

Final, April 2010

Project Document Addendum¹

COUNTRY: Iran (Islamic Republic of Iran)

UNDAF OUTCOME:	Global environmental concerns and environmentally sensitive development integrated in national development frameworks and implemented
UNDP Strategic Plan Outcome:	Environmental and energy issues mainstreamed into development planning
Expected Country Programme Outcome:	<i>Policy and community-based interventions in key threatened ecosystems, watersheds and trans-boundary water bodies designed to protect the human environment, biodiversity and natural resources</i>

EXECUTING ENTITY: *Ministry of Jihad Agriculture*

IMPLEMENTING AGENCY: *Forest, Rangeland and Watershed Management Organisation (FRWO), Desert Affairs Bureau*

SUMMARY:

The 1st phase of the *Carbon Sequestration in Desertified Rangelands of Hosseinabad project (CSP1)* was initially funded by the Global Environment Facility (GEF) and the Government of I. R. Iran in 2003 for a duration of 7 years at a pilot site encompassing some 30 villages in *Hosseinabad Sarbisheh, South Khorasan Province*. The project aimed to demonstrate that degraded natural resource base can be cost-effectively restored and sustainably managed by local communities and for their own benefit, and that the rangelands thus rehabilitated possess a significant potential for the absorption and retention of atmospheric carbon in plants and soil. Upon the successful implementation of CSP1, FRWO and UNDP agreed to continue their cooperation by adding a second phase to the project. The CSP2 intends to employ participatory methods for sustainable empowerment of local communities so that the communities assume ownership and responsibility for the restoration, conservation and sustainable use of the local environment on which they depend for livelihoods. The project will advocate and demonstrate full participation of beneficiary communities in decisions and activities concerning the management of natural resources in their own areas. Lessons learned from participatory land rehabilitation and management of natural resources can be replicated throughout Iran and even in other countries where applicable.

Management Arrangement:	<i>National Implementation</i>	Budget (US\$)	
Programme Period:	<i>UNDP CP 2005-2009 (extended)</i>	Government (Cash):	1,500,000 (Rial Equivalent)
Programme Component:	<i>CP Outcome 39</i>	UNDP:	600,000
Project Title:	<i>Carbon Sequestration in Desertified Rangelands of Hosseinabad – Phase II</i>	Total:	2,100,000
Award ID:	<i>00013110</i>		
Extension Duration:	<i>5 years (March 2010-December 2014)</i>		

For Government of I. R. Iran:

Foroud Sharifi Head of FRWO

Signature: 

Date: 27. April 2010

For UNDP

Consuelo Vidal Bruce Resident Representative

Signature: 

Date: 14. April 2010

¹ This document is an addendum to the Project Document of Carbon Sequestration in Desertified Rangelands of Hosseinabad Project signed between Government and UNDP in 2003. Legal and administrative terms and conditions as stipulated under the aforesaid agreement shall apply to this Addendum.

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ACRONYMS

CSP1	Carbon Sequestration in Desertified Rangelands of Hosseinabad Project - Phase 1	پروژه ترسیب کربن در مراتع بیابانی شده حسین آباد – فاز 1
CSP2	Carbon Sequestration Project in Desertified Rangelands of Hosseinabad Project - Phase 2	پروژه ترسیب کربن در مراتع بیابانی شده حسین آباد – فاز 2
FRWO	Forests, Rangelands and Watershed Management Organisation	سامان جنگلها، مراتع و آبخیزداری
GIRI	Government of Islamic Republic of Iran	دولت جمهوری اسلامی ایران
HDI	Human Development Index	شاخص توسعه انسانی
NDP	National Development Plan	برنامه پنج ساله توسعه اقتصادی، اجتماعی و فرهنگی
NPC	National Project Coordinator	هماهنگ کننده ملی طرح
NPD	National Project Director	مدیر ملی طرح
NPM	National Project Manager	مجری ملی طرح
NRM	Natural Resources Management	مدیریت منابع طبیعی
PB	Project Board	هیئت عالی پروژه
SO	Project Site Office	دفتر منطقه ای پروژه

