



Royal Government of Bhutan



Global Agriculture & Food Security Program

Building Resilient Commercial Smallholder Agriculture (BRECSA)

Funding Proposal prepared by the Ministry of Agriculture and Forestry (MoAF)
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Supported by:



Acronyms

ADB	Asian Development Bank
AMIS	Agriculture Marketing Information System
ARDC	Agriculture Research Development Centre
ARP	Agriculture Resilience Plan
BAFRA	Bhutan Agriculture and Food Regulatory Authority
BAOWE	Bhutan Association of Women Entrepreneurs
B2B	Business to Business Linkages
B2S	Business to Services Linkages
BDBL	Bhutan Development Bank Limited
BRESCA	Building Resilient Commercial Smallholder Agriculture
CARLEP	Commercial Agriculture and Resilient Livelihoods Enhancement Programme
CLEAR	Consolidated Livelihoods Exercise for Analyzing Resilience
COSOP	Country Strategic Opportunities Program
COVID	Coronavirus disease 2019 (SARS-CoV-2 virus)
CSA	Climate Smart Agriculture
CSI	Cottage and Small Industries (Development Bank)
DAMC	Department of Agriculture Marketing and Cooperatives
ECP	Economic Contingency Plan
EOP	End of Project
FAO	Food and Agricultural Organization
FCBL	Food Corporation of Bhutan Limited
FCS	Food Consumption Score
FIES	Food Insecurity Experience Score
FSAPP	Food Security and Agriculture Productivity Project
GAFFSP	Global Agriculture and Food Security Programme
GNHC	Gross National Happiness Commission
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IPM	Integrated Pest Management
MAGIP	Market Access and Growth Intensification Project
MDD	Minimum Dietary Diversity
MFI	Micro Finance Initiative
MOAF	Ministry of Agriculture and Forests
MSP	Multi-stakeholder Platform
MTR	Mid-Term Review
NDC	Nationally Determined Contributions
NSB	National Statistical Bureau
NTFP	Non-Timber Forest Products
Nu	Ngultrum (Bhutanese currency)
ODA	Official Development Assistance
PDO	Project Development Objective
PLMS	Planning and Monitoring System
PMU	Project Management Unit

PPD	Policy and Planning Division
PPP	Public Private Partnership
PRA	Pest Risk Analysis
RAA	Royal Audit Authority
RAMCO	Regional Agriculture Marketing and Cooperatives
RENEW	Respect, Educate, Nurture and Empower Women
RGOB	Royal Government of Bhutan
RNR	Renewable Natural Resources
SWOT	Strength, Weaknesses, Opportunities and Threats
UNFCCC	UN Framework Convention on Climate Change
WFP	World Food Programme

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GAFSP - Country Proposal: Building Resilient Commercial Smallholder Agriculture (BRECSA)

SECTION 1: BASIC DATA

a. Project Name	Building Resilient Commercial Smallholder Agriculture (BRECSA)
b. Submitting Country	Bhutan
c. Ministry responsible for implementation	Ministry of Agriculture and Forestry (MoAF)
d. Primary Country Contact	Mr. Karma Tshering Chief Planning Officer Policy and Planning Division (PPD) Ministry of Agriculture and Forestry (MoAF) Royal Government of Bhutan (RGoB) karmat@moaf.gov.bt
e. Total GAFSP Grant Funding Requested (refer to Annex 1 – Project Budget Table)	Amount Requested: US\$ 13 million Minimum Amount Needed: US\$ 10 million
f. Estimated project start and end date:	January 2023 – December 2027 (5 years)
g. Preferred Supervising Entity	
<p>Supervising Entities for Investments and Technical Assistance (Select only one)</p> <p><input type="checkbox"/> African Development Bank (AfDB)</p> <p><input type="checkbox"/> Asian Development Bank (ADB)</p> <p><input checked="" type="checkbox"/> International Fund for Agricultural Development (IFAD)</p> <p><input type="checkbox"/> Inter-American Development Bank (IDB)</p> <p><input type="checkbox"/> World Bank (WB)</p> <p>Supervising Entities for Technical Assistance only (optional)</p> <p><input type="checkbox"/> Food and Agriculture Organization (FAO)</p> <p><input checked="" type="checkbox"/> World Food Programme (WFP)</p> <p>If more than one Supervising Entity is selected, provide the anticipated cost share between them.</p> <p>[80] % of the grant will be implemented through IFAD as the investment Supervising Entity</p> <p>[20] % of the grant will be implemented through WFP as the Technical Assistance Supervising Entity</p>	
h. Has the country previously received a GAFSP grant?	
<p><input checked="" type="checkbox"/> Yes, see Annex 4</p> <p><input type="checkbox"/> No</p>	

SECTION 2: PROJECT DESCRIPTION

2.1. Project Development Objective

Commercialisation of agricultural value chains toward resilient food systems and post-COVID economic recovery in Bhutan.

2.2. Provide a clear description of the proposed project

Rationale and approach

The proposed project builds upon existing programmes in Bhutan that have successfully supported the production and commercialisation of agriculture. Examples include IFAD's Commercial Agriculture and Resilient Livelihoods Enhancement Programme (CARLEP); the World Bank's GAFSP supported Food Security and Agriculture Productivity Project (FSAPP); and the National School and Institutional Feeding Programme overseen by the Ministry of Education and WFP.¹ This project directly addresses systemic barriers in the agriculture sector; and post-COVID challenges and priorities identified in Bhutan's Renewable Natural Resources (RNR) Strategy 2040, the draft RNR Market Strategy (both

¹ Programme links include: [CARLEP](#), [FSAPP](#) and [ALMC](#)

2021), and food self-sufficiency policy. These policies call for Bhutan to “Build Back Better” in ways that contribute to economic and social recovery while also meeting the Country’s UNFCCC Nationally Determined Contributions.²

Chronic barriers to value chain development were brought to the fore by the COVID-19 pandemic. These include the inability to produce sufficient volumes of food and to facilitate effective aggregation and transport to markets, which led to a sharp increase in food insecurity in the country. The dependency on food imports to meet national needs came into sharp relief in 2020 and the enactment of a food self-sufficiency policy took on greater urgency. Weak farmer-to-market linkages have led in turn to a growing frustration among producers looking to sell products, grow incomes and invest in productive assets. They are also undermining opportunities for Bhutan to attract inward investment to support a nascent private sector of local food processors, aggregators, transport providers and traders.³ Further complicating the development of the rural and agriculture sector is the impact of current and anticipated climate change effects. Increasing incidences of extreme rainfall and hail events, pest infestations and shifting agro ecological zones are imposing an additional burden on smallholder farmers. The COVID-19 pandemic also caused job losses in various sectors, especially tourism, leading to up to 30,000 people having to seek work or migrate back to their villages.⁴ Youth unemployment, a perennial problem, was further exacerbated.⁵ The increase in labour in rural areas however provides opportunities for strengthening the agriculture sector in which labour shortages have been a limiting factor.

The project will work through inclusive value chain development approach to address the gaps between producers, traders and consumers that are posing a challenge to the sustainability and resilience of Bhutan’s food and farming systems. The project interventions will focus on the following: commercialisations and diversification of farm systems and products meeting market requirements; strengthening of existing value chains (VCs) and developing of new VCs; finance enabling small-scale infrastructure (on-farm water and soil conservation, aggregation centres, cold storage, milk chilling centres etc.); post-harvest processing and ensuring products meet internationally recognised food standards as set by the Bhutan Agriculture and Food Regulatory Authority (BAFRA); Capacity building and support to youth, cooperatives and other producer organisations for climate resilience agriculture practices, establishment of youth enterprises for provision of organic inputs (biochar, soil stimulants, bio-fertiliser and bio-pesticides); and facilitating business linkages between producers, buyers, financiers, and local public stakeholders through multi-stakeholder platforms (MSP) and Business interactions meetings (B2B) to meet local, national, regional and global consumer demand.

The project’s aims to boost equitable employment and income generating opportunities for smallholder women, men and youths through capacity building and investment support to small-holder farmers on production, marketing, and better access to services (technical, financial, and business) for engaging in profitable value chains as vegetables, dairy, livestock, poultry and high value crops (herbal, aromatic, medicinal and spices). In doing so, the project will seek to stimulate post-COVID-19 employment opportunities for women and youth, the adoption of climate resilient and market-oriented nutritious food products, and facilitate inward investment for the production and marketing of high quality and high value home-grown Bhutanese agricultural products. Lessons from the FSAPP (first GAFSP project) and good practices from CARLEP will be built into the proposed project for increasing impact.

Detailed description of project components and activities

The project’s theory of change builds on CARLEP’s existing supply-side programme successes in five eastern districts of Bhutan. Furthermore, through the introduction of WFP’s Consolidated Livelihood Exercise for Analysing Resilience (CLEAR)⁶, and other targeted interventions, the resilience of the agriculture sector will be further strengthened. Through a participatory identification of current and anticipated climate change impacts on local livelihoods, production systems, and markets, the project will enable government, community, and private sector actors to develop tailored strategies that

² Ministry of Agriculture and Forests (MOAF), Policy and Planning Division private communication

³ World Bank Group. 2020. Bhutan Systematic Country Diagnostic.

⁴ RGOB, 2020. Rapid Socio-Economic Impact Assessment of COVID-19 on Bhutan’s Tourism Sector: An analysis of the vulnerability of individuals, households, and businesses engaged in the tourism sector. National Statistics Bureau and UNDP: Thimpu

⁵ Ibid

⁶ The Consolidated Livelihood Exercise for Analyzing Resilience (CLEAR) is an analytical approach developed by WFP to better understand how food security is affected by climate risks – including both extreme events (such as droughts, floods and cyclones), or long-term gradual changes (such as shifting rainfall patterns and rising temperatures). The objective of a CLEAR analysis is to inform the design and targeting of development programmes and policies related to climate change adaptation, by shedding light on how both current and future climate risks affect the most vulnerable people.

respond to farm level needs and market-access related blockages. With the support of a portfolio of existing climate change and value chain assessments (Section 2.7), the CLEAR approach will contribute to the formulation of multistakeholder district level agriculture resilience plans. The district agriculture resilience plans will drive the project's operational support for increasing the commercial orientation and resilience of production systems. Priority support for resilient production (Outcome 1) will be given to mainstreaming proven climate-adapted and market-led farming practices across 20 wards (also known as gewogs or sub-districts). This transformational re-orientation of production will be catalysed by activities to commercialize smallholder agriculture by addressing market failures in target value chains (fresh vegetables, dairy, livestock, poultry and high value crops).

