

Bhutan

Commercial Agriculture and Resilient Livelihoods Enhancement Programme Supervision Report

Main report and appendices

Mission Dates: 1 - 15 June 2019
Document Date 13/08/2019
Project No. 1100001739
Report No. 5110-BT

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

AIT	Artificial Insemination Technician
AOS	Annual Outcome Survey
ARDC	Agricultural Research and Development Center
ASAP	Adaptation for Smallholder Agriculture Programme (IFAD)
AWPB	Annual Plan and Budget
BCR	Benefit Cost Ratio
BOQ	Bill of Quantities
BTN	Bhutanese Currency (Ngultrum)
C/B	Cost Benefit
CAHW	Community Animal Health Worker
CARLEP	Commercial Agriculture and Resilient Livelihoods Programme
CCA	Climate Change Adaptation
CoP	Community of Practice
COSTAB	Cost Tables
CPM	Country Programme Manager
CSV	Climate Smart Village
DA	Designated Account
DA	Designated Account
DAO	Dzongkhag Agriculture Officer
DFG	Dairy Farmers' Groups
DLO	Dzongkhag Livestock Officer
EFA	Economic and Financial Analysis
EIRR	Economic Internal Rate of Return
FA	Financing Agreement
FCBL	Food Corporation of Bhutan
FM	Financial Management
FO	Financial Officer
FY	Financial Year
FYM	Farmyard Manure
FYP	Five Year Plan
GAO	Gewog Extension Officer
GPS	Global Positioning System
HDPE	High Density Poly Ethaline
HH	Households
HVAP	High Value Agriculture Project
ICP	IFAD Client Portal
IFAD	International Fund for Agriculture Development
IRR	Internal Rate of Return
ISM	Implementation Support Mission
IU	Implementing Unit

KIL	Koufuku International Limited
KM	Knowledge Management
LED	Light Emitting Diode
LF	Lead Farmer
LUC	Land Use Certificate
M&E	Monitoring and Evaluation
MAGIP	Market Access and Growth Intensification Project
MIS	Management Information System
MoAF	Ministry of Agriculture and Forests
MoF	Ministry of Finance
MSP	Multi Stakeholder Platform
MTR	Mid Term Review
MYRB	Multi-Year Rolling Budgets System
NPD	National Programme Director
NPSC	National Programme Steering Committee
NPV	Net Present Value
NRM	Natural Resource Management
NSC	National Seed Center
O&M	Operation and Management
OCC	Opportunity Cost of Capital
OPM	Office of Programme Management
PDR	Project Design Report
PEMS	Public Expenditure Management System
PP	Procurement Plan
PPPD	Public Procurement Policy Division
PSO	Programme Support Officer
RAA	Royal Audit Authority
RAMCO	Regional Agricultural Marketing and Cooperatives Office
RGoB	Royal Government of Bhutan
RIMS	Results and Impact Management System
RLDC	Regional Livestock Development Center
RNR	Rural Natural Resources
RPIC	Regional Programme Implementation Committee
SBD	Standard Bidding Documents
SDR	Special Drawing Rights
SECAP	Social, Environmental and Climate Assessment Procedures
SLM	Sustainable Land Management
SOE	Statement of Expenditure
TA	Technical Assistance
THPP	Targeted Household Poverty Programme
TOR	Terms of Reference

TOT	Training of Trainers
USD	United States Dollar
VC	Value Chain
VFG	Vegetable Farmers' Groups
WP	With the Project
WA	Withdrawal Application
WOP	Without the Project
WUA	Water Users' Association
YG	Youth Groups

Acronyms

costab	Cost Tables
kg	Kilogram
logframe	Logical Framework

Glossary

Dzongkhag	District
Gewog	A sub-district in a District (consisting of several villages)

A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	Bhutan	Environmental and Social Category:	B
Project Name:	Commercial Agriculture and Resilient Livelihoods Enhancement Programme	Climate Risk Classification:	2
Project ID:	1100001739	Executing Institution:	Ministry of Agriculture and Forests
Project Type:	Marketing/Storage/Processing	Implementing Institutions:	Food Corporation of Bhutan Ltd
CPM:	Louise C. McDonald		
Project Director:	Dorji Wangchuk		
Project Area:			

Approval Date:	07/09/2015	Last audit receipt:	25/03/2019
Signing Date:	11/12/2015	Date of Last SIS Mission:	14/06/2019
Entry into Force Date:	11/12/2015	Number of SIS Missions:	9
Available for Disbursement Date:	01/03/2016	Number of extensions:	0
First Disbursement Date:	04/03/2016	Effectiveness lag:	3 months
MTR Date:	24/11/2018		
Original Completion Date:	31/12/2022		
Current Completion Date:	31/12/2022		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$10,281,031
	Asia and the Pacific Division	\$1,060,596
	Asia and the Pacific Division	\$1,000,000
	ASAP Trust Fund	\$5,022,615
	IFAD	\$8,273,429
Domestic Financing breakdown	Beneficiaries	\$658,805
	Food Corporation of Bhutan Ltd	\$4,802,410
	National Government	\$5,773,849
Co-financing breakdown,		
Project total financing:		\$36,872,735

Current Mission

Mission Dates:	1 - 15 June 2019
Days in the field:	8 days
Mission composition:	Mission composition: Louise McDonald, Country Director, Omer Zafar, Team leader, Michael Hamp, Project Technical Lead, Jens Kristensen, Value chain specialist Abdul Alam, Economist/EFA Specialist (remotely), Michele Pirazzoli, Infrastructure Specialist, Pratul Dube, Financial Management Specialist, Yangzom Yangzom, Procurement Specialist, Mehry Ismaili, M&E, MIS and KM Specialist (Remotely), Karan Sehgal, Climate / Environment and Renewable Energy Specialist, Sanjeeve Shrestha, MSP Specialist (Remotely)

Field sites visited: Lhuentse, Mongar, Pergatshel, Samdrup Jongkhar, Trashiyangtse and Trashigang

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4

Effectiveness and Developmental Focus	4	Project Management	4
Effectiveness	4	Quality of Project Management	4
Targeting and Outreach	4	Knowledge Management	4
Gender equality & women's participation	4	Value for Money	
Agricultural Productivity	4	Coherence between AWPB and Implementation	3
Nutrition		Performance of M&E System	4
Adaptation to Climate Change	4	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	

Sustainability and Scaling-up	4	Financial Management and Execution	4
Institutions and Policy Engagement	4	Acceptable Disbursement Rate	5
Partnership-building	4	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	3
Quality of Beneficiary Participation	4	Counterparts Funds	4
Responsiveness of Service Providers	4	Compliance with Loan Covenants	4
Environment and Natural Resource Management	4	Procurement	3
Exit Strategy			
Potential for Scaling-up	4		

Relevance	5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

IFAD fielded a Supervision and Design for Additional Financing (AF) Mission from 1 – 15 June 2019 to assess the progress of the programme since the Mid Term Review in 2018 and to design aspects for the AF for CARLEP. The specific objectives of the mission were to (i) review component-wise progress of the programme; (ii) identify problems in implementation of work plans; (iii) address constraints being faced in programme management; (iv) assess the performance of partners; (v) review the fiduciary and accountability aspects of the Programme; and (vi) recommend modifications in the programme activities and corresponding Cost Tabs post-MTR.

The objectives of the mission are two-fold: Firstly to finalise the design for the additional financing including the financing gap with CARLEP. This will be developed in close cooperation with the CARLEP as well as the Ministries of Agriculture and Finance and Economic Affairs of the RGOB. During the mission, the team shall conduct field visits and meet with relevant stakeholders in order to get an holistic view of constraints faced by smallholders targeted by the project. Secondly the mission will also cover the Supervision of CARLEP for 2019.

The mission's main outputs will be a concept note and memo compliant with IFADs latest guidelines and Government requirements and Supervision Report. Alignment with key 12th FYP priorities, i.e. crop intensification (market focused commodities), commercial vegetable production, entrepreneurship promotion (Youth enterprise development), irrigation (renovation, new construction and small scale technologies), land development, managing human wildlife conflict and organic farming based upon the MTR findings and will also address the key mainstreaming themes of Nutrition, Youth, Climate and Gender. Components will have built-in flexibility to facilitate outcome focused planning integrated with Dzongkhag plans. In line with the latest requirements, the concept note will include 1) Context, 2) Project description, 3) Risks, 4) Implementation Plan sections and 5) an up-dated logframe. A small workshop with key partners / collaborators was held in Thimphu on 13 June 2019 to ensure buy in. Additionally, an aid-memoire will be prepared at the end of the mission and discussed with CARLEP and the RBOG at the end of the mission.

The mission had a meeting with the Office of Project Management (OPM) team on 2 June 2019 at Samdrup Jongkhar, visited project villages in all the six programme Dzongkhags where it met with producers' groups engaged in vegetable and milk production and processing, lead farmers, youth groups (YG), Gewog Extension Officers and Dzongkhag Agriculture and Livestock Officers and saw various activities supported by the programme. The mission also met with the Governor in Pemagashel, visited the Agriculture Research and Development Centre (ARDC), and the Koufuku International Ltd. (KIL) dairy processing unit in Trashigang; The Royal Monetary Authority, Bhutan Development Bank Ltd., Rural Enterprise Development Corporation Ltd., Tarayana Foundation, the Resident Coordinator of the United Nations in Bhutan, World Food Programme and SAARC Development Fund in Thimphu. The mission met with Dasho Nim Dorji, Ms. Lhaden Lotay, Chief Programme Officer, Department of Macro-Economic Affairs, Ministry of Finance, Royal Government of Bhutan (RGoB). The mission also meet with the Minister for Agriculture and Forestry, His Excellency Yeshey Penjore, Dasho Rinzin Dorji, Secretary, Ministry of Agriculture and Forests (MoAF), A final wrap-up meeting was held on 13 June 2019, chaired by Dasho Rinzin Dorji, Secretary, Ministry of Agriculture and Forests (MoAF), RGoB and attended by OPM staff to discuss key findings and action points. Prior to the wrap-up meeting a meeting with stakeholders took place to highlight the issues raised during the mission and to look at how new partnerships could benefit the outcomes of CARLEP (See Attachment 1 for participants). The mission is grateful to the RGoB and all other partners for the courtesy and support extended to it.

Key Mission Agreements and Conclusions

The programme is operational in all six eastern Dzongkhags, including in isolated villages deep in the rugged mountains. Though overall outreach is only about 20% of Project Design Report (PDR) targets, households organised into producer groups are active. A few youth groups have been formed and supported to set up processing enterprises. The dairy segment has made good progress and the marketing concerns highlighted in the MTR mission are getting addressed through market linkages with Koufuku International Ltd however at this stage production is ahead of the volume that can be processed and new products need to be designed to reduce the waste milk being disposed of. The Regional Agricultural Marketing and Cooperatives Office (RAMCO), has identified training needs to be able to deliver on its mandate and to manage contractors to deliver services to villages / groups to facilitate FOs/cooperatives to be strengthened for groups to access markets by, and as RAMCO has very limited staff (only seven officers for the entire eastern region). Vegetable and dairy production has grown across all groups, as have incomes. However, there remains high variance in average household production as well as incomes across groups within and across Dzongkhags, especially in case of vegetables.

Annual planning and implementation has improved with the proposed process from the MTR and this will be further developed during the next round for the AWPB. Investment decisions are not backed by project documents and business plans, delineating costs, benefits, funding sources, linkages and expected incomes to households (HH); this also leads to under-reporting of local contribution as assets procured using the RGoB Block Grants to Dzongkhags/Gewogs may not be recorded as observed during the MTR mission and this situation remains.

The MTR noted that CARLEP was to align with key 12th FYP priorities, i.e. crop intensification (market focused high value commodities), commercial vegetable production, entrepreneurship promotion (Youth enterprise development), irrigation (renovation, new construction and small scale technologies), land development, managing human wildlife conflict and organic farming. Components have been reorganised logically with built-in flexibility to facilitate outcome focused planning integrated with Dzongkhag plans. While this has started the full change will now occur through the proposed Additional Financing Concept Note.

To revise the Financing Agreement the Government needs to send a request to reflect reallocation of resources across components and categories.

D. Overview and Project Progress

Component 1: Market led agricultural Production

Programme Progress Component 1: Market led agricultural Production

Output 1.1: Increased production resilience, diversification and innovation

Climate Smart Villages (CSVs) To date 6 have been implemented supporting a total of 190 HHs covering 794 acres. In 2019-2020 a further 6 CSV will be completed. CSVs should be rolled-out for all value chains, especially for new proposed commodities, and with youth groups (under Land Use Certificate programme or mobilised by Gewogs).

The point of entry approach using will focus on the entire village. Support will be provided to villages/FGs to establish multipurpose cooperatives. To fast track this approach the project will undertake an awareness campaign, outlining the forms of support available in terms of knowledge sharing and new technologies.

Households will be trained in financial literacy, simple farm economics, savings and credit operations using service providers to develop an investment plan for each farm and for FGs/village level investments (refer Appendix 4 for further information).

Crop diversification CARLEP introduced new crops as well as hybrid maize, soybean, buckwheat, super Napier, Guatemala, fodder oats, persimmon, avocado, mango, broccoli, beans, chili, carrot, cauliflower, onion and asparagus all high value and nutritious for humans and animals. Performance is at 36 percent of the target due to a lack of irrigation. Using villages as the entry point will increase the uptake of the new crops, lower costs of irrigation while clustering of villages will generate economic of scale for produce for the market.

Climate resilient agriculture Training in climate resilient agriculture stands at 78% of the target. Distribution of resilient planting material for an additional 125 hectares being a total of 1,260 Ha or 649% of the target. Additional 11 lines of local GP was collected being a total of 111% of the target. Other activities are in the process of implementation and it is assessed that around 70% will be finalised during this WPB.

Climate resilient agriculture should not be limited to the 36 CSVs. It is vital for fodder production, increasing milk yields, reducing use of commercial fodder and costs. Introduction of green manure/mulching is also essential to increase soil OM, water infiltration reducing erosion and increase soil fertility and reducing volume of purchased chemical fertilizer.

Permaculture 15 staff, attended a 5-day training in Nepal. Participants identified post-training activities (Sustainable Land Management (SLM), composting/use of bio-slurry, zero tillage cropping, dry land irrigation using spring water harvesting, pest and disease tolerant crop varieties; integrated farming systems (fruit crops with vegetables) etc.) to be implemented in their respective pilot sites.

Permaculture is an integral part of climate resilient agriculture and the project has only begun to implement training and construction of 12 biogas plants.

Output 1.2: Vegetable production intensified and expanded

Promotion of vegetable production involved FGs in 51 villages, and achieved vegetable yields averaging 300% higher than those not receiving support. Yields remain low in absolute terms, reaching only one-fifth of potential productivity. Only 28% of the farmers grow vegetables, this is rapidly changing as the project assists with direct linkages to traders/exporters and domestic auction markets.

Support to vegetable farmers' groups (VFG) is progressing although the village investment approach, will increase the formation of VGF and village clusters bringing production to economics of scale for traders/exporters/processors to buy from the cluster.

Strengthening extension services and the Lead Farmer (LF) model under this output it is assessed that around 70% will be finalised under the AWPB. The cumulative progress is 25% of the project target. The different effectiveness between dairy and vegetable LFs is related to easier marketability of milk compared to vegetables. It is anticipated that clustering, linkages with buyers, more specialised training will increase the demand for LF services, and improve the effectiveness.

The LFs selling agriculture inputs appeared to me more effective and knowable compared to those who are not engaged in business related to the extension services provided. The mission recommends project support to interested LFs with matching grants to purchase machinery, chemical fortified briquettes, silage chopping/bagging equipment, power tillers etc..

Support to research and seed centres Only 70-75% of activities is expected to be finalised during the AWPB period. The mission's visit to ARDC showed a need to support obtaining additional high yielding planting material for all crops

proven to have demand e.g. seed less, better taste, shelf life, level of nutrition, resistance to pest/disease, etc..

The ARDSC has begun to supply mushroom spawn to producers. Considering the global demand for shiitake mushroom the project should provide technical assistance to fine tune the right mix of different mushroom compost mediums for production and develop the right mix of different mushroom compost mediums for production and develop the right mix of mushroom

Output 1.3: Dairy Production Intensified and Expanded

Output 1.3: Dairy production intensified and expanded

Around 30% of the activities are finalised and those remaining will reach around 70% of the target. Extension outreach for CAHW/ AIT has benefited 267 HHs. It is very important that sexed semen is used for AI, to reduce the numbers of bull calves that contribute negatively to emissions and degradation of the natural environment. It is recommended that farmers receive a description of the breeds performance and requirements to make an informed decision on desired breed.

Planting of leguminous field crops/treed/scrub areas has commenced, but needs intensification. To optimise returns from milk production a simple financial analysis format is to be developed, and farmers taught how to use the format. The performance of support to the dairy production is commendable.

Livestock extension RAMCO is expected to train 60 CAHW, and distribute 30 motorcycles, 80 field kits within the period of the AWPB. The service of CAHWs is only possible due to a small earning for CAHWs from undertaking AI and other health related services. 32 AI kits have been distributed to AITs and over 3 000 AI will be provided. . It is recommended that RAMCO examine the possibility of AITs selling vitamins, minerals, urea like blocks to increase services and their income.

Biogas CARLEP is working with the BBP to support installation of biogas units in the 6 eastern Dzongkhags. To date, a total of 88 Livestock extension staff and 155 masons have been trained. Further training is needed on construction, O&M and on bioslurry management. There is a need to diversify models that can complement/increase installation numbers, e.g. by introducing flexible, prefabricated biogas systems to high mountain areas.

Output 1.4: Productive infrastructure

Implementation of infrastructure investments are fully aligned with the cost structure developed at MTR. The targets set are likely to be met upon completion of ongoing irrigation works, i.e. with a 1 month delay.

Irrigation channel rehabilitation CARLEP started the implementation of 3 irrigation channel rehabilitations targeting 192 acres and 174 HH. Coverage now stands at 1 795 acres (1 100 HHs), representing 149% of PDR targets for area and 28% for budget.

Piped networks for dryland (off farm) CARLEP completed 2 investments in piped networks covering 68 acres and 44 HH. The works at a third site are at an advanced stage and will be completed by end June. Both the sites include improved Rural Water Supply (RWS) systems to increase supply and cater also for irrigation of vegetables in the kitchen plots. The implementation mechanisms for these investments need to be fine-tuned, to either irrigation only or multiple use.

Water-efficient on-farm irrigation On farm irrigation equipment supported consist of: i) 119 sprinklers, ii) 87 syntax tanks with HDPE pipes; and ii) 1 set for drip irrigation. Preference to drippers would be more effective in the dry windy conditions, providing for improved performance of water saving and yield increase.

Pump irrigation After a feasibility study two sites were selected. Construction and pipe installation works are at an advanced stage in Jatsabi, covering 30 acres and 12 HHs, while the designs for Radhi are being finalized. Additional pilots may be developed only for testing alternative pumping options (e.g. solar or hydraulic pumps).

Capacity building and support for Engineers Since March 2019 2 ARDC engineers are working part time for CARLEP who must be retained until project end to coordinate the Gewog engineers directly responsible for the implementation of infrastructure activities, ensuring that climate resilience aspects are included in the designs and construction. Given the newness/complexity of developing site specific upgrade solutions in pipe-based schemes and regular staff transfers, continued capacity building/refresher trainings of Gewog engineers and close engagement of the ARDC engineers is needed.

Capacity building for Water Users Associations (WUAs) are reported functional in rehabilitated irrigation schemes and trained by Gewog/ARDC staff. Piped schemes offer scope to improve on-farm water management, e.g. drip irrigation, but need proper scheduling for which Dzongkhag, Gewog engineers and extension officers need training.

The upgrading of RWS systems provides an opportunity for the parallel establishment of a maintenance fund at community level to undertake minor repairs, in line with the practice under the RWSS flagship programme.

Infrastructure Investments Planning Processes for future AWPBs and 2 year planning are noted in appendix 4. Financial and economic analysis of investments should be also an integral part of the information sheet to seek IFAD “no objection” for irrigation investments.

Investments for the upgrading of the existing RWS systems into Multiple Use Water Systems catering for domestic needs, home based vegetable and livestock production will be supported through a dedicated budget line included in the Additional Financing cost tables to be revised in the 2019-20 AWPB.

Conclusion on CARLEP infrastructure investments: Three major constraints noted at MTR which have negatively affected past implementation have been. While some challenges remain e.g. in respect of pre-investment feasibility and analysis, the basic conditions for full-fledged implementation and upscaling of infrastructure activities are now in place.

Component 2: Value chain development and marketing

A new MoU between CARLEP and RAMCO reflected that RAMCO now has the responsibilities previously under FCBL. Essential studies on local and export markets are identified in Appendix 4.

Output 2.1: Vegetable commercialisation

The value chain and entry market study for export and domestic markets will provide buyers the basis for planning sales and will strengthen the linkage arrangement between marketers and producers. RAMCO has organised 2 MSP awareness meetings between actors for the value chain for vegetables, which has led to linkage between domestic traders/exporters and FGs which looks promising.. Linking VFGs with schools has been a success but demand is limited, contracts negotiated yearly, prices are low and sustainability of this market depends on available government funding.

Vegetable marketing infrastructure (Gewog/village and Dzongkhag/urban level)

Based on the village investment plans the need for market infrastructure, pack houses/cold storage/processing facilities will be mapped with a feasibility study and if positive investment plan prepared. Traders will be invited to participate in the investment. Matching grant investment from the project will become the share capital of the participating farmers.

Output 2.2: Dairy commercialisation

Milk collection and processing units Dairy commercialisation has increased in productivity and overall volume available for sale due to collection centres with milk chillers. CARLEP supported small processing units which need updating to follow Hazard Analysis and Critical Control Point (HACCP) layout, standard, equipment need to be professional (not household level equipment).

Support to KIL, CARLEP will enter into a formal partnership with KIL as recommended by previous SM. Prior to any investment RAMCO is to undertake a value chain and market study for the domestic and export markets and a detailed business plan provided. Based on these the investment proposal from KIL will be assessed as part of a due diligence of the proposal. The planned activities set out in the AWPB will not be implemented before above is undertaken.

Output 2.3: Support to entrepreneurs

The mission visited to two micro investments, one in milk processing (7 young women) and a bakery (4 young men) both lacked proper business development support evident by substandard yet expensive equipment. No market analysis done to determine product preference and demand. It is essential that RAMCO hire qualified TA to provide turn around business services to the initial investments to make them commercially viable. It is recommended that an additional matching grant for the purchase of machinery to ensure success of the youth entrepreneurs businesses.

All investments supported by the project must build on proper business planning/financial analysis/market assessment/food safety and follow HACCP. The selection of young entrepreneurs to be supported will be on a competitive basis following a public call for expressions of interest from interested entrepreneurs.

Matching grant facility for CARLEP should consider the following key principles . The MG instrument as an incentive mechanism should be applied for public/collective investments introducing/promoting innovative technology, with respect to climate smart agriculture, water conservation, irrigation, biogas and other methodologies (permaculture, etc.) by individual smallholders and agri-entrepreneurs. Selection issues noted in Appendix 4.

Partnerships/Working capital and investment loans. The RGOB has incentivised banks/financial institutions to improve access to credit for farmers, rural people and young entrepreneurs. There are a wide range of potential partners in this arena which are spelt out in Appendix 4.

Capacity Building and Institutional Support. The Special Technical Window Services coordinates interventions and assistance of the Dzongkhag administration, local leaders and different government agencies provide technical clearance to potential PSL clients and reviews/assesses project proposals. CARLEP could propose agricultural/value chain financing projects to increase their % of lending to the agricultural sector.

