
Informe del presidente

Préstamo propuesto

Reino de Bhután

Mercados inclusivos, producción, comercialización y transformación agrícola (IMPACT)

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Mapa del área del proyecto



 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.
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Resumen de la financiación

Institución iniciadora:	FIDA
Prestatario/beneficiario:	Reino de Bután
Organismo ejecutor:	Ministerio de Agricultura y Ganadería
Costo total del proyecto:	26,443 millones de dólares estadounidenses
Importe del préstamo A del FIDA en el marco del sistema de asignación basada en el desempeño (PBAS):	7,964 millones de dólares estadounidenses
Condiciones del préstamo A del FIDA:	Condiciones muy favorables (SHC)
Importe del préstamo B del FIDA (PBAS):	1,991 millones de dólares estadounidenses
Condiciones del préstamo B del FIDA:	Muy concesionales (HC)
Importe de la cofinanciación:	7,488 millones de dólares estadounidenses
Condiciones de la cofinanciación:	Financiación pública, préstamos y en especie
Contribución del prestatario/beneficiario:	1,617 millones de dólares estadounidenses
Contribución de bancos e instituciones financieras:	3,5 millones de dólares estadounidenses
Contribución de los grupos destinatarios/miembros:	2,371 millones de dólares estadounidenses
Déficit de financiación:	9,0 millones de dólares estadounidenses
Importe de la financiación climática del FIDA:	6,622 millones de dólares estadounidenses (de los cuales 0,8 millones de dólares estadounidenses son un complemento para el clima)

I. Contexto

A. Contexto nacional y justificación de la participación del FIDA

Contexto nacional

1. El Reino de Bhután ha logrado un importante crecimiento económico nacional y una reducción de la pobreza de más del 50 % desde 2007. Sin embargo, aunque su sector agrícola emplea a la mayor parte de la población, solo contribuye con el 19,2 % al PIB. El sector se ve muy limitado por el terreno montañoso del país, la escasez de tierras cultivables, la vulnerabilidad climática y la falta de mano de obra provocada por migración del campo a la ciudad. Estos retos han dado lugar a una creciente dependencia de las importaciones de alimentos, que en 2021 ascendieron a más de 10 000 millones de BTN (113 millones de dólares estadounidenses), lo que representa más del 50 % de las necesidades alimentarias nacionales y exponiendo a Bután a los riesgos del mercado externo. En respuesta a ello, el Decimotercer Plan Quinquenal del país (2024-2029) tiene como objetivo transformar el sector en un sistema resiliente, productivo y orientado al comercio mediante la promoción de la agricultura orgánica climáticamente inteligente, el aumento de la comercialización y el fortaleciendo los sistemas de comercialización, con el objetivo de impulsar la contribución de la agricultura al crecimiento del PIB del 3 % al 10 % y apoyar el objetivo nacional de duplicar el PIB hasta alcanzar los 5000 millones de dólares estadounidenses en 2029.

Aspectos especiales relacionados con las prioridades institucionales de integración del FIDA

2. En consonancia con los compromisos de integración del FIDA, el proyecto ha sido validado como:

- ☒ Incluye financiación climática
- ☒ Transformador en materia de género
- ☒ Sensible a las necesidades de los jóvenes
- ☒ Incluye la capacidad de adaptación

Justificación de la participación del FIDA

3. El proyecto Mercados inclusivos, producción, comercialización agrícola y transformación (IMPACT) respalda las prioridades del decimotercer plan quinquenal, con un fuerte énfasis en la transformación de los sistemas alimentarios mediante la mejora de gestión poscosecha y el desarrollo de la cadena de valor. Su objetivo es reducir la pobreza y fortalecer la resiliencia de los hogares de pequeños agricultores apoyando la transición hacia sistemas alimentarios resilientes al clima, inclusivos y rentables.
4. Aprovechando los éxitos del Programa de Mejora de la Agricultura Comercial y los Medios de Vida Resilientes (CARLEP), financiado por el FIDA, IMPACT ampliará la producción climáticamente inteligente, fortalecerá las organizaciones de agricultores y mejorará la integración en los mercados. Al abordar las principales limitaciones sectoriales, como el acceso limitado al crédito, la agregación, la adición de valor y la conectividad con los mercados, IMPACT busca impulsar la productividad sostenible, aumentar los ingresos de los agricultores y proteger los medios de vida frente a los riesgos relacionados con el clima.
5. Con más de 20 años de experiencia en el desarrollo de cadenas de valor de productos lácteos y hortalizas en el este de Bután, el FIDA se encuentra en una posición idónea para impulsar los objetivos del proyecto. Por Centrándose en el emprendimiento de las mujeres y los jóvenes en toda la cadena de valor agroalimentaria, IMPACT aborda tanto las prioridades del desarrollo rural como los retos del desempleo. La experiencia del FIDA en planificación empresarial, educación financiera y conocimientos empresariales, participación en los mercados y gobernanza organizativa lo sitúa en una posición única para fortalecer las organizaciones de agricultores, promover la agroindustria inclusiva y avanzar en las prioridades de comercialización agrícola de Bhután.

B. Lecciones aprendidas

6. **Modelos de colaboración público-privada.** La exitosa colaboración de CARLEP con Koufuku International Limited (KIL) y Bhutan Agro Industries Limited (BAIL) demuestra cómo las colaboraciones público-privadas estructuradas pueden crear sistemas de mercado sostenibles. IMPACT institucionalizará estos enfoques, fortaleciendo

los vínculos que proporcionan a los agricultores mayores ingresos, mercados asegurados, apoyo técnico y oportunidades de valor añadido.

7. **Fortalecer los modelos de integración de mercados liderados por agregadores.** El éxito de la Cooperativa de Comercialización Agrícola del Este (EAMC), la primera de su tipo en Bután, demuestra el poder de los sistemas de agregación bien estructurados para transformar la comercialización rural. La EAMC integró vínculos hacia atrás con más de 2000 agricultores de seis *dzongkhags* (distritos) mediante el establecimiento de una red de centros de recogida. La EAMC proporciona insumos y dinero en efectivo a los agricultores por adelantado, así como servicios de asesoramiento para responder a la demanda del mercado.
8. **Mejorar el apoyo a las empresas centradas en los jóvenes y las mujeres.** Subvenciones complementarias y apoyo al desarrollo empresarial para los jóvenes con estudios, especialmente en sectores como el cultivo de hongos han demostrado ser atractivos para los jóvenes emprendedores y pueden ampliarse fácilmente. Además, el desarrollo agrícola centrado en las mujeres, ejemplificado por el Grupo Lechero de Mujeres Chechey, demuestra el potencial transformador de dar prioridad al liderazgo femenino.

II. Descripción del proyecto

A. Objetivos, zona geográfica de intervención y grupos destinatarios

9. El **objetivo de IMPACT** es reducir la pobreza y mejorar la resiliencia de los hogares de pequeños agricultores. El **objetivo de desarrollo** es apoyar a los pequeños agricultores en hacia sistemas alimentarios resilientes al clima que sean inclusivos y rentables. La duración del proyecto es de seis años.
10. IMPACT se basará estratégicamente en los cimientos de CARLEP para impulsar la visión de transformación económica de Bután. Se implementará en siete *dzongkhags* de las regiones oriental y central de Bután: Lhuentse, Mongar, Pema Gatsel, Samdrup Jongkhar, Trashigang, Trashy Yangtse y Bumthang. El proyecto representa una evolución fundamental desde las intervenciones centradas en la producción de CARLEP hacia un enfoque integral impulsado por la comercialización que aborda las principales brechas de integración del mercado a través de inversiones estratégicas en desarrollo de capacidades, infraestructura de mercado, capacidades de agregado de valor y servicios de desarrollo empresarial.
11. IMPACT se dirige a los agricultores semicomerciales y comerciales que han salido de la pobreza gracias al CARLEP, pero que siguen siendo vulnerables a volver a caer por debajo del umbral de la pobreza debido a las crisis climáticas y económicas. Necesitan una mayor consolidación y apoyo para crear sistemas de producción resistentes al clima y mejorar su preparación para el mercado.
12. IMPACT beneficiará directamente a 15 500 hogares de pequeños agricultores, lo que supone un total de 68 200 miembros, con un fuerte énfasis en la participación inclusiva, garantizando que el 50 % de los miembros del grupo destinatario sean mujeres (7750) y el 16 % jóvenes de entre 18 y 35 años (2480).

B. Componentes, subcomponentes, productos y actividades

13. El proyecto se estructura en torno a dos componentes interrelacionados: (i) desarrollo inclusivo de la cadena de valor agroganadera; y (ii) sistemas alimentarios resilientes al clima y orientados al mercado.
Componente 1. Desarrollo inclusivo de la cadena de valor agroganadera
14. Este componente se centra en la transformación del sector agrícola de Bután mediante la mejora de la comercialización, las oportunidades de inversión y la participación en las políticas. Apoyará a los grupos de agricultores y a los empresarios agrícolas en la creación de vínculos más sólidos con el mercado, acceder a financiación y mejorar la competitividad de sus negocios.

Subcomponente 1.1. Mejorar la comercialización y las oportunidades de inversión

Resultado 1.1.1. Facilitación de los vínculos con el mercado y la inversión

15. **Planes estratégicos de inversión.** IMPACT desarrollará planes estratégicos de inversión integrales para siete productos básicos prioritarios (lácteos, hortalizas, miel, maíz, trigo sarraceno, setas y plantas frutales anuales), identificando las limitaciones y oportunidades de comercialización para los mercados nacionales y de exportación.
16. **Plataformas de múltiples partes interesadas.** El proyecto facilitará la creación de plataformas específicas para cada producto básico que reúnan a productores, comerciantes y partes interesadas para negociar acuerdos comerciales, con el apoyo de 300 eventos entre empresas y entre empresas y servicios coordinados por el Departamento de Comercialización Agrícola y Cooperativas (DAMC) y las Oficinas Regionales de Comercialización Agrícola y Cooperativas (RAMCO).
17. **Capacidad de las instituciones financieras.** IMPACT mejorará los préstamos agrícolas mediante asociaciones con el Bhutan Development Bank Limited y las instituciones de microfinanzas. Se formará a los agentes de crédito en la concesión de préstamos basados en el flujo de caja y colaborarán con el agente financiero rural (RFO) del proyecto para facilitar la concesión de 3,5 millones de dólares estadounidenses en préstamos a 2420 prestatarios (el 20 % del grupo destinatario).

Producto 1.1.2. Fortalecimiento de la competitividad y las habilidades para el desarrollo empresarial

18. **Consolidación de grupos de agricultores.** El proyecto consolidará los pequeños grupos existentes en 50 grupos de agricultores más grandes y 15 cooperativas compuestas por un mínimo de 15 miembros. Se utilizarán criterios de mejora estructurados para evaluar la madurez organizativa y la elegibilidad para la coinversión.
19. **Desarrollo empresarial.** IMPACT proporcionará educación financiera y formación en materia de negocios a 930 grupos a través de 300 facilitadores capacitados. La RFO ayudará a 250 grupos de agricultores —3490 mujeres y 2500 jóvenes— a elaborar propuestas de negocio financierables para obtener financiación.