BACKGROUND

The 1st phase of the *Carbon Sequestration in Desertified Rangelands of Hosseinabad project (CSP1)* was initially funded by the Global Environment Facility (GEF) and the Government of I. R. Iran in 2003. A project document was officially signed by the Forests, Rangelands and Watershed Management Organization (FRWO) of the Ministry of Jihad Agriculture (National Implementing Agency) and UNDP (GEF Implementing Agency) on 15 April 2003 to be implemented in selected villages of *Sarbisheh Township, South Khorasan Province* over a period of 6 years ending December 2009. Actual implementation started in 2004. The project site of CSP1 is an area of 144,000 hectares of degraded rangelands of *Hosseinabad Plain* encompassing 31 villages with a total population of 3,290.

From a global standpoint, the project aims to demonstrate that degraded natural resource base can be cost-effectively restored and sustainably managed by local communities and for their own benefit, and that the rangelands thus rehabilitated possess a significant potential for the absorption and retention of atmospheric carbon in plants and soil.

At the national level, the project aims to enhance effectiveness of the national combat against desertification by applying a community based approach that places local people at the centre of activities concerning the rehabilitation and management of natural resources.

Locally, rehabilitation of the project site and improvement of the socio-economic situation of local communities are aimed to help eradicate poverty and enhance Human Development Index (HDI) in target communities.

The project aimed to achieve its goals by promoting and demonstrating participatory management of natural resources, organizing villagers into Village Development Groups (VDG) and diversifying income sources, thus reducing pressure on the natural resource base. The knowledge and experiences generated by the project were to be documented for further application in similar areas in Iran and even in other countries as applicable.

In view of the good results that the project produced and to boost the achievements, additional funding of \$1,300,000 (cash and parallel financing) was made available to the project by FRWO and UNDP in 2008 and 2009. The first phase of the project was completed in 2009 ready for a final evaluation to be carried out by independent evaluators in 2010.

The CSP1 has been successful in establishing and demonstrating a model for community-based approaches to natural resource management. The social mobilization mechanisms employed by the project, including the micro-credit/micro-saving schemes and the Village Development Group (VDG) network created under the project have shown significant impact. Likewise, the participatory rehabilitation of rangelands has proved effective and cost-efficient. Major achievements of the project in its first phase include:

- A wealth of knowledge and experience on participatory management of rangelands;
- Participatory rehabilitation and conservation of 13572 *ha* of degraded areas;
- 80.6% reduction in the consumption of fuel-wood by local communities as a result of the introduction of new sources of energy;
- A locally adjusted model for carbon sequestration in dry land ecosystems;

- Demonstration and promotion of innovative land and water management techniques at pilot level, which have been extended to some other parts of the country;
- A network of VDGs (mixed, male, and female) that oversee the use of Micro-credit mechanism;
- A set of micro-credit/micro-saving schemes at VDG level;
- Enhanced vocational skills among local inhabitants, particularly women;
- 130 small business initiatives that contribute to improved livelihoods at the village level; and
- Significantly increased awareness at local and national levels regarding partnership with local people to restore and protect the natural resources.

During the first phase of the project, 25, 8, and 7 mixed, male and female village development groups have been formed respectively. A board of representatives composed of two persons from each VDG (chair and secretary) meets every 45 days to oversee the work of VDGs. In order to provide a legal stature to the VDG system, a cooperative company (Alghadir Cooperative) was established in 2008 to bring all VDGs under one legally registered umbrella institution.