Financial education, including developing a savings culture is needed. CARLEP would need to link its targeted clients with the various on-going initiatives by CSOs, through SPs and the RMA financial literacy programme.

Information and communication technology (ICT). Within the overall perspective of equitable growth through financial inclusion, digital financial services for the benefit of CSIs, agricultural and rural enterprises would be welcome.

Component 3: Institutional support

Output 3.1: Strengthening Dzongkhag and Gewog staff

Capacity development for sustainability and management of implementation is essential. To this end training identified to date through implementation is noted in the table below.

Training	For who	Responsibility	Deadline
Procurement			
Under sub-component 4.1.2, the Project needs to provide IFAD Procurement Guidelines and Handbook (2 days) and IFAD NOTUS system RGoB Procurement Rules and Regulations and Standard Bidding Documents (3 days)	Procurement Training for staff of OPM, Gewogs, Dzongkhags and other Implementing Agencies	Procurement Expert from Bhutan, OPM and IFAD	Agreed
Infrastructure			
The project will support in-country exposure visits, in order to share experiences and develop appropriate O&M arrangements for irrigation schemes.	For farmers' groups involved in irrigation	OPM	To end June 2020
Environment related			
Capacity building and training on biogas construction, operation and maintenance	Gewog/district livestock officers	OPM	
Capacity building and training on bio slurry management	Gewog/district agriculture officers	OPM	

Output 3.2: Technical assistance / contracted staff

CARLEP will need to increase its use of TA/contracted staff particularly in relation to the new component activities where they, or their partner agencies, do not have the necessary skills/capacity/staff numbers to complete tasks adequately. This maybe through individuals/competent NGOs/private sector, etc.. All contracts will be results based. Non performers will not have their contracts renewed and payment will be made only for satisfactory delivery. Where possible TA will be sourced from Bhutan except where international experience/knowledge will enhance success.

Farmers Groups/Cooperatives: As RAMCO only has 7 officers for all the Eastern Districts it will be more efficient and effective to identify an NGO that has the necessary skills/experience to provide trainings on financial literacy/savings/group development/etc., WUAs development on a results based contract reporting to RAMCO.

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 4

Previous rating: 4

Justification of rating

Production related activities have been prioritised, market links with schools and institutions in case of vegetable groups have been enabled. Dairy groups have been able to market milk either in retail or to processors such as Koufuku. Lead farmers have become functional and enlarged extension services and capacity building of farmers. Commercialisation which is a key objective might be difficult to achieve fully without changes implementation approaches that could be effected through the additional financing to also ensure they are remunerative and there are a wide range of opportunities to be able to achieve commercialisation. To achieve this farmers and those working with them must see agriculture as a business. The project as it moves into phase II will be addressing these points in detail.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Development Effectiveness		
Introduction of rigorous economic analysis The investments and activities of the Programme should be appraised for generating net benefits to the households and groups as also positive effects on distribution of benefits along with strong business plans	OPM	

Development Focus

Targeting and Outreach

Rating: 4

Previous rating: 3

Justification of rating

The Programme is focusing appropriately on remote areas in the relatively poorer eastern districts. The groups formed comprise households from different economic backgrounds. While some of the households might be better on a comparative frame, overall the economic background of participating households is that of vulnerable and rural poor persons who have not benefitted from full education, health services and other basic public goods.

Main issues

The beneficiaries were all from the Programme districts. Some of the chosen lead farmers were clearly better off as is needed. The groups that benefited from the previous MAGIP programme were also taken up under this Programme. While the group membership is voluntary and thus self-selecting, lead-farmer selection follows set criteria. At present M&E does not examine targeting related aspects. The outreach achieved so far is 20% of the target.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Development Effectiveness		
Targeting Programme should target poorer section of households to ensure inclusion both in production and marketing efforts. Some of the landless could be involved in marketing related activities and extension services provision after training	OPM	
Youth groups Youth groups should be prioritised on account of their market oriented outlook and willingness to work along commercial lines	OPM	

Gender equality & women's participation**Rating: 4****Previous rating: 4****Justification of rating**

A gender policy has been prepared. Participation of women in Programme activities is high. Some women also participate in governance of institutions mobilised under the Programme. However, more affirmative action is needed to bring more women to governance responsibilities (at the farmer group level as well as at the level of the OPM), introduce drudgery reduction measures and provide training to meet needs of women.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Development Effectiveness		
Drudgery reduction Continue to explore drudgery reduction in activities predominantly carried out by women and introduce appropriate technologies and equipment.	OPM	08/2019
Women Leadership Train and encourage women to take up leadership positions in the community institutions under the Programme	OPM	

Agricultural Productivity**Rating: 4****Previous rating: 4****Justification of rating**

CARLEP has formed and supported vegetables and dairy groups, providing them production inputs (seeds, irrigation equipment, cows, cow sheds, chillers, chaff cutters, etc. and with some technical and managerial training. Lead farmers and CAHW were trained to extend the outreach of extension and advisory services. The field missions observed that vegetable production had increased as also milk collection in the pooled marketing arrangements. High prices have certainly impacted positively on production but are now posing a challenge for processing capacity.

Main issues

While several activities were undertaken in support of the production there has been no matching business plans which challenges further investments and sustainability. The data on production and productivity should improve through using Planner for MIS and M&E and the collection of more relevant data for analysis. Market access will be the key factor in deciding on commodities for phase II and will be secured prior to any planting.

Phase II will also clarify roles and responsibilities for the various actors by delivering on their mandates. Opportunities can be found in the attached CN in Appendix 4.

Nutrition**Rating:****Adaptation to Climate Change****Rating: 4****Previous rating: 4****Justification of rating**

In the first three years the Programme has undertaken a number of activities for advancing the CCA aspects of the Programme such as, the establishment of Climate Smart Villages (CSV); training of extension workers in some aspects of sustainable land management (SLM) such as, compost production, bio-slurry use, mulching, vegetative contour terracing and use of bio-pesticides; and Napier grass slips for promotion of soil erosion control and fodder management and seed for crop diversification.

Main issues

Moving forward, considering the various aspects of climate change resilience building, and improvement of environmental values the programme needs to adopt a holistic approach that goes beyond piecemeal activities. The CSVs provide a good venue for promoting this holistic approach and in this regard, the current methodology used in the CSV planning process needs to be upgraded^[1]. To ensure that a systematic approach is adopted for building climate change adaptation (CCA) the following key areas need to be prioritised: i) climate-resilient and market-oriented Gewog and village level

planning; ii) use of biogas; and iii) renewable technologies.

[1] The Nepal Local Adaptation Plans of Action (LAPA) Manual has been shared with the OPM and ARDC for guidance.

b. Sustainability and Scaling up

Institutions and Policy Engagement	Rating: 4	Previous rating: 3
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Justification of rating

There is considerable potential for policy engagement arising from the Programme in market oriented interventions in rural economy, particularly should the additional financing be approved and issues relating to high value market commodities will take a precedent. To date the progress of work has been limited. This is even more important now as commercialisation will include high value and export commodities. Additionally the MoAF are in the process of developing their Vision 2045 thus providing a unique opportunity to develop inclusive farming as a business by providing an enabling environment.

Partnership-building	Rating: 4	Previous rating: 4
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Justification of rating

Partners such as ARDC, RLDC, RAMCO, SJI and Koufuku International are working in close collaboration with the Programme. As phase II commences this will need greater focus to secure markets (including with other projects in the country) and to attract private investment. Likewise development of and inputs into evidence based information to realign or develop new policies will require engaging with a range of new partners.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Sustainability and Scaling up		
Koufuku Collaboration with Koufuku International Through the revised MoU noted earlier and support to them to expand processing opportunities including for import substitution.	OPM/RLDC	

Human and Social Capital and Empowerment	Rating: 4	Previous rating: 3
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Justification of rating

While training on production aspects has been conducted, mobilisation aspects have not been fully addressed. Farmer groups/cooperatives/enterprises are being trained in marketing and other activities gradually building their capacities for sustainability.

Main issues

Addressing cultural issues are a key aspect to ensure collective and cohesive action to generate social capital and enhance human capacities. Group discipline, coordinated action and working towards a larger cause are aspects that need to be stressed in the group mobilisation process. To further strengthen group development through social mobilisation it is proposed in the programme management section to further build this aspect using service provider(s).

Quality of Beneficiary Participation	Rating: 4	Previous rating: 4
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Justification of rating

The households for the most part have been enthusiastic. They have adopted the new ideas and processes; contributed their share of investments to avail the support from CARLEP. The beneficiary contribution has significantly high at an early stage of implementation which is a highly encouraging sign of participation. Likewise their investment contributions are still not actually reflected which supports their willingness to engage in CARLEP

Main issues

Enthusiastic participation from groups should be harnessed to orient the groups towards collective, income enhancing, market oriented efforts. Training and capacity building of the groups for the purpose has been suggested in an earlier section. Participation from the poorest households should be increased through affirmative action. The strategy in Phase II of the Project should assist where participation on a village basis is more inclusive.

Responsiveness of Service Providers	Rating: 4	Previous rating: 4
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Justification of rating

To date there are few service providers to the Programme such as SJI (Samdrup Jongkhar Initiative). They have responded well and completed the tasks assigned satisfactorily. While ARDC, RLDC and RAMCO have been responsive. As CARLEP moves into Phase II the number of service providers is expected to increase and will be based around results based contracting. In particular to support RAMCO a Service Provider will be contracted to form and support cooperatives/local groups on roles and responsibilities, savings, business practices, basic financial literacy, and at the HH level for nutrition / homestead gardens.

Environment and Natural Resource Management	Rating: 4	Previous rating: 4
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Justification of rating

Performance on SLM practices are being promoted among farmers while putting these into practice varies across the Project area. Due to the release of reduced funds the project plans to develop only 6 additional CSV in 2019-2020 which will include key climate smart agriculture (CSA) technologies that can be promoted in the selected Gewogs.

Main issues

Please refer to sections on Climate change and value chains earlier where the actions relating to NRM have been suggested.

Exit Strategy	Rating:	Previous rating: 3
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Potential for Scaling-up	Rating: 4	Previous rating: 5
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Justification of rating

CARLEP is now starting to show the potential for scaling which is reflected in the CN for Phase II of the project but will depend on access to land and markets for high value commodities in the long run. Having said that the project in Phase II will scale up using a village approach to farming opportunities to increase production to meet demand.

c. Project Management

Quality of Project Management	Rating: 4	Previous rating: 4
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Justification of rating

OPM has this year started with a more strategic approach to planning with District as recommended during the MTR in 2018. It is anticipated that this process will be further refined each year producing increased results.

Main issues

Staffing has increased with the appointment of two key staff members (Knowledge Management Officer and a Finance Officer) although for the vast and rugged areas in the East this is still a small number of people to coordinate and for implementation oversight. Capacity of implementers varies significantly across the Districts as noted earlier hence the training recommendations. Procurement will be key in Phase II with additional investments in infrastructure hence the recommendation to centralize procurement to benefit from combined procurement is a priority as is the training proposed.

Agreed Action	Responsibility	Agreed Date
Project Management		
Role of OPM The strategic planning and oversight by OPM will also need to increase in Phase II. Planning processes need further streamlining - allocation decisions should be taken by OPM after discussions with all implementing partners – to ensure sequencing and avoidance of overlaps	OPM/NSC	
Component-wise AWPB allocations Budget allocations should be aligned to agencies' implementing capacity and mandates and based on needs rather than by cost-tables	OPM/implementing partners	

Knowledge Management

Rating: 4

Previous rating: 4

Justification of rating

During the current implementation period 2018-19 CARLEP has continued undertaking substantial work related to knowledge management including the adoption of the multi stakeholder platform (MSP). Another ISM on implementing the MSP for value chains and exploring the commodities has been conducted in April 2019.

Main issues

The Project has a Programme Support Officer (PSO) working on KM jointly with the Component Manager for Value Chain. CARLEP might need to update the KM Strategy subsequent to the design mission for the additional financing in order to better reflect the changes and improvements in the components and the new Theory of Change. During the MTR in November, the mission recommended to start aligning the KM strategy and action plan with the objectives and components to create more harmonization. The current mission noted that KM related activities continue to be regularly included in the AWPB and adequate budget is allocated. CARLEP has produced 8 new KM products, including guidelines and training material for lead farmers and 2 videos tutorial which are particularly targeted for women farmers. Besides, the Project has finalized two editions of the Stories of Change. In particular, the second issue contains 4 articles of which 2 are on women and 2 on youth. Following the recommendation of the mid-term review mission in 2018, CARLEP is now quite active in sharing the knowledge products through various channels i.e. IFADASIA Facebook, IFADASIA portal and through their official web page and also the project started sharing some videos on success stories from the field.

CARLEP will soon start preparing brochures, bi-annual newsletters and handouts that can be useful also during the annual mission, listing the name of each village, each gewogs, number of beneficiaries with disaggregated data, activities, type of assets provided, amount funded and co-financiers. In addition, the Project will install an information board with details on sub-projects-grants-beneficiaries, in each project site at village/gewog level, for sharing the Project services and support provided to all the communities, as recommended by the previous mission. The delay is mainly due to the short time from the previous mission.

The mission also appreciated that the project has also adopted different knowledge sharing methods including workshop and exhibitions and trade-fair and has taken advantage of the various festivals and Tshechu to showcase the local products of the CARLEP-assisted groups. As a part of knowledge management, exposure visits of CARLEP project staff have been conducted to gain knowledge on value chain finance, service market and biogas in Nepal in the past and a study tour in Sri Lanka to visit Fonterra assisted dairy project is recommended.

CARLEP has been selected as one of the project for Recipe for Change in close collaboration with COM and ECG. In October 2019, international Chef Cracco will visit the project and a video documentary will be prepared.

The IFAD mission commends OPM for the numerous KM related activities already started and recommend to advocate the success stories from Bhutan a possible Learning Market Place Event at the end of the year.

Agreed Action	Responsibility	Agreed Date
Project Management		
Handouts and information boards Start preparing handouts listing the name of each village, each gewogs, each community group, number of beneficiaries with disaggregated data, activities, type of assets provided, amount funded and cofinanciers. Install an information board in each project site at village/gewog level, for sharing the project services and support provided to all the communities.	OPM	10/2019
Recipe for Change Video documentary for Recipe for Change with an international chef	IFAD/OPM	10/2019
Learning Market Place Event In consultation with IFAD organize a national and regional event on Learning and Market Place Event to showcase the products from farmers and share knowledge	IFAD/OPM	11/2019

Value for Money

Rating:

Previous rating: 3

Coherence between AWPB and Implementation

Rating: 3

Previous rating: 3

Justification of rating

During the current AWPB performance on coherence with implementation varied widely ranging from 30% to 75% achievement. This variance is accounted for through the lack of funds due to the freeze of financial aspects caused through the election period.

AWPB Inputs and Outputs Review and Implementation Progress

While the AWPB for 2019 – 2020 has been finalised some adjustment will be needed to include the move into Phase II. While production and infrastructure related interventions get completed faster, marketing related activities have moved much slower. Planning, sequencing and alignment with other components need to be ensured.

Performance of M&E System

Rating: 4

Previous rating: 4

Justification of rating

The project has conducted an Annual Outcome Survey and is active member of a community of practice with M&E officer of the South Asia Hub. During the roll out of the Planner, IFAD has also conducted a dedicated and full training on M&E for NON-M&E staff. All OPM staff, extension services and representatives from each Dzongkhag have attended the training in Thimphu. However the Project has not yet implemented planner for monitoring which will commence with the new financial year.

M&E System Review

The programme has a full time M&E Officer supported by a Programme Support Officer. In March 2019, through IFAD, the project has rolled out a MIS system (Planner) as a tool to organise and generate the essential tables for AWPB and Progress reporting based on inserted numeric project data related to i) financial expenditure by activity, financing source, category of expenditure and timing ii) Procurement Plan, iii) Balances on available funding sources and categories, iv) project costing, v) the RIMS report, and vi) status of procurement and contracts.

CARLEP promptly reports the yearly results through the new IFAD corporate system and have adapted also the new corporate indicators. Being CARLEP included under the ASAP umbrella funding, it is compulsory that CARLEP reports with all the climate change indicators. In addition, CARLEP has solved the problem of the double counting of the beneficiaries and the beneficiary assisted by MAGIP are no longer counted. Further to the recommendation of the MTR, OPM has reviewed the targets of the logical framework and confirmed the issue of targets.

With the roll out of the Planner, CARLEP should be able to monitor adequately the activities as in the past the OPM was focussing more on reporting activities at output levels and rarely dealing with results and outcomes.

CARLEP is an active member of the community of practice (CoP) of M&E officer in South Asia Hub, built as a consequence of the training held in Kathmandu in June 2018.

It is recommended that the project receive adequate training on geo references as CARLEP has completed the location of the assisted programme areas with the maps. CARLEP is already using the maps through an application available in the Dzongkhag for infrastructure planning or for group mobilisation among many.

Agreed Action	Responsibility	Agreed Date
Project Management		
MIS System Review and assess the functionality of Planner	OPM/IFAD	11/2019
Strengthen collaboration OPM and extension services should work in more synergies and not only through Dzongkhag	OPM	11/2019

**Requirements of Social,
Environmental and Climate
Assessment Procedures (SECAP)**

Rating:

d. Financial Management & Execution

Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Beneficiaries	\$658,805		
	Food Corporation of Bhutan Ltd	\$4,802,410		
	National Government	\$5,773,849		

Acceptable Disbursement Rate

Rating: 5

Previous rating: 6

Justification of rating

The project is in its 4th year of implementation and its disbursement rate is 45%. There have not been any extensions

Main issues

The project has submitted withdrawal applications (WA) till March 2019 which have been processed and disbursed. The disbursement (including authorized allocation) is 49% in case of Loan, 66% in case of Grant and 35% in respect of the ASAP Grant. The overall disbursement rate is 45% of which 17% is advance and the balance 28% related to actual expenditure. One WA was submitted for the period from July 2018 to March 2019 instead of submission of a WA every quarter. The Mission reviewed the SOEs for the period from July 2018 to March 2019 and noticed the following (i) Taxes continue to be claimed (ii) Advances paid for various activities are claimed. The total advances outstanding as on 31 March 2019 was BTN 17.31 million (iii) some expenditure recorded as 'net of tax deduction' thus only 98% recorded as expenses. The taxes and advances claimed could lead to potential ineligible expenditure and hence the required corrections should be made in the next WA to be submitted by the project.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Preparation of WA a) Calculate the taxes claimed so far and adjust the next WA by reducing this amount incorrectly claimed b) Ensure correct preparation of WA by not claiming taxes charged, advances paid and claim the full expenditure incurred before deduction of tax	AO, OPM	07/2019
Submission of Withdrawal Applications Prepare quarterly WA and submit to IFAD promptly after the end of the quarter	AO, OPM	

Fiduciary aspects

Quality of Financial Management

Rating: 4

Previous rating: 4

Justification of rating

The preparation of the financial statements are done manually by consolidating the accounts of all the implementing units which is cumbersome and prone to errors. The annual financial statements for the year 2017-18 and not complete and incorrect.

Main issues

Staff – The project is adequately staffed and most of them are competent doing their work. Whenever there are changes in accounting staff the incumbents need to be provided training on IFAD specific accounting and reporting requirements. This is more relevant in the case of OPM wherein Withdrawal Applications (WA) and the project financial statements (PFS) has to be prepared

Budgeting - Budgets are prepared in a timely manner and Multi Year Rolling Budget (MYRB) software is used to record the budget. In no case is it possible to exceed the budget as the accounting software Public Expenditure Management System (PEMS) is integrated with MYRB. The project prepares the variance statement on a quarterly basis.

Flow of funds- Funds are provided by the OPM to the various implementing units (IUs) based on the AWPBs. The funds are released by the Department of Public Accounts (DPA) to the IUs based on the advice from the OPM. Flow of funds is not a constraint and the IUs get the funds within maximum five working days from the indent. During the year 2018-19, however release of funds from RGOB was delayed which, as informed to the Mission, was due to the general elections in the country

Internal Controls- Since the accounting system is online there are proper controls on the transactions being recorded. Proper authorizations are obtained prior to making payments. The Mission however noted that the project does not maintain contract register and thus it becomes difficult to monitor payments to ongoing contracts as also to ascertain committed expenditure and plan the cash flow in respect of such contracts.

Accounting and reporting– Accounting of the project is done using PEMS which is uniformly used across Bhutan. However the software is not equipped to consolidate the accounts of all IUs and generate the financial statements. This is manually done at the OPM by manually copying all the data into one file for consolidation and then preparing the financial statements and the WA. The PFS for the year 2017-18 consists of only (i) WA summary (ii) Statement of Sources and Application of Funds and (iii) Reconciliation of DA. It does not contain the other reporting requirements such as the statement of comparison of actual and budget amounts, notes to accounts in respect of significant accounting policies, statement of cash receipts and payments. Further for the year 2017-18, the Mission noted that the Statement of Sources and Application of Funds are incorrect in as much as the expenditure recorded by components and categories do not match with each other and the total expenditure recorded is also incorrect. The contribution of RGOB and beneficiaries are also not reflected in the PFS. The Mission also noted that there was a difference between the amount of expenditure recorded by the IUs and the amount claimed in the WA. The OPM is in the process of reconciling the difference and will be adjusted in the WA for the period April to June 2019.

Internal Audit: The internal audit function does not exist for CARLEP. The RGOB has an internal audit section which audits all the dzongkhags during the year. To that extent internal audit is being conducted for CARLEP accounts too. However in respect of other agencies such as ARDC, RAMCO, RLDP and the OPM , internal audit is not being

conducted. Thus there is no comprehensive system of internal audit for the project.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Reporting Enhance Interim Financial Progress and timely submit quarterly to IFAD	OPM	12/2018
Taxes – ineligible amounts Determine the ineligible amount of taxes charged to IFAD and provide communication to IFAD FO for refund/deduction from future WAs. Also track RGoB contribution provided as taxes.	OPM	12/2018
FCBL Analyse the breakdown of FCBL expenses which is mainly comprising salary cost (including those of the staff at stores) in order to determine what is/is not Recurrent Costs.	OPM	01/2019
Fixed Assets Full assets tagging and relevant reporting in asset registers, (i.e. starting to tag in ranking order from most expensive)	Finance OPM/ IUs	03/2019
E-Training on FM of IFAD funded projects All finance staff across CARLEP invited to undertake the IFAD FM e-learning (link has already been provided by the FMS to OPM).	OPM Finance	06/2019
Project Financial Statements a) Prepare financial statements in accordance with IFAD's reporting requirements and ensure that the financial statements are complete and accurate. b) For the year 2017-18, prepare the complete set of correct financial statements and get the audit verification done in respect of the revised PFS	AO, OPM	09/2019
Ring-fence CARLEP finance community OPM finance (i) to call, at least once a year, a FM workshop gathering all Carlep finance staff, (ii) OPM finance to provide one-to-one support through at least one visit per year at all IU (iii) and facilitate cross visit-cooperation of staff from adjacent districts.	OPM	12/2019
Budgeting/costab Support OPM management in the feasibility of any exercise aimed at enhancing current costab/AWPB component classification (i.e. MYRB), providing a bridge/mapping of current expenditure to future plans.	OPM	
Budget planning Early and stronger engagement of Finance in the planning process, to come up with enhanced reporting on actual expenditure and residual balance, by IU and benchmarked as % of AWPB (cumulative/period)	OPM	

Contract Register Maintain Contract Register to monitor contracts and also to plan the cash flow for ongoing contracts	All Implementing Units	
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Quality and Timeliness of Audit	Rating: 3	Previous rating: 4
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Justification of rating

Audit submission was three months late and didn't present a management letter.

