

EXECUTIVE SUMMARY

Majority of Bhutan's population lives in remote villages, often several days walk from the nearest road. The rural communities face enormous challenges in accessing public services and market opportunities for their farm products. Poverty in Bhutan is primarily a rural phenomenon with 38.3 percent of the rural population and 4.2 percent of the urban population living below the national poverty line of Nu 740.36 per capita per month. The absence of roads is a major contributing factor to poverty. Less than half of Bhutan's population lives within a half-day's walk from a road. Agricultural land covers 7.8 percent of the total area with several pockets of fertile soil. Land holdings are fragmented and small (two-thirds of farmers have holdings under two hectares), and farm mechanization is very limited. Almost two-thirds of women are employed in agriculture and 70 percent of them own land, making them the primary producers in the sector. Road construction and maintenance in Bhutan's mountainous terrain is a particularly challenging endeavor, and complicated by monsoon floods, landslides, and icy conditions.

Improving rural access is an important objective of the Royal Government of Bhutan (RGoB). The RGoB is implementing Rural Access Project in selected Dzongkhags with credit from the International Development Agency (IDA). Rural road infrastructure is critical not only for economic development of the area and its population, but also contributes significantly to overall social development. Besides providing improved transport services, it would reduce travel time and transport costs. Very remote areas of the country are expected to benefit through the Rural Access Project. In addition to IDA, the implementing agency, the Department of Roads (DoR) is also being supported with Technical Assistance from SNV, the Netherlands Development Organization. In the second phase of RAP, DoR under the Ministry of Works & Human Settlement (MoWHS) is seeking IDA support for financing construction of about 65-75 kms of feeder roads in Wangduephodrang and Dagana dzongkhags which cover an area of 5,427 km² including most of the west central part of the country. The RAP Phase II will comprise of two main components: a physical component and a capacity building and advisory services component, which will be combined with institutional strengthening to ensure efficient financial processes and fund flow, reporting, and environmental and social impact management.

Wangduephodrang is the second largest dzongkhag in the country with a total area of about 4,038 km² and elevation ranging from 800 to 5800 meters above sea level. The Dzongkhag consists of fifteen gewogs. There are 3,067 rural households, making up an estimated total population of 22,800. The higher altitude gewogs of Phobjikha, Gangtey, Sephu and Dangchu mainly depend on livestock rearing. The Phobjikha Gewog is known for winter nesting place of the black-necked cranes and potato cultivation. The Jigme Dorji National Park extends into the northern part while a major portion of the dzongkhag falls under Jigmi Singye National Park.

Dagana Dzongkhag lies in the west central region with a total area of approximately 1389 km² and the elevation ranging from 600m to over 3800m above sea level. The Dzongkhag consists of 11 gewogs with 2575 households and a population of 21,363. People are comprised of Ngalong, Sharchokpa, Khengpa and Lhotsapmpa. Settlements are fairly dispersed and remote.

In the four gewogs of Dagana and Wangdue dzongkhag, a socio economic survey was carried out that covered some 241 households with a total population of 1,822. Survey findings indicate that fifty two percent of the populations are women and on average there are 8.5 members per household. Forty seven percent of the sample population consisted of farmers, while 24% were students. According to survey results sixty-nine percent of the population is illiterate.

The land use type is predominantly dry land followed by wetland and *tseri*. The average land holding is 5.18 acres in Dagana, while in Dangchu the size of land holding is 2.91 acres.

In Dagana, there is a Renewable Natural Resources (RNR) Centre at Drujeygang which takes about 1-2 hrs to reach the centre from the surrounding villages. Tshangkha has an RNR Centre,

and there is Agriculture and Livestock centre at Lajab. Average walking distance to these centres is about 2- 3 hours walk. The nearest schools for the sample households are located at Drujeygang, Tshangkhatar, Phuensumgang under the Drujeygang, Tshangkha, and Lajab gewogs respectively. It takes about 1-3 hrs from different villages to reach the schools. There is a Basic Health Unit (BHU) in gewogs of Dagana located at Drujeygang, Tshangkhatar, and Phuensumgang. It takes about 2-3 hours walk from the villages. The nearest hospital is at Damphu in Tsirang dzongkhag, which is one-day walk from the gewog. Majority of the households reported access to emergency services as “poor”. The health status of the women and children was reported to be poor.