The selection criteria adopted to support viable and inclusive value chain development are based on the following considerations that consider producer benefits, market demand, private sector investments and enabling factors:

Producer-supply side benefits	User-demand side	Enabling environment
<ul style="list-style-type: none"> • Agro-ecological smallholder production • Women's engagement in production and/or marketing • Opportunities for youth • Climate resilience • Nutritional benefits 	<ul style="list-style-type: none"> • Value addition opportunities • Generation of marketable surpluses • Institutional buyer interest • Private buyer interest • Import parity price 	<ul style="list-style-type: none"> • Irrigation and crop depredation infrastructure • Market infrastructure • Farmer services • Market facilitation • Accessibility of credit services • Policy support

The key areas to be covered by the project will include the following:

Outcome 1 – Resilient production systems

Sub-component 1.1: Increase the resilience, diversity, and market responsiveness of farm production

- Deploy the CLEAR diagnostic tool for zoning agricultural and livestock production, locating aggregation and processing centres and satellite markets, and streamlining supply-side logistics based on a robust spatial and temporal climate vulnerability and risk assessment
- Formulate district and sub-district agriculture resilience plans (ARP) involving smallholder households, producer organisations, cooperatives, buyers, financiers, as well as district agriculture and market facilitation officers. On the production side, the district and sub-district ARPs will focus on the following:
 - ❖ Improve crop productivity through sustainable soil and water management (sustainable land management, irrigation and water efficient technologies and permaculture)
 - ❖ Enhance production of nutri-cereals for food diversity (wheat, buckwheat, millets and quinoa)
 - ❖ Enhance vegetable production of winter vegetables using greenhouse production technologies ("mandatory vegetables" – chili, onion and tomato; "signature vegetables" – ginger, turmeric, shitake mushrooms, herbal, aromatic and medicinal plants (HAMP))
 - ❖ Manage human wildlife conflict to reduce crop depredation
 - ❖ Enhance dairy (improved livestock breeds, fodder and sheds; sanitary milking approaches and sterilized containers) and poultry production
- Capacitate smallholder farmers, cooperatives and youth-led enterprises to identify and respond to the quantity, quality and time-related demands of production and post-harvest management to maximise revenue generation potential
- Develop capacity of field staff and dairy farmers including youth on climate resilient farming practices and technologies

Sub-component 1.2: Support the creation of the next generation of farmers

- Scale up the formation of agricultural youth cooperatives, ensuring proactive engagement of young women, and bring back fallow lands into production
- Provide para-legal support to contracting fallow land for youth cooperatives

- Train youth farmers on permaculture using farmer field schools and establish a youth farmer network
- Provide on-farm lodging and requisite farm facilities and inputs, labour-saving devices and introduce digital agriculture tools as a means to attract youth to farming
- Leverage access to existing credit and finance services for smallholder households, groups and cooperatives through service providers (BDBL, CSI Bank, RENEW, BAOWE, Tarayana Foundation)
- Engage private sector for branding youth farm cooperatives and creation of domestic and international market opportunities

Outcome 2 – Enhance job creation and income generation through resilient value chains

Sub-component 2.1: Improve service provision of local private sector aggregators to support smallholder access to markets

- Build the capacity of local aggregators (farmer groups and cooperatives, post-harvest processors, youth enterprises and traders) in relation to their:
 - ❖ inclusion and support for the leadership of women and youth
 - ❖ financial and business literacy
 - ❖ production, post-harvest handling and storage solutions
 - ❖ value addition that responds to market demand.
- Establish off-farm youth enterprises such as the following: (i) fruit processing (drying and pickling); (ii) production of compost fortified briquettes, soil bio-stimulants and bio-pesticides; (iii) silage-making in bags; (iv) seed processing and packaging; (v) NTFP processing and packaging; and (vi) juice production and bottling. Implementation will commence with an awareness campaign to identify interested young entrepreneurs, followed by site-specific feasibility studies, detailed business planning, and intensive training

Sub-component 2.2: Strengthen market access linkages

- Undertake market research to understand and address market arrangements that incentivise imported commodities over national agricultural products, and create an enabling environment for strengthening national production to better compete with imports and establish new national and international market opportunities for Bhutanese agricultural products
- Convene multistakeholder market facilitation platforms involving government agents, producers, traders (including middlemen) and buyers to agree on time- and area- bound value chain development plans that respond to market demands
- Stimulate the engagement and negotiation of terms between producer organisations, local enterprises and buyers (contracting, negotiation, and access to market information including over social media and government-led digital platforms)
- Use existing demand side public sector programmes such as the national school and institutional feeding program to promote and expand farmer sales of local products
- Facilitate and support district and ward level public and private sector procurement agreements and contract arrangements between producers and buyers

Sub-component 2.3: Strengthen government-supported market facilitation in target subsectors

- Strengthen the capacities of government agents to map and agree on value chain optimization needs from farm-gate to district markets, including local infrastructure weaknesses and export market needs
- Build decentralised Department of Agriculture Marketing and Cooperatives (DAMC) market ‘focal point’ capacities at the district level to:
 - ❖ support the implementation of pro-smallholder market access policies and programmes (dzongkhag staff and management resources)

Examples of areas to explore in value chain mapping

Volumes of trade (existing, potential/demand)
 Prices at market (by season, by locality, and over digital platforms)
 Road conditions / accessibility and seasonal demands
 Risks (e.g. infrastructure, COVID, production)
 Farm/community infrastructure and assets for production
 Market infrastructure constraints
 Input services and providers (government/private sector)
 Extension service coverage (ARED, DAMC, RAMCO)

- ❖ Facilitate relationships between producers, public and private sector buyers along targeted fresh produce value chains
- ❖ Adopt the RNR M&R and AMIS digital platforms

Sub-component 2.4: Develop market infrastructure to support value chains in targeted subsectors

- Support the building of climate and disaster resilient aggregation, storage and processing infrastructure and other assets for target value chains and products (e.g. local aggregation, satellite market centres, and cold chain storage and transport for perishable products)
- With regard to the dairy and livestock sub-sector, vital infrastructure include, milk processing units (MPU) for production of butter, cheese & yoghurt, milk collection centres (MCC) for groups that have opportunity to market fresh milk in peri-urban areas and dairy sales counter (DSC) in urban areas for marketing of dairy products. The MPU, MCC and DSC are mostly operated by youth and women. Therefore, focus on value chain development in dairy is accorded high priority through the establishment of post-production facilities at strategic locations to be operated on lease by youth and women entrepreneurs. The focus areas are the following:
 - ❖ New product development for production of hygienic diversified dairy products as per market demand to curb the import of dairy products
 - ❖ Product packaging, branding and marketing
 - ❖ Support cold chain facilities for better shelf-life of dairy products to be operated on lease by youth and women entrepreneurs
 - ❖ Strengthen post-production laboratory services to ensure the standardization of processes and products for quality products through applied research
 - ❖ Establishment of milk processing units and milk collection centres for DFGs wherever facilities are not available
 - ❖ Establishment of hygienic automated dairy processing plants at strategic locations for product diversification and value addition.

Sub-component 2.5: Stimulate enhanced investments to support private sector development

- Leverage medium-to-large scale private sector investments for aggregators and traders (co-funding of private sector infrastructure and business development investment)
- Leverage and enhance access to financial services for local private sector aggregators (smallholder producers, farmer groups and cooperatives) (development finance – BDBL, CSI Bank) (microfinance – RENEW MFI, BAOWE, Tarayana, Foundation)
- Enhance digital access to financial services for producers, aggregators and traders including online registration, and visibility of interest rates and charges

Geographic focus and target population

The project will be implemented in the following central and central south districts (also known as *dzongkhags*) of Bhutan: Zhemgang; Trongsa; Tsirang; and Sarpang. Mongar district, from the CARLEP project area, will be used as a reference district for the four new districts of this project for scaling-up successful models and facilitating farmer-to-farmer and private sector engagement. Within the 4 new districts, the project will target gewogs/village clusters that have: (i) demonstrated production potential in selected commodities; (ii) substantial youth demography; (iii) are able to access roads and lie within three hours reach of the local market; and (iv) represent localities where existing programmes have identified the clear interest and commitment of communities, farmer groups and cooperatives for market oriented production and the building of market linkages.

Table A: Geographic Target

Dzongkhags	Gewogs	Target population
Zhemgang	Trong, Nangkhor, Shingkar, Bardoh, Fishing, Phangkar, Ngangla, Bjoka	Total (including men) 6,500 Women 3,900 Youths 2,000
Trongsa	Nubi, Tansibji, Drakteng, Korphu, Langthel	Total 4,500

		Women 2,700 Youths 1,300
Tsirang	Sergithang, Tsholingkhar, Tsirang Toe, Semjong, Rangthaling, Phuentsenchu, Patshaling, Mendrelgang, Kilkorthang, Gosarling	Total 8,000 Women 4,800 Youths 2,400
Sarpang	Senggye, Gakidling, Shomangkha, Dekidling, Samtenling, Gelephu, Chhudzom, Jigmecholing, Sershong, Chhuzanggang	Total 8,500 Women 5,100 Youths 2,550
Mongar	Saling, Ngatshang, Mongar	
5	36	Total 27,500 Women 16,500 Youth 8,250

Supervising Entity

IFAD will be the supervising entity and will collaborate with WFP, who will be the technical assistance service provider for the project.

2.3. Elaborate on the target population(s) and the targeting strategy for the project

The project will directly target 27,500 poor smallholder producers who seek opportunities to engage in targeted value chain activities. Value chain selection will drive the targeting strategy for ensuring participation of women, youth, persons with disabilities and other vulnerable rural populations with different productive resources and interests. The project will identify a set of relevant interventions within each selected value chain to enable target beneficiaries to actively participate and maximize their benefits from the project. These groups will be supported with successfully tested and applied production and post-harvest technologies to minimize their risk of failure. Any youth and women interested in forming groups and taking up agri-livestock enterprises will be supported under this project by following the CARLEP model. The above groups will also benefit from off-farm employment opportunities and enterprise development that support the selected value chains.