Main issues

Audit submission was three months late.

Management letter (MAR) was missing

Notes to the financial statements are missing.

Basis of accounting not disclosed.

Fixed asset statement missing.

Counterparts Funds	Rating: 4	Previous rating: 4
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Justification of rating

During the year funds only about 50% of the planned funds were disbursed till February 2019 and the overall achievement remains low

Main issues

During the year 2018-19 the disbursement of funds was delayed and only about 50% of the budgeted amount was disbursed till February 2019. Till March 2019, 28% of the planned RGOB funds have been utilized and the overall utilization of RGOB allocation is only 8.44%. One of the reasons for the low achievement is that the tax exemption provided by RGOB on purchase of equipment and vehicles has not been recorded by the project as its contribution. Further during the year, as also in earlier years, taxes have been claimed from IFAD which should be reversed and reflected as RGOB contribution to the project.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Budgeting of counterpart funds OPM to increase the planning of those activities funded by the RGoB and at the same time monitor that overall districts' planning does not put in place activities overlapping with CARLEP that may be included in the project's plan.	OPM	12/2018
Determine/monitor tax quota out of RGoB contribution Determine/monitor tax quota out of RGoB contribution	OPM	01/2019
RGOB Contribution a) Record all tax exemptions provided by RGOB as its share of contribution b) Obtain and record contribution from RGOB in respect of tax claimed from IFAD	AO, OPM	08/2019

Compliance with Loan Covenants	Rating: 4	Previous rating: 4
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Justification of rating

The project has generally complied with the financing covenants except for delayed submission of the audited accounts and claim of taxes from IFAD.

Main issues

The project has generally complied with the financing covenants except (i) delayed submission of the audit report and the PFS; and (ii) non-compliance of Schedule 2 of the financing agreement by claiming taxes in its WA.

Procurement

Procurement

Rating: 3

Previous rating: 4

Justification of rating

During the supervision mission, it was found that the implementing agencies had lack of awareness of the Procurement Rules and Regulations, Standard Bidding Documents to be used for different types of procurement method/value and preparation of specifications. There is no procurement expertise at the OPM as well because of which, there has been no support to the implementing agencies in procurement and at the same time the OPM has not been able to coordinate or monitor procurement activities of the Project. For the same reason, a contract register has not been maintained at the OPM.

One of the contracts reviewed during supervision at the ARDC Kanglung, for procurement of fodder chopping equipment with estimated cost of Nu. 3.3 million and National Competitive Bidding as the method in the Procurement Plan, the Bidding document used was for procurement of goods (up to Nu. 0.025 million). The method used was limited bidding and the Bidding document did not provide detailed technical specifications or quantity required. Contracts for works were carried out using the RGoB's e-Government Procurement System that ensured the use of right method, relevant bidding document, and documents well maintained.

Procurement Review

While the existing procurement plans have clearly packaged procurement activities with the relevant methods of procurement identified, however during implementation these activities have been merged with other activities/items for the ease of tendering process and methods of procurement have been changed. In some cases, even the bidding document was prepared using the Standard Bidding document, which is not relevant for the type of procurement that is being under taken. Lack of understanding of other evaluation methods and creation of lots/packages under a single tender and use of item wise evaluation has resulted in too many small contracts with many suppliers to handle, reducing efficiency and effectiveness.

A contract register has not been maintained and it is difficult to establish how many contracts have been awarded. Most procurement activities have been carried out by staff who have no procurement background. Record of documents or procurement documentation is poor in all the implementing agencies except for procurement of works where most of the documents required were available. During the period of review, only five procurement activities could be reviewed due to unavailability of contracts register, non-availability of concerned officer and lack of coordination between the OPM and implementing agencies.

Procurement and contract administration and management are decentralized at the implementing agency level. The OPM does not carry out any of the procurement activities and does not have a Procurement Officer who could have helped in coordinating and monitoring of project procurement activities. The Dzongkhag procurement officers and engineers have supported the implementing agencies in some of the implementing agencies but majority of the activities have been carried out by sector heads/officers concerned for that particular component.

Procurement activities, which were reviewed, indicate lack of understanding of the methods agreed in the procurement plan. There is also clear indication of lack of expertise in terms of preparing specifications for equipment, use of the standard bidding documents of the RGoB and contract documents to be prepared. Record keeping is a major issue with staff not knowing the need of proper documentation. However, there are no cases of issues or unresolved issues with any supplier or contractors. At the time of the review, some of the activities were yet to be procured with only a month left for closing of the financial year.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
The OPM will have a full time Procurement Expert A full time Procurement Expert will be recruited on contract by the OPM to coordinate and monitor procurement activities of the Project	OPM	08/2019
Procurement training A Procurement training will be conducted for the staff of OPM, gewogs, Dzongkhags and all other implementing agencies to create awareness and understanding of: RGoB's Procurement Guidelines Use of RGoB's e-Government Procurement System IFAD's Procurement Guidelines Use of IFAD's NOTUS system Documents to be retained Contract Management	OPM and IFAD	08/2019
Post review Post review of contracts will be carried out at least once in a year, towards end of the financial year and feedback will provided to the OPM	IFAD	05/2020

F. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Development Effectiveness		
Drudgery reduction Continue to explore drudgery reduction in activities predominantly carried out by women and introduce appropriate technologies and equipment.	OPM	08/2019
Introduction of rigorous economic analysis The investments and activities of the Programme should be appraised for generating net benefits to the households and groups as also positive effects on distribution of benefits along with strong business plans	OPM	
Targeting Programme should target poorer section of households to ensure inclusion both in production and marketing efforts. Some of the landless could be involved in marketing related activities and extension services provision after training	OPM	
Youth groups Youth groups should be prioritised on account of their market oriented outlook and willingness to work along commercial lines	OPM	

Women Leadership Train and encourage women to take up leadership positions in the community institutions under the Programme	OPM	
Sustainability and Scaling up		
Koufuku Collaboration with Koufuku International Through the revised MoU noted earlier and support to them to expand processing opportunities including for import substitution.	OPM/RLDC	
Project Management		
Handouts and information boards Start preparing handouts listing the name of each village, each gewogs, each community group, number of beneficiaries with disaggregated data, activities, type of assets provided, amount funded and cofinanciers. Install an information board in each project site at village/gewog level, for sharing the project services and support provided to all the communities.	OPM	10/2019
Recipe for Change Video documentary for Recipe for Change with an international chef	IFAD/OPM	10/2019
Learning Market Place Event In consultation with IFAD organize a national and regional event on Learning and Market Place Event to showcase the products from farmers and share knowledge	IFAD/OPM	11/2019
MIS System Review and assess the functionality of Planner	OPM/IFAD	11/2019
Strengthen collaboration OPM and extension services should work in more synergies and not only through Dzongkhag	OPM	11/2019
Role of OPM The strategic planning and oversight by OPM will also need to increase in Phase II. Planning processes need further streamlining - allocation decisions should be taken by OPM after discussions with all implementing partners – to ensure sequencing and avoidance of overlaps	OPM/NSC	
Component-wise AWPB allocations Budget allocations should be aligned to agencies' implementing capacity and mandates and based on needs rather than by cost-tables	OPM/implementing partners	
Financial Management & Execution		

Budgeting of counterpart funds OPM to increase the planning of those activities funded by the RGoB and at the same time monitor that overall districts' planning does not put in place activities overlapping with CARLEP that may be included in the project's plan.	OPM	12/2018
Reporting Enhance Interim Financial Progress and timely submit quarterly to IFAD	OPM	12/2018
Taxes – ineligible amounts Determine the ineligible amount of taxes charged to IFAD and provide communication to IFAD FO for refund/deduction from future WAs. Also track RGoB contribution provided as taxes.	OPM	12/2018
Determine/monitor tax quota out of RGoB contribution Determine/monitor tax quota out of RGoB contribution	OPM	01/2019
FCBL Analyse the breakdown of FCBL expenses which is mainly comprising salary cost (including those of the staff at stores) in order to determine what is/is not Recurrent Costs.	OPM	01/2019
Fixed Assets Full assets tagging and relevant reporting in asset registers, (i.e. starting to tag in ranking order from most expensive)	Finance OPM/ IUs	03/2019
E-Training on FM of IFAD funded projects All finance staff across CARLEP invited to undertake the IFAD FM e-learning (link has already been provided by the FMS to OPM).	OPM Finance	06/2019
Preparation of WA a) Calculate the taxes claimed so far and adjust the next WA by reducing this amount incorrectly claimed b) Ensure correct preparation of WA by not claiming taxes charged, advances paid and claim the full expenditure incurred before deduction of tax	AO, OPM	07/2019
The OPM will have a full time Procurement Expert A full time Procurement Expert will be recruited on contract by the OPM to coordinate and monitor procurement activities of the Project	OPM	08/2019

Procurement training A Procurement training will be conducted for the staff of OPM, gewogs, Dzongkhags and all other implementing agencies to create awareness and understanding of: RGoB's Procurement Guidelines Use of RGoB's e-Government Procurement System IFAD's Procurement Guidelines Use of IFAD's NOTUS system Documents to be retained Contract Management	OPM and IFAD	08/2019
RGOB Contribution a) Record all tax exemptions provided by RGOB as its share of contribution b) Obtain and record contribution from RGOB in respect of tax claimed from IFAD	AO, OPM	08/2019
Project Financial Statements a) Prepare financial statements in accordance with IFAD's reporting requirements and ensure that the financial statements are complete and accurate. b) For the year 2017-18, prepare the complete set of correct financial statements and get the audit verification done in respect of the revised PFS	AO, OPM	09/2019
Ring-fence CARLEP finance community OPM finance (i) to call, at least once a year, a FM workshop gathering all Carlep finance staff, (ii) OPM finance to provide one-to-one support through at least one visit per year at all IU (iii) and facilitate cross visit-cooperation of staff from adjacent districts.	OPM	12/2019
Post review Post review of contracts will be carried out at least once in a year, towards end of the financial year and feedback will provided to the OPM	IFAD	05/2020
Budgeting/costab Support OPM management in the feasibility of any exercise aimed at enhancing current costab/AWPB component classification (i.e. MYRB), providing a bridge/mapping of current expenditure to future plans.	OPM	
Budget planning Early and stronger engagement of Finance in the planning process, to come up with enhanced reporting on actual expenditure and residual balance, by IU and benchmarked as % of AWPB (cumulative/period)	OPM	
Submission of Withdrawal Applications Prepare quarterly WA and submit to IFAD promptly after the end of the quarter	AO, OPM	

Contract Register	All Implementing Units	
Maintain Contract Register to monitor contracts and also to plan the cash flow for ongoing contracts		

Commercial Agriculture and Resilient Livelihoods Enhancement Programme

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members							RIMS	Annual		
	Household members	141 562	28 975	99 068	13 500	37 174	37.5				
	1.a Corresponding number of households reached							RIMS	Annual		
	Non-women-headed households		3 382	28 975							
	Women-headed households		2 254	14 486							
	Households			28 975	3 375	9 011	31.1				
	1 Persons receiving services promoted or supported by the project										
	Females		11 088	55 053							
	Males										
	Young		200	2 000							
	Not Young										
	Indigenous people										
	Non-Indigenous people		21 417	110 105							
	Total number of persons receiving services										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Project Goal Sustainably increase smallholder producers' incomes and reduce poverty through commercialization of production within programme households	5 000 direct beneficiary HH in vegetable and dairy value chains report at least 25% increase in HH asset and income, as compared to baseline (disaggregated by HHs-head gender)							IFAD's Results and Impact Management System (RIMS) and baseline surveys			No major socio-economic slow down, or natural disasters Increasing support for collaboration between different Agencies, civil society and private sector to develop value chains - Continued MoAF support for innovative approaches Agricultural approaches and technologies primarily remain profitable - Programme investments are realized as designed
	% of increase in HH asset and income		12	25							
	15% reduction in the prevalence of child malnutrition, as compared to baseline							Programme M&E			
	% reduction child malnutrition	31.37		16.7							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Development Objective Increased returns to smallholder farmers through climate resilient production of crops and livestock in nationally organized value chains and marketing systems	≥ 30% increase in production of vegetables and dairy products							Baseline survey - Sector studies - Technical agencies' reports and studies Research and academic studies Programme M&E			No major socio-economic slow down, or natural disasters Increasing support for collaboration between different Agencies, civil society and private sector to develop value chains - Continued MoAF support for innovative approaches Agricultural approaches and technologies primarily remain profitable - Programme investments are realized as designed
	% increase in production		25	30							
	≥ 20,000 HH in vulnerable areas with increased water availability for agriculture production							Baseline survey - Sector studies - Technical agencies' reports and studies Research and academic studies Programme M&E			
	Households		2 276	20 000							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Outcome Community-based Resilient Agricultural Production has sustainably increased	6 000 HH adopt sustainable agricultural practices							Programme M&E reports - Contracted studies - RIMS and benchmark - Scientific and conference papers			Collaboration between Government Agencies/staff and non-state service providers is successful Royal Government of Bhutan (RGoB) complementary financing and supportive annual block grants (dzongkhags) is allocated and utilised
	Households		5 636	6 000							
Output Increased Production Resilience, Diversification and Innovation	≥ 23 000 (of which 50% are women) smallholder HH supported in coping with the effects of climate change with sustainable land management practices							Base line studies Programme progress report Line agencies' reports			RGoB earmarked funding (including other donors) of agricultural inputs and capacity development of farmer groups is allocated and utilised as per programme design - Capacity of Government Agencies/staff and non-state service providers is adequate to achieve results as per programme design
	Females		1 486	11 500							
	Households		3 665	23 000							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Output Vegetable Production Intensified and Expanded	300 new vegetable farmer groups (4 500 HH) established and functional; minimum 60% female members							Base line studies Programme progress report Line agencies' reports			RGoB earmarked funding (including other donors) of agricultural inputs and capacity development of farmer groups is allocated and utilised as per programme design - Capacity of Government Agencies/staff and non-state service providers is adequate to achieve results as per programme design
	No. of groups formed		34	300							
Output Dairy Production Intensified and Expanded	150 Smallholder Dairy Farmer Groups (450 HH) established and functional, with minimum 50% female members							Base line studies Programme progress report Line agencies' reports			RGoB earmarked funding (including other donors) of agricultural inputs and capacity development of farmer groups is allocated and utilised as per programme design - Capacity of Government Agencies/staff and non-state service providers is adequate to achieve results as per programme design
	No. of groups formed		21	150		8	5.3				
	Households receiving animals from distribution/restocking							RIMS	Annual		
	Households				265	511					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Outcome Increased smallholder income from Crop and Livestock Value Chains	70% of the agricultural enterprises established have a positive outlook on their profitability and sustainability							Programme M&E reports - RIMS and benchmark - Line agencies' reports - Sector studies and reports - Farmer satisfaction surveys			Willingness for collaboration between Government Agencies/staff, FCBL and non-state actors, including small entrepreneurs and businesses, to develop and manage value chains and market infrastructure
	% of positive outlook on profitability		20	70							
Output Resilient Vegetable and Dairy Value Chains developed	65 geogs have developed climate resilient vegetable and dairy production, marketing, and infrastructure management plans							Programme progress report Sector reports and studies			FCBL has adequate financial allocations to develop its own capacity next to programme support - Geogs are willing to develop more holistic (value chain based) geog plans for dairy and vegetables to guide programme investments and strengthen local institutions for climate resilience
	No. of geogs		30	65		6	9.2				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Output Agricultural Commercialization and Enterprise Development strengthened	200 agriculture enterprises (including cooperatives) established and strengthened as part of value chain development							Programme progress report - Sector reports and studies			Adequate number of interested and able entrepreneurs come forward to establish businesses - Access to finance for small rural agricultural entrepreneurs is adequately facilitated
	No. of enterprises		34	200	6	9	4.5				
	Other productive infrastructure constructed/rehabilitated							RIMS	Annual		
	No. of infrastructure		743	830	606	626	75.4				
	People in groups managing productive infrastructure							RIMS	Annual		
	Males				281	1 293					
	Females				320	881					
	Groups managing productive infrastructure formed/strengthened							RIMS	Annual		
	No. of groups formed		15	26	2	17	65.4				
	Crop/Livestock production groups formed/strengthened							RIMS	Annual		
	No. of groups					8					
	People trained on land management practices							RIMS	Annual		
	Males					146					
	Females					124					
	2.1.4 Supported rural producers that are members of a rural producers' organization							RIMs survey Impact Assessment Survey MIS	Annual	PMU	
	Females					40					
	Males					60					
	Indigenous people										
	Non-Indigenous people										
	Young										
Not Young											

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Women in leadership position										
	1.1.4 Persons trained in production practices and/or technologies										
	Women trained in crop				4 098	6 425					
	Men trained in crop				6 411	9 419					
	Young people trained in crop										
	Not young people trained in crop										
	Indigenous people trained in crop										
	Non indigenous people trained in crop										
	Men trained in livestock				2 823	4 940					
	Women trained in livestock				2 823	4 494					
	Young people trained in livestock										
	Not young people trained in livestock										
	Indigenous people trained in livestock										
	Non indigenous people trained in livestock										
	Men trained in forestry										
Women trained in forestry											

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Young people trained in forestry										
	Not young people trained in forestry										
	Indigenous people trained in forestry										
	Non indigenous people trained in forestry										
	Men trained in fishery										
	Women trained in fishery										
	Young people trained in fishery										
	Not young people trained in fishery										
	Indigenous people trained in fishery										
	Non indigenous people trained in fishery										
	Total persons trained in crop				10 509	15 844					
	Total persons trained in livestock				5 646	9 434					
	Total persons trained in forestry										
	Total persons trained in fishery										
	2.1.3 Rural producers' organizations supported							RIMS	Annual	PMU	

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Total size of POs										
	Rural POs supported			115	60	78	67.8				
	Males				4 177	4 177					
	Females				4 756	4 756					
	Young										
	Not Young										
	Indigenous people										
	Non-Indigenous people										
	Women in leadership position										
	2.1.6 Market, processing or storage facilities constructed or rehabilitated							RIMS	Annual	PMU	
	Processing facilities constructed/rehabilitated										
	Market facilities constructed/rehabilitated				21	47					
	Storage facilities constructed/rehabilitated										
	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated							RIMS	Annual	PMU	
	Hectares of land				199	571					
	3.1.4 Land brought under climate-resilient practices							RIMS	Annual	PMU	
	Hectares of land				0	52					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Output Community-driven Strategic Market Infrastructure developed	Vegetable and dairy value chain processing and marketing infrastructure designed and constructed in 10 dzongkhags							Programme progress report - Sector reports and studies			Complementary financing from RGoB and FCBL will be provided as earmarked
	No. of value chain processing and market infrastructure		53								
Outcome Strengthened Agricultural Institutions and Policies for Improved and Resilient Agricultural and Marketing Practices	≥ 70% of VC stakeholders report the use of market information in investment decision-making 60% of VC stakeholders report satisfaction with the policy and regulatory framework as providing a fair distribution of incentives, costs, benefits, and risks							Programme M&E reports - Line agencies' - Department of Agriculture Marketing and Cooperatives (DAMC), FCBL and Business Opportunity and Information Centre (BOiC) reports - Sector studies and reports - Programme survey			MoAF will pro-actively implement the 11th FYP strategy for enabling private sector engagement and participation within the process of commercialisation of agricultural development
	% of stakeholders reporting use of market information	15	30	70							
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices							RIMS	Annual		
	Households		58								
	Total number of household members		11 807								
	Males		7 019								
	Females		1 260								
	Young										
	Not Young										
	Indigenous people										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Non-Indigenous people										
	Women-headed households		1 260								
	Non-women-headed households		1 847								
	Households		3 107	20 283							
	3.2.3 Households reporting a significant reduction in the time spent for collecting water or fuel							RIMS	Annual		
	Households		20	30							
	Households		1 700	8 693							
	Total household members		6 460								
	Males		3 872								
	Females		2 588								
	Young										
	Not Young										
	Indigenous people										
	Non-Indigenous people										
	Women-headed households										
	Non-women-headed households		681								
	1.2.3 Households reporting reduced water shortage vis-à-vis production needs										
	Households		6 087								
	Households										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Total household members		4 838		921	921					
	Males		1 361								
	Females		3 477								
	Young										
	Not Young										
	Indigenous people										
	Non-Indigenous people										
	Women-headed households		915								
	Non-women-headed households		5 172								
	Poor smallholder household members supported in coping with the effects of climate change							RIMS	Annual	PMU	
	Males				160	1 442					
	Females				160	720					
	Total household members			115 000	320	2 162	1.9				
	Households supported with increased water availability or efficiency							RIMS	Annual	PMU	
	Households			10 000	1 267	3 186	31.9				
	Individuals engaged in NRM and climate risk management activities							RIMS	Annual	PMU	
	Total			30 000	820	820	2.7				
	Males										
	Females										
	Community groups engaged in NRM and climate risk management activities							RIMS	Annual	PMU	

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Groups			65							
	Group members - females										
	Group members - males										
	Group members (total)										
Output Strengthened value chain and marketing knowledge and communication	Market Information System MoAF/DAMC providing relevant (real-time) information to farmers							Programme M&E reports Line agencies', DAMC, FCBL and BOiC reports Sector studies and reports			Adequate technical and process support is provided to develop the models and approaches on the ground, to access learning and to document good practice (presently a weak part of IFAD projects)
	No of market information system			1	1	1	100				
	2.1.2 Persons trained in income-generating activities or business management							RIMS	Annual	PMU	
	Females		324		576	1 362					
	Males		486		864	1 389					
	Indigenous people										
	Non-Indigenous people										
	Young										
	Not Young										
	Persons trained in IGAs or BM (total)										
	1.1.4 Persons trained in production practices and/or technologies							RIMS	Annual	PMU	
	Women trained in crop										
	Men trained in crop										
	Young people trained in crop										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Not young people trained in crop										
	Indigenous people trained in crop										
	Non indigenous people trained in crop										
	Men trained in livestock					1 100					
	Women trained in livestock					653					
	Young people trained in livestock										
	Not young people trained in livestock										
	Indigenous people trained in livestock										
	Non indigenous people trained in livestock										
	Men trained in forestry										
	Women trained in forestry										
	Young people trained in forestry										
	Not young people trained in forestry										
	Indigenous people trained in forestry										
	Non indigenous people trained in forestry										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Men trained in fishery										
	Women trained in fishery										
	Young people trained in fishery										
	Not young people trained in fishery										
	Indigenous people trained in fishery										
	Non indigenous people trained in fishery										
	Total persons trained in crop										
	Total persons trained in livestock					1 753					
	Total persons trained in forestry										
	Total persons trained in fishery										
Output Climate change resilience and value chain development lessons mainstreamed in agricultural policies and sector strategies	Enhanced engineering norms for building climate resilient irrigation systems							Programme M&E reports Line agencies' reports Sector studies and reports Policy documents Regulatory framework document for private sector and PPP			Dialogue and collaboration between Government Agencies/staff and external stakeholders is successful and generates meaningful lessons and insights for policy development
	No. of norms										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Vegetable and dairy development policies enhanced based on multi-stakeholder consultation processes and programme lessons (resilience, value chain and marketing)							Programme M&E reports Line agencies' reports Sector studies and reports Policy documents Regulatory framework document for private sector and PPP			
	No. of policies			1							
	Regulatory framework for private sector development and PPP in agriculture sector developed							Programme M&E reports Line agencies' reports Sector studies and reports Policy documents Regulatory framework document for private sector and PPP			
	No. of framework										
	3.1.2 Persons provided with climate information services							RIMS	Annual		
	Males					6					
	Females					86					
	Young					90					
	Not Young										
	Indigenous people										
	Non-Indigenous people										
	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated							RIMS	Annual		
	Hectares of land					372					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	1.1.3 Rural producers accessing production inputs and/or technological packages							RIMS	Annual	PMU	
	Females				110	5 126					
	Males				286	5 019					
	Young										
	Not Young										
	3.1.3 Persons accessing technologies that sequester carbon or reduce greenhouse gas emissions							RIMS	Annua		
	Males				260	272					
	Females				360	360					
	Young										
	Not Young										
	Indigenous people										
	Non-Indigenous people										
	Government officials and staff trained										
	Males				12	76					
	Females				3	18					
	2.1.1 Rural enterprises accessing business development services							RIMS	Annual	PMU	
	Rural enterprises										
Number of groups supported to sustainably manage natural resources and climate-related risks											
Number of groups supported by crops sector				5	88						

