



REPORT
GAFSP-CSO Mission to Bhutan
December 11-18, 2015

EXECUTIVE SUMMARY

The first GAFSP CSO mission to the Royal Government of Bhutan was conducted December 11-18, 2015. The Mission was conducted by Ms. Ma. Estrella Penunia, Secretary General of AFA, which manages the Medium Term Cooperation Program Phase 2 (MTCP2), a five-year capacity building program for Farmers Organizations in 17 countries in Asia Pacific, supported by IFAD, SDC and EU; Dr. Keshab Khadka, South Asia Coordinator of MTCP2 and Research Head of All Nepal Peasant Federation Association (ANPFa); Dr. Edilberto Concepcion, AFA Consultant; and Mr. Marcos Sundian, an engineer and volunteer photographer. Dr. Kuenga Namgay, Deputy Chief of the Planning Office and country focal person for the GAFSP Project in Bhutan, ably acted as local host, guide and translator; he also coordinated with the concerned government officials and World Bank, the Supervising Entity, for the final program of the Mission.

The Mission Team met representatives from (a) the country offices of IFAD, FAO, WB; (b) government agencies Department of Agriculture Marketing and Cooperatives, National Organic Program and Planning Office; (c) CSO Helvetas Bhutan; and (d) Mountain Hazelnuts, a recipient of the GAFSP private sector window funding. The Mission Team also visited Eusu Geog in Haa District, one of the targeted districts of GAFSP, and interacted there with 3 local male government officials and 13 villagers, with only 1 male in attendance. During these meetings, there was sharing of information about the GAFSP and MTCP2 processes at the international level and AFA's role in it, the profile, status and programs of the organization, and their views and opinions on the proposed GAFSP project. The Mission Team also visited a cooperative store as well as observed two vegetable markets: the main one in Thimpu and a small one in Hejo.

Main findings include:

- Project target areas of GAFSP will be changed from seven eastern districts to five rural South-West districts, since the eastern districts are fully supported by projects from other development projects notably IFAD. The rest of the aspects in the originally approved Concept Note still stand.
- Submission to the government of final design and implementation plan is targeted April 2016.
- CSOs in Bhutan are relatively young and in nascent stage. There are around 40 CSOs registered with the government, but they are observed to be "young and precarious with regards to funding and management capacity". There is no second tier organization, nor of CSO coalition and networks, and no national forum/ association /federation of farmers organizations yet in Bhutan. However, farmers are organized at geog levels as farmers groups, mostly according to crops/produce. There are also district farmers' cooperatives, though also in beginning stages of organizing.
- GAFSP Private sector window funding recipient is Mountain Hazelnuts, which targets to involve thousands of farmers in the production of hazelnuts, targeting 10M hazelnut trees at 1M trees per year. So far, around 7,000 farmers, schools and monasteries are involved in the planting of hazelnut trees. The company assures farmers of free seeds (through GAFSP funding), accessible inputs (farmers get loans for this), and markets with contract prices.

Main Recommendations Include:

- It may be good to see how the experience and learnings from the projects in agriculture production, marketing and value chain in the eastern districts of Bhutan can be used to inform the strategies and activities in the GAFSP areas in the southwest districts, of course considering demographics, terrain and physical conditions.



- There can be activities to gather representatives and leaders of district farmer groups into some national fora and consultation workshops to make them more aware of GAFSP and other agricultural projects, and to strengthen their involvement in the project management and monitoring.
- Most of Bhutan farmers practice a self-sustaining subsistence integrated farming systems incorporating farming and forestry landscapes. The country has also aimed to be 100% organic. Technologies that promote intensive, multi cropping subsistence agriculture system through optimal use of basic resources (land, water, solar) should be encouraged through a set of laws and incentives as well as a creation of market demand.
- There can be changes in the project beneficiaries and the products to focus on since the western districts may have a different topography than the eastern districts.
- For the project funded under the private sector window, it maybe good to ascertain, with proper agriculture research interventions involving farmers, the real contribution (or harm, if ever) of the project to biodiversity, to sustainable agriculture (use of non-chemical fertilizers and pesticides as Bhutan aims to be 100% organic), and to farmers power over their markets and the prices of their produce.