RATIONALE FOR CSP2

In view of the achievements of the project in local capacity building, gender empowerment, small enterprise generation and participation of local villagers in cost-efficient rehabilitation and management of degraded rangelands, the FRWO and UNDP agreed to further strengthen and scale up the impacts of the project by defining and budgeting a second phase to the project, the CSP2. The following points provide the rationales behind the decision:

- a) The project illustrates a best practice case of how the poverty-environment nexus can be addressed in participation with local stakeholders to manage natural resources while helping rural people to mobilize their own capacities and resources for improved living standards. The project has disseminated awareness and knowledge among local people and authorities on how to cooperate in natural resource management. This innovative approach has attracted attention and interest of authorities and institutions at national level.
- b) FRWO has set to start similar initiatives in other parts of the same province and in other provinces of the country to impact the provincial decision making and to introduce new NRM approaches to national and provincial decision makers. To that end, the capacities already built in pilot villages under CSP1 should be effectively put to work for proliferation in new areas. However, the aforesaid capacities are still fragile and need to be further strengthened. CSP2 will help the capacities and results to become more robust, hence more effective to reproduce themselves in other areas. The second phase of the project should strive to introduce the project concept and methods upwards in the FRWO (and Government at large) because sustainability of results cannot be guaranteed unless they impact larger scale planning and decision making schemes at sub-national and national levels.
- c) The local Human Development Index (HDI), as monitored over the past few years, has indicated a steady increase. HDI is however a long term indicator that can only show meaningful changes over a longer period.
- d) Despite the efforts, the market loop for local products has yet to be closed by taking a systematic approach to production and marketing of these products.

- e) In the second phase, efforts should be made to create a network of national/provincial advocates of participatory work amongst government institutions.
- f) The training centre aimed to be established in the second phase will bring together national and international partners and create Iran's first knowledge hub for promotion and dissemination of participatory natural resource management.

In light of the above and in view of the fact that rural community development and natural resource rehabilitation in dryland areas are slow processes, termination of the project at this point seems to be premature and a threat to the sustainability and replication of project outcomes; hence the need for further extension of the project.

CSP2 PROJECT AREA

The project area for CSP2 is envisaged to include that of CSP1 and extend further to neighbouring villages. The selected area is located east of *South Khorasan Province* 32° 20'to32° 39'North and 59° 57' to 60° 13' East within the *Momen-Abad Sub-district (Dehestan)*. According to 2006 official census, the expanded project area encompasses 48 villages, 1,519 households and a population of 6,735. The largest village in this area is *Nazdasht*. The area is part of the *Hosseinabad-e-Gheinab* water basin. Access to the area is maintained through the *Sarbisheh-Dorh* paved road which branches out from *Sarbisheh-Nahbandan* main road into the *Hosseinabad Plain*. See Table 1 and Figure 1 for more details

Table 1. Basic project site data

Population:	4,926
Number of Villages:	40
Number of households:	1,139
Number of existing VDGs (end 2009):	39 (25 mixed, 7 female and 8 male)
Climatic conditions:	Arid (Average annual Precipitation: 80 mm)
Mean annual evaporation:	3,050 mm
Mean annual temperature:	16°C
Minimum and maximum elevation	1328 and 2347 metres above sea level
Total watershed area:	144,000 hectares
Arable land area:	678 hectares
Rangelands area:	94,970 hectares
Livestock:	34,887 heads