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Number of groups supported by livestock sector				81	113					
	Natural resource manage groups with women in leadership positions										
	2.1.2 Persons trained in income-generating activities or business management							RIMS	Annual	PMU	
	Females					786					
	Males					525					
	Number of members of the project-supported enterprise										
	Males				5	30					
	Females				81	126					
	Young				5	30					
	Number of project-supported enterprise with women in leadership positions				3	25					
	Number of project-supported enterprise headed by young farmers				6	9					
	2.1.6 Market, processing or storage facilities constructed or rehabilitated							RIMS	Annual	PMU	
	Processing facilities constructed/rehabilitated										
	Market facilities constructed/rehabilitated				21	47					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Storage facilities constructed/rehabilitated										
	International and country dialogues on climate supported							RIMS	Annual	PMU	
	Dialogues			1							
	Land under climate-resilient practices							RIMS	Annual	PMU	
	Land area				92	711					

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Commercial Agriculture and Resilient Livelihoods Enhancement Programme Supervision Report

Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category

Mission Dates: 1 - 15 June 2019
Document Date 13/08/2019
Project No. 1100001739
Report No. 5110-BT

Asia and the Pacific Division
Programme Management Department

Appendix 1: Financial: Actual financial performance by financier; by component and disbursements by category

Table 1A: Financial performance by financier		(amount in USD' 000)	
Financier	Approval	Disbursements (upto May 2019)	% disbursed
IFAD Loan	8,273	4,056	49.02%
IFAD Grant	1,073	697	64.96%
ASAP Grant	5,023	1,748	34.81%
Government	5,739	484	8.44%
FCBL	4,802	669	-
Beneficiary Contribution	659	187	28.40%
Total	25,568	7,841	30.67%

Note: IFAD Loan, Grant and ASAP Grant disbursement upto 31 May 2019. For others upto 31 March 2019

Table 1B: Financial performance by financier by component upto 31-03-2019

(Amount in USD '000)

Annex 12: Financial performance by component by component type (USD 000)																							
	Component	IFAD Loan			IFAD Grant			ASAP Grant			Government			FCBL			Beneficiaries			Total			
		Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	
1	Market led Sustainable Agriculture Production	4,809	1,907	40%	400	113	28%	3,025	858	28%	4,196	209	5%	-	-	-	659	187	28%	13,088	3,275	25%	
2	Value Chain Development and Marketing Support	3,150	487	15%	174	32	19%	1,729	127	7%	599	14	2%	4,281	-	-	-	-	-	-	9,933	661	7%
3	Institutional Support & Policy Development	144	7	5%	34	-	-	269	-	-	14	-	-	-	-	-	-	-	-	461	7	2%	
4	Project Management, Co-ordination and M&E	171	17	10%	465	205	44%	-	28	-	930	260	28%	522	669	128%	-	-	-	2,088	1,180	57%	
	Total	8,274	2,418	29%	1073	350	33%	5,023	1,013	20%	5,738	484	8%	4,802	669	14%	659	187	28%	25,569	5,122	20%	

Table 1C (i): IFAD Loan Disbursements (SDR as at 31-05-2019) - 2000000627

Code	Categories	Original Allocation	Disbursements	WA pending	Balance	% disbursed
200003	Works	1,890,000	547,370	-	1,342,630	28.96%
200012	Grants and Subsidies	180,000	-	-	180,000	0.00%
200013	Goods, Services and Inputs	2,000,000	1,123,733	-	876,267	56.19%
200019	Training	1,230,000	166,600	-	1,063,400	13.54%
270001	Authorized Allocation	-	1,049,030	-	(1,049,030)	100.00%
290001	Unallocated	590,000	-	-	590,000	0.00%
	Total	5,890,000	2,886,732	-	3,003,268	49.01%

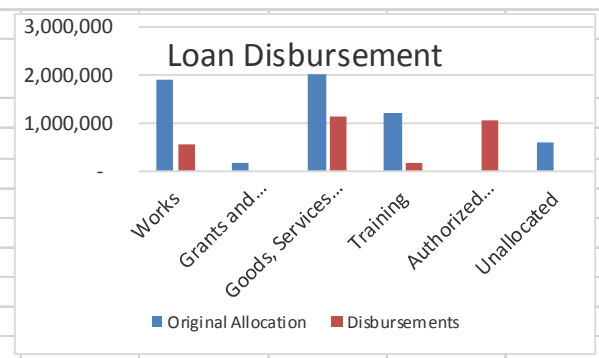


Table 1C (ii): IFAD Grant Disbursements (SDR as at 31-05-2019) 2000000838

Code	Categories	Original Allocation	Disbursements	WA pending	Balance	% disbursed
200012	Grants and Subsidies	40,000	-		40,000	-
200013	Goods, Services and Inputs	210,000	139,939	-	70,061	67%
200016	Operating Costs	70,000	11,406	-	58,594	16%
200019	Training	370,000	204,965	-	165,035	55%
270001	Authorized Allocation	-	142,276	-	(142,276)	100%
290001	Unallocated	70,000	-	-	70,000	-
	Total	760,000	498,586	-	261,414	66%

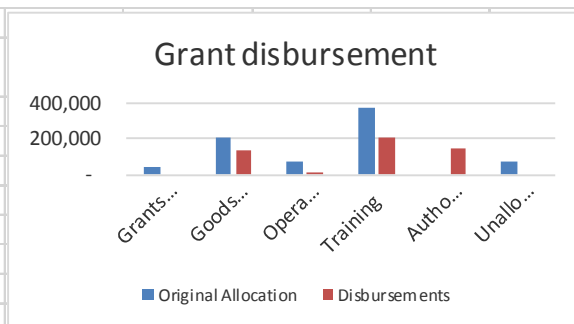
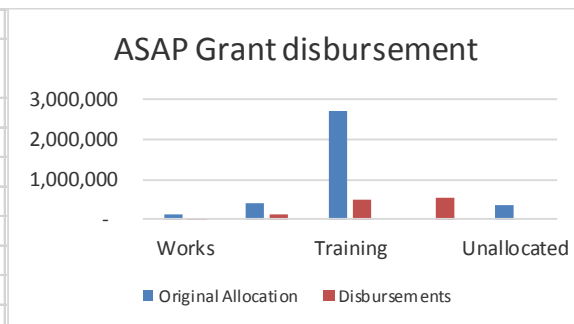


Table 1C (iii): ASAP Grant Disbursements (SDR as at 31-05-2019) 2000000872

Code	Categories	Original Allocation	Disbursements	WA pending	Balance	% disbursed
200003	Works	120,000	3,368		116,632	3%
200013	Goods, Services and Inputs	400,000	151,271	-	248,729	38%
200019	Training	2,700,000	521,248	-	2,178,752	19%
270001	Authorized Allocation	-	567,364	-	(567,364)	100%
290001	Unallocated	360,000	-	-	360,000	-
	Total	3,580,000	1,243,251	-	2,336,749	35%



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Appendix 2: Physical progress measured against AWP&B

Mission Dates: 1 - 15 June 2019
Document Date 13/08/2019
Project No. 1100001739
Report No. 5110-BT

Asia and the Pacific Division
Programme Management Department

Component/Outcome <i>Sub-component or Output</i>	Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target		
			19						
			AWP&B	Actual	%			%	
Component 1: Market-led Sustainable Agriculture Production									
Output 1.1. Increased production resilience and diversification in agriculture									
1.1.A	Climate Smart Agriculture Production and Management								
1	Upgrading of existing farmer groups	No. of farmers Groups upgraded	No.	9	6	67	19	6	317
2	Training of extension agents	No. of EAs trained	No.	30	27	90	46	200	23
3	Production inputs for farm resilience and diversification(Agriculture)	Area under farm resilience and diversification	Acre	52	264	508	1162.01	194	599
4	Production inputs for farm resilience and diversification (Livestock - Poultry)	No of native poultry units promoted	No.	70	27	39	277	368	75
5	Production inputs for farm resilience and diversification (Livestock - Piggery)	No. of native piggery units promoted	No.	38	26	68	46	240	19
6	Production inputs for farm resilience and diversification (Livestock - Goat)	No. of goat promoted	Nos.				54	0	
7	Production support fund	Amount supported	Nu.					0	
8	Promotion of SLM techniques	Area under SLM	Acres				76.5	150	51
9	Land development	Area under land development	Acres				128.14	300	43
10	Local germplasm collection, conservation and promotion	No. of lines	No.				67	70	96
11	Crop diversification(Cereals, oil seeds, pulses& fruits)	Area under diversification	Acre	12	33	275	798.35	3000	27
1.1.B	Innovation through Permaculture & Biogas								
1	Farm level rainwater harvesting infrastructure	No. of infrastructure established	No.	2	0		3	12	25
2	Seed and seedlings	Area covered	Acre	50	60.78	122	111.51	72	155
3	Tools for permaculture	Sets of tools supplied	No.	7	7		7	12	58

Component/Outcome <i>Sub-component or Output</i>		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			%
4	Inputs for permaculture (livestock)	No. of units supported	No.				14	30	47
5	Bee Keeping	No. of household supported	No.	36	47	131	7	30	23
6	Inputs for permaculture (agriculture)	No. of units supported	No.					0	
7	Nursery set up	No. of nurseries set up	No.				31	2	1550
8	Training course on permaculture	No. of training conducted	No.	1	1	100	1	1	100
9	Staff training on permaculture	No. of staff trained	No.					0	
10	Farmers training on permaculture	No. of farmers trained	No.				176	120	147
11	Permaculture materials & translation	No. of materials published	No.				1	4	25
12	Biogas digester	No. of biogas digester promoted	No.	330	200	61	12	12	100
13	TA biogas	No. of TA recruited	No.				0	0	
14	SLM practices	Area coverage	Acre				32	12	267
1.1.C	Innovation through ICTs								
1	Hand-held tablets, software and soil test kits	No. of ICT tools introduced	No.					100	0
2	Training on tablet-based soil monitoring technology	No. of training conducted	No.					4	0
3	Training on report writing documentation and information sharing	No. of training conducted	No.				2	0	
4	Pilot e-reporting system	No. of e-reporting system	No.				1	0	
5	Information management dissemination	No. of publication							
1.1.D	Increase Outreach of Extension Services								
1.1.D.1	Strengthening & expansion of the Lead Farmer Model								
1	Training of trainers (ToT)	No. of ToT conducted	No.				4	17	24

Component/Outcome Sub-component or Output		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			%
2	Training of lead farmers	No. of lead farmers trained	No.	40	35	88	136	355	38
3	Development of training material and field manuals	No. of training materials developed	No.	2	2	100	3	11	27
4	Farmer-to-farmer trainings	No. of F-F training conducted/No of farmers trained	No.				43	60	72
5	Lead model scaling-up training	No. of lead model scaling-up trained	No.	30	17	57	12	0	
6	Farmer field festivals	No. of Farmers field festivals convened	No.	5	12	240	24	0	
7	Workshops (planning, review, evaluation)	No. of Workshops conducted	No.	6	10	167	9	4	225
8	Documentation and systematization	Documents produced	No.				3	0	
9	Protected gear kits for extensions	No. of Kits supplied	No					362	0
1.1.D.2	Demonstration inputs & equipment for lead farmers								
1	Production inputs	Area under production inputs	Acre	40	50	125	10.18	130	8
3	Poly-tunnels	No. of poly-tunnels set up	No.	40	48	120	106	40	265
1.1.E	Resilient & Water Use Efficient Irrigation Development								
1.1.E.1	Training on Climate Resilient Irrigation								
1	District engineers and extension agents (design and construction)	No. of DEs and EAs trained on climate resilient irrigation	No.	6	1	17	34	0	
2	Water Users Associations (O&M)	No. of WUAs trained on Climate resilient irrigation	No.	2	7	350	12	0	
3	Preparation of manual for upgrading irrigation engineering norms	Manual for upgrading Irrigation Engineering	No.				7	0	

Component/Outcome Sub-component or Output		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			
		norms prepared							
1.1.E.2	Irrigation Infrastructure								
1	Feasibility studies	No. of Feasibility studies conducted	No.				2	2	100
2	Renovation of irrigation infrastructure	Irrigation Infrastructure renovated (Area coverage)	Acre	202	414	205	1715.49	864	199
3	Pilot irrigation schemes	No. of Pilots irrigation schemes developed	No.	4	4	100	149	0	
4	Quality control and supervision	No. of quality control and supervision conducted	No.	4	4	100		0	
5	Promotion of water use efficient technologies	No. of improved irrigation system	No				12	47	26
6	Formation and strengthening of water user associations	No. of water user association formed	No				22	30	73
1.1.F	Strengthening of Local Institutions on Smallholder's Climate Resilience								
1	Awareness on climate smart Agriculture	No. of awareness conducted	No.				6	12	50
2	Development of business model and sustainability plan for service and O&M	No. of business model and sustainability plan developed	No.	1	0			0	
3	Upgrading of farm roads to climate resilient standards	No. or length of farm roads upgraded to climate resilient standards	No./Km	1	0		35.6	0	
4	Capacity development of existing farmer groups, WUG and RUG	No. of FGs, WUGs and RUGs trained	No.	1	5	500	34	18	189

Component/Outcome Sub-component or Output		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			
5	Updating of O&M models for irrigation and farm roads	No. of O&M models developed for irrigation & farm roads	No.	6	4	67	58	0	
1.1.G	Technical Assistance (C1)								
1	Recruitment of National TA done	No. of TA recruited	No.					0	
Output 1.2: Intensification & Expansion of Vegetable Production									
1.2.A	Development of training and extension material								
1	Training & extension material developed	No. of training & extension materials developed	No.	2	2	100	2	3	67
1.2.B	Capacity Development of Vegetable Production Groups								
1.2.B.1	Awareness & Mobilization								
1	Awareness and mobilization carried out	No. of awareness & mobilization conducted	No.	9	26	289	50	54	93
1.2.B.2	Training on Production Techniques & Post-harvest Management								
1	Training on vegetable production techniques	No. of farmers training conducted	No.	200	82	41	95	120	79
2	Retraining on vegetable production techniques	No. of farmers training conducted	No.	9	0		32	0	
3	Training on post-harvest management	No. of farmers trained on post-harvest management	No.	200	44	22	289	120	241
4	Retraining on post-harvest management	No. of farmers retrained on post-harvest management	No.	600.00	0.00		266	0	
5	Exchange visits for farmers	No. of farmers sent on exchange visits	No.	13	11	85	65	10	650
1.2.B.3	Commercial production by farmers groups								
1	Commercial production by farmers groups promoted	Area under commercial production	Acre				310.1	58	535

Component/Outcome <i>Sub-component or Output</i>		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			%
1.2.C	Vegetable Seed Research & Production								
1	Developing packages of practice (extension material)	No. of extension materials produced on vegetable see production	No.	2	1	50	1	2	50
2	Training and certification of vegetable seed growers	No. of vegetable seed growers trained on seed certification	No.	20	19	95	17	65	26
3	Equipment and input support vegetable seed growers	No. of Equipment supplied to veg. seed growers	No.	7	2	29	44	65	68
4	Retraining of vegetable seed growers	No. of veg. seed growers retrained	No.				12	0	
5	Seed processing units vegetable seed farm NSC	No. of seed processing units supported	No.				2	0	
6	Glasshouse construction vegetable seed farms NSC	No. of glasshouse constructed	No.				2	0	
1.2.D	Provision of Vegetable Production Inputs								
1	Provision of stress tolerant vegetable seeds	Quantity of vegetable seeds supplied	Kg/Pkts	4	10	250	724.18	180	402
2	Water efficient irrigation	Area under water efficient irrigation system	Acre	900	252	28	1039.78	840	124
3	Small post-harvest equipment	No. of small post-harvest equipment promoted	No.	290	13	0	2124	0	
Output 1.3: Intensification & Expansion of Dairy Production									
1.3.A	Development of training & extension materials								
1	Training & Extension materials developed	No. training & extension materials developed on dairy	No.	3	0		2	3	67

Component/Outcome <i>Sub-component or Output</i>		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			
		production							
1.3.B	Capacity Development of Dairy Production Groups								
1.3.B.1	Awareness & Mobilization								
1	Awareness & Mobilization Carried Out	No. of Dairy groups sensitized and mobilized	No.	16	28	175	27	50	54
1.3.B.2	Training on Good Dairy Management Practices								
1	Training on livestock husbandry	No. of dairy groups or individuals trained on livestock husbandry	No.	29	36	124	62	75	83
2	Retraining on livestock husbandry	No. of dairy groups or individuals retrained on livestock husbandry	No.	59	0		18	0	
3	Training on clean milk production	No. of dairy groups or individuals trained on clean milk production	No.	38	26	68	67	150	45
4	Retraining on clean milk production	No. of dairy groups or individuals retrained on clean milk production	No.	50	0		54	0	
5	Training on farm record keeping	No. of dairy groups or individuals trained on farm record keeping	No.	36	7	19	130	65	200
6	Retraining on farm record keeping	No. of dairy groups or individuals retrained on farm record keeping	No.	42	0		36	0	
1.3.C	Improved Services Outreach through CAHWs & Lead Farmers								
1.3.C.1	CAHW Model								
1	CAHW model development and packaging	No. of CAHW model developed	No.	1	1	100	2	2	100

Component/Outcome Sub-component or Output		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			%
2	Training of trainers (ToT)	No. of ToT conducted on CAHW & lead farmers	No.	1	1	100	2	2	100
3	Training of CAHWs	No. of CAHWs trained	No.	20	22	110	113	60	188
4	Retraining of CAHWs	No. of CAHWs retrained	No.	26	0			0	
5	Kits for AI practitioner	No. of Kits supplied	No.				64	80	80
6	Transport facilities for CAHWs	No. of CAHWs supported with transport facilities	No.	15	20	133		30	0
7	Stipend for CAHWs	Amount disbursed	Nu.	45				90	0
1.3.D	Support to Fodder & Feed Production								
1	Perennial fodder in fallow and marginal land	Area of fallow & marginal land under perennial fodder	Acre	145	560	386	730.8	1500	49
2	Winter fodder crop demonstration and seed supply	Area under Winter fodder	Acre	28	301	1075	965.11	230	420
3	Training of feed producers	No. of feed producers trained	No.	10	60	600	90	15	600
4	Chopping machine (for dairy groups)	No. of chopping machines supplied	No.	57	151	265	48	57	84
5	Training on use of crop residues and feed/fodder	No. of training conducted	No.	34	25	74	16	40	40
1.3.E	Provision of Dairy Production Inputs								
1	Milk cans	No. of Milk cans supplied	No.	1105	511	46	869	0	
2	Cross-breed cattle	No. of cross-breed cattle supported	head	190	257	135	776	790	98
4	Shed construction	No. of sheds constructed	unit	215	186	87	965	770	125

Component/Outcome <i>Sub-component or Output</i>		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			
5	Equipment dairy production groups	No. of equipment supplied to dairy producer groups	No.	267	458	172	17	0	
6	Refrigerators for schools	No. of refrigerators supplied to schools	No.					75	0
Component 2: Value Chain Development & Marketing Support									
Output 2.1: Development of Resilient Vegetable & Dairy Value Chains									
2.1.A	Strengthening of FCBL for Value Chain Development								
1	Design of organizational strategy, business plan and capacity development plan	Organizational development strategy, business plan and capacity development plan in place	Strategy & Plan				1	1	100
2	Capacity development activities	No. of staff trained on value chain development	No.	11	0		346	4	8650
2.1.B	Vegetable value-chain design and business plan								
1	Vegetable value chain plans prepared	Vegetable value-chain design & business plan in place	Plan				1	3	33
2.1.C	Dairy value-chain design and business plan								
1	Dairy value chain business plans prepared	Dairy value-chain design & business plan in place	Plan				1	3	33
2.1.D	Value Chain Development, Strengthening and Expansion								
1	Multi Stakeholders facilitation process	No. of stakeholders engaged or consulted	No.	1	3	300	6	4	150
2.1.E	Technical Assistance (C2)								
1	National/External TA	No. of National/External TA	No.	1	1	100		72	0

Component/Outcome <i>Sub-component or Output</i>	Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
			AWP&B	Actual	%			%
	recruited							
Output 2.2: Agricultural Commercialization & Enterprise Development strengthened								
2.2.A	Support to Agriculture Enterprise Development							
1	Support to Agriculture Enterprise Development	No of Agriculture Enterprises supported	No.				200	0
2.2.B	Support to Marketing Groups							
1	Awareness on marketing groups	No. of Marketing groups sensitized	No.			73	20	365
2	Strengthening of existing marketing and cooperative capacity development packages	No. of marketing & cooperative capacity development packages strengthened	No.	1	1	100	1	0
3	Development of training material for dairy processing	No. of training materials on dairy processing developed	No.			3	2	150
4	Identification of marketing groups	No. of marketing groups identified	No.				0	
2.2.C	Training on Marketing Groups							
1	Formation of vegetable marketing groups	No. of vegetable marketing groups formed	No.	25	20	80	18	14
2	Formation of dairy marketing groups	No. of dairy marketing groups formed	No.	15	8	53	13	14
3	Training in marketing & value-chain	No. of groups or individual farmers trained on marketing & value-chain	No.	130	180	138	40	9
4	Training in packaging & handling	No. of groups or individual farmers trained on packaging & handling	No.	142	100	70	39	9

Component/Outcome <i>Sub-component or Output</i>		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			
5	Social inclusion fund	Amount of fund disbursed	Million Nu.					3.25	0
2.2.D	Support to Entrepreneurs								
1	Development of training packages for agriculture entrepreneurs	No. of training packages developed for agriculture entrepreneurs	No.	1	0	0	1	2	50
2	Entrepreneur identification and engagement process	No. of entrepreneurs identified and engaged	No.					1	0
2.2.E	Other Trainings to Groups, Cooperatives & Entrepreneurs								
1	Training provided to other groups and entrepreneurs	No. of groups, coops & entrepreneurs trained	No.	60	14	23	68	0	
2.2.F	Multi-stakeholder Platforms & Network development								
2.2.F.1	Multi-stakeholder platforms and network development								
1	Multi-stakeholder platforms and networks developed	No. of platforms & networking established	No.	1	3	300	2	3	67
Output 2.3: Development of Community-driven Market Infrastructure									
2.3.A	Planning & Design								
1	Business plan-based planning of market infrastructure	No. of market infrastructure developed based on business plan	No.	1	1	100	2	3	67
2	Development of business plans for 3 windows shops	No. of Developments windows shops convened	No.				2	2	100
2.3.B	Vegetable Value-chain, Post-harvest & Market Infrastructure & Equipment								
1	Value-chain equipment	No. of value-chain equipment promoted	No.	1	1	100	6	3	200
2	Value-chain infrastructure	No. of value-chain infrastructure put in	No.	5	1	20	2	3	67