In Dangchu, Wangdue there is an RNR Centre at Tangrey. From the surrounding villages it takes about 3 to 3.5 hrs to reach the centre on foot. It takes about 3 hrs from Tashidingkha, to reach the nearest primary school at Tangrey, and about 1.5 hrs from Rida goenpa to reach the lower secondary school located at Nobding. There is a BHU at Tangrey which is 1.5 hrs far from Tashidingkha, and also at Bajo which is about 3.5 hours walk from Rida Goenpa. The nearest hospital is at Wangdue which is 3.5 hrs far from Rida Goenpa, and 5.2 hrs walk from Tashidingkha. Sixty percent of the sample households reported access to emergency services as “poor”. Health status of women and children was also reported as “poor”.

Major sources of income for the sample households include: sale of agriculture and livestock products, sale of animals, working as casual labour and hiring out of horses/mules. The annual average income of sample households was Nu 27,000 in Drujeygang, Nu 51,000 in Lajab, Nu 45,551 in Tshangkha, and Nu 38,194 in Dangchu, Wangduephodrang.

The households mainly incurred expenditures on purchase of essential food items, education of children, purchase of farm inputs, purchase of clothes, and contribution for village rituals (*Rimdo*). The average annual household expenditure in the three gewogs of Dagana ranged from Nu 14,669 to Nu 22,188. In Dangchu gewog of Wangdue, the average annual household expenditure was Nu. 15,616.

To facilitate the assessment and management of potential adverse social impacts arising from the project, the Department of Roads, MoW&HS has prepared a Social Assessment Framework (SAF) based on RGoB’s relevant legislation and guidelines including the Land Act (1979) and associated Land Compensation Rates (1996) as well as the World Bank’s Operational Policy (OP) 4.12 on Involuntary Resettlement and Operational Directive (OD) 4.20 on Indigenous Peoples.

The SAF details the guiding principles, policies and processes for assessing the project’s potential social impacts and defining opportunities to enhance benefits and mitigate adverse social impacts. It contains modalities for profiling socio-economic conditions, identifying stakeholder groups and analyzing their interests and concerns, conducting social screening to assess potential impacts and linking these findings to project design. The institutional structure to support social impact management, including capacity building requirements and monitoring and evaluation mechanisms are also detailed in the SAF. In accordance with relevant RGoB policies and procedures and World Bank’s OP 4.12, the SAF also includes a Resettlement Policy Framework (RPF) to address any potential impacts from loss of land, structures and assets, livelihoods and community resources.

This framework has been prepared on the basis of consultations with key stakeholders and project affected people, and the proposed project design of the project. Although developed on an analysis of impacts of the two proposed roads, it is a “project” framework applicable to other project roads to be constructed during the entire project period.

Key objectives of the SAF are to:

- Develop guidelines for identifying and assessing the nature and magnitude of social impacts and options for managing these impacts.
- Review RGoB's existing policies, operational procedures and practices, and institutional arrangements at the national, dzongkhag and gewog levels to address and mitigate social impacts.
- Assess the compatibility of the core principles of RGoB's policies and World Bank policies; identify any gaps, and present recommendations for addressing these gaps.

Consultations with primary stakeholders (beneficiaries, poor and vulnerable groups, people who may potentially be impacted adversely by the project) were carried out in selected gewogs and villages of the two project districts for identification and assessment of social impacts. The objective of these focus group discussions was to disseminate information about the project, seek the perceptions and concerns of community members about the positive and negative social impacts of the project, and their experience with voluntary land donation. Consultations were also carried out with secondary stakeholders, community representatives as well as gewog and dzongkhag administrations and the National Environment Commission (NEC).

The main stakeholders of the project include: the beneficiary community, including the rich, poor, and vulnerable groups. The Gewog level stakeholders comprised the Gewog administration, rural and social sectors and the GYT. At the Dzongkhag level the stakeholders comprised the district administration consisting of the rural and social development sectors (Health, Education, RNR, and Engineering) and the DYT.

Key findings from these consultations indicate that road has always been the top priority of people in Drujeyang, Tshangkha, Lajab and Dangchu gewogs. The proposal for a road in Dangchu was initiated by the people during the 8th Five Year Plan but was not constructed due to lack of funding. The people of Tshangkha and Lajab gewogs submitted a petition for road to Her Royal Highness Ashi Dorji Wangmo Wangchuk, the queen during her visit to these gewogs in 2002. The proposal for this road was reflected in the Road Master Plan 2002. All households in these communities had participated in the planning process and expect to be involved in the implementation of these plans.

