
President's report
Proposed loan
Kingdom of Bhutan
Building Resilient Commercial Smallholder
Agriculture (BRECSA)

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 60.

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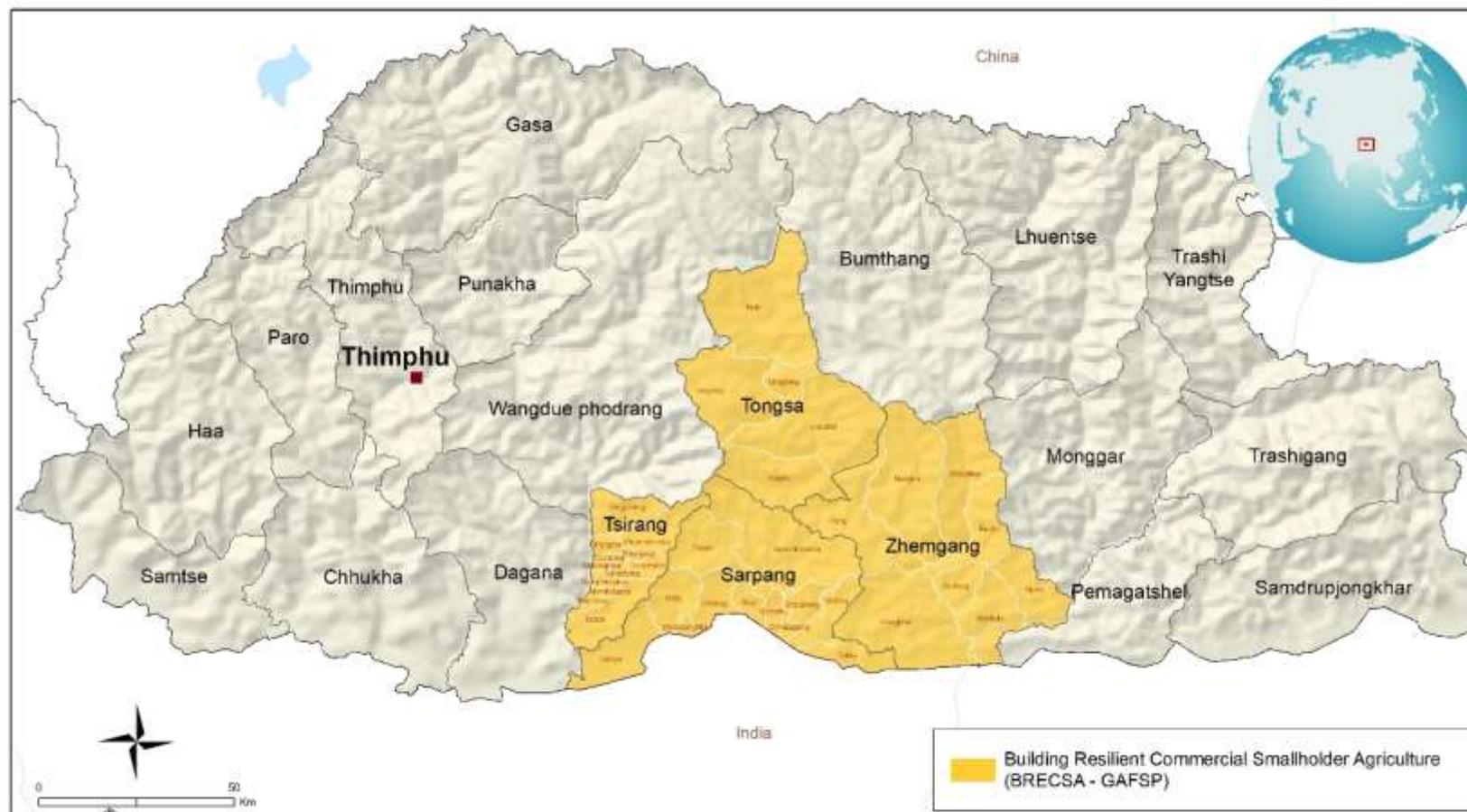
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- I. Negotiated financing agreement
- II. Logical framework
- III. Integrated project risk matrix

Project delivery team

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Map of the project area



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.
Map compiled by IFAD | 26-09-2022

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Kingdom of Bhutan
Executing agency:	Ministry of Agriculture and Forests
Total project cost:	US\$30.063 million
Amount of IFAD loan:	US\$8.934 million
Terms of IFAD loan:	Highly concessional
Cofinancier:	Global Agriculture and Food Security Program (GAFSP)
Amount of cofinancing:	GAFSP US\$13.00 million grant as follows: IFAD-administered: US\$10.4 million World Food Programme (WFP)-administered: US\$2.6 million Domestic financial institutions: US\$0.70 million
Terms of cofinancing:	Grant
Contribution of borrower/recipient:	US\$1.113 million
Contribution of beneficiaries:	US\$6.3 million
Implementing partner:	WFP

I. Context

A. National context and rationale for IFAD involvement

National context

1. The Kingdom of Bhutan is a landlocked lower-middle income country with a land area of 38,394 km² and a population of approximately 800,000. Bhutan is known for its unique philosophy of Gross National Happiness, which calls for economic development encompassing a larger set of human development indicators. The country transitioned to a democratic constitutional monarchy in 2008.
2. The national poverty rate declined significantly during the period 2007–2017, from 23.2 per cent to 8.2 per cent. There are regional variations with disproportionately high poverty rates in rural areas. Most of the districts with high poverty rates are geographically remote, posing challenges to accessing services and markets.
3. Bhutan's agriculture sector is currently the primary contributor to GDP, which has increased from 14.78 per cent in 2010 to 19.23 per cent in 2020. This is followed by the industrial sector, which is dominated by hydropower, which contributes 17.77 per cent to GDP.
4. The COVID-19 pandemic caused major economic disruption, which in turn led to a decrease in GDP per capita from US\$3,419 in 2019 to US\$3,130 in 2020. The country's dependency on food imports led to food insecurity as COVID-19 restrictions disrupted international supply chains. As a result, the Royal Government of Bhutan elevated the priority for rapid and sustainable economic recovery.

Special aspects relating to IFAD's corporate mainstreaming priorities

5. In line with IFAD's mainstreaming commitments, the project has been validated as:
 - Gender-transformational
 - Nutrition-sensitive
 - Youth-sensitive
6. Bhutan is experiencing a triple burden of malnutrition, micronutrient deficiencies, and overweight or obesity. Overall food demand in Bhutan is expected to increase by 46 per cent by 2025 compared to 2007. With a fragile mountainous ecosystem and high reliance on climate sensitive sectors such as hydropower and agriculture, Bhutan's economy is particularly vulnerable to the adverse impacts of climate change¹ such as erratic rainfall, increases in temperature and corollary effects of decreasing soil fertility, pest and disease outbreaks and landslides, to name a few. There is a rising trend of feminization of agriculture in Bhutan resulting from the outmigration of men and male youth seeking off-farm employment. This translates into vulnerable livelihoods and drudgery for women farmers. The low literacy levels of Bhutanese women, particularly in rural areas, further limit their access to information and markets. Young people in Bhutan are widely considered as the backbone for future prosperity of the country. The most prominent cause of unemployment among Bhutanese youth is the mismatch of supply and demand of skills.

Rationale for IFAD involvement

7. The Global Agriculture and Food Security Program (GAFSP) approved a US\$13 million grant for the Building Resilient Commercial Smallholder Agriculture (BRECSA) with IFAD as cofinancier contributing US\$8.934 million. IFAD is the supervising entity for investment and the lead implementing partner agency, while WFP will provide technical assistance for implementation.

¹ Bhutan's second nationally determined contribution.

8. BRECSA addresses systemic barriers in the agriculture sector and priorities identified in Bhutan’s Renewable Natural Resources (RNR) Strategy 2030, the Food Self-sufficiency Policy, the Food Systems Summit Pathways recommendations and Bhutan’s COVID-19 Economic Recovery Plan. BRECSA builds on lessons learned from IFAD’s on-going Commercial Agriculture and Resilient Livelihoods Enhancement Program (CARLEP) in the eastern region, and expands geographic coverage by adding four new contiguous districts with CARLEP in the south-central region.

B. Lessons learned

9. BRECSA incorporates lessons learned as articulated in the IFAD country strategy note (CSN) 2022–2023 for Bhutan, focusing in particular on improving the targeting of youth and women, building climate change resilience, promoting agroecological farming, whole of community interventions, focusing on value addition and marketing, and export-oriented production.

II. Project description

A. Objectives, geographical area of intervention and target groups

10. The goal of BRECSA is to catalyse a 30 per cent increase in resilient commercial agricultural production and improve food and nutrition security by 2030 in the central and south-central districts (*dzongkhags*) of Sarpang, Tongsa, Tsirang and Zhemgang. The development objective is to transform smallholder agriculture into inclusive and resilient agrifood systems that are increasingly profitable and food and nutrition secure. BRECSA will facilitate the transformation of the agricultural sector in Bhutan by adopting a climate-resilient, nutrition-sensitive and commercial value chain approach. BRECSA will target subsistence, semi-commercial and commercial farmer households. The total direct beneficiaries of BRECSA interventions are 12,074 farmer households (approximately 47,088 people), of whom 60 per cent will be women and 30 per cent youth.

B. Components, outcomes and activities

11. The project will have the following components: (i) resilient production systems; (ii) strengthened value chain coordination and market linkages; and (iii) innovative and competitive agrifood sector. The following are brief descriptions of the project components, and more detailed activities and implementation modalities can be found in the project design report.
12. **Component 1: Resilient production systems**
This component focuses on building resilient production systems based on a regenerative agriculture model that increases resilience to climate and other shocks, and that contributes to food and nutrition security. Component 1 focuses on improving the resilience of agriculture through the following mainline activities: participatory identification of anticipated climate change impacts using WFP’s Consolidated Livelihood Exercise for Analysing Resilience (CLEAR); development of agriculture resilience plans (ARPs) at municipal and district levels for zoning commodity production based on agroecological suitability; support to vulnerable groups for improving income and nutrition through the development of livelihood improvement plans; and investment in commercial farming systems through the establishment of hubs centred along main arteries and economic corridors that farmer networks can link up with.
13. **Component 2: Strengthened value chain coordination and market linkages**
This component promotes agricultural commercialization and fosters exports, as followings: enhance efficiency in the production of dairy, poultry, vegetables, spices and high-value commodities (i.e. honey, mushrooms) and value chain transactions; apply an integrated value chain approach covering all value chain functions

including input supply, production, aggregation and storage, processing, marketing channels and export strategies; establish multi-stakeholder platforms (MSPs) to support business development and commercialization at Thimphu and district levels; facilitate through MSPs more systematic engagement between farmers, commodity production groups and private sector operators; and open up access to private sector engagement for provision of value chain services over the longer term.

14. Component 3: Innovative and competitive agrifood sector

This component supports the creation of an enabling financial and policy environment to promote a competitive and modernized food sector. Under this component, activities will be supported to improve access to financial services, policy dialogue to support private enterprise development and certification for meeting internationally recognized food standards. The mainline activities are as follows: provide matching grants to entrepreneurs interested in establishing commercial value chain operations as a partial credit guarantee to the bank; develop digital support platforms and tools for tackling issues related to production and pricing in different locations, facilitate transport services and agro-vet extension; and policy dialogue on federating farmer cooperatives and groups and certification of Brand Bhutan organic and high-value agrifood products in regional and international export markets.

C. Theory of change

15. The BRECSA theory of change is based on the premise that the transformation of Bhutan's agrifood system requires increasing resilient production and productivity of smallholder farmers to shift the sector into a leading edge and competitive system that contributes to improving national food and nutrition security while creating sustainable incomes for farmers and employment for youth. Furthermore, developing integrated and resilient value chains (coupled with post-harvest processing), establishing market linkages, and engaging youth and the private sector in the transformation process is indispensable. Providing opportunities for the expansion of services by the private sector, and creation of an ecosystem of new services linked to agroecological farming and export-oriented production, is essential for ensuring long-term sustainability. Likewise, the extensive capacity-building proposed on agroecological farming, financial education and business literacy (FEBL), in addition to cooperative formation, undergird the transition to commercial farming.

D. Alignment, ownership and partnerships

16. BRECSA is aligned with the 2030 Agenda for Sustainable Development. Investment in the food and agriculture sector has the highest potential to accelerate achievement of Sustainable Development Goals (SDGs) 1, 2 and 13. As a gender transformative and nutrition and youth-sensitive project, BRECSA will contribute to SDGs 3 and 5 as well.
17. BRECSA is fully aligned with the Government's 12th Five-Year Plan, RNR Strategy 2030, RNR Marketing Strategy 2021, RNR Marketing Policy 2021, Transformation of Agriculture through Crop Prioritization 2022, and the Food Systems Summit pathways recommendations. The project also advances Bhutan's nationally determined contribution commitments.
18. The project operationalizes the following strategic objectives (SOs) of IFAD's country strategy for Bhutan: SO1, foster transformation of smallholder agricultural production into inclusive equitable, diverse and resilient agrifood systems; and SO2, create an enabling environment for private sector enterprise development in the agrifood sector for engaging youth in lucrative commercial ventures.

E. Costs, benefits and financing

Project costs

19. The total project cost amounts to US\$30.063 million over seven years, including contingencies and inflation. Project activity costs have been calculated based on the landlocked nature of the country, remoteness of the target groups and experiences with price fluctuations caused by COVID-19 and the crisis in Ukraine.

Table 1

Project costs by component and financier

(Thousands of United States dollars)

Component	IFAD loan		GAFSP grant (IFAD)		GAFSP grant (WFP)		Borrower/recipient		Financial institutions		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount*	%	Amount	%	In kind	%	Amount	%
1. Resilient production systems	906.2	5.9	6 753.2	44.2	1 975.2	12.9	271.6	1.8	-	-	5 361.3	35.1	15 267.5	50.8
2. Strengthened value chain coordination and market linkages	3 416.8	48.5	2 583.0	36.6	326.2	4.6	244.6	3.5	-	-	480.0	6.8	7 050.5	23.5
3. Innovation and competitive agrifood sector	1 374.6	35.4	1 063.8	27.4	132.7	3.4	137.4	3.5	704.8	18.1	469.9	12.1	3 883.2	12.9
4. Project management, monitoring and evaluation, and knowledge management	3 236.4	83.8	-	-	166.0	4.3	459.8	11.9	-	-	-	-	3 862.2	12.8
Total	8 934	29.8	10 400	34.6	2 600	8.6	1 113.4	3.7	704.8	2.3	6 311.2	21.0	30 063.4	100

* An approximate amount of US\$757,000 from the Government contribution will be provided in kind in the form of taxes and duties.

Table 2

Project costs by expenditure category and financier

(Thousands of United States dollars)

Expenditure category*	IFAD loan		GAFSP grant (IFAD)		GAFSP grant (WFP)		Borrower/recipient		Financial institutions		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Investment costs														
1. Works	3 993.3	54.3	2 145.0	29.1	38.1	0.5	280.6	3.8	-	-	901.7	12.3	7 358.7	24.5
2. Equipment and materials	171.9	17.4	669.9	67.8	-	-	25.0	2.5	-	-	121.2	12.3	987.9	3.3
3. Vehicles	120.7	95.0	-	-	-	-	6.4	5.0	-	-	-	-	127.0	0.4
4. Goods, services and inputs	1 504.4	11.5	5 087.6	39.1	170.9	1.3	270.2	2.1	704.8	5.4	5 288.3	40.6	13 026.1	43.3
5. Consultancies	478.7	26.7	559.7	31.3	678.1	37.9	73.2	4.1	-	-	-	-	1 789.7	6.0
6. Workshops	460.5	47.2	195.3	20.0	286.7	29.4	33.6	3.4	-	-	-	-	976.2	3.2
7. Training	516.5	32.2	836.3	52.2	209.1	13.0	40.8	2.5	-	-	-	-	1 602.7	5.3
Total investment costs	7 246.0	28.0	9 493.8	36.7	1 383.0	5.3	729.6	2.8	704.8	2.7	6 311.2	24.4	25 868.1	86.0
Recurrent costs														
1. Salaries and allowances	501.7	17.0	906.2	30.6	1 217.1	41.2	331.8	11.2	-	-	-	-	2 956.8	9.8
2. Operating costs	1 186.5	95.8	-	-	-	-	52.0	4.2	-	-	-	-	1 238.5	4.1
Total recurrent costs	1 688.2	40.2	906.2	21.6	1 217.1	29.0	383.8	3.7	-	-	-	-	4 195.3	14.0
Total	8 934.0	29.7	10 400.0	34.6	2 600.0	8.6	1 113.4	11.2	704.8	2.3	6 311.2	21.0	30 063.4	100.0

* Expense categories may be merged in the financing agreement.

Table 3
Project costs by component and project year
 (Thousands of United States dollars)

<i>Component</i>	<i>2023/2024</i>		<i>2024/2025</i>		<i>2025/2026</i>		<i>2026/2027</i>		<i>2027/2028</i>		<i>2028/2029</i>		<i>2029/2030</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
1. Resilient production systems	1 305.6	8.6	3 114.8	20.4	3 570.1	23.4	3 816.1	25.0	2 488.0	16.3	524.0	3.4	449.1	2.9	15 267.5
2. Strengthened value chain coordination and market linkages	99.7	1.4	1 166.5	16.5	1 916.3	27.2	1 814.7	25.7	1 402.1	19.9	568.2	8.1	83.0	1.2	7 050.5
3. Innovation and competitive agrifood sector	390.1	10.0	956.5	24.6	902.7	23.2	783.9	20.2	747.2	19.2	30.9	0.8	71.8	1.8	3 883.2
4. Project management, monitoring and evaluation, and knowledge management	710.1	18.4	541.8	14.0	610.3	15.8	585.3	15.2	591.1	15.3	439.8	11.4	383.8	10.0	3 862.2
Total	2 505.5	8.3	5 779.6	19.2	6 999.3	23.3	7 000.0	23.3	5 228.4	17.4	1 563.0	5.2	987.7	3.3	30 063.4

Financing and cofinancing strategy and plan

20. Project financing is as follows: (i) an IFAD highly concessional loan of US\$8.934 million (29.8 per cent of the total project cost); (ii) a GAFSP grant of US\$13 million (43.2 per cent of the total project cost); (iii) a contribution from the Government estimated at US\$1.113 million (3.7 per cent of the total project cost), a contribution from financial institutions of US\$0.70 million (2.3 per cent of the total project cost) and a contribution from beneficiaries of US\$6.31 million (21 per cent of the total project cost).
21. The main cofinancier is GAFSP. The project received approval on 28 October 2022 from the GAFSP Steering Committee. The initial GAFSP administration funds were disbursed to IFAD in the first quarter of 2022 and the financing for the investment project will commence upon entry into effectiveness of the financing agreement between Bhutan and IFAD. There is limited risk of a financing shortfall.
22. The GAFSP grant of US\$13 million is split on a 1:4 ratio respectively between WFP and IFAD. WFP will administer US\$2.6 million of the GAFSP grant while IFAD will administer US\$10.4 million. The government contribution of US\$1.113 million includes approximately US\$781,600 in the form of taxes and duties forgone.

Disbursement

23. Two designated accounts denominated in United States dollars will be opened for the GAFSP grant (IFAD portion) and IFAD loan by the Royal Monetary Authority (the central bank) and the Bank of Bhutan Limited (BOBL) – to which funds will flow from IFAD. The funds will be disbursed in United States dollars. The Royal Monetary Authority (RMA) will transfer the funds based on project requirements to the Department of Public Accounts, which in turn will release this amount to the project in accordance with the approved annual workplan and budget (AWPB). Funds will be disbursed following a revolving fund methodology with advances based on quarterly interim financial reports. Specific disbursement conditions for the IFAD-administered financing will be detailed in the financing agreement and the financial management and financial control arrangements letter.

Summary of benefits and economic analysis

24. **Direct benefits.** The primary benefit streams of the project will be through increased net incomes of household farm enterprises from the various commodities supported by the project involving production intensification, commercialization, empowerment of farmer groups and improved market access. The benefits will accrue mainly from agricultural business creation and expansion, facilitated by project support to supply chain development and establishment of market linkages with potential suppliers.
25. **Indirect benefits.** The value chain approach being adopted by the project will create new rural job opportunities, especially for youth. Employment creation will be both in the production sector and in the service sector along the value chains. The latter will be from enterprises engaged in bio-input production, processing, packaging, transportation, machine rentals, etc.
26. **Economic analysis.** Based on the financial models for enterprises, households and subsector, an economic analysis of the project has been conducted using economic prices. Cost-benefit analysis yields an overall economic internal rate of return of 19.2 per cent. A positive net present value under the current opportunity cost of capital of 9 per cent indicates that the project investments are secure.

Exit strategy and sustainability

27. A detailed exit strategy for BRECSA will be prepared in the fourth year. A consultation workshop will be undertaken in each district, in collaboration with all project partners, to detail and finalize the exit strategy. The exit strategy will phase out activities as linkages with the supported private sector entities are strengthened. A high level of participation by the Government, beneficiaries and

partner institutions is planned from the outset to ensure ownership by local stakeholders. BRECSA incorporates the following features that provide a solid foundation for a smooth exit and long-term sustainability: deployment of the CLEAR tool; development of ARPs; targeted capacity-building on agroecological farming and FEBL; climate-resilient infrastructure; establishment of production hubs, aggregation, value addition and transport, and export linkages.

III. Risk management

A. Risks and mitigation measures

28. The two main risks are related to inefficient use of funds due to lack of fiduciary oversight and weak internal controls, and failure to deliver timely and satisfactory audit and financial reporting as per IFAD/GAFSP requirements. With regard to the former, the following remedial actions have been proposed: (i) regular monitoring of physical implementation progress with a corresponding time bound action plan for addressing identified issues; and (ii) ensuring proper segregation of duties by clearly outlining roles and responsibilities, and verification through monitoring activities. With regard to timely delivery of reports and audits, training will be provided for project staff on IFAD and GAFSP requirements and procedures for financial reporting. The project implementation manual will include information on timelines for preparation of interim financial reports and annual financial statements with adequate time allocated for internal clearance and approvals. The Ministry of Agriculture and Forests (MoAF) will coordinate with the Royal Audit Authority (RAA) to complete the external audit within the stipulated timelines, allowing for timely submission to IFAD.

Table 4
Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Substantial	Moderate
Sector strategies and policies	Moderate	Moderate
Environment and climate context	Substantial	Substantial
Project scope	Moderate	Low
Institutional capacity for implementation and sustainability	Moderate	Moderate
Financial management	Substantial	Moderate
Project procurement	Moderate	Low
Environment, social and climate impact	Moderate	Low
Stakeholders	Moderate	Low
Overall	Moderate	Moderate

B. Environment and social category

29. Based on the Social, Environmental and Climate Assessment Procedures (SECAP) screening tool, the environmental and social category for BRECSA has been determined as **moderate**. The project will not have any impact on sensitive areas or result in a loss of natural habitat and biodiversity. BRECSA is directed at environmentally sound and sustainable agriculture and livestock production and will support exclusively small to medium-scale climate proofed infrastructure that has minimal impact on the environment. The project is not only adopting a "do no harm" approach but also a "do good" approach through the adoption of circular systems. The project has a strong focus on social inclusion with ambitious targets for the inclusion of women, youth and persons with disabilities.

C. Climate risk classification

30. As per the SECAP screening tool, the climate risk category of the project is determined as **moderate**. The analysis of climate scenarios and resulting risks and response associated with the main investments indicate that the project is

moderately sensitive to climate risks. The use of CLEAR and ARPs will help integrate climate resilience into the value chains.

D. Debt sustainability

31. The current debt-to-GDP ratio of Bhutan is approximately 135 per cent (2021). In the May 2022 World Bank and International Monetary Fund debt sustainability analysis, the country risk of external debt distress is deemed to be moderate, with limited space to absorb additional shocks. Bhutan's economy has been heavily impacted by the recent COVID19 pandemic, dampening progress made in prior years on reducing poverty and with elevated inflation at 5.3 per cent (year over year) as of February 2022. The total share of concessional external debt is expected to decline over the long term as the country graduates from least developed country status and as income levels increase.

IV. Implementation

A. Organizational framework

Project management and coordination

32. The Policy and Planning Division (PPD) of MoAF will be the executing agency and the formal counterpart to IFAD and WFP. MoAF will provide overall implementation support and oversight, policy guidance and direction, second technical staff and provide technical backstopping through line departments and agencies in the field. A project management unit (PMU) will be established at the Agriculture Research and Development Center (ARDC) Samteling in Sarpang.
33. The PMU will be led by a project director who will lead and oversee the overall implementation of the project at the *gewog* and *dzongkhag* levels, including WFP technical assistance activities, and support the policy aspects of the project. The project director will manage the PMU team, comprised of technical experts and financial and procurement officers, for delivery against performance indicators. The project director will report to the PPD.

Financial management, procurement and governance

34. Based on the financial management risk assessment undertaken, the inherent risk is deemed to be substantial. However, it is reduced to moderate with the proposed mitigating measures, as indicated in the section on risks and mitigation measures above.
35. **Inherent risk at country level.** Utilization of both internal and donor funds is considered broadly adequate. The Government has made progress in strengthening its Public Expenditures Management System (ePEMS) and demonstrated its commitment to continuing public financial management reforms.
36. **Control risks.** As described in the risks and mitigation measures section above.
37. **Organization and staffing at the central and district level.** A dedicated finance manager will be assigned by the Ministry of Finance to the PMU and will be in charge of the finance functions for the project period. The PMU finance team will be responsible for compiling and consolidating data from all the district units and implementing partners. At the *dzongkhag* level the PMU will have a dedicated accountant. Accounting and reporting will take place on a cash basis in accordance with International Public Sector Accounting Standards (IPSAS).
38. **Accounting systems, policies, procedures and financial reporting.** BRECSA will use the country's ePEMS, which is a double-entry computerized accounting system used for all government accounts. The software is a centralized accounting system with no option of customization, hence reporting by components, categories and financiers, and interim financial reports will be performed through a separate system.

39. **Financial reporting arrangements.** The PMU will be required to prepare and submit interim financial reports on a quarterly basis to IFAD no later than 45 days after the end of each reporting period. Unaudited financial statements will be submitted to IFAD within four months of the end of each fiscal year.
 40. **Budgeting.** Annual budgeting will be done in line with the Government's existing budget framework and the budget line with GAFSP and IFAD contributions will be clearly identified and reported upon as part of MoAF budget allocations under a sub-budget category to ensure that the principle of "aid on budget" is observed. Along with the procurement plan, the AWPB will be submitted to IFAD for approval at least two months prior to the commencement of the relevant fiscal year.
 41. **Submission of withdrawal applications.** The PMU will prepare and submit withdrawal applications on a quarterly basis, while for the GAFSP grant withdrawal applications will be submitted annually. All financing and loan service payments shall be exempt from taxes.
 42. **Internal controls.** The government policy lays out transactional control on all government receipts and payments at all levels and it is considered adequate and reflects best practice. The project's internal controls will rely on the Government's established accounting and reported to IFAD in a management letter in line with IFAD's audit guidelines.
 43. **Fund flow.** BRECSA will follow report-based disbursement. Funds will be advanced based on the cash flow forecasts and upon submission of the relevant interim financial report for withdrawal claims. IFAD will confirm whether a minimum of 50 per cent of the previous advance has been justified.
 44. **Subsidiary agreement.** The PMU will enter into subsidiary agreements with each *dzongkhag* and other implementing entities. The provisions of the agreement will be set out in the project implementation manual.
 45. **Internal audit.** Internal audits will be conducted every quarter. A copy of the resulting report, along with the Management response to the observations, will be submitted to IFAD.
 46. **External financial audit.** RAA has the mandate to audit all foreign-funded loan projects, following International Organization of Supreme Audit Institutions (INTOSAI) standards and specific donor requirements. The use of the counterpart funds will be audited by RAA and reports will be furnished to IFAD within six months of the end of the relevant fiscal year.
 47. **Procurement.** Project procurement will be undertaken in accordance with the Government's national procurement framework in a manner consistent with IFAD's procurement procedures. This includes the use of the Government's e-procurement system and adoption of standard bidding documents as accepted by other international financial institutions. Overall inherent procurement risk rating under BRESCA is moderate while residual risk post-mitigation is low.
 48. **Governance and transparency framework.** All project staff will be trained on IFAD's anti-corruption policy. In the event of fraud or corruption identified during implementation, the PMU is required to report it to the Investigation Section of the IFAD Office of Audit and Oversight.
- Target group engagement and feedback and grievance redress**
49. The CLEAR and ARP formulation processes will engage target groups to identify priorities, suitable value chains and specific locations for project interventions. The project will adopt a participatory approach to identify target group and key stakeholders' needs, priorities and feedback. An annual outcome survey will be conducted to review the project's performance and outcomes at the household level and assess the efficacy of its targeting strategy and beneficiaries' satisfaction with service delivery.

Grievance redress

50. The Government has a well-established online grievance mechanism known as eKaaSel.² The system has been developed as a one-stop platform with the primary objective of streamlining the grievance redressal aspect of service delivery through an online channel of communication. BRECSA will conduct a campaign through project staff to make its beneficiaries aware of this mechanism. In addition, the project will establish a project specific feedback and grievance redress mechanism for project beneficiaries and those affected by project activities in the target *dzongkhags*.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

51. **Planning.** The PMU will prepare an AWPB that includes all agencies and service providers responsible for delivering project activities, estimated financial outlays for the year, and all financing sources. The procurement plan will detail all procurements, including WFP procurement, to be undertaken for the year.
52. **Monitoring and evaluation.** Building upon the CARLEP monitoring and evaluation (M&E) system, a robust geo-referenced M&E system will be established. The M&E system will harmonize with the Government's planning and monitoring system (PLaMS) and ensure full complementarity between IFAD, WFP and GAFSP requirements. The M&E system will systematically monitor the environment, social and climate management plan and collect related data. The M&E system will also serve to highlight areas where immediate intervention and remedial action is needed. The measurement of all IFAD outcome indicators will follow the core outcome indicator measurement methodology.
53. **Learning, knowledge management and communication.** A comprehensive knowledge management (KM) strategy will be developed during the first year of implementation. BRECSA's KM activities will support the effective flow of relevant information between project staff, beneficiaries and other stakeholders. Output, outcome and impact data generated by the M&E system will inform high-quality case studies, briefs and reports. All knowledge products will be disseminated for enhancing learning, policy dialogue and potential scaling up of successful interventions

Innovation and scaling up

54. BRECSA will introduce and pilot many innovative features, of which the lead farmer model will be an important contribution to the extension services system in Bhutan, and will be piloted for nation-wide scaling up. A website will be established for sharing innovations and KM products.

C. Implementation plans

Implementation readiness and start-up plans

55. The project will be implemented over seven years. In the first year, a start-up workshop will be organized to sensitize all key project stakeholders on the project's design, development objectives key components and implementation arrangements. Follow up inception workshops will be organized in each *dzongkhag* to sensitize local partners about the project.

Supervision, midterm review and completion plans

56. At least one supervision mission will be undertaken annually by IFAD and WFP with additional implementation support missions as deemed necessary. A midterm review will be organized in year three to assess implementation progress, achievements, the continued validity of project design, and the efficiency and effectiveness of implementation management. BRECSA will conduct an end of

² <https://thebhutanese.bt/ekaasel-online-grievance-redressal-system/>.

project impact evaluation to assess the extent to which the project has achieved its development objectives and addressed beneficiary needs.

V. Legal instruments and authority

57. A financing agreement between the Kingdom of Bhutan and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.
58. The Kingdom of Bhutan is empowered under its laws to receive financing from IFAD.
59. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

60. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Kingdom of Bhutan in an amount of eight million nine hundred thirty-four thousand, nine hundred eighty-two United States dollars (US\$8,934,982) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

Building Resilient Commercial Smallholder Agriculture - BRECSA

(Negotiations concluded on 16 December 2022)

Loan No: _____

Grant No: _____

Project name: Building Resilient Commercial Smallholder Agriculture ("BRECSA" or "the Project")

The Kingdom of Bhutan (the "Borrower/Recipient"), through the Ministry of Finance
and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties").

WHEREAS the Borrower/Recipient has requested a loan and grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS, the Grant shall be financed through a contribution from the Global Agriculture and Food Security Programme ("GAFSP");

WHEREAS, the World Food Programme ("WFP") shall co-finance the Project through a separate grant contribution from GAFSP in accordance with the terms set forth in the agreement that will be entered into between WFP and the Borrower/Recipient;

WHEREAS the Borrower/Recipient has undertaken to provide additional support, financially or in kind that may be needed to the Project;

WHEREAS, the Fund has agreed to provide financing for the Project;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2020, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Loan/Grant (the "Financing") to the Borrower/Recipient, which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the Loan is eight million nine hundred thirty-four thousand United States dollars (USD 8 934 000).

B. The amount of the GAFSP Grant is ten million four hundred thousand United States dollars (USD 10 400 000).

2. The Loan is granted on highly concessional terms, and shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.

The principal of the Loan will be repaid at two per cent (2%) of the total principal per annum for years eleven (11) to twenty (20), and four per cent (4%) of the total principal per annum for years twenty-one (21) to forty (40).

3. The Loan Service Payment Currency shall be in United States dollars (USD).

4. The Fund shall credit the amount of the Grant into the IFAD Grant Account upon receipt of funds from the GAFSP. Any withdrawals from the Grant Account shall be subject to the condition that sufficient funds for the Project have been received by the Fund from the GAFSP and that the Fund shall have been notified of such transfer and deposit in writing. The Fund shall have no obligation to extend grant financial assistance to the Recipient under this Agreement for the purpose of the Project, if no funds are available in the IFAD Grant account.

5. The first day of the applicable Fiscal Year shall be 1st of July.

6. Payments of principal and service charge shall be payable on each 15 March and 15 September.

7. There shall be two Designated Accounts in USD for the exclusive use of the Project opened in the Central Bank, Bank of Bhutan Limited (BOBL), one for the IFAD Loan ("Loan Account") and one for the GAFSP grant ("Grant Account"). The Borrower/Recipient shall inform the Fund of the officials authorized to operate the Designated Accounts.

8. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of one million one hundred thirteen thousand four hundred United States dollars (USD 1 113 400), of which an approximate amount of seven hundred eighty one thousand six hundred United States dollars (USD 781 600) accounts for taxes and duties.

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Forests (MoAF).

2. The following is designated as an additional Project Party: the World Food Programme (WFP) will provide technical assistance and implementation support for the Project.

3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.

4. The Project Completion Date shall be the seventh (7th) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Borrower/Recipient.

5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement regulations, to the extent such are consistent with the IFAD Procurement Guidelines.

Section D

The Fund will administer the Loan and the GAFSP Grant and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

- (a) The PMU and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower/Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional grounds for cancellation of this Agreement:

- (a) In the event that the Borrower/Recipient did not request a disbursement of the Financing for a period of 18 months from entry into force of this Agreement.
- (b) the Financing Agreement does not enter into force within 18 months of Executive Board approval.

3. The following are designated as additional general conditions precedent to withdrawal:

- a) the PMU shall have been duly established and the respective key project staff such as Project Director and Finance Manager shall have been appointed;
- b) the Borrower/Recipient shall submit an official document confirming the availability of adequate counterpart funds for the first-year of project implementation;
- c) the authorized signatories shall have been submitted to IFAD;
- d) the draft Project Implementation Manual shall have been endorsed by the PSC and received no-objection from IFAD;
- e) the first AWPB, endorsed by PSC shall have been submitted and received no-objection from IFAD; and;
- f) the Designated Accounts shall have been duly opened.

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

[click and type title of the representative]
[click and type the name and address of the ministry]

For the Fund:

The President
Via Paolo di Dono 44
00142 Rome, Italy

Copy to:

Roshan Cooke
Country Director, Nepal and Bhutan
Asia and the Pacific Division (APR)
C/O WFP Office Complex
Chakupat, Patan Dhoka Road
Lalitpur 10, Nepal

This Agreement, [dated _____], has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

KINGDOM OF BHUTAN

"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario
President of International Fund for Agricultural Development

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.*

BRECSA will target commercial, semi-commercial and subsistence farmer households. The total direct beneficiaries of BRECSA interventions are 12,074 farmer households (approximately 47,088 people), out of which 60% will be women and 30% youth.

2. *Project area.*

The Project will be implemented in the central and south-central Dzongkhags (Districts) of Sarpang, Trongsa, Tsirang and Zhemgang. The four project Dzongkhags are administratively further divided into Gewogs (Ward – cluster of villages) and villages. There is a total of 37 Gewogs and 539 villages in the project target Dzongkhags. BRECSA will target all Gewogs within the 4 Dzongkhags.

3. *Goal.*

The goal of BRECSA is to catalyse a 30% increase in resilient commercial agricultural production and improve food and nutrition security in the (four) 4 target Dzongkhags by 2030.

4. *Objectives.*

The development objective is to transform smallholder agriculture into inclusive and resilient agri-food systems that are increasingly profitable and food and nutrition secure. BRECSA will facilitate the transformation of the agricultural sector in Bhutan through adopting a climate-resilient, nutrition-sensitive, and commercial value-chain approach. BRECSA will focus on agroecological production, empowering farmer and youth groups and cooperatives, investing in production and marketing infrastructure, introducing internationally recognized food standards, and promoting an enabling financial, policy and innovative digital environment.

5. *Components.* The Project shall consist of the following Components:

5.1. Component 1: Resilient production Systems

This component focuses on building resilient production systems based on a regenerative model that increases resilience to climate and other shocks, and that contributes to food and nutrition security. Efforts will be taken to transition subsistence farmers to semi-commercial, and semi-commercial farmers to more commercially oriented operations. This component will seek to increase capacities, household food and nutrition security, women's inclusion in the agriculture sector, assets, and income.

5.1.1. *Sub-Component 1.1: Consolidated Livelihood Exercise for Analyzing Resilience (CLEAR)*

WFP's 'CLEAR' tool will be deployed to map out the spatial and temporal impacts of climate change and their anticipated impacts on women and men smallholder farmers and rural communities with risks and impacts disaggregated by gender. This exercise will inform how food security is affected by climate risks. The CLEAR diagnostics will enable climate resilient spatial and temporal planning for placing commodities in their appropriate agroecological zone, as well as for defining specific infrastructure needs as a response to anticipated climate impacts and identified commodity value chains. The resulting analysis and recommendations of CLEAR will guide the formulation of Gewog and Dzongkhag level ARPs.

5.1.2 *Sub-Component 1.2: Gewog and Dzongkhag Agriculture Resilience Plans (ARPs)*

Drawing on the analyses of the CLEAR exercise, Agriculture Resilience Plans (ARPs) will be developed for all 37 Gewogs in the 4 target Dzongkhags. The Gewog level ARPs will be aggregated to develop a Dzongkhag level ARP. The ARPs will be developed in a participatory manner bringing together smallholder farmers, aggregators, traders, processors, potential investors, other value chain actors and relevant Gewog and Dzongkhag personnel with 50 percent participation of women. The downscaled CLEAR analysis will inform the ARPs for identifying geographic and site-specific exposure and vulnerability to anticipated climate impacts and to articulate the targeted support required for the 3 BRECSA target household groups (subsistence, semi-commercial and commercial) within each Gewog. The ARPs will include identification of resilient crop varieties, resilient livestock breeds, spatial and temporal planning of cropping and livestock raising zones, identification of site-specific agro-ecological practices, resilient spatial planning and design of infrastructure works and other climate change adaptation measures (erosion control, flood and/or land-slide protection, water-saving technologies, water harvesting and storage facilities, disease prevention and control etc.) as per the specificities of each Gewog. The ARPs will provide the required information for developing tailored packages of climate-sensitive agricultural production inputs, technologies and practices that meet the needs of the 3 household groups with a focus on women and youth.

5.1.3. Sub-Component 1.3: Support to vulnerable groups to improve income and nutrition status

This sub-component will follow the principle of 'leaving no one behind' and provide customized support to vulnerable households - including women-headed households and households of persons with disabilities through the development and implementation of Livelihood Investment Plans through a process which enables participants to engage in critical self-reflection and setting of self-defined goals and strategies. The Project will improve the nutritional status of these households by promoting nutrition-sensitive agriculture interventions such as, home gardens, poultry production, selected on-farm and off-farm activities, and awareness raising on food-based nutrition. The Project will also contribute to graduating these households from subsistence to semi-subsistence by providing them with necessary production and post-harvest support, capacity building, inclusion in cooperatives and market linkages.

5.1.4. Sub Component 1.4: Investment in commercial farming systems

Under this sub-component, the creation of "Hubs" as production zones for the different BRECSA prime commodities will be undertaken. The Hubs will be located along main arteries and economic corridors and will be designed using permaculture farming principles for promoting climate resilient agroecological farming. Neighbouring farmers will be organised into a network of Farmer Groups or Cooperatives (FG/FCs) and linked to the Hubs. BRECSA will support the establishment of at least 4 youth-led Hubs per Dzongkhag (16 in total). Each Hub will have a maximum of 10 youth, ideally an equal mix of male and female. For operationalising the above-described Hub and network model, a number of technical assistance (TA) activities will to be undertaken to capacitate the different actors engaged in commodity production. The TA will cover permaculture, financial education and business literacy (FEBL), as well as strengthening the institutional capacities of farmer groups and cooperatives. The Project will invest in enhancing productivity of the following value chains, dairy, poultry, high value commodities (vegetables, ginger, turmeric, mushrooms, honey, etc.). BRECSA will also invest in land and soil management, as well as in productive infrastructure, including irrigation, fencing and greenhouses among others.

5.2. Component 2: Strengthened Value Chain Coordination and Market Linkages

This component will promote agricultural commercialization and foster exports through investing in post-harvest facilities within the established hubs. Efforts will be undertaken to build business linkages between producers, buyers, financiers and local stakeholders through multi-stakeholder platforms (MSP).

5.2.1. *Sub-Component 2.1: Enhancing efficiency of value chain operations*

This sub-component will apply an integrated value chain approach, defining interventions in all value chain functions from input supply, production, aggregation and storage, processing, to defining marketing channels, and export. BRECSA will support agricultural commercialization within the established Hubs through funding of aggregation facilities, and on-site small-scale processing facilities equipped with washing, grading, packing and storage. The Hubs will be supported with training and serve as a Farmer Field School for the adjacent network of farmers for building knowledge on agroecological farming. Based on demand, the Hubs will serve as an input distributor for provision of seed and vegetative planting material, bio-inputs, and minor tools to the farmer network. The Hubs will also serve as an aggregation point for the farmer network to deliver their produce based on a guaranteed minimum price and profit sharing. Additional processing and marketing facilities will also be supported and strategically located based on the CLEAR analysis and Dzongkhag ARPs. All construction related to processing and marketing facilities will be preceded with a feasibility study, detailed supply chain and economic and financial analysis, and business plan.

5.2.2. *Sub-Component 2.2: Business linkages and multi-stakeholder platforms*

BRECSA will facilitate the establishment and functioning of sub-sector specific multi-stakeholder platforms (MSPs) to support business development and commercialisation at Thimphu and Dzongkhag levels. These MSPs will bring together all relevant stakeholders that engage in the agricultural sector including representatives of women and youth. The MSPs, in partnership with relevant departments and agencies, will work to establish market linkages for farm produce for both the domestic and export markets. MSPs will also engage in investment planning to attract potential financiers into the sector. Based on the initial value chain analysis and defined investment strategies, a Strategic Investment Plan (SIP) will be prepared for each selected commodity. The SIP will provide a framework for inviting farmers and their groups, entrepreneurs, the government, development projects, private investors and service providers to co- invest in the project area, thus facilitating access to markets, knowledge, technology and capital for smallholder rural farmers.

5.3. *Component 3: Innovative and competitive agri-food sector*

This component supports the creation of an enabling financial and policy environment to promote a competitive and modernized food sector. Under this component activities will be supported to improve access to financial services, policy dialogue to support private enterprise development, and certification for meeting internationally recognized food standards.

5.3.1 *Sub-Component 3.1: Access to financial services*

This sub-component will enhance access to and usage of agricultural financial services and value chain financing for smallholder farmers, producer groups, cooperatives, aggregators, traders, processors and other value chain actors. The Project will coordinate with financial institutions to establish working relationships, generate understanding of the project's approach for routing 'matching grants' based on a tri-partite arrangement between the project, financial institution and FG/FCs. Furthermore, BRECSA will support farm households, FG/FCs and enterprises to improve their financial literacy, entrepreneurial skills and business knowledge to improve their financial habits, financial discipline and investment decisions.

5.3.2 *Sub-Component 3.2: Digital technologies to support marketing*

The Project will assess existing farmer-support digital tools, their shortcomings and current needs of farmers for developing a user- friendly tool/platform. The tool could tackle issues related to: (1) production and pricing in different locations, (2) commodity demand in different markets, (3) transportation (to link farmers and traders with transport service providers for transporting produce), and (4) any other functionalities under the above four areas identified during the assessment.

5.3.3 *Sub-Component 3.3: Policy dialogue*

This sub-component will undertake policy dialogue to support the promotion of Brand Bhutan's organic and high-value agri-food products in regional and international markets. To this end, the Project will support the Bhutan Agriculture and Food Regulatory Authority (BAFRA) in the development of a geographic indication (GI), as well as, provide needed investments for regulation, standardization and certification. BRECSA will also work with the Department of Agriculture Marketing and Cooperatives (DAMC) to revise the rules and regulations of the Cooperative Act and marketing guidelines and strategies that foster agri-food commercialization.

II. Implementation Arrangements

6. *Lead Project Agency.*

The MoAF will be the Lead Project Agency (LPA) providing policy guidance, policy priority direction and facilitate project implementation.

7. *Project Oversight Committee.*

BRECSA will be governed by a Project Steering Committee (PSC) chaired by the Secretary, MoAF and comprised of the following members: Director, Ministry of Finance (MoF); Representative of the Ministry of Health and the Dzongkhag Administrations; Director, Bhutan Agriculture and Food Regulatory Authority (BAFRA), MoAF; Director, Department of Agriculture (DoA), MoAF; Director, Department of Agricultural Marketing and Cooperatives (DAMC), MoAF; Director, Department of Livestock (DoL), MoAF; Chief Planning Officer, Policy and Planning Division (PPD), MoAF; Project Director, BRECSA, and Project Management Unit (PMU). The Chief Planning Officer PPD will function as the member Secretary of the PSC. IFAD and WFP representatives will participate as observers. The PSC shall meet at least twice a year and convene additional meetings when necessary.

8. *Dzongkhag Project Coordination Committee (DPCC).*

Each project dzongkhag will have a DPCC with the Dzongdags as the chairpersons, Gups of all Gewogs, relevant sector heads and other relevant agencies and stakeholders as members. The Dzongkhag Agriculture Officer (DAO) will serve as the Dzongkhag Project Coordinator and as member Secretary of the DPCC.

9. *Project Management Unit.*

A PMU will be established at the Agriculture Research and Development Center (ARDC) Samtenling in Sarpang. The PMU is the primary implementation arm of the Project for delivery of all Gewog and Dzongkhag level activities. The PMU will be led by a Project Director (a senior officer from the MoAF selected through a competitive process). The PD will lead and oversee the overall implementation of the Project at the Gewog and Dzongkhag levels, including WFP technical assistance activities, and support the policy aspects of the Project. He/she will manage the PMU team for delivery against performance indicators. The PD will report to the Chief of the Policy and Planning Division (PPD) of MoAF.

10. *Implementing partners.*

10.1. The World Food Programme (WFP).

IFAD will be the Lead Implementing Partner Agency and will supervise the Project, while the World Food Programme (WFP) will provide technical assistance (TA) and implementation support.

WFP will receive a separate grant from GAFSP that will be managed by WFP (WFP GAFSP grant). The WFP GAFSP grant amounts to 20% of the total allocated by GAFSP for this Project. WFP will utilise the GAFSP Grant to provide technical assistance for the enhancement and efficiency of value chains through targeted interventions, including: (i) enhance the organizational levels of farmers and strengthen the performance of farmer

groups and cooperatives; (ii) create effective market linkages between farmer groups and buyers / outlets; (iii) strengthen the capacities of government agencies in promising market-oriented planning based on economic (cost-benefit) analysis; (iv) build decentralized capacity of DAMC officers in providing market-based and tailored services to farmers; (v) capacitate and assist Dzongkhag level government agencies in developing and delivering on small-holder based market access policies and programmes; (vi) undertake market research, exploration, trial marketing and establish linkages with international markets to enhance export, particularly of high-end specialty products; and (vii) develop digital platforms/ICT tools including on markets and pricing.

The WFP technical team in consultation with PPD MoAF will delineate the TA activities to be carried out annually for inclusion in the Annual Workplan and Budget (AWPB) and Procurement Plan (PP). The WFP technical specialists will work under the supervision of the PD of PMU and report to him/her. All budgets for annual work plans, personnel and administration costs for the WFP technical assistance component are an integral part of the overall work planning and budgeting.

Based on the terms of the agreement between WFP and the Recipient relating to the WFP GAFSP Grant, WFP will provide to the PMU a quarterly statement of expenditure by components and categories to enable the PMU to compile the total project expenditure for submission of its quarterly Interim Financial Reports (IFRs) to IFAD. The WFP funds utilization will be segregated in the reporting from the Borrower/Recipient.

10.2 Other implementing partners

MoAF will also liaise and work with other Ministries and partners whose mandates have a direct bearing on the achievement of the BRECSA goal and development objective: RGoB Technical Agencies (both at National and Regional Levels), relevant corporations, private sectors, financial institutes and schemes.

11. *Coordination between IFAD and WFP for the Project.*

IFAD and WFP will coordinate based on quarterly meetings, where the Country Directors of the two organisations will bring in needed project staff and experts, review the performance of the Project as per the AWPB, identify challenges and bottlenecks, as well as mitigation measures. Other meetings could be convened on a need's basis. In addition to the coordination meetings, IFAD and WFP will hold a meeting every March of the project implementation calendar to engage in AWPB and procurement planning.

12. *Monitoring and Evaluation.*

Drawing on the CARLEP M&E system, a robust geo-referenced M&E system will be established. The PMU will establish an M&E unit and develop the M&E system, which will support progress monitoring. The M&E system will harmonize with RGoB's monitoring and evaluation system as mandated for all projects, as well as, ensure full complementarity between IFAD, WFP and the GAFSP M&E requirements. Additionally, the PMU M&E unit will design formats to capture and collect critical data not captured by monitoring and evaluation system and for data from the field level, drawing on lessons from CARLEP as per IFAD programme management requirements. The M&E system will also serve to highlight areas where immediate intervention and remedial action is needed. The system will be participatory and decentralized involving key target groups so that the target groups will participate in identification of project activities and monitoring implementation of Project.

13. *Knowledge Management.*

A comprehensive KM action plan will be developed during the first year of implementation. BRECSA's KM activities will support the effective flow of relevant information between project staff, beneficiaries and other stakeholders. The objective of knowledge management is to ensure the project units are able to generate and document the knowledge that is useful to build practical know-how that helps to improve project performance and results. Output, outcome and impact data generated by the M&E system

will inform high-quality case studies, briefs and reports. The PMU will document the emerging experiences, lessons and best practices and share them widely. Additional technical assistance will be sourced by the PMU for producing knowledge products as needed. All knowledge products will be disseminated for enhancing learning, policy dialogue and potential scaling-up of successful interventions.

14. *Project Implementation Manual (PIM).*

The draft of the Project Implementation Manual is presented in 10 Chapters: project summary, project cost estimates, organization and management, engagement of Royal Government of Bhutan (RGoB) technical agencies and technical assistance, procurement procedures, finance management, Project components and implementation arrangements, monitoring & evaluation (M&E) and knowledge management (KM) including gender and guidelines for preparing annual work plan and budget (AWPB). The PIM also contains, among others, sample templates (for AWPB, Annual Progress Report, Annual outcome survey and M&E), RIM indicators and strategies for social and gender inclusion and knowledge management.

Schedule 2

Allocation Table

1. *Allocation of Loan/Grant Proceeds.* (a) The Tables below sets forth the Categories of Eligible Expenditures to be financed by the Loan/Grant and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Table 1.a. Allocation of IFAD Loan funds

Category	Loan Amount Allocated (expressed in USD)	Percentage eligible for IFAD financing
I. Works	4 334 000	100%
II. Goods, services and Inputs	1 970 000	100%
III. Training	940 000	100%
IV. Operating costs	1 690 000	100%
TOTAL	8 934 000	

(b) The terms used in the Table above are defined as follows:

- (i) Category I – Works shall mean eligible expenditures incurred under component 1, component 2, sub-component 2.1 and under component 4 of the Project for project works and for project equipment and materials, including eligible costs for project vehicles and standard office equipment.
- (ii) Category II - Goods, Services and Inputs shall mean eligible expenditures incurred under component 2, sub-component 2.1, component 3, sub-component 3.1 and under component 4 of the Project for project goods and services, including consultancy services, and other direct inputs.
- (iii) Category III - Training shall mean eligible expenditures incurred under component 4 of the Project for project training activities and workshops, e.g. costs of venue, participant travel, food and beverages and publication materials.
- (iv) Category IV – Operating costs shall mean eligible expenditures incurred under components 1, 3 and 4 of the Project for operating costs and eligible expenditures incurred under all components of the Project for salaries and allowances of project staff directly and fully assigned to the project. Salaries of staff assigned to the Project on a part time basis should be costed pro rata.
- (v) Percentage indicated under “Percentage eligible for IFAD financing” is applied to project expenditures, excluding taxes and shares of other financiers.

Table 1.b. Allocation of GAFSP Grant funds

Category		Grant Amount Allocated (expressed in USD)	Percentage eligible for IFAD financing
I.	Works	2 140 000	100%
II.	Goods, services and Inputs	5 760 000	100%
III.	Consultancies	1 470 000	100%
IV.	Training	1 030 000	100%
TOTAL		10 400 000	

(b) The terms used in the Table above are defined as follows:

- (i) Category I – Works shall mean eligible expenditures incurred under component 1 and under component 2, sub-component 2.1 of the Project for project works.
- (ii) Category II - Goods, Services and Inputs shall mean eligible expenditures incurred under component 1, component 2, sub-component 2.1 and under component 3, sub-component 3.3 of the Project for project goods, services and inputs as well as for project equipment and materials. Purchase of vehicles is not considered an eligible expenditure under the grant financing.
- (iii) Category III – Consultancies shall mean eligible expenditures incurred under component 1, sub-component 1.3 and 1.4 and under component 3, sub-component 3.1 and 3.3 of the Project for consultancy costs and for salaries and allowances under component 1.
- (iv) Category IV – Training shall mean eligible expenditures incurred under component 1 and under component 3 of the Project for project training activities and workshops, e.g. costs of venue, participant travel, food and beverages and publication materials.
- (v) Percentage indicated under “Percentage eligible for IFAD financing” is applied to project expenditures, excluding taxes and shares of other financiers.

2. *Disbursement arrangements*

- (a) The disbursement arrangements will be set forth in detail in the Financial Management and Financial Control Arrangements Letter (FMFCL) to the Borrower/Recipient.
- (b) *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal, from the IFAD loan or GAFSP grant, shall not exceed an aggregate amount of USD 150 000 for PMU staff recruitment and USD 350 000 for procurement of goods and services. Activities to be financed under start-up financing will require the no objection from IFAD to be considered eligible.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan/Grant Account if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. Within 6 months of entry into force of the Financing Agreement, the Project shall use the existing government accounting system and software as long as they satisfy IFAD's requirements.
2. Within six months of entry into force of the Financing Agreement, the Project shall prepare a document with the details of the collaboration, the roles, responsibilities and duties of the implementing partners with regards to implementation, financial management, accounting and reporting.
3. *Planning, Monitoring and Evaluation.* The Borrower/Recipient will adopt the CARLEP's system as Planning, Monitoring and Evaluation (PM&E) system within six (6) months from the date of entry into force of this Agreement.
4. *Anticorruption Measures.* The Borrower/Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
5. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.
6. *IFAD Client Portal (ICP) Contract Monitoring Tool.* The Borrower/Recipient shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower/Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower/Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project/Program.
7. The Key Project Personnel will be staffed within the PMU: a Project Director (PD) (a senior officer from the MoAF selected through a competitive process), a Financial Officer, a Procurement Officer, three Sub-Sector Specialists (respectively for crop production, livestock production, and marketing and value chain development), an Engineer, a Officer for Monitoring and Evaluation, Knowledge Management Officer, a Coordination Officer, a Planning Officer, an ARP Coordinator, and a Social Inclusion and Nutrition Officer. In order to assist with the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded to the PMU in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation

and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

II. SECAP Provisions

1. The Borrower/Recipient shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Borrower/Recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower/Recipient shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

2. The Borrower/Recipient shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental, Social and Climate Management Plans (ESCMPs) as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower/Recipient shall not amend, vary or waive any provision of the ESCMPs and Management Plan(s), unless agreed in writing by the Fund and if the Borrower/Recipient has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Borrower/Recipient shall cause the Lead Project Agency to comply at all times while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

4. The Borrower/Recipient shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with project stakeholders and interested parties in an accessible place in the project-affected area, in a form and language understandable to project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

5. The Borrower/Recipient shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plan(s), if any.

6. The Borrower/Recipient will ensure that a Project-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP standards and related policies. The Project-level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

7. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during project implementation that, with respect to the relevant IFAD Project:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Borrower/Recipient shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project/Programme-affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the Borrower/Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower/Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and -violence involving project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

8. The Borrower/Recipient shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.

9. Without limitation on its other reporting obligations under this Agreement, the Borrower/Recipient shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan on a semi-annual basis - or such other frequency as may be agreed with the Fund;

- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower/Recipient will disclose relevant information from such reports to affected persons promptly upon submission of the said reports ; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

10. The Borrower/Recipient shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Project.

11. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons receiving direct benefit/services promoted or supported by the project (GAFSP Tier 2.1)				Progress Report	Annual	PMU	No delays in project implementation, procurement and disbursement
	Males - Males		11000	18836				
	Females - Females		14000	28252				
	Young - Young people		5600	14126				
	Total number of persons receiving services - Number of people		25000	47088				
	Male - Percentage (%)		40	40				
	Female - Percentage (%)		60	60				
	Young - Percentage (%)		10	30				
	Persons with disabilities - Number		340	600				
	1.b Estimated corresponding total number of household members				Progress Report	Annual	PMU	
	Household members - Number of people		28080	37830				
	1.a Corresponding number of households reached				Progress Report	Annual	PMU	
	Women-headed households - Households		3700	5800				
	Non-women-headed households - Households		3500	3900				
Households - Households		7200	9700					

Project Goal Catalyse a 30% increase in resilient commercial agricultural production and improve food and nutrition security in the 4 target districts by 2030	% of households reporting 30% increased production yield / produce being marketed compared to baseline (GAFSP Tier 1)				Impact Assessment	At baseline, mid-term and completion	PMU	A baseline survey is conducted; Project approach and timelines are adhered to; An efficient M&E system is developed and implemented, impact assessment undertaken
	Households - Percentage (%)							
Increase in income of beneficiaries (GAFSP Tier 1)								
	Males - Males		11000	18836				
	Females - Females		14000	28252				
	Young - Young people		5600	14126				
	Total number of persons receiving services - Number of people		25000	47088				
	Male - Percentage (%)		40	40				
	Female - Percentage (%)		60	60				
	Young - Percentage (%)		10	30				
	Persons with disabilities - Number		340	600				
Development Objective Transform smallholder agriculture into inclusive and resilient agri-food systems that are increasingly profitable and food and nutrition secure	1.2.8 Women reporting minimum dietary diversity (MDDW)				Progress Reports	Baseline, mid-term and completion	PMU	A baseline survey is conducted; Project approach and timelines are adhered to; An efficient M&E system is developed and implemented
	Women (%) - Percentage (%)		35	50				
	Women (number) - Females		6353	14126				
	Households (%) - Percentage (%)		35	50				
	Households (number) - Households		6353	9075				
	Household members - Number of people		25410	36300				

Women-headed households - Households		2954	4220			
Women-differently-abled persons - Households		170	360			
IE.2.1 Individuals demonstrating an improvement in empowerment				Project monitoring	Baseline, mid-term and completion	PMU
Total persons - Percentage (%)						
Total persons - Number of people		25000	47000			
Females - Percentage (%)						
Females - Females		14000	28200			
Males - Percentage (%)						
Males - Males		11000	18800			
2.2.5 Rural producers' organizations reporting an increase in sales				Project monitoring and progress reports	Baseline, mid-term and completion	PMU
Percentage of rural POs - Percentage (%)		44	60			
Number of Rural POs - Organizations		80	150			
Rural POs with women in leadership position - Organizations						
2.2.1 Persons with new jobs/employment opportunities					Baseline, mid-term and completion	PMU
Males - Males		1000	1700			
Females - Females		1200	2040			
Young - Young people		3000	5000			
Total number of persons with new jobs/employment opportunities - Number of people		2200	3740			
Persons with disabilities - Number		170	360			
SF.2.1 Households satisfied with project-supported services						PMU

<p>Component 1 Resilient Production Systems</p> <p>Outcome 1 Enhanced agri-food sector contribution to GDP, economic opportunities, food and nutritional security and income of smallholder farmers, women and youth.</p>	Household members - Number of people		22460	30264	Progress Report	Baseline, mid-term and completion		Results of CLEAR tool clearly guide the development of the ARPs. The ARPs are developed in all gewogs and inclusive. Government supports PMU to bring about effective implementation of ARPs.
	Women-headed households - Households		2960	4650				
	Households (%) - Percentage (%)		80%	80%				
	Households (number) - Households		5760	7760				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				Progress Report	Baseline, mid-term and completion	PMU	
	Household members - Number of people		16000	28000				
	Women-headed households - Households		1800	4000				
	Households (%) - Percentage (%)		70%	70%				
	Households (number) - Households		3000	6800				
	1.2.4 Households reporting an increase in production				Progress Reports	Baseline, mid-term and completion	PMU	
	Total number of household members - Number of people		100	100				
	Households - Percentage (%)		38	71				
	Women-headed households - Households							
	Households - Households		8000	15000				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				Progress Reports	Baseline, mid-term and completion	PMU	
	Total number of household members - Number of people		15000	28250				
Households - Percentage (%)		60%	60%					
Women-headed households - Households		2300	4350					
Households - Households		3850	7243					

Component 1 Outputs				Progress Report	Annual	PMU	ARPs implemented and monitored; Mentoring undertaken to support vulnerable households; training and awareness on nutrition effectively undertaken; Trainings are scheduled in a time and location suitable for all beneficiaries
1.1.8 Persons provided with targeted support to improve their nutrition (GAFSP Tier 2.12)							
Total persons participating - Number of people		10000	24766				
Females - Females		10000	24766				
Young - Young people		1200	3625				
Women-headed households - Households							
Differently abled persons - Number of people		300	886				
Extension workers / Government staff		37	37				
Households with homestead kitchen gardens which beneficiaries are included in nutrition education							
Females - Number		772	1158				
Males - Number							
Young - Number		380	570				
Differently abled persons - Number of people		114	172				
Capacity building of extension workers on nutrition - Number		37	37				
Households - Number		1266	1900				
3.1.4 Agricultural/land area where climate resilient or sustainable agriculture practices are implemented (GAFSP Tier2.14)				Progress Report	Annual	PMU	
Hectares of land - Area (ha)		552	1577				
1.1.3 Rural producers accessing production inputs and/or technological packages (GAFSP Tier 2.3)				Progress Reports	Annual	PMU	
Males - Males		1200	2000				
Females - Females		2300	6000				
Young - Young people		500	1300				

	Total rural producers - Number of people		3500	8000					
	Number of farmers receiving inputs or service on climate resilient or sustainable agriculture practices (GAFSP Tier 2.13)				Progress Report	Annual	PMU		
	Total number of farmers adopting technologies or practices received		3500	8000					
	Total number of female farmers adopting technologies or practices received		1200	3000					
<p>Component 2 Strengthened value chain coordination and market linkages</p> <p>Outcome 2 Fostered business-oriented environment for farmer groups to develop private sector enterprises in the agri-food sector and for engaging youth in lucrative commercial ventures</p>	2.2.2 Supported rural enterprises reporting an increase in profit				Progress Reports, MIS system	Baseline, mid-term and completion	PMU	Baseline established, hubs supported, farmers are willing to participate in Producer Farmer Organizations	
	Number of enterprises - Enterprises		15	30					
	Percentage of enterprises - Percentage (%)								
	Farm - Farms								
	2.2.6 Households reporting improved physical access to markets, processing and storage facilities				Progress Reports. surveys, service providers' records, MIS System	Baseline, mid-term and completion	PMU		
	Households reporting improved physical access to markets - Percentage (%)		20	50					
	Size of households - Number of people	4.6	4.6	4.6					
	Women-headed households - Households								
	Households reporting improved physical access to processing facilities - Percentage (%)		10	20					
	Size of households - Number of people	4.6	4.6	4.6					
Women-headed households - Households									

	Households reporting improved physical access to storage facilities - Percentage (%)		25	60				
	Size of households - Number of people	4.6	4.6	4.6				
	Women-headed households - Households							
	Households reporting improved physical access to markets - Households		4200	10500				
	Households reporting improved physical access to processing facilities - Households		2100	4200				
	Households reporting improved physical access to storage facilities - Households		5250	12600				
Component 2 Outputs	2.1.3 Farmer groups supported (GAFSP Tier 2.4)				Progress Reports	Annual	PMU	Baseline established, farmers are willing to participate in Producer Farmer Organizations
	Total size of POs - Organizations	15	2000	3900				
	Rural POs supported - Organizations		80	130				
	Males - Males		500	900				
	Females - Females		1500	3000				
	Young - Young people		500	1000				
	Rural POs supported that are headed by women - Organizations		25	50				
	Policy 2 Functioning multi-stakeholder platforms supported				Progress Reports	Annual	PMU	
	Number - Platforms		16	24				
Component 3 Innovative and competitive	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				Progress Reports			BAFRA assigns a focal group to work

agri-food sector Outcome 3 Enabling financial and policy environment to promote a competitive and modernized food sector	Number - Number		0	1				closely with PPD and BRECSA to accelerate the process of regulation, certification and standardization; willingness of policy makers and other key stakeholders to provide enabling environment
Component 3 Outputs	1.1.5 Persons in rural areas accessing financial services (GAFSP Tier 2.5)				Progress Reports	Annual	PMU	Appetite of beneficiaries to take-up loans; Banks capacitated/oriented to provide suitable packages to smallholder farmers.
	Men in rural areas accessing financial services - credit - Males		70	156				
	Women in rural areas accessing financial services - credit - Females		70	156				
	Young people in rural areas accessing financial services - credit - Young people		20	46				
	Total persons accessing financial services - credit - Number of people		140	312				
	Persons with disabilities in rural areas accessing financial services - credit - Number							

Integrated project risk matrix

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Substantial	Moderate
Political Commitment		No risk envisaged - not applicable
Governance		No risk envisaged - not applicable
Macroeconomic	Substantial	Moderate
Fragility and Security		No risk envisaged - not applicable
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Moderate	Moderate
Policy Development and Implementation	Moderate	Moderate
Environment and Climate Context	Substantial	Substantial
Project vulnerability to environmental conditions	Moderate	Moderate
Project vulnerability to climate change impacts	High	High
Project Scope	Moderate	Low
Project Relevance		No risk envisaged - not applicable
Technical Soundness	Moderate	Low
Institutional Capacity for Implementation and Sustainability	Moderate	Moderate
Implementation Arrangements	Moderate	Moderate
Monitoring and Evaluation Arrangements		No risk envisaged - not applicable
Project Financial Management	Substantial	Moderate
Organization and staffing	Substantial	Moderate
Budgeting	Moderate	Low
Funds flow/ Disbursement arrangements	Moderate	Low
Internal Controls	Substantial	Moderate
Accounting and financial reporting	Substantial	Moderate
External audit	High	Substantial
Project Procurement	Moderate	Low
Legal and Regulatory Framework	Moderate	Low
Accountability and Transparency	Low	Low
Capability in Public Procurement	Moderate	Moderate
Public Procurement Processes	Moderate	Low
Environment, Social and Climate Impact	Moderate	Low
Biodiversity Conservation	Moderate	Low
Resource Efficiency and Pollution Prevention	Moderate	Low
Cultural Heritage	Low	Low
Indigenous People	Low	Low
Labour and Working Conditions	Low	Low
Community Health and Safety	Moderate	Low
Physical and Economic Resettlement	Low	Low
Greenhouse Gas Emissions	Moderate	Low

Risk Category / Subcategory	Inherent risk	Residual risk
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Substantial
Stakeholders	Moderate	Low
Stakeholder Engagement/Coordination	Moderate	Low
Stakeholder Grievances		No risk envisaged - not applicable
Overall	Moderate	Moderate