Subcomponente 1.2. Participación en las políticas para fomentar la comercialización

Resultado 1.2.1. Diálogo sobre políticas en torno a cuestiones prioritarias apoyadas

20. **Convocatoria de las partes interesadas para el diálogo sobre políticas.** El proyecto IMPACT pondrá en marcha dos diálogos políticos clave para catalizar la inversión privada y mejorar la financiación agrícola. Estos diálogos se centrarán en:
 - (i) Desbloquear la financiación: abordar las prácticas crediticias restrictivas y promover herramientas de gestión de riesgos para aumentar la inversión agrícola.
 - (ii) Promover la propiedad: desarrollar vías para las asociaciones entre el sector público, el privado y los productores con el fin de atraer inversiones éticas y apoyar a las empresas estatales en su transición hacia operaciones propiedad de los agricultores.
21. Una iniciativa emblemática será la transferencia gradual de acciones de la exitosa planta lechera KIL a cooperativas lecheras de alto rendimiento. La planta KIL recibe ahora 4000 litros diarios de 90 grupos de agricultores, frente a los 600 litros de 2014. Esto transformará a los agricultores de meros proveedores a copropietarios con representación en la junta directiva y poder de decisión estratégica, utilizando el caso de KIL como modelo de estructuras de propiedad viables para su replicación a nivel nacional.

Resultado 1.2.2. Promoción de la marca y la certificación

22. **Certificación de productos y normas de calidad.** IMPACT aplicará un enfoque triple que implica: (i) el desarrollo de rigurosas normas de calidad específicas para Bután normas; (ii) apoyo a la certificación de normas internacionales (ecológicas, comercio justo, halal, indicaciones geográficas); y (iii) sistemas de trazabilidad de extremo a extremo para cumplir los requisitos del mercado de productos de alta calidad y garantizar la transparencia desde la producción hasta el consumo.

23. **Estrategia de marca y cooperación Sur-Sur.** Aprovechando los puntos fuertes de Bután, a saber, su medio ambiente, sus tradiciones y el índice de felicidad nacional bruta, el proyecto desarrollará identidades de marca sólidas. Al mismo tiempo, acelerará la adopción de la agricultura ecológica mediante intercambios de conocimientos con el estado de Sikkim en la India, para aprender de su exitosa transición en un contexto comparable.

Componente 2. Sistemas alimentarios orientados al mercado y resistentes al clima

24. Este componente tiene como objetivo fortalecer la resiliencia y la rentabilidad del sector agrícola de Bután mediante la promoción de sistemas de producción sostenibles orientados al mercado y la inversión en infraestructura de mercado crítica.

Subcomponente 2.1. Apoyo a los sistemas de producción comercial

Resultado 2.1.1. Mejora de la productividad ganadera

25. **Mejora de los programas de cría.** IMPACT formará a técnicos comunitarios de inseminación artificial (CAIT) y les proporcionará equipos de inseminación artificial e instalaciones de cadena de frío. Se establecerán dos centros comunitarios con planes de negocio viables para la cría de novillas de alta producción lechera. Se adquirirá semen clasificado por sexos para reducir el número de terneros machos y mejorar la productividad lechera.
26. **Sistemas de producción lechera.** El proyecto establecerá alianzas con instituciones internacionales, entre ellas la Junta Nacional de Desarrollo Lechero de la India, para el intercambio de conocimientos. Se capacitará a veinte jóvenes en el funcionamiento y mantenimiento de equipos de la cadena de frío para productos lácteos y se les proporcionarán kits de herramientas para la puesta en marcha.
27. **Producción de forraje y salud animal.** IMPACT ampliará el cultivo de forraje de calidad en 5000 acres que abastecen a 10 000 hogares, apoyará las tecnologías de ensilado y establecerá dos instalaciones de producción de raciones mixtas totales. Se mejorará la salud animal mediante medidas integradas de bioseguridad con procedimientos operativos estándar, estaciones de desinfección, formación paraveterinaria de los CAIT y aplicaciones móviles de TIC para la vigilancia de enfermedades. El proyecto colaborará estrechamente con los centros regionales de desarrollo ganadero y la Autoridad de Alimentos y Medicamentos de Bután.

Resultado 2.1.2. Introducción de prácticas de producción resilientes al clima

28. **Producción innovadora de hongos.** El proyecto prestará apoyo a cuatro grupos de jóvenes con sistemas agrícolas inteligentes basados en el Internet de las cosas (IoT) para la producción de hongos y el establecimiento de instalaciones de producción de micelio. Movilizará a los agricultores líderes de CARLEP para que presten asistencia técnica y apoyará la investigación para identificar un suministro constante de sustrato de crecimiento para el cultivo de especies de hongos de alto valor.
29. **Producción avanzada de miel.** Se impartirá formación técnica sobre técnicas de cría de abejas reinas para mejorar la productividad de las colmenas y la resistencia a las enfermedades. IMPACT distribuirá 500 cajas de colmenas a grupos de jóvenes y mujeres, 20 máquinas higiénicas de extracción de miel, 50 juegos de equipos y elevadores de cajas de miel adaptados para mujeres. Se establecerán centros certificados de recolección de miel para 133 hogares con el fin de facilitar el envasado para los mercados nacionales y de exportación. Se ampliará el forraje para las abejas mediante la resiembra de especies autóctonas y variedades de cultivos productores de néctar y polen en 500 acres por grupo. Se utilizará tecnología innovadora de drones para esparcir mezclas de semillas autóctonas (bombardeo de semillas) en las zonas más remotas.
30. **Insumos biológicos y enmiendas del suelo.** El proyecto apoyará a 10 pequeñas y medianas empresas en la producción a escala comercial de biofertilizantes, biopesticidas y acondicionadores orgánicos del suelo utilizando subproductos agrícolas y hierbas forestales.

Resultado 2.1.3. Fomento de la gestión sostenible de la tierra

31. **Gestión sostenible de la tierra y riego.** Aprovechando la experiencia de CARLEP, IMPACT invertirá en la gestión sostenible de la tierra mediante el apoyo a 15 sistemas de riego de tierras áridas

que abarcan 1500 acres con sistemas eficientes de suministro de agua. Estos sistemas beneficiarán a 600 hogares para la producción comercial de hortalizas, maíz y trigo sarraceno.

32. **Recuperación de tierras en barbecho.** El proyecto recuperará sistemáticamente las 68 841 acres de tierras en barbecho identificadas en *los dzongkhags* orientales. Se prestará apoyo a diez empresas agrícolas colectivas en las que participan mujeres y jóvenes para negociar el arrendamiento de tierras con propietarios. Estas empresas recibirán apoyo integral, incluyendo la preparación de la tierra, el cercado, el riego y refugios semipermanentes cuando sea necesario.

Subcomponente 2.2. Invertir en infraestructura y servicios orientados al mercado
Resultado 2.2.1. Apoyo a las instalaciones de poscosecha y procesamiento

33. **Infraestructura de recolección y procesamiento de leche.** IMPACT mejorará 30 centros de recolección (MCC) con analizadores automáticos de leche para fijar precios basados en la calidad, con el fin de incentivar a los ganaderos y apoyar la diversificación de productos. Dos MCC estratégicamente ubicados se convertirán en unidades de procesamiento de leche capaces de producir queso y mantequilla para instalaciones más grandes, como KIL. Se prestará apoyo a tres mil ganaderos lecheros con equipos como cortadoras de paja, y 200 ganaderos que no pertenecen a CARLEP recibirán establos mejorados.
34. **Agrupación y procesamiento de hortalizas.** El proyecto apoyará a las cooperativas para que inviertan en siete centros de agrupación de hortalizas en zonas de alta producción, equipados con instalaciones de lavado y almacenamiento en frío. Esto contribuirá a mejorar la vida útil y la comerciabilidad de las hortalizas frescas y a reducir las pérdidas poscosecha. Estos centros serán gestionados por grupos de agricultores, cooperativas y comerciantes/agregadores, con el apoyo de planes de negocio viables. Además, IMPACT apoyará la creación de tres pequeñas unidades de procesamiento para aumentar el valor añadido¹ y mejorar la competitividad en el mercado de las hortalizas, las setas, la miel y cereales, centrándose en grupos/cooperativas dirigidos por mujeres y jóvenes.

Resultado 2.2.2. Promoción de la logística y el acceso al mercado

35. **Soluciones de transporte y coordinación digital.** IMPACT desplegará cinco vehículos refrigerados y aislados para reducir los tiempos de entrega y las pérdidas poscosecha. Esta iniciativa promoverá la optimización de rutas y el transporte compartido, con el apoyo de plataformas logísticas móviles desarrolladas con DAMC y el proyecto Building Resilient Commercial Smallholder Agriculture (BRECSA). Estas plataformas permitirán la reserva y el seguimiento en tiempo real para aumentar la eficiencia en el uso de los vehículos, reducir los costes y mejorar la fiabilidad del servicio.
36. **Implementación de la plataforma de marketing.** El proyecto implementará plataformas de marketing físicas y digitales desarrolladas por BRECSA en los *dzongkhags* seleccionados por IMPACT. Esto proporcionará información de mercado en tiempo real, facilitará los vínculos directos entre productores y consumidores, reforzará el acceso al mercado de los agricultores del este de Bután y mejorará el poder de negociación y los ingresos gracias a una mayor conectividad con el mercado.

C. Teoría del cambio

37. Partiendo de la base de CARLEP, IMPACT aborda los retos críticos de Bhután en materia de agroalimentación, desde las pérdidas poscosecha y la fragmentación del mercado hasta la vulnerabilidad climática, a través de cuatro vías sinérgicas. Estas combinan el desarrollo de capacidades y la reforma de políticas para fortalecer las cadenas de valor con inversiones directas en infraestructura de producción y poscosecha resistente al clima. El énfasis transversal en el empoderamiento de las mujeres y los jóvenes a través del emprendimiento y el liderazgo los integrará en mercados rentables. Este enfoque integrado

¹ Tales como el secado y envasado de setas, la filtración y embotellado de miel, el curado, secado y encurtido de verduras, y la molienda y envasado de cereales.

tiene por objeto aumentar los ingresos de los hogares y mejorar la seguridad alimentaria fomentando un sector agrícola más resistente, inclusivo y orientado al mercado.

D. Alineación, apropiación y asociaciones e es

38. El proyecto IMPACT se centra en las prioridades nacionales de desarrollo de Bután y en los objetivos estratégicos del FIDA de promover una agricultura resistente al clima, la comercialización y inclusión financiera. Apoya directamente el Decimotercer Plan Quinquenal del país y las estrategias relacionadas. El proyecto está diseñado para trabajar en sinergia con iniciativas en curso de socios como el Banco Mundial, la Organización de las Naciones Unidas para la Alimentación y la Agricultura y el Programa de las Naciones Unidas para el Desarrollo, y complementará específicamente el proyecto BRECSA (financiado conjuntamente por el FIDA y el Programa Mundial para la Agricultura y la Seguridad Alimentaria (GAFSP), y ejecutado en colaboración con el Programa Mundial de Alimentos) en distritos adyacentes.