MAIN REPORT

A. Background:

The first GAFSP CSO mission to the Royal Government of Bhutan was conducted December 11-18, 2015. The Mission was conducted by Ms. Ma. Estrella Penunia, Secretary General of AFA, which manages the Medium Term Cooperation Program Phase 2 (MTCP2), a five-year capacity building program for Farmers Organizations in 17 countries in Asia Pacific, supported by IFAD, SDC and EU; Dr. Keshab Khadka, South Asia Coordinator of MTCP2 and Research Head of All Nepal Peasant Federation Association (ANPFa); Dr. Edilberto Concepcion, AFA Consultant; and Mr. Marcos Sundian, an engineer and volunteer photographer. Dr. Kuenga Namgay, Deputy Chief of the Planning Office and country focal person for the GAFSP Project in Bhutan, ably acted as local host, guide and translator; he also coordinated with the concerned government officials and World Bank, the Supervising Entity, for the final program of the Mission. *(please see Annex 1 for design of the Mission)*

B. Objectives

As this is the first mission in Bhutan the main objectives were:

- Get basic profiles of key FOs and NGOs working for food security
- Get information about the GAFSP processes undertaken by the government and inter-governmental bodies, mainly FAO, WB, IFAD
- Inform key FOs and NGOs about the GAFSP processes at international level, CSO work within GAFSP, status of GAFSP project proposal
- Get feedback from key FOs and NGOs about the GAFSP process, agriculture situation in the country
- Get recommendations from key FOs and NGOs about CSO involvement in GAFSP at international and country levels
- Get the commitment of the government and the Supervising Entities to include FOs in the design, implementation and evaluation of the GAFSP project through institutionalized mechanisms

C. Key Activities

The Mission Team conducted meetings with:

- FAO: Chadho Tenzin
- IFAD: Project Coordinator of MAGIP
- WB: Genevieve Boyreau, Country Program Representative
- National Organic Program, Department of Agriculture: Kesang Tshomo, Coordinator
- Department of Agricultural Marketing and Cooperatives
- Planning Office: Dr. Kuenga Namgay, Deputy Chief
- Helvetas Bhutan: Hansruedi Pfeiffer, Country Director



- Mountain Hazelnuts: Daniel Spitzer, CEO

The Mission Team also conducted a visit to a village in Haa District, which was attended by three male government officials and 13 villagers, 11 of whom were women, mostly belonging to the vegetable growers group.

The Mission Team also visited the vegetable farmers market and a cooperative shop in Thimpu as well as the Tango Monastery and Art Restoration Workshop to better understand the Buddhist culture and teachings. *(Please see Annex 2 for the schedule of the mission)*

D. Key Information Gathered

1. Basic Information about Farmers and their Situation in Bhutan

a. Twelve percent of the population in Bhutan is regarded as poor, down from 31% in 2003 (WB 2012 report), a much better success than other South Asian countries. In fact, it has the highest HDI in Asia. However, poverty in Bhutan is overwhelmingly a rural phenomenon as nearly 95% of poor people live in rural areas and are engaged in subsistence farming. The poorest live in remote areas with no or little access to roads.

b. The main export market of agricultural produce is India. Market information and value addition are main needs of the farmers when it comes to marketing.

- 2. On the development of the GAFSP implementation plan.** The WB undertook an identification mission in March 2015 and prepared a Project Concept Note (PCN), which the Country Management Unit cleared for preparation. Since then there have been two Bank preparation missions: one in June and the other in September. The objective of these Missions were to have consultations with the Ministry of Agriculture and Forests (MoAF) on the key design features of the proposed GAFSP project as well as its implementation arrangements. In particular, the team discussed project site and beneficiary selection criteria, proposed interventions, risks and safeguards issues, the role of different stakeholders, and agreed on a framework and timeline for project preparation activities. The Bank team will be preparing a draft Project Appraisal Document (PAD) in accordance with the Bank's Quality Enhancement Review (QER) process, the outcome of which will determine the readiness of the project for Appraisal. Next mission is targeted in February 2016. Submission for government approval is targeted in April 2016.

Project target areas will be changed from seven eastern districts to five rural Southwest districts. However, the reason for this change to the southwest is based on multiple considerations, one of which includes the significant investments that IFAD supported projects are already making in the East, including their new CARLEP project. Based on an assessment of the project areas and according to a very initial selection criteria which included linkages to previous Bank (DRDP and RRCDP) supported interventions, cropping patterns, productive potential, overall production, cultivated land areas, ease of access, potential value chain, market access, the MoAF preparation team and the Bank agreed on a list of 24 geogs in the five proposed South Western districts (dzongkhags): Chukka, Dagana, Haa, Samtse and Sarpang. Focused crops identified were rice, maize, citrus, cardamom and vegetables.