To mitigate the short- and longer-term economic impacts of COVID-19 and to support recovery and resilience building, the project will target at least 60 percent women beneficiaries and 30 percent youth aged under 24 and young adults aged 18-35⁷. Strategies will be adopted to support the empowerment of youth and women through enhanced economic opportunities, equal participation in groups and cooperatives, and leadership in local decision-making. Special attention will be paid to engaging these groups in the formulation of the district and sub-district ARPs.

By developing interventions aimed at engagement of youth in commercial value chain production and enterprises, the project will respond directly to tackling high youth unemployment (currently 15.7 percent)⁸. Furthermore, capacity building support, increased access to inputs, technical, and financial services, and market linkages will be promoted for establishing and strengthening value chain based enterprises so as to reintegrate the 50,000 job losses caused by the COVID-19 pandemic in gainful rural employment. This will also provide options to the country's 5,000 annual graduates and help reduce rural to urban migration.⁹ Likewise, in order to align income generation activities to the priorities of women (including 5 percent women headed households), attention will be paid to the selection of appropriate value chains and production technologies that have a positive effect on reducing women's labour demands. By adopting a leave no-one behind strategy, 2 percent of those targeted are expected to be people affected by disabilities. Since the latter is a new area of action, a strategy will be developed during the full design phase to facilitate this integration.

2.4 What supply and market failures will be addressed through the proposed project activities?

A market constraint identified by the national RNR Marketing Strategy (2021) is the limited legislative and regulatory guidance or investment to support agricultural marketing at the local, district, national and international levels.¹⁰ Production for domestic markets remains constrained by the subsistence orientation of family farms, which lack economies of scale and fail to attract aggregators or commercial

⁷ Youth definition from: RGOB, 2010. National Youth Policy

⁸ RGOB, 2018. National Census Report. National Statistics Bureau

⁹ Ibid

¹⁰ The RNR Marketing Strategy (2021), while still in draft, represents one of the only market assessments to have been undertaken in Bhutan. For this reason, the project includes an evidence building component under Outcome 2

agents willing to link smallholder produce to commercial markets. As a result, Bhutan's urban markets rely on imported food items that are readily available and that are cheaper for traders and retailers to buy and sell. Smallholder farmers are further challenged by less predictable production seasons and erratic rainfall, while high transport costs and weak farm, ward and district level market infrastructure undermine aggregation throughout most value chains. Weak negotiation skills among farmer groups and cooperatives have further resulted in farmers receiving low prices. Furthermore, there is an over-supply of agricultural produce in some localities and shortfalls in others, which drives down prices in the former and contributes to food insecurity in the latter.

The issues of market failures are documented in a number of studies, for example, RNR Marketing Policy (2018)¹¹ and Draft RNR Marketing Strategy (2021)¹² and CARLEP 2020¹³. These market failures operate at different levels and include the lack of an enabling institutional and financial environment, and policies; weak market-oriented production systems; insufficient capacities of small enterprises; poor infrastructure and logistic weaknesses along the value chain; limited available market research and information; and poor export market development.¹⁴

Agriculture and food items account for 17 percent of the country's total import expenditures, with over 90 percent of food imports coming from India. This has had a knock-on effect on food consumption patterns in Bhutan and are contributing to already high levels of stunting and anaemia in many rural areas (Bhutan Country Nutrition Profile, 2018).

The dependency on food imports led to major food insecurity in the country as COVID-19 lockdown restrictions disrupted international supply chains, especially affecting fresh produce distribution.¹⁵ One stark example of the effect of COVID-19 is when the price of chilli (small size) hit Nu.800 per kg towards the end of 2020 after imports were stopped. Considering that *ema datshi* (chili and cheese) is a staple of Bhutanese cuisine, the price hike had major impact on household food intake. Many farmers were quick to capitalise and increased chili production but by June 2021 prices crashed below Nu.100 due to oversupply. This example points to the need for a better market information system.

In response to COVID-19, the RGOB introduced an Economic Contingency Plan (ECP, 2020), which prioritised the need to increase national food self-sufficiency. This further reinforced the agenda articulated in previous policies, such as the 12th Five-year Plan (2018-2023), RNR Strategy 2040 and draft RNR Marketing Strategy (2021). Key strategies identified across these policies include import substitution with a particular emphasis on increasing the production and consumption of fresh local products, and shortening value chains in order to help farmers, traders and market facilitators participate in value chain development.¹⁶

The RGOB is seeking to build on the successful local value chain examples, such as the farmer-to-school delivery program. This program can be further enhanced through the introduction of digital

¹¹ RGOB, 2018. [RNR Marketing Policy](#). Department of Agricultural Marketing and Cooperatives. Thimphu: MOAF.

¹² RGOB, 2021. RNR Marketing Strategy [draft, unpublished, private communication]

¹³ IFAD, 2020. CARLEP Supervision Report, 28 Aug 2020. [private communication]

¹⁴ See also, World Bank Group. 2020. Bhutan Systematic Country Diagnostic: Taking Bhutan's Development Success to the Next Level.

¹⁵ RGOB, UNDP, 2020. [Rapid Socio-Economic Impact Assessment of COVID-19 on Bhutan's Tourism Sector](#)

¹⁶ Private communication: minutes of the inter-agency meeting on the Food Systems Summit, Thimphu, 23rd July 2021

technologies that help schools identify and select menus based on locally available fresh produce (WFP PLUS menu selector) and dairy.

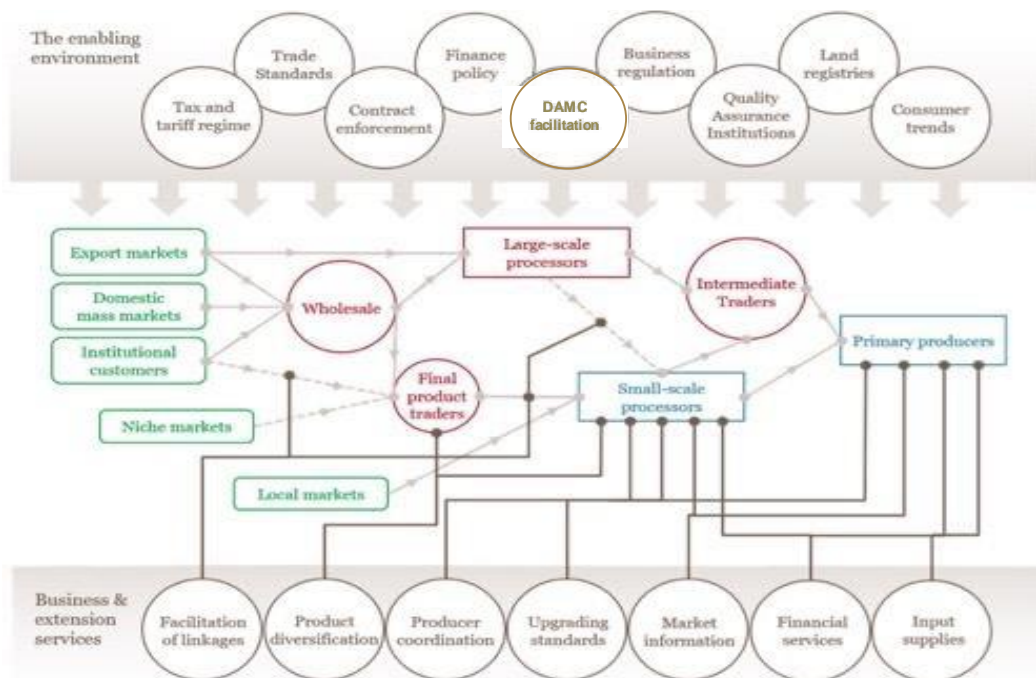


Figure 1: Conceptual Value chain Map showings Actors, service providers and enabling environment

Responding to the above described challenges requires an integrated approach to value chain development that responds to an emerging consensus among women, men and youth farmer cooperative members. In interviews conducted by MoAF and WFP representatives during the COVID-19 pandemic, the following were recurring areas of request for support: i) Strengthen farmer group and cooperative capacities; ii) Improve the selection, production, post-harvest management and marketing of local RNR products; iii) Reduce post-harvest losses and food waste; iv) Add value to local products through processing and storage strategies; v) Improve the aggregation and storage of local products, including cold chains; vi) Build demand for processed products such as dried vegetables and fruits; and vii) Build business acuity, skills and understanding of producers with regard to commercial market systems (e.g. food quality standards and controls, price negotiations and contract farming).

Such an approach is recognised by the Department of Agricultural Marketing and Cooperatives (DAMC), which is seeking to crowd-in an adaptive and responsive private sector of local aggregators, intermediary traders and investors. To illustrate this approach the Figure 1 above provides a framework outlining how the programme will respond and support private sector development by adopting a systemic approach to value chain development in target subsectors.

2.5 Does the project enable any private sector solutions or opportunities to address identified market failures and/or does it have any intention to promote private investments?

One of the key project strategies will be to enable market intermediaries (buyers and traders) to buy directly from farmers and farmer groups, transport the products to the markets and sell-on to retailers. In this way, the project will allow market actors to focus on areas specific to their contribution in facilitating value chain development. At present, farmers face considerable difficulties bringing their produce directly to the marketplace for sale; others sell through intermediaries at low volumes and weak terms of trade. The limited number of experienced market intermediaries is a key cause of market failures in Bhutan. A key focus for developing Bhutan's private sector will therefore be to provide capacity building to aggregators and traders to enhance competitiveness of the targeted value chains, build trust and understanding with producer groups for sustaining long-term commercial relationships that support win-win outcomes, and conform with Bhutan Agriculture and Food Regulatory Authority (BAFRA) food quality standards.

Examples of approaches that will be adopted to enhance private sector solutions and opportunities to address market failures in target subsectors include: i) Professionalizing farmer groups and cooperatives for market-demand led production at commercial scale (product type, volume, quality,

seasonality etc); ii) Establish multi-stakeholder platforms involving producers, input suppliers, processors, aggregators, traders and buyers including public entities for establishing win-win relationships, creating ownership and joint decision-making for steering sector/value chain development; iii) Facilitate business-to-business (B2B) meetings among producers and aggregators/traders/ buyers/ processors for buy back arrangements of products; iv) Finance enabling climate proofed market infrastructure at strategic locations, farm access roads, cold storage etc.; v) Capacity strengthening of district DAMC staff for brokering and market facilitation support to VC actors; vi) Facilitate private sector (traders/buyers and intermediaries) support to investments in post-harvest management, transportation, processing, and storage for enhancing competitiveness; vii) Access to digital platforms for improving market information and other business services such as, registration, certification etc., including direct farmer-to-buyer linkages as demonstrated by the PLUS school menu optimizer; and viii) Facilitate access to agriculture finance through development banks and microfinance institutions.

