project, which would review and recommend the best plans to the project management unit for funding. It is expected that the YLEs will contribute cash and/or in-kind contribution to complement the proposed grant funding (it is proposed that the contribution will be a minimum of 20% of the investment cost). The most successful business plans will be awarded small grants for start-up enterprises in the first round. Those remaining can strengthen their business plans and apply for start-up grants in successive rounds. There will be three batches of competition, one in the first year (PY1), and two in the second year (PY2), with completion of all external financing by the end of the third year. The maximum amount of an individual grant would be \$5,000 and the amount of financing to be made available to an eligible YLE will be based on the amount of contribution from the YLE itself and the number of youth to be involved in the proposed venture. The grant plus the small amount of each YLE's contribution have the potential to generate additional funds from other sources. Disbursement of funds will be in tranches and contingent on reaching milestones in the implementation of the business plans. Adverse audit findings would affect any future disbursements.
- (c) Strengthening of Market Linkages. This activity is designed to facilitate the marketing of new products outside the product area. The types of assistance to be provided will depend on the needs of the enterprises and the products produced. In the case of handicrafts or other niche items (for example, organic soaps), products are sold mainly to tourists either in Thimphu, Paro, or Punakha. Thus, this sub-component will be used to facilitate the marketing of the products in these cities' centralized bazaars, at the airport in Paro, or other special locations. In Thimphu, for example, project funds could be used to support the planning of one or more craft bazaars where crafts produced in the project areas can be exhibited and sold. Funds also can be used to support the organization of craft fairs in association with the Agency for Promotion of Indigenous Crafts (APIC), Handicraft Association of Bhutan, Tarayana Foundation, and others. During project appraisal, MoUs between selected private sector organizations and NGOs will be pursued where appropriate. The final design of this activity will take into account the existing role of middle-men to ensure that they will continue to function as needed to facilitate the local producers' access to market, without compromising the sustainability of the new enterprise.

**Component 4: Project Management, Monitoring and Evaluation, and Knowledge Dissemination**  
(US\$250,000)

This component will cover project management costs; implementation of a comprehensive Project Monitoring and Evaluation Strategy and Plan, which will include community baseline and follow-up surveys; and dissemination of project results and lessons learned in project implementation.

- (a) Project Management and Implementation Arrangements: For the day-to-day administration of the project, the RGoB would establish an Independent Project Management Unit (PMU) within the MoAF that will be responsible for overall management of all project activities. The PMU will have a team consisting of a dedicated project coordinator, procurement and financial management



specialist/accountant, youth capacity building specialist, business development specialist, and grant administrator that will be recruited and funded by the project. The PMU team will provide oversight, technical support, and guidance to the grantees and other youth enterprises. In the course of project implementation, the project management unit will recruit a monitoring and evaluation (M&E) specialist and additional local and international technical assistance based on needs in line with results of the assessments carried out during the initial stage of project implementation. The PMU will also have oversight and be responsible for management of project funding. Coordination of the implementation of the JSDF and RRCDP will help maximize and ensure synergies and complementarity of efforts, ensure cost-effectiveness of investments, provide opportunities for experience and lesson sharing, and facilitate a more comprehensive and holistic approach to rural development.

The Grant Administrator will be a competent person selected from a NGO or civil society organization, with experience working with the poor. The Grant Administrator will have overall responsibility for the grant component, including; (i) developing outreach and application materials and procedures for the grant facility; (ii) working with the national, dzongkha, and geog authorities to disseminate the material to youth and youth organizations; (iii) providing technical support to grant proponents for the preparation and submission of the grant proposals; (iv) consolidating grant proposals and submitting them to the Project Advisory Network (PAN) for review and approval; (v) managing grant disbursements and providing technical support to the grantees for the implementation of the approved initiatives; (f) mobilizing specialized expertise to provide technical support to the grantees when needed for the implementation of the initiatives; and (g) receiving, synthesizing, and preparing progress reports for the approved initiatives to the RGoB and World Bank.

A Project Steering Committee would be established under the chairmanship of the Secretary, MO synergies and complementarity of efforts as well as ensure government buy-in and commitment to scaling up and replication of successful models of youth employment and enterprise development. It would approve annual work plans, review monitoring reports, and support the use of existing local, district, and national funding to benefit the youth employment efforts.