Source: Basic households and population census years 1385

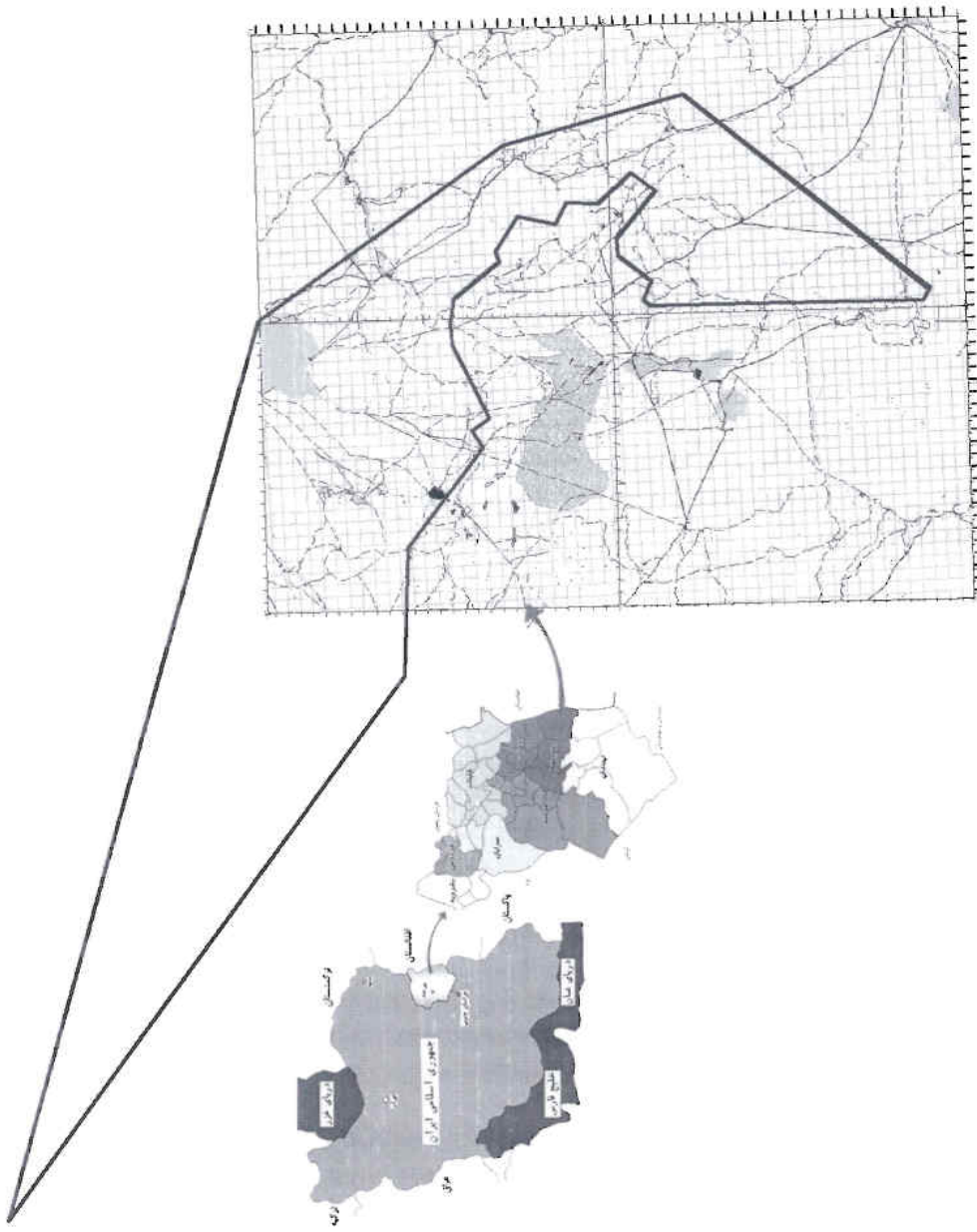


Figure 1. Sketch map of CSP2 project area

PROJECT DESCRIPTION

CSP2 intends to use participatory methods for sustainable empowerment of local communities so that the communities assume ownership and responsibility for the restoration, conservation and sustainable use of the local environment on which they rely for livelihoods. The project will advocate and demonstrate full participation of beneficiary communities in decisions and activities concerning the management of natural resources in their own areas. Lessons learned from participatory land rehabilitation and management of natural resources as well as best practices and experiences can be used to instigate similar endeavours throughout Iran and elsewhere.

The CSP2 will receive financial resources from FRWO and UNDP under a cost-sharing arrangement (see Appendix IV). Also, search will be made to identify potential third party donors.

The most important objective of CSP2 is to ensure that people are fully involved in sustainable management of natural resources. This objective will be achieved through creation of new VDGs and strengthening of the existing ones so that these village level entities are legally identified, represent the needs and interest of villagers and work as a vehicle for local development. Project activities will include employment generation, extension and marketing of village products, application of innovative methods of farming and natural resource management, improving livelihoods and enhancing socio-economic indicators, and public awareness. A bottom-up planning approach will be used to achieve the desired results. Especial attention will be given to the transfer of knowledge and experience among villagers.