2.6 Describe results and how they will be measured at output, outcome, and impact levels.¹⁷

In alignment with GAFSP results monitoring matrix, the program will enable an increase food security and incomes for the producers, by targeting vulnerable groups (smallholder farmers, producer groups and enterprises, women and youth). Three levels of indicators (output, outcome and impact) will be determined by the MOAF, in line with its internal M&E systems, surveys and 5 yearly agriculture census. Baselines will be established at project start-up in close coordination with MOAF departments and National Statistics Bureau (NSB).

The project will be subject to joint annual supervision missions led by IFAD together with MOAF and WFP. Farmers' organizations and the private sector will be represented on the project technical committee and will be consulted with during the supervision missions. The project will undertake a mid-term evaluation/review. Topic-specific and impact studies in line with the project's value chain development approach will be carried out at regular intervals and will help in thematic or overall evaluations.

Annex 2 provides an overview of the project's key indicators to be integrated into the joint MOAF-PE monitoring-evaluation system.

2.7 What evidence is there that the proposed approach and activities will successfully address the issues identified?

The proposed project builds on lessons learned from the existing CARLEP project funded by IFAD as well as learning from the GAFSP funded FSAPP programme. CARLEP builds on two earlier projects, the Agriculture, Marketing and Enterprise Promotion Programme (AMEPP) and Market Access and Growth Intensification Project (MAGIP) that supported the construction of road networks, capacity building of farmers, and introduction of supply of vegetables to schools and institutes by farmer groups in Eastern Bhutan. These institutional buyers have created market assurance for farmers produce in bulk and supply of fresh healthy vegetables to school children thus, improving food security and nutrition. Due to its success, the model was scaled-up to 67 schools linked with 110 FGs¹⁸ and continued under CARLEP and was a key platform for the introduction of farmer-to-school linkages developed by WFP under its current Country Strategic Plan (2019-2023). CARLEP has further deepened support to the commercialisation of agriculture through the enhancement of climate smart production systems and engagement of private sector. CARLEP is in its sixth year of implementation and is showing good results in improved food security, establishment of farmer groups, agricultural diversification, increases in vegetable production, increases in milk and dairy products, and engagement of private sector entities.

The approach being proposed for BRECSA builds on CARLEP and will facilitate the expansion of emerging networks of farmer groups, aggregators and traders in the eastern region to the central and central south region as well. In Bhutan, farm-gate prices are approximately 20-25 percent lower than those in India (CARLEP, 2020).¹⁹ In the case of vegetables, the farm-gate prices are highly volatile and post-harvest losses are high, estimated at around 20 percent.²⁰ With the shocks of the COVID-19 pandemic disrupting existing market systems, the proposed project will not only support a network of local service providers (intermediaries) but also ensure that market access is improved and that knowledge and improved technologies in food processing are available across different value chains.

¹⁷ Refer to the GAFSP M&E Plan for guidance on M&E requirements for GAFSP grants once approved.

¹⁸ White Paper on Bhutan School & Hospital Feeding Program, Jul 2019, MoAF

¹⁹ Commercial Agriculture Resilient Livelihood Enhancement Programme (CARLEP), Supervision Report, 28 Aug 2020; Food Security and Agriculture Productivity Project (FSAPP).

²⁰ Ibid

2.8 In summary, why should GAFSP provide grant funding to the proposed project?

Achieving successful commercialisation of agricultural value chains is an essential contribution toward building resilient food systems and post-COVID-19 economic recovery in Bhutan. Addressing food-supply side bottlenecks will reduce the high levels of import dependency. The linkages between climate-responsive value chain development and market-oriented food production will act as a catalyst in boosting the Country's aspirations to transition from a Least-Developed to Middle-Income Country under its 12th 5-Year Plan (2018-2023). The focus on empowering women and youth employment and income opportunities aligns with several of the RGOB's social and economic policies and addresses the need to generate an employment base and opportunity for future generations to participate in a productive and sustainable society in line with the aspirations of Bhutan's Gross National Happiness philosophy. COVID-19 has pushed the country into a financial crunch. Economic growth in Bhutan is estimated to have contracted by 3.4% this fiscal year (FY) 2021 from 0.9% in FY2020 due to the strict COVID-19 pandemic containment measures. This has led to a financial crunch, which constraints the RGOB to make the necessary investments in the agriculture and rural development sector. The reduced imports provides an opportunity for building the agriculture sector back better and achieve the country's food self-sufficiency aspirations. As such, the GAFSP grant would greatly assist the country in achieving those aspirations.

SECTION 3: CONTEXT AND POLICY ENVIRONMENT FOR THE PROPOSED PROJECT

3.1 Describe the state of the country's agriculture and food system, including any current and future pressures on the sector (e.g./climate risks). Describe any national impacts and disruptions caused by COVID-19 on the agriculture sector and food systems, and also, particular impacts in project activity area(s) and on the target population(s).

The RNR sector is characterised as one of the "five jewels" for economic development in Bhutan. Enhancing food self-sufficiency, improving the rural economy and livelihoods, and the sustainable management of natural resources remain the core mission of the agriculture sector. The 12th 5-Year Plan highlights a 'landscape management, production and commercialization approach' to catalyse the growth and development of the RNR sector.

The COVID-19 pandemic brought major disruptions in the agriculture sector and food systems with serious disruptions of supply chains, and constraints on food imports. Restrictions on travels and gatherings affected capacity strengthening efforts, agricultural production and marketing of local produce. These were documented in Bhutan's Economic Contingency Plan (ECP 2020), and emergency measures were deployed to the worst affected sectors of tourism, construction, and agriculture. Increasing agricultural and livestock production under the ECP remains the central policy focus to ensure national food self-sufficiency and inclusive economic growth. While there is evidence of results in increased production of local produce from almost all the districts as a result of import restrictions – especially fruits, vegetables, dairy, poultry products – marketing bottlenecks have led to peak season overproduction and a collapse in farm-gate prices, thus directly affecting farmers' revenue and motivation.²¹ The export of fresh vegetables to India during the peak summer months has also received serious setbacks owing to import restrictions by India, due to Pest Risk Analysis (PRA) and Plant Quarantine certification requirements. There is also evidence of market shortages for commodities including chilli, tomato and onion that have impacted on farm livelihoods and investments. Although RGOB have sought to incentivise production through price guarantees and a buy-back scheme, there is a strong emerging body of evidence from the Bhutan press that farmers have suffered significant financial losses and that high levels of food waste have affected many value chains of fresh produce.

3.2 How will the proposed project address medium- to long-term COVID-19 response and recovery of the agriculture and food sectors in a changing climate and support the principle of 'building back better'²²?

This project is a timely investment that will make a valuable contribution to the recovery of the country from the pandemic and will help to build the resilience of rural communities with relation to current and anticipated climate shocks. A commercial orientation of agricultural production and value chain development, and local small enterprise development in selected subsectors, will create new opportunities for small-scale producers, including jobless women and youth. The strengthening of

²¹ RGOB, UNDP, 2020. Rapid Socio-Economic Impact Assessment of COVID-19 on Bhutan's Tourism Sector

²² Deriving from its origins in disaster recovery, the term 'build back better' in the context of the present COVID-19 pandemic and recovery encompasses attention to economic recovery while addressing today's global environmental threats: (Link)

private sector engagement will help build the commercial orientation of agriculture and will establish a solid foundation for further expansion nationally. The strong focus on expanding value chains for high nutritional foods will further contribute to both local and national food and nutrition security and to reducing the national reliance on imported foods.

The proposed project will lay a strong foundation for addressing the medium to long term effect of COVID-19 through its activities of strengthening farmer groups and building their capacity in understanding the processes of marketing such as setting reasonable market prices based on cost of production, and building strong relations and trust between producer groups and traders. This will increase the responsiveness of local producers to market demands. Under the leadership of the MOAF, the successful implementation of the project will yield good practices and examples for scaling up nationally thus, contributing to mitigate the longer-term economic and social impacts of COVID-19.

3.3 Beyond COVID-19, provide additional national, regional and/or local context for the proposed project.

The project will complement and supplement the efforts of the Economic Contingency Plan, and policy reforms being made by the government with regard to enhancing production while bringing about improved supply chain efficiency and marketing of local produce in domestic markets as well as expanding its export portfolio. The project directly responds to the RGOB's import substitution efforts

3.4 Is the proposed project aligned with the country's agriculture and food security strategies, the national COVID-19 Response Plan, or other approved development plans?

The proposed project activities align with the policies and aspirations of the 12th 5-Year Plan (2019-2023) that guides Bhutan's strategic development efforts. Furthermore, it aligns with the climate responsive policies of the national RNR Strategy 2040 (2014), draft RNR Marketing Strategy (2021) and Economic Contingency Plan (2020) that articulates Bhutan's post-COVID-19 recovery. Specifically, the RNR Strategy 2040, which acts as the primary policy framework for the MoAF, provides a summary of RNR production and marketing constraints on page 12, while pages 14-15 describe the production and trade impacts on the RNR Sector resulting from the COVID-19 pandemic.²³ A SWOT analysis of the RNR Sector is also described on pages 28-32 that identifies market demand as a key opportunity for RNR sector transformation. Eleven "Strategies" are described through pages 41-44, of which the most relevant to the project are Strategy 1: Enhance production and quality of RNR commodities; and Strategy 3: Accelerate agri-business development and expansion. The performance indicators of the RNR Strategies are described on pages 53-56 which align with the proposed M&E structure outlined in Annex 2.

With relation to IFAD's corporate strategic objectives (SO), the project is aligned to SO1: Increase poor rural people's productive capacities and SO2: Increase poor rural people's benefits from market participation. The project also responds to both objectives of IFAD's Country Strategic Opportunities Program (COSOP) for Bhutan: SO1) Enhance rural smallholders capacity for production and productivity of high value horticulture and livestock production; and SO2) Assist rural smallholders in engaging in innovative partnerships between farmers, their organizations, enterprises and employment opportunities with/developing the private sector. In addition, the project interventions also contribute towards achieving SDG 1, 2, 3, 5, 12, 13 and 15 including SDG 15.3 Land Degradation Neutrality (LDN) where Bhutan has already set LDN targets.