- (b) Monitoring and Evaluation. Through this sub-component, the project will include dynamic monitoring and evaluation (M&E) to track input, output, outcome, and impact indicators to measure the performance and results obtained from the implementation of the proposed activities. The M&E activities, which will be integrated into the existing M&E system established by the MoAF, will be participatory in nature, involving engaged youth groups and target communities in assessing (i) the functioning of the YLEs, (ii) outcomes on youth employment and income generation, and (iii) the impact of the project on community-based economic growth and livelihoods. Specifically, the JSDF component of the larger project M&E system will:
- Carry out a comprehensive baseline survey to determine the skills and income levels of the targeted beneficiaries by gender and by age;
  - Carry out a qualitative assessment of the aspirations of women and men of various age groups, especially the most vulnerable, through focus group discussions, to solicit feedback on the challenges being faced by them, their views on solutions and coping mechanisms, culture conflict issues, and generational gap issues, as well as feedback on the training programs and how they can be improved;
  - Monitor quantitatively as well as qualitatively the outputs, outcomes, and development impacts of the training programs on behavioral changes and productivity, track new and

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#### A. Basic Project Data

<b>Country:</b>	Bhutan	<b>Project ID:</b>	P143795
<b>Project Name:</b>	Generating Youth Employment and Community-Based Enterprise Development		
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<b>Estimated Date of Approval:</b>	June 30, 2015		
<b>Managing Unit:</b>	GFADR	<b>Lending Instrument:</b>	JSDF
<b>Sector(s):</b>	Agriculture, Rural Development		
<b>Theme(s):</b>	Rural Development, Livelihoods		
Fragile and/or Capacity Constraints [    ]			
<b>Financing (in USD Million)</b>			
Total Project Cost:	\$1.25 million	Total Bank Financing:	<b>\$1.25 million</b>
Total Co-financing:		Financing Gap:	
<b>Financing Source</b>			<b>\$ 1.25 million</b>
BORROWER/RECIPIENT			
Total			
<b>Environmental Category</b>	B		
<b>Is this a Repeater project?</b>	No		
<b>Is this a Transferred project?</b>	No		

#### B. Project Objectives

*The project's development objective is to generate new and more productive sources of income for poor and vulnerable youth in selected dzongkhags in south-western and eastern Bhutan. The proposed project will achieve this objective by promoting the establishment or upgrading of existing youth-led, managed, and operated business enterprises that aim at generating employment for poor and unprivileged youth. In achieving this objective, the project will contribute to the national goal of enhancing economic opportunities for unemployed youth, alleviating rural poverty, and reducing the vulnerability of the local population in the poor and remote areas of the country which also are the most vulnerable to climate variability.*



### C. Project Description

The proposed project aims at supporting a pro-poor, youth-led, locally-driven enterprise development approach to generating new opportunities for youth employment in the south-western and eastern regions of Bhutan. Taking into account local need and social dynamics, the project would: (a) empower the poorest and most vulnerable communities through support for capacity building and investment in youth-driven enterprise initiatives; (b) create jobs for poor and unemployed youth through agricultural and natural resource based activities, and (c) improve the lines of communication between the local government and private sector entities and the unemployed youth in the poorest and most vulnerable communities, building local capacity, and raising awareness of employment options and opportunities.

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**Component 1:** Support Structures to Facilitate Youth-Led Enterprise (YLE) Development (US\$150,000). The objective of this component is to establish specialized project technical support teams and equip them with the necessary capacity to assist youth living in the targeted communities to identify, develop, and lead new business enterprises in a sustainable manner. The teams will consist of specialists who have skills and experience in the niche products and services that the new youth-led enterprises are likely to pursue. A preliminary assessment identified the following potential niche products and services as those that can be developed with a modest investment and improvement in existing skills (see Annex 2 which presents a longer list of potential products and services as well as the types of support needed):

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Through this component, the project also is expected to enhance self-reliance by substituting imported products with the new products produced in the project communities, and strengthen the community's social fabric and pride through collective activities such as the branding and marketing of community products at the local and national levels. To the extent feasible, the selection of value chains for the proposed project will be coordinated with RRCDP activities, especially in terms of its horticulture and non-timber forest products development, particularly in the western dzongkhags. Thus, citrus and other horticulture production supported by the RRCDP in target areas can be linked to post-harvest processing of these fruits by the YLEs. The same links will occur with activities based on the processing of non-timber forest products. Component 1 includes three sub-components. The following are all aimed at supporting youth in developing new enterprises in the project dzongkhags.