Component/Outcome Sub-component or Output		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			
		place							
3	Transportation (Vehicle)	No. of vehicles purchased	No.					0	
2.3.C	Dairy Value-chain Post-harvest & Market Infrastructure & Equipment								
1	Construction of milk collection sheds	No. of milk collection shed constructed	No.	17	0	0	33	90	37
2	Equipment of milk collection sheds	No. of equipment set up in milk collection sheds	No.					114	0
3	Construction of milk collection centers with chilling facilities	No. of milk collection centers with chilling facilities	No.	5	5	100	67	0	
4	Milk chillers	No. of milk chillers supplied	No.	2	11	550	20	24	83
5	Milk quality test equipment	No. of milk quality testing equipment supplied	No.	8	92	1150	28	24	117
6	Milk Analyser	No. of milk analysers supplied	No.	1	11	1100		24	0
7	Milk processing unit	No. of milk processing unit established	No.	1	1	100	22	0	
8	Milk processing equipment	No. of milk processing equipment supplied	No.	1	5	500		0	
9	Milk chilling van	No. of milk chilling van provided	No.	1	0	0		4	0
Component 3: Institutional Support & Policy Development									
Output 3.1: Strengthened Value-Chain & Marketing Knowledge and Communication									
3.1.A	Strengthening of the DAMC Market Information System								
1	Strengthening of the DAMC market	DAMC MIS	MIS	1			1	2	50

Component/Outcome Sub-component or Output		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			
	information system	strengthened							
2	Equipment related to Market Information System upgrade	No. of equipment supplied for MIS upgradation	No.	1			4	0	
3.1.B	Curriculum development of RNR Training and Education institutes								
1	Curricula for RNR Training & Education Institutes Developed	No. of curriculum developed	No.					2	0
Output 3.2: Mainstreaming Climate Change Resilience & Value Chain Development Lessons into agricultural policies and sector strategies									
3.2.A	Participatory policy development and monitoring approach								
1	Participatory Policy Development Approaches Developed	No. of participatory policy development process or approach initiated	No.					2	0
3.2.B	Mainstreaming climate resilience and value chain development lessons in agricultural policies								
1	Policy Notes Developed, incorporating lessons from Climate Resilient Value Chain Development	No. of Policy Notes developed based on Climate resilience & and value chain development lessons	No.					3	0
3.2.C	Development of a regulatory framework for PPP								
1	Regulatory Frameworks for PPP	A regulatory framework for PPP developed	Framework					2.5	0
3.2.D	Technical Assistance (C3)								
1	National/International TA	No. of Nationals/International TA recruited	No.					8	0
2	Support budget RNR training and education institutes	Amount supported	No.					3	0
3	Support budget climate resilience mainstreaming	Amount supported	No.					4	0

Component/Outcome <i>Sub-component or Output</i>		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			
4	Support budget PPP regulatory framework	Amount supported	No.					3	0
Component 4: Project Management, Coordination and M&E									
4.1.	Project Management Unit								
4.1.A	Material & Equipment								
1	Vehicles	No. of vehicles purchased	No.				1	2	50
2	Laptops	No. of laptops purchased	No.				10	12	83
3	Printer	No. of printers purchased	No.				10	5	200
4	Scanner	No. of scanners purchased	No.	1	0		1	2	50
5	Photocopier heavy duty	No. of heavy duty photocopier purchased	No.				1	2	50
6	Office equipment	Stes of office equipment purchased	Set	15	15	100	6	5	120
4.1.B	Capacity Building								
1	Training on gender	No. of staff trained on gender	No.	1	0		1	1	100
2	Training on knowledge management	No. of staff trained on KM	No.	1	0		1	1	100
3	Training on monitoring and evaluation	No. of staff trained on M&E	No.	1	1	100	1	1	100
4	Training on financial management	No. of staff trained on FM	No.	1	1	100	1	6	17
4.1.C	Coordination								
1	Coordination meetings with Dzongkhags	No. of Dzongkhags coordination meeting held	No.	6	2	33	5	7	71

Component/Outcome <i>Sub-component or Output</i>		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			%
4.1.D	Food Corporation of Bhutan								
4.1.D.1	Material and equipment								
1	Materials and Equipment Procured for FCBL	No. of Materials and equipment procured by FCBL	No.				3	205	1
4.1.E	Monitoring & Evaluation								
1	Baseline and impact studies	No. of baseline & impact studies conducted	No.				1	1	100
2	Programme Supervision Mission	No. Of Mission	No.	2	2	100	4	14	29
3	Annual outcome surveys	No. of AOS conducted	No.	1	1	100	2	3	67
4	Mid-term review	Mid-term review conducted	Mission	1	1	100		1	0
5	Project completion report	PCR prepared	Report					1	0
4.1.F	Knowledge Management								
1	Printing and publications	No. of quality KM products published	No.	1	1	100	6	7	86
2	Setting up IMS (CARLEP Webpage)	Web page established	No.				1	1	100
3	Multi-stakeholder platform and networking	No. Of platforms & networks established	No.					0	
4	Workshops and meetings	No. of workshops & meetings conducted	No.	2	3	150	3	4	75
4.2.A	OPM, Mongar								
1	National Program Director	No. of months Paid	Months	12	12	100	44	84	52
2	Finance Manager	No. of months Paid	Months	12	12	100	44	84	52
3	Accountant	No. of months Paid	Months	12	12	100	32	84	38
4	M&E and Gender Manager	No. of months Paid	Months	12	12	100	42	84	50
5	Project Support Officer	No. of months Paid	Months	12	12	100	44	84	52
6	KM Officer	No. of months Paid	Months	12	12	100	44	84	52

Component/Outcome <i>Sub-component or Output</i>		Indicator	Unit	Period: 01-01-18 to 30-06-19			Cumulative Actual	Appraisal Target	
				AWP&B	Actual	%			
7	Component Manager (Agriculture Production)	No. of months Paid	Months	12	12	100	44	84	52
8	Component Manager (Livestock Production)	No. of months Paid	Months	12	12	100	32	84	38
9	Component Manager (Value-chain and Marketing)	No. of months Paid	Months	12			44	84	52
10	Dy. Manager-RAMCO	No. of months Paid	Months				44	84	52
11	Office Assistant	No. of months Paid	Months				24	84	29
12	Driver (x2)	No. of months Paid	Months				88	168	52
4.2.B	Liaison Office, Thimphu								
1	IFAD Focal Officer, PPD	No. of months Paid	Months				44	84	52
2	IFAD Focal Officer, AFD	No. of months Paid	Months				44	84	52
4.2.C	Operating Cost, Project Management Unit								
1	Vehicle operation and Maintenance	No of Vehicles	LPS	5	2	40	2.896		
2	Maintenance of Building	Lump sum	LPS				1.593		
3	Maintenance of Equipment	Lump sum	LPS				0.17		
4	Utilities - telephone, internet, electricity, water, sewerage, fax, post, etc.	Lump sum	LPS				1.44		
5	Office supplies	Lump sum	LPS	11	11	100	8.44		
6	Travel and Meetings	Lump sum	LPS	2	2	100	5.79		

Bhutan

Commercial Agriculture and Resilient Livelihoods Enhancement Programme Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 1 - 15 June 2019
Document Date 13/08/2019
Project No. 1100001739
Report No. 5110-BT

Asia and the Pacific Division
Programme Management Department

Appendix 3: Compliance with financing agreement covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status
E Clause 2	<i>Conditions precedent to withdrawal</i>	Before first withdrawal	
(a)	The OPM shall have been duly established and staffed		Complied
(b)	IFAD's no-objection to the PIM shall have been obtained		Complied
(c)	The Designated Accounts have been opened and authorized signatories have been communicated to IFAD		Complied
(d)	The subsidiary agreement between MoAF and FCBL shall have entered into force		Complied
Sch I-Section II Clause 6	The NPSC shall meet at least half yearly (and/or quarterly as needed)		Ongoing compliance
Clause 7	The MoAF shall establish Regional Programme Implementation Committee for the Programme		Complied
General Conditions for Agricultural Development Financing			
4.01	<i>Account and Withdrawals</i> The Fund shall open a Loan Account and a Grant Account in the name of the Borrower	On Loan effectiveness (11-12-2015)	Complied
4.02	No withdrawal shall be made from the Loan and/or Grant accounts unless the first AWPB has been approved by the Fund		Complied
4.08	<i>Use of Proceeds</i> The Borrower and each Programme Party shall Use the proceeds of the Loan and the Grant exclusively to finance Eligible Expenditures in accordance with this Agreement and the General Conditions.	Throughout the project period	Ongoing compliance
7.01 (b) (ii)	<i>Annual Work Plans and Budgets</i> The OPM shall prepare a draft annual work plan and budget (AWPB) for each Programme Year. The OPM shall submit the draft AWPB s to the NPSC for its review and for its approval When so approved, the Lead Programme Agency shall submit each draft AWPB to the Fund , for their respective comments, no later than 60 days before the beginning of the relevant Programme Year.	Before 30 th April every year	Complied
7.05	<i>Procurement</i> Procurement of goods , works and services financed by the Loan and the Grant shall be carried out in accordance with RGOB's procurement regulations to the extent they are consistent with IFAD's Procurement Guidelines	Throughout the project period	Ongoing compliance
7.06	<i>Use of Goods and Services</i> All goods, services and buildings financed by the Project shall be used exclusively for the purpose of the Project	Throughout the project period	Ongoing compliance
7.08	<i>Insurance</i> The Borrower shall insure all goods and buildings used in the Project against such risks as shall be consistent with sound commercial practice	Throughout the project period	Only vehicle is insured. Equipments are not insured as per RGOB guidelines.
7.11	<i>Key Project Personnel</i>		Complied

	MoAF shall appoint the Project Director and all other key Project personnel in the manner specified in the agreement or otherwise approved by IFAD having the qualifications and experience specified in the agreement or approved by IFAD. The RGOB shall exercise best efforts to ensure continuity in key Project personnel throughout the Project Implementation period. RGOB shall insure key Project personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of its national civil service	Before first withdrawal	
7.12	<i>Project Parties</i> Each Project Party shall carry out the Project in accordance with Section 7.01 and not sell, lease or otherwise dispose of the Project's assets except in the normal course of business or as agreed by IFAD	Throughout project period	Ongoing Compliance
7.13	<i>Allocation of Project Resources</i> The Project Parties shall ensure that the resources and benefits of the Project, to the fullest extent practicable, are allocated among the Target Population using gender disaggregated methods	Throughout project period	Ongoing Compliance
7.14	<i>Environmental Factors</i> The Borrower/Recipient and the Project Parties shall take all reasonable measures to ensure that the Project is carried out with due diligence in regard to environmental factors and in conformity with national environmental laws and any international treaties to which the Project Member State may be party. In particular, the Project Parties shall maintain appropriate pest management practices under the Project and, to that end, shall comply with the principles of the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations (FAO), as amended, and ensure that pesticides procured under the Project do not include any pesticide formulation which would be classified as Extremely Hazardous (Class Ia) or Highly Hazardous (Class Ib) according to <i>The WHO Recommended Classification of Pesticides by Hazard</i> , as amended.	Throughout project period	Ongoing Compliance
7.16	<i>Project Completion</i> The Borrower/Recipient shall ensure that the Project Parties complete the implementation of the Project by the Project Completion Date. The Fund and the Borrower/Recipient shall agree on the disposition of the assets of the Project upon its completion	Not yet due	
8.01	<i>Implementation Records</i> The Borrower/Recipient shall ensure that the Project Parties maintain records and documents adequate to reflect their operations in implementing the Project (including, but not limited to, copies or originals of all correspondence, minutes of meetings and all documents relating to procurement) until the Project Completion Date, and shall retain such records and documents for at least ten (10) years thereafter.	Throughout project period	Ongoing Compliance
8.02 x	<i>Monitoring</i> The OPM shall establish and maintain an appropriate information management system in accordance with IFAD's operational guidelines and Results Measurement Framework and adequately store the information during project implementation period and for at least ten years thereafter	Throughout project period	Ongoing compliance The Project has a Planning and Monitoring System (PLAMS)
8.03	<i>Progress Reports</i>		Ongoing Compliance

	The OPM shall submit to IFAD periodic progress report in such form and substance as IFAD may require		
8.03	<i>Mid-Term Review</i> The Borrower, through the Lead Programme Agency and IFAD, shall jointly carry out a Review of Programme implementation no later than the midpoint of the project implementation period (the Mid-Term Review")	Before June 2019	Complied with
8.04	<i>Completion Report</i> No later than the Financing Closing Date, The Borrower/ Recipient shall furnish to IFAD a report on the overall implementation of the Project in such form and substance as specified in the Financing Agreement or as IFAD shall reasonably request	By December, 2022	Not yet due
9.01	<i>Financial Records</i> The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter.	Throughout the project implementation period	Ongoing compliance
9.02	<i>Financial Statements</i> The Borrower/Recipient shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Project for each Fiscal Year prepared in accordance with standards and procedures acceptable to the Fund and deliver such financial statements to the Fund within four (4) months of the end of each Fiscal Year	By 31 st October every year	Delayed submission for 2017-18
9.03	<i>Audit Reports</i> The Borrower/Recipient shall: (a) each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund and the <i>IFAD Guidelines on Project Audits</i> by independent auditors acceptable to the Fund; (b) within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof;	By 31 st December every year	Delayed submission for 2017-18. Submitted in February 2019
9.04	<i>Other Financial Reports and Information</i> The Borrower/Recipient and the Project Parties shall promptly furnish to the Fund such other reports and information as the Fund shall reasonably request on any financial matter relating to the Financing or the Project or any Project Party	Throughout project period	Ongoing compliance
10.03	<i>Visits, Inspections and Enquiries</i> The Borrower/Recipient and the Project Parties shall enable agents and representatives of the Fund from time to time to: (a) visit and inspect the Project, including any and all sites, works, equipment and other goods used for Project-related purposes; (b) examine the originals and take copies of any data, accounts, records and documents relevant to the Financing, the Project, or any Project Party; and (c) visit, communicate with and make enquiries of all Project personnel and any staff member of any Project Party.	Throughout project period	Ongoing compliance
10.04	<i>Audits Initiated by IFAD</i>		

	The Borrower/Recipient and the Project Parties shall permit auditors designated by the Fund to audit the records and accounts relating to the Project. The Borrower/Recipient and the Project Parties shall cooperate fully with any such audit and accord the auditors the full rights and privileges of agents or representatives of the Fund under Section 10.03.	Throughout project period
10.05	<i>Evaluations of the Project</i> The Borrower/Recipient and each Project Party shall facilitate all evaluations and reviews of the Project that the Fund may carry out during the Project Implementation Period and for ten (10) years thereafter.	Throughout project period and 10 years thereafter

Bhutan

Commercial Agriculture and Resilient Livelihoods Enhancement Programme Supervision Report

Appendix 4: Technical background analysis

Mission Dates: 1 - 15 June 2019
Document Date 13/08/2019
Project No. 1100001739
Report No. 5110-BT

Asia and the Pacific Division
Programme Management Department

Appendix 4

Component 1

1.1: Increased production resilience, diversification and innovation

Climate Smart Villages (CSVs) To date 6 have been implemented supporting a total of 190 HHs covering 794 acres. In 2019-2020 a further 6 CSV will be completed. CSVs should be rolled-out for all value chains, especially for new proposed commodities, and with youth groups (under Land Use Certificate programme or mobilised by Gewogs.

The point of entry approach using will focus on the entire village. Support will be provided to villages/FGs to establish multipurpose cooperatives. To fast track this approach the project will undertake an awareness campaign, outlining the forms of support available in terms of knowledge sharing and new technologies.

Households will be trained in financial literacy, simple farm economics, savings and credit operations using service providers to develop an investment plan for each farm and for FGs/village level investments such as: (i) mechanization; (ii) biogas plants with organized use of slurry; (iii) electric fencing to protect against wildlife encroachment; (iv) open dairy stables; (v) milk chillers/small professional milk processing equipment; (vi) electrical/solar driers for fruit and vegetables and enterprises for youth and women.

Crop diversification CARLEP introduced new crops as well as hybrid maize, soybean, buckwheat, super Napier, Guatemala, fodder oats, persimmon, avocado, mango, broccoli, beans, chili, carrot, cauliflower, onion and asparagus all high value and nutritious for humans and animals. Performance is at 36 percent of the target due to a lack of irrigation. Using villages as the entry point will increase the uptake of the new crops, lower costs of irrigation while clustering of villages will generate economic of scale for produce for the market.

Climate resilient agriculture Training in climate resilient agriculture stands at 78% of the target. Distribution of resilient planting material for an additional 125 hectares being a total of 1,260 Ha or 649% of the target. Additional 11 lines of local GP was collected being a total of 111% of the target.

Climate resilient agriculture should not be limited to the 36 CSVs. It is vital for fodder production, increasing milk yields, reducing use of commercial fodder and costs. Introduction of green manure/mulching is also essential to increase soil OM, water infiltration reducing erosion and increase soil fertility and reducing volume of purchased chemical fertilizer.

Permaculture A total of 15 staff, attended a 5-day training in Nepal. Participants identified a set of post-training activities SLM, composting/use of bio-slurry, zero tillage cropping, dry land irrigation using spring water harvesting, pest and disease tolerant crop varieties; integrated farming systems (fruit crops with vegetables) etc.) to be implemented in their respective pilot sites.

Permaculture is an integral part of climate resilient agriculture and the project has only begun to implement training and construction of 12 biogas plants. The visited activities and understanding by farmers met are acceptable. Incorporation of activities related to permaculture should feature in all the village investment plans if appropriate.

Vegetable production intensified and expanded. Promotion of vegetable production involved FGs in 51 villages, and achieved vegetable yields averaging 300% higher than those not receiving support. Yields remain low in absolute terms, reaching only one-fifth of potential productivity. Only 28% of the farmers grow vegetables, this is rapidly changing as the project assists with direct linkages to traders/exporters and domestic auction markets. The introduction of protected production of vegetables in plastic tunnels equipped with drip irrigation has shown great potential for supplying off-season vegetables for domestic/export markets.

Support to vegetable farmers' groups (VFG) is progressing although the village investment approach, will increase the formation of VGF and village clusters bringing production to economics of scale for traders/exporters/processors to buy from the cluster.

Strengthening extension services and the Lead Farmer (LF) model under this output it is assessed that around 70% will be finalized under the AWPB. The cumulative progress is 25% of the project target. The different effectiveness between dairy and vegetable LFs is related to easier marketability of milk compared to vegetables.

The LFs selling agriculture inputs appeared to me more effective and knowable compared to those who are not engaged in business related to the extension services provided. The mission recommends project support to interested LFs with matching grants to purchase machinery, chemical fortified briquettes, silage chopping/bagging equipment, power tillers etc..

Support to research and seed centres Only 70-75% of activities is expected to be finalised during the AWPB period. The mission's visit to ARDC showed a need to support obtaining additional high yielding planting material for all crops proven to have demand e.g. seed less, better taste, shelf life, level of nutrition, resistance to pest/disease, etc..

The Agricultural Research and Development Sub-Centre (ARDSC) has begun to supply mushroom spawn to producers. Considering the global demand for shiitake mushroom the project should provide technical assistance to fine tune the right mix of different mushroom compost mediums for production and develop the right mix of mushroom compost for production of *Cordyceps sinensis* (catipplilarmushroom).

Dairy production intensified and expanded

The performance of support to the dairy production is commendable. Around 30% of the activities are finalised and those remaining will reach around 70% of the target. Extension outreach for CAHW/ AIT has benefited 267 HHs. It is very important that sexed semen is used for AI, to reduce the numbers of bull calves that contribute negatively to emissions and degradation of the natural environment. It is recommended that farmers receive a description of the breeds performance and requirements to make an informed decision on desired breed.

Planting of leguminous field crops/treed/scrub areas has commenced, but needs intensification.

Livestock extension RAMCO is expected to train 60 CAHW, and distribute 30 motorcycles, 80 field kits within the period of the AWPB. The service of the CAHW is only possible because there is a small earning for CAHWs from undertaking AI and other health related services. 32 AI kits have been distributed to AITs and over 3 000 AI will be provided. . It is recommended that RAMCO examine the possibility of AITs selling vitamins, minerals, urea like blocks to increase services and their income.

Biogas CARLEP is working with the Bhutan Biogas Programme (BBP) to support installation of biogas units in the 6 eastern Dzongkhags. The BBP has been promoting fixed dome systems. To date, a total of 88 Livestock extension staff and 155 masons have been trained on installation. However, masons/biogas officers need to be re-trained on theoretical knowledge, construction, O&M and on bioslurry management (proper storage, use and management). There is a need to diversify models that can complement/increase installation numbers, e.g. by introducing flexible, prefabricated biogas systems to high mountain areas.

The 12th FYP has a target to install 4,400 biogas units. CARLEP is working with the Bhutan Biogas Programme (BBP) to support the installation of 1,400 biogas units in the six eastern dzongkhags, following common implementation modalities through the Dzongkhags. The project will prioritize those farmers that have a clear plan for the use of slurry as well as a place to store or convert it into dry compost in order to promote biogas integrated in farming systems.¹ The BBP hosted within the Department of Livestock has been promoting fixed dome systems ranging in capacity from 4 m³ –10 m³. To date, 88 livestock extension staff and 155 masons have been trained in installation of fixed dome biogas digesters in the 6 eastern dzongkhags. Capacity on the ground is therefore available, but may need re-assessment; in some cases, masons and biogas officers may need further awareness and hands-on training for construction, operation, maintenance and bioslurry management (proper storage, use and management). To facilitate the production of compost, the project will support the construction of a concrete apron, shared by the village, to eliminate leakage into soil and aquifers and to promote compost turning using power tiller implements. In addition to organic farm residues, farmers will also collect biomass from surrounding forests for compost making and mixing with bio-slurry. In cases where young people (individually or in groups) are interested to produce commercial compost, project support will be offered through provision of a briquette machine to press compost into briquettes ideally with fortification using lime, DAP, urea or other types of plant nutrition. The project will also introduce flexible,

¹ Biogas can reduce greenhouse gas (GHG) emissions by recovering the methane produced from manure, which is about 22 times more effective than carbon dioxide at trapping heat. Biogas technology not only facilitates the production of clean energy for cooking, thus avoiding fuelwood usage and respiratory and eye diseases caused by exposure to smoke, but also enables proper household sanitation and production of high value bio-slurry fertiliser if managed properly.

prefabricated biogas systems given the challenges of transporting brick and mortar to high mountain areas, and finding skilled masons to construct fixed dome biogas systems.

1.4: Productive infrastructure

Implementation of infrastructure investments under the current AWPB and the plans for the next AWPB are fully aligned with the added flexibility and modified cost structure developed for CARLEP at MTR. The albeit conservative targets set on the 2018-19 AWPB in terms of infrastructure development (USD 300,000 invested) are likely to be met upon completion of ongoing irrigation works, i.e. with a 1 month delay.

Irrigation channel rehabilitation

Since MTR the project has started the implementation of 3 irrigation channel rehabilitation projects targeting 192 acres and 174 HH. Construction works at these sites are ongoing and scheduled for completion by July 2019 (i.e. will extend into the 2019-2020 AWPB period). Coverage so far stands at 1 795 acres (1 100 HHs), representing 149% of PDR target for area and 28% for budget. The lower than anticipated cost per acre in the PDR is mainly due to the limited number of upgrading features included in the works carried out to date. Some improvements are noted in the site visited where construction works are ongoing (Yayung) but designs still need to include additional features to foster climate resilience and/or crop intensification, which would obviously increase the cost/acres.