While other aspects of the Project as contained in the approved concept note will not change, the Project's target beneficiaries may change as a result of the change in the project areas. Project components will remain to be: increasing agricultural productivity, linking farmers to market, reducing risk and vulnerability and technical assistance, with gender concerns cross cutting all components. Main sub components include irrigation water management improvement, improving agriculture production technologies through access to seeds, farmer field schools and off vegetable season production, farm mechanization, improvement of infrastructures on post harvest, marketing, fencing to discourage wildlife to enter farms,



3. **On the CSOs and FOs in Bhutan.** CSOs in Bhutan are relatively young, and understandably so, because it is only in 1998 when the King's powers were devolved to the Cabinet ministers, and the government was managed by the Prime Minister with the King as the head of state. There are around 40 CSOs registered with the government, but they are observed to be "young and precarious with regards to funding and management capacity". There is no second tier organization, nor any CSO coalition and networks, and no national forum, association or federation of farmer's organizations yet in Bhutan. However, farmers are organized at geog levels as farmers groups, mostly according to crops/produce. There are also district farmers' cooperatives, though also in the nascent stage.
4. **On the GAFSP PrSW recipient in Bhutan.** Mountain Hazelnuts (MHV) is a company determined to "build a world class, triple bottom-line venture and a major player in the global hazelnut market". It currently has the biggest hazelnut nursery in the world – and already has an IPR on these seeds. GAFSP provided \$6M equity to a \$30M investment. Through GAFSP support, MHV will provide hazelnut tree plantlets, inputs and support to local farmers – free of charge. It aims to plant 1M hazelnut trees per year for 10 years in the fallow, marginal lands in the eastern part of the country. It has a six-step operating model : (1) reproduce high quality seedlings (2) raise the seedlings in a nursery; (3) distribute young trees to farmers; (4) support farmers in growing a new crop and (5) aid farmers in harvesting and drying nuts, then buy nuts. and (6) process hazelnuts inside the country. Its Chairman and CEO, Daniel Spitzer, is upbeat about the project, as the hazelnut grows well in the country, the tree's lifespan is 50 years and the price contract with farmers is for 30 years. With regards to environment, the company believes that hazelnut orchards improves soil fertility, improves water quality (due to less soil erosion), and provides a valuable source of firewood (through pruned branches).
5. **Information from the Field:**

Visit to a Village in Haa District. Haa is one of the 20 districts in Bhutan. Its major feature is the Haa Valley, a steep north-south valley with a narrow floor. It has one of the least populated areas in Bhutan. The main crops grown in the valley are wheat and barley. Potatoes, chilis, apples and tomatoes are grown by farmers on the valley floor, along terraced hillsides, and in some of the more accessible side valleys. Almost every household owns livestock of some type, most commonly yaks and cattle, but also chickens, pigs, and horses.

The Mission Team visited the Uesu Geog (village block), where a Remote Community Development Project of the MOAF is being undertaken. The discussion was attended by three male government officials and 13 villagers, 11 of whom were women, mostly belonging to the vegetable growers group. The project subsidized the building of greenhouses/polyhouses for vegetable and spice production – tomato, chili, coriander, other herbs and spices; though villagers said that even with the polyhouses, they are not able to grow vegetables during winter.

The villagers mentioned two problems with regards to their livestock and vegetable production activities. The first was quality breeds and quality seeds – the seeds come from the government's National Seed Center. The second was on marketing. Marketing is done individually, and many of the participants in the discussion expressed problems on high input costs and low prices of produce, because they sell harvests almost at the same time. The villagers acknowledge that this problem is an "aggregation issue", and looks to an entity, such as the FCB, a government owned company, to be the consolidator for the farmers' products. The good news was that a government-owned farmshop near the village has opened recently. This farmshop buys, then sells the produce of farmers as well as sells farm implements and grocery goods to farmers.



Visit to the Centenary Farmers Market in Thimpu. The two-storey vegetable market in Thimpu is managed by government . The market scene is dominated by women, many of whom are young. The market runs from Friday till Sunday. Binaya Phoude, A young woman selling vegetables in this market, said that she buys her merchandise from her home village and from a wholesale market near the city bus shop. She makes a profit margin of 20%, yet, she is still not satisfied with this . But two other shopkeepers, who make profit margins slightly less than her, are satisfied with what they are earning from the vegetable market.