- (a) **Rapid Market Assessment and Business Planning.** The project will fund rapid economic and technical studies that will assess an area and its natural resources' potential for community-based enterprises, ecotourism, and development of value-added niche products through simple, yet green and creative processing. These assessments will formulate ways to increase benefits for local communities from these enterprises and support services and products. Based on community discussions and a participatory decision making process, no more than *three value chains* for niche products or services for any one community will be selected and studied for technical and economic feasibility. There will be a corresponding number of master business plans developed for each selected value chain to be used as a foundation for each enterprise. The master plans will have two elements: (i) a market analysis to confirm the viability of and demand for the niche products/services, and (ii) a business plan that follows a generic template (the template will be a guide for enterprises in developing their own specific business plans). Based on the stakeholder consultations, Annex 4 presents a list of potential activities that could be supported in the 10 project dzongkhags.
- (b) **Project Advisory Network Establishment.** Based on the results of the rapid market studies, the PMU will support the establishment of a project advisory network (PAN) that will include representatives of relevant state agencies (for example, Agency for Promotion of Indigenous Crafts, Tourism Council of Bhutan), educational institutions, NGOs (for example, Youth Development Fund, Royal Textile Academy, Loden Foundation, Tarayana Foundation), and the private sector (for example, senior staff of major local travel agencies, BioBhutan). The objective of the PAN is to select the business proposals that will receive funding and then provide independent technical support and overall guidance to young entrepreneurs from the initial stage throughout the enterprise development and operation. Specifically, the PAN will:
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**Component 2: Youth Capacity Building and Empowerment (US\$210,000).** This component will aim at empowering youth to set up and meaningfully participate in community-based enterprises, and equip them with entrepreneurial, organizational, business, and technical skills to generate sustainable jobs and income. This will be achieved through training and mentoring programs, learning by doing, and exchange of experiences through established horizontal networks supported by the MTMT. This component will include three types of core training activities:

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- (b) **Business and Technical Training in Specific Skills and Product Development.** A special training program will be developed on business skills, business planning, financial and records management, and production and marketing rules. Technical training also will be provided on topics related to adding value to specific niche products. The latter will be tailored to the demands of the youth enterprises and needs of the value chain program, and provided by a MTMT comprised of competitively selected private service providers. Private and state agents providing technical training on niche products' design, production, and marketing will be identified, and the training will be provided by relevant international and local experts (for example, topics may include



textiles, industrial design, small scale fruit and berry processing, small scale cheese production, and community-based tourism). This approach to upgrading skills will benefit not only the youth residing in the project dzongkhags, but will be open to youth from other areas, especially in and around Thimphu, resulting in a ripple effect.

Training will be arranged to ensure that the MTMTs can provide the initial and follow-up training to YLEs, coaching, and mentoring. It is important to link payment to MTMTs between the training and mentoring services of the project beneficiaries. MTMTs will be paid on the basis of their performance. The payments will be made in two parts: (a) the first payment will be made after the submission of training completion report and the YLE verification report, and (b) the second payment will be based on coaching, mentoring, and follow-up support provided to YLEs over a 6-12 month period after receiving training. Capacity building and coaching will be delivered using modern communication technologies. The project will use mobile training approaches to ensure quality, cost effectiveness, and outreach to geographically isolated areas. Existing community centers, classrooms (after school hours), and other spaces would be used.

The MTMT will establish a mentoring system with the YLEs to provide ongoing support using such ICT technologies as mobile phones and the internet. It is expected that even if young people drop out of project activities, the skills and qualifications (including certificate provided at the end of the trainings) will enable them to seek quality jobs elsewhere.

- (c) ICT training and application: The project will use ICT extensively to overcome the remoteness of the target areas, and contribute to establishing stronger brand identity for local products. A mobile ICT team will provide marketing support as well as help to create and maintain websites linked to markets outside of the target regions. It also will help YLEs and community-based groups to maintain communications networks aimed at marketing products/services, handle basic management functions such as accounting, and access knowledge and information through web-based training. Thus, this component will finance the procurement of ICT support for the YLEs and community-based groups (such as forestry enterprises) and related training for their members. This capacity building will address the currently low ICT skills in the region, where a rapid assessment indicated that there is almost no use of ICT other than mobile phones which are rarely used for data transmission.