E. Costos, beneficios y financiación

39. El costo total del proyecto se estima en 26,443 millones de dólares EE.UU., con contribuciones de 9,955 millones de dólares EE.UU. del FIDA, 1,617 millones de dólares EE.UU. del Real Gobierno de Bután, 2,371 millones de dólares estadounidenses de los miembros del grupo destinatario, 3,5 millones de dólares estadounidenses de bancos e instituciones financieras. La financiación del FIDA para actividades de adaptación al cambio climático asciende a 6 622 000 dólares estadounidenses, lo que representa el 83,7 % de la asignación total del FIDA13 PBAS a Bután (7 914 000 dólares estadounidenses). Teniendo en cuenta la necesidad de recursos adicionales para la plena ejecución del proyecto, se propone un déficit de financiación de 9,0 millones de dólares EE.UU. Este déficit de financiación puede cubrirse mediante ciclos de recursos posteriores del FIDA (en condiciones de financiación que se determinarán y estarán sujetas a procedimientos internos y a la posterior aprobación de la Junta Ejecutiva) o mediante la cofinanciación identificada antes de puesta en marcha o durante la implementación. El Gobierno Real de Bután ha comunicado su interés en acceder a un préstamo adicional del FIDA en condiciones altamente concesionarias en el marco de la decimotercera reposición de los recursos del FIDA (FIDA-13) o del FIDA-14, o cualquier otra fuente de financiación en forma de donación o en condiciones favorables.

Cuadro 1

Costos del proyecto por componente y financiador

(Miles de dólares estadounidenses)

<i>Componente</i>	<i>Gobierno</i>		<i>Préstamo del FIDA A PBAS (SHC)</i>		<i>Préstamo B del FIDA PBAS (HC)</i>		<i>Contribución de los miembros/grupos destinatarios</i>		<i>Bancos e instituciones financieras</i>		<i>Déficit de financiación</i>		<i>Total</i>	
	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>
1. Desarrollo inclusivo de la cadena de valor agroganadera	65	2,5	998	38,9	250	9,7	-	0	-	0	1 251	48,8	2 564	9,7
2. Sistemas alimentarios resilientes al clima y orientados al mercado	850	3,9	6 213	28,6	1 553	7,2	2 371	10,9	3 500	16,1	7 201	33,2	21 689	82,0
3. Gestión de proyectos	701	32,0	753	34,4	188	8,6	-	0	-	0	548	25,0	2 190	8,3
Total	1 617	6,1	7 964	30,1	1 991	7,5	2 371	9	3 500	13,2	9 000	34	26 443	100

Cuadro 2

Costos del proyecto por categoría de gastos y financiador

(En miles de dólares estadounidenses)

<i>Categoría de gasto</i>	<i>Gobierno</i>		<i>Préstamo del FIDA A PBAS (SHC)</i>		<i>Préstamo del FIDA B PBAS (HC)</i>		<i>Contribución de los miembros/grupos destinatarios</i>		<i>Bancos e instituciones financieras</i>		<i>Déficit de financiación</i>		<i>Total</i>	
	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>	<i>Importe</i>	<i>%</i>
1. Obras	285	3,6	4 141	52,3	1 035	13,1	324	4,1	74	0,9	2 062	26,0	7 921	30,0
2. Bienes, servicios e insumos	627	4,0	3 016	19,4	754	4,8	2 047	13,2	3 426	22,0	5 687	36,6	15 556	58,8
3. Formación	45	2,1	686	31,8	171	8,0	-	-	-	-	1 251	58,1	2 153	8,1
4. Consultorías	4	5,0	55	76,0	14	19,0	-	-	-	-	-	-	72	0,3
5. Costes operativos	656	88,6	68	9,1	17	2,3	-	-	-	-	-	-	741	2,8
Total	1 617	6,1	7 964	30,1	1 991	7,5	2 371	9,0	3 500	13,2	9 000	34,0	26 443	100,0

Cuadro 3

Costos del proyecto por componente y año del proyecto

(En miles de dólares estadounidenses)

<i>Componente</i>	<i>Totales, incluidas las contingencias</i>						<i>Total</i>
	<i>2025/2026</i>	<i>2026/2027</i>	<i>2027/2028</i>	<i>2028/2029</i>	<i>2029/2030</i>	<i>2030/2031</i>	
1. Desarrollo de una cadena de valor agropecuaria inclusiva	136	222	205	1 512	244	245	2 564
2. Sistemas alimentarios resilientes al clima y orientados al mercado	382	3 569	3 773	10 474	2 308	1 183	21 689
3. Gestión de proyectos	398	220	237	807	256	272	2 190
Total	916	4 012	4 215	12 793	2 807	1 700	26 443
Porcentaje	3	15	16	48	11	6	100

Estrategia y plan de financiación y cofinanciación

40. Del costo total del proyecto, que asciende a 26,443 millones de dólares EE.UU., el 37,6 % se cubrirá con el préstamo del FIDA, el 6,1 % con fondos del Gobierno Real de Bhután, el 9,0 % con fondos aportados por los miembros del grupo destinatario, el 13,2 % con fondos aportados por bancos e instituciones financieras y el 34 % con fondos procedentes de una brecha de financiación. El costo total del proyecto se distribuye de la siguiente manera: 30 % para obras, 58,8 % para bienes, servicios e insumos, 8,1 % para formación, 0,3 % para consultorías y 2,8 % para gastos de funcionamiento. Se prevé que los costos del proyecto se distribuyan de la siguiente manera: 3 % de los costos totales para el año 1, 15 % para el año 2, 16 % para el año 3, 48 % para el año 4, el 11 % para el año 5 y el 6 % para el año 6.
41. Como primer paso para cubrir el déficit de financiación, se aprobó una propuesta de subvención de 250 000 libras esterlinas para el ejercicio financiero 2025/2026 por parte del Ministerio de Asuntos Exteriores, y Desarrollo del Reino Unido. Esta subvención se repartirá entre Nepal y Bután en consulta con el Centro Internacional para el Desarrollo Integrado de las Montañas, que es el socio encargado de la ejecución del proyecto.

Desembolso

42. La Autoridad Monetaria Real (RMA) abrirá cuentas designadas denominadas en dólares estadounidenses para los préstamos en condiciones muy favorables y altamente favorables del FIDA en el Banco de Bután Limited, al que se transferirán los fondos del FIDA. Los fondos se desembolsarán en dólares estadounidenses. La RMA transferirá los fondos, en función de las necesidades del proyecto, al Departamento del Tesoro y de Cuentas, que a su vez liberará los fondos para el proyecto de acuerdo con el y presupuesto (AWPB).

Resumen de los beneficios y análisis económico

43. **Beneficios directos.** El proyecto beneficiará directamente a 15 500 hogares de pequeños agricultores con 68 200 miembros. El 50 % de los miembros del grupo destinatario serán mujeres (7750) y el 16 % jóvenes (2480) de entre 18 y 35 años. Una persona de cada hogar será miembro directo del grupo destinatario. El proyecto se está desarrollando con un déficit de financiación de 9 millones de dólares estadounidenses. Si se cubre el déficit de financiación, el proyecto prestará servicio a otros 9 000 pequeños agricultores, lo que elevará el total a 24 500 miembros del grupo destinatario.
44. **Beneficios indirectos.** Se estima que unos 15 000 hogares recibirán beneficios indirectos gracias a la mejora del acceso a insumos biológicos y servicios agrícolas. Desarrollo empresarial poscosecha, expansión del mercado, disponibilidad de alimentos diversificados y nutritivos, diálogo sobre políticas y mejoras generales del ecosistema.
45. **Análisis económico.** Se realizó un análisis económico del proyecto utilizando los modelos financieros desarrollados para empresas, hogares y subsectores, con todos los valores convertidos a precios económicos para reflejar el uso real de los recursos y los beneficios. El análisis de costo-beneficio arrojó resultados sólidos, con una tasa interna de rendimiento económico del 24,2 %. El valor actual neto, calculado con un descuento del 9 %, la tasa interna de rentabilidad (el costo de oportunidad estimado del capital) se calcula en 2162,95 millones de BTN (aproximadamente 25,45 millones de dólares estadounidenses), y la relación beneficio-coste es de 2,04. Estos resultados indican que las inversiones del proyecto son económicamente viables, ofrecen rendimientos sólidos y justifican la asignación de recursos.

Estrategia de salida y sostenibilidad

46. La estrategia de salida de IMPACT se centrará en mejorar la madurez empresarial de los grupos de agricultores, establecer instalaciones de procesamiento comercialmente viables y promover modelos de servicio sostenibles, como la inseminación artificial de pago y los insumos biológicos. El proyecto incorporará enfoques exitosos en las instituciones nacionales y transferirá activos, como las acciones de KIL, a cooperativas de alto rendimiento.

III. Gestión de riesgos

A. Riesgos y medidas de mitigación

47. El riesgo inherente de IMPACT se considera moderado. Sus riesgos residuales pueden considerarse de moderados a bajos cuando se gestionan mediante medidas de mitigación. Los riesgos críticos están relacionados con los recursos humanos, la gestión financiera y las perturbaciones climáticas. Recursos humanos los retos en materia de recursos —como la contratación de personal para zonas remotas, la elevada rotación de personal y la limitada capacidad institucional— podrían retrasar las actividades y comprometer la calidad. La escasa capacidad del personal encargado de la gestión financiera, las deficiencias en el control interno, la ausencia de auditoría interna, la inadecuación de los sistemas contables para las contribuciones de los miembros del grupo destinatario y los retrasos en las adquisiciones suponen amenazas para la gestión de los fondos y el cumplimiento.
48. El proyecto está expuesto a riesgos relacionados con el clima (fenómenos meteorológicos extremos que dañan la infraestructura y la producción), la volatilidad del mercado (que erosiona la rentabilidad y la participación), junto con las restricciones financieras y los riesgos sociales, como la captura por parte de las élites.
49. Se implementarán medidas específicas, como incentivos para la retención del personal, personal especializado en finanzas y adquisiciones, y tecnologías resistentes al clima. Se reforzará la coordinación institucional a través del comité directivo del proyecto (PSC), mientras que la selección transparente de los miembros del grupo destinatario abordará los riesgos sociales.

Tabla 4
Resumen general de riesgos

Áreas de riesgo	Calificación del riesgo inherente	Calificación del riesgo residual
Contexto del país	Moderado	Moderado
Estrategias y políticas sectoriales	Moderadas	Moderado
Contexto medioambiental y climático	Moderado	Moderado
Alcance del proyecto	Moderado	Moderado
Capacidad institucional para la implementación y la sostenibilidad	Moderada	Moderada
Gestión financiera	Sustancial	Sustancial
Adquisición de proyectos	Moderado	Moderada
Impacto medioambiental, social y climático	Moderado	Moderado
Partes interesadas	Moderado	Moderado
En general	Moderado	Moderado

B. Categoría medioambiental y social

50. El proyecto IMPACT se clasifica como de riesgo **medio** en materia medioambiental y social, lo que requiere medidas de protección sólidas y proactivas. El proyecto generará resultados positivos al promover una agricultura climáticamente inteligente, reforzar la adaptación local y garantizar una participación inclusiva.

C. Clasificación del riesgo climático

51. La categoría de riesgo climático del proyecto pro se considera **moderada**.

D. Sostenibilidad de la deuda

52. La relación actual entre la deuda y el PIB de Bután es de aproximadamente el 99,1 % (2025). La sostenibilidad de la deuda de Bután se considera actualmente moderada, y el riesgo general de sobreendeudamiento se considera manejable debido a la naturaleza única de su deuda relacionada con la energía hidroeléctrica y los fuertes factores atenuantes.