The project will particularly focus on three main outcomes as follows:

1. Participatory rangeland management practices (as established in Phase 1) are further strengthened in target areas and the impacts on carbon sequestration monitored and documented;
2. Local communities further empowered and their livelihoods improved; and
3. Community-based and bottom-up decision making for natural resource management is advocated and promoted at national level.

While strengthening the existing VDGs, the project will extend its coverage to new villages in the same sub-basin where new VDGs will be established.

To provide for systematic dissemination of project knowledge to national beneficiaries, the existing facilities at the project site will be used to establish a Participatory Natural Resource Management Training Centre. The Centre will be linked to the *South Khorasan Natural Resource Research Institute* in *Birjand* and will be established and equipped by the project. Under the auspices of FRWO and in collaboration with *Alghadir Cooperative*, the Training Centre will serve as a "centre of excellence" for participatory natural resource management. The Centre will seek to establish links with national academia and relevant international and regional agencies (e.g. FAO, UNESCO).

Upon the inception of CSP2 a detailed business model will be prepared and approved by the Project Board in consultation with relevant parties. The business model should be designed and implemented so as to ensure cost recovery and financial viability of the Centre in the long run.

ASSUMPTIONS AND RISKS

This Project Addendum has been prepared based on the assumption that: (1) the same FRWO authorities as in CSP1 will remain in charge of project implementation and assume responsibility for project results; (2) the UNDP Cost-sharing modality (as described in Budget Section below) will be fully observed.

Currently, the potential risks that may affect the project are known to be those summarized in Table 2. A *Project Risk and Issue Log* shall be created and regularly updated off-line and in UNDP ATLAS system. Due diligence shall be exercised to identify and address any new risks and issues as such risks and issues arise.

Table 2. Initial project risks

Risk Category	Risk Description	Risk Likelihood and Impact
Operational	Changes in FRWO's and governmental line of affiliation within Government system or changes in the immediate management of the project may cause delays/setbacks .	L: low I: high
Financial	Cost-sharing contributions may not be provided in time and/or in due amounts.	L: moderate I: high
Environmental	Extreme cases of drought, flood, pest and disease outbreak; extreme climatic conditions may occur in project area.	L: not known I: high
Political	Local conflicts may arise due to the diversities in religion, ethnicity, etc.	L: low I: high
	Inadequate interest/support by local government may affect project progress in case of a policy shift from participatory to top-down planning.	L: low I: high

MANAGEMENT ARRANGEMENTS

Project Management Structure

The CSP2 will be implemented under the UNDP National Implementation (NIM) modality and through UNDP's *Cost Sharing* arrangements that require for UNDP to receive the Government contributions to the project in advance and in lump sum installments (See Budget section below). Continuation of project implementation will be conditional upon the timely observation of the aforesaid Cost Sharing arrangements.

In line with the rules and procedures governing the NIM, FRWO (represented by the Director General of its Deserts Affair Bureau as the National Project Director (NPD)) will be entrusted with full responsibility for effective and efficient use of project resources, production of planned outputs, and materialization of the intended outcomes. The NPD also assumes full responsibility for the planning and implementation of project activities as indicated in the Results and Resources Framework and Budget Table in the following sections of this document.

A *Project Board* (PB) comprised of the three following roles will be established to oversee project implementation and ensure that quality Outputs are produced towards intended Outcomes (see Annex I. for composition of PB):

- Senior manager (Chair): NPD;
- Senior Supplier: Representatives of Ministry of Foreign Affairs, SPAC, FRWO, relevant line ministries and UNDP; and
- Senior Beneficiary: FRWO, local communities, local authorities, etc.

FRWO will assign a National Project Coordinator (NPC). NPC, assisted by one National Professional (to be paid from project budget) will assist the NPD to oversee project implementation. NPC and National Professional will be positioned at the NPD's office in Tehran. The NPD, in consultation with UNDP, will identify and assign a National Project Manager (NPM) either by secondment of a FRWO staff or through direct recruitment. In the latter case the NPM will be paid from project budget for his/her salary based on an agreed scale. Under the supervision of the NPM, a Project Office (SO) will be established in Birjand within the premises of the South Khorasan Natural Resource Bureau. Under the PB, Provincial Committee (PC) will be established at the provincial level to ensure links between the project and the provincial planning fora.