**Component 3:** Operationalization of YLEs (US\$640,000). The objectives of this component are to (a) build capacity for establishing YLE internal governance arrangements that will ensure the sustainability of the YLEs, and (b) provide seed capital to operationalize the YLEs.

- (a) Capacity Building for Established YLEs: Institutional development and internal governance arrangements will be supported through the same MTMT involved in the first project year in establishing the YLEs. Particular attention will be paid to business accounting, transparency, and rules for members to join or leave the YLE, sharing arrangements for input and marketing efforts, and contracting arrangements. It is expected that the YLEs will attract additional persons once they are operational, requiring a nimble administrative structure. For example, if jam is the niche product, then multiple YLEs should be open to pooling resources and outputs to form a producer group of high quality jam producers to meet market demand. In addition, there will be the need to guard against elite capture of the resources that would be made available through the project. Thus, the project's Internal Auditor will conduct simple financial and performance audits, which would be made publicly available to communities to provide information on internal governance arrangements and the recommendations for management improvements. A significant negative audit finding would bar the YLE from accessing further project financing.



- (b) Grants for New Enterprises. YLEs will be eligible to compete for small business grants after completion of the capacity building and empowerment program, which is expected to take place during the first nine months of the project. Eligibility criteria will include (i) establishment of a legal entity, (ii) completion of mandatory training, (iii) involvement of an agreed minimum percentage of youth and women, and (iv) submission of an acceptable business plan. The Grant Administrator and PMU staff will carry out a preliminary review of proposed applications for a grant. If the proposal meets the minimum eligibility criteria, it will be sent to the Project Advisory Network (PAN), consisting of independent evaluators with relevant and known expertise in the sectors covered by this project, which would review and recommend the best plans to the project management unit for funding. It is expected that the YLEs will contribute cash and/or in-kind contribution to complement the proposed grant funding (it is proposed that the contribution will be a minimum of 20% of the investment cost). The most successful business plans will be awarded small grants for start-up enterprises in the first round. Those remaining can strengthen their business plans and apply for start-up grants in successive rounds. There will be three batches of competition, one in the first year (PY1), and two in the second year (PY2), with completion of all external financing by the end of the third year. The maximum amount of an individual grant would be \$5,000 and the amount of financing to be made available to an eligible YLE will be based on the amount of contribution from the YLE itself and the number of youth to be involved in the proposed venture. The grant plus the small amount of each YLE's contribution have the potential to generate additional funds from other sources. Disbursement of funds will be in tranches and contingent on reaching milestones in the implementation of the business plans. Adverse audit findings would affect any future disbursements.
- (c) Strengthening of Market Linkages. This activity is designed to facilitate the marketing of new products outside the product area. The types of assistance to be provided will depend on the needs of the enterprises and the products produced. In the case of handicrafts or other niche items (for example, organic soaps), products are sold mainly to tourists either in Thimphu, Paro, or Punakha. Thus, this sub-component will be used to facilitate the marketing of the products in these cities' centralized bazaars, at the airport in Paro, or other special locations. In Thimphu, for example, project funds could be used to support the planning of one or more craft bazaars where crafts produced in the project areas can be exhibited and sold. Funds also can be used to support the organization of craft fairs in association with the Agency for Promotion of Indigenous Crafts (APIC), Handicraft Association of Bhutan, Tarayana Foundation, and others. During project appraisal, MoUs between selected private sector organizations and NGOs will be pursued where appropriate. The final design of this activity will take into account the existing role of middle-men to ensure that they will continue to function as needed to facilitate the local producers' access to market, without compromising the sustainability of the new enterprise.

**Component 4: Project Management, Monitoring and Evaluation, and Knowledge Dissemination**  
(US\$250,000)

This component will cover project management costs; implementation of a comprehensive Project Monitoring and Evaluation Strategy and Plan, which will include community baseline and follow-up surveys; and dissemination of project results and lessons learned in project implementation.