IV. Aplicación

A. Marco organizativo

Gestión y coordinación del proyecto

53. El proyecto mantendrá la estructura de ejecución probada del CARLEP, con el Ministerio de Agricultura y Ganadería (MoAL) como organismo asociado principal, y su División de Políticas y Planificación (PPD) asumirá la función de organismo ejecutor. La unidad de gestión del proyecto dependerá del jefe de la PPD. Al igual que en el caso del CARLEP, la unidad de gestión del proyecto (PMU) compartirá sede con el Centro de Investigación y Desarrollo Agrícola (ARDC) en Wengkharchang.
54. La PMU se encargará de la supervisión, la planificación, la gestión financiera y la coordinación del proyecto con los socios ejecutores. La ejecución correrá a cargo de los Departamentos de Agricultura y Ganadería de los distritos de *los dzongkhags* seleccionados. El proyecto mantendrá las alianzas con organismos técnicos clave, como el ARDC, el Centro Regional de Desarrollo Ganadero (RLDC), DAMC/RAMCO, Farm Machinery Corporation Limited, Natural Resources Development Corporation Limited e instituciones financieras. Para mitigar la limitada capacidad de divulgación de los funcionarios agrícolas de los distritos, el proyecto: (i) formará a *desuups*² para apoyar la divulgación; y (ii) colaborará con los agricultores líderes en los que CARLEP ha invertido para apoyar las cadenas de valor de las setas y las hortalizas.
55. El PSC será creado y presidido por el Secretario del MoAL. Se reunirá al menos dos veces al año. Las principales responsabilidades del PSC son: (i) supervisar la ejecución del proyecto; (ii) velar por que las actividades del proyecto se ajusten a las políticas del Gobierno Real y a los términos y condiciones del acuerdo de financiación; (iii) aprobar los planes de trabajo y los presupuestos anuales, así como el plan de adquisiciones consolidado; (iv) la coordinación de las intervenciones del proyecto con otros programas y proyectos de desarrollo; y (v) la orientación política y estratégica para mejorar la ejecución.

Gestión financiera, adquisiciones y gobernanza

56. Se crearán cuentas designadas denominadas en dólares estadounidenses en la RMA. El proyecto utilizará el Sistema Electrónico de Gestión del Gasto Público (e-PEMS) de Bután para el seguimiento presupuestario en tiempo real y será auditado por la Autoridad Real de Auditoría, que cumple con las Normas Internacionales de Auditoría.
57. La Unidad de Gestión del Proyecto gestionará las adquisiciones mediante procesos transparentes, un seguimiento periódico y medidas de mitigación específicas desde la evaluación inicial.
58. El proyecto garantizará una gobernanza sólida siguiendo estrictamente las y manteniendo un mecanismo transparente de resolución de reclamaciones. La supervisión de la Autoridad Real de Auditoría, junto con la protección de los denunciantes y los canales de denuncia accesibles, garantizará la rendición de cuentas y mitigará los riesgos de gestión financiera.

Participación del grupo destinatario, comentarios y resolución de reclamaciones

59. IMPACT empleará una estrategia de inclusión integral para la selección de destinatarios. Esta estrategia será gestionada por la unidad de seguimiento y evaluación de la PMU y por *desuups*, en estrecha colaboración con las autoridades locales. La estrategia de inclusión cuenta con medidas para garantizar la participación de los grupos vulnerables, como cuotas para mujeres y jóvenes, horarios convenientes, ubicaciones accesibles y grupos de discusión separados para superar las dinámicas de poder locales.

Resolución de reclamaciones

60. IMPACT promoverá el uso del sistema en línea establecido por el Gobierno Real de Bután, eKaaSel, para garantizar que los miembros del grupo destinatario conozcan esta plataforma.

² La traducción directa de *desuups* es «guardianes de la paz». Se trata de graduados voluntarios con formación en emprendimiento, agricultura y gestión de desastres naturales. El proyecto formará a estos jóvenes para que apoyen la divulgación y se aseguren de que adquieren habilidades que promuevan su desarrollo profesional.

para las quejas relacionadas con la prestación de servicios. Paralelamente, se establecerá un mecanismo específico de reparación de agravios a nivel del proyecto para tramitar las quejas directamente relacionadas con las actividades del proyecto, incluidas las relativas a los impactos sociales y ambientales.

B. Planificación, seguimiento y evaluación, aprendizaje, gestión del conocimiento y comunicaciones

61. **Planificación.** La Unidad de Gestión del Proyecto (PMU) emitirá una solicitud formal y orientaciones para la preparación del Plan de Trabajo Anual del Distrito (AWPB) y el Plan de Adquisiciones (PP). Los *dzongkhags* prestarán apoyo a los gobiernos locales (*gewogs*) en la recopilación de aportaciones para la elaboración de planes a nivel de distrito, en colaboración con los responsables de los sectores pertinentes, los expertos técnicos y los organismos. Posteriormente, la PMU consolidará estas propuestas en un AWPB y un PP globales para todo el proyecto.
 62. El AWPB finalizado incluirá una lista de todos los socios ejecutores, las actividades y las finanzas. Gastos, incluidas las contribuciones del Gobierno y de los miembros del grupo destinatario, mientras que el PP proporcionará detalles sobre las necesidades y modalidades de adquisición. Este plan consolidado se someterá a la aprobación del PSC antes de presentarse al FIDA para que no plantee objeciones.
 63. **Seguimiento y evaluación.** El PPD tiene la responsabilidad general de supervisar los avances de IMPACT. La PMU supervisará la ejecución a nivel de *dzongkhag*. El proyecto utilizará un sistema de información de gestión adaptado y georreferenciado, alineado tanto con el sistema nacional de planificación y seguimiento como con los requisitos de seguimiento del FIDA.
 64. **Aprendizaje, gestión del conocimiento y comunicaciones.** IMPACT seguirá un enfoque sistemático de gestión del conocimiento para recopilar, analizar y compartir las lecciones, las mejores prácticas y las pruebas generadas durante la implementación. Esta estrategia identificará las deficiencias políticas críticas en Bután, incluida la necesidad de agricultura resistente al clima, vínculos de mercado inclusivos para los pequeños agricultores y modelos de participación de los jóvenes. El conocimiento se generará mediante rigurosos análisis rigurosos, estudios temáticos y documentación de la gestión adaptativa, que informarán directamente a la base de conocimientos más amplia de Bután sobre el desarrollo rural. Los conocimientos se difundirán a través de múltiples canales, entre ellos informes de políticas, un repositorio digital, eventos de aprendizaje y la participación en las plataformas mundiales del FIDA y los medios de comunicación locales.
- Innovación y ampliación**
65. El proyecto implementará modelos innovadores como la resiembra de forraje para abejas mediante drones, el cultivo de hongos sin trabajo pesado y una transferencia gradual de a las cooperativas lecheras. Estos enfoques se documentarán e integrarán en el MoAL para fomentar su replicación en todo el sector agrícola de Bután.

C. Planes de implementación

Preparación para la implementación y planes de puesta en marcha

66. La estrategia de preparación para la implementación está diseñada para garantizar una transición fluida y acelerada del diseño a la ejecución efectiva. Implica actividades preparatorias proactivas antes de la puesta en marcha oficial, incluyendo la contratación de personal clave, la elaboración de documentos operativos esenciales, como el manual de ejecución del proyecto y el primer AWPB, y el establecimiento de marcos de coordinación con partes interesadas. Se utilizarán 500 000 dólares estadounidenses para financiar la puesta en marcha rápida del proyecto, que se destinarán a la instalación de oficinas y a la realización de estudios de referencia con el fin de evitar retrasos.
- Supervisión, revisión intermedia y planes de finalización**
67. El desempeño del proyecto se guiará mediante una misión anual de supervisión del FIDA, una revisión conjunta a medio plazo para corregir el rumbo y encuestas anuales sobre los resultados. Los estudios temáticos proporcionarán un apoyo específico, y una evaluación final del impacto valorará el cumplimiento de los objetivos y generará lecciones para ampliar las iniciativas.

V. Instrumentos jurídicos y autoridad

68. Un acuerdo de financiamiento entre el Reino de Bhután y el FIDA constituirá el instrumento jurídico para otorgar el financiamiento propuesto al prestatario/beneficiario. Se adjunta una copia del acuerdo de financiamiento negociado como apéndice I.
69. El Reino de Bhután está facultado por sus leyes para recibir financiación del FIDA.
70. Estoy convencido de que la financiación propuesta se ajustará al Convenio Constitutivo del FIDA y a las Políticas y criterios de financiación del FIDA.

VI. Recomendación

71. Recomiendo que la Junta Ejecutiva apruebe la financiación propuesta en los términos de la siguiente resolución:

RESUELVE: que el Fondo concederá un préstamo en condiciones muy favorables al Reino de Bhután por un importe de siete millones novecientos sesenta y cuatro mil dólares estadounidenses (7.964.000 USD) y en condiciones que se ajustarán en lo esencial a las condiciones que se exponen en el presente documento.

RESUELVE ADEMÁS: que el Fondo concederá un préstamo en condiciones muy favorables al Reino de Bhután por un importe de un millón novecientos noventa y un mil dólares estadounidenses (1 991 000 USD) y en condiciones que se ajustarán sustancialmente a los términos y condiciones aquí expuestos.

Álvaro Lario
Presidente

Negotiated financing agreement

Inclusive Markets, Production, Agricultural Commercialization and Transformation (IMPACT)

(Negotiations concluded on 4 December 2025)

FINANCING AGREEMENT

Loan No: _____

Project name: Inclusive Markets, Production, Agricultural Commercialization and Transformation ("IMPACT" or "the Project")

The Kingdom of Bhutan (the "Borrower")

and

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. This Agreement comprises the following: the Main Document (The Preamble and Sections A-E), 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 2022, 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 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 to the Borrower (the "Financing"), which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the loan is nine million nine hundred fifty-five thousand United States dollars (USD 9,955,000), whose terms shall be divided into Loan A and Loan B.
 - a. **Loan A:** The amount of the Loan offered on super highly concessional terms is seven million nine hundred and sixty-four thousand United States dollars (USD 7,964,000).

- b. **Loan B:** The amount of the Loan offered on highly concessional terms is one million nine hundred and ninety-one thousand United States dollars (USD 1,991,000).
2. The Loans shall bear fixed service charges as determined by the Fund at the date of approval of the Loans by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. Loan A shall have a maturity period of Fifty (50) years, including a grace period of ten (10) years starting from the date of approval by the Executive Board. The amortization of the super highly concessional principal of loan is set at two and half per cent (2.5%) of the total principal withdrawn per annum from years eleven (11) to fifty (50). Loan B on highly concessional terms 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, and the amortization is set 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 first day of the applicable Fiscal Year shall be 1st of July.
5. Payments of principal and service charge shall be payable on each 15 April and 15 October.
6. There shall be (a) Designated Account(s) in USD, for the exclusive use of the Project opened in the Royal Monetary Authority (RMA) of Bhutan (the central Bank of Bhutan). The Borrower shall inform the Fund of the officials authorized to operate the Designated Account(s).
7. The Borrower shall provide counterpart financing for the Project in the amount of one million five hundred and eighty thousand United States dollars (USD 1,617,000).