Piped networks for dryland (off farm)

During the review period the project has completed 2 investments in piped networks (Thonglingbi LUC and Tsenkharla) covering 68 acres and 44 HH. The works at a third site (Ngarpontag CSV) are at an advanced stage and will be completed by end June. Both the sites visited by the mission consist de facto in improved Rural Water Supply (RWS) systems to increase supply and cater also for irrigation of vegetables in the kitchen plots. The implementation mechanisms for these investments need to be fine tuned and more specific, depending on whether catering for irrigation only or for multiple use. The estimated area under piped irrigation networks completed by the project is 600 acres and about 800 HH, including projects carried out under the pre-MTR budget line for “Water efficient irrigation” However, these figures are to be reassessed by the PMO to allow disaggregation both in terms of on and off-farm investments (that may result in double counting of beneficiaries and areas) as well as between new piped schemes dedicated to irrigation and upgrades of domestic water supply systems to cater for multiple use.

Water-efficient on-farm irrigation

On farm irrigation equipment supported by the project under the pre-MTR budget line for “Water efficient irrigation” consist of: i) 119 sprinklers, ii) 87 syntax tanks with HDPE pipes; and ii) only 1 set for drip irrigation. To date the project has given preference to sprinklers and hose-tank systems though drippers would be more effective in the dry windy conditions, providing opportunities for improved performance both in terms of water saving and yield increase.

Pump irrigation

During the review period, on the basis of a feasibility study carried out at ARDC covering 6 proposals for the installation of electric pumps for irrigation, two sites were selected for implementation (Jatshabi and Radhi). Construction and pipe installation works are at an advanced stage of implementation in Jatsabi, covering 30 acres and 12 HHs, while the designs for Radhi are being finalized at ARDC and works are scheduled for implementation during the 2019-2020 AWPB period. Pump sizing and suction head design were carried out in line with consolidated practice, yet the lack of analysis on the combination of crops that would optimize water use and returns to farmers (hence the likelihood of sustainability) remain a concern. Additional pilots may be developed only for testing alternative pumping options (e.g. solar or hydraulic pumps).

Capacity building and support for Engineers

Following an MTR recommendation, since March 2019 two ARDC engineers are working part time for CARLEP. These positions were not envisaged at design stage and need to be retained until project end as they will coordinate the Gewog engineers directly responsible for the implementation of CARLEP infrastructure activities, ensuring that climate resilience aspects are included in the designs and construction. While performance can not be yet assessed, the selected engineers have sufficient capacity and motivation to deliver on their tasks. These include updating and fostering the use of the online sharing platform for technical references established among 15 engineers involved in CARLEP who attended a training on climate resilient

aspects in small scale infrastructure in 2018. Given the newness and complexity of developing site specific upgrade solutions in pipe-based schemes and regular staff transfers, continued capacity building and refresher trainings of Gewog engineers and close engagement of the ARDC engineers is needed.

Capacity building for Water Users

Water Users' Associations (WUAs) are reported functional in rehabilitated irrigation schemes and were trained by Gewog and ARDC staff. As the schemes are small, producers' groups can manage them, building on exiting arrangements. At locations visited by the mission these include organized periodic clearing of the channel by the members and collection of area-based water fees to employ a caretaker. Piped schemes offer much scope to improve on-farm water management, e.g. drip irrigation, but need proper scheduling for which Dzongkhag and Gewog engineers and extension officers need training.

For the case of the upgrading of RWS systems to cater for irrigation of kitchen gardens, so far the project has only sought community clearance about the use of irrigation water by the concerned vegetable grower groups. However, the upgrading of such schemes provides an opportunity for the parallel establishment of a maintenance fund at community level to undertake minor repairs, in line with the practice under the RWSS flagship programme. Coordination with RWSS may also promote WASH campaigns in the communities supported by CARLEP, fostering water savings and hygiene.

Infrastructure Investments Planning

In line with the agreements reached at MTR, the investments in infrastructure considered for the 2019-20 AWPB comprise a broader range of options, including not only irrigation (both open channel system upgrading and piped systems) but also electric fencing and Land development works. This will represent a considerable step forward in CARLEP implementation and use of IFAD funds in excess of USD 1.2 million for production related infrastructure, that would basically exhaust all the currently available IFAD financing under the Civil Works category (before Additional Financing).

The mission emphasises that the forthcoming AWPB will be drawn in a transition phase towards the application of demand driven approaches and of a 2 years planning cycle for relatively more complex infrastructure investments. This entails the project not only focus on physical implementation but also on elaborating detailed designs and cost estimates for the batch of investments to be included in the 2020-2021 AWPB. This is geared to ensure that adequate budgetary allocations are made based on a comprehensive design including the necessary upgrades to deliver full long term benefits. The current practice allocating budgets based on generic estimates in most cases results in budget shortages and lack of upgrading features. In any case, financial and economic analysis of investments should be also an integral part of the information sheet to seek IFAD "no objection" for irrigation investments.

Investments in the upgrading of the existing RWS systems into Multiple Use water Systems catering for domestic need as well as for home based vegetable and livestock production will be supported through a dedicated budget line included in the Additional Financing cost tables to be reflected already in the 2019-20 AWPB.

Conclusion on CARLEP infrastructure investments:

Three major constraints noted at MTR which have negatively affected past implementation have been addressed including: i) cost tab driven implementation; and ii) lack of clarity on the scope and eligibility of investments; and iii) weak capacity within OPM to coordinate and foster the introduction of relevant upgrades in the designs by Gewog engineers. While some challenges remain e.g. in respect of pre-investment feasibility and analysis, the basic conditions for full-fledged implementation and upscaling of infrastructure activities are now in place. In case of availability of additional financing CARLEP will play a key role in the six eastern Dzongkhags to address continued need for infrastructure investments highlighted in the 12th FYP.

Component 2: Value Chain Development, Commercialization, Marketing and Investment

RAMCO has taken over all implementation previously under the Food Corporation of Bhutan Ltd. (FCBL). A new MoU between CARLEP and RAMCO reflected this change. Market entry studies should also be undertake identifying export demand, commodities demanded including for certified organic commodities. Identify the market segments and actual buyers, which can be linked to villages/FGs, establish the Indian import requirements in terms of SPS and other food safety standards, packaging/size and cold chain requirements. The studies should be analytical and practical. A domestic market study should also be undertake to establish

demand for fresh/processed commodities, requirement of packaging/size and cold chain requirements. A national promotion campaign to consume healthy/nutritious foods should also be prepared. RAMCO should hire qualified service providers to undertake the studies and oversee the quality of the studies.

2.1 Vegetable commercialisation

The value chain and entry market study for export and domestic markets will provide buyers the basis for planning sales and will strengthen the linkage arrangement between marketers and producers. Vegetable production, and marketing so far is based on chance rather than the demand from the through systematically linkage between focus village/VFGs and traders. The recent initiative of linking VFGs and market show sign of a market pull. Linking VFGs with schools has been a success but demand is limited, contracts negotiated yearly and prices are low and sustainability of this market depends on available government funding.

RAMCO has organised 2 MSP awareness meetings between actors for the value chain for vegetables, which has led to linkage arrangement between domestic traders/exporters and FGs. It is too early to assess the results from these linkage arrangements, but it looks promising. However, a FG remains small in relation to generate the sufficient scale of production this will be overcome using the village as the entry point and clustering of villages as described above. Beside this activity, it is not anticipated that other planned activities will be executed under present AWPB.

Vegetable marketing infrastructure (Gewog/village and Dzongkhag/urban level)

Based on the village investment plans the need for market infrastructure, including pack houses, cold storage, processing facilities will be mapped and feasibility study of such infrastructure undertaken and if positive investment plan prepared. Traders will be invited to participate in the investment. Matching grant investment from the project will become the share capital of the participating farmers.

2.2: Dairy commercialization

Milk collection and processing units Support for dairy commercialization has had some success including increased in milk productivity and overall volume available for sale because of collecting centres with milk chillers. Project also supported small processing units. Overall, good progress has been made in the dairy value chain. Buildings for small processing units need to be updated following Hazard Analysis and Critical Control Point (HACCP) layout, standard, equipment need to be professional (not household level equipment).

Support to KIL CARLEP will enter into a formal partnership with KIL as recommended by previous SM. Prior to enter into any investment it be recommended that RAMCO undertake a value chain and market study for the domestic and the export market and a detailed business plan provided. Based on these studies, the investment proposal from KIL will be assessed as part of a due diligence of the proposal. The planned activities set out in the AWPB will not be implemented before above is undertaken.

2.3: Support to Entrepreneurs

Recommendations made by recent MTR. The project mid-term review mission in December 2018 identified the need for enhancing access to finance for the different target group segments and their various use and investment purposes. Almost as a default, the proposed solution is to establish a matching grant facility that supports both primary agricultural production of individual farmers, vegetable farmer groups and cooperatives and dairy farmers as individuals and organized in dairy farmer groups or cooperatives, youth groups in commercial agriculture of the land use certification (LUC) scheme (see component 1) as well as for value addition, post-harvest processing, packaging, trading of agricultural commodities, including horticulture, non-wood forest products, etc., and dairy products and agri services. The recommended selection process included transparent information, assistance to prepare the grant proposal, independent review and evaluation of the proposal, award of the matching grant with a formal agreement, and implementation and monitoring by the Dzongkhags administration with the support of OPM component managers. This process adds more responsibilities to already comprehensive list of roles and functions of the OPM managers as well as the district authorities. It also risks to duplicate the efforts of Dzongkhags expected under the Priority Sector Lending (PSL) scheme by the Royal Monetary Authorities (RMA). A potential conflict of interest and elite capture is given when the same Dzongkhag administration implements and monitors the matching grant facility and at the same time technically clears the applications for financing under the PSL. Furthermore, the same administration is involved in clearing of project applications to the Rural Enterprise Development Corporation Limited (REDCL).

Working capital and investment loans. The Royal Government of Bhutan has stepped up its efforts to incentivise banks and financial institutions understanding the opportunity to make positive impact by improving access to credit for farmers, rural people and young entrepreneurs. Besides the Bhutan Development Bank Limited (BDBL) which is the bank that is providing most of the credit to agriculture (more than 30 per cent of its total lending portfolio, NU 5.5 billion (RMA Annual Report 2018), the REDCL in operation since end of 2016 has approved 4,300 project applications out of some 8,000 applications received (as of 31 May 2019), including almost 1,500 in the six Dzongkhags of the project area. The financed projects cover vegetable, mushroom, fruits production, dairy, fisheries and integrated farming. According to REDCL's procedures (SOP), the collateral free, project-based loans' ceiling is at NU 0.5 million, provided at 4% p.a. As REDCL is expecting to convert from a public MFI (owned by the MoF) into a fully licensed state-owned bank in July 2019, its SOP might be revised and the retail interest rate for loans increased to 6.5% p.a. REDCL has project officers in all Dzongkhags. Even when the interest rate for loans will increase, it still remains below the prevailing market rates, currently at 10% p.a. (commercial banks), 10.5% by BDBL and even below the interest rate cap set under PSL, currently at 8% p.a.

The BDBL, established as licensed government bank in 2010, had stopped its previous subsidised farmers loan products more than six years. Today it lends about one third of its portfolio to the rural sector, to individual smallholder farmers against land as collateral, to joint liability groups (of average of 5 members) and to commercial farmers. Current outstanding number of loan accounts for these three client segments is around 20,000 and more than 40,000 savings accounts. BDBL is also providing loan schemes for client resilient investment and biogas digesters. With respect to the latter, BDBL would like to replicate the previous ADB funded matching grant scheme (20% grant element) under CARLEP. Agricultural machinery, such as power tillers, is covered by a transport loan product. Besides the bank's impressive outreach to CARLEP target group, particularly with its savings products, BDBL is the bank with the largest network of outlets in rural areas (35 branches, 26 Gewog field services and a significant number of bank staff in community centres. In addition, BDBL has started more recently with some innovative services, which are of great benefit for rural people. Most prominently this is the Gewog Banking Services smart card. The card-based system allows to deposit and withdraw money from savings accounts and to pay instalments at community centres. Another remarkable development is the introduction of Youth Ethics Banking at little less than 10 per cent of schools as an impactful scheme to improve the behaviour of youth who receive credit points in the form of a deposit that is at their disposal at the age of 18 years only. Despite the fact that the bank's overall financial performance is unsatisfactory (Non-Performing Loan ratio at around 20%), it remains one of the most reliable and important banking partner for CARLEP target group.

The central bank (RMA) together with a number of government agencies, including the Ministry of Agriculture and Forests, the Bhutan Agriculture and Food Regulatory Authority (BAFRA), the National Land Commission and five others, developed the PSL scheme that is operational since January 2018. The first one and a half years are considered a trial phase with the notion of further adjustments based on a rigor assessment of its results. PSL identified cottage and small industries (CSI) as priority sector for targeted lending and increased coordination and efficiency in the delivery of government support schemes and incentives. For that RMA and the RGOB should be commended and PSL should become an integrated part of CARLEP finance and investment related activities on top of the collaboration with BDBL and REDCL. The CSI sector is divided into agricultural CSI and non-agricultural CSI activities. Agricultural CSI includes primary production as follows:

a) Cultivation of agricultural crops, livestock farming and forestry. ii) production of farming inputs including fertilizers, pesticides, seeds and seedlings. iii) purchase of farming machinery and equipment. iv) purchase of green house, irrigation, fencing and other farm development activities v) purchase/production of animal feeds and billets.

b) Processing, packaging and marketing activities cover related infrastructure and allied activities as follows: i) construction of cold storage facilities (such as warehouses, cold chain facilities, go-downs and silos) for storing agricultural produce/products, ii) purchase of agricultural machinery/ equipment for food/agro processing and packaging, iii) production of animal feeds and billets Activities will cover related infrastructure & allied activities as follows: i) Construction of cold storage facilities (such as warehouses, cold chain facilities, go-downs and silos) for storing agricultural produce/ products. ii) Purchase of agricultural machinery/equipment for food/ agro processing and packaging, (iii) purchase of farm utility transport vehicles, iv) packaging, labeling, advertisement and distribution of products.

c) In terms of priority products, all CARLEP listed agricultural crops, vegetables, fruits and nuts, medicinal and aromatic plants, ginger, cardamom, mushrooms (Shiitake, etc.), plantation crops and nurseries, dairy, fishery, and non-timber forest products are covered.

PSL lending parameters are: for all individual loans up to NU 0.5 million, 5 years loan tenure and 1 year grace period, no collateral but mandatory insurance (2.9% premium on the sum insured), 100% debt financing available and a preferential interest rate of 8.0%(2018/19). The same parameters apply for groups and cooperatives and incorporated companies, but with a lending limit of up to NU10 million 5 years. For processing, packaging and marketing, the loan tenure is up to 15 years with a gestation to be determined depending on the type of activity/business and cash flow lending/project financing with mandatory fire and theft insurance. The maximum debt financing available is 70% and the preferential interest rate is 8.5%. So far, as of end of 2018, 731 start-ups of all trades have been approved and 278 established business financed. Bank of Bhutan sanctioned 103 agricultural projects at a total of NU 40 million; Bhutan National Bank sanctioned 90 agricultural projects at a total of NU 65 million. BDBL sanctioned 16 agricultural projects at a total of NU 8 million, T-Bank Ltd. sanctioned 3 agricultural projects at NU 1.5 million and Druk PNB Bank sanctioned 9 agricultural projects at NU 4 million. Although the trial is not too impressive, banks' awareness has been raised and the agricultural CSI portfolio constitutes a starting point and CARLEP may result in a much larger number of eligible projects that can be funded under the scheme.

Capacity Building and Institutional Support. RMA has established a Students Business Seeding Programme and all priority sector project proposals shall be routed through the Special Technical Window Services (TWS) of the Government. The TWS will coordinate interventions and assistance of the Dzongkhag administration, local leaders and different government agencies provide technical clearance to potential PSL clients. The TWS also reviews and assesses project proposals, which takes currently about three weeks. The TWS also educates and assists priority clients in availing relevant government support schemes. CARLEP may also consider more specific technical support to banks to achieve their minimum target of 1% lending to the agricultural sector by proposing agricultural and value chain financing projects.

Non-bank financing institutions in the agricultural sector and particular credit cooperatives seem to be in an infant stage. They definitely can play a crucial role in reaching out to CARLEP target group but the project is not designed to support institutional development to the extent required by these institutions (e.g. to convert Tarayana Foundation MFI into a licensed deposit taking institution).

Financial education, including developing a savings culture, and counseling is highly in demand by all target group segments. CARLEP would need to link its targeted clients with the various on-going initiatives by civil society organizations and the RMA financial literacy programme rather than reinventing such capacity building activities and duplicating the efforts.

Information and communication technology (ICT). Already the Financial Inclusion Policy and Strategy of 2013 makes provision for the development of new digital and mobile banking operations. ICT-based Inclusive Finance Providers and mobile network operators are perceived as viable outreach solutions to and mainstream financial systems for financially excluded rural households. As compared to many other countries in South Asia, very little has actually materialized in Bhutan. The Bhutan Economic Forum for Innovative Transformation (BEFIT), inaugurated in 2017, would be the platform to revisit the topic of Financial Inclusion by RMA and the Royal Institute for Governance and Strategic Studies (RIGSS), in partnership with international development agencies, including IFAD. Within the overall perspective of “equitable growth through financial inclusion, BEFIT should focus again on digital financial services for the benefit of CSIs, agricultural and rural enterprises.

Component 3: Institutional support

3.1: Strengthening Dzongkhag and Gewog staff. Capacity development for sustainability and management of implementation is essential. There are two main challenges, that is the turnover of staff and having to repeat training and accessing the necessary technical assistance for new areas of engagement / implementation.

3.2: Technical assistance / contracted staff /service providers CARLEP will need to increase its use of TA / contracted staff / service providers particularly in relation to the work with villages and the target groups / FG / cooperatives in preparation for the Additional Financing the new component activities and the holistic focus of the approach where they, or their partner agencies, do not have the necessary skills/capacity/staff numbers to complete tasks adequately. This maybe through individuals/competent NGOs/private sector, etc.. All contracts will be results based. Non performers will not have their contracts renewed and payment will be

made only for satisfactory delivery. Where possible expert TA will be sourced from Bhutan except where international experience/knowledge will enhance delivery especially for high value commodities.

Farmers Groups / Cooperatives: These groups urgently need development and to be formalized if they are going to participate in as a partner in high value agriculture value chains. Ideally such cooperative should be multipurpose to reduce the number of meetings and have a higher level of savings into one account rather than spread across 4 or five separate cooperatives. Within a multipurpose cooperative there can be specialized groups, e.g. dairy, avocado, vegetables, nuts, etc.. These village level multipurpose cooperatives can then federate at a cluster level for greater bargaining power be it for prices, inputs, logistics, etc.. As RAMCO staffing consists of only 7 officers for all the Eastern Districts it will be more efficient and effective to identify an NGO that has the necessary skills/experience to provide group / local / village level trainings on financial literacy /savings / group development / WUAs /etc., using results based contracting. Such service providers will be reporting directly to RAMCO.

Bhutan

Commercial Agriculture and Resilient Livelihoods Enhancement Programme Supervision Report

Appendix 5: Mission preparation and planning, TORs, schedules, people met

Mission Dates: 1 - 15 June 2019
Document Date 13/08/2019
Project No. 1100001739
Report No. 5110-BT

Asia and the Pacific Division
Programme Management Department

Terms of Reference for Consultants and other persons hired by IFAD to participate in missions under a non-staff contract

COUNTRY OF ASSIGNMENT/LOCATION: Bhutan/Thimphu and field

MISSION NAME: CARLEP Additional Financing and Supervision Mission

MISSION START AND END DATES: 1 to 15 June 2019

REPORT TO: Ms Louise McDonald, Country Director

MISSION COMPOSITION:

- 1) Louise McDonald, Country Director
- 2) Omer Zafar, Team leader
- 3) Jens Kristensen, Value chain specialist
- 4) Abdul Alam, Economist/EFA Specialist (Remotely)
- 5) Michele Pirazzoli, Infrastructure Specialist
- 6) Pratu Dube, Financial Management Specialist
- 7) Yangzom Yangzom, Procurement Specialist
- 8) Mehry Ismaili, M&E, MIS and KM Specialist (Remotely)
- 9) Karan Sehgal, Climate / Environment and Renewable Energy Specialist
- 10) Sanjeev Shrestha, MSP Specialist (Remotely)

BACKGROUND:

1. The year 2019 marks the start of the IFAD11 programming cycle. With the Royal Government of Bhutan's proposal to borrow USD 11.2 million under IFAD11, it is foreseen that these funds would be through Additional Financing under IFAD11 (for the financing gap) and will be implemented by the CARLEP team.
2. The Commercial Agriculture and Resilient Livelihoods Enhancement Programme (CARLEP) aims to facilitate the transformation of a subsistence-based rural agricultural economy into a sustainable value chain and market driven productive sector by promoting climate smart approaches in agriculture and strengthening capacities of communities and local institutions. It builds on prior and on-going IFAD interventions focused on increased agricultural production and makes a basic shift in approach towards marketing and climate resilient farming practices.
3. The programme will target selected Gewogs in six eastern Dzongkhags (Lhuentse, Mongar, Pergatshel, Samdrup Jongkhar, Trashiyangtse and Trashigang) with high production and marketing potential in the selected value chains. The programme will benefit 28,975 smallholder households, of which 7,115 HH will directly benefit from vegetable and dairy value chains. The objective is "increased returns to smallholder farmers through climate resilient production of crops and livestock in nationally organized value chains and marketing systems." The total programme cost of USD 30.357 million will be financed over seven years by IFAD (USD 19.25 million), the ASAP (USD 5 million), RGoB (USD 5.64 million), FCBL (USD 4.80 million) and beneficiaries (USD 0.66 million). The programme became effective from 11 December 2015.
4. CARLEP has three programme components, in addition to Programme Management. The components are interlinked and will be implemented in close coordination and phased across the programme lifetime.

- Component 1. Market-led sustainable agriculture production would lead to sustainable increase in resilient agricultural production by rural households.
- Component 2. Value chain development and marketing focuses on instituting organised value chains and marketing systems by establishing networks of farmer groups to facilitate marketing of vegetable and dairy products
- Component 3. Institutional support and policy development aims at strengthening agricultural institutions and policies for improved and resilient agricultural and marketing practices.

MISSION OBJECTIVES AND OUTPUTS:

5. The objective of the mission is to finalise the design for the additional financing including the financing gap with CARLEP. This will be developed in close cooperation with the CARLEP as well as the Ministries of Agriculture and Finance and Economic Affairs of the RBOG. During the mission, the team shall conduct field visits and meet with relevant stakeholders in order to get an holistic view of constraints faced by smallholders targeted by the project.

6. The mission's main output will be a concept note and memo compliant with IFADs latest guidelines and Government requirements and Supervision Report. In line with the latest requirements, the concept note will include 1) Context, 2) Project description, 3) Risks and 4) Implementation Plan sections. A small workshop with key partners / collaborators will be held in Thimphu to ensure buy in. Additionally, an aid-memoire will be prepared at the end of the mission and discussed with CARLEP and the RBOG at the end of the mission.

INDIVIDUAL RESPONSIBILITIES, EXPECTED OUTPUTS AND REQUIRED COMPLETION DATES

Ms Louise McDonald, Country Director

- Represent IFAD in all consultations, pre-wrap up and wrap-up meeting with key government representative and stakeholders.
- Assure that the project concept enjoys wide ownership among government and other relevant partners.
- Assure that key IFAD main streaming priorities are adequately reflected in the concept note.
- Contribute to the in the country context section of the CN.
- Contribute to the KM, learning, communication, M&E and approaches sections of the concept note.
- Contribute to the partnerships, alignment and ownership sections as appropriate.