SECTION 4: CROSS-CUTTING THEMES

4.1 Does the proposed project address any of the GAFSP priority cross-cutting themes?

- ☒ Gender and empowerment of women and girls
- ☒ Climate resilience
- ☒ Improved nutritional outcomes

4.2 Describe how the project will address the identified thematic focus area(s).

Gender and Youth Inclusion

While women represent 48 percent of the population and have the same life expectancy as men, Bhutan ranks just 130th out of 156 countries in the Global Gender Gap report 2021, where scoring is particularly low for political empowerment and economic participation.¹ At 52.2 percent, the Labour Force Participation Rate for women is significantly lower than for males (74.1 percent).²⁴ Women also

²³ RGOB, 2021. RNR Strategy 2040. MoAF:Thimphu.

²⁴ National Statistics Bureau, RGoB. (2018). 2017 Population Housing and Census of Bhutan.

have limited engagement in the formal economy and are particularly affected in rural areas, where women lag behind men in terms of their access to tertiary education, have lower quality jobs, and are victims to alcohol abuse.²⁵

By initiating targeted actions to secure equal opportunities for women's engagement in both productive and economic activities at the household and community levels, the project will seek to boost women's economic motivations, skills and self-confidence alongside their engagement in community decision making, leadership and networking with service providers and market actors. Gender transformative outcomes will be supported by enabling women to take a leading role in value chain development through farmer groups and cooperatives and by facilitating a combination of efficient production and labour-saving methods and providing women and youth with a comprehensive package of financial and business skills.

Direct targeting will be used in two specific aspects to promote women's voices, leadership and income generation: i) women will be supported to secure genuine leadership roles in producer groups and as group representatives within Multi Stakeholder Platforms (MSP), in dialogue with buyers, local authorities and other stakeholders; and ii) women will be prioritised for other "high status" peer-to-peer roles created by the project – notably as Business Skills Facilitators and technical service providers.

Facilitating youth engagement in agriculture and value chain development will also be a major focus of the project. Educated youth have shown reservations to take up farming after graduation, as farming is seen as a difficult job without secure and promising prospects.²⁶ Changing the perception of farming to be a respected modern profession - farming as a business - is important for attracting youth. The project will have a positive impact on youth through creating opportunities and employment in commercial agriculture as well as off-farm enterprises and other innovative agricultural interventions.

Climate resilience

Characterized by a varied topography and diverse agro-ecological systems, major climatic threats in Bhutan range from prolonged drought periods and warmer temperatures with more weather extremes. The principal climate risks for the project include: i) increased incidences of new and existing diseases, pest and insects; ii) greater variability in rainfall patterns within the year, with increased water demand leading to higher risks of temporary water shortages associated with rainfed production; iii) increased heat stress, especially in the lean season, effects milk production, among others; and iv) land loss due to floods and landslides contribute to blockage of transportation to markets. One of the opportunities that climate change provides is the shifting of agroecological zones altitudinally allowing new crop varieties to be grown at higher altitudes with extended production seasons for fruit and vegetables.

The use of the Consolidated Livelihood Exercise for Analysing Resilience (CLEAR)²⁷ tool will enable the identification of risks and vulnerabilities, and the development of climate change adaptation measures. This will enable the building of climate resilience from farm to market for the various value chains being promoted. The following provides a brief overview of the adaptation pathway proposed to build resilience and address climate stressors.

Table B: Climate resilience

Production	Marketing	Consumption
<ul style="list-style-type: none"> • Extension of climate information services and support to producers • Promotion of low emission agricultural practices • Crop and variety selection in relation to seasonal and climate projections • Water use efficiency including irrigation • Improved soil-water management practices • Protected cultivation (greenhouses) • Soil fertility management to maximise soil carbon 	<ul style="list-style-type: none"> • Shortening value chains • Reducing reliance on the import and distribution of fresh produce • Improving post-harvest processing and storage • Waste recycling • Reducing food waste • Local aggregation and storage infrastructure – community organisations and institutions • Central aggregation and storage – market centres • Cold chain development, storage and transport 	<ul style="list-style-type: none"> • Promoting the shift toward sustainable, climate friendly vegetable-based diets • Transforming social norms surrounding acceptable and nutritious diets

²⁵ Japan International Cooperation Agency, 2017. Survey of Country Gender Profile. Kingdom of Bhutan.

²⁶ Dendup, T. 2018. Agricultural Transformation in Bhutan: from Peasants to Entrepreneurial Farmers. Royal University of Bhutan

²⁷ WFP Clear guideline ([link](#))

Climate proofing of production and market infrastructure will be considered at each step of the implementation process using an approach that reviews value chain resilience from farm to consumer. All proposed infrastructure will be screened to ensure the selection of sites and technologies that take into consideration risk mitigation measures. To this end, the project will undertake climate risk assessments for all selected sites with the close involvement of farmers and district extension officers to ensure local knowledge is built on and users' needs and concerns are addressed.

The project is aligned with Bhutan's Nationally Determined Contributions (NDC) and will continue to support activities that address adaptation and mitigation co-benefits such as building resilient ecosystem services, reduced land degradation, biodiversity conservation, and food, water and energy security, among others.

Improved Nutrition

Bhutan is currently experiencing two forms of chronic and lasting malnutrition.²⁸ One in five children under-five is stunted; of these, 1 in 3 are severely stunted and 4 of 10 are anaemic. Overall, 7 percent of girls and boys are underweight, while 35 percent of children aged 6-59 months and 44 percent of women of reproductive age are either anaemic or iron deficient. To address these concerns, and in line with the national Food and Nutrition Security Policy (2014) an end-to-end nutrition sensitive approach will be mainstreamed throughout the project's two key outcome areas. The project will support the production and consumption of nutritious crops, vegetables and livestock products. One of the approaches that will be implemented is through a targeted communications strategy addressing social norms surrounding food selection, preparation and consumption, as well as effective sanitation behaviours including the use of clean water resources.

4.3 How are the proposed activities informed by and how do they respond to the country's policies and strategies related to the selected cross-cutting themes?

The project is informed by and designed according to the RGOB's priority on gender inclusion, youth, nutrition and climate resilience. The 12th Five Year Plan of MoAF (2018-2023) is the principle guiding document (explained in section 3.4). It covers all the four policy goals of Food and Nutrition Security Policy (2014) which seeks to ensure a high quality, volumes and diversity of food for consumption.

The project will respond to the new Climate Change Policy (2020) and 2nd Nationally Determined Contribution (NDC) to the UNFCCC, which promotes the building of resilient production and market systems. The project design has followed the norms of the National Gender Equality Policy (2019) and promotes gender equality in the public, social and economic domains. The project will in addition generate opportunities for income generation and employment of youth as envisioned in the National Youth Policy (2010).

The design of the project has been further guided by, and will support, the National Forest Policy (2010); 100 Percent Organic Agriculture Policy (2017); Renewable Energy Policy (2011); National Environment Protection Act (2007); Biodiversity Act (2003); Environmental Assessment Act (2000); Water Act (2011); Water Regulation Act (2014); Waste Prevention and Management Act (2009); Waste Prevention and Management Regulation (2012); Labour and Employment Act (2007); and Child Care and Protection Act (2011).

4.4 Describe the role and involvement of women and girls in the project.

The programme responds directly to the predominance of women in agriculture in Bhutan and their associated livelihood dependencies on successful farm-based strategies for nutritious food production, household consumption, sale of surplus and income generation. The programme will promote women's agency in key commodity value chains by responding to, and increasing the food, nutrition and income gained from women's existing oversight of fresh produce production, storage and consumption in farming households and communities.

To achieve this, the programme will promote women's entry and leadership in targeted fresh produce value chains where they have an existing advantage and control. In adopting this approach, the programme will provide practical support to the aspirations of the national Gross National Happiness by ensuring the programme framework is integrated into, and contributes to, transformation towards a peaceful, inclusive and equitable society.

Specifically, four axes of implementation and analysis will be adopted involving specific gender transformative activities and use of associated indicators:

- Ensuring the proactive participation of women across all programme planning, implementation and monitoring processes;

²⁸ Nutrition country profile, B. (2018). Global Nutrition Report. Retrieved from ([link](#))

- Enhancing women's economic and social empowerment through the production and marketing of fresh produce by women and their representative organisations;
- Extending the reach of digital financial products and services to women; and,
- Promoting women's voice, agency and leadership in farmers' groups and cooperatives as well as at the household level with respect to fresh food production, marketing and consumption, and the use of generated incomes.

SECTION 5: PROJECT IMPLEMENTATION, SUSTAINABILITY AND BUDGET

5.1 What are the risks to achieving the proposed project's objectives and what are the potential negative externalities or spill-overs that could result from the proposed project activities and targeting?

Several risk factors have been reviewed with relation to their relevance to the project. They include: i) a combination of low output prices, low yields and low adoption rates; ii) increased construction costs; iii) low management capacities and weak negotiation capacities of groups and coops; and iv) limited extension service outreach, low uptake of climate smart practices, low agriculture research uptake, inadequate seed production, natural calamities, epidemics and diseases.

The full Project design will assess social, environmental and climate change risks and impacts, and propose technically feasible and cost-effective mitigation and adaptation measures. The preliminary assessment of environmental and social category is 'B' based on the IFAD's Social, Environmental and Climate Assessment Procedure (SECAP) guideline²⁹. The project will not impact on any sensitive areas or result in loss of natural habit and biodiversity. Furthermore, the project will not be located in areas at high risk of geophysical hazards, thus the risk to agriculture, livestock and small-scale infrastructure are considered to be minimal. The project design will prioritize environmentally sound and sustainable agriculture and livestock supply chains. A detailed risk overview is provided in annex 3, tables E and F. Some risks are closely associated to project implementation, others more on a continued basis. Some key risks are the following:

The capacity of the Food Corporation of Bhutan Limited (FCBL) needs strengthening - a key partner for value chain, enterprise and public private partnerships development. This performance risk will be mitigated by the allocation of resources for strategy development (value chain, marketing and organizational), capacity development, and targeted technical assistance. A key project thrust is the engagement of private sector actors to fill the gap in service provision by government.