- (a) Project Management and Implementation Arrangements: For the day-to-day administration of the project, the RGoB would establish an Independent Project Management Unit (PMU) within the MoAF that will be responsible for overall management of all project activities. The PMU will have a team consisting of a dedicated project coordinator, procurement and financial management



specialist/accountant, youth capacity building specialist, business development specialist, and grant administrator that will be recruited and funded by the project. The PMU team will provide oversight, technical support, and guidance to the grantees and other youth enterprises. In the course of project implementation, the project management unit will recruit a monitoring and evaluation (M&E) specialist and additional local and international technical assistance based on needs in line with results of the assessments carried out during the initial stage of project implementation. The PMU will also have oversight and be responsible for management of project funding. Coordination of the implementation of the JSDF and RRCDP will help maximize and ensure synergies and complementarity of efforts, ensure cost-effectiveness of investments, provide opportunities for experience and lesson sharing, and facilitate a more comprehensive and holistic approach to rural development.

The Grant Administrator will be a competent person selected from a NGO or civil society organization, with experience working with the poor. The Grant Administrator will have overall responsibility for the grant component, including; (i) developing outreach and application materials and procedures for the grant facility; (ii) working with the national, dzongkha, and geog authorities to disseminate the material to youth and youth organizations; (iii) providing technical support to grant proponents for the preparation and submission of the grant proposals; (iv) consolidating grant proposals and submitting them to the Project Advisory Network (PAN) for review and approval; (v) managing grant disbursements and providing technical support to the grantees for the implementation of the approved initiatives; (f) mobilizing specialized expertise to provide technical support to the grantees when needed for the implementation of the initiatives; and (g) receiving, synthesizing, and preparing progress reports for the approved initiatives to the RGoB and World Bank.

A Project Steering Committee would be established under the chairmanship of the Secretary, MO synergies and complementarity of efforts as well as ensure government buy-in and commitment to scaling up and replication of successful models of youth employment and enterprise development. It would approve annual work plans, review monitoring reports, and support the use of existing local, district, and national funding to benefit the youth employment efforts.

- (b) Monitoring and Evaluation. Through this sub-component, the project will include dynamic monitoring and evaluation (M&E) to track input, output, outcome, and impact indicators to measure the performance and results obtained from the implementation of the proposed activities. The M&E activities, which will be integrated into the existing M&E system established by the MoAF, will be participatory in nature, involving engaged youth groups and target communities in assessing (i) the functioning of the YLEs, (ii) outcomes on youth employment and income generation, and (iii) the impact of the project on community-based economic growth and livelihoods. Specifically, the JSDF component of the larger project M&E system will:

- Carry out a comprehensive baseline survey to determine the skills and income levels of the targeted beneficiaries by gender and by age;
- Carry out a qualitative assessment of the aspirations of women and men of various age groups, especially the most vulnerable, through focus group discussions, to solicit feedback on the challenges being faced by them, their views on solutions and coping mechanisms, culture conflict issues, and generational gap issues, as well as feedback on the training programs and how they can be improved;
- Monitor quantitatively as well as qualitatively the outputs, outcomes, and development impacts of the training programs on behavioral changes and productivity, track new and



improved income levels at the local level and contribution to gross national happiness at an individual and community level (if possible); track key success factors; and document lessons learned and project performance indicators.

- Carry out an independent evaluation, one at mid-term and the second one at the end of the project period. Based on the results of the mid-term evaluation, the project team will determine what steps, if any, may need to be introduced to improve performance or maximize project benefits.
- (c) Knowledge Dissemination. The project will support the preparation of *knowledge notes* on the activities and conditions that made a significant difference in improving the livelihoods of the vulnerable target group, and the interventions which may not have succeeded and the underlying reasons to avoid such mistakes in the future. The notes will be disseminated as widely as possible and used in the design of an expanded project for possible Bank or other sources of financing.

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

The project area consists of selected dzongkhags located in the south-western, south, and eastern parts of Bhutan (Samtse, Haa, Chukha, Trongsa, Dagana, and Wangdue in south western Bhutan and Pema Gatshel, Sandrup Jongkhar, Trashigang, and Trashi Yangtse in eastern Bhutan). The area in the western part of the project area includes 400 sq km covered by forest and 198 sq km of agriculture land. The Jigme Singye Wangchuck National Park is the only protected area in the proposed Project area. The Phobjikha valley, adjacent to the northwestern boundary of Jigme Singye Wangchuck National Park, has been recognized as area of special conservation value. It is the most important winter habitat in the country for the globally threatened black-necked crane. Some 200 of these cranes roost in the Phobjikha valley every winter (October to March). Areas of Athang and Phobji (partly in buffer zone) in the southeastern part of the Wangdue Dzongkhag fall inside the Jigme Singye Wangchuck National Park. The project will not undertake any construction activity and there will be no land acquisition.