The community members expect enhanced livelihoods through production and sale of farm produce, increase in crop yields and easier access to new farming technology as positive social impacts of the project. They also expect better access to health and education services. The most negative social impact identified by community members was the potential for loss of small parcels of land. However, according to a majority of stakeholders consulted, the benefits of the project outweigh impacts from minor losses of land. There was broad consensus in all these communities that land acquired by the project would be voluntarily donated. The informal and formal procedures for voluntary land donation were viewed by these community members as satisfactory and working well. No major negative impacts were anticipated through loss of large parcels of land, assets, livelihoods and relocation during project implementation.

Separate consultations were carried out in these communities with vulnerable people, including women and women headed households, the most poor, farmers with small land holdings and the landless to ascertain their views and perceptions about the project. Out of a total of 141 vulnerable people consulted, 71% of them were women. Many of them were divorcees having many children. Generally, they own less than half an acre of land or are landless with limited sources of income. They do not expect the road to benefit them directly, but they hope that the opportunities for employment may increase with the increased economic activities after the road. The poor and single divorcee women expect to get better access to health services after the road. The poor households expressed that they will leave compensation assistance to the government if they are faced with any adverse impacts.

From these consultations it appears that all households irrespective of their social and economic status were represented during the planning process. Site visits also concluded that there were no social groups present in these communities with a social and cultural identity distinct from the dominant society that makes them vulnerable to being disadvantaged in the development process. The policy requirements of the World Bank's Operational Directive 4.20 on Indigenous Peoples to ensure the participation of indigenous and vulnerable groups in decision making throughout the planning and implementation phases of the subprojects, and that these groups are provided assistance in accordance to their priorities are addressed by the design of the project.

A stock taking of experiences and lessons learned from the implementation of the First Rural Access Project (RAP I) was carried mainly through review of Annual Impact Monitoring Reports, project documents, and consultation with executing agency (DoR) and the Dzongkhags. This is expected to guide implementation of the future projects on rural access. Key findings and suggestions are summarized below.

The RAP Phase I roads have started to contribute positively on the improvement of livelihood of the communities. The roads have provided easy access to communication, health, education, and agricultural services to the rural communities. With the introduction of transport services, the travel time has been significantly reduced. Transportation of marketable surpluses and household consumables is easier and cheaper after the road. The communities are now relieved from contributing free labour for transportation of construction materials for schools, BHUs, and other infrastructure. The road has brought great relief to women from carrying loads for developmental works. New shops have come up and the trade and business has picked up. New developmental activities are planned after the road. It is expected that there will be more employment opportunities for the youth in the rural areas. No negative impact to the communities or to the environment has been observed. The beneficiary communities have expressed their willingness to participate in the maintenance of the roads

For planning and selection of new roads there is a need for greater involvement of the beneficiary communities and the Dzongkhags especially during the feasibility studies. The vulnerable, poor and the affected households should be enabled to express their views on problems, needs and aspirations. A better coordination is required at the planning stage involving all stakeholders. A dzongkhag level rural access master plan is required for selection of new roads. Guidelines and selection criteria needs to be developed.

The rural access development through roads needs to be linked with other development programmes to bring in the desired impact of the roads. The alignment of road should ensure connection to as many settlements as possible. The project support for EFRC should continue to build the required capacity. The monitoring on compliance of specifications for the EFRC should receive more attention. *As a part of the award of contract, it is recommended that a mandatory provision of a clause is required for repairs in case of damages of community assets like irrigation water supply etc.*

More awareness needs to be created among contractors on the obligation and liabilities. There is a need to improve the capacity of the contractors in preparing and submitting bids. For the supervision of project site activities, a systematic supervisory mechanism needs to be put in place. There is a need to improve DoR capacity for supervision of work and the contractors should be involved in monitoring of the works.

For land acquisition and resettlement planning, the RGoB should consider revising the land compensation rate due to increasing cost of land even in rural areas. The land acquisition process should include surveyors for proper assessment of the affected areas. There is a need

to build capacity within the DoR or MoW&HS to address social issues. A full time social development officer is required to coordinate and lead the social impact management

To assess the precise nature and magnitude of social impacts, social screening will be carried out as part of the feasibility studies for each road. A standard social screening format has been prepared which builds upon the current environmental screening guidelines. To the extent possible, social and environment screening should be carried out together with technical and economic screening. Social screening will identify the potential for loss of land, assets/structures, livelihoods, willingness of the community to donate land to the project, and other significant social impacts.