The preliminary analysis of the climate scenario and resulting risks and response measure to the main investment activities of the project, as described in section 4.2, indicate that the project is expected to be moderately sensitive to climate risks. The challenge of strengthening climate change resilience will be addressed both at the farm and community levels as well as among actors within targeted value chains. The project design recognises that the values, risks and interests of market actors are diverse and that success will depend on joint action built on a common understanding of interdependent relationships and needs (e.g. through multi-stakeholder platforms). Dealing with climate change risks within the context of climate smart value chain development and management under this project will be mitigated by providing resources for strengthening climate-smart agriculture and farm management practices, for strengthening farmer groups, youth cooperatives, the development of service outreach models (e.g. lead-farmers), the strengthening of local institutions and by providing targeted technical assistance.

5.2 What are specific design measures that will be incorporated to increase the likelihood of sustainability of the project outcomes?

The project's activities will be confined to areas designated to agricultural use and agroforestry and will not involve areas designated for forestry and those with high biodiversity values. Forest encroachment will be strictly monitored in collaboration with Forest Offices. Dependency on forest products like fodder/forage will be reduced by planting fodder and forage on fallow lands and through promotion of stall-feeding. In line with the government's efforts to boost organic agricultural production, all inputs will be organic, and agrochemicals will be used judiciously where needed.

The sustainability of the benefits is linked to the project being community and private sector led. Sustainability is achieved at: i) farm level by supporting a portfolio of crops and livestock that have market demand and are suitable to local agro-climatic conditions; ii) capacity building of producer organizations (PO) to become successful and reliable actors in their local value chains; and iii) where

²⁹ IFAD SECAP Guideline ([Link](#))

the supply chains have achieved competitiveness, they are likely to continue, as the producers and businesses will be generating profits.

Limiting the number to a few key value chains will ensure adequate resources are channelled for establishing them. Interlinking production, marketing and enterprise development will create an environment, in which farmers and private sector actors will want to remain engaged. Involvement of communities in design and implementation, development of groups and setting up of community-based operation and management systems is expected to ensure sustainable use and management of assets built under the Project. Environmental protection and conservation issues will be integrated into production models and value chains. Strong grassroots institutions and locally accountable support services recruited by the project provides an effective way to ensure sustainability beyond the implementation phase.

The exit strategy and its success is closely linked with the results achieved at farmer, producer organization and value chain levels. The focus on sustainable results and strengthening profitable institutions and private sector-based partnerships forms the core exit strategy. Similarly, development of technical, business, and financial service markets creating access of services to farmers and market players facilitate mutual trust and build relationship to act together that encourage investments in agriculture value chains.

5.3 Who has been involved or consulted in the development of the Proposal?

Government stakeholders consulted during proposal development included high-level representatives of the Gross National Happiness Commission (GNHC) and Ministry of Finance, as well as the Ministry of Agriculture and Forests (MOAF). High-level MOAF representatives included decision-makers from the Departments of Policy and Planning, Agriculture, Livestock, and Agricultural Marketing and Cooperatives Departments. Proposal development was based on previous consultations with community members, and private sector entities, represented by selected cooperatives and producer organizations, and traders. Some consultations were held with District and Ward administrators and line department representatives. COVID- 19 restrictions have stymied a more extensive consultation process, specifically at the local level; however, phone calls and virtual meetings enabled obtaining necessary inputs from farm to national level.

5.4 Describe the proposed project implementation arrangements

To ensure policy coherence and joint leadership, project oversight will be undertaken by a National Programme Steering Committee (PSC) chaired by the Secretary of MoAF. The PSC will include high-level representatives from the MOAF's Agriculture, Livestock, and Agricultural Marketing and Cooperatives Departments, the Ministry of Finance and local governance departments.

A Project Management Unit (PMU) will be co-located with one of the following Agricultural Research Centres (ARDC); Bhur, Gelephu or at Samtenling. The Regional Agricultural Marketing Cooperative (RAMCO) in Gelephu will liaise with district and sub-district agriculture offices and regional offices of the Department of Agricultural Marketing and Cooperatives. The PMU will coordinate all activities, including those led by WFP, and ensure that specific departments and service providers are held responsible for delivery against the 2 Outcome areas. The PMU will establish an M&E unit to support progress monitoring by implementation units and avoid duplication with other projects in the area. The M&E system will harmonize with RGoB's Planning and Monitoring System (PLaMS) as mandated since its introduction under the 11th Five-Year Plan (2012-2017). The PMU will be staffed by a Project Director, technical staff from sub-sector departments, and support staff. The majority of staff will be seconded to the project from relevant agencies of MOAF as per Royal Government rules, and where necessary, consultants will be recruited for specialised services. Staff with past experience working with projects such as Remote Rural Community Development Project of World Bank and GAFSP/FSAPP will be screened for recruitment.

Annual budgeting will be done in line with RGoB's budget framework and timetable. Project implementation will follow RGoB's PLaMS, the national Finance Manual and financial reporting formats, and GAFSP's norms. RGoB's Royal Audit Authority (RAA) is mandated to audit all foreign funded projects and will establish the external auditing arrangement for the proposed project.

Other stakeholders to be closely engaged in project implementation will include relevant Regional Agriculture Research and Development Centres (ARDC) and other Regional Agricultural Marketing Cooperative (RAMCO) offices. Local farmer organisations, civil society organisations, service providers and private sector actors will be engaged through multistakeholder market platforms.

5.5 How will the implementation of this activity be coordinated with other partners active in the same sector/geographic area(s) to maximize effectiveness, create synergies, and avoid duplication/overlap of activities?

Project implementation by the PMU will be undertaken in close collaboration with WFP, CARLEP, FSAPP, Agri-Logistics Marketing Corporation and with the School Health and Nutrition Department of the Ministry of Education. All the relevant entities will be invited during Project Coordination Workshops where common activities can be identified, and resources can be pooled/shared for those common activities as well as minimize duplications through sharing of information among the entities. In addition, lessons learned can be used for subsequent project activities.

Periodic project updates will be provided by IFAD through the UN Resident Coordinator led Development Cooperation Partner group meetings. This will enable the avoidance of duplication of efforts and for the building of synergies.

See also 5.4

5.6 Present the overall project budget using the Tables A, B and C in Annex 1.

Annex 1 – Project Budget Tables

Table A Summary of Overall Project Funding

Funding Source	Amount	Has this funding been secured (Y/N)?
GAFSP grant amount requested	13,000,000	n/a
- Investment	10,400,000	n/a
- Technical Assistance	2,600,000	n/a
Government co-financing	TBD	
Other Funding Sources (<i>SE, ODA, private sector, etc.</i>)		
IFAD	8,000,000	
- Investment	8,00,0000	
Total Project Funding	21,000,000	

Table B: Detailed Budget for Investment Project

Activities	Outcomes and Activities	GAFSP	Others (IFAD)
	Outcome 1 – Resilient production systems	3,750,000	700,000
	Sub-component 1.1: Increase the resilience, diversity, and market responsiveness of farm production		500,000
1.1.3	Capacitate smallholder farmers, cooperatives and youth-led enterprises to identify and respond to the quantity, quality and time-related demands of production and post-harvest management to maximize revenue generation potential.		500,000
	Sub-component 1.2: Support the creation of the next generation of farmers	3,750,000	200,000
1.2.1	Scale up the formation of agricultural youth cooperatives, ensuring proactive engagement of young women, and bring back fallow lands into production	250,000	
1.2.2	Expand the adoption of labor-saving devices, protected crop/livestock production technologies (e.g. winter cropping greenhouses), water-efficient irrigation technologies and soil fertility management.	3,000,000	
1.2.3	Introduction of digital agriculture tools for facilitating ease of doing business	500,000	
1.2.4	Leverage access to existing credit and finance services for smallholder households, groups and cooperatives through service providers (BDBL, CSI Bank) (RENEW, BAOWE, Tarayana Foundation).		200,000
	Outcome 2 – Enhance job creation and income generation through resilient value chains	6,000,000	7,300,000
	Sub component 2.1: Improve the service provision of local private sector aggregators to support smallholder access to markets	1,750,000	1,550,000

Activities	Outcomes and Activities	GAFSP	Others (IFAD)
2.1.1	Build the capacity of local aggregators (farmers' groups and cooperatives, post-harvest processing youth enterprises and traders) in relation to their, - inclusion and support for the leadership of women and youths, - financial and business literacy, - post-harvest handling and storage solutions, and - value addition that responds to market demand.		1,550,000
2.1.2	Establish off-farm youth enterprises such as the following: (i) fruit processing (drying and pickling); (ii) production of compost briquettes (including fortified briquettes), soil bio-stimulants and bio-pesticides; (iii) silage-making in bags; (iv) seed processing and packaging; (v) NTFP processing and packaging; and (vi) juice production and bottling. Implementation will commence with an awareness campaign to identify interested young entrepreneurs, followed by site-specific feasibility studies, detailed business planning, and intensive training.	1,750,000	
	Sub component 2.4: Develop market infrastructure to support value chains in targeted subsectors	2,750,000	2,750,000
2.4.1	Support the building of climate and disaster resilient aggregation, storage and processing infrastructure and other assets for target value chains and products (e.g. local aggregation, satellite market centers, and cold chain storage and transport for perishable products)	2,750,000	2,750,000
	Sub component 2.5: Stimulate enhanced investments to support private sector development	1,500,000	3,000,000
2.5.1	Leverage medium-to-large scale private sector investments for aggregators and traders (co-funding of private sector infrastructure and business development investment).	1,500,000	2,500,000
2.5.2	Leverage and enhance access to financial services for local private sector aggregators (smallholder producers, farmer groups and cooperatives) (development finance – BDBL, CSI Bank) (microfinance – RENEW MFI, BAOWE, Tarayana, Foundation)		250,000
2.5.3	Enhance digital access to financial services for producers, aggregators and traders including the visibility of interest rates and charges.		250,000
	Project Management	650,000	
	Total	10,400,000	8,000,000

B.1 For the investment project, briefly discuss the impact on the proposed project design if full requested amount is not awarded.

The project budget has been calculated based on the overall geographic coverage of four new districts and the fifth district as an overlap with the CARLEP project. The minimum budget for implementing this project would be USD 13 million. If the budget is reduced to USD 10 million, then the geographic scope of the project will be reduced by one district and consequent decrease in project beneficiaries.