The project will develop a comprehensive and effective participatory Monitoring and Evaluation (M&E) mechanism to be overseen by an M&E Officer. Monitoring and reporting on substantive progress of the project and achievement of results will be outsourced to a competent entity under the supervision of the M&E Officer.

Gender considerations, including provisions for empowerment of local women shall be mainstreamed in all aspects of the project. To that end, an International Gender Specialist will be recruited on a part time basis and in collaboration with other projects of UNDP as appropriate. The Gender Specialist will work with national and local partners and beneficiaries to ensure that gender related dimensions of the project are duly addressed.

Annual and quarterly plans, as well as other project plans (Procurement Plan, Training Plan, M&E Plan, and Communication Plan, etc.) will be prepared by Project Office in consultation with UNDP for approval by PB. Where applicable, standard NIM templates should be used for planning and reporting purposes.

FRWO will continue to provide office space and utilities to the project. All assets and equipments procured under CSP1 will remain at the custody of, and available to the Project Office for intended purposes.

Support Services by UNDP

UNDP will provide Project Assurance services in consultation with project management and M&E Advisor.

The Implementing Partner (FRWO) may, from time to time, request UNDP to provide support services in the implementation of project activities in various areas such as:

- Identification and/or recruitment of project personnel and consultants;
- Identification and facilitation of training activities;
- Procurement of goods and services including customs clearance;

- Travel management services;
- Financial record management;
- ICT and external ATLAS services; and
- Logistical support to project events.

Terms, conditions and prerequisites as stipulated in the Letter of Agreement for the Provision of the Support Services apply (see Appendix I).

General Management Service (GMS) and Implementation Support Service (ISS) costs will be charged to FRWO contributions as per the concerned UNDP rules and procedures. Based on the UNDP Cost Recovery Policy (see Appendix 2) the project will be charged 3% GMS for Government Cost Sharing Contribution. If the project receives other contributions in future the applicable GMS rate will be applied accordingly. ISS will be charged based on the applicable Local Price List of the current year (see Appendix III) for services provided in the implementation of the project.

External Access to UNDP-ATLAS

UNDP will use its corporate programme management and monitoring system (ATLAS) to track and record progress of project implementation including financial delivery. *External Access* to ATLAS will be provided to the designated authority of the project. The Project Office will maintain its internal financial system to track financial transactions of the project.

Project Organigram and terms of reference of project staff, consultants and oversight bodies are attached as Annex I. More guidance on NIM is available at UNDP Programme and Operations Policies and Procedures.

The existing project website will continue to be used as a rich and reliable source of communication and knowledge sharing. The website will be updated on a quarterly basis.

BUDGET

The total project budget is US\$ 2.1 million comprised of US\$ 1.5 million Government Cost-Sharing contribution and US\$ 600,000 from UNDP Regular Resources (TRAC 1&2). FRWO will provide in-kind contributions (personnel, office space, utilities, maintenance, etc) equal in value to US\$ 300,000.

Government cash contribution to the project will be provided in accordance with the rules and procedures governing the *UNDP Cost-sharing modality*, which requires the transfer of funds by FRWO into UNDP accounts. Table 3 indicates the agreed schedule of cost-sharing payments. A tolerance period of 3 calendar months will be acceptable beyond the agreed dates stipulated in Table 3. UNDP may unilaterally suspend or terminate the project in case the aforesaid tolerance period is exceeded.

Project funds will be disbursed on planned activities as indicated in Annual Work Plans and Procurement Plans of the project. Such disbursement will be made by UNDP, upon receipt of a Request for Direct Payment (RDP) signed by NPD along with copies of supporting documents confirming that the concerned goods and services have been delivered to NPD's satisfaction. Original supporting documents (contracts, invoices, etc.) will appropriately be kept on record at the Project Office and ready for disclosure to auditors at the time of annual project audits. No advance payments shall be made under this project.