#### **E. Borrowers Institutional Capacity for Safeguard Management**

The Project Management Unit (PMU) will draw on expertise available with the Ministry of Agriculture and Forests who are responsible for the implementation of the RRCDP including management of environmental and social safeguards and for issuing environmental clearances to project activities, and also carrying out periodic environmental compliance monitoring. MOAF has extensive capacity in dealing with safeguard management issues on account of their prior experience in undertaking World Bank projects (e.g. RCDP, Sustainable Land management Project and Diversified Rural Development Projects) that necessitated the identification, avoidance and mitigation of safeguard issues. MoAF will support the PMU in ensuring capacity development and implementation support for the ESMF, which will be prepared once JSDF funding is assured for the project. The ESMF will serve as a major Safeguard Policy and Plan. The ESMF will draw on lessons and experiences from the ongoing RRCDP.

#### **F. Environmental and Social Safeguards Specialists on the Team**

Environment Specialist – Farhat Chowdhury  
Social Development Specialist – Badita Sijapati



## II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered	Explanation (Optional)
Environmental Assessment OP/BP 4.01	X	Triggered, because the activities /interventions proposed may have low impacts on natural environment, human health, and safety. An ESMF will be prepared to guide the preparation and screening of investment project proposals to ensure that potential environmental impacts from any waste generated and resources utilized will be avoided, minimized, and mitigated as pertinent. Activities should ensure training and health and safety equipment as well as food safety protocols
Natural Habitats OP/BP 4.04	X	Triggered because it is expected that enterprises might include community-based tourism with youth engaged in guiding tours in forests and national parks areas. It is also expected that youth led enterprises will harvest and process forests' natural resources. The ESMF would ensure that endangered, threatened, or depleted species would not be harvested or adversely affected by the activity.
Forests OP/BP 4.36	X	Triggered because proposed the project areas have National Parks and Forests, and some economic activities will include processing of non-timber forest products. Enterprise activities will be undertaken in well-defined areas and will follow best forestry practices and management to be included in the ESMF as indicated by the policy for small-holder forestry activities. This will ensure that forests and natural resources are not affected. Project activities will not be undertaken in protected areas or protected forests
Pest Management OP 4.09		Not triggered because project interventions are not expected to involve any significant applications of pesticides and agro-chemicals
Physical Cultural Resources OP/BP 4.11	X	Triggered, as a precautionary measure, because there may be cultural sites in the project area;
Indigenous Peoples OP/BP 4.10		There are no known indigenous groups in the country.



Involuntary Resettlement OP/BP 4.12		No land acquisition or related impact on assets, infrastructure and livelihood. There will also be no restriction of access to national parks.
Safety of Dams OP/BP 4.37		Not triggered because the project will not support any activities in relation to dams
Projects on International Waterways OP/BP 7.50		The project will not undertake any activity on any water ways that will have an impact on international waterways or rivers.
Projects in Disputed Areas OP/BP 7.60		Not triggered because the project is not located in any internationally disputed areas

### III. SAFEGUARD PREPARATION PLAN

A. Will an Appraisal stage ISDS be required? [Y/N]

i. Yes.

An Appraisal stage ISDS will be prepared because the project triggers a number of Bank safeguard policies

ii. If Yes, tentative target for preparing the appraisal stage ISDS

The Appraisal stage ISDS will be prepared once JSDF funding is assured and an ESMF will be developed prior to appraisal.

B. Time frame for launching and completing the safeguard-related studies that may be needed.

May 30, 2015

C. The specific studies, their timing and disclosure should be documented in the appraisal-stage ISDS.

Disclosure of EA and EMP by June 30, 2015

### IV. APPROVALS

Task Team Leader:	Name: Winston Dawes	
Approved By:		
Regional Safeguards Advisor:	Name: Francis Fragano <i>A. Zia Aljeleg</i>	Date: <i>4/29/15</i>
Practice Manager:	Name: Shobha Shetty <i>Shetty</i>	Date: <i>4/28/15</i>



<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.