B.2. Please clarify the underlying assumptions for the proposed budget. For example, indicative unit costs for major investments (including how derived), program coordination costs, additional budget notes, etc.

The main assumptions underlying the derivation of project costs and financing plan are as follows:

- The proposed programmes will be financed over a five-year period (2023-2027) and the programme cost are based on current year (2021) prices including the inflation of 5% per annum over the project period.
- The total project cost is estimated at USD 21 million (excluding Government co-financing) out of which USD 13 million from GAFSP and IFAD co-financing of USD 8 million.
- The programme cost constitutes about 95 percent of the total GAFSP funding, whereas only 5 % considered as project management cost.
- RGoB co-financing will cover mainly the cost of all taxes on goods and services procured under the Project. Government will also finance PMU and field-based staff on deputation from relevant agencies of MOAF as per Royal Government rules and operating costs partially.
- Capacity building of value chain actors and stakeholders; study/assessment; value chain facilitation & brokering support (MSP, B2B, B2S); Producer group strengthening and support for value chain led enterprise promotion constitute 58 percent, whereas climate resilience infrastructures and co-investment support for private sector promotion constitute 42 percent of total project cost. Similarly, Technical assistance cost forms 20 percent of the GAFSP funding, which will be managed by WFP, and amounts to 12.38% of the total project costs.
- Detail in each intervention areas along with target and unit cost will be included in the final design document and Project Implementation Manual.

Table C: Detailed Budget for Technical Assistance Project

Activities	Outcome and Activities	GAFSP
	Outcome 1 – Resilient production systems	800,000
	Sub-outcome 1.1: Increase the resilience, diversity, and market responsiveness of farm production	800,000
1.1.1	Deploy the CLEAR diagnostic tool for zoning agricultural production, locating aggregation and processing centers and satellite markets, and streamlining supply-side logistics based on a robust climate vulnerability and risk assessment.	300,000
1.1.2	Formulate district and sub-district agriculture resilience plans involving smallholder households, producer organizations, cooperatives, buyers, financiers, as well as district agriculture and market facilitation officers.	500,000
	Outcome 2 – Enhance job creation and income generation through resilient value chains	1,800,000
	Sub component 2.1: Strengthen market access linkages	1,050,000
2.2.1	Convene multistakeholder market facilitation platforms involving government agents, producers, traders (including middlemen) and buyers to agree on time- and area- bound value chain development plans that respond to market demands	350,000
2.2.2	Stimulate the engagement and negotiation of terms between producer organizations, local enterprises and buyers (contracting, negotiation, and access to market information including over social media and government-led digital platforms)	300,000
2.2.3	Use existing demand side public sector programmes such as the national school and institutional feeding to promote and expand farmer sales of local products to national public institutions.	100,000
2.2.4	Facilitate and support district and ward level public and private sector procurement agreements and contract arrangements between producers and buyers.	200,000

2.2.5	Undertake market research to understand and address market arrangements that incentivize imported commodities over national agricultural products while limiting exports, and create an enabling environment for new national and international market opportunities for Bhutanese agricultural products.	100,000
	Sub component 2.3: Strengthen government-supported market facilitation in target subsectors	750,000
2.3.1	Strengthen the capacities of government agents to map and agree value chain optimization needs from farm gate to institutional and district markets, including local infrastructure weaknesses and export market needs.	250,000
2.3.2	Build decentralized Department of Agriculture Marketing and Cooperatives market 'focal point' capacities at the district level to	500,000
2.3.3	Support implementation of pro-smallholder market access policies and programmes (dzongkhag staff and management resources)	
2.3.4	Facilitate relationships between producers, public and private sector buyers along targeted fresh produce value chains	
2.3.5	Adopt the RNR M&R and AMIS digital platforms	
	Total	2,600,000

Note: Do not include separate line items for contingencies. Instead factor contingencies into component costs.

C.1 For a Technical Assistance project, briefly discuss the impact on the proposed project design if the full requested amount is not awarded. Would a reduced award mean working in fewer geographic areas, a reduction in the target population, scaled back activities, etc.?

N/A

C.2. Please clarify the underlying assumptions for the proposed budget. For example, indicative unit costs for training or workshops, program coordination costs, etc.

The budget proposed is based on estimations of current costs to provide technical assistance, conduct various types of training, workshops and program coordination, including monitoring and evaluation, and small-scale infrastructure works. Detailed costing will be done at full project design stage.

Annex 2 – Proposal Stage Results Monitoring Matrix

Review Table D below for the list of GAFSP Tier 1 (impact) and Tier 2 (output and outcome) indicators and select the indicators that are relevant to the Proposal. The selected GAFSP Monitoring & Evaluation (M&E) indicators should be included in the Results Monitoring Matrix presented in *Table E* and should feed into the project Results Framework or Log Frame if the Proposal is approved.

Present a proposal stage Results Monitoring Matrix in Table E. This should include indicators for the project as a whole and for all components, as well as indicative end-of-project target values. Refer to the GAFSP M&E Plan for requirements to be followed for any approved proposals. Refer to the list of Tier 1 and Tier 2 indicators in *Table D* and include those selected in *Table E*.

Table D: GAFSP Tier 1 and Tier 2 Core Indicators

#	Tier 1 impact indicators for all GAFSP projects	Check if yes
1	<ul style="list-style-type: none"> ▪ Households provided with targeted support to improve their nutrition Mandatory multipliers: <ul style="list-style-type: none"> - Total persons participating - Males - Females - Number of young - Number of indigenous peoples (Mandatory when relevant) - Households ▪ Household members benefitted ▪ Percentage of women reporting minimum dietary diversity (MDDW)³⁰ Mandatory multipliers: <ul style="list-style-type: none"> - Women (number) - Women (%) - Households (number) - Households (%) - Household members (number) ▪ Percentage of households with improved nutrition Knowledge Attitudes and Practices (KAP) Mandatory multipliers: <ul style="list-style-type: none"> - Households (number) - Households (%) Household members 	<input checked="" type="checkbox"/>
2	Household income	<input checked="" type="checkbox"/>
3	Crop yield (apply only to those projects with explicit productivity gain goals)	<input checked="" type="checkbox"/>
#	Tier 2 indicators for all GAFSP projects, Mandatory Breakdowns† (unit) ► Indicator notes	
1	<ul style="list-style-type: none"> ▪ Poor smallholder household members supported in coping with the effects of climate change ▪ Persons receiving services promoted or supported by the project <ul style="list-style-type: none"> - Disaggregation for gender and age - Males - Females - Young <p>and those receiving Climate-Smart Agriculture (CSA)-specific support.</p>	<input checked="" type="checkbox"/>
2	<ul style="list-style-type: none"> ▪ Land area receiving improved production support, percentage of these that are climate smart (ha) ▪ Farmland under water-related infrastructure constructed and or rehabilitated ▪ Land brought under climate-resilient practices <p>► Disaggregation for climate-smart interventions.</p>	<input checked="" type="checkbox"/>

³⁰ MDD-W is Minimum Dietary Diversity for Women. It assesses whether or not women 15–49 years of age have consumed at least five out of ten defined food groups the previous day or night.

3	<p>Number of smallholders receiving productivity enhancement support, gender disaggregated, climate-smart agriculture support</p> <p>► Number of end-users who directly participated in project activities.</p> <p>▪ Households supported with increased water availability or efficiency</p> <p>▪ Rural producers accessing production inputs and/or technological packages</p> <p>▪ Persons in rural areas accessing financial services (savings/credit)</p> <p>▪ Persons in rural areas trained in financial literacy and/or use of financial products and services</p> <p>► Using CSA approaches.</p>	<input checked="" type="checkbox"/>
4	<p>▪ Rural producers' organizations supported (number)</p> <p>▪ Rural producers accessing production inputs and/or technological packages</p> <p>▪ Rural producers' organizations reporting an increase in sales.</p>	<input checked="" type="checkbox"/>
5	<p>► Volume of agriculture loans that are outstanding.</p> <p>► Volume of outstanding loans for agriculture and agribusiness in a financial institution</p>	<input type="checkbox"/>
6	<p>▪ Households reporting improved access to land, forests, water or water bodies for production purposes</p> <p>► Measured as those with legal documentation or recognized evidence of tenure and those who perceive their rights are recognized and protected.</p>	<input checked="" type="checkbox"/>
7	<p>▪ Roads constructed, rehabilitated or upgraded</p> <p>► All-weather roads built, reopened, rehabilitated, or upgraded by project.</p> <p>► Percentage that are designed to withstand changes in climate.</p>	<input type="checkbox"/>
8	<p>▪ Households reporting improved physical access to markets, processing and storage facilities</p> <p>▪ Market, processing or storage facilities constructed or rehabilitated</p>	<input checked="" type="checkbox"/>
9	<p>▪ Volume of agricultural production processed by post-harvest facilities established with GAFSP support, by food group (tons)</p> <p>► Tons of total produce processed sorted by 10 major FAO food groups.</p>	<input type="checkbox"/>
10	<p>▪ People benefiting from cash or food-based transfers, gender disaggregated (number of people)</p> <p>► Number of people who benefited from cash or food transfer interventions.</p>	<input type="checkbox"/>
11	<p>▪ Households provided with targeted support to improve their nutrition</p> <ul style="list-style-type: none"> - Number of people - Number of HHs - Gender - Youth <p>► Number of people who received nutrition counselling/education, recipients of Ready-to-use-Therapeutic Foods, bio-fortified foods, and Vitamin A and micronutrient supplements.</p> <p>► Number of people receiving extension support for nutrition-relevant techniques (e.g., homestead gardens, Farmer Field School support, etc.).</p>	<input checked="" type="checkbox"/>
12	<p>▪ Persons with new jobs/employment opportunities</p> <p>► Number of direct employees in a client company.</p> <p>► Part time jobs aggregated to full-time equivalent.</p>	<input checked="" type="checkbox"/>
13	<p>▪ Persons trained in production practices and/or technologies</p> <p>► Agricultural and non-agricultural rural training and capacity building support provided.</p> <p>▪ Persons trained in income-generating activities or business management</p> <p>► Distinguishes between individual producers/household members, civil society organization staff, and government officials.</p>	<input checked="" type="checkbox"/>
14	<p>▪ Number of substantive deliverables on food security processes completed (number)</p> <p>► Measures "soft support" for institutional development provided through discrete deliverables.</p> <p>▪ Policy-relevant knowledge products completed</p> <p>▪ Functioning multi-stakeholder platforms supported</p>	<input checked="" type="checkbox"/>

Note: The definitions for the Tier 2 indicators can be found on pgs. 24-27 of the [GAFSP M&E Plan](#).