Visit to a Women's Own Open Market in Hejo. This small women's market with three shops is being run by the Bhutan Association of Women Entrepreneurs (BAOWE), which is a membership-based organization of women entrepreneurs focusing to empower themselves . This market in Hejo is part of BAOWE's "Women's Owned Open Market (WOOM)" project, was a response to women entrepreneurs' need to find markets to sell their produce especially on weekdays, when the Centenary Farmers Market is closed. The WOOM is operating in Hejo, Jungshina, Hospital area and Bus booking areas. At this Hejo market, the women entrepreneurs were selling organic vegetables and fruits, as well as other groceries and packed food items, to meet consumers' demands. The women shopkeepers who were interviewed was happy that they are running a business like this one, that builds their self confidence. They have good experience and are highly satisfied with current business returns

6. Basic Profile of Key FOs and NGOs

a. **IFAD:** IFAD's has two current projects. One is closing soon- the Bhutan is Market Access and Growth Intensification Project (MAGIP), which is being implemented in six districts in the eastern region of Bhutan, where some 30% of the population lives. The over-all goal of the project is to reduce poverty and poverty and improve food security and the standards of living of poor rural households in six eastern districts of Bhutan. The project focuses on improving the productivity of subsistence based farming systems in communities with no road access and in intensifying the production of cash crops and dairy products, while enhancing smallholder access to markets in communities with road access. The project started in 2010 and will end in June 2016.

The second project is the Commercial Agriculture and Resilient Livelihoods Enhancement Program (CARLEP). The project's goal is to sustainably increase smallholder farmers' incomes and reduce poverty. The objective is to ensure increased returns for smallholder farmers through climate resilient production of crops and livestock products. This will be achieved by facilitating the transformation from a subsistence-based rural agricultural economy into a sustainable value chain and market driven sector. The project will be initially implemented in the six southern and eastern districts , with possible expansion in four districts in central and southwest regions. The programme will benefit 28,975 smallholder households, of which 7,115 households will directly benefit from vegetable and dairy value chains. This project started in 2015 and is expected to be completed in 2022.

The MAGIP project was able to form farmers groups of 15-20 farmers per group, based on commodity/crops such as vegetable, poultry, mostly dairy. A farmer can be a member of several groups. There has been too many farmers groups formed and thus would like to have an assessment of these farmers groups before the project ends in June 2016.

b. **FAO:** The FAO officer interviewed is an agriculture economist who is currently involved in school feeding and farm-to-school programs. Previously, the school feeding program used food imports from WFP. But WFP will phase out support in 2018, as Bhutan will be classified as a middle-income country. Thus, FAO conducted a pilot farm to school project in one district, involving six farmers groups. One of the concerns in the farm-to school project was the fact that schools open from February-December while harvest season is usually May-October. There was a realization that (1) farmers supplying food to the



schools need bigger storage facilities and that (2) farmers cannot supply everything needed for the school feeding program. Currently, farmers groups supply perishable items to the schools while the government company; FCB supplies all the other food items for the school-feeding program.

c. **National Organic Program.** Bhutan has the vision to become the first 100% organic country. The National Organic Program (NOP) of the government is mandated to help create an enabling environment for the organic farming sector to grow and to support the organic farmers in inputs, techniques and certification. The NOP has facilitated the development of the national organic framework. Its initial years were devoted on developing education materials and on training farmer trainers and extensionists, mainly on the production of organic vegetables and natural dyes. Organic farmers also form farmers groups according to geographical location. The NOP links with the government's Division of Agriculture and Marketing Cooperatives (DAMC) for the market of organic products and are currently exporting organic buckwheat and asparagus. For the local market, organic certification is through "local assurance product system", which is similar to a Participatory Guarantee System (PGS). The NOP has also trained 20 inspectors for BAFRA, the government's food regulatory agency. It has partnered with the International Federation of Organic Agricultural Movement (IFOAM) for technical information and assistance.

e. **Department of Agriculture Marketing and Cooperatives (DAMC).** The government is now focusing on commercialization of agriculture so, marketing is important. The DAMC monitors and regulates the agriculture market as well as build the capacities of farmers in marketing and in cooperative organizing. Many people still do not understand the concept of cooperatives. The cooperative sector is very new in Bhutan (only in 2010), though many self help groups have existed before that. Currently, there are 40 cooperatives, with 1,752 members (982 males, 770 females). There are 301 farmer groups, with 6,565 individual members (3514 males, 3051 females)

The DAMC helps link the various farmer groups and cooperatives to the market. Schools in the eastern region and hydro project workers in the western regions are major markets. DAMC facilitated the building of marketing sheds along the roads to Thimpu; the care of these sheds will be transferred to local communities in due time. There are weekend vegetable markets as well. DAMC also provide cold storage facilities, transportation subsidies and minimum support price to some products including rice, potato, maize and cabbage.