Section C

1. The Lead Project Agency shall be the Ministry of Agriculture and Livestock (MoAL).
2. Additional Project Parties are described in paragraph 10 of Schedule 1 Part 2.
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 sixth (6th) 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.
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 supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of disbursements:
 - a) The PIM 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, 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 disbursements:
 - (iii) In the event that the Borrower does not request a disbursement of the Financing for a period of at least 12 consecutive months without justification subsequent to the first eighteen (18) months from the entry into force of the Agreement.
3. The following are designated as additional (general/specific) conditions precedent to withdrawal:
 - a) IFAD no objection to the Project Implementation Manual (PIM) shall have been obtained.
 - b) Key Project staff has been appointed as per section I.7 Schedule 3 of this Agreement.
 - c) The first Annual Work Plan and Budgets (AWPB) shall have been submitted and received a no-objection from IFAD.
 - d) IFAD must receive, a duly completed authorised user(s) letter, from the designated representative or a sufficiently senior delegated official, designating the name(s) of official(s) authorised to approve withdrawal application(s) and quarterly interim financial reports (Q-IFR).
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

Lyonpo Lekey Dorji
Finance Minister
Ministry of Finance
Kingdom of Bhutan
Tashichhodzong
Thimphu
Bhutan

For the Fund:

The President
International Fund for Agricultural Development
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

If applicable, The Parties accept the validity of any qualified electronic signature used for the signature of this Agreement and recognise the latter as equivalent to a hand-written signature.

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.

KINGDOM OF BHUTAN

Lyonpo Lekey Dorji
Minister for Finance

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvaro Lario
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* IMPACT will target semi-commercial and commercial farmers who have graduated from poverty under the Commercial Agriculture and Resilient Livelihoods Enhancement Programme ("CARLEP") between IFAD and the Kingdom of Bhutan, but remain vulnerable to falling back below the poverty line due to climatic and economic shocks. The Project will directly benefit 15,500 smallholder households, out of which 50% will be women, and 16% youth.

2. *Project area.* The Project will be implemented across 7 Dzongkhags (Districts) located in the eastern and central regions of Bhutan: Lhuentse, Mongar, Pemagatshel, Samdrup Jongkhar, Trashigang, Trashy Yangtse, and Bumthang.

3. *Goal.* The goal of the Project is to reduce poverty and improve resilience of smallholder households.

4. *Objectives.* The development objective of the Project is to transition smallholder farming towards climate-resilient food systems that are inclusive and profitable.

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

5.1 Component 1: Inclusive agri-livestock value chain development (USD 2.564 million, representing 9.7% of overall financing)

This component focuses on transforming Kingdom of Bhutan's agriculture sector by enhancing commercialization, investment opportunities, and policy support. This component will support farmer groups and agri-entrepreneurs to build stronger market linkages, access to finance, and improve business competitiveness. The component is composed of the following sub-components:

5.1.1 Sub-component 1.1: Enhance commercialization and investment opportunities

Output 1.1.1: Market linkages and investment facilitated

The Project will formulate strategic investment plans for seven key commodities—dairy, vegetables, honey, maize, buckwheat, mushrooms, and fruit-bearing annuals—by identifying constraints and commercialization opportunities for domestic and export markets. Commodity-specific multi-stakeholder platforms will be established to connect producers, traders, and service providers, with 300 Business-to-Business and Business-to-Service events coordinated by Department of Agricultural Marketing and Cooperatives and Regional Agricultural Marketing and Cooperatives Offices ("DAMC/RAMCO") to foster commercial linkages. To strengthen agricultural lending, the Project will partner with the Bhutan Development Bank Ltd. (BDBL) and micro-finance institutions (MFIs) to train credit officers in cash flow-based lending.

Output 1.1.2: Competitiveness and business development skills strengthened

Farmer group consolidation will be supported through the formation of larger groups and cooperatives, using structured graduation criteria to assess organizational maturity for co-investment eligibility. Business development will be enhanced through financial education and business literacy training ("FEBL").

5.1.2 Sub-component 1.2: Policy engagement for fostering commercialization

Output 1.2.1: Policy dialogue around priority issues supported

To catalyze private investment and improve agricultural finance, the Project will launch two key policy dialogues focused on unlocking finance, through restrictive lending practices education and promoting risk management tools, and on promoting ownership, by advancing Public-Private-Producer Partnerships (PPPPs) to attract ethical investment and transitioning state-owned enterprises to farmer-owned models. A flagship initiative will be the gradual transfer of shares in Kofuku International Ltd dairy plant to high-performing dairy cooperatives, transforming farmers into co-owners with board representation and strategic decision-making power, and establishing a replicable model for nationwide adoption.

Output 1.2.2: Branding and certification promoted

To enhance product certification and quality standards, the Project will implement a three-pronged approach: Kingdom of Bhutan-specific quality standards; support for international standards (such as Organic, Fair Trade, Halal, or Geographic Indication); and end-to-end traceability systems. A complementary branding strategy will leverage Kingdom of Bhutan's unique selling points, while South-South cooperation with India will accelerate organic adoption through knowledge exchange.

5.2 Component 2: Market oriented climate-resilient food systems (USD 21.689 million representing 82% of overall financing)

This component aims to strengthen the resilience and profitability of Bhutan's agricultural sector by promoting sustainable market-driven production systems and investing in critical market infrastructure.

5.2.1 Sub-component 2.1: Livestock productivity enhanced

Output 2.1.1: Livestock productivity enhanced

To improve dairy cow productivity, the Project will train Community Artificial Insemination Technicians (CAITs), equip them with artificial insemination kits and cold chain facilities, and establish two community-owned breeding centers with viable business plans. Sex-sorted semen will be procured to reduce male calving and improve milk productivity. Partnerships with international institutions, including India's National Dairy Development Board, will support knowledge exchange, while selected youth will be trained on dairy cold chain equipment operation and provided with start-up toolkits. The Project will expand quality fodder cultivation, support silage-making technologies and 'Total Mixed Ration' production facilities. Animal health will be improved through integrated biosecurity measures, para-vet training of CAITs, and mobile apps for disease surveillance, in collaboration with Regional Livestock Development Centres and Bhutan Food and Drug Authority.

Output 2.1.2: Climate resilient production practices introduced

The project will support four youth groups with IoT-based (Internet of Things) smart farming systems for mushroom production, establishment of spawn production facilities, mobilize CARLEP 'Lead Farmers' for technical assistance, and support research for identifying a sustained supply of growth substrate for high-value mushroom species cultivation. Advanced honey production will be supported through queen bee breeding training, distribution of bee-hive boxes to youth and women groups, honey extraction machines, equipment sets, and women-friendly honey box lifters. Certified honey collection centers will be established for selected households and bee forage will be expanded by re-seeding nectar and pollen-producing native species and crop varieties across designated areas within each cluster. In remote areas, innovative drone technology will be used to broadcast native seed mixtures through a method known as seed bombing. Ten SMEs will be supported to produce bio-fertilizers, bio-pesticides, and organic soil amendments using local resources.

Output 2.1.3: Sustainable land management fostered

The Project will invest in sustainable land management through multiple dryland irrigation schemes. The project will also reclaim fallow land from the areas identified in eastern Dzongkhags and will support women and youth-led agricultural group enterprises to negotiate land leasing from landowners, while providing them with land preparation, fencing, irrigation, and semi-permanent shelters.

5.2.2 *Sub-component 2.2: Climate resilient production practices introduced*

Output 2.2.1: Post-harvest and processing facilities supported

The Project will upgrade 'Milk Collection Centres' (MCC) with automated milk analyzers for quality-based pricing to incentivize farmers and support product diversification. Two MCCs will be converted into 'Milk Processing Units' for cheese and butter production, supplying facilities like Koufuku International Limited. Support will be extended to dairy farmers with equipment such as chaff cutters, and to non-CARLEP farmers with improved cattle sheds. Vegetable aggregation will be enhanced through cooperative-managed centres equipped with washing and cold storage facilities to reduce post-harvest losses and improve marketability. Small-scale processing units will be established to add value to vegetables, mushrooms, honey, and cereals, with a focus on women and youth-led groups.

Output 2.2.2: Logistics and market access promoted

Transport and digital coordination will be promoted through refrigerated and insulated vehicles to enhance route optimization, and through mobile logistics platforms developed with the Building Resilient Commercial Smallholder Agriculture Programme ("BRECSA") between IFAD and the Kingdom of Bhutan for real-time booking and tracking to improve vehicle utilization. The project will deploy BRECSA-developed physical and digital marketing platforms across the Project Dzongkhags to provide market information, facilitate direct producer-consumer linkages, strengthen market access for eastern farmers, and improve bargaining power and income.

6. The Project's programme management, monitoring and evaluation, and knowledge management costs are USD 2.19 million, representing 8.3% of overall financing.

II. Implementation Arrangements

7. *Lead Project Agency.* The MoAL will be the Lead Project Agency providing policy guidance, policy priority direction and facilitate project implementation.

8. *Project Oversight Committee.* A Project Steering Committee ("PSC") will be established and chaired by the Secretary of MoAL. The PSC shall meet at least twice a year. The main responsibilities of the PSC are: (i) oversight of project implementation; ii) compliance of project activities with Government's policies and the terms and conditions of the financing agreement; (iii) approval of AWPBs and Consolidated Procurement Plan ("CPP"), (iv) coordination of project interventions with other development programmes and projects; and (v) policy and strategic guidance for improved implementation.

9. *Project Management Unit.* A Project Management Unit ("PMU") will be co-located with the Agriculture Research and Development Center ("ARDC") in Wengkhari, reporting directly to the Chief of the Policy and Planning Division ("PPD"), which serves as the day to day operating agency and a regular IFAD counterpart. The PMU will be responsible for project oversight, project planning, financial management, and coordination with implementing partners, while implementation will also be carried out by the District Departments of Agriculture and Livestock ("DDAL") in target Dzongkhags.

10. *Project Parties.* The Project will forge and continue partnerships with key technical agencies such as ARDC reporting to the PPD, DAMC/RAMCO, Farm Machinery Corporation

Limited ("FMCL"), Natural Resources Development Corporation Limited ("NLRDC") in Bumthang, DDALs, as well as financial institutions.

11. *Monitoring and Evaluation.* Drawing on the CARLEP and BRECSA systems, a robust geo-referenced Monitoring and Evaluation (M&E) system will be developed for the Project, with dedicated financial resources to support implementation. The PMU will establish an M&E unit responsible for monitoring Dzongkhag-level performance, while the PPD will oversee overall project progress. The system will harmonize with Bhutan's national government systems ("PLaMS") and ensure complementarity with IFAD and other partners' M&E requirements. The PMU M&E unit will design formats to capture critical field-level data not covered by PLaMS, incorporating lessons from CARLEP. Baseline, mid-term, and completion surveys will follow IFAD's Core Outcome Indicators methodology. Annual outcome surveys will provide rapid feedback, and an external agency will conduct the final impact survey. Eventually, IFAD will carry out a Project Completion Review.

12. *Knowledge Management.* The Project will establish a systematic knowledge management approach to capture, analyze, and share lessons, best practices, and evidence generated during implementation. This strategy addresses critical policy gaps in Bhutan, including the need for climate-resilient agriculture, inclusive market linkages for smallholders, and youth engagement models. Knowledge will be generated through rigorous impact analyses, thematic studies, and documentation of adaptive management, directly informing Bhutan's broader rural development knowledge base. Dissemination will occur through multiple channels, including policy briefs, a digital repository, learning events, and engagement with IFAD's global platforms and local media.