† Reporting on the indicator requires reporting all mandatory breakdowns for the indicator.

†† Climate-related language is included for indicators 1, 2, 3, and 7. In view of discussion and some concerns expressed by the GAFSP Steering Committee, it is noted that the experience of gathering such data at the SE/project level will be tracked and reviewed to assess the ease/feasibility of application and resulting “meaningfulness” of the data that are gathered. Please also see earlier footnote #6 on the use of the term ‘climate-smart’ in the GAFSP M&E Plan.

†† GAFSP projects have not traditionally supported land-ownership reform, although both the TAC and most SE project preparation processes currently evaluate project readiness against a criterion that includes land access and land user rights, and they typically verify such aspects through their respective “safeguards” and appraisal policies. There was demand from SC members to see a standalone indicator, however, that can capture a focus on land use rights.

Table E: Proposal Stage Results Monitoring Matrix

Indicators ³¹	Unit of measurement	Baseline ³²	End-of-project target	Data sources (Data collection instruments)
Project level indicators				
Project’s highest-level indicator	1. Food Insecurity Experience Scale (FIES) 2. Household income			HH Survey/ Assessment
Component level indicators³³				
Component 1				
Number of beneficiaries reached, gender disaggregated, percentage who have been helped to cope with impact of climate change	Beneficiary women, men, girls and boys			Household surveys MoAF online monitoring and reporting system
Number of smallholders receiving productivity enhancement support, gender disaggregated, climate-smart agriculture support	Number of households			Household surveys MoAF online monitoring and reporting system
Component 2				
Number of producer-based organizations supported (number)	Organisation by type / location / membership (by age/sex) / leadership (by age/sex)			MoAF online monitoring and reporting system Project monitoring report
Number of post-harvest facilities constructed and/or rehabilitated (number)	Number by type / location / principal user group			MoAF online monitoring and reporting system Project monitoring report
Persons receiving capacity development support	Number, by sex, age, type of support			MoAF online monitoring and reporting system Project monitoring report
Number of substantive deliverables on food security processes completed	Number, by type of service / purpose / beneficiary individual or group type /			MoAF online monitoring and reporting system Project monitoring report
Direct employment provided	Number of new jobs, by sex and age (full-time equivalent)			Ibid

³¹ If any cross-cutting themes were selected in Section 3.1, this table must include some indicators that correspond to the selected theme(s).

³² If this is unknown, write TBD (to be determined).

³³ Please identify indicators that can clearly represent the causal links in the results chain that bridge the gap between the current status and the objectives (desired high-level indicator). Ideally, under each component, there is at least one outcome indicator and correspondent output indicator(s).

Annex 3 -- Risks and Negative Externalities

F. Describe important potential risks to achieving the project's development objective(s). Provide an assessment of the likelihood (probability) and risk rating (severity, impact) of the risks, and proposed mitigation measures. Add additional rows to the table for additional risks if needed.

Table F: Project Risk Assessment

Risk	Likelihood (L, M, H)	Risk rating (L, M, H)	Risk description	Proposed mitigation measures
Technical design: Risk that technical design could affect the project from reaching its objectives	M	M	Low capacity of implementing institutions to promote new knowledge and technological innovations	(i) promotion of PPP approach; (ii) promotion of advisory services; (iii) technology extension; (iv) skills development of VC actors; (v) rigorous business planning
Institutional capacity for implementation: Risk that there is insufficient capacity to implement the project	M	M	As evident in the recent country projects, the inherent institutional capacity risks are medium in Bhutan.	i) proper arrangements and choices of partners, ii) capacity building and closely monitoring by IFAD and WFP, iii) strong project management unit
Political and Governance	M	L	Bhutan's political environment has been stable and economic conditions have improved in recent years.	Increasingly working through private sector.
Sector Strategy/policy	M	M	Outdated policies governing agriculture sector.	Policy dialogue sub-component will provide evidence basis for policy reform, and capacity building.
Financial Management	L	L	Inherent fiduciary and financial management risks in Bhutan are low.	i) dedicated project financial team with proper training, ii) minimize frequent staff transfer of FM staff

G. Describe important potential negative externalities or spillover effects that could arise from the project implementation, as well as an assessment of likelihood (probability) and risk rating (severity, impact) of the risks and proposed mitigation measures. Add additional rows to the table for additional potential negative externalities if needed.

Table G: Evaluation of Negative Externalities

Potential Negative Externalities	Likelihood (L, M, H)	Risk rating (L,M,H)	Description of potential negative externalities	Proposed mitigation measures
Environmental	M	M	Soil quality degradation due to commercial agriculture, excessive use of water and other natural resources, wastage, chemical uses	(i) Pre-screening of suitable site selection for prospective clusters and groups to be supported by the programme to ensure the specific commodities, scale and production systems are appropriate and sustainable in the specific location. For livestock this will include an

				assessment of the carrying capacity of the local landscape for the envisaged herds; (ii) For livestock, strict promotion of stall-based production systems with increased fodder/feed production to reduce open grazing – especially in hills and on degraded or vulnerable land; (iii) Promotion via local service markets of sustainable production technologies including: IPM, water efficient technologies, erosion control via poly-tunnel and soil nutrition management.
Social	M	L	Exclusion of disadvantage community and groups, limiting indigenous community's use and rights, extra workload and financial burden to poor household	(i) equitable and transparent targeting to ensure benefit for the poor and disadvantaged people, (ii) free, prior and informed consent from indigenous people before working to their area, (iii) labour saving technologies and tool support and proper payment for labour
Gender	M	L	Exclusion of women and girls, extra workload and financial burden to women,	The CARLEP project demonstrated strong gender and social inclusion performance with no major issues. The programme will also have an explicit focus on maximising return on labour, not just farm incomes. This enhanced focus on more productively and labour-saving technologies while also explicitly addressing the issue to labour demand. As such, the primary social risk to project concerns the potential exclusion of high-risk individuals from the full benefits of the programme due to intra-households and community social issues.
Climate Change	H	H	Erratic and excessive rainfall patterns leading to extreme events like flash floods	(i) promotion of climate smart technologies; (ii) increasing the number of climate smart villages; (iii) constant monitoring of climate conditions; (iv) multipurpose water sources and water harvesting
Macroeconomic	M	H	Market dynamics of selected value chains may change.	(i) careful selection of VCs; (ii) improved technologies to increase productivity; (iii) scope to align VC selection with market evolution.
Stakeholders	L	M	Insufficient interest from stakeholders; or risk of social exclusion.	(i) promote and facilitate market linkage: (ii) promote and facilitate financial linkage;

				(ii) Use of matching grants; systematically advisory service linked to ICT related service
Market	M	M	Lack of technical capacity to respond to the identified needs	(i) Market-led investment in appropriate technology; (ii) development of farmer-group governed pluralistic advisory services, (iii) multi stakeholder platform (MSP) agreements link producer's group to agri-business and market
	M	M	Lower market price for commodities	Increased and diversified production and improved value addition and market access through project support
	M	M	Financial service providers not interested to invest in project-targeted value chain	Development of banking sector capacities and financial products; cofinance only profitable, climate adapted production systems and value chains
Human wildlife coexistence	H	M	Crop damage by wild animals	(i) support for fencing, (ii) preference of wildlife nonpalatable crops, (iii) enhance food diversity in forests

Annex 4 - Prior GAFSP Grant(s)

Provide details about each prior GAFSP grant the country has received (if applicable). Complete the information for each grant received and for each country in case of a multi-country proposal.

Project Name	Food Security and Agriculture Productivity Project (FSAPP)
Country	Bhutan
GAFSP Grant Amount and Amount Disbursed	Total Grant: US\$8.0 million Amount Disbursed: US\$7.41 million
Grant Approval Date	27 April 2017
Project Status	Ongoing
Project Closing Date	30 December 2022
Project Implementation Update (implementation progress, results, challenges, etc.)	<p>19 May 2020</p> <p>FSAPP has made good progress on disbursements. The current disbursement for the project is USD 7.41 million or 93 percent of the original grant. The project has also made significant achievements against expected intermediate results and outcomes as assessed by the November 2020 MTR mission and continues to be rated Satisfactory on both Progress towards achievement of PDO and Overall Implementation Progress. With respect to PDO indicator 1 (<i>productivity of targeted crops increased by at least 20 percent in project areas</i>), the project has achieved 20 percent by midterm, exceeding the original end of project (EOP) target. With respect to PDO indicator 2 (<i>increase in both volume and value of produce marketed by at least 20 percent</i>), the project has achieved 8 percent volume increase and 17 percent value increase, meeting or exceeding expected achievement at midterm. With respect to PDO indicator 3 (<i>number of direct project beneficiaries of which 30 percent are women</i>), the project has reached 6,526 beneficiary households by midterm, or 63 percent of the initially targeted households. Of the beneficiaries reached, 29 percent were women.</p> <p>The FSAPP had been successful in securing additional finance (Grant) for COVID_19. The GAFSP Steering Committee approved an additional financing of USD 4.64 million in October 2020 and granted an extension of the closing date of the grant from December 30, 2022 to December 30, 2024.</p> <p>The main challenges are in the coordination of the stakeholders across five Dzongkhags and 29 Gewogs plus three ARDCs and DAMC as well as the Project Management Unit. Reporting on time is a challenge, as not all the stakeholders can submit on time. Another challenge is the lack of an M&E online system. Current M&E system exist on paper only.</p>
Most recent/last Supervising Entity Implementation Rating for (i) achieving project objectives and (ii) implementation progress.	<p>6-15th April 2020</p> <p>(i) Satisfactory (ii) Satisfactory</p>
Will the project proposed under this proposal build on or be linked to this prior GAFSP grant? If so, in what way?	<p>Yes</p> <p>The proposed project will build on especially the lessons and good practices from the FSAPP. Close linkages with the current FSAPP will benefit the proposed project.</p>

Annex 5 - Proposal Preparation Team

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