

**ROYAL GOVERNMENT OF BHUTAN**

**UNITED NATIONS DEVELOPMENT PROGRAMME**

**RURAL ENTERPRISE**

**DEVELOPMENT PROGRAMME**

(BHU/02/002) & (BHU/02/003)

**MID-TERM REVIEW**

**MISSION REPORT**

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## ACRONYMS

AMU	Agricultural Marketing Unit
ARIP	Annual Rolling Implementation Plan
BAIL	Bhutan Agro Industries Limited
BCCI	Bhutan Chamber of Commerce and Industry
BDFC	Bhutan Development Finance Corporation
BPS	Business Promotion Services
BPU	Business Promotion Unit
BSU	Business Service Unit
CCA	Common Country Assessment
CBNRM	Community Based Natural Resource Management
CEC	Comprehensive Entrepreneurship Course
CEFE	Competency-based Economics Through the Formation of Enterprises
CSS	Capacity Strengthening Specialist
CO	Co-ordination Office
DADM	Department of Aid & Debt Management
DYT	<i>Dzongkhag Yargey Tshogchung</i> (District Development Committee)
EA	Executing Agency
EODP	Essential Oils Development Programme
EPC	Entrepreneurship Promotion Center
FAO	Food and Agriculture Organisation (of the United Nations)
FCB	Food Corporation of Bhutan
FDI	Foreign Direct Investment
FFDC	Fragrance & Flavour Development Centre
FIAS	Foreign Investment Advisory Services
FYP	Five Year Plan
GTZ	German Technical Cooperation
GYT	<i>Gewog Yargay Tshogchung</i> (Gewog Development Committee)
IHDP	Integrated Horticulture Development Project
IPMDP	Integrated Pest Management Development Project
IPS	Information and Publicity Section (of MOA)
ISPP	Integrated Semi Processing Plant
ITMS	Institute for Traditional Medicine Services (formerly National Institute of Traditional Medicine), Ministry of Health and Education
M&E	Monitoring and Evaluation
MIS	Market Information System
MOA	Ministry of Agriculture
MSME	Micro Small Medium Enterprise
MTI	Ministry of Trade and Industry
MTR	Mid-Term Review
NPHC	National Post Harvest Centre

Nu	<i>Ngultrum</i> (National Currency of Bhutan)
PAC	Project Appraisal Committee
PDSD	Programme Development Support Document
PHU	Post Harvest Unit
PMC	Programme Management Committee
PPD	Policy and Planning Division
PPER	Project Performance Evaluation Report
PSC	Project Steering Committee
RBM	Results Based Management
RED	Rural Enterprise Development
REDP	Rural Enterprise Development Programme
REGS	Rural Enterprise Grants Scheme
REM	Rural Enterprise Model
RGoB	Royal Government of Bhutan
RIP	Rolling Implementation Plan
RTIO	Regional Trade and Industry Office
RNR	Renewable Natural Resources
RNRRC	Renewable Natural Resources Research Centre
SC	Steering Committee
SME	Small Medium Enterprise
SNV	Netherlands Development Organization
TA	Technical Assistance
TOR	Terms of Reference
TOT	Training of Trainers
UNDP	United Nations Development Programme
US	United States
WCB	Wood Cane and Bamboo
WTO	World Trade Organization

#### Bhutanese Glossary

<i>Dzongda</i>	District Commissioner
<i>Dzongkha</i>	National language of Bhutan
<i>Dzongkhag</i>	District
<i>Geog</i>	Sub-district
<i>Gup</i>	Elected Leader of the Geog
<i>Tshogpa</i>	Elected leader of group of villages

## ***ACKNOWLEDGEMENTS***

The Mission wishes to express its deep gratitude to the representatives of the Royal Government of Bhutan for the courtesies extended while executing its mandate. Wherever the Mission went, it was met by stakeholders with utmost hospitality and generosity.

The Mission acknowledges its appreciation for the effective support provided by Ms. Renata Lok Dessallien, United Nations Development Programme's Resident Representative; the hands-on leadership of Mr. Toshihiro Tanaka, Deputy Resident Representative; Ms. Tshering Pem, Head of Poverty and Millennium Development Goals Unit made available every possible resource to the Mission; Mr. Aki Hakanen, United Nations Volunteer economist, provided impressive logistics back up to deploy the Mission's field work in a difficult terrain. Representatives of donor agencies shared their perceptions on the Programme's potential and constraints with the Mission.

Gratitude is extended to managers and staff of both implementing agencies, Ministry of Trade and Industry & Ministry of Agriculture, who kindly spent considerable time supplying requested information and graciously accompanied the Mission during the fieldwork. In particular, the Mission has been moved by the openness with which farmers interviewed during field work have shared their perplexity and enthusiasm for the expected outcomes.

## ***EXECUTIVE SUMMARY***

### *Purpose*

A mid-term review provides management with a strategic positioning to:

(a) address particular issues or problems in programme design, implementation and management, and (b) reinforce initiatives that demonstrate the potential for success.

Both executing agencies (Ministry of Agriculture & Ministry of Trade and Industry) and the United Nations Development Programme jointly launched the present Review in the second half of 2005. The Terms of Reference is in Annex 1.

The overall purposes are:

Assess the relevance of the Programme's concept and effectiveness in realizing its immediate objectives and the extent to which they contribute towards building the capacities of the rural enterprise.

Review the efficiency and adequacy of the Programme's implementation and management.

Assess progress in achieving the Programme's expected results.

As per terms of reference, there were two reviews conducted simultaneously. In consequence, two groups were organized to carry out fieldwork with the involvement of key stakeholders' representatives. The Mission held detailed technical discussions on Programme design, implementation, management and monitoring issues with the management of executing agencies including the front line staff.

On 25 October the Mission shared its preliminary findings and recommendations with the Steering Committee. The minutes of the meeting (see Annex 4) validate the Mission's overall recommendations.

### *The Programme*

The Programme is relevant to the needs of the Royal Government of Bhutan and conforms to its priorities and current policies of the 9<sup>th</sup> Five Year Plan. The Government is committed to enhancing income generating capacity of rural population, creating employment opportunities for the rural youth and poverty alleviation.

The Programme has been designed to capitalize on previous United Nations Development Programme's programmatic experience on capacity development. It has the potential of successfully testing a capacity building strategy that ultimately leads to reduce poverty through a knowledge-based technology, which is environmentally friendly and within the reach of small landholders. It aims to enhance the level of food security and nutrition by boosting the efficiency of horticultural production-marketing systems and associated income generating activities, encompassing homemade food processing. Thus, the Programme has the potential to contribute to upstream policy making in poverty reduction in the country.

In terms of the Common Country Assessment (2000) framework, the Programme is relevant to the challenges and options available concerning the issues of poverty and equity. It is also pertinent to the notion of focusing attention on cottage and small-scale industries. One comparative advantage, so far untapped, is Bhutan's agro-ecologic capabilities for the production of fruits, vegetables and medicinal plants with considerable potential demand in the sub-region.

### *Implementation and Management*

From the evidence reviewed, a somewhat discouraging picture emerges. The evidence indicates delay across all components; however, the absence of specific information does not allow one to measure delay. It is clear from the evidence, moreover, a moderate strain to advance from the stage of completed activity to output. This is the case with the outputs related to policies, strategies, legal frameworks and management tools.

The Mission has not found evidence of technical challenges to account for the slow rate of transforming completed activities into outputs. Neither is there a shortage of financial resources. The evidence is clear signifying that the bulk of the intermediate outputs could become outcomes with additional proactive and coordinated work. The absence of focused and coordinated efforts explains the emerging pattern of slow implementation and in consequence sluggish disbursement.

The management evidence available shows that splitting the Programme implementation between two executing agencies introduced disconnected management operations. Despite the magnitude of the Programme's resources and overarching planning goals over several sectors, it has been implemented in a compartmentalized manner. There was an absence of joint procedures and strategy between executing agencies to ensure producing results on the ground.

However, there are completed activities with considerable potential for outputs.

- The creation of Business Promotion Service sections and the launching of two additional Regional Trade and Industry Offices – one at Trongsa and the other at Mongar – serve as an important precursor of the public sector shift from a solely regulatory function to promotional and advisory functions.
- Marketing services for agricultural enterprises have been improving. There is considerable impetus to develop markets and marketing infrastructure.
- National organic farming has registered considerable progress and it should be approved shortly by national authorities.

### *Lessons Learned*

#### *The Design of Rural Institutions for Sustainable Development*

Technological constraints on growth of agricultural productivity have become less binding. This makes the current challenge of how to create viable rural institutions for sustainable farming systems more compelling than ever. The configuration of rural



institutions is a location-specific effort. As it plays a determining role in the adoption and sustainability of a Programme's technological package. The design of rural institutions should be structured taking into account at least two dimensions: economic incentives to production; and organizational arrangements that will govern technology and the patterns of income distribution derived from the technology.

### *National Execution and National Capacity Development*

National execution is the main modality for the implementation of UNDP-assisted programs. National execution has a number of positive attributes each of which has its constraints. It is expected to enhance the sense of ownership of programs. Ownership is not costless. Its price is the capacity building efforts, in particular organizational capacity, of the public sector.

### *Recommendations*

There are three sets of actionable guidelines proposed to the attention of executing agencies and the financing organization.

The first set focuses on follow up actions so that Components 1,2,3,4 can reach full fruition from intermediate outputs to full outputs. Specifically, to complete outputs concerning strategies, policies, technical and management tools, legal frameworks. Moreover, it is urged to focus on rural enterprise development either related to on-farm activities or off-farm activities. Those off-farm activities should be considered in particular in those areas where agricultural potential is less than adequate.

Concerning the sub-component lemon grass industry, it is proposed to complete the activities related to constituting the by-laws for the new cooperative supported by a business plan. The specific elements of this business plan are outlined.

Concerning the sub-component rural enterprise model, it is urged to continue conducting activities leading to the preparation of handicraft national strategy with particular reference to niche markets.

The second set focuses on an approach to reach the final beneficiary within the framework of Component 5 and associated sub components. Fundamentally, it is proposed to consider configuring area-based development projects. These should focus on community-based and rural enterprises development. Project must be packaged within a Business Plan modality. This modality should enable the project design to become market-oriented and marketing-driven. The nature of the rural enterprise development (farm-based and/or non-farm based) should be a function of natural resource availability in areas under consideration.

A final set of recommendations deals with sustainability issues, based on the Mission's consultations with key stakeholders. The need of a long-term framework to induce sustainability of results on the ground is outlined; a proposal to reconsider the grant

scheme is outlined; Programme management and monitoring and evaluation system are proposed to enhance performance.

## ***1. INTRODUCTION***

According to the United Nations Development Programme (UNDP) country office's evaluation plan, a mid-term review (MTR) for the Rural Enterprise Development (RED) Programme was planned for the third quarter of 2005 in conjunction with the Poverty Outcome Evaluation. The outcome under review is: "Replicable local poverty initiative(s) linked to development of small rural enterprises and policy changes undertaken". In keeping with the evaluation plan, both executing agencies, Ministry of Agriculture (MOA) and Ministry of Trade and Industry (MTI) and the UNDP jointly launched a MTR in the second half of 2005. The terms of reference (TOR) is in Annex 1.

A mid-term review provides management with a strategic positioning to:

(a) address particular issues or problems in programme design, implementation and management, and (b) reinforce initiatives that demonstrate the potential for success.

Thus, the review's overall purposes are:

- Assess the relevance of the Programme's concept and effectiveness in realizing its immediate objectives and the extent to which they contribute towards building the capacities of the rural enterprise.
- Review the efficiency and adequacy of the Programme's implementation and management.
- Assess progress in achieving the Programme's expected results.

Accordingly, the Mission aimed to address several challenging issues, such as, the Programme's future course of action; how to modify or refocus the Programme if necessary to ensure successful results; and how to avoid duplication of activities with other government departments and donors.

### ***Evaluation's Timeframe and Organisation***

The national consultants, Ms. Neera Lama and Mr. Ugen Norbu, composed the Mission. Mr. Eduardo Quiroga was the team leader. On 26 September 2005, activities commenced in Thimphu with a desk study. Subsequently, the Mission held briefing sessions with representatives of the Royal Government of Bhutan (RGoB), UNDP management, the executing agencies (MTI & MOA) and collaborating agents: Netherlands Development Organization (SNV), Food and Agricultural Organization (FAO) and other donor representatives whose names can be found in Annex 3.

As per TOR, there were two reviews conducted simultaneously. In consequence, two groups were organized to conduct the reviews with the involvement of representatives of the MOA, MTI and UNDP. Thus:

*Group 1 (Poverty Outcome Evaluation)* It was composed of Mr. Ugen P. Norbu (National Consultant), Ms. Sonam Choetsho (UNDP) and Karma Choden (UNDP). They conducted fieldwork in the sites of Thimphu, Trongsa, Mongar, Khaling and Bumthang.

*Group 2 (RED Mid-Term Review)* It was composed of Ms. Neera Lama (National Consultant), Ms. Karma Tsering (RED MTI Programme Coordinator), Ms. Yuden Dorji (RED MOA Programme Manager), Ms. Irene Christiansen (SNV Technical Advisor), Mr. Aki Hakanen (UNDP) and Mr. Eduardo Quiroga (Team Leader). They conducted fieldwork in the sites of Thimphu, Trongsa, Mongar, Dagapela and Paro.

The Mission held detailed technical discussions on Programme design, implementation, management and monitoring issues with the management of executing agencies including the front line staff. During the field visit, the Mission was enriched by interacting with beneficiaries in the process of becoming a Farmers' Group. It also interacted with the Evaluation Working Group & Consultative Group; and, in consequence, was able to connect with Programme Unit, Senior Management and key stakeholders. The complete list of field visits, working sessions and thematic issues reviewed with stakeholders is in Annex 2. The names of all persons met are in Annex 3.

On 25 October the Mission shared its preliminary findings and recommendations with the Steering Committee. The minutes of the meeting (see Annex 4) validate the Mission's overall recommendations.