13. *Project Implementation Manual.* The Project Implementation Manual ("PIM") serves as a foundational guide for the PMU and implementing agencies, promoting standardized practices, transparency, and accountability throughout project implementation. It outlines comprehensive financial management procedures, including roles and responsibilities of project finance staff, internal control mechanisms, and reporting requirements. It details disbursement processes in line with the IFAD Loan Disbursement Handbook, requiring quarterly submission of Withdrawal Applications supported by Interim Financial Reports. The PIM also incorporates internal control systems, covering accounting procedures, segregation of duties, budgeting, procurement, payment protocols, account reconciliation, and financial reporting. User access and authorization protocols for accounting software are defined to ensure secure operations.

Schedule 2*Allocation Table*

1. *Allocation of Loan Proceeds.* (a) The Table 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:

Category No	Category Description	Loan A: Amount Allocated 80% eligible for SHC (USD)	Loan B: Amount Allocated 20% eligible for HC (USD)	Percentage eligible for IFAD financing
I	Works	4 140 600	1 035 100	100%
II	Goods, Services and Inputs	3 015 500	753 900	100%
III	Training	685 500	171 400	100%
IV	Consultancies	54 700	13 700	100%
V	Operating Costs	67 700	16 900	100%
TOTAL		7 964 000	1 991 000	

The cost categories used in the Table above are explained as follows:

- I. Category I: "Works" shall mean eligible expenditures incurred for works and infrastructure-related expenditures.
- II. Category II: "Goods, Services and Inputs" shall mean eligible expenditures incurred for goods, equipment and materials and non-consultancy services only.
- III. Category III: "Training" shall mean eligible expenses incurred for all training and workshop-related expenditures under program activities.
- IV. Category IV: "Consultancies" shall mean eligible expenses incurred for international and national technical assistance; advisory services; consultancy services for impact studies, baseline, mid-line and end-line surveys; annual outcome surveys; capacity development; monitoring and evaluation; and other services.
- V. Category V: "Operating Costs" shall mean eligible expenses incurred for remuneration of Rural and Finance Expert, and Monitoring & Evaluation, Knowledge Management, Gender and Youth Engagement Manager.
- VI. The percentage shall be applied to project expenditures, excluding indirect taxes and the financial contributions of other financiers.
- VII. Government co-financing funds shall be allocated to support expenditures related to Works, Goods, Services and Inputs, Trainings, Consultancies and Operating Costs, with an estimated allocation of approximately USD 1.617 million equivalent.

- VIII. The estimated contribution from the Bank and Financial Institution is approximately USD 3.5 million.

2. *Disbursement arrangements*

- a) *Start-up Costs.*** Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of five hundred thousand United State Dollar (USD 500,000) from IFAD loan. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible. The activities relating to the Project's start-up and preparatory activities are as follows: (i) recruitment of key PMU staff; (ii) Finalisation of the Project Implementation Manual (iii) Preparation of the first Annual Work Plan and Budget; (iii) Procurement planning and initial procurement actions (iv) Establishment of the financial management system (v) Implementation of baseline studies (vi) Organization of inception workshops at national and district levels.
- b)** The Royal Audit Authority (RAA) of Bhutan (Supreme Audit Institution-SAI) will audit project financial statements each year, in accordance with audit standards acceptable to IFAD. It will send audit reports to IFAD within six months of the end of the financial year.

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 to request withdrawals from the Loan Account if the Borrower 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 will procure and install a customized accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understandings (MoU) with implementing partners that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.
3. *Planning, Monitoring and Evaluation.* The Borrower shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
4. *Anticorruption Measures.* The Borrower shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.
5. *Sexual Harassment, Sexual Exploitation and Abuse.* The Borrower 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 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 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 shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.]
7. *The Key Project Personnel will be staffed within the PMU:* a Project Director (PD) (a senior officer from the MoAL selected through a competitive process), (i) Livestock Development Manager; (ii) Agriculture Manager; (iii) Marketing and Value Chain Manager; (iv) Monitoring & Evaluation, Knowledge Management, Gender and Youth Engagement Manager; (v) Rural Finance Specialist/Enterprise Development Manager; (vi) Procurement Expert; (vii) Accountant; and (viii) PPD Coordination Officer (located in Thimphu). In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, 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 shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the 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 and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower 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 other relevant management plan (Management Plan), if any.

2. The Borrower 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 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 has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Borrower 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 shall disclose 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 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 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 shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project -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 the context of the loan or within the Borrower'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 (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 allegations 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 shall ensure or cause the Lead Project Agency, any Project Party, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the Management Plan(s) (if any) are respected.

9. Without limitation on its other reporting obligations under this Agreement, the Borrower 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 (if any) 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 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 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 services promoted or supported by the project				Progress Report / Project MIS	Rolling	PMU	
	Total number of persons receiving services - Number of people	0	7,750	15,500				
	Males - Males	0	3,875	7,750				
	Females - Females	0	3,875	7,750				
	Young - Young people	0	1,240	2,480				
	Male - Percentage (per cent)	0	50	50				
	Female - Percentage (per cent)	0	50	50				
	Young - Percentage (per cent)	0	16	16				
	1.a Corresponding number of households reached				Progress Report / Project MIS	Rolling	PMU	
	Women-headed households - Households	0	2,325	4,650				
	Households - Households	0	7,750	15,500				
	1.b Estimated corresponding total number of households members				Progress Report / Project MIS	Rolling	PMU	
	Household members - Number of people	0	34,100	68,200				
Project Goal Reduce poverty and improve resilience of smallholder households.	Number of households reporting at least 30 per cent increase in household income				Survey / Farm Business Diary	Baseline, mid-term and completion / Annual	PMU	(A) Continued social, political and economic stability in the country. (B) No major fluctuations in demand/prices for agricultural products. (C) No major environmental or climate hazard events.
	Percentage - Percentage (per cent)		40	70				
	Households (number) - Households		3,100	10,850				

Development Objective Transition smallholder farming towards climate-resilient food systems that are inclusive and profitable.	2.2.2 Supported rural enterprises reporting an increase in profit				Survey / Farm Business Diary	Baseline, mid-term and completion / Annual	PMU	(A) Producer organizations are provided sufficient support for the development of economically viable business plans. (B) Producer organizations receive sufficient and timely inputs and services to meet market demands and standards. (C) CARLEP lessons are effectively applied to improve implementation and performance.
	Number of enterprises - Enterprises		94	687				
	Percentage of enterprises - Percentage (per cent)		40	80				
	2.2.1 Persons with new jobs/employment opportunities				Survey	Baseline, mid-term and completion	PMU	
	New jobs - Number		325	650				
	Job owner - Men		195	390				
	Job owner - Women		130	260				
	Job owner - Young		260	520				
	IE.2.1 Individuals demonstrating an improvement in empowerment				Survey	Baseline, mid-term and completion	PMU	
	Total persons - Number of people		3,100	9,300				
	Total persons - Percentage (per cent)		40	60				
	Females - Females		1,550	4,650				
	Females - Percentage (per cent)		40	60				
	Males - Males		1,550	4,650				
	Males - Percentage (per cent)		40	60				
	SF.2.1 Households satisfied with project-supported services				Survey	Baseline, mid-term and completion	PMU	
	Households (number) - Households		6,200	12,400				
	Households (per cent) -		80	80				
	Household members - Number of people		24,800	49,600				

	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers Households (number) - Households 5,425 10,850 Households (per cent) - 70 70 Household members - Number of people 23,870 47,740	Survey	Baseline, mid-term and completion	PMU	
Outcome: 1. Inclusive agri-livestock value chain development	2.2.5 Rural producers' organizations reporting an increase in sales Number of Rural POs - Organizations 120 640 Percentage of rural POs - 60 80 Total number of POs members 1,800 9,600 Women PO members 900 4,800 Men PO members 900 4,800 Young PO members 288 1,536	Survey / Farm Business Diary	Baseline, mid-term and completion / Annual	PMU	(A) Producer organizations adopt economically viable and bankable business plans. (B) Producer organizations are able to consistently meet the market volume and standards. (C) Producer organizations are effectively linked to markets.
	Total private investment in value chains by smallholder producers, enterprises and other actors. Private investment (US\$ thousand) - Money (US\$' 000) 500 1,000	Progress Report / Project MIS	Rolling	PMU	
	Rural producers' organizations engaged in formal and informal partnerships/agreements or contracts with buyers and traders. Number of POs - Formal 50 186 Number of POs - Informal 250 465	Survey / Farm Business Diary	Baseline, mid-term and completion	PMU	
	1.2.5 Households reporting using rural financial services Households - Households 1,750 5,600	Progress Report	Baseline, mid-term	PMU	

	Households - Percentage (per cent)		25	40		and completion	
	Total number of household members - Number of people		7,700	24,640			
	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				Progress Report / Policy Papers	Rolling	PMU
	Number - Number		0	2			
Output	2.1.3 Rural producers' organizations supported				Progress Report / Project MIS	Rolling	PMU
	Rural POs supported - Number	0	500	930			
	Total size of POs - Number of people	0	7,500	14,000			
	Males - Number of people	0	3,750	7,000			
	Females - Number of people	0	3,750	7,000			
	Young - Number of people	0	1,200	2,240			
	Rural POs supported that are headed by women - Number	0	250	465			
		1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services				Progress Report / Project MIS / Credit Reports	Rolling
Persons in rural areas trained in FL and/or use of Financial Products and Services (total)	0	7,000	14,000				
Males - Number of people	0	3,500	7,000				
Females - Number of people	0	3,500	7,000				

	Young - Number of people	0	1,120	2,240				
	1.1.5 Persons in rural areas accessing financial services				Progress Report / Project MIS / Credit Reports	Rolling	PMU / Partner Financial Institution	
	Total persons accessing financial services - credit - Number of people	0	1,200	2,400				
	Men in rural areas accessing financial services - credit - Males	0	600	1,200				
	Women in rural areas accessing financial services - credit - Females	0	600	1,200				
	Young people in rural areas accessing financial services - credit - Young people	0	600	1,200				
	2.1.1 Rural enterprises accessing business development services				Progress Report / Project MIS	Rolling	PMU	
	Number - Rural enterprises (number)	0	200	800				
	Number of business-to-business linkage events conducted				Progress Report / Project MIS	Rolling	PMU	
	Products - Number	0	200	300				
	Number of products receiving international certifications for accessing global markets				Progress Report / Project MIS	Rolling	PMU	
	Products - Number	0	0	2				
Outcome 2. Market oriented climate-resilient food systems	1.2.4 Households reporting an increase in production				Survey / Farm Business Diary	Baseline, mid-term and completion / Annual	PMU	(A) Participating smallholder producer organizations receive sufficient and timely inputs and services to adopt climate resilient practices and expand production. (B)
	Households - Households		4,500	11,200				
	Households - Percentage (per cent)		60	80				

	Women-headed households - Households		1,350	3,360				Market, processing and storage infrastructure is strategically located.
	Total number of household members - Number of people		18,000	49,280				
	Reduction in the average post-harvest loss in supported value chains				Survey / Farm Business Diary	Baseline, mid-term and completion	PMU	
	Loss - Percentage (per cent)		20	15				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				Survey	Baseline, mid-term and completion	PMU	
	Households - Households		2,480	8,680				
	Households - Percentage (per cent)		80	80				
	Women-headed households - Households		744	2,604				
	Total number of household members - Number of people		10,912	38,192				
Output	Rural producers' organizations engaged in project supported value chains				Progress Report / Project MIS	Rolling	PMU	
	Rural POs - Number	0	500	800				
	Total size of POs - Number of people	0	7,500	12,000				
	Males - Number of people	0	3,750	6,000				
	Females - Number of people	0	3,750	6,000				
	Young - Number of people	0	1,200	1,920				
	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated					Rolling	PMU	

Hectares of land - Area (ha)	0	175	350	Progress Report / Project MIS		
Number of input production enterprises supported				Progress Report / Project MIS	Rolling	PMU
Number - Total	0	5	9			
Number - Bio-inputs	0	3	5			
Number - Feed	0	2	4			
2.1.6 Market, processing or storage facilities constructed or rehabilitated				Progress Report / Project MIS	Rolling	PMU
Total number of facilities - Facilities	0	30	50			
Market facilities constructed/rehabilitated - Facilities	0	2	5			
Processing facilities constructed/rehabilitated - Facilities	0	3	10			
Storage facilities constructed/rehabilitated - Facilities	0	25	35			

Integrated project risk matrix

Risk Categories and Subcategories	Inherent	Residual
Country Context		
Political Commitment	Low	Low
Risk(s): Minor shifts in priorities that could affect resource allocation		
Mitigations: Strong alignment with Bhutan's 13th Five Year Plan. Broad consensus on agricultural development priorities. Regular engagement with relevant ministries and agencies.		
Governance	Moderate	Moderate
Risk(s): Coordination challenges between multiple partner agencies. Potential delays in decision-making due to bureaucratic processes. Limited capacity at local government levels for project implementation and oversight.		
Mitigations: Establishment of Project Steering Committee with clear mandates. Capacity building for local government officials. Streamlined decision-making protocols and regular coordination meetings. Leveraging Bhutan's strong governance frameworks and transparency mechanisms.		
Macroeconomic	Substantial	Substantial
Risk(s): Economic fluctuations affecting import costs for agricultural inputs and equipment. Global commodity price volatility impacting commercialisation and market viability. Economic slowdown affecting government budget allocations and private sector investment.		
Mitigations: Focus on local value addition to reduce import dependency. Strategic Investment Plans to guide commercialisation value. Diversified market channels, leveraging comparative advantage of prime Bhutan products and value-added processing to buffer against price volatility. Strategic partnerships to leverage investment.		
Fragility and security	Low	Low
Risk(s): Minimal risk in Bhutan's stable political environment. Natural disasters affecting infrastructure and implementation.		
Mitigations: Disaster assessment prior to investments.		
Sector Strategies and Policies		
Policy alignment	Moderate	Moderate
Risk(s): Potential misalignment between project objectives and evolving national agricultural policies.		

Competing priorities between different sector strategies. Inconsistent implementation of policies at different administrative levels.		
Mitigations: Strong alignment with National Agriculture Policy and 13th Five Year Plan. Active participation in policy dialogue through PPD. Regular review and adaptation of project approaches based on policy developments. Close coordination with Ministry of Agriculture and Livestock.		
Policy development & implementation	Moderate	Moderate
Risk(s): Non-conducive policies to support commercialization of the agri-food sector. Delays in policy formulation and implementation affecting project. Regulatory frameworks may not keep pace with market development needs.		
Mitigations: Active engagement in policy development through evidence-based advocacy. Documentation of project experiences to inform policy discussions. Technical assistance to government for policy development. Flexibility in project design to adapt to changing policy environment while maintaining alignment with national priorities.		
Environment and Climate Context		
Project vulnerability to environmental conditions	Moderate	Moderate
Risk(s): Agriculture in Bhutan remains the backbone of rural livelihoods, but environmental challenges such as human-wildlife conflict (HWC), resource degradation, and unsustainable farming practices threaten productivity. With over 70 per cent of the country under forest cover, limited arable land results in high competition for agricultural expansion, often leading to soil erosion and resource depletion. Smallholder farmers also face risks from water scarcity.		
Mitigations: The project will promote sustainable land management through sustainable land management and reclamation of fallow agricultural land, enhancing soil cover, reducing degradation, and contributing to local food security. The project will ensure responsible bio-fertilizer and bio-pesticide use to prevent pollution and integrate human-wildlife conflict (HWC) mitigation measures such as chain link fencing. In response to increasing water stress, the project will support dryland irrigation		

infrastructure to transform rainfed farming systems into more productive and climate-resilient agricultural landscapes.		
Project vulnerability to climate change impacts	Moderate	Moderate
Risk(s): Bhutan faces severe climate risks, including rising temperatures, erratic rainfall, and extreme weather events that threaten rural livelihoods. The project target areas are vulnerable to flash floods, landslides, droughts, and shifting agro-ecological zones.		
Mitigations: IMPACT integrates a range of climate-resilient strategies across its components. The project will invest in water-efficient dryland irrigation systems and strengthen value chain of climate resilient crops like buckwheat, mushrooms and honey which are better suited to shifting agro-ecological conditions. Re-seeding and restoration of bee pastures in degraded and underutilized areas will enhance pollination services and ecosystem health. Climate-sensitive design will be integrated into infrastructure such as post-harvest facilities, milk chilling centres, and cold storage units.		
Project Scope		
Project relevance	Low	Low
Risk(s): Minor misalignment between project interventions and evolving target groups/member's needs. Slight changes in market conditions affecting value chain priorities.		
Mitigations: Strong consultation during implementation phase with extensive stakeholder engagement. Project builds on proven CARLEP approaches. Regular feedback mechanisms and adaptive management protocols. Clear alignment with national agricultural priorities and strategies.		
Technical soundness	Moderate	Moderate
Risk(s): Complex value chain interventions requiring coordination across multiple technical areas. Climate-smart agriculture approaches may need adaptation to local conditions. Integration of digital technologies with farming systems.		
Mitigations: Building on successful CARLEP technical approaches and lessons learned. Strong technical support from ARDC, RLDC, and specialized agencies. Phased implementation allowing for learning and adaptation. Technical assistance from international experts where		

needed. Pilot testing of new technologies before scaling.		
Institutional Capacity for Implementation & Sustainability		
Implementation arrangements	Substantial	Substantial
Risk(s): Coordination challenges between multiple implementing agencies (ARDC, RLDC, NLRDC...). Capacity constraints at district level for project implementation. Recruitment and retention of qualified staff in remote areas. Challenges and low capacity relevant to financial and procurement management.		
Mitigations: Clear implementation protocols and coordination mechanisms through the PIM and Project Steering Committee. Leveraging existing institutional structures and relationships. Enhanced staff incentives and benefits. Delegation of implementation to service providers where appropriate. Regular coordination meetings and capacity building support. Dedicated Finance and Procurement Officers with specialized training and ongoing technical support from IFAD. Advanced financing to ensure rapid start-up.		
M&E arrangements	Low	Low
Risk(s): Minor capacity gaps in M&E techniques. Potential delays in data collection from remote areas. Integration challenges between project MIS and government system.		
Mitigations: Building on CARLEP and BRECSA M&E systems. Dedicated M&E unit with trained staff. Regular capacity building and technical support from IFAD. Adaptation of existing MIS systems.		
Procurement		
Legal and regulatory framework	Low	Low
Risk(s): The Public Finance Act, 2007 Chapter VI, under Financial Management Requirements, Issuance of Instructions clause No. 104(i) empowers Ministry of Finance to issue Procurement rules which is equitable, transparent, competitive and cost effective. Based on this provision, the Bhutan 2023 Procurement Rules and Regulations 2023 supersede the Procurement Rules and Regulations 2019, Simplified Procurement Rules and Regulation 2020 & Simplified Procurement Rules and Regulation 2021 and various notifications and fiscal measures issued thus far as amendment to Procurement Rules and Regulations. Overall, Bhutan has		

comprehensive procurement rules and regulations, but the assessment identified some issues in terms of participation by the international bidders.		
Mitigations: Although there is new regulation in procurement, this still needs to be absorbed and improved. In the event of a shortfall, IFAD procurement regulations needs to be followed.		
Accountability and transparency	Low	Low
Risk(s): Overall, the public procurement system operates with integrity, has appropriate controls and appropriate anti-corruption measures. All the procurement decisions are taken by committee and all the committees required to sign the statement of conflict of interest. Further, both the bidders and procuring agencies are mandated to sign the integrity pact. Some constraints have been observed related to the civil society engagement and stakeholder participation which might bring additional risks to the procurement process.		
Mitigations: NA		
Capability in public procurement	Substantial	Substantial
Risk(s): Public procurement operations and market practices exhibit some gaps and weaknesses. In particular, the capacity of the government agencies is quite weak due to lack of experienced procurement personnel and other technical officials. On the other hand, the market is not vibrant and lacks required capacity. Most of the contractors and suppliers are small and have limited capacity for large projects. The large contracts segment is dominated by foreign players.		
Mitigations: The Government and IFAD need to partner and engage more with the private sector to ensure value for money.		
Public procurement processes	High	High
Risk(s): Public procurement process exhibit some gaps and weaknesses. The provisions in the procurement regulations are very clear which can be compared to any international procurement process. However, due to lack of capacity to follow the procurement process with appropriate documentation, the efficiency and effectiveness is being compromised due to lack of skilled and experience procurement officials. Likewise, the bidders also lack the procurement		

experience of IFAD and other donor agencies.		
Mitigations: IFAD will depute experienced procurement officer or provide training to those officials involved in project procurement.		
Financial Management	Substantial	Substantial
Organisation and staffing	High	High
Risk(s): During periods of high staff mobility within the RGoB, the project's financial management unit/department may engage personnel unfamiliar with IFAD accounting and reporting requirements, potentially affecting project implementation. The lack of qualified and experienced financial management (FM) staff is a significant issue in the country, potentially impacting financial management and compliance with IFAD reporting requirements		
Mitigations: The project will identify and hire dedicated financial management (FM) personnel and skilled professionals. Additionally, the recruitment process for FM staff should be open to all qualified candidates and conducted with transparency. A Project Implementation Manual (PIM) will be developed to ensure effective financial management, outlining clear procedures, controls, financial reporting and the responsibilities of project finance staff. Engage a Financial Management consultant to enhance the capacity of PMU finance staff, the Ministry of Agriculture and Livestock (MoAL) (Implementing Agency), and its personnel in financial management and compliance with IFAD accounting and reporting requirements, including the preparation of AWPBs, IFRs, WAs, and Unaudited Financial Statements		
Budgeting	Substantial	Substantial
Risk(s): There is a risk that the annual work plan and budget (AWPB) may not be prepared or revised in a timely manner, leading to fund unavailability when needed and poor budget execution. Additionally, expenditures may not align with the AWPB or may exceed budget ceilings and incur expenditure for the activities not included in AWPB. There is a lack of alignment between the medium-term expenditure budgeting perspective and costed strategic plans, as well as an absence of focus on achieving results consistent		

with the strategic allocation of resources.		
Mitigations: The annual work plan and budget must be prepared in alignment with the project design and COSTAB, following government budgeting procedures in the IFAD-prescribed format 60 days before the start of the fiscal year, ensuring all required information is included. Budget execution should be monitored periodically by comparing actual expenditures against the approved budget in terms of both quantity and amount. Capacity building on budgeting procedures for PMU-MoAL (Implementing Agency) and its staff.		
Funds flow/disbursement arrangements	Substantial	Substantial
Risk(s): There is a risk of fund commingling at the entity receiving advances for project implementation if the project funds are not kept in the separate bank accounts. In addition to financing from external development partners, counterpart funding is expected from the RGoB, target groups/members, and financial institutions. This risk stems from the absence of streamlined and robust mechanisms for funds flow and reporting. Delays in the submission and approval of withdrawal applications may cause cash flow challenges for the PMU, disrupting project implementation and hindering the achievement of project objectives within the designated timeframe.		
Mitigations: Ensure that the Project Designated Account (DA) and Operational Accounts are maintained separately in compliance with the provisions of the IFAD Financing Agreement. DAs shall be opened for the IFAD SHC and HC Loans respectively. The IFAD Loan Disbursement Handbook and the Project Implementation Manual (PIM) outline the disbursement procedures and require the quarterly submission of Withdrawal Applications (WAs) in alignment with Interim Financial Reports (IFRs). The timely preparation and approval of withdrawal applications will be facilitated through the use of appropriate accounting software in the PMU and the training of project		

financial management (FM) staff in its application. Supervision and implementation support missions will provide backstopping and assistance to FM staff to accelerate the preparation of withdrawal applications. The project must maintain a satisfactory disbursement rate by implementing planned activities and closely monitor disbursements to prevent implementation delays. Furthermore, an action plan for project co-financing from RGoB and other counterpart contributions should be developed, and actual disbursements should be monitored against the targets set in the Financing Agreement (FA) and Project Design Report (PDR).		
Internal controls	Substantial	Substantial
Risk(s): Inadequate internal controls within the PMU and MoAL (Implementing Agency) may lead to ineligible expenditures or non-compliance with the Financing Agreement terms, potentially disrupting project implementation. Lack of monitoring expenditures with the performance targets and defined outcomes hinders the efficient utilization of resources in service delivery units. The internal audit function is crucial for maintaining internal control by enabling the timely identification of ineligible expenditures, preparing bank reconciliations, monitoring, and assessing effectiveness of internal control system, and recommending mitigation measures for strengthening the overall internal control system. However, no internal audit function is currently in place for the existing projects		
Mitigations: The project implementing agency must establish robust internal control systems aligned with the Committee of Sponsoring Organizations (COSO) framework and the guidelines outlined in the Project Implementation Manual (PIM). Additionally, comprehensive training should be provided to project finance staff on IFAD's accounting and reporting requirements. Furthermore, the project must establish an internal audit function, with independent internal auditors conducting audit periodically or semi-		

annually, evaluating the project management unit's internal controls and providing internal audit reports to IFAD upon request. Regular internal audits are essential to ensure the effectiveness of the project's financial management system.		
Accounting and financial reporting	Substantial	Substantial
Risk(s): Significant weaknesses in the timely preparation of unaudited annual financial statements undermine the benefits of effective external scrutiny. There is a risk of not maintaining a well-structured framework for tracking counterpart contributions, including RGoB co-financing, which may lead to challenges in generating counterpart financing reports or providing detailed data breakdowns. Weaknesses and delays in the preparation of consolidated annual financial statements impinge on their effective use of financial information. The project finance department's failure to prepare and submit quarterly interim financial reports and annual financial reports in accordance with the standards outlined in the IFAD Financial Management and Financial Control Handbook in a timely manner.		
Mitigations: Develop detailed financial management and reporting procedures as part of the PIM and provide intensive training to PMU and project finance personnel on their implementation. A fully customized and well-maintained accounting software or financial management information system (FMIS) with accounting and reporting features should be utilized to ensure effective financial operations and the generation of required financial reports. Additionally, training should be provided to project finance personnel on the use of the accounting software and report generation. Ensure the timely submission of interim financial reports (IFRs) and annual unaudited financial statements for the project.		
External audit	Substantial	Substantial
Risk(s): Delays in preparing consolidated annual financial statements result in delayed audits, thereby reducing the effectiveness of oversight.		

Delay in timely submission of audited financial statements weakens accountability.		
Mitigations: The PMU will coordinate with the Royal Audit Authority (Supreme Audit Institution-SAI) to ensure submission of the audit report and management letter in accordance with the IFAD Handbook (May 2023), within the period specified by IFAD. Conduct the project audit in accordance with the relevant auditing standards, specifically adhering to the International Standards of Supreme Audit Institutions (ISSAIs) for the timely submission of the audit report and management letter. Royal Audit Authority (Supreme Audit Institution-SAI) should develop an awareness and capacity development program for their staff so that they are well prepared for the auditing requirements when the change happens		
Environment, Social and Climate Impact	Moderate	Moderate
Biodiversity conservation	Low	Low
Risk(s): The risks related to biodiversity conservation are low. Bhutan maintains over 70 per cent forest cover, with more than 50 per cent designated as protected areas and biological corridors. Committed to carbon neutrality, the country mandates at least 60 per cent forest cover in perpetuity. The project activities will have minimal impact on biodiversity and critical habitats. Bhutan's strong environmental and conservation policies effectively regulate land conversion and infrastructure development.		
Mitigations: While promoting climate-smart agriculture (CSA), the project will adhere to national regulations by avoiding activities in protected areas and buffer zones. Resource procurement, including wood, gravel, and sand, will adhere to Bhutan's stringent environmental regulations and its 16 biodiversity-related legislative acts. All project activities will align with national laws and management plans, ensuring minimal environmental impact and compliance with conservation standards. Additionally, the project will increase bee pasture through reseedling with native flora.		

Resource efficiency and pollution prevention	Low	Low
Risk(s): The risks related to resource efficiency and pollution are low as IMPACT will adhere to Bhutan's strong environmental and pollution prevention policies.		
Mitigations: Through the promotion of best practices in bio-fertilizer and bio-pesticide application, the project ensures safe and efficient use. Integrated pest management (IPM) and organic farming approaches will be encouraged to minimize environmental impact. Additionally, capacity-building initiatives will train farmers on responsible input use, while monitoring mechanisms will track compliance with Bhutan's environmental standards. These measures align with the country's strong conservation policies, ensuring sustainable agricultural growth with minimal ecological disruption.		
Cultural heritage	Low	Low
Risk(s): Eastern Bhutan is rich in cultural heritage, with sacred sites, monasteries, and landscapes of religious significance. While project activities do not directly impact these sites, indirect effects include potential disturbances to sacred sites or intangible cultural practices.		
Mitigations: To mitigate these risks, strict land-use protocols will prevent activities near culturally significant areas.		
Indigenous Peoples	Low	Low
Risk(s): The government of Bhutan promotes a national identity based on the concept of Driglam Namzha (Bhutanese cultural code of conduct) and the philosophy of Gross National Happiness, which emphasizes cultural preservation, environmental sustainability, and socio-economic development. All Bhutanese citizens are considered part of a homogenous national identity. The country is home to various ethnic groups, including the Ngalop, Sharchop and Lhotshampa. The eastern Dzongkhags are primarily home to the Sharchop people.		
Mitigations: An Inclusive approach towards stakeholder engagement will be undertaken to ensure all relevant stakeholders are consistently included and aware of projects' benefits, implications, and risks. Relevant provisions will be considered to ensure the consultation process is robust and inclusive, with measures providing		

access to remote areas, distinct language and other barriers that may impede access to information and full participation in decision making.		
Community health and safety	Moderate	Moderate
Risk(s): The project involves multiple activities—including dairy value chain development, post-harvest infrastructure, and youth-led agribusiness operations—that may pose health and safety risks to both workers and community members. Investments in milk collection and processing units, mushroom drying facilities, and vegetable aggregation centres might introduce occupational hazards, including risks of accidents, injuries from machinery, exposure to dust, organic waste, and noise pollution during construction and operation. The IMPACT project's livestock activities may pose limited health risks, particularly for individuals in direct contact with animals. Potential zoonotic disease transmission could occur through handling livestock or animal products, especially in areas with limited veterinary services.		
Mitigations: The project's focus on improving animal health services through Community para-vets will help mitigate these risks by strengthening disease surveillance and prevention. Additionally, the project will implement safety protocols to minimize minor occupational health and safety hazards for workers and community members. The project will have a strong focus on promoting food safety and hygiene standards in supported agri-businesses.		
Labour and working conditions	Moderate	Moderate
Risk(s): The project presents minor occupational health and safety (OHS) risks, particularly in construction, rehabilitation, mechanized and manual labour, and potential exposure to hazardous substances or pathogens.		
Mitigations: Employment terms and conditions are governed by Bhutan's Labour and Employment Act of 2007, which aligns with Standard 5. The Act mandates employers to provide written employment terms, specifying job duration, tasks, termination notice, wages, working hours, probation period, and leave entitlements (Chapter V). It also outlines provisions for compensation, benefits, overtime, minimum wage, labour dispute resolution, workplace grievance mechanisms, and worker associations.		

The Department of Labour under the Ministry of Industry, Commerce and Employment (MoICE) the Act through the Regulation on Working Conditions 2012. IMPACT will enforce safety protocols, providing training on safe equipment use, and ensuring the use of personal protective equipment (PPE).		
Physical and economic resettlement	Low	Low
Risk(s): The project is not expected to result in physical or economic displacement, forced evictions, or significant changes to land tenure arrangements. However, minor risks could arise from localized land-use changes associated with agricultural infrastructure development. These changes may indirectly affect access to resources for some communities, although the impact is anticipated to be minimal.		
Mitigations: The project will adhere to the ESCMP and ensure its proper monitoring throughout the implementation phase.		
Greenhouse gas emissions	Low	Low
Risk(s): Some investments in the dairy value chain, infrastructure, irrigation activities might be sources of Greenhouse Gas (GHG) emissions.		
Mitigations: As Bhutan is a unique carbon sink with the forests absorbing large quantities of CO ₂ from the atmosphere, the GHG emissions of the project will not be significant. In addition, the project is investing in activities that sequester carbon (like reseeded, organic and climate sensitive cropping approaches and inter-cropping).		
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Moderate
Risk(s): Smallholder farmers in Bhutan, particularly in eastern regions and highland areas like Bumthang are highly vulnerable to climate variability and change. Increasing temperatures and erratic rainfall patterns are affecting crop yields and water availability. Factors contributing to this vulnerability include climate-induced hazards such as flash floods, landslides, and droughts.		
Mitigations: IMPACT Project will promote climate-smart agricultural practices, including investment climate-resilient commodities like buckwheat, maize, mushrooms, and		

honey. The project will invest in water-efficient irrigation systems to reduce dependence on erratic rainfall and support the fallow land restoration and reseedling with dual-purpose plants that serve as both bee forage and commercial crops, enhancing pollination services and ecosystem health.		
Stakeholders		
Stakeholder engagement/coordination	Moderate	Moderate
Risk(s): Potential gaps in capacities and responsibilities among implementing partners. Limited experience with multi-stakeholder platforms for value chain coordination. Insufficient engagement of private sector actors in value chain development.		
Mitigations: Regular coordination meetings at national and dzongkhag levels. Development of multi-stakeholder platforms with structured engagement mechanisms. Strategic partnerships with private sector through formal agreements. Technical assistance for capacity building in stakeholder engagement and coordination management.		
Stakeholder grievances	Moderate	Moderate
Risk(s): Minor complaints related to target groups/members selection processes. Occasional misunderstandings about project procedures or timelines. Limited awareness of grievance redress mechanisms among remote communities.		
Mitigations: Establishment of comprehensive grievance redress mechanism including project-specific procedures and integration with government's eKaaSel system. Clear communication of grievance procedures during inception workshops and community meetings. Transparent target groups/members selection criteria with community validation. Regular feedback collection and responsive action protocols.		