The results of this review will provide recommendations for the exclusion of the project if involuntary land acquisition or serious social impacts are anticipated. *The social screening criteria agreed with the World Bank is expected to eliminate all project sites that may require the acquisition of privately owned land for first year subprojects.* Social screening will also enable the categorization of projects based on their level of social impacts. Where the extent of adverse social impacts is minor and no displacement or loss of assets or livelihoods is expected, further social assessment will not be necessary. However, for those projects where there is a potential for land acquisition and/or significant social impacts, detailed social assessments/studies will be carried out and if required appropriate social safeguard instruments (i.e. Project Resettlement Action Plans) developed.

Social screening has been carried out for the two project roads as part of the social impact assessment. In both project roads these were no adverse social impacts observed. Initial screening findings indicate that any extra land for the proposed project roads will only be voluntary through voluntary land donations. No relocation of people is anticipated. No lands, houses or other private properties of the people were affected. Land acquisition for project roads is to be acquired on a voluntary donation basis. Also, none of the potential beneficiaries would lose 25% or more of their land as any land acquisition is expected to be very small. The acquisition of privately owned land and relocation of people affected by project activities appears unlikely. The project is also not expected to impact people's income and livelihoods. Vulnerable groups in the communities project works to be implemented likewise would not be adversely impacted. Further, the project is also not expected to impact adversely on common property resources namely religious and cultural sites and structures. The result of the screening confirms the nature of social impacts identified through stakeholder consultations and site visits to gewogs where similar works have already been implemented. No relocation of people is anticipated. The screening findings will be discussed with design engineers and to the extent possible incorporated into project design to avoid or minimize impacts.

Both the roads under the projects are expected to cause minimal negative social impacts. Therefore, resettlement is unlikely in these two road sections. However, as a precautionary measure, a Resettlement Policy Framework (RPF) has been prepared to address any impacts arising from the construction of these two proposed feeder roads involving: (i) loss of land; (ii) loss of homes/structures; (iii) loss of livelihood systems/income opportunity (due to the lost of productive land or impact to a structure where a livelihood activity is being carried out); and (iv) loss of community property resources (religious structures, grazing land).

The RPF defines the legal, institutional and implementation framework to guide the compensation for lost assets, livelihoods, community property, and resettlement and rehabilitation of project affected people in accordance with the World Bank's Operational Policy 4.12 on Involuntary Resettlement and RGoB guidelines and legislation. Key provisions of RGoB's Land Act (1979) and the World Bank's policy were compared, policy gaps identified and recommendations made to address these gaps. This review formed the underlying basis of

developing the RPF, especially the policy matrix for entitlements for losses suffered under the project. The RPF will be applicable to all road projects funded under RAP Phase II.

To the extent possible, the project will consider alternative engineering designs to minimize adverse social impacts and land acquisition. Where the social screening indicates that land acquisition and/or loss of assets is unavoidable, a project Resettlement Action Plan (RAP) will be prepared for which the RPF provides guiding principles and procedures. The RAPs will be based on more detailed social assessment and include the following:

- Project and subproject description.
- Description of subproject losses and impacts.
- Baseline survey and census data.
- Policy entitlements related to additional impacts identified through the survey or census.
- Time-bound implementation plan.
- Costs and budgets.

Implementation arrangements to support social impact management will basically follow normal practices, policies, and procedures. There will be a Project Management Unit in the DoR which will be responsible for overseeing the implementation of SAF activities. Oversight of the social aspects of the project will be done in close collaboration with geog and dzongkhag administrations. Implementing agencies will be decentralized and essentially comprise the 4 gewogs and 2 dzongkhags in the project area.

The data collection and reporting procedures will follow the existing guidelines on Monitoring and Evaluation. At the gewog level M&E activities will be the responsibility of the GYT. At the dzongkhag level, the District Planning Officer will be the key individual for collection M & E data, including data relevant for monitoring social impacts. Tracking overall progress of the program will be the responsibility of the DoR and the MoW&HS. Project implementation will require coordination between different agencies and departments. In line with the Environment Act and following the practice of other ministries, MoW&HS will appoint internal suitably qualified staff to provide coordination and oversight on the social aspects of the project. Many of the decentralized implementation arrangements are new and capacity-building is needed at gewog, dzongkhag and MoW&HS levels to effectively implement social impact management activities and if necessary resettlement action plans. The institutional strengthening component of the project will include training to build capacity on social screening, assessment and mitigation.

In line with the Environment Act, there is a need to strengthen the capacity on social management through additional training to existing (and proposed) environmental officers and road engineers, so that they have the technical ability to manage the identification, mitigation, and monitoring of the social impacts of new developments.