Mr. Omer Zafar, Team Leader (TL)

Mr. Zafar will be the team leader of the mission and provide overall strategic guidance. In particular he will:

- Lead the multi-disciplinary team and ensure delivery of team members' inputs in accordance with the latest CN guidelines for Additional Financing.
- Develop the theory of change for the new project design.
- Develop preliminary project outcomes and outputs. Ensure that project design concepts and theories of change are technically sound whilst easily implementable.
- Extract lessons learned from other IFAD projects, particularly those implemented in Bangladesh, to feed in the context section of the CN document. This information should be both qualitative and empirical.
- Develop a preliminary implementation plan and organizational framework.
- Draft the aide memoire and project concept note.

Mr. Jens Kristensen, Agricultural Value chain specialist

Mr. Kristensen will be the main value chain specialist for the mission. In particular he will:

- Define project objectives, geographic area of intervention and target groups.
- Define the project components and implementation arrangements
- Identify key risks affecting the project to be included in section 2 of the concept note.
- Together with the CD and TL, development the theory of change for the project design.
- Together with the TL and Economist, develop preliminary project outcomes and outputs. Ensure that project design concepts and theories of change are technically sound whilst easily implementable.
- Provide a preliminary indication of project benefits, costs and financing.
- Together with the TL, develop a preliminary implementation plan and organizational framework.
- Extract lessons learned from other IFAD projects, particularly those implemented in Bangladesh, to feed in the context section of the CN document. This information should be both qualitative and empirical.

Mr M. A. Alam will participate in the Supervision and Additional Financing mission of CARLEP as the Economist of the mission. He will be responsible for the revision of the project costs and the update of the economic and financial analysis of the project. He will be responsible for:

- Work with the financial management specialist of the mission on determining project expenditures by component/ category of expenditure and financier and work out the balance of financing resources for the various financiers of the project.
- Review the financial reporting of the project and analyze the profile of expenditures.
- Analyze the relationship between physical and financial progress in terms of change in unit costs, change in scale of interventions, change in mobilization of funds from IFAD, RGoB and other financiers.

- Update the farm and enterprise models based on information provided by mission members, PMU and field visits. In this regard, assess the validity of the assumptions made at design for the C/B analysis and calculation of EIRR.
- Assess the financial viability of these interventions based on the C/B analysis and the adoption rates by farmers.
- Assess whether the project is on target to achieve the planned EIRR
- In close coordination with the mission leader, revise the project COSTAB based on the recommendations of the MTR agreed with project and governments.
- Indicate whether any loan reallocation would be required.
- Contribute to the drafting of the aide mémoire of the mission;

Prepare two annexes: (i) the updated financial and economic analysis of the project; (ii) update the projects costs post MTR to account for the Additional Financing.

Mr Michele Pirazzoli, Infrastructure Specialist

Mr Michele Pirazzoli will participate in the Supervision and Additional Financing mission of CARLEP as the Civil engineer of the mission reviewing all civil works constructed/ renovated under the project. He will work closely with the mission leader and the value chain specialist and will be responsible to:

- Review the design and supervision of a sample of civil works under components 1 and 2. The review will cover design plans, supervision of works, and average unit costs, etc.
- Determine whether the civil works are of good quality and within acceptable costs.
- Review the operation and maintenance arrangements for all civil works and infrastructure constructed by the project.
- Review the progress made in the achievement of road construction activities for production and marketing and to market development.
- Recommend measures to improve effectiveness of the design, implementation and supervision of civil works and revise the project outputs and outcomes as appropriate.
- Work with the Economist of the mission to update the costs of the project activities.
- Contribute to the aide mémoire.

Contribute a guidance note on design, implementation and supervision of civil works, as well as operation and maintenance arrangements.

Mr. Pratul Dube, Financial Management Specialist

During the Supervision Mission, the Financial Management Specialist will assess strengths and weaknesses of FM systems, internal controls and financial reporting to ensure that they satisfy IFAD's fiduciary requirements and comply with the Financing Agreement, LTB and applicable financial/ accounting manual. The assessment will include:

- Update the project's FMAQ for supervision;
- Review the financial performance of the project by expenditure category and component to assess the project's overall financial performance. Identify actual or potential problems and bottlenecks;
- Review the financial execution of the current AWPB and obtain from the PMU explanations for significant budget-to-actual variances. Comment on the project's budget monitoring system;
- Perform a reconciliation of funds (Designated account and project accounts);
- Assess the financial management capacities of the implementing partners;
- Review project's administrative management procedures related to personnel, travel, vehicles/fuel and IT;
- Review the fixed asset register, inventory processes and latest inventory report;
- Identify financing agreement covenants and verify project's compliance;
- Follow up on previous supervision mission recommendations;
- Follow up on internal and external audit observations.

During the AF design mission, the Financial Management Specialist will provide the basis for Financial Management (FM) arrangements and create a structured framework for the identification of risks and mitigation measures. This exercise will include:

- Use the IFAD FMAQ on Design, as the basis to collect the relevant information, assess the strengths and weaknesses of financial management systems of the implementing agency, including internal controls and financial reporting systems which will relate to financial management and administration of project funds;

- Identify country systems to be used and ensure these are aligned with IFAD policies and requirements;
- Recommend an appropriate mechanism of flow of funds disbursement schedule, and financial reporting requirements;
- Propose External Audit arrangements to ensure that they satisfy IFAD's fiduciary requirements. If appropriate, engage with the State Audit Institution for the harmonization of practices and strengthening of its Audit processes and standards applied;
- Prepare the Project's Summary Risk Analysis and mitigation measures;
- Draft the FMA report summarizing FM findings. Base any conclusions on the finalized organizational structure planned;
- Provide inputs into the Project Management component as per FM needs of the project;
- Meet with other relevant donors in country to identify potential for harmonization of practices, resolution of bottlenecks, applicability of automated systems, audit, etc.

Ms. Yangzom Yangzom, Procurement Specialist

Part A – Design (08 June – 14 June 2018)

In line with Module I and III of the IFAD Procurement Manual the Consultant should carry out the following tasks:

- 1) Undertake (or where this has been already done, review) the Procurement Risk Assessment, using the IFAD Procurement Risk Matrix;
- 2) Assess the country procurement legal and regulatory framework (laws, acts, regulations, manuals, etc.) and opine on suitability to govern procurements under the Project;
- 3) Define procurement arrangements (i.e. roles, responsibilities, methods and thresholds, staffing, etc.); clarifying the roles of all players within the framework;
- 4) Recommend the most appropriate procurement arrangements to ensure efficiency and checks and balances;
- 5) In discussion with the team leader, identify the key procurement requirements (works, goods and services) that will be required at key procurement levels and prepare initial 18-month Procurement Plan based on such information;
- 6) Based on the risk assessment, recommend procurement and prior review thresholds;
- 7) Draft a procurement supervision plan for the project;
- 8) Submit an assignment report (as per IFAD format), and any other relevant ancillary documents (including Procurement Plans, risk matrix, etc.);

Part B - Supervision (30 May – 07 June 2019)

In line with Module IV of the IFAD Procurement Manual the Consultant should carry out the following tasks:

- 9) Review the current Procurement Plan in order to assess it has been fully updated and upgraded, ascertain its completeness, its concurrence with the AWPB, and its consistency with the country systems and/or IFAD Procurement Guidelines and Handbook;
- 10) Provide support, advice and recommendations on the following:
- 11) The thresholds, ceilings and preferences to be applied in the implementation of procurement under the project;
 - a. The contract types and contractual arrangements for goods, works and consulting services required to implement the projects;
 - b. The proposed methods of procurement;
 - c. The related IFAD review procedures and provide suggestions to improve the overall quality of the procurement processes;
- 12) Review a minimum sample of 10% of all procurement contracts for compliance;
- 13) Carry out spot checks on past procurement activities and assess the extent these adhere to Government and/or IFAD Procurement Guidelines and Handbook; in particular, verify that the goods, services and works procured correspond with the approved AWPB and Procurement Plan, in terms of quality and quantities;
- 14) Review the procurement, contracting and implementation processes and timeliness and appropriateness of procurement actions;
- 15) Assess contract administration and management procedures;
- 16) Assess the procurement capacity of all entities to be reviewed in terms of manpower, levels of training of procurement staff, work environments and independence of procurement staff to carry out their statutory assignments;
- 17) Conduct specific analysis of value for money (VFM) at all levels and the reasonableness of prices for:
- 18) Goods, equipment, etc using available price indicators;
- 19) Civil Works, compared to locally accepted standards and prices; and
- 20) Services compare quality-output to international standards and prices;

- 21) Determine whether adequate systems are in place for procurement planning, implementation and monitoring, and whether documentation are maintained as per required standards and can be relied upon;
- 22) Verify to the extent possible, whether goods, works and consulting services contracted were supplied/completed according to the required specifications and technical standards;
- 23) Review issues identified in the previous procurement review and aide-mémoire and procurement related issues identified in project audit reports;
- 24) Identify deficiencies and make recommendations for improvements and control mechanisms in the procurement procedures and processes;
- 25) Conduct a review of any significant changes in the borrower/recipient's procurement system and practices, and ensure project procurement procedures and systems are updated accordingly;
- 26) Review/update the Procurement Risk Assessment, using the IFAD Procurement Risk Matrix (Module I of the IFAD Procurement Manual);
- 27) Assess further procurement staff training needs and ensure relevant training is planned and provided to project management and procurement staff in a timely manner;
- 28) Submit an assignment report (as per IFAD format), and any other relevant ancillary documents;
- 29) Carry out any other activity, as required by IFAD.

Ms. Mehry Ismaili, Programme Liaison Associate, M&E, MIS and Knowledge Management Specialist (Remotely)

As Monitoring & Evaluation (M&E) Specialist works in guidance of the Mission Leader closely with the other members of the team and the PMO staff responsible for M&E and MIS. Specific responsibilities include:

M&E and MIS

- Review the M&E and MIS system to assess the level of progress and adequacy of data and information contained; identify gaps and suggest measures to mitigate the gaps to ensure that required data and information is available and that the Planner system is functioning to expectations;
- Ensure consistency of data and information recorded in the project database; carry out a few sample test during the field visit to ensure the level of accuracy;
- Provide guidance for RIMS Endline survey to ensure that required data and information is collected to report to the key logframe indicators;
- Guide the project in consolidating the data and information required to assess the project's effectiveness on i) project target and output delivery, ii) project outcomes and impact, and iii) targeting and outreach;
- Review of the logframe and validate the RIMS data;
- Contribute to mission aide memoire and main report in consultation with the ML;
- Any other tasks that may be assigned by the ML and CPM.

KM

- Review the projects KM strategy, action plan and resourcing.
- Review the implementation of KM part in view of the Project's KM Strategy and adopted approached and guide the project to identify innovations, best practices and lessons learned through the implementation of various value chains;
- Provide guidance in documenting the influences of the project's innovations, best practices and lessons learned to similar development projects/programmes in the country and beyond
- Provide guidance to prepare a full list of the priority KM themes and KM products to be prepared in the coming 12 months - including operational documents to be prepared (published/unpublished) by the project and to upload all these documents in the project website for the benefit of wider audiences;
- Support the project in identifying the innovative tools, best practices/case studies developed and successfully applied that can help accelerate CARLEP implementation
- Provide guidance to prepare a full list of the KM products including operational documents prepared (published/unpublished) by the project and to upload all these documents in the project website for the benefit of wider audiences;
- Support the project in identifying the innovative tools, best practices/case studies developed and successfully applied; provide guidance in consolidating and compiling them
- Contribute to mission aide memoire and main report in consultation with the ML;
- Any other tasks that may be assigned by the ML and CPM.

Mr. Sanjeev Shrestha, Mulit Stakerholder Platform (MSP) Specialist (Remotely)

Mr Shrestha using use his experience and knowledge of CARLEP portfolio, Mr. Shrestha will:

- Will up-date the necessary documentation to fit with the Multi Stakeholder Platform approach to facilitate the linkages with markets.
- Extract lessons learned from other IFAD projects, particularly those implemented in Nepal and Cambodia, to feed in the context section of the CN document. This information should be both qualitative and empirical.

Mr Karan Sehgal, Environment and Renewable Energy Specialist

Smallholder farmers in Bhutan have traditionally relied on firewood to meet their energy needs and to an extent, kerosene and diesel fuel for lighting and rural industries. Bhutan has one of the highest per capita consumption of fuel wood in the world at almost 1.3 tonnes per person. Additionally, increasing global concerns about climate change have become major constraints for farmers.

Under CARLEP, the project places an emphasis on agricultural innovations through permaculture and biogas. The project also supports the installation of 800 biogas units not only to facilitate the production of clean energy for cooking thus avoiding fuel wood usage and respiratory and eye diseases caused by exposure to smoke, but also, to enable proper household sanitation and production of a high value bio-slurry fertiliser. In addition, the project has planned to replicate portable biogas digesters tested under the Adaptation for Smallholders in Hilly Areas (ASHA) project in Nepal. Based on the MTR recommendations, other renewable energy technologies' potential are currently being assessed for further replication such as biogas in communal cow sheds (as an energy source for milk chilling, pasteurization and running a chaff cutter), solar energy for drying, solar electric fencing etc.

Within this context, the assignment will assess progress of project interventions related to renewable energy (solar and biogas) activities for end-use activities such as irrigation and post-harvest processing and handling. The objective of the mission is to review the current status of project activities that have the potential for advancing the application and scale-up of Renewable Energy Technologies (RETs), particularly solar-based applications (solar chillers, solar dryers, solar DC-refrigerators, solar electric fencing etc.) and biogas systems and thus contributing to food security, environment sustainability and natural resource management.

Under component 1, *Market-led agricultural production*, the activities in the targeted areas seek to incorporate climate smart agriculture production and management, innovation through permaculture and biogas and water use efficient irrigation.

Specific tasks and responsibilities will include:

1. You will work closely with team members and ensure that they have any information they require to complete their tasks for the mission, especially any impacts on financing for activities, issues on procurement, etc. related to Env/CC/RE aspects.
2. Review project interventions in renewable energy and permaculture and assess the potential for further scaling-up of models and technologies.
3. Assess progress and identify bottlenecks for pilot testing portable biogas units and present a workplan for rolling out the same technology in specified Dzongkhags;
4. In collaboration with the Office of Programme Management (OPM), Agriculture Research and Development Centre (ARDC) and Regional Livestock Development Centre (RLDC), evaluate options for extending the Bhutan Biogas Project (BBP) funded by ADB (now Livestock Biogas Programme). This includes assessing implementation capacity under the Department of Livestock and identifying local private companies that can actively implement biogas activities as per objectives under the Dzongkhag-wise Biogas plan outlay for 12th FYP (2019-2023);
5. Based on the MTR recommendations, review and assess viability for the potential for further replication of other technologies at farm level for drying, processing and post-harvest management such as biogas in communal cow sheds, solar energy for drying, solar chillers, irrigation pumping etc. This includes proposing viable financing schemes and institutional arrangements to support integration of renewable energy technologies (RET) in vegetable and dairy value chains;
6. Review implementation modalities under climate smart villages (CSV) and assess to what extent climate change adaptation capacity has been enhanced. This includes assessing the establishment of 6 CSVs, training of extension workers in some aspects of sustainable land management (SLM) such as, compost production, use of bioslurry and bio-pesticides for promotion of soil erosion control and fodder management;
7. Present an update on recent IFAD supported project activities with potential for South-South cooperation in South Asia region that have benefitted from RET at farm level (this will be prepared in advance of the mission and presented to the Country Director for consideration).
8. Support OPM to develop Information, Education Communication (IEC) material and other RET promotional products (leaflets, posters and user-oriented pictorial guides) containing information on how to make informed investments on suitable RET i.e. costs, benefits (support on this component will be provided in advance of the mission and based on liaison with relevant HQ based COM, and will include formats with standard IFAD logos/messaging);

9. Contribute in the Aide Memoire and prepare a WP with technical inputs on environment and climate change aspects and the way forward, with specific reference to renewable energy that the Programme needs to address;
10. Prepare a Technical Paper (with clear way forward/next steps) for operationalizing the RET activities under the Programme; and
11. Undertake any further aspects as requested by the Country Director / Team Leader.

DOCUMENTATION

The following documentation will be made available to consultants prior to the assignment:

- Draft concept note for project design.
- template
- Design report, supervision reports and midterm review of CARLEP.
- Royal Government of Bhutan's 12th Five Year Plan
- Background papers developed in anticipation to the new IFAD design.
- Value chain studies developed under MOAF.
- List of commitments, financing conditions and co-financing requirements under IFAD11.
- Latest CN and Supervision templates.
- Guidelines for new IFAD project design.

MISSION SCHEDULE:

Date/Day	Program
1 June	OPM receive IFAD Mission at Bhutan entry gate, Samdrup Jongkhar via Guwahati, India
2 June – 7 June Field visit	<ul style="list-style-type: none"> • Progress Update by OPM • Finalization of the field programme at Hotel, Samdrup Jongkhar • Visit to Regional Office Samdrup Jongkhar (Optional)
	REMAINDER TO BE ADVISED
	Pre wrap-up meeting
8 June	Travel to Thimphu
	Half day workshop with Thimphu stakeholders for briefing
	Report Writing, Aide Memoire
	Report writing Wrap-up meeting
15 June	Mission departure

IMPORTANT NOTE:

Please note that these terms of reference should be considered flexible and might be adapted to new insights and requirements of IFAD. All mission members should collaborate and might be asked to carry out new tasks by the CD and/or the team leader.



Aide-Memoire¹

Bhutan

Commercial Agriculture and Resilient Livelihoods Programme

Supervision mission: Mid Term Review Mission, 24 November-7 December 2018

Mission Objectives and Key Conclusions

Background and main objective of the mission

IFAD fielded a Mid-Term review (MTR) mission from 24 November to 7 December 2018 to assess the overall progress of the programme and its achievements since its entry into force on 11 December 2015. The specific objectives of the mission were to (i) review component-wise progress of the programme; (ii) identify problems in implementation of work plans; (iii) address constraints being faced in programme management; (iv) assess the performance of partners; (v) review the fiduciary and accountability aspects of the Programme; and (vi) recommend modifications in the programme activities and corresponding Cost Tabs post-MTR.

The mission had a meeting with the Office of Project Management (OPM) team on 24 November 2018 at Somdrup Jongkhar, visited project villages in all the six programme Dzongkhags where it met with producers' groups engaged in vegetable and milk production and processing, lead farmers, youth groups (YG), Gewog Extension Officers and Dzongkhag Agriculture and Livestock Officers and saw various activities supported by the programme. The mission also met with the Dzongdas in Pemagashel, Trashiyangtse and Lhuentse, visited the Agriculture Research and Development Centre (ARDC), Regional Livestock Development Centre (RLDC), the National Seed Centre (NSC) at Trashiyangtse and the Koufuku International Ltd. (KIL) dairy processing unit in Trashigang. A preliminary wrap-up meeting was held during 2 to 3 December at OPM and RAMCO premises, respectively, with the OPM team and representatives of ARDC, RLDC, the Regional Agriculture Marketing and Cooperatives Office (RAMCO), KIL and Food Corporation of Bhutan Ltd (FCBL) to discuss and finalise revisions in project activities and budgets post-MTR. The mission met with Ms. Lhaden Lotay, Chief Programme Officer, Department of Macro-Economic Affairs, Ministry of Finance, Royal Government of Bhutan (RGoB). A final wrap-up meeting was held on 7 December 2018, chaired by Dasho Rinzin Dorji, Secretary, Ministry of Agriculture and Forests (MoAF), RGoB and attended by members of the National Programme Steering Committee (NPSC) and OPM staff to discuss key findings and action points. The mission is grateful to the RGoB and all other partners for the courtesy and support extended to it.

Key mission agreements and Conclusions

The programme is operational in all six eastern Dzongkhags, including in remote villages deep in the rugged mountains. Though overall outreach is only about one-fifth of Project Design Report (PDR) targets, households organised into producer groups are active. A few youth groups have been formed and supported to set up processing enterprises. The dairy segment has made good progress and the marketing concerns highlighted in the previous supervision mission (SM) are getting addressed through market linkages with Koufuku International Ltd. The ban on cattle imports has been lifted for CARLEP as recommended by the previous SM. With the delineation of roles between FCBL and RAMCO, the latter is gearing up to facilitate vegetable marketing by groups, though a clear road map is yet to be developed and RAMCO has very limited staff (only four officers for the entire eastern region). Vegetable and dairy production has grown across all groups, as have incomes. However, there is high variance in average household production as well as incomes across groups within and across Dzongkhags, especially in case of vegetables.

Annual planning and implementation remains fragmented and Cost Tab driven, sans a clear strategic focus and with limited role for the OPM. Investment decisions are not backed by project documents and business plans, delineating costs, benefits, funding sources, linkages and expected incomes to households (HH); this also leads to under-reporting of local contribution as assets procured using the RGoB Block Grants to Dzongkhags/Gewogs may not be recorded as observed during field visits by the MTR mission.

The OPM should be strengthened by appointing Component Managers of the level of Dzongkhag Agriculture/ Livestock Officers (DAO/DLO) as per the PDR, addition of focal points for Project Management, Group Development and Marketing, respectively, and dedicated support from ARDC engineer and climate resilient agriculture expert. Each Dzongkhag should designate one CARLEP Focal Point from among the DAO and DLO. A systematic planning process should be introduced with clearly stated strategic objectives, business plans and sources of investments, integrated jointly by OPM and the Dzongkhag Focal Points. With KIL slated to replace FCBL in the Dairy Value Chain and RAMCO designated to facilitate

¹ Mission composition: Mr Deep Joshi, Programme Management, Value Chains and Institutions Specialist, Ms Louise McDonald, CPM and Partnership, Mr A. Alam, Economist and EFA Specialist, Mr Emmanuel Jouv  , Climate Change and Environmental Specialist, Mr Carlo Marcello Spinello, Financial Management Consultant, Mr Michele Pirazzoli, Infrastructure Specialist, Ms Mehry Ismaili, M&E, MIS, KM, and Gender Specialist. Ms Rosana Hidalgo and Ms Elista Festa reward travel.

market linkages for the vegetables, the MoU with FCBL should be amended and a MoU be signed with KIL to delineate their role in the Dairy Value Chain. With changes in the roles of FCBL and RAMCO, expansion in the southern and central Dzongkhags is less relevant now and these should be taken out of the operational area with Dzongkhags adjoining the six Eastern Dzongkhags included to meet the overall outreach targets without excessively increasing overheads. Accordingly, the physical targets and number of beneficiaries across Dzongkhags and Outputs should be spelt out afresh in line with the project goal to sustainably increase smallholder producers' incomes, keeping investment per household within acceptable limits to promote replication and sustainability of interventions.

Post-MTR CARLEP is to align with key 12th FYP priorities, i.e. crop intensification (market focused commodities), commercial vegetable production, entrepreneurship promotion (Youth enterprise development), irrigation (renovation, new construction and small scale technologies), land development, managing human wildlife conflict and organic farming. Components have been reorganised logically with built-in flexibility to facilitate outcome focused planning integrated with Dzongkhag plans.

The Financing Agreement will be revised to reflect reallocation of resources across components post-MTR.

Overview and Project Progress

Actions	Date of mission	Responsibility	Deadline
Diversification options Identify and support promising diversification options for productivity gains, resilience and market linkages in high potential clusters. Drop options with least potential to scale up, e.g. poultry and pig rearing	23 November-07 December 2018	Dzongkhags with OPM support	March 2019
CSV Prepare a CSV roll-out plan using clear criteria, including vulnerability level and introduce participatory planning in vulnerability assessment, incorporating lessons learnt from the 6 CSVs	23 November-07 December 2018	Dzongkhags with OPM support	January 2019
Permaculture and innovations Based on initial vulnerability assessment for selected CSVs, set physical targets for permaculture and innovative options, e.g. flexi-biogas, solar dryers, etc. for all 6 Dzongkhags	23 November-07 December 2018	Dzongkhags with OPM support	March 2019
Outreach target for VFGs Set Dzongkhag-wise targets for VFGs to be supported in production clusters with high production and market potential and prepare a capacity building plan for them	23 November-07 December 2018	Dzongkhags with OPM support	January 2019
Support to VFGs Support to be based on viable business and capacity building plans. Mobilise an institutional development specialist to prepare guidelines, provide institutional support to groups and monitor their performance	23 November-07 December 2018	Dzongkhags with OPM support	January 2019
Support to YGs Establish a transparent process for CARLEP co-investment in YG initiatives, including information dissemination to all YGs, call for proposals, independent review of proposals, selection of groups and M&E mechanisms	23 November-07 December 2018	Dzongkhags with OPM support	February 2019
LF model expansion Prepare a plan to induct and support additional LFs and for them to become viable service providers and input suppliers where possible. Organise cross visits to established LFs	23 November-07 December 2018	Dzongkhags with OPM support	February 2019
Support to NSC and ARDSC, Khangma NSC T/Yangtse to prepare a viable investment plan to build vegetable seed processing and packaging capacity linked to seed producers' network and ARDSC Khangma to prepare an investment plan to increase capacity to produce spawn	23 November-07 December 2018	NSC T/Yangtse and ARDSC Khangma with OPM support	February 2019
OPM Engineer Mobilize a full time or two part-time engineers as TA or deputed ARDC staff to support infrastructure investment. See also under 'OPM strengthening below. (TORs in the Technical Background Appendix)	23 November-07 December 2018	OPM, ARDC	January 2019
Irrigation investments Ensure comprehensive coverage and technical upgrade features with economic and financial analysis in all irrigation investments and follow a 2-year implementation timeframe	23 November-07 December 2018	OPM, Gewog Engineers	January 2019
Disaggregate reporting between off-farm and on-farm investments	23 November-07 December 2018	OPM	January 2019
Other Investments Include land development, solar electric fencing and rural roads in future investments if found critical to production and commercialization by producers' groups	23 November-07 December 2018	OPM, Dzongkhags	June 2019

FCBL Review and revise the MoU with FCBL to reflect their withdrawal from CARLEP	23 November-07 December 2018	MoAF/OPM	January 2018
KIL Enter into a MoU with KIL as partners in the dairy chain, based on an approved investment plan and an agreed charter of roles, responsibilities and timelines	23 November-07 December 2018	MoAF/OPM	January 2018
MSP for vegetables Identify stakeholders in the vegetable VC and organise MSPs to link VFGs with traders to enter into formal agreements	23 November-07 December 2018	Dzongkhags with OPM support	January 2019
Matching grant facilities for private sector Prepare a matching grant manual based on the examples of other IFAD-funded projects and submit to IFAD for no-objection	23 November-07 December 2018	Dzongkhags with OPM support	February 2019
Support to YGs Establish a formal and transparent procedure for co-investment in the YG initiative, to include information dissemination to all YGs, call for proposals, independent review of proposals and selection of the beneficiary YGs, monitoring and evaluation mechanisms	23 November-07 December 2018	Dzongkhags with OPM support	February 2019
Vegetable marketing related infrastructure (Dzongkhag/urban level) Prepare investment plans for market related infrastructure development for IFAD no-objection	23 November-07 December 2018	RAMCO, Dzongkhags with OPM support	April 2019
Strengthening of district and Gewog level staff Design a capacity development plan for Dzongkhag and Gewog level staff based on a training needs assessment	23 November-07 December 2018	OPM with participation of Dzongkhag technical staff	February 2019
OPM strengthening Mobilise additional qualified personnel to support the new approach post-MT (6 positions proposed)	23 November-07 December 2018	OPM	March 2019

Effectiveness and Development Focus

Title of Agreed action	Date of mission	Responsibility	Deadline
YGs Intensify work with youth, both as individuals and groups by way of promoting service enterprises in agriculture and livestock sectors	23 November-07 December 2018	OPM	On-going

Sustainability and Scaling-up

Title of Agreed action	Date of mission	Responsibility	Deadline
Policy engagement OPM (KM and Project Management TA) to closely work with ARDC and RLDC to document and disseminate successful interventions by CARLEP	23 November-07 December 2018	OPM	On-going

Project Management

Actions	Date of mission	Responsibility	Deadline
CARLEP Focal Point at Dzongkhags Designate one among the DLO and DAO as the CARLEP Focal point at each Dzongkhag to integrate planning, AWPB preparation and reporting for CARLEP, taking on board the CARLEP objective with the Dzongkhag's development strategy/plans	23 November-07 December 2018	MoAF/ Dzongkhags with OPM support	January 2019
Strengthen OPM Upgrade the OPM Component Managers to the level of Dzongkhag Sector Officers Appoint a Project Manager to assist the NPD at OPM and additional personnel as outlined in Component 3 above	23 November-07 December 2018	MoAF	January 2019
Planning and AWPB preparation Introduce a systematic planning process for AWPB preparation to align CARLEP Objectives, Outcomes and Outputs with Dzongkhags' development strategies and plans and ensure that investments are based on detailed business plans	23 November-07 December 2018	OPM	January 2019

Financial Management and Execution


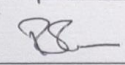

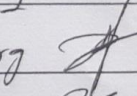
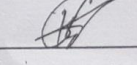
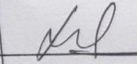
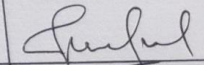
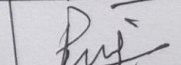
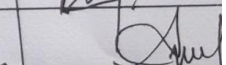
Actions	Date of mission	Responsibility	Deadline
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Ring-fence CARLEP finance community OPM finance (i) to call, at least once a year, a FM workshop gathering all CARLEP finance staff, (ii) OPM finance to provide one-to-one support through at least one visit per year at all IU (iii) and facilitate cross visit-cooperation of staff from adjacent districts.	23 November-07 December 2018	OPM Finance	December 2019
E-Training on FM of IFAD funded projects All finance staff across CARLEP invited to undertake the IFAD FM e-learning (link has already been provided by the FMS to OPM).	23 November-07 December 2018	OPM Finance	June 2019
Budget planning Early and stronger engagement of Finance in the planning process, to come up with enhanced reporting on actual expenditure and residual balance, by IU and benchmarked as % of AWPB (cumulative/period)	23 November-07 December 2018	OPM Finance	Immediately
Budgeting/costab Support OPM management in the feasibility of any exercise aimed at enhancing current costab/AWPB component classification (i.e. MYRB), providing a bridge/mapping of current expenditure to future plans.	23 November-07 December 2018	OPM Finance	Immediately
Taxes – ineligible amounts Determine the ineligible amount of taxes charged to IFAD and provide communication to IFAD FO for refund/deduction from future WAs. Also track RGoB contribution provided as taxes.	23 November-07 December 2018	OPM Finance	December 2018
Fixed Assets Full assets tagging and relevant reporting in asset registers, (i.e. starting to tag in ranking order from most expensive)	23 November-07 December 2018	Finance OPM/ IUs	March 2019 and/or before next supervision
Reporting Enhance Interim Financial Progress and timely submit quarterly to IFAD	23 November-07 December 2018	OPM Finance	December 2018
FCBL Analyse the breakdown of FCBL expenses which is mainly comprising salary cost (including those of the staff at stores) in order to determine what is/is not Recurrent Costs.	23 November-07 December 2018	OPM Finance	January 2019

Commercial Agriculture and Resilient Livelihoods Enhancement Programme
Multi-Stake Holder workshop of CARLEP's additional financing and design
Thursday, 13th June 2019. Hotel Jamyang, Thimphu

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Bhutan

Commercial Agriculture and Resilient Livelihoods Enhancement Programme Supervision Report

Appendix 6: Procurement

Mission Dates: 1 - 15 June 2019
Document Date 13/08/2019
Project No. 1100001739
Report No. 5110-BT

Asia and the Pacific Division
Programme Management Department

Appendix 6: Procurement

Assessment of the National level Public Procurement System

1. Until late 2008, the Procurement Manual, which was chapter 17 of the Financial Manual, was the only legal framework guiding the public procurement under the Royal Government of Bhutan (RGoB) leading to inconsistency in public procurement processes. Realizing that public procurement was a crucial factor for efficient public service delivery and involved huge amount of money and associated risk, the public procurement system in Bhutan was reformed in 2008. In August 2008, with assistance from the World Bank, the Public Procurement Policy Division (PPPD) was established under the Ministry of Finance as the central agency for procurement policies. With this the Procurement Rules and Regulations (PRR) and Standard Bidding Documents (SBD) for procurement of goods, works and services were developed in 2009, and revised in July 2015 for all procurement funded by the RGoB. The objectives of the public procurement system in Bhutan include ensuring transparency, fairness, equal opportunity and achieving uniformity, efficiency and economy in public procurement as defined in the PRR. The PPPD, which is mandated to be focal agency for public procurement policies in Bhutan, is now called the Government Procurement and Property Management Division (GPPMD) with a wider role of central procurement and development of the e-Government Procurement System.

2. The RGoB in addition to strengthening the legal framework introduced a procurement cadre in the civil service and initiated various capacity building programs to professionalize the procurement profession. One such initiative undertaken by the RGoB was the “Institutional Capacity Building for Procurement Project” funded by the World Bank to help local institutions to train procurement staff and linking the institutions to international professional procurement bodies.

3. Further, as a major reform to promote objectivity in the evaluation of procurement of works, the RGoB shifted the evaluation system from pass/fail to point based system in 2011. Recently, in 2017 the RGoB introduced electronic government procurement system (e-GP) mainly to reduce transaction costs, promote transparency and reduce procurement cycle time. The PRR 2009 has also been revised as PRR 2019 incorporating the experiences gained and to keep up with changes in the market. In addition, procurement of environmentally friendly goods and services and initiatives to support and promote SMEs in Bhutan has been introduced.

4. **Overall legal Procurement framework:** The Procurement Rules and Regulations (PRR) which was recently revised in 2019 is based on clear and strong objectives of transparency and fairness, economy and efficiency, and equal opportunities to all suppliers, contractors and consultant. For a sound and efficient implementation of the public procurement system, the PRR is supported by a set of Standard Bidding Documents (SBD's) 2019, Standard Request for Expression of Interests 2019 and Standard request for Proposals 2019, Evaluation Guidelines for procurement of Works (above Nu.5 Million) and Terms of reference for Independent Review Body.

5. **Procurement Planning:** The PRR 2019 requires Procuring Agencies to prepare Annual procurement plans without which tenders cannot be initiated through the e-GP system. The Annual Procurement Plans are published on the e-GP system after obtaining the

approval of the Head of the Procuring Agency. This would provide bidders with prior information for planning.

6. **Fraud and Corruption:** The PRR 2019 and all Standard Bidding Documents (SBD's) 2019, Standard Request for Expression of Interests 2019 and Standard request for Proposals 2019 have provisions on F&C remedial measures against. Further, these documents require suppliers, contractors and consultants to agree to an Integrity Pact..... The RGoB has a strong framework for control and audit with constitutional bodies such as the Royal Audit Authority (RAA) and the Anti-Corruption Commission (ACC). Both the RAA and CCA work independently and carry out procurement audits. In addition, there is a Central Coordinating Agency for Internal Audit Services (CCA) with Internal Audits placed in each Dzongkhag and Ministry.

7. **Conflict of Interest:** Declaration of Conflicts of interests is required as per the PRR and also provides for agencies to verify conflict of interest during any procurement process.

8. **Open Bidding:** Open bidding is the default method, which is followed by all the Procuring Agencies for procurement under RGoB financing.

9. **Standstill Period and debriefing:** As required under any good International practice, the PRR states a mandatory 10 day standstill period with a debriefing procedure allowing aggrieved bidders to know the reasons for their lack of success in being awarded the contract.

10. **Introduction of e-GP system:** The RGoB launched the e-GP phase I in September 2017 with implementation in only four pilot agencies. With the success of the piloting program within a short period, the RGoB conducted trainings for all the 10 Ministries and 20 Dzongkhag and made it mandatory for use by all these agencies soon after the trainings in 2018. The e-GP system ensures greater transparency and efficiency, wider competition and a more robust procurement system for the RGoB and will improve procurement data. The e-GP Phase II is currently being developed with the aim to integrate with the budget and tax systems and other relevant systems of the RGoB and is slated for launch in

11. **Contract Management:** The 2019 revision of the 2014 PPR covers some aspects of contract management, which are more detailed in the revised Standard Bidding Documents. However, effective implementation of contract management still remains a major challenge in most Procuring Agencies with limited number of procurement officers and engineers and lack of capacity of these officers.

12. **Sustainable Procurement / Green Procurement:** While there is no detailed procedure or guideline available, the PRR 2019 encourages use of environmental friendly goods

13. **Market Research and Analysis:** the PRR required Procuring Agencies to carry out Market research and analysis and this is also one of the responsibilities given to the Procurement Officers as per their Terms of Reference.

14. **Bid Securing Declaration:** to promote small and medium enterprises, use of bid securing declaration has been approved for small value procurement of goods and works.

Assessments by International Institutions

15. The PEFA Assessment rating for Procurement Management improved from an overall C in 2010 to B in 2016.

16. Thimphu Thromde, one of the procuring agencies in Bhutan was the first one to be assessed for use of Alternative Procurement Arrangement (APA) by the World Bank in 2016. As part of this assessment the National level Procurement System was also assessed and with Thimphu Thromde approved for use of APA, Bhutan became the first country where a Procuring Agency was approved for use of APA by the World Bank.

Procurement Arrangement under Additional Financing

17. Procurement of goods, works and services under the Additional financing financed from resources provided or administered by IFAD will be reviewed and approved in accordance with IFAD's Procurement Guidelines and Handbook (September 2010) and as amended from time to time as an exception to the provisions of the General Conditions. As required under IFAD financing, bidding documents and the contracts should include a provision requiring suppliers, contractors and consultants ensure compliance to IFAD 2018 Revised Anticorruption Policy and give IFAD the right to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited by IFAD-appointed auditors. The OPM will ensure that all bid documents and request for proposals will include the provisions of IFAD's anti-corruption policy.

18. Procurement will be as per the Consolidated Procurement Plan submitted by the OPM and approved by IFAD. The OPM will submit a 18-month Procurement Plan immediately after the Project enters into force and in the subsequent Project years submit an annual 12 month Procurement Plan. A draft indicative 18-month procurement plan is included in the *Annex (to be provided later)* for guidance, which may further be revised by the OPM, as appropriate and necessary. IFAD review of and no objection to the consolidated procurement plan is compulsory. IFAD prior review thresholds will remain same as that established earlier for the original Project, followed at contracts valued above USD 50,000 equivalent for goods and equipment, USD 200,000 equivalent for works and USD 30,000 equivalent for consultancy services.

19. As provided in Section III of IFAD's Procurement Guidelines, IFAD review of and no objection to the consolidated procurement plan is compulsory and the 18 month procurement plans submitted by the Recipient must include as a minimum:

- a) A brief description of each procurement activity to be undertaken during the period and name of the implementing agency responsible for the procurement.
- b) The estimate value of each procurement activity;
- c) The method of procurement to be adopted for each procurement activity and;
- d) The method of review IFAD will undertake for each procurement activity indicating either post review or prior review.

Any changes and amendments to the procurement plan shall be subject to IFAD's No Objection

Procurement Methods and Thresholds

20. The procurement thresholds for goods, works and consultancy services will be as per Chapter 4 of the RGOB Procurement Rules and Regulations and as per subsequent amendments.

Consultancy and Services

21. Consulting services will include programme management technical assistance, implementation and support technical assistance for different components, conducting studies, mobilisation/establishment of community groups, technical training and strengthening of community groups, and monitoring and evaluation. Consultancy and Services will include hiring of Consulting firms and Individual Consultants.

22. Each contract for the selection of consultancy services estimated to cost USD 30,000 equivalent or above, shall be selected following any one of the selection methods listed below:

- Quality and Cost Based Selection
- Fixed Budget Selection
- Least Cost Selection

23. Each contract for the selection of consultancy services estimated to cost below USD 30,000 equivalent, shall be selected following any one of the selection methods listed below:

- Quality and Cost Based Selection
- Fixed Budget Selection
- Least Cost Selection
- Selection Based on Consultants Qualification
- Single Source Selection

Selection of individual consultants

24. Individual consultants are selected on the basis of their qualifications for the assignment of at least three candidates among those who have expressed interest in the assignment or have been approached directly by PMO or Implementing Agencies. Individuals employed by the PMO and Implementing agencies shall meet all relevant qualifications and shall be fully capable of carrying out the assignment. Capability is judged on the basis of academic background, experience and, as appropriate, knowledge of the local conditions, such as local language, culture, administrative system, and government organization.

25. Consultancy Services and Individuals consultants may be selected on a sole-source basis with due justification in exceptional cases such as: (a) tasks that are a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively; (b) assignments lasting less than six months; (c) emergency situations resulting from natural disasters; and (d) when the individual consultant or consulting firm is the only consultant qualified for the assignment.

Review of Procurement Decisions by IFAD

26. IFAD will undertake to review the provisions for the procurement of good, works and services to ensure that the procurement process is carried out in conformity with its Procurement Guidelines. For the purposes of IFAD's prior review of procurement activities, the following procurement decisions shall be subject to prior review for the award of any contract for goods, equipment, materials, works, consultancy and services under FARM.

i) Procurement of goods, materials and works

- Prequalification documents and shortlist when prequalification is undertaken;
- Bid Documents for goods, materials and works;
- Evaluation Report and Recommendation for Award; and
- Contract and amendments.

ii) Procurement of consultancy services and services

- Prequalification documents and shortlist when prequalification is undertaken;
- Request for Proposal;
- Technical evaluation report;
- Combined (technical and financial) evaluation report and the recommendation for award; and
- Contract and amendments.

Prior or Post Review

27. Except as IFAD may otherwise agree, the prior or post which applies to various procurement of good, works and consultant recruitments shall be defined as follows:

Procurement Method	Type of Review Prior or Post	Comments
Procurement of Goods and Works		
ICB Works and Goods	Prior	All Contracts
NCB Works	Prior	Except procurement valued below USD 200,000
NCB Goods	Prior	Except procurement valued below USD 50,000
Shopping for works (quotations)	Post	
Shopping for goods (quotations)	Post	
Direct Works	Prior	Except procurement valued below USD 2,000
Direct Goods	Prior	Except procurement valued below USD 2,000
Recruitment of Consulting Firms		
Quality and Cost-Based Selection (QCBS)	Prior	Except procurement valued below USD 30,000
Fixed Budget Selection (FBS)	Prior	Except procurement valued below USD 30,000
Least Cost Selection (LCS)	Prior	Except procurement valued below USD 30,000
Selection Based of Consultants Qualification	Prior	Except procurement valued below USD 30,000
Sole Source Selection (SSS)	Prior	All contracts
Recruitment of Individual Consultants		
Individual Consultants	Prior	Except procurement valued below USD 20,000

28. IFAD may establish its prior review requirement for procurement below the above thresholds during its review and approval of the Procurement Plan.

29. **Contract Management** All contracts for procurement of goods, works and consultancy services, with or without IFAD prior review, should be listed in the Register of Contracts with the dates of approval. The Register of Contracts will facilitate in effective contract management including review of the performance of the suppliers and the consultancy firms. The contract monitoring form thus maintained will be submitted to IFAD in such frequency indicated in the Letter to the Borrower.

30. **Assets Management** All assets (goods/works) procured through either IFAD Loan or Grant will be properly tagged and identified. In case of works, the location and site specifications will also be included. All assets procured under the Project funds will be

physically verified at least on an annual basis by constituting a committee. The disposal of the assets should be promptly recorded. At the end of the Project, the assets will be transferred/disposed on the directions of the Ministry of Agriculture and Forestry.

Project Assessment and lessons learned from the Original Project

While the existing procurement plans have clearly packaged procurement activities with the relevant methods of procurement identified, however during implementation these activities have been merged with other activities/items for the ease of tendering process and methods of procurement have been changed. In some cases, even the bidding document was prepared using the Standard Bidding document, which is not relevant for the type of procurement that is being undertaken. Lack of understanding of other evaluation methods and creation of lots/packages under a single tender and use of item wise evaluation has resulted in too many small contracts with many suppliers to handle, reducing efficiency and effectiveness.

For item rate contracts without providing the estimated quantity required for each item, the implementing agencies could not establish the total contract price and hence the performance security, which even if obtained was of lower value than required. Some agencies have not even signed a contract but only issued a supply order, which means there are no provisions for advance payment or performance security and warranty requirements.

The Project staffs have no clear understanding of prior review and post review processes of IFAD and the documents required for these review processes. Therefore, the Project needs guidance on how to maintain documentation on the entire procurement procedure for each of the procurement activities and may be further guided by a checklist of documents that need to be filed for each activity.

Procurement and contract administration and management are decentralized at the implementing agency level. The OPM does not carry out any of the procurement activities. It is recommended that a full time Procurement Officer be recruited at the OPM for coordinating all procurement activities and tendering for high value procurement activities be centralized at OPM. The contract administration and management procedures can continue to be with the implementing agencies.

Procurement of Works are carried out by Engineers in the Implementing Agencies/Dzongkhags who have procurement experience from implementing similar activities under RGoB. For the procurement of works, the Engineers have used the e-GP (electronic Government Procurement) System for tendering and the e-Tool for evaluation of works above Nu. 4 million. This has ensured proper documentation of the entire procurement process, compliance to rules and regulations and application of technical and financial evaluation.

However for procurement of goods and consulting services, procurement have been carried out by relevant sector heads/officers in most cases. These officers have sheer lack of understanding of the RGoB and IFAD Procurement system. For some activities, the Dzongkhag procurement officers have been involved and in some cases store officers of the agencies have carried out the procurement activities. However, this is typical of any procurement carried out even under RGoB financing.

In case of works, the contracts have been awarded by establishing reasonableness through comparison with the estimated cost of the agencies. There are no available price indicators for goods/equipment and the way procurement has been carried out using item wise evaluation and without any quantity assigned for each item, prices quoted may have been much higher than market prices.

Based on the above assessment of the existing procurement processes and post review of contracts awarded in 2018-2019 under the Project, there is a clear indication of substantial risk in procurement administration. These risks are typical of those in any other government-funded procurement. Some mitigation measures need to be applied at the project design stage and during implementation stage. These include strengthening the procurement capacity at the OPM and all other agencies involved in procurement under the Project, timely review (at least once in a year) of post review contracts with a system to discuss the findings of these reviews with the OPM, prepare and share with the agencies a checklist of documents that need to be filed for each procurement activity enhancing measures for preparing technical specifications for Goods/equipment, and improving over all efficiency of the procurement system.

There is an immediate requirement to train the project staff on RGoB Procurement Rules and Regulations and IFAD Procurement Guidelines, the prior and post review processes and documentation requirement. There is a lack of understanding of these in all the implementing agencies and no proper documentation is available except in the case of procurement of works carried out using the e-GP system of the RGoB. Therefore, building the capacity of the project staff, creating awareness and if possible recruiting a procurement officer at the OPM is an immediate requirement.