The DAMC has a Coop Master Plan but is unable to fully implement it because of funding constraints. Moreover, the DAMC will be dissolved but its functions will be included in the Department of Agriculture and Livestock.

f. **Helvetas Bhutan:** HELVETAS is an international network of independent affiliate member organisations working in the field of development cooperation and emergency response. It seeks to promote the fundamental rights of individuals and groups and strengthen governments and other duty bearers in their service provision. Helvetas started its engagement in Bhutan in 1975. Helvetas Bhutan is currently implementing its 6th Country Strategy (2012-2017). Its main goal is to contribute towards equitable development and improved livelihoods through the promotion of effective governance, an active civil society and sustainable economic opportunities. Helvetas-Bhutan focuses its work on three areas: Rural Economy, Governance and Peace, and Education and Skills Development, working with disadvantaged communities and groups in improving their livelihood opportunities. Its twoprograms with the rural sector are both ending next year --
- the Rural Livelihood Project and the Participatory Forest Management Project, with the Ministry of Agriculture and Forestry as its main implementation partner. Its Rural Livelihood Project, covering the central and south districts of Zhemgang and Sarpang, links primary producers to markets, traders, large consumers and processors, and works to establish fair relationships among the various market-chain actors in dairy, passion fruit



and broom grass. The Participatory Forest Management Project covers all 20 districts in Bhutan, with 500 community forest management groups all across the country with secure access and management rights and responsibilities over forests.

E. Recommendations, Action Points

From the meetings and the consultation, the Mission Team has the following observations and recommendations:

1. Most of the projects of donors whom we met are in the eastern part of Bhutan, so how do we complement funding for the GAFSP, which is at the western part of Bhutan? It may be good to see how the experience and learnings from the projects in agriculture production, marketing and value chain in the eastern districts of Bhutan can be used to inform the strategies and activities in the GAFSP areas in the southwest districts, of course considering demographics, terrain and physical conditions.
2. The farmers are organized into farmers groups and community forest management groups at geog and sometimes at dzongkhag levels, but not at the national level yet. It may be too early to establish national organizations and associations; however, there can be activities to gather representatives and leaders of district farmer groups into some fora and consultation workshops to make them more aware of GAFSP and other agricultural projects, and to strengthen their involvement in the project management and monitoring. For the agricultural sector, the DAMC can be the focal institution that can bring these groups and build capacities especially in marketing. The interest of CSO Helvetas Bhutan to help build capacities and apply principles of good governance may also be explored. The interest of the program managers of MTCP2 in South Asia to include Bhutan as one of its covered areas can also be explored.
3. Most of Bhutan farmers practice a self-sustaining subsistence integrated farming systems incorporating farming and forestry landscapes. It has also aimed to be 100% organic. Technologies that promote intensive, multi cropping subsistence agriculture system through optimal use of basic resources (land, water, solar) should be encouraged through a set of laws and incentives as well as a creation of market demand.
4. While the objectives of the project being undertaken by Mountain Hazelnut is laudable and while it can result to increased incomes for farmers, we would like to put forward the following concerns:
 - a. The seedlings are “tissue culture micro-propagation” which means mono gen. It maybe of the most vigorous, productive variety. But there is the risk that the hazelnuts will be destroyed by some insects or some diseases. Nobody can predict such disaster. In terms of stability, diversity in the plants is recommended.
 - b. Because of monoculture, pest outbreak can easily occur. How will then pest attacks be managed? If through the use of chemicals, the chemical pesticides can cause environmental pollution.
 - c. In the website, it says that the area of hazelnut orchard is minimum half acre, but maximum limit should also be mentioned. Because monoculture in big lands is a cause of biodiversity loss. Integrated, diversified farming systems are proving to be profitable and environmentally sustainable and contribute to biodiversity.
 - d. In Ecological Integrity, the website mentioned that hazelnut orchard can sequester 1.5 million metric ton of CO₂. But if the same area covered by big tree forests, the sequester will be more than triple of that.
 - e. For farmers’ benefits, the meaning of “Profitable Floor Price” should be clarified. As in the case, the farmers will be mere takers of the price of hazelnuts as contracted by the company. Can the farmers be organized into commodity cluster of hazelnut and be empowered such that they can also determine the price of their produce, and get information about market prices and also get knowledge about other technological systems of producing hazelnuts?



ANNEXES

- 1 Design of the Mission
- 2 Schedule of the Mission
- 3 Pictures with Captions

Submitted:

April 2, 2016

Asian Farmers' Association for Sustainable Rural Development (AFA)