### ***Method and Procedures***

It became evident that the participatory approach was in step with the TOR requirements. As exposed in Annex 5, the participatory approach is a collaborative evaluation process. It builds on strengths and it values the contribution of everyone involved. Every stakeholder has an opportunity to present its case. Finally, this approach was in line with the country's deep attachment to its own culture and religious beliefs providing a strong sense of identity.

The following three principles of the participatory approach are paramount:<sup>1</sup>

- The focus of a participatory evaluation is on achievements and learning.
- A participatory evaluation enables an appreciation for shared activities, coordinated efforts and linkages among those who are conducting a programme. In turn, this allows assessing potential or actual synergies in operation.
- In a participatory evaluation the analysis of a substantive focus must be jointly organized by both evaluators and stakeholders. For accountability purposes, Programme management is fully responsible to prepare the information needed for the evaluation. This principle is decisive to warrant accountability and transparency through the participatory evaluation.

Because of the broad and complex scope of the Programme, the analysis was considered in the context of three criteria.

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<sup>1</sup> Health Canada. *Guide to Programme evaluation: a participatory approach*. Ottawa, 1996, pp. 4-14

Firstly, reflection is essential to discover facts. The scientific method was therefore used to discover the actual facts. In turn, the use of the scientific method is guided by discovered facts.

Secondly, to carry out the evaluation the approach has been synchronic and flexible in order to ensure fairness and transparency. The programmatic process was analyzed through a synchronic treatment by considering a programme framework within a given time frame, avoiding spurious comparisons or inferences from events unrelated in time.

Thirdly, results-based management (RBM) has become UNDP's core management concept. This is because of the firm demand for development effectiveness. The efficient delivery of inputs to generate outputs is insufficient to bring about discernible changes in development conditions. What is most needed are outcomes in people's livelihoods to enhance their living conditions.

All key documents were examined. The complete list of documents reviewed is found in Annex 7.

Overall, the Mission's approach has been forward-looking. Despite the limited time available, given the Programme's broad and complex scope and the ramifications of UNDP's shift in paradigm management, it is the Mission's considered opinion that it has been able to understand the Programme's pervasive issues; and the concept together with expected results in order to submit to the consideration of all stakeholders, its findings, recommendations and lessons learned on the Programme's development results.

## **2. THE PROGRAMME AND ITS DEVELOPMENT CONTEXT**

The Rural Enterprise Development Programme officially started in August, 2002 and is expected to conclude in June, 2007. The Programme duration is five years. The Programme's total budget is US\$ 4,191,600 out of which UNDP participation is US\$3,200,000 and parallel co-financing of US\$ 991,600 by SNV. Further, US\$ 10,688 was added to the UNDP contribution from former Integrated Horticulture Development Project.

The fact that poverty is to a large extent a rural phenomenon in Bhutan<sup>2</sup> gives rise to an urgent need to design and implement policies to enhance rural income generation and scope for self-employment through the development of the private sector. Therefore, the Royal Government of Bhutan's 9<sup>th</sup> Five Year Plan, has emphasized the development of a dynamic and strong private sector. In particular, continued support has been extended to encourage the growth of small and micro-industries in rural areas. However, we cannot overlook challenges arising from the country's small domestic market, limited financial and labor resources, underdeveloped infrastructure and the disadvantage associated with being a landlocked state. Thus, the Programme addresses rural economic growth; rural/urban migration; improved access of small firms to technology, credit, and market; and enhanced employment opportunities.<sup>3</sup>

The country's uniqueness opens up opportunities for the Programme to capitalize on the nation's comparative advantages related to the pristine environment, natural resources, cultural and traditional knowledge to foster developing enterprises to produce unique products.

The Programme's objectives are:

Long-term Objective: To improve the capacity of the rural poor to sustain their livelihoods through increased income and employment opportunities.

Immediate Objectives:

1. Facilitate the creation of strategies, policies and enabling environment for the growth and development of rural enterprises;
2. Enhance institutional capacities of agencies and institutions supporting the development of rural enterprises;
3. Develop a portfolio of technical, management and business tools necessary for the creation of rural enterprise systems; and

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<sup>2</sup> Poverty Assessment and Analysis Report 2000 and Poverty Analysis Report Bhutan, August 2004.

<sup>3</sup> The Programme conceptually and operationally deals with agricultural development. There has been considerable advance in knowledge concerning the role of institutions and on-farm technological change in the process of agriculture development. In essence, this model suggests that the process of agricultural development (i.e. higher levels of income and employment) stems from inducing on-farm technological changes (i.e. horticulture, high-value niche organic products) hinging on institutional innovations (i.e. policies, management tools). (cf: Ruttan, 1973 & 77; Binswanger & Ruttan, 1978; Hayami & Ruttan, 1971; Ahmed & Ruttan, 1988).

4. Enhance the productivity and marketing of products produced and sold by rural enterprises and individuals

The Programme is a joint undertaking of RGoB, UNDP, and SNV. The main stakeholders in the Programme are the Ministry of Agriculture, the Ministry of Trade & Industries, farmers, small and medium enterprise (SME) artisans, business communities, Bhutan Chamber of Commerce and Industry (BCCI), and Bhutan Development Finance Corporation (BDFC).

Ordinarily a programme's expected results are in the Project Document (Prodoc). For reasons that will be discussed in section 3.3, there was an absence of coherent progress report within the framework of expected results. The Mission in a participatory manner requested each executing agency to reconstitute its own progress report. The information obtained is compiled in Annex 6. Therefore, the Programme's expected results come from Annex 6, and these are:

1. Enabling policy Environment.

- To assess the impact of globalization and WTO rules based Bhutan's trading system.

- To create an enabling policy environment for private sector development.

- To formulate a Technical Assistance Proposal for the establishment of a Foreign Investment Promotion Division / Agency.

- To strengthen the operational and manpower capacity of Policy and Planning Division of MTL.

2. Institutional Support and Skills Development:

- To strengthen national public sector institutions and employees to build up their capacities to support entrepreneurship development.

- To build up a core cadre of entrepreneurs in rural areas who are able to take advantage of opportunities offered through market information, enterprise development and other models.

- To establish a consolidated and coordinated entrepreneur support services at the Regional and Dzongkhag levels to use these services as primary frontline contact in the delivery of entrepreneurship and enterprise development programme.

3. Marketing and Market Information System.

- To establish systems for continuous monitoring and analysing of market conditions for exploitation by entrepreneurs. In effect, it will create a market-environment scanning service that continuously updates the range of domestic and export products and product markets in which entrepreneurs can participate, based on the range of production possibilities available in the country.

- Business Information Systems:* to establish a Market Information System (MIS) that is seamlessly interfaced with production, skills, management, finance and other entrepreneurial information, that will provide up-to-date relevant information to rural entrepreneurs.

#### 4. Non-agriculture Enterprise Development.

To expand and increase participation and the value-addition factor of a farm-community-enterprise vertically integrated system to produce high-value products based on lemon grass and other essential oils.

*Rural Enterprise Model.* To support national strategies to enhance sustainable livelihoods through increased income and employment in rural areas.

*Rural Enterprise Grant Scheme.* Develop a small grants scheme for the benefit of non-farm based entrepreneurs.

*Rural Enterprise Model, Handicrafts.* To develop a portfolio of replicable technical, management and business tools necessary for creation of rural non-farming enterprise systems, and to use these to facilitate the development of a number of non-agricultural enterprises.

#### 5. Agriculture Enterprise Development.

*High Value Niche Organic Products.* To establish organic/natural production & marketing process as a viable enterprise for Bhutanese farmers.

*Fruit and Vegetable Processing.* To reduce post harvest losses and encourage on-farm semi or fully processing for farm-community enterprises, product development and value addition.

*Horticulture Development/Marketing.* Improve quality, value and export of horticulture produce.

*Micro Capital Grant Scheme.* To establish new enterprises, to expand existing enterprises and for pilot projects to establish the viability of a proposed enterprise.



### ***3. FINDINGS AND CONCLUSIONS***

#### ***3.1 Programme Concept and Design***

In the context of fostering policies, strategies, management tools for rural enterprises, the Programme seeks to address pervasive problems in horticultural production-marketing systems. It searches for opportunities in employment creation through food processing and other rural-oriented business. The following facts illustrate the issues and potential the Programme seeks to address.

Bhutanese farmers have been traditionally engaged in rice production as a staple crop. The production of a staple crop ensures the subsistence of the family unit. It is established that the risks associated with changing farming systems are substantial. For example, if traditional farmers consider changing farming systems from rice-based to horticulture, the inherent risks of which comprise:

- limited on-farm availability of improved horticultural varieties ;
- insufficient on-farm access to quality planting material and plant protection systems;
- inadequate training opportunities in the use of improved production techniques;
- imperfect markets, marketing and post harvest technologies;
- all of the above factors are aggravated by wide seasonal price fluctuations in fruits and vegetables throughout the season.

It is not surprising, therefore, that when farmers shift from traditional staple crops to horticulture, their productivity is typically low.<sup>4</sup>

Development experience shows that horticultural production (vegetables, fruits, spices) has the economic potential to enhance income of small landholders, because it is labour intensive and carries high prices in the market. This is why they are known as “high-value crops.”

- Market and marketing arrangements are critical because horticultural crops are perishable and seasonal. Produce should reach the consumer in good condition, often within a narrow margin of a few days, if not hours. Otherwise, losses due to spoilage are eminent. Accrued losses discourage farmers’ additional efforts to shift to high-value crops.
- Horticultural crops are seasonal. Even if the marketable portion is sold, the family unit cannot consume the remaining surplus. In consequence, a seasonal surplus becomes available for home processing. This represents an opportunity to both enhance family income and to improve family nutrition.

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<sup>4</sup> The root cause of malnutrition is poverty which is exacerbated by a lack of nutrition awareness. The direct victims are children and women. The reported infant mortality rate is 71 for 1,000 live births (Bhutan NHDR, 2000: 14). The availability of nutritious foods, i.e. fruits and vegetables, can go a long way improving malnutrition in the rural areas.

To take advantage of the economic potential of high-value crops, programming must ensure that essential factors are available in anticipated programme areas. Essential factors encompass markets for high-value crops, constantly changing technology, local availability of farm supplies and equipment, incentives to farm operators and transportation facilities.

In areas where essential factors are already available, additional factors such as extension education, adequate and opportune credit, support to farmers' groups and national planning can speed up the production of high-value crops in areas

It must be highlighted that even though governmental support can be planned, agricultural production can only be planned indirectly, at best. The main reason is that farmers themselves make the critical decision about which crops they grow, the methods they use, the credit they employ and how much of their produce they market. To enable productivity these decisions must be left to the farmers because of the ecological variations between and within farms. However, it is not what an area can grow that determines growth potential. It is what it can grow that can be profitably sold. This potential can be changed by improving transportation, marketing and other essential factors referred to earlier. Until this is done, the development of any given area is limited by its markets.<sup>5</sup>

In this connection, the Programme needed a strategy to carry out the implementation of the long-term and immediate objectives so as to exploit the economic potential of high-value crops. Instead, the Prodoc proposed ambitious and overarching planning goals. These overarching planning goals are incompatible with current experience and knowledge about inducing on-farm technological transformations leading to the production of high value crops.

Specifically, the immediate objectives exhibit little operational content to ensure on-farm results to induce technological shift to high value crops.

- They fall short of sequencing on-farm institutional adjustments (through stated objectives) needed to induce technological changes that will in turn enable the production and/or marketing of high-value crops including food processing systems.
- There is an absence of synergy mechanisms to link up objectives and ensure outcomes where they are most needed: in peoples' livelihoods. Some objectives address the public sector (1,2,3) and one (4) addresses the communities, but these do not connect to generate tangible outcomes.

The development (long term) objective fails to enable on-farm technological change leading to high-value crops and the sequencing of an institutional infrastructure to support these on-farm technological changes. Accordingly, higher levels of income and

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<sup>5</sup> If government concentrates its attention in those areas that are already productive, there will give a quick increase in total production. However, farmers working in poorer regions feel they have as much right to public support. This conflict can be reduced by programming plans adequate to region's needs.

employment opportunities for rural families hinge on an institutional infrastructure supporting effectively on-farm technological changes leading to high-value crops.<sup>6</sup>

Concerning the implementation and management arrangements, the Prodoc puts forward management guidelines within the framework of the national development strategy (Prodoc's Annex 8, p 35).

- The Prodoc provides an integrated framework to support national strategies to enhance sustainable livelihood through increased income and employment, particularly in rural areas. Specifically, based on the 9<sup>th</sup> Five Year Plan and the experience of other projects, the Programme intends to develop coherent programmes and sub-programmes. It anticipates integrating the different priorities as identified by MTI and MOA and other government agencies into coherent overall programme for rural enterprise development.
- Standard arrangements for financial management of UNDP funds are set out in Prodoc's Annex 6.
- Guidelines for the use of technical assistance provided by SNV are set out in Prodoc's Annex 10.
- Steering Committee meetings were to convene annually.
- No other participatory mechanism or management structure is proposed to execute a national Programme intending to induce high-value crops. This is despite the fact that agricultural development makes inroads across sectors such as environment conservation, natural resources management, land tenure, finance development, and export development.

All evidence points to the fact that the Programme implementation and management arrangement did not benefit of specific management procedures necessary for a joint execution programme—despite the magnitude of the Programme's resources and overarching actions over several sectors. Ultimately, the Programme's components have been managed by the different departments of both executing agencies. This led to a situation where Programme management became compartmentalised.

The Prodoc highlights the importance of establishing a monitoring and evaluation system (M&E) to facilitate effective follow up of management operations and activity execution. This includes the collection of a base line data. However, an M&E system within the RBM framework has not been launched, as yet.

In the absence of an M&E system, current results (expected and unexpected) are not registered systematically; therefore, Programme achievements can be underestimated.

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<sup>6</sup> As indicated, experience indicates that subsistence activities (farming, weaving, livestock, etc.) must undergo technological transformation to become profitable. This implies qualitative changes in production know-how, marketing arrangements and adequate transportation facilities. Additionally, an institutional infrastructure is needed to provide timely and competitive credit services; continuous flow of technical and management skills; and post harvest food conservation skills. This institutional infrastructure is of composite nature and must be available simultaneously. This chain of essential services, linking rural enterprise unit's production processes with markets through adequate marketing arrangements, should enhance rural income and employment opportunities.

For example, in the Thimpu Market the Programme financed the construction of a shed to retail fresh vegetables produced by small landholders. Informal interviews with these farmers revealed that in their estimation the volume of sale increased because of the construction of the shed for two reasons. First, it allowed the sale of fresh vegetables during rainy days. Second, the shelf life of fresh vegetables increased because they were no longer exposed to the sun. While interview evidence such as this is relevant, because of the absence of monitoring data, this important benefit has not been reported nor has the wider economic effect been measured.

An M&E system is crucial for a Programme whose beneficiaries, on the whole, are becoming involved in horticultural production without previous experience or exposure to markets, marketing, and price fluctuations.

### ***3.2 Programme Relevance***

The Programme is relevant to the needs of the RGoB and conforms to its priorities and current policies of the 9<sup>th</sup> Five Year Plan. The RGoB is committed to enhancing income generating capacity of rural population, creating employment opportunities for the rural youth and poverty alleviation.

Two large UNDP programmes have been carried out to support the rural sector with particular reference to capacity development. Completed in 2002, the Integrated Horticulture Development (BHU/97/003) focused on marketing, post harvest technology development, extension and aromatic/medicinal plants. The second programme is the present Programme under evaluation.

Overall UNDP's assistance in the area of poverty reduction with reference to the rural world has focused on six strategic areas:

- (i) facilitating in the creation of strategies, policies and enabling environment for the growth and development of rural enterprises;
- (ii) enhancing institutional capacities of agencies and institutions supporting the development of rural enterprises;
- (iii) improving the coordination of horticultural development in Bhutan; providing appropriate and locally adapted management recommendations for horticultural crops;
- (iv) developing a portfolio of technical, management and business tools necessary for the creation of rural enterprise systems; and
- (v) enhancing the productivity and marketing of products produced and sold by rural agro-based industries.

In consequence, the Programme has been designed to capitalize on previous UNDP programmatic experience on capacity development. The Programme has the potential of successfully testing a capacity building strategy that ultimately leads to reduce poverty through a knowledge-based technology, which is environmentally friendly and within the reach of small landholders. It aims to enhance the level of food security and nutrition by

boosting the efficiency of horticultural production-marketing systems and associated income generating activities, encompassing homemade food processing.

Thus, the Programme has the potential to contribute to upstream policy making in poverty reduction in the country.

In terms of the CCA (2000) framework, the Programme is relevant to the challenges and options available concerning the issues of poverty and equity. It is also pertinent to the notion of focusing attention on cottage and small-scale industries. One comparative advantage, so far untapped, is Bhutan's agro-ecologic capabilities for the production of fruits, vegetables and medicinal plants with considerable potential demand in the sub-region.

The Programme has the potential to meet the needs of the direct beneficiaries. It can impart knowledge-based technology, which is environmentally friendly, to enhance the income and employment opportunities of subsistence farmers. It could create an enabling environment for beneficiaries to improve the productivity and income levels together with nutritional status.

However, the Programme design did not take into account gender considerations nor did it address any strategic gender related issues. It is noteworthy that there is no overt discrimination against women, socially, economically, politically or legally. Women carry a dominant role in the legal system, especially in family and inheritance law. In many parts of the country, the society is matrilineal with women inheriting the land and other property and men moving to live with their in-laws.<sup>7</sup>

The direct beneficiaries, i.e. rural households, did not participate in the design of the Programme either. One consequence of this mishap is that the Prodoc is relatively poor in strategies and/or approaches to reach the final beneficiary. Eventually, the absence of a participatory approach in design leads to sustainability issues as it will be discussed below.

### ***3.3 Programme Implementation***

#### ***3.3.1 Efficiency***

According to UNDP financial sources, as of September 2005, the Executing agencies have utilized 51% of UNDP budget within 63% of the execution period.

However, it is not possible to measure how efficiently Programme resources were used to produce targeted outputs. The crux of the problem is that it is methodologically unfeasible to quantify the cost of outputs. The structural reason is the absence of RBM monitoring framework. The progress report data from both executing agencies are disjointed and

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<sup>7</sup> RGoB. Poverty assessment and analysis report 2000. Planning Commission. pp 129

discontinuous. Although a logical framework (logframe) was configured during the Prodoc's preparation, it has not been updated over time.

In fact, the Programme implementation has been made possible through annual Rolling Implementation Plans (RIPs). Each year a RIP is formulated based upon the results and outcomes of previous year. Although a RIP must have facilitated financial execution, it introduced a degree of ambiguity in performance by modifying annual targets with respect to those established in the Prodoc. This Review will use original targets set out in the Prodoc, as performance would not be measurable otherwise.

As previously indicated, stemming from an absence of RBM oriented monitoring information, current progress reports from both executing agencies are inconsistent and uncoordinated. The Mission, in a participatory manner, requested each executing agency reconstitute its own progress report. So it has been possible to reconstitute the Programme's relative progress of expected outputs/outcomes as of July 2005. The information has been validated at executing agencies three times. Moreover, during the fieldwork conducted with the participation of executing agencies, it was possible to substantiate the information received. This information is found in Annex 6.

In consequence, from the evidence contained in Annex 6, what follows describes the status of output production by each component and executing agency. It must be understood that we have been applying the "results chain" approach to review results.<sup>8</sup> In consequence, from each component, the current status of expected outputs will be described. It is needless to add that the absence of systematic monitoring information does not allow a quantified analysis.

### ***Status of Output Production: Ministry of Trade and Industry***

#### ***Component 1: Enabling Policy Environment***

The Industries & Investment Act; and the Technical Assistance document on foreign investment policy are in draft status. The Report on the business licensing procedures, rules, regulations, governing the establishment of small and medium enterprises is under discussion. The Business Information Handbook is under preparation.

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<sup>8</sup> As discussed in Annex 5, the results chain" identifies three levels of results. They are of composite nature, that is, the set of actions of each level must be achieved satisfactorily to enable the next level to begin. The three levels of results are: Short-term results = outputs; Medium results = outcomes (immediate development objectives); Long-term results = impacts (development objectives). It is vital to understand that **Activities Are Not Results**. Activities are ACTIONS ... Results are CHANGES.

### *Component 2: Institutional Support and Skills Development*

The needs assessment has been completed. Trainings related to awareness raising, workshops and refresher courses have been conducted. The strategy development plan for Regional Trade and Industry Offices is in draft. The Short Economic Profile of 20 Dzongkhags is in process.

### *Component 3: Marketing and Market Information System.*

The market research on Bhutanese wooden handicrafts, textiles, natural dyes has been completed. The Business Promotion Services have started.

### *Component 4: Non-agriculture enterprise development.*

This component contains the following sub components:

#### *Lemon Grass Oil Production*

The activities completed are the following: a workshop on lemon grass industry and the Manual for harvesting and distillation have been completed. The organization of lemon grass producers group has been completed. Similarly the central collection depot has also been completed. The cooperative's constitution and by-laws for the producers group has been completed.

#### *Rural Enterprise Model*

The sub-sector analysis has been completed. The strategy for cane, bamboo, wood lathe and incense has been adopted. Also, 10 persons were trained under handicraft opportunities.

#### *Rural Enterprise Grant Scheme*

11 applications out of 14 have been approved.

### ***Status of Output Production: Ministry of Agriculture***

#### *Component 5A: High Value Niche Organic Products*

The preparation of the national framework for organic farming is still in process. The activities leading to the initiation of a demonstration farm have been concluded. The information leaflets on organic farming have been produced and are being distributed. The study on food safety and quality standard is ongoing.

### *Component 5B: Fruit and Vegetable Processing*

In Dagapela an integrated semi processing plant has been established and trial products have been initiated and developed. Farmers' training in fruit processing has been initiated. A manual for food processing has been completed. The formation of one citrus suppliers group has been initiated.

### *Component 5C: Horticulture Development & Marketing*

A study focusing on market research for fruits and vegetables has been completed. A specific study on the marketing of cordyceps has been completed. The launching of promotional activities for the export of vegetables and fruits has been completed. A fruit and vegetable exhibition was successfully held in Dhaka.

### *Component 5D: Micro Capital Grant Scheme*

Of 14 projects submitted, 11 projects have been approved.

### *Summary of Status of Output Production*

The outputs completed above jointly by both executing agencies, correspond to the classification of "activity concluded" stipulated in the methodology (cf: Annex 5). All these completed activities can be considered intermediate outputs. From the analysis of the combined evidence, the following findings emerged.

No apparent technical challenge became evident through the meetings scheduled with representatives of executing agencies to account for the slow implementing pattern. It is significant to note that the Programme has sufficient resources. There is circumstantial evidence suggesting that personnel involved in Programme implementation is over extended. The absence of detailed progress reports based on the RBM framework makes it difficult to analyze this issue thoroughly. However, executing a complex Programme without the benefit of specific structures and mechanisms would be cumbersome and complicated.

It was not possible to review issues related to outputs generation with Ministry of Trade and Industry directors of components, because there were difficulties scheduling meetings with the Mission. There is secondary evidence indicating that key stakeholders in the past have not been able to meet with directors of components when requested.

However, it was possible to review output generation with Ministry of Agriculture. One particular issue reviewed was the slow deployment of intermediate technology related to food processing at the village level including information to enhance know-how with respect to harvesting techniques oriented to the market. Annex 8 contains a list of the Programme's publications. The information produced, though relevant, it is not user friendly, as yet. It should be customized to the farm business and/or income generating



requirements of each site. The training manuals must be customized to convey the message to the functionally literate and illiterate farmers and their respective families. The pages must be laminated so as to last beyond the initial training cadre.

There is a revealed preference for current technology, such as the cool chain model (composed by refrigerated truck and cold storage including a forklift to facilitate handling). Annex 9 contains a non-consolidated list of procurement executed. There is no technical doubt about the efficiency of such a model. The financial viability of the cool chain model may be an issue. The estimated cost to apply this model would be in the range of US\$ 50,000-80,000. This is clearly out of the range of the villages targeted by the Programme, such as is the case of Dagapela. This village was selected because it is located in a remote area—with clear low income, though no figures were available.

Another outcome reviewed was the Yusipang Organic Research Demonstration Site. While organic varieties were planted, it was evident that there was little effort to measure standard parameters on demonstration plots, yields obtained from different varieties and yield response to different applications of organic fertilizer. Circumstantial evidence suggests that this oversight maybe the result of over extended staff rather than carelessness.

A set of important outputs with potential for an outcome correspond to the lemon grass oil production. Annex 10 registers the discussions held with stakeholders in Mongar and an analysis of issues and problems. Specifically, there are issues with considerable potential effect towards outcome generation. For example, although substantial gains have been realized in income generation, there was no information available to determine current family income. It also became vital for sustainability purposes to consider potential alternative livelihood opportunities supported by continuous training opportunities to upgrade skills. However, resource management was of paramount importance as issues concerning depletion of lemon grass emerged. In consequence, land tenure arrangements for the community resource management have emerged as option to review among all stakeholders.

To sum up, the evidence is clear signifying that the bulk of the intermediate outputs could become outcomes with additional proactive and coordinated work. The absence of focused efforts explains the emerging pattern of slow implementation and in consequence sluggish disbursement.

### ***3.3.2 Effectiveness***

As indicated, the absence of adequate reporting data impedes reviewing outputs in terms of quantity, quality and timeliness. By configuring the information available from Annex 6, it should be possible to obtain a proxy overview of quantity and timeliness of outputs. Since outputs are not complete, it is not possible to review quality. Each component's progress to achieve outputs will be compared with the original Prodoc targets.

*Component 1: Enabling Policy Environment*

*Component Status in Time: Delayed*

The activities concerning the draft Industries & Investment Act and the Technical Assistance document on foreign investment policy are only in drafts. The report on the business licensing procedures, rules, regulations that govern small and medium enterprises; and the operational capacity of the MTI's Programme and Planning Department are under discussion.

*Component 2: Institutional Support and Skills Development*

*Component Status in Time: Delayed*

The strategy development plans for the Regional Trade and Industry Offices and the Short Economic Profile of 20 Dzongkhags are in draft form. Similarly the core cadre of rural entrepreneurs remains in process.

*Component 3: Marketing and Market Information System.*

*Component Status in Time: Delayed*

The system of continuous monitoring and analysis of market conditions and the branding strategy are in process. The business information platform to establish market information system is not in place yet.

*Component 4: Non-agriculture enterprise development*

*Component Status in Time: Delayed*

*Lemon Grass Oil Production*

The market and production strategy have not been prepared. The current status of raw material is in process of depletion. Moreover, the natural resources management and conservation plan has not been taken into account, as yet. There is a draft concerning the constitution of the Coop and its by-laws.

*Rural Enterprise Model*

The techno-economic executing agencies ability to establish REM has not been conducted. The detailed resource inventories for districts are in process.

*Component 5A: High Value Niche Organic Products*

*Component Status in Time: Delayed*

The certification of organic products and the national framework for organic framing are in process. The demonstration farm has been launched but the systematic analysis of production-marketing has not started. The food safety and quality standard study is ongoing. The available information leaflets on organic farming are user-unfriendly.

*Component 5B: Fruit and Vegetable Processing*

*Component Status in Time: Delayed*

Equipment procured for marketing demonstration (cool chain model) is unaffordable by farmers. Thus far, the equipment procured shows limited use. The products developed seem to have limited use. And intermediate technology in food conservation shows slow deployment to the farmers' plots.

*Component 5C: Horticulture Development & Marketing*

*Component Status in Time: Delayed*

Export of horticulture has recently been launched, therefore, the value and quality is an unknown.

***Summary of Quantity, and Timeliness of Outputs***

From the evidence reviewed, a somewhat discouraging picture emerges. The evidence indicates delay across all components; however, the absence of specific information does not allow one to measure delay. It is clear from the evidence, moreover, a moderate strain to advance from the stage of completed activity to output. This is the case with the outputs related to policies, strategies, legal frameworks and management tools. As indicated previously, the Mission has not found evidence of technical challenges to account for the slow rate of transforming completed activities into outputs. Neither is there a shortage of resources. In fact, as mentioned, the delivery is lethargic.

However, it is important to note that there are completed activities with considerable potential for outputs.<sup>9</sup>

Business Promotion Services (BPS). The creation of Business Promotion Service sections and the launching of two additional Regional Trade and Industry Offices – one at Trongsa and the other at Mongar – serve as an important precursor of MTI's shift from a solely regulatory function to promotional and advisory functions.

Marketing services for agricultural enterprises. Based on what the MOA terms as the "Triple Gem", (productivity, accessibility and marketability) marketing services have been improving. The MOA is giving considerable impetus to develop markets and marketing infrastructure. Public marketing services and facilities both for agricultural and non-agro enterprises are highly centralized at the present, however. This is why many farmers in rural communities encounter considerable impediments to sell their produce. However, activities are being planned to regionalize agriculture marketing services and it is anticipated that this will improve the marketing situation.

National organic farming has registered considerable progress. It should be approved by the MOA shortly. The framework provides the rationale for organic farming, the necessary safeguards, outlines policy needs, strategies for implementation and future

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<sup>9</sup> There is convergence on the potential of these outputs with the Poverty Outcome Evaluation. Cf: pp 11-12

directions for the organic programme. Following the approval of the national framework for organic farming, a national organic programme is expected to be established with an organic unit set up under the Department of Agriculture to coordinate the implementation of the national organic programme and a technical working group formed for inter-agency coordination.

### *Areas for Corrective Action and Potential Success*

Both executing agencies have launched operations to award grants with the purpose of fostering an entrepreneurial culture to establish: small agribusiness enterprises (MOA) or non-farm based business (MTI). The Mission has reviewed the awards granted (MOA) and those to be awarded (MTI) and has also interviewed MOA's grantees in the field.

The data is available in Annex 11. The evidence gathered points to the following findings:

- Both, grantees and potential grantees are sound subjects of standard credit operations under current interest rates (15 to 16%).
- MTI has estimated Internal Rate of Return of potential grantees: these rates range between 17% and 249% from the second year onwards.
- MOA grants do not estimate Internal Rate of Returns. However, grantees interviewed have already done business under ordinary credit arrangements. And the awards granted covered ancillary elements, in many cases.
- If the business is successful, it is not replicable because there will not be another award. As awards are limited by definition. The notion of awarding grants to start up business is unsustainable.
- Besides it introduces a measure of inequality. Because not all potential beneficiaries have equal chances to access these grants.

Therefore, the evidence collected does not support the notion that an entrepreneurial culture is being fostered. Instead national credit organizations must be incorporated in the Programme so that they can provide timely credit at competitive rates, as it was originally contemplated in the Prodoc (p 43). Introducing the notion of one-year grace of debt payments may go further to encourage entrepreneurs—rather than the unsustainable proposition of awarding one-time grants.

The Programme's ultimate beneficiaries are rural households involved in livelihood activities. The expected outputs, i.e. improved production-marketing procedures of high-value crops including home food processing, are vital to meet their needs. These outputs appear to deploy slowly to the village areas, however. Although very recently the first integrated semi processing plant has been established in Dagapela.

During the field work, the Mission interacted with the beneficiaries in Dagapela. They all have expressed an overall acceptance of the concept of integrated semi processing plant, as they had been exposed through a training session. However, they have reservations with respect to the financial viability of these outputs in the context of their own financial

resources and capabilities. This indicates a sound strategy of risk aversion. When all is said and done, the establishment of the first integrated semi processing plant in Dagapela has shown that farmers can react favourably when innovations are clearly on their own interest.

As far as the beneficiaries are concerned, there is no evidence of gender differentiation in the usefulness of an integrated semi processing plant. Interview data suggest that the entire family unit is involved in meeting survival needs. Unverified secondary sources evoke that rural society is matrilineal and succession passes through daughters. If so, this would provide a measure of equality in decision making and resource use in farm management.

In brief, a potential strategy has emerged where Paro's National Post Harvest Center (NPHC) could become the growth pole that will induce innovations to Dagapela's processing plant. This will support the sustainability of NPHC after the Programme ends. And the activities in each district should be anchored with the district agricultural officers and local extension staff, who have good detailed local knowledge and direct contact with farmers.

However, there is an issue that needs clarification among stakeholders. The Programme's intention is to reach the farmer (the primary beneficiary) within the life of the Programme to enhance income and employment opportunities.<sup>10</sup> Therefore, the necessary training to enable farmers' to take over facilities of the integrated semi processing plant in Dagapela, should start from day one. This training includes literacy and numeracy so that beneficiaries can run the facility encompassing maintenance and operations.

In brief, the evidence reviewed suggest that the expected outputs have the potential to contribute to achieving the objectives related to the livelihood of farmers where they live and exploiting the natural resources, such as they are. However, due to the absence of an M&E it is difficult to discern to what extent outputs will contribute to the achievement of immediate objectives.

### ***3.4 Programme Management Arrangements***

The existing evidence reveals moderate impediments in the Programme's management arrangements for implementation.

In a situation where everything is equal, a programme is a time-bound intervention cutting across sectors, themes and/or geographic areas, involving several institutions. Moreover, when a programme approach is applied a cohesive national programme framework is needed to provide technical cooperation.

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<sup>10</sup> The confusion arose from one consultant's report (FAO: Farm Level Food Processing ) where it is recommended that the ISPP of Dagapela should become a resource center staffed and run by MOA. This proposition is incompatible with the Prodoc's intentions. See Annex 8 for list of consultants' reports.

Thus, there are two main elements in programme management. One is concerned with the direction and coordination of the decision making processes within the programme area; and the purpose is to get all those involved in the process (farmers, government agencies at different levels) to work towards the achievement of Programme objectives. The other element is involved in the management of specialized activities (i.e. horticulture production, marketing and the like). These technical activities call for specific skills and procedures.

Without a clear distinction of functions in management operations, particularly in the case of two executing agencies, there would be a dichotomy in decision-making procedures-- leading to a dispersion of responsibilities with little or no accountability for results on the ground.

All evidence points that the Programme has been implemented in a compartmentalized manner without the benefit of specific joint procedures between executing agencies to ensure producing results. This is despite the magnitude of the Programme's resources and overarching goals over several sectors.

The management evidence available show that splitting the Programme implementation between two executing agencies introduced disconnected management operations. It is not, therefore, surprising, as shown in Annex 12, that activity execution was disjointed and dispersed geographically without a unifying strategy to ensure results. Each executing agency conducted activities disconnectedly. Under these circumstances, synergy was not within the range of a possibility. For example, the grants were reviewed under different criteria and different analysis was conducted for approval.

The content analysis of Steering Committee (SC) meetings (cf.: Annex 13) reveals that the minutes from SC meetings demonstrate few follow up actions about recommendations or actions from session to session. Indeed, linkages are seldom evident about issues discussed during meetings.

Although progress reports from both executing agencies have been regular, there was an absence of common method and approach. Therefore progress data is incoherent and discontinuous. This was the reason why the Mission, using the participatory approach, led to the compiling of Annex 6 with the participation of executing agencies.

There is no evidence that stakeholders, particularly the ultimate beneficiaries, participated in the management of the Programme. And as indicated, there was also secondary evidence indicating that key stakeholders did not have access to component managers when requested. All in all, a pattern of disconnected management emerges—insufficient effort was deployed to ensure adequate organizational arrangements for joint implementation between governmental structures.

Disconnected management was exacerbated by design shortcomings hampering the production of outputs. Programme design was ambitious as planning goals overarched over several sectors. This was exacerbated by the little operational content of immediate

objectives to ensure on-farm technological changes. The design failed sequencing adequately the institutional innovations needed support on-farm technological changes. Moreover, the long-term objectives neglected to enable on-farm technological change leading to high-value crops and the sequencing of an institutional infrastructure to support these on-farm technological changes.

The support provided by the UNDP country office was satisfactory. The evidence shows that UNDP has been a proactive stakeholder, advocating in favour of the final beneficiary and promoting pro-poor policies for growth.

The Prodoc proposed an M&E system under the leadership of the executing agencies to ensure the timely delivery of outputs including equity considerations among gender and age issues. This has not materialized, as yet. Neither has the baseline data begun to measure impact.

### ***3.5 Programme Results***

To the extent that the production of outputs was precluded for a lack of linkages, the Programme contribution to the capacity of direct beneficiaries to carry out their tasks is bound to be limited. Similarly, the absence of linkages among executing agencies so far has impeded the development of linkages among the organizations, hence, possible organizational capacity development. Unless the Programme focuses on the final beneficiaries from now until the end of the Programme, there is the risk of little or no impact on final beneficiaries.

Nonetheless, as indicated, there maybe reasonable potential so the Programme could contribute to enabling environment in: (1) the national organic programme; (2) the ongoing shift in MTI's Regional Trade and Industrial Office from solely regulatory function to a promotional and advisory capacity; and (3) the decentralization of marketing services.

In the final analysis, the combined evidence indicates that the cardinal factors that affect the Programme are the following:

- Despite the adequate RGoB's commitment to the Programme, the motivation to conduct activities to its logical conclusion is less than proactive.
- All stakeholders need greater participation in Programme management so their ownership and direct participation can enhance.
- Despite the RGoB's macro structural mechanisms to provide a measure of sustainability (i.e. Vision 2020 or the 9<sup>th</sup> Five Year Plan), there are no specific mechanisms in place to ensure the sustainability of Programme's results on the ground.

#### **4. LESSONS LEARNED**

Preliminary lessons learned have emerged which can provide direction for potential policy development options to key stakeholders.

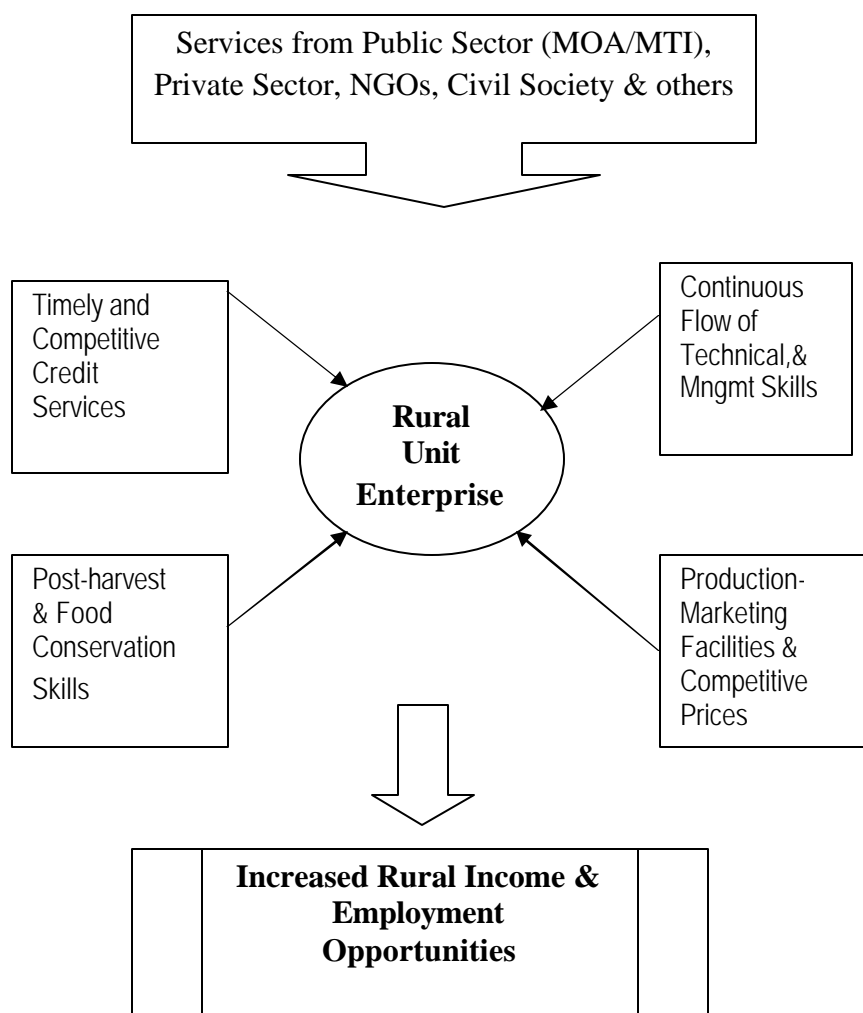
##### *The Design of Rural Institutions for Sustainable Development*

Technological constraints on growth of agricultural productivity have become less binding. This makes the current challenge of how to create viable rural institutions for sustainable development more compelling than ever.

Indeed, there is considerable evidence showing that technological change is a powerful source of demand for institutional change. It is in the market structure where this demand is felt almost immediately. When production increases due to technological change, traditional market structures are unable to respond adequately to a volume several times larger than before. As result, either prices will plummet or benefits will be leaked to those equipped to take advantage of this situation. This can be a serious constraint in the process of enhancing income for targeted beneficiaries. If the benefits of increased crop productivity do not accrue on targeted beneficiaries, the process of socioeconomic development can be compromised. Thus, there is an acute need for adjustments (innovations) reflected in rural institutions that will induce a more effective realization of benefits from the new technical potential within the human development framework. Moreover, beneficiaries must command a total understanding of the factors governing the economic exploitation of technology. The process of socioeconomic development can be enhanced by an opportune configuration of rural institutions capable of converting enhanced yields to improved incomes.

The configuration of rural institutions is a location-specific effort. As it plays a determining role in the adoption and sustainability of a Programme's technological package, the design of rural institutions should be structured taking into account at least two dimensions: economic incentives to production; and organizational arrangements that will govern technology and the patterns of income distribution derived from the technology. Based on this lesson learned, Fig 1 illustrates Programme implementation framework for the remaining time.





**FIG. 1: PRODUCTION-MARKETING-FOOD PROCESSING SYSTEM FROM BOTTOM UP**

### *National Execution and National Capacity Development*

National execution (NEX) is the main modality for the implementation of UNDP-assisted programs. NEX has a number of positive attributes each of which has its constraints. It is expected to enhance the sense of ownership of programs. Ownership is not costless. Its price is the capacity building efforts, in particular organizational capacity, of the public sector. UNDP programs often fall in the hands of public bureaucracies with uneven capacities in project management operations.<sup>11</sup>

Under these circumstances, the challenges of practical implementation of NEX can be sometimes massive. It is possible that the point of lance is the public sector's capacity building in results based management. It is likely that the effort needed to build the public sector's skills in results based management monitoring would be costly in time and resources. However, under the current conditions there may not be other options.

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<sup>11</sup> Current results of National Execution are reviewed in: UNDP. National Execution: promise and challenges. OESP Series on lessons learned. New York, 1995.

## **5. RECOMMENDATIONS**

There are three sets of actionable guidelines. The first set focuses on follow up actions so the four components can reach full fruition of outputs and eventually outcomes. The second set focuses on an approach to reach the final beneficiary within the framework of the fifth component. A final set of recommendations deals with sustainability issues, such as: mechanisms to induce sustainability of results on the ground, the grant scheme, Programme management and monitoring and evaluation system.

### ***5.1 To the Attention of Executing Agencies and UNDP: Actionable Guidelines for Components 1,2,3,4***

The first set of actionable guidelines focus on necessary activities so that the Programme's components can all reach full fruition from intermediate outputs to full outputs.

#### ***Components 1,2,3 :***

**Complete outputs concerning strategies, policies, technical and management tools and legal frameworks.** In line with the overall recommendations below, focus on rural enterprise development either related to on-farm activities or off-farm activities. Those off-farm activities should be considered in particular in those areas where agricultural potential is less than adequate.

#### ***Component 4:***

##### ***Sub-component Lemon Grass Industry***

**Complete the activities related to constituting the by-laws for the new Cooperative.** In this context, consider configuring a business plan for the new cooperatives with the following recommendations.

- Propose sustainable practices in lemon-grass production and marketing.
- Identify potential alternative livelihoods
- Design continuous training opportunities to upgrade skills.
- Propose natural resource management plan for the sustainable exploitation of lemon grass including prescribed burning plan
- Propose land tenure arrangements for community management of natural resources within the current legal framework.
- Conduct rapid survey to establish socio-economic baseline of cooperative members for M&E purposes.

##### ***Sub-component Rural Enterprise Model***

**Continue conducting activities leading to the preparation of handicraft national strategy with particular reference to niche markets.** These niche markets can be cultural and/or natural resource-based.

## ***5.2 To the Attention of Executing Agencies and UNDP: Actionable Guidelines for Components 5***

The second set of actionable guidelines focuses on an approach to reach the final beneficiary within the framework of the fifth component and the different sub components.

### ***Components 5A, 5B, 5C***

For the remaining of the Programme's life, **consider configuring area-based development projects.** These should focus on community-based and rural enterprises development. Area-based development projects must be packaged within a Business Plan modality, as outlined below. This modality should enable the project design to become market-oriented and marketing-driven. As indicated, the nature of the rural enterprise development (farm-based and/or non-farm based) should be a function of natural resource availability in areas under consideration.

### ***Feasible Alternatives***

- 1- The newly established integrated semi processing plant in Dagapela provides the infrastructure for a project covering the district (s) surrounding Dagapela. The activities in each district (s) should be anchored with the district agricultural officers and local extension staff, who have good detailed local knowledge and direct contact with farmers. Paro's could become the growth pole that will induce innovations to Dagapela's processing plant. This will provide for the sustainability of the National Post Harvest Center after Programme ends.

Because the Programme's intention is to reach the farmer (the primary beneficiary) within the life of the Programme, the necessary training to enable farmers' to take over the integrated semi processing plant in Dagapela, should start from day one. This training includes literacy and numeracy so that beneficiaries can run the facility encompassing maintenance and operations.

- 2- Another feasible project concept is the activities related to the organic niche framework.

The above two potential projects are feasible options. For forthcoming project alternatives, there would be need of criteria to select projects. One set would correspond to those criteria already established by national policies. Another set emerges from the objectives of this Programme.

### *Selection Criteria for Area-Based Project Sites*

Consider the following criteria.

- The availability or potential to organize Farmers Groups.
- An endowment of natural resources (organic niche) or traditional knowledge.
- An absence of agricultural potential. There would be need to explore other income generating activities which would non-farm based.

### *Business Plan or National Development Strategy for Agro or non-Agro based Rural Enterprises*

For each area under consideration, a Business Plan is centered on the needs and potential of farmers and is managed by the farmers themselves. Key elements are:

- Farmers' needs must be assessed and validated.
- Production capabilities must be determined in terms of agro-ecological, climatic factors, and any other non-farm based criteria.
- The approach to production must be market oriented; marketing arrangements should be organized in consequence.
- The credit requirements should be determined taking into account farmers' savings and/or assets. The participation of national credit organizations is vital to ensure overall sustainability of credit operations.
- If the agro-based production and market potential of a possible area is limited, alternate income generating activities should compensate the situation.
- A baseline survey must be conducted for M&E purposes.

### ***5.3 To the Attention of Executing Agencies and UNDP: Actionable Guidelines for Sustainability Issues***

The third set of actionable guidelines, based on the Mission's consultations with key stakeholders, deal with sustainability issues: the need of a long-term framework to induce sustainability of results on the ground; the grant scheme; Programme management and monitoring and evaluation system.

#### ***Sustainability Strategy***

This long-term framework to induce sustainability should start as early as practicable. It could operate as a phase off strategy to allow governmental authorities to take over full responsibility to continue the Programme activities after completion.

The knowledge of horticultural production-marketing systems, home-based food processing, and other income generating know-how, must be embedded within the communities of pilot projects. Consider the following option:

- Identify natural leaders in a community,

- Organize farmers' clubs under the leadership of identified leaders with the support of the Programme.
- These farmers' clubs should provide an enabling environment in their communities, such that the Programme results can achieve sustainability.
- The district and local governments must play a catalytic role in maintaining the sustainability of farmers' clubs. This initiative, for example, maybe achieved through the organization of farmers' days twice a year planned and fully financed by governmental authorities. This platform would provide opportunities for farmers to interact amongst themselves and spread new technical information.

These actions, within the framework of a phase off strategy, would allow governmental authorities to take over full responsibility to continue the project activities after completion and provide necessary financial support from the national budget. Replication of this type of project would be another option open to government authorities.

Therefore, each Business Plan needs to prove its solid potential to contribute to (1) better cash income, and (2) fostering development through greater opportunities for the commercialisation of family production of fruits and vegetables.

### ***Rural Enterprise Grant Scheme & Micro Capital Grant Scheme***

Both the analysis of grant proposals and of grants awarded suggest that these operations are promoting unsustainable business practices. The principal reason is that grants, by definition, are not replicable due limited capital. In addition, under the current award conditions, wittingly or unwittingly, these grants are introducing a measure of inequality among beneficiaries, because not every potential beneficiary has the same opportunity of access to grants.

After honouring commitments already made, consider discontinuing this component. **Instead, to stimulate entrepreneurship, launch standard credit operations with one-year grace of debt payments**, as was contemplated by the Prodoc.

### ***Current Programme Management***

During this second half of the Programme, besides finishing up intermediate outputs into final outputs, **activities will refocus on the final beneficiary**. Under the management logic, it is paramount to coordinate decision-making rules under one management structure. The principal functions, among others, will comprise:

- enhancing greater participation among stakeholders including the final beneficiary,
- delivering effectively to the field all required inputs for the production of outputs and in turn to transform outputs into outcomes,
- implementing RBM framework for transparency and accountability in all management operations.

To the extent that future implementation will focus on community level results, consider reviewing all the equipment purchased so far.

- Take a full stock of all equipment purchased under the Programme. In conformity with NEX procedures, equipment must tag as UNDP equipment.
- Identify technically the equipment that facilitates the Programme for the remaining implementation time. In conformity with NEX procedures, equipment with little or no use should pass to jurisdiction of UNDP.

### ***Monitoring and Evaluation System***

*“If you do not measure results, you cannot tell success from failure  
If you cannot see success, you cannot reward it  
If you cannot reward success, you are probably rewarding failure  
If you cannot see success, you cannot learn from it  
If you cannot recognize failure, you cannot correct it  
If you can demonstrate results, you can win public support.”*<sup>12</sup>

The absence of monitoring jeopardizes the performance of the Programme and puts at risk the investment carried out by small holding farmers. **A results-oriented M&E system must be in place urgently.** The results of three systems need to be monitored simultaneously:

- Activity execution in production-marketing of crops programmed
- Management operations in each project and the Programme.
- As indicated, a baseline survey for M&E purposes should be conducted in coordination with the preparation of a Business Plan. The Business Plan must be reflected in the baseline survey.
- A logical framework analysis should be configured for each project and the Programme; it should be updated periodically until the end of the Programme.

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<sup>12</sup> Quoted in J.Z. Kusek & R.C. Rist. 10 steps to results -based M&E system.

## ANNEX 1

### TERMS OF REFERENCE

#### Poverty Outcome Evaluation

##### I. INTRODUCTION

###### Background

The growing demand for development effectiveness is largely based on the realization that producing good deliverables is simply not enough. Efficient or well-managed development projects and outputs will lose their relevance if they yield no discernible improvements in development conditions and ultimately in people's lives. Being a key international development agency, the United Nations Development Programme (UNDP) has been increasing its focus on achievement of clearly stated results. Nowadays, results-based management (RBM) has become UNDP's core management philosophy.

As part of its efforts in enhancing RBM, UNDP has shifted from traditional project monitoring and evaluation (M&E) to results-oriented M&E, especially outcome monitoring and evaluation that cover a set of related projects, programmes and partnership strategies intended to bring about a higher level outcome. An outcome evaluation assesses how and why an outcome is or is not being achieved in a given country context, and the role that UNDP has played. Outcome evaluations also help to clarify underlying factors affecting the situation, highlight unintended consequences (positive and negative), recommend actions to improve performance in future programming and partnership building, and generate lessons learned.

###### Outcome to be evaluated

According to the evaluation plan of the UNDP Bhutan, a poverty outcome evaluation is to be conducted in the third quarter of 2005 for the following outcome, which is stated in the Multi-Year Funding Framework (MYFF 2004-2007) of UNDP Bhutan; **“Replicable local poverty initiative(s) linked to development of small rural enterprises and policy changes undertaken”**. The outcome evaluation is inclusive of a mid-term review of the Rural Enterprise Development (RED) programme, one of the ongoing major projects contributing to the outcome. A detailed results framework for the outcome is summarized below:



Intended Outcome: Replicable local poverty initiative(s) linked to development of small rural enterprises and policy changes undertaken.

Outcome Indicators: Enabling environment, which includes finalization of national organic farming framework and marketing facilities for agricultural and non-agro rural enterprise development established.

Baseline: No specific policies or measures in place on rural enterprises development

The RED programme is a flagship project of UNDP Bhutan aiming at achieving the above-mentioned intended outcome. Therefore the outcome evaluation shall review the progress and factors, both facilitating and preventing, that affect the successful implementation and achievement of the outputs of the RED project as an integral part of the whole exercise. The main objectives for the RED programme are summarized as follows:

Long-term Objective: To improve the capacity of the rural poor to sustain their livelihoods through increased income and employment opportunities.

Immediate Objectives:

Facilitate the creation of strategies, policies and enabling environment for the growth and development of rural enterprises;

Enhance institutional capacities of agencies and institutions supporting the development of rural enterprises;

Develop a portfolio of technical, management and business tools necessary for the creation of rural enterprise systems; and

Enhance the productivity and marketing of products produced and sold by rural enterprises and individuals.

### **Brief national context related to the outcome**

In the fight against poverty the importance of economic growth and its fair and equitable distribution cannot be over-emphasized, it is important to pay attention to the composition of growth and its impact on balanced socio-economic development and regional equity issues.

Bhutan's economy, which is largely dependent on public sector investments and foreign aid, has been experiencing steady growth rates between 6 and 8 percent in the past decade<sup>13</sup> driven primarily by hydropower, construction, service and power intensive

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<sup>13</sup> Annual Report 2003/2004, Royal Monetary Authority of Bhutan.

manufacturing sectors. The trend is projected to endure stable mainly due to increasing exports of hydropower<sup>14</sup>. Despite the steady economic growth, the progress made in poverty alleviation is not as impressive as it could be. For example, the expanding hydropower sector in Bhutan does not have the same stimulus as an employment creator due to its low employment elasticity. In this respect the private sector needs to be given more importance and space to grow in a greater extent. The public sector cannot be considered as a sustainable engine of growth and providing employment opportunities in the long run.

These looming threats together with the fact that poverty is to a large extent a rural phenomenon in Bhutan<sup>15</sup>, give rise for an urgent need to design and implement policies to enhance rural income generation and scope for self-employment through the development of the private sector. The Royal Government of Bhutan (RGoB) has also identified this need and hence emphasis has been given in the 9<sup>th</sup> Five Year Plan (FYP, 2002-2007) to the development of a dynamic and strong private sector. During the 9<sup>th</sup> FYP, continued support has been extended to encourage the growth of small and micro-industries, particularly those in rural areas.

Notwithstanding the achievements in the rural sector, it still continues to face several constraints arising from the small size of the domestic market, lack of financial and labor resources, underdeveloped infrastructure and the disadvantages associated with landlockness among other factors. Addressing these issues will be vital in order to safeguard the balanced development between rural and urban communities in the future.

### **UNDP Priority areas of support**

There have been two relatively large UNDP programmes supporting rural sector; namely RED and Integrated Horticulture Development. UNDP's assistance in the area of poverty reduction has focused on six strategic areas: (i) Facilitating in the creation of strategies, policies and enabling environment for the growth and development of rural enterprises; (ii) enhancing institutional capacities of agencies and institutions supporting the development of rural enterprises; (iii) improving the coordination of horticultural development in Bhutan; (iv) providing appropriate and locally adapted management recommendations for horticultural crops; (v) developing a portfolio of technical, management and business tools necessary for the creation of rural enterprise systems; and (vi) enhancing the productivity and marketing of products produced and sold by rural agro-based industries. In this regard, UNDP has been cooperating with the following partners in achieving development results in the strategic areas:

- Department of Aid and Debt Management (DADM);
- Department of Planning (DoP);
- Ministry of Agriculture (MoA);
- Ministry of Trade and Industry (MTI);

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<sup>14</sup> Bhutan Public Debt Dynamics, IMF presentation, 2005.

<sup>15</sup> Poverty Assessment and Analysis Report 2000 and Poverty Analysis Report Bhutan, August 2004.

- Bhutan Development Finance Corporation (BDFC);
- Dzongkhags; and,
- Community Organizations.

UNDP projects associated with the outcome

The following table shows the UNDP-supported ongoing projects that are associated with the outcome “*Replicable local poverty initiative(s) linked to development of small rural enterprises and policy changes undertaken.*”. Contribution to the outcome was also made through various non-project activities (soft assistance).

### Summary of UNDP supported projects that are associated with the outcome<sup>16</sup>

Project No.	Project Title	Focal area	Source of Fund	Total Budget (in US\$)	Project Duration	Executing Agency
BHU/02/002	Rural Enterprise Development	Rural development	TRAC	2,049,497	08/2002 – 07/2007	MoA
BHU/02/003				1,161,191		MTI
BHU/03/003	E-business Piloting and Readiness for Rural Women Artisans and Entrepreneurs in Bhutan	Rural development	Women in Development Fund (Government of Japan)	212,180	2003 – 2005	MTI, PPD
	Support to MDG Initiatives	MDGs	06200 DSMF Program Expenditure	150,000	04/2005 – 12/2005	Dept. of Planning, MoF
	Strengthening Poverty and MDG focuses Analytical Capacity	Poverty	TRAC	46,610	07/2004 – 11/2004	Dept. of Planning (DoP), MoF
BHU/03/M05	Capacity Strengthening of DBA on Pro-Poor Financial Management	Capacity Development	Thematic Trust Fund	142,500	01/01/2004 – 31/12/2004	Department of Budget and Accounts, MoF
BHU/02/M03	Support to a Development of a Poverty Monitoring System	Capacity Development	Poverty Thematic Trust Fund	332,500	09/2002 – 08/2003	DoP
BHU/97/0038	Integrated Horticulture Development Programme*	Rural Development	TRAC	5,261,602	07/1997 – 06/2003	MoA, MTI
BHU/03/G35	Linking and Enhancing Protected Areas (LINKPA)	Environment	UNDP/GEF	1,855,000	05/2003 – 2008	WWF
BHU/02/006	Decentralization Support Programme	Governance	TRAC	3,590,900	07/2003 – 12/2006	MoHCA
BHU/02/CO1						
BHU/00/004	Decentralized Governance and Donor Collaboration (Planning Information Network, PIN)	Governance	Japan Human Resource Development Fund	518,000	11/2000 – 2004	DoP

\* completed project mid-term/terminal evaluation undertaken for the projects:  
BHU/97/0038

<sup>16</sup> Other donors’ projects related to the outcome will be included as a reference material for the evaluation team.

## **II. MID-TERM EVALUATION OF THE RURAL ENTERPRISE DEVELOPMENT PROGRAMME**

### **Background**

The Rural Enterprise Development (RED) Programme was started in August 2002 and is expected to end by July 2007. The programme document was prepared jointly by a multidisciplinary team consisting of members from the Royal Government of Bhutan (RGoB) and UNDP. The determination of the areas of focus for the UNDP and SNV funded programme was based on: (i) consideration of the 2<sup>nd</sup> UNDP CCF and UNDAF documents; (ii) consideration of the MTI and MoA 9<sup>th</sup> Five Year Plan priorities including: programme 4 – National agricultural marketing (marketing research and information, market infrastructure development, private sector development); programme 8 – Quality control and regulatory services (food quality regulations); programme 13 – National horticulture development programme (post harvest) in MoA; programme 3.4 – Export promotion (marketing assistance for handicrafts, wood and wood products); programme 4.7 – Small and micro industries development (business development services and business advisory services); programme 4.8 – Promotion rural based industries (wool spinning and weaving, bamboo and cane products., wood lathe works); programme 4.11 – Development of essential oils and allied industries (sustainable management of lemon grass oil production and collection, strengthening of central quality control and value addition to essential oils, marketing assistance to essential oils) in MTI; (iii) examination of previous/ongoing initiatives/ projects and the experience/ lessons thereof; and (iv) a consultative process with the Government ministries, departments and other stakeholders.

UNDP resources will be primarily used for upstream policy support, capacity building, in the procurement of equipment and group and individual training including TA in the critical areas. At the micro level, UNDP resources will be used to pilot on the ground demonstration of innovative practices and appropriate technologies with potential for replication, and the results from such interventions will be fed into the upstream policy formulation process. UNDP resources will be used for Monitoring & Evaluation, including a continuous system for feedback between participants at the operational level.

### **Scope and purpose of the evaluation**

According to the evaluation plan for the project, a mid-term review for RED programme will be conducted in the third quarter of 2005 in conjunction with the poverty outcome evaluation for the following outcome; “Replicable local poverty initiative(s) linked to development of small rural enterprises and policy changes undertaken”.

A detailed objectives framework for the RED programme is summarized below:

Long-term Objective: To improve the capacity of the rural poor to sustain their livelihoods through increased income and employment opportunities.

Immediate Objectives:

Facilitate the creation of strategies, policies and enabling environment for the growth and development of rural enterprises;

Enhance institutional capacities of agencies and institutions supporting the development of rural enterprises;

Develop a portfolio of technical, management and business tools necessary for the creation of rural enterprise systems; and

Enhance the productivity and marketing of products produced and sold by rural enterprises and individuals.

The purpose of the evaluation is to:

- (i) Assess the relevance of the programme's concept and the programme's effectiveness in realizing its immediate objectives and the extent to which they contribute towards building/strengthening the capacities of the rural enterprise sub-sector in achieving its long-term objective.

In particular, the team should assess whether:

- The programme approach was sound, the beneficiaries and users of the programme results were identified;
- The underlying assumptions were accurate and the objectives were the correct ones for solving the perceived problem;
- The objectives and outputs were stated precisely and in verifiable terms; the objectives were achievable;
- The relationship between the different programme elements (outputs, activities etc.) were logical and commensurate with the time and resources available;
- A work plan was prepared and followed.

- (ii) Review the efficiency and adequacy in implementation and management of the programme.

- In particular, the team should review the quality and timeliness of inputs, activities, responsiveness of programme management of changes in the programme environment; monitoring to changes in the programme environment; monitoring/backstopping of the programme by all concerned parties and linkages between the 2 implementing ministries where relevant. Evaluate whether programme design allowed for flexibility in responding to changes in the programme environment.

To review the results of the programme.

- In particular, the team should:
- review the achievements of the programme to date and assess their effectiveness in solving the perceived problems;
- assess whether the programme is producing its outputs effectively and efficiently;
- assess the quality of the outputs and how are they utilized;
- assess programme focus and direction towards effective achievement of its objectives;
- identify the major issues and problems which are facilitating or impeding the progress of the programme in achieving its desired results;
- determine the effect of the programme on target groups or institutions;
- assess any unforeseen effects on non-target groups and any unintended effects caused by the programme;
- assess the inadequacy of the programme self-monitoring;
- assess the significance of the results achieved so far for the country or region;
- determine the degree of linkages between different sub-programmes and support given by RGoB and other related agencies and vice versa and how well the programme fits in to national development policy.

### **Findings and Recommendations of Review Members**

Based on all the above points, the mid-term evaluation should make specific recommendations on the future course of action of the programme and make any recommendations on how to modify or refocus the programme, if necessary, to ensure successful implementation of the programme. The mission should also further make recommendations on how to ensure that duplication of activities with other government departments and donors does not take place, and that proper coordination in the rural development sector is ensured.

### **III. OBJECTIVES OF THE OUTCOME EVALUATION**

The poverty outcome evaluation is expected to analyze the status of the outcome, particularly in relation to UNDP contribution to the outcome through project activities and soft assistance.

The outcome evaluation is expected to address the following issues:

#### Outcome analysis

- What is the current situation and possible trend in the near future with regard to the outcome?
- Whether sufficient progress has been achieved vis-à-vis the outcome as measured by the outcome indicator?
- What are the main factors (positive and negative) that affect the achievement of the outcome?
- Whether the outcome indicators chosen are sufficient to measure the outcomes?
- To what extent synergies in programming such as partnerships among various UNDP programmes related to outcome

#### Output analysis

- Are the UNDP outputs still relevant to the outcome?
- Has sufficient progress been made in relation to the UNDP outputs?
- What are the factors (positive and negative) that affect the accomplishment of the outputs?
- Assess whether rural enterprise development concerns have been considered in the national development planning.
- Assess UNDP's ability to advocate best practices, and influence integration of rural enterprise development into national policies and plans.

#### Output-outcome link

- Whether UNDP's outputs or other interventions can be credibly linked to the achievement of the outcome (including the key outputs, projects, and soft assistance);
- What are the key contributions that UNDP has made/is making to the outcome?
- What has been the role of UNDP soft-assistance activities in helping achieve the outcome?
- With the current planned interventions in partnership with other actors and stakeholders, will UNDP be able to achieve the outcome within the set timeframe and inputs – or whether additional resources are required and new or changed interventions are needed?
- Whether UNDP's partnership strategy has been appropriate and effective. Has UNDP been able to bring together various partners across sectoral lines to address rural sector concerns in a holistic manner?

- Assess UNDP's ability to develop national capacity in a sustainable manner (through exposure to best practices in other countries, holistic and participatory approach). Has UNDP been able to respond to changing circumstances and requirements in capacity development?
- What is the prospect of the sustainability of UNDP interventions related to the outcome?

In reviewing the above-mentioned issues the evaluation team is expected to examine and assess both completed as well as ongoing interventions in the following areas, and put forward lessons learned and/or recommendations for future directions:

#### Private sector development

- Rural enterprise development with particular reference to cottage and small enterprises (CSE) development
- Creating an enabling environment
- Fostering of an entrepreneurial culture
- Enhancing access to business development/promotion services
- Policy environment for cooperative development
- Development of niche market strategies (eg. organic production)
- Sustainable natural resource based development
- Arts and craft sector development particularly from a cultural based perspective
- Tourism sector
- Access to financial services (eg. role of micro credit and savings initiatives)

#### Poverty monitoring and analysis

- Situational analysis and the way forward (refer Poverty analysis report, Geog Planning Information System, MDG Reports, Druk Info, etc.)
- Rural tele centers
- Coordination between agencies
- Importance of targeted poverty alleviation interventions based on desegregated data for national poverty indicators
- Importance of desegregated data and effective analysis to inform policy making and prioritization decisions

#### Decentralized governance, planning and linkages between environment and poverty

- Enhanced authority and responsibility of local development committees (GYTs and DYTts) for geog based development eg. Geog based planning and prioritization of development activities from 9<sup>th</sup> Five Year Plan
- Importance of environment and poverty linkages (eg. essential oils initiative)



The results of the outcome evaluation (and the mid-term review) will be used for re-focusing the interventions during the second half of the current CCF<sup>17</sup> and MYFF (if necessary) and guiding future programming.

#### **IV. PRODUCTS EXPECTED FROM THE EVALUATION**

The key products expected from this outcome evaluation are two comprehensive analytical reports – one for the poverty outcome evaluation and the other for the mid-term review of the RED programme. The evaluation reports shall include the following contents:

- Executive summary; (1-2 page(s))
- Introduction; (1 page)
- Description of the evaluation methodology; (6 pages)
- An analysis of the situation with regard to the outcome, the outputs, and the partnership strategy; (5-6 pages)
- Analysis of salient opportunities to provide guidance for the future programming; (3-4 pages)
- Key findings (including best practice and lessons learned); (4-5 pages)
- Conclusions and recommendations; (4-5 pages) and,
- Annexes: Charts, ToR, field visits, people interviewed, documents reviewed, etc.

The mission is required to discuss and finalize the evaluation reports prior to departure from Bhutan. Both reports shall be submitted in hard copy and electronic form.

#### **V. METHODOLOGY**

An overall guidance on outcome evaluation methodology can be found in the *UNDP Handbook on Monitoring and Evaluating for Results* and the *UNDP Guidelines for Outcome Evaluators*. The evaluators should come up with a suitable methodology for this outcome evaluation based on the guidance given in these two documents.

During the outcome evaluation, the evaluators are expected to apply the following approaches for data collection and analysis:

- Desk review of relevant documents (project document with amendments made, review reports - midterm/final, donor-specific, etc);
- Discussions with the Senior Management and programme staff of UNDP Country Office;
- Interviews with and participation of partners and stakeholders; and,
- Field visits to selected project sites;
- Consultation and debriefing meetings.

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<sup>17</sup> Country Cooperation Framework (2002-2006)

## **VI. EVALUATION TEAM**

The evaluation team will comprise of three consultants: one international consultant (as the team leader) and two national consultants (as team members). The international consultant should have an advanced university degree and at least eight years of work experience in the field of rural and private sector development, sound knowledge about results-based management (especially results-oriented monitoring and evaluation). The team leader will take the overall responsibility for the quality and timely submission of the evaluation reports to the UNDP Country Office.

Specifically, the team leader will perform the following tasks:

- Lead and manage the evaluation mission;
- Design the detailed evaluation scope and methodology (including the methods for data collection and analysis) for the two reports;
- Decide the division of labor within the evaluation team;
- Conduct an analysis of the outcome, outputs and partnership strategy (as per the scope of the evaluation described above) for the two reports;
- Draft related parts of the evaluation reports; and
- Finalize the whole evaluation report and the mid-term review of the RED programme.

The national consultants should have advanced university degrees and at least five years work experience in the areas of rural and private sector development. They should have sound knowledge and understanding of private sector and rural areas in Bhutan, and have experience in conducting evaluation. One national consultant will focus on the poverty outcome evaluation and the other on the mid-term review of the RED programme, performing the following tasks respectively:

- Review documents;
- Participate in the design of the evaluation methodology;
- Conduct an analysis of the outcome, outputs and partnership strategy (as per the scope of the evaluation described above);
- Draft related parts of the evaluation report; and,
- Assist Team leader in finalizing document through incorporating suggestions received on draft related to his/her assigned sections.

## **VII. IMPLEMENTATION ARRANGEMENTS**

To facilitate the outcome evaluation process, UNDP Bhutan will set up an Evaluation Working Group (EWG). The team shall consist of relevant UNDP staff and RGoB focal points. The EWG will assist in connecting the evaluation team with UNDP Programme Unit, senior management, and key stakeholders. In addition, the EWG will provide both substantive and logistical support to the evaluation team, ensure participatory evaluation

process, and comment on the draft evaluation report. The Head of Poverty and MDG Unit with support of the EWG members will facilitate the evaluators in the specific areas of expertise to develop plan, methodology and scope of evaluation; conduct field visits; and organize meetings. During the evaluation, EWG will help identify the key partners for interviews by the evaluation team. The evaluation will retain its full integrity and flexibility to determine the best approach to collecting and analyzing data for the outcome evaluation.

At the end of the mission period, the draft evaluation reports will be shared with UNDP Country Office, DADM, DoP, MoA, MTI and other key stakeholders for comments.

Evaluation mission schedule (1<sup>st</sup> to 28<sup>th</sup> October, 2005)

<b>Activity</b>	<b>Timeframe and responsible party</b>
Evaluation design and workplan	Half a day, by the evaluation team
Desk review of existing documents	2 and half days, by the evaluation team
Field visits, interviews with partners, and key stakeholders	13 days, by the evaluation team
Drafting of the evaluation reports	5 days, by the evaluation team
Debriefing with UNDP	Half a day, UNDP and the evaluation team
Debriefing with partners	Half a day, partners and the evaluation team
Finalization of the evaluation reports (incorporating comments received on first drafts)	6 days by the evaluation team

Working Days:

28 working days for team leader

33 working days for the national consultant assisting in the preparatory work

28 working days for the other national consultant

Specific Responsibilities of:

- a. *Country Office* – to provide logistical support; facilitate meetings and interactions with relevant stakeholders; comment on the draft report; and follow up on recommendations.
- b. *Evaluation Working Group* – ensure participatory evaluation process; connect the evaluation team with Programme Unit, Senior Management and key stakeholders; facilitate evaluation mission to develop plan, methodology and scope of evaluation; and comment on the draft report.
- c. *Government counterpart* – participate in meeting and presentation of findings as per the mission schedule; provide needed information and

documents related to the outcome evaluation; facilitate and arrange meetings with relevant RGoB agencies in Thimphu as well as other project site dzongkhags, participate in field visits as required; and comment on the draft report.

- d. *Partners/Key stakeholders* - participate in meeting and presentation of findings as per the mission schedule; provide needed information and documents related to the outcome evaluation; and comment on the draft report.

## **VIII. SELECTED DOCUMENTS TO BE STUDIED BY THE EVALUATORS**

The evaluators should study the following documents:

- UNDP Handbook on Monitoring and Evaluating for Results
- UNDP Guidelines for Outcome Evaluators
- UNDP Results-Based Management: Technical Note
- United Nations Development Assistance Framework (UNDAF) for Bhutan (2002-2007)
- UNDP 1<sup>st</sup> and 2<sup>nd</sup> Country Cooperation Framework (CCF) for Bhutan
- UNDP Strategic Results Framework (SRF) for Bhutan (2000-2003)
- UNDP Multi Year Funding Framework (MYFF) for Bhutan (2004-2007)
- UNDP Results-Oriented Annual Report (ROAR) for Bhutan (2001, 2002)
- UNDP Project documents, project monitoring reports, and project evaluation reports
- UNDP National Human Development Report for Bhutan
- Bhutan MDG Report
- 8<sup>th</sup> and 9<sup>th</sup> Five Year Plan documents
- National policies, strategies, and plans related to the outcome
- Other documents and materials related to the outcome (e.g. government, donors)

## **ANNEX 2**

### **MISSION ITINERARY AND THEMATIC ISSUES REVIEWED DURING FIELD WORK**

<b>DATE</b>	<b>ACTIVITY/MEETING</b>
26 Sep –30 Sep	Preparatory work by Mr. Ugyen P. Norbu, National Consultant
01 Oct	Arrival of Mr. Eduardo Quiroga in Thimphu Sharing of desk review material
02 Oct	Desk review and meeting of Evaluation mission team
03 Oct	Meeting with Evaluation Working Group Briefing with Senior Management Call on the Honorable Secretary, Dasho Sangay Thinley, Ministry of Agriculture Meeting with the Director, Department of Aid Debt Management, Ministry of Finance
04 Oct	Meeting with Directors, Component Managers, MoA (Detailed discussion and consultation on RED MoA activities) Meeting with Directors, Component Managers, MTI (Detailed discussion and consultation on RED MTI activities)
05 Oct	Meeting with Ms. Megan Ritchie, Officiating Director and Mr. Kasper Tideman, Rural Enterprise Model Advisor, Netherlands Development Organization, SNV Meeting with Mr. Roland Wittur, Coordinator, German Development Organization, GTZ Call on the Honorable Secretary, Dasho Karma Dorji, Ministry of Trade and Industry Meeting with Mr. Tashi Penjor, General Manager and Mr. Ngawang Gyeltshen, Managing Director, Bhutan Development Finance Corporation
06 Oct	Meeting with Mr. Phintsho Dorji, Officer in Charge, FAO Meeting with Dr. Samdu Chettri, Deputy Resident Coordinator, Helvetas Meeting with Mr. Torben Bellers, Minister Counsellor and Mr. Pem T. Dorji, Programme Officer, Liaison Office of Denmark (DANIDA)
07 Oct	Meeting with Mr. Naichu, Deputy Director, Bhutan Chamber of Commerce and Industry (BCCI) Meeting with Ms. Renata Lok Dessallien, Resident Representative, UNDP

Briefing with Evaluation Consultation Team\*\*\* on the meetings with stakeholders

08 Oct

Visit to Weekend Vegetable Market (extension for better marketing) (Thimphu)  
Visit to RNRRC Yusipang, Organic Research Demonstration Site

### **Thematic Review at RNR-RC Yusipang, Organic Research**

- Objectives
- Organic farming –strategy
- Inputs used
- Activities-trial
- Record keeping

09 Oct

Group 1 (Poverty Outcome Evaluation)  
Group 2 (RED Mid-Term Review)  
Depart for Trongsa (6,5 hrs) Arrive in Trongsa  
Meeting with Dasho Dzongdag and Sectoral Heads  
Meeting with Director, MTI

The team met with Dasho Dzongda and sector heads of Trongsa Dzongkhag, Regional Trade & Industrial officials and gups. The mission briefed on Outcome evaluation and Mid Term Review being conducted for REDP projects funded by UNDP. The following matters were discussed in the meeting.

- Decentralization policy and the change of development approach from sector approach to more geog need based system, devolution of administrative and financial powers.
- Capacity building for geog programme
- Prioritized activities based on need assessment
- Cooperatives formation –RNR sector, farm community projects
- Linkages with MTI-RTIO
- Marketing of products
- Organic products
- Preparation for 10<sup>th</sup> Five Year Plan
- Micro-credit from BDFC

10 Oct

### **Both Groups**

Meeting with Gup and other community members to discuss governance and community capacity development issues (Decentralization Support Project)  
Meeting with Director and BPS staff, RTIO, Trongsa  
Depart for Bumthang and halt for the night (2,5 hrs)

### **Matters discussed with RTIO officials in Trongsa**

- Functions of RTIO in Trongsa

- Monitoring & Evaluation
- Coordination with Dzongkhag
- Enabling environment specifically for micro, small, medium enterprises and cottage industries
- Non-farm based business activities-Bhutanese incense, wood works, traditional bells manufacturing, automobile work shop
- Micro-Capital Grant Scheme under REM project

#### **Matters discussed with Gups of Nubi and Tangisbji geog in Trongsa**

- Block grant activities and fund utilized
- Irrigational channel
- Extension of farm road
- Geog Capacity building

11 Oct

#### **Both Groups**

Depart for Mongar (6,5 hrs)

Meet with Dasho Dzongdag and Sector Heads

Visit EoDP, Mongar (RED MTI component)

Meeting with lemon grass oil producers group

The team had meeting with Dasho Dzongda and sector heads and following matters were reviewed.

- Decentralization policy
- RNR sector-opportunities/potentials in production of temperate fruits for domestic and export market
- Private sector development-Industrial estate development
- Feasibility need for the projects-tourism
- BCCI
- Environmental impact of lemon grass distillation projects and resin collection
- Cooperatives formation
- Alternative project opportunities

#### **Essential Oil Development Project –MTI**

- REDP project input
- Project impact in increased income and number of house hold benefited
- Employment
- Increasing production cost
- Raw materials sustainability
- Community based nature management
- Marketing
- Cooperative formation
- Lemon grass oil distillation hand book-knowledge base
- Environment issues

#### **Lemon Grass Oil Project at Sherichu-Mongar**

- Production and sales

- Cooperative formation
- Management Plan
- Raw materials
- Raw material storage

12 Oct

**Group 1**

Depart for T/gang and halt for the night (3 hrs) and visit an essential oil project site on the way

**Group 2**

Depart for Wangdue and halt for the night (12,5 hrs)

13 Oct

**Group 1**

Depart for Khaling (2 hrs)

Visit Potato Chips Production Unit (RED MOA Micro Grant)

Visit National Handloom Development Project and E.biz project beneficiaries

Depart for Mongar and halt for the night (4,5hrs)

**Group 2**

Depart for Dagapela (5 hrs)

Visit to First ISPP at Dagapela, and meet with beneficiaries/supply group

Depart for Wangdue

**Integrated semi-processing Plant (ISPP)**

- Objectives & organizational structure
- On going activities
- Equipments
- Training of farmers and transfer of technology
- Availability of fruits for processing
- Potential products-orange pulp, tomato puree, passion fruit juice, guava juice, Soya bean products, ginger tea etc.
- Focus on dehydrated products
- Marketing of products
- Transportation
- ISSP Dagapela as regional centre-privatization

14 Oct

**Group 1**

Depart for Bumthang (6,5hrs)

Visit Thrumshingla Management Park office and meet Park staff (Poverty environment linkages)

Visit medicinal plant farmer at Ura, Bumthang (RED-MoA micro grant)

Arrive in Bumthang and Halt for the night



**Group 2**

Depart for Paro (4 hrs)

Visit to Product Development Unit at National Post Harvest Centre

Visit to Straw mushroom production farm (RED MOA micro grant)

**National Post Harvest Centre**

- IHDP
- Equipment for demonstration
- Improving storage conditions
- Cold storage facilities
- Minimizing post harvest loss
- ISPP –products, market etc

**Mushroom Cultivation at Paro**

- Project cost
- Purpose of grant and amount
- Production cost-raw materials, electricity, labour etc
- Seasonal production details
- Selling price
- Market
- Income earned
- Options of finance-banks

15 Oct

**Group 1**

Depart for Thimphu (9hrs)

Arrive in Thimphu

**Group 2**

Visit to organic farm (RED MOA micro grant)

Depart for Thimphu

Visit to cold storage facility for apples at Namseling

Arrive in Thimphu

**Organic Farm at Paro**

- Area under organic farm-paddy cultivation
- Inputs required for organic farming and costs
- Yield per earmarked plot
- Market
- Selling price
- Option to go into organic farming
- Organic vegetables production-introduction of some new vegetables
- Marketing organic vegetables
- Organic seed production
- Employment

**Ambient Temperature Apple Storage at Namseling**

- Project cost

- Technical aspect-structure design, cooling system
- Storage Capacity
- Assistance availed from banks for the capital cost
- Grant received for importing plastic crates
- Choice to change from wooden box to plastic crates
- Purchase & selling price of stored apples

16 Oct	Drafting of the reports
17 Oct	Drafting of the reports
18 Oct	Drafting of the reports
19 Oct	Drafting of the reports
20 Oct	Presentation of preliminary recommendations and conclusions to Evaluation Working Group
21 Oct	Meeting with Evaluation Consultation Team Revision of the evaluation reports based on comments received from Evaluation Consultation Team
22 Oct	Revision of the evaluation reports continued
23 Oct	Revision of the evaluation reports continued
24 Oct	Circulation of the revised draft report to all the stakeholders
25 Oct	Preparation of the presentation for the Debriefing session Meeting with Steering Committee of the RED Programme
26 Oct	Debriefing session with the stakeholders on the Outcome evaluation findings
27 Oct	Finalization of the evaluation reports
28 Oct	Submission of the evaluation reports incorporating stakeholders' comments to UNDP Country Office
29 Oct	Departure of Mr. Eduardo Quiroga, Team Leader

## **ANNEX 3**

### **LIST OF PERSONS MET**

#### **United Nations Development Programme Country Office**

- |                                |   |
|--------------------------------|---|
| 1. Ms. Renata Lok Dessallien   | Resident Representative                     |
| 2. Mr. Toshihiro Tanaka        | Deputy Resident Representative              |
| 3. Ms. Tshering Pem            | Head, Poverty and MDG Unit                  |
| 4. Mr. Aki Hakanen             | Programme Officer, Poverty and MDG Unit     |
| 5. Ms. Sonam Choesho<br>Unit   | Programme Assistant, Poverty and MDG Unit   |
| 6. Ms. Wangdi Tshering<br>Unit | Head, Programme Management and Support Unit |
| 7. Ms. Marie Pedersen          | Programme Officer, Governance Unit          |

#### **Royal Government of Bhutan**

- |                           |  |
|---------------------------|--|
| 1. Dasho Sangay Thinley   | Secretary, MoA   |
| 2. Ms. Yuden Dorji        | RED Coordinator, MoA   |
| 3. Mr. Ganesh B Chhetri   | DoA  |
| 4. Mr. Kadola             | MoA  |
| 5. Mr. Pema Dakpa         | Offtg. Manager, NPHC   |
| 6. Mr. Sangye Chewang     | MoA  |
| 7. Ms. Kesang Tshomo      | MoA  |
| 8. Ms. Irene Christiansen | SNV Consultant to MoA  |
| 9. Dasho Karma Dorji      | Secretary, MTI   |
| 10. Ms. Karma C. Tshering | RED Coordinator, MTI   |
| 11. Mr. Sonam Tshering    | Component Manager, Institutional Support & Skills Development (RTIO Coordinator) MTI |
| 12. Mr. Sonam Tashi       | REM Support Manager, MTI   |
| 13. Mr. Jambay Yeshi      | Component Manager, Institutional Support & Skills Development (EPC) MTI              |
| 14. Mr. Sonam Rinchen     | Component Manager, marketing & business information system, MTI                      |
| 23. Mr. Sonam Wangchuk    | Director, DADM   |
| 24. Ms. Leki Wangmo       | DADM   |

#### **Other Agencies**

- |                       |                         |
|-----------------------|-------------------------|
| 1. Mr. Ngawang Gyetse | Managing Director, BDFC |
| 2. Mr. Tashi Penjore  | General Manager, BDFC   |
| 3. Mr. Julio Banzon   | SNV Advisor to BDFC     |
| 4. Mr. Neichu         | Deputy Director, BCCI   |

### **Other Donors**

- |                       |  |
|-----------------------|--|
| 1. Ms. Megan Ritchie  | Offtg. Director, SNV                           |
| 2. Mr. Kasper Tideman | Rural Enterprise Model Advisor, SNV            |
| 3. Mr. Roland Wittur  | Coordinator, GTZ                               |
| 4. Mr. Samdu Chhetri  | Deputy Resident Coordinator, Helvetas          |
| 5. Mr. Torben Bellers | Minister Counsellor, Liaison Office of Denmark |
| 6. Mr. Pem T Dorji    | Programme Officer, Liaison Office of Denmark   |
| 7. Mr. Phintsho Dorji | Officer-in-charge, FAO                         |

### **Trongsa Dzongkhag**

- |                       |                                      |
|-----------------------|--------------------------------------|
| 1. Mr. Lhap Dorji     | Dasho Dzongda                        |
| 2. Mr. K. B. Rai,     | Planning Officer                     |
| 3. Mr. Nawang Dorji,  | Dzongkhag Education Officer          |
| 4. Ms. Dechen         | Dzongkhag Health Supervisory Officer |
| 5. Mr. Leki Tenzin    | Dzongkhag Agriculture Officer        |
| 6. Mr. Dorji          | Dongkhag Livestock Officer           |
| 7. Mr. Tashi Dendup   | Dzongkhag Forest Officer             |
| 8. Mr. Yeshey Samdrup | Regional Director, RTIO              |
| 9. Mr. Tenzin Duba    | Gup, Tangsibji Geog                  |
| 10. Mr. Pema Rinzin   | Tshogpa, Tangsibji Geog              |
| 11. Mr. Phuntsho      | Gup, Nubi Gewog                      |

### **Mongar Dzongkhag**

- |                           |                      |
|---------------------------|----------------------|
| 1. Mr. Minjur Dorji       | Dasho Dzongda        |
| 2. Mr. Tandin Dorji       | DAO                  |
| 3. Mr. Dorji Wangchuk     | DLO                  |
| 4. Mr. Tappo              | Dzongrab             |
| 5. Mr. Sangay Dorji       | ADEO                 |
| 6. Mr. Chhimi Tshewang    | DHSO                 |
| 7. Mr. Lekey Wangdi       | APO                  |
| 8. Mr. Tashi Norbu Sherpa | Municipal Engineer   |
| 9. Mr. Sangay             | Project Chemist, EOD |
| 10. Mr. Galey Tenzin      | SNV Consultant, EOD  |

### **Dagapela**

- |                      |                               |
|----------------------|-------------------------------|
| 1. Mr. D.R. Ghalay   | Plant Manager, ISPP           |
| 2. Mr. Tenzin Rabgay | Plant Operator, ISPP          |
| 3. Mr. Pema Chofil   | DAO, Dagana                   |
| 4. Mr. P.B. Mongar   | Agriculture Supervisor, Goshi |

5. Mr. K.B. Gurung	Farmer, Goshi Gewog
6. Mr. Jashma Waiba Lama	Farmer, Goshi Gewog
7. Mr. B.B. Ghising	Farmer, Goshi Gewog
8. Mr. D.B. Golay	Farmer, Tashiding Gewog
9. Mr. Phurba Sherpa	Farmer, Tsendagang Gewog
10. Ms. Yeshey Lhamo	Tsendagang Gewog
11. Ms. Jurmi Dorji	Gup, Tsendagang Gewog
12. Ms. Laxman Waiba	Farmer, Goshi Gewog
13. Ms. Dawa Dem	Farmer, Goshi Gewog
14. Mr. Chatra Bdr Powdel	Farmer, Goshi Gewog
15. Mr. Sangay Sherpa	Tsendagang Gewog

### **Paro**

1. Mr. Pema Dakpa	Offtg. Programme Director, NHPC
2. Mr. Kadola	MoA
3. Mrs. Kinley	Organic Farm
4. Mr. Kesang	Mushroom Cultivation
5. Mr. Passang	Cold Storage, Namseling

### **Thimphu**

1. Ms. Kesang Tshomo	RNRRC Yusipang
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## **ANNEX 4**

### **MINUTES OF THE STEERING COMMITTEE MEETING**

#### **MINUTES OF THE MEETING**

The Project Steering Committee Meeting to discuss the Mid Term Review of the Rural Enterprise Development (RED) Programme was held on 25 October 2005 at 3:00 PM at the TALA Conference Hall, MTI.

The Meeting which was chaired by Hon'ble Secretary, MTI was attended by officials from the MTI and MoA, UNDP, SNV and the Evaluation Team (list of participants attached as Annex 1).

1. The Chairman of the meeting, Dasho Karma Dorjee welcomed all the participants to the meeting.
2. The Agenda for the meeting was approved followed by a round of introduction of the participants.
3. Dr. Eduardo Quiroga , the Team Leader gave a brief presentation (see Annex 2) of the RED Programme Mid Term Review touching upon the following issues:
  - a. The method and procedures in the review process
  - b. The concept and design of the review
  - c. The relevance of the programme to the overall objectives of the Government
  - d. Issues relating to the RED Programme implementation
  - e. Progress of the components
  - f. Implementation problems
  - g. Recommendations of the team
4. Following the presentation, UNDP raised concerns on the delivery status of the budget particularly for the remaining two months of 2005.
5. As per the recommendation of the Mid Term Evaluation Mission, it was felt that enterprises focusing either on product, area or community needs to be given more emphasis, particularly in the areas of:
  - a. Agro processing – Dagapela, Dagana and Goling. Zhemgang
  - b. Organic farming/products – select one or two communities/areas
  - c. With regard to handicrafts a few areas were highlighted: cane and bamboo, incense, wooden handicrafts, natural dyes and textiles.

Regarding textiles Khaling, Koma, Radhi were suggested with other potential villages in the west

It was agreed that villages/communities should be selected based on natural resources and technical knowledge/skills/traditions and their commitment.

The DRR, UNDP suggested that the concept of “one village one product” could be considered. He also stated that it is essential to develop enterprises at the village level and to shift focus to the grassroots level activities.

6. The role of the handicrafts sector was highlighted by the UNDP as an area of focus. It was reported that there is a need for some intervention in the handicraft sector in terms of new technology, product design and marketing. The need to work on this together among the stakeholders was highlighted. In this regard, handicraft expert, Joseph Lo, briefed the meeting on an additional action plan for handicraft development in the following areas:

- Indigo & Lac Planting
- Vegetable Dyeing Process
- Weaving Tools & Technologies
- Yarn Bank
- Sewing Equipments
- Creative Weaving & Dyeing Workshop in West
- Silver Smiting & Stone Carving
- Bamboo & Cane Weaving

Hon’ble Secretary, MTI, welcomed the proposal as very relevant and useful, which needs to be implemented at the community level.

7. DRR, UNDP apprised the meeting that the Honorary Consul of Bhutan in Japan has indicated his strong interest in getting involved and assisting in the areas of handicrafts, particularly ornamental glassware and in healthy food products and informed that the market for products from this venture is guaranteed.
8. Hon’ble Secretary, MTI (Chairman) suggested that MoA should establish an agro based processing industry in the Zhemgang and MTI should explore the possibility of establishing a Bamboo Cane furniture unit in Zhemgang.

The Chairman also advised that organic production should be encouraged immediately. The MoA reported that an ISPP (Integrated semi processing

plant), similar to the one established in Dagapela, is already being established at Goling in Zhemgang Dzongkhag.

9. The issue of the micro capital grant scheme was extensively debated. On one hand, the review team assessed that the micro capital scheme would not be sustainable and should be discontinued. On the other hand, it was felt that the grants give a good demonstration effect and have a positive trickle down effect. Furthermore, the scheme had already been made public and much effort has gone in operationalizing the scheme.

The meeting finally decided that the grant scheme would not be discontinued but that the current criteria on the selection of these grants, guidelines and monitoring aspects should be revised to give more focus on selected niche areas and communities with clear preference given to community/group proposals. A recommendation that in the case of collective grants the grant ceiling would also be taken into account.

10. The meeting acknowledged the review team's findings that the scope of the programme was too broad and agreed that there is a need to re-focus and restructure the project. The meeting recommended that a plan of action (implementation strategy) with concrete activities at the selected communities will be worked out by the two Ministries, particularly in support of rural enterprise development in the areas of: handicrafts (MTI and MoA for indigo, bamboo and cane), organic farming (MoA) and agro-processing (MoA). The action plan will be shared with all the Steering Committee members by the 25th of November 2005, keeping in mind the recommendations proposed by the mission.

DRR, UNDP, reminded the meeting that the development of detailed master plan in each selected niche area should not further slow down the project implementation but keep the momentum. Therefore, he requested the project managers to accelerate the overall project implementation and requested that follow up meetings with MTI and MoA would be held to discuss about new initiatives particularly pertaining to the proposed handicraft sector development for immediate implementation to ensure satisfactory delivery for the 2005.

There being no other issues for discussion, the meeting adjourned at 5:30 PM.



Programme Steering Committee  
Rural Enterprise Development Programme

## **List of Participants**

### **Royal Government of Bhutan**

1. Dasho Karma Dorjee, Hon'ble Secretary, Ministry of Trade & Industry, (Chairman)
2. Dasho Sangay Thinley, Hon'ble Secretary, Ministry of Agriculture
3. Mr. Sangay Khandu, Director General, Department of Industry, MTI
4. Ms. Jambay Zangmo, Department of Aid & Debt Management, MoF
5. Mr. Ganesh B. Chettri, Joint Director, Dept. of Agriculture, MoA
6. Mr. Pema Dakpa, Offtg Program Director, NPHC, Dept. of Agriculture, MoA
7. Mr. Loknath Chapagai, Head, PDSD, Dept. of Industry, MTI
8. Mr. Phub Dorji, Head, EPC, Dept. of Industry, MTI
9. Mr. Jambay Yeshe, EPC, Department of Industry, MTI
10. Ms. Kesang Tshomo, Coordinator, Organic Programme, MoA
11. Mr. Sangay Chewang, Chief Marketing Officer, Dept of Agriculture, MoA
12. Mr. Dorjee, Chief Horticulture Officer, Dept. of Agriculture, MoA
13. Mr. Sonam Tshering Dorji, Policy & Planning Division, MTI
14. Mr. Penday Dorji, Department of Trade, MTI
15. Ms. Yuden Dorji, RED Programme Coordinator, MoA
16. Ms. Karma C. Tsering, RED Programme Coordinator, MTI

### **UNDP**

1. Mr. Toshihiro Tanaka, Dy. Resident Representative
2. Ms. Tshering Pem, Head, Poverty and MDG Unit
3. Mr. Aki Hakanen, Poverty & MDG Unit
4. Mr. Joseph Lo, Consultant to UNDP and to the E-Commerce Project, MTI

### **SNV**

1. Mr. Kencho Wangdi, SNV, Bhutan
2. Ms. Irene Christiansen, Consultant to Ministry of Agriculture

### **Consultants**

1. Dr. Eduardo Quiroga, Team leader
2. Mr. Ugyen P. Norbu, National Consultant (Poverty Outcome Evaluation)
3. Ms. Neera Lama, National Consultant (Mid Term Review of REDP)

## Presentation of RED MTR Findings & Recommendations

Oct 1-28, 2005

## OUTLINE OF MISSION REPORT

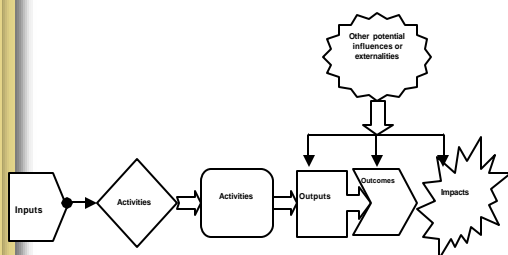
MID TERM REVIEW  
RURAL ENTERPRISE DEVELOPMENT PROGRAMME

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- EXECUTIVE SUMMARY
- 1. INTRODUCTION
- 2. THE PROGRAM AND ITS DEVELOPMENT CONTEXT
- 3. FINDINGS AND CONCLUSIONS
  - 3.1 Program Concept and Design
  - 3.2 Program Implementation
  - 3.3 Efficiency
  - 3.4 Effectiveness
  - 3.5 Project Management Arrangements
  - 3.6 Areas for Corrective Action
  - 3.7 Areas of Potential Success

- Project Results
- 4. RECOMMENDATIONS
- 5. LESSONS LEARNED
- ