

## **Bhutan**

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### **Agriculture, Marketing and Enterprise Promotion Program**

### **Project Completion Report Digest**



## Bhutan - Agriculture, Marketing and Enterprise Promotion Program

| Item                              | Assessment Remarks   | Rating |
|-----------------------------------|--|--------|
| <b>Country &amp; Project Name</b> | <b>Bhutan - Agriculture, Marketing and Enterprise Promotion Program (AMEPP)</b>  |        |
| Loan No.:                         | 659-BT   |        |
| Project Id.                       | 1296   |        |
| Board Date                        | 19 April 2005  |        |
| Effectiveness Date                | 14 June 2006   |        |
| Original Closing Date             | 31 December 2012   |        |
| Final Closing Date                | 31 December 2012   |        |
| Total Project Cost USD(M)         | 19 653   |        |
| IFAD loan+ grant US\$(M)          | 14007 (Loan: 13 907) (Grant 0.1)   |        |
| Cofinanciers (if any)             | SNV: US\$1 619; Government US\$3 053; Beneficiaries US\$0.974  |        |
| Implementing Agency               | Ministry of Agriculture  |        |
| Principal Components              | The six-year programme will have five components: (i) on-farm production; (ii) marketing and enterprise promotion; (iii) rural financial services; (iv) rural infrastructure development; and (v) management.  |        |
| <b>Project Performance</b>        |  |        |
| Relevance                         | The Agriculture, Marketing and Enterprise Promotion Program (AMEPP) design was fully in line with national policies and priorities of the Ministry of Agriculture and Forests (MoAF), as well as with the economic development guided by the philosophy of Gross National Happiness. Both participating farmers and government staff felt most activities were highly relevant to the needs of farmers. Farm roads and the Micro Initiative Fund (MIF) were thought to be particularly useful. However, as stated in the PCR itself, it seems that AMEPP would have benefitted from being more narrowly focused and straightforward in terms of implementation and management, with fewer stakeholders and activities. In December 2009, the allocation of funds to various categories was amended considering the recommendations of the 2008 MTR, and the request from the Royal Government of Bhutan (RGoB) for an emergency reallocation to support disaster recovery following the Sept. 2009 earthquake that hit the Eastern Region of Bhutan. The resulting reorientation of Programme to move ahead from a fragmented delivery mode to adopt a cluster approach involving the provision of comprehensive packages of inputs and training to farmers organized in groups, rather than to individual farmers, helped improve the efficiency of service delivery and benefits accruing to the farm households. On the less positive side, the proposed approach for extension services was considered as a weakness in Programme strategy, as the AMEPP's design did not consider how the village-level volunteers, which were supposed to be in charge of strengthening the extension services for crops and livestock, would be motivated (they were not to be paid) and supported. Another point was that improving access to economic and social services was part of the stated goal of the project, but there were no direct interventions for social services. | 5      |
| Effectiveness                     | The PCR is fairly weak in analysing project's effectiveness. It mainly refers to programme's contribution on agricultural production, which on one hand was considered to be limited given the more or less static or declining farm output during the period of project implementation. On the other hand, the PCR states that there is evidence that farmers who participated in AMEPP activities did increase farm production. The 2011 and 2010 project supervision reports highlight that the AMEPP was able to successfully implement most of its planned activities, and there is evidence of positive changes in livelihoods and reduced poverty. Positive achievements were reached particularly in the livestock sector. A significant Programme contribution was in training farmers in marketing and enterprise development and in developing and supporting marketing groups, clusters and cooperatives. With most of the programme funds being used for road and irrigation development, farmers have established farm businesses for dairy production, poultry, piggery and vegetable and fruit cultivation. However, a great majority of farmers still lack business and enterprise management skills.   | 4      |
| Efficiency                        | The effectiveness lag between Programme's approval and loan effectiveness was 14 months, which was higher than the IFAD average of 12.3 months and the average for the Asia and Pacific Region (9.1 months). Due to the slow delivery of funds to the Dzongkhag implementing agencies in the first 3 years, many activities had to be squeezed into the last 3 years of the project. The PCR mission got the impression that many of these activities were hurried, and there was little or no time for any follow-up. In terms of expenditures, as at November 2012, 99.8% of IFAD loan funds and 91.6% of the IFAD grant funds had been disbursed. By loan closure at the end of 2012 it was expected that 100% of both the IFAD loan and grant would be utilised. The PCR estimates that an amount of US\$120 was spent for each of the 27 000 benefiting households. This is considered to be high given the IFAD project average of US\$33/ person, but in line with other IFAD projects in Bhutan (US\$165/person). The EIRR has been recalculated at 14%. This was based on increases in net farm income from crop and livestock production, the development of new enterprises and farm roads, the improvement of irrigation schemes. However, this EIRR could not be compared with that at appraisal, as at that time no formal economic analysis was carried out.  | 4      |

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| Project Performance                 |   | 4      |
| <b>Partner Performance</b>          |   |        |
| IFAD                                | AMEPP was supported by three different CPMs, and two leaders for the IFAD supervision missions, and hence continuity was sometimes affected. The duration of supervision missions was seen as too short, given the extensive and inaccessible project area. The PCR states that despite guidance from IFAD, procurement procedures were not initially clear and processing of withdrawal applications took too long.  | 4      |
| Cooperating Institution             | UNOPS supported and supervised the project for the first 2 years, facilitating project implementation by assisting the relevant stakeholders to properly interpret and comply with the loan documents. Reviews of the withdrawal application documents, and approval of procurement of goods, civil works and services was undertaken in a satisfactory and timely manner. UNOPS also carried out monitoring and provided advice and guidance to the PFO which was helpful and appreciated.   | 5      |
| Government                          | The MoAF provided policy and programme directives and were very supportive both at headquarters and in the Dzongkhag and Geog districts. The MoAF was helpful in providing pre-finance for road construction, but also took time to process and forward WAs to IFAD, which contributed to delays in reimbursement. The releases of RGoB's share were timely and in accordance with the programme financing agreement. With regard to the performance of the Project Management Unit, the Project Facilitation Office (PFO) delivered its responsibilities effectively, despite some serious difficulties being experienced at the beginning of the project. Frequent transfers of personnel from the PFO, especially senior finance and M&E staff, were another critical factor in limiting PFO effectiveness and coordination with the Dzongkhags, Geogs and other partners. The major weaknesses were found in the fiduciary aspects. The inability of the financial management staff to compile the expenditure related to the programme and preparation of WAs on time with required documentation remained one of the impediments for smooth flow of funds. Consolidation and categorization of expenditure incurred by the districts and preparation of the Withdrawal Applications and financial statements was one of the weakest links in the financial management system. Some difficulties were also experienced in following IFAD's procurement procedures, as these were deemed to be difficult to understand for staff new to IFAD programmes.  | 4      |
| NGO/Other                           | The TA support provided by SNV was satisfactory, much appreciated and provided significant assistance and learning. SNV also provided TA support for training, Extension Agent assessment, planning, and special studies.   | 5      |
| Cofinancier(s)                      | SNV provided a grant of US\$1.6 million. However, the project has not been able to obtain any financial report concerning SNV's contribution.   | n.a.   |
| <b>Combined Partner Performance</b> | <i>No specific information was available.</i>   | 4.5    |
| <b>Rural Poverty Impact</b>         |   |        |
| Household Income and Net Assets     | The 2012 PCR survey, as well as the 2012 RIMS survey mentioned an increase in household assets. Increases in farm and household assets were also recorded in the impact survey for rural finance. This is supported by a shift upwards, with the proportion of households in the poorest category C being reduced from 26% in 2006 to 11% in 2012. The Nov. 2011 supervision mission also stated that while many of the MIF beneficiaries from category B reported significant increase in income, particularly those with dairy, poultry and fishery, category C farmers also reported improvement in income from cultivation of vegetables, potato and poultry. However, the PCR also states that the impressive reduction in poverty recorded in the PCR and RIMS wealth rankings, and reported increases in income from agriculture, is at variance with the statistics that show a general decline in overall agricultural production in the region. The 2010 Supervision Mission report mentions that the farm roads have considerably improved accessibility and reduced the transportation costs. This has resulted in increased sale of major agriculture produce and resultant higher level of cash income in the hands of farmers. Finally, AMEPP's contribution to provide access to a range of financial assets was also remarkable. Bhutan Development Bank Limited (BDBL) disbursed 3448 loans worthing BTN 130 million, showing that the credit fund of BTN 44 million was revolved three times. Over 2000 people were provided with loans from BDBL. It has been estimated that almost 70% of these households had not taken a loan before. Over one third of loans went to women. Nevertheless, the ceiling of BTN 30,000 was too small to be attractive to most farmers, and many loans were not used for productive purposes. | 5      |
| Food Security                       | Combined interventions of farm road construction and on-farm production resulting in increased production of potato, fruits, vegetables, milk and eggs have contributed to changing the food-insecure scenario of the programme areas. The 2012 PCR survey records notable results in terms of higher percentage of food secure households (69% in 2012 compared to 22.5% in 2006), as well as number of households reporting an improved nutritional status. The 2006 and 2012 RIMS surveys indicate similar improvements: a lower number of households reporting a hungry season (from 6.7% in 2006 to 2.6% in 2012); a shorter duration of the hungry season; an overall reduction in the malnutrition of children under   | 5      |

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|  | the age of 5 years. However, it needs to be noted that the PCR points out that the weaknesses of the M&E system prevent from generating a convincing evidence to link project's activities to the observed impacts via a result chain. Moreover, post-harvest losses are still significant, especially in maize.  |        |
| Ag. Productivity                                   | The evidence regarding increased productivity is mixed. On one hand, the 2010 and 2011 supervision mission reports mentioned that the potato/vegetable/citrus cultivation, dairy, poultry and piggery are the major activities that show promise. Moreover, improved connectivity through a network of farm roads ensuring a better market and credit access has further impacted the growth of on-farm production in the programme areas. Overall, area under on-farm production during 2010-11 increase by 1848 acres as reported by the Programme annual report. On the other hand, the PCR highlights that the available data on total farm production, apart from mandarin oranges, suggest that AMEPP had little impact on agricultural production. The RNR (Renewable Natural Resources Research and Development Centre) statistics show more or less static or declining farm output during the period of programme implementation. The main reasons for this seems to be damage from wild animals and lack of farm labour (the two are linked - people are not available to spend nights in the fields to scare off animals). The design and activities of AMEPP did not specifically address these two constraints.   | 4      |
| <b>Agricultural Productivity and Food Security</b> |   | 5      |
| Natural Resources and Environment                  | AMEPP contributed to soil and water conservation through land improvement and water source protection activities. For example, 445 acres of plantation were established in two degraded areas vulnerable to landslips due to geology and land use. In collaboration with SNV, several watershed management plans were also completed. A few community forestry groups were also supported. Some of the pastures established by livestock farmers were also planted on degraded areas. On the other hand, it seems that the financial provision for the forestry sector, to cover watershed protection pilots, barren land conservation, Non-Wood Forest Products (NWFP) and agro-forestry training, and nursery support, was too small to make a significant impact. The 2011 Supervision Mission report mentions that unintentional impacts noticed during the field visits included drying up and diversion of natural water sources and springs. This was partly attributed to farm road construction and possible increased siltation in downstream rivers following fresh earth cutting from farm roads.   | 4      |
| Human, Social Capital and Empowerment              | The programme provided a large amount of capacity building, providing training and local exposure visits for farmers, with over 45,000 persons trained. Planning of programme and training activities was, to a large extent, demand driven. In addition, capacity building for Government officers at both Dzongkhag and Geog levels has provided them with enhanced knowledge of RNR technologies, infrastructure development methods, value chain analysis and marketing skills. In terms of social development, AMEPP formed 533 producer groups for various commodities, out of which 51 are registered with the Department of Agricultural Marketing and Cooperatives (5 as Primary Cooperatives, the remainder as farmers groups). These groups included 168 MIF groups and 12 BOF enterprises. In addition, some NWFP groups were also formed and linked to traders. Members of all groups were trained on book keeping and accounting. In terms of empowerment, road connectivity has improved the mobility of the people within and outside the villages. This improved access to the outside world has empowered rural people who have improved capability in terms of identifying their needs and demanding services.   | 5      |
| Inst. & Policies                                   | The PCR states that AMEPP supported the line agencies for crops, livestock and forestry by providing training for staff and supporting their field activities. However it did not aim to fundamentally build the underlying capacity of these agencies. It did more to build the District Agriculture Marketing Service (DAMC) and later the Regional Agricultural Marketing and Cooperative Office (RAMCO) as an agency to support marketing services, and the follow-up project, the Market Access and Growth Intensification Project (MAGIP), has benefitted from RAMCO's capabilities for value chain development. The ambition in the programme design to develop village-level extension services for crops and livestock did not materialise. The 2011 supervision report mentions that some of the key policy impacts of AMEPP's interventions have been in the areas of increasing government support for market-led agricultural production intensification, farmers' groups, farm road maintenance, and increasing support for rural micro-enterprise development based on fishery, dairy, poultry and off-season vegetable cultivation. The 2010 Supervision mission report highlights that as a programme result, the MoAF switched to a strategy of up-scaling production of crops that have market potential and comparative advantage in Bhutanese context. Moreover, the Farmer Groups mobilized in the East have become a reference point for development of act, rules and registration of farmer groups and cooperatives. | 4      |
| Markets  | On this domain, the programme's main impact has been through the construction of roads and marketing infrastructure. Previously isolated rural communities were connected to the main road network and have benefitted from improved physical access to market, reducing transportation costs, reducing human drudgery for transportation, and at the same time allowing farmers for expansion of on-farm production of potato, vegetables, orange, dairy and poultry products. The collection centers and sales point have   | 4      |

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|   | generally had a good impact. However, a limited number have not been sited in the correct place and have remained unused.   |          |
| <b>Project Impact</b>                           | The M&E system was designed by SNV in line with IFAD requirements, but it was inadequate and failed to generate clear evidence to link programme activities to results.   | <b>4</b> |
| <b>Overarching Factors</b>                      |   |          |
| Innovation                                      | The programme was not innovative, with the only considerable innovation being the establishment of the Regional Agricultural Marketing and Cooperative Office (RAMCO) in Mongar.  | 3        |
| Replicability and Scaling-up                    | The 2010 Supervision Mission reports that Programme's impact has spread beyond AMEPP target group, as neighbouring households have started emulating the practices promoted under the Programme. However, the general assessment is that few approaches and technologies promoted by AMEPP were considered worthy of replication and upscaling. The Micro-Initiative Fund (MIF), whereby grants were provided to the poor for small farming and backyard processing enterprises, is considered a good approach and is deemed worthy of upscaling. The introduction and intensification of upland rice cultivation has potential for replication, with proper support, training and seed provided by the Dzongkhag agriculture staff. The construction of marketing sheds is also worthy of consideration for up-scaling; however, some of these have failed as they were not constructed in the correct location.   | 4        |
| <b>Innovation, Replicability and Scaling-up</b> |   | <b>4</b> |
| Sustainability and Ownership                    | The PCR mentions that there are good prospects in terms of political, institutional and social sustainability. The MoAF is committed to all programmes undertaken by AMEPP, and it seems that financial resources would be available from MAGIP and from the 11th 5-year plan. Within a broader picture, AMEPP's sustainability benefits from MAGIP's establishment, which being planned as a follow-up project to AMEPP, has already taken on a number of AMEPP initiatives. With regard to the social sustainability, community groups established by the programme are expected to continue to function, although they need to improve their management and accounting practices. Conversely, much more attention needs to be paid on the economic, financial and technical sustainability of farmers' enterprises. The environmental sustainability is also a cause of concern. Sustainability of roads and irrigation channels require user groups to undertake routine maintenance (e.g. cleaning drains). Although AMEPP did establish some Road User Groups, these do not cover all AMEPP roads, and need more support if they are to take on this job. Finally, farmers are still heavily reliant on public agencies to provide inputs and there is a need to develop commercial and sustainable providers of inputs and services.   | <b>4</b> |
| Targeting                                       | At design level, the Programme adopted a targeting approach by dividing the population into three wealth categories (A, B, C). Category C (disadvantaged) households constituted 25% of the total households and the remaining 25% fell under Category A (better-off) households. Precise targeting principles were set up at Programme's design and an inclusive targeting strategy was adopted with priorities given to households living in locations that suffered from isolation. The better ranking beneficiary group was not excluded, as most activities concerned commercialisation of farming for which the poor were not the most appropriate beneficiary groups. The PCR mentions that the monitoring system did not generate data on programme participation according to wealth category and there were no other reports on targeting performance. Thus, it was difficult to determine the extent to which targeting principles were followed. Field visits by the PCR mission found that AMEPP appears to have been carried out by a cross section of the rural population, with little in the way of overt targeting apart from the Micro Initiative Fund schemes. Local field staff appears to have been primarily concerned to recruit sufficient households. The PCR concludes saying that there were not a sufficient number of households who wanted to participate for staff to be able to select only the poorer households. | 4        |
| Gender  | Although women formed a significant part of the target group, the PCR mentions that there were no specific gender-focused activities in the programme design. Data on participation in the different programme components show that overall participation was split equally between men and women. The Nov. 2011 supervision mission report highlights that women constituted 60% of the participants for on-farm production training. Similarly, 80% of the MIF beneficiaries were reported to be women. However, the PCR points out that the comparison between the 2012 Outlook Surveys and the RIMS baseline suggests that women should have participated to a greater extent in project activities. In addition, female-headed households could have been a specific target for some programme activities.   | 4        |
| <b>Overall Performance</b>                      |   | <b>4</b> |
| Estimated number of beneficiaries               |   |          |
| <b>PCR Quality</b>                              |   |          |
| Scope   | The PCR is fully in line with the 2006 Guidelines for Project Completion. All the required annexes have been provided and included in the PCR.  | 5        |

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| Quality                           | Due to weaknesses in the M&E system, the analysis of the Programme's intervention has not been based on sound evidence which could link AMEPP's activities to the observed impacts. As a result, despite efforts to draw a comprehensive picture of Programme's, this PCR was considered being weak in tackling effectiveness and the various impact domains. | 4      |
| Lessons                           | The lessons learned reflect a good analysis and a well-conducted reflection process on the major Programme's shortcomings to be avoided in future interventions.  | 5      |
| Candour                           | The PCR is fairly objective, although it seems that it somehow overestimated Programme's achievements. This is also reflected in the disconnect between the ratings provided in the PCR and those provided in the last PSR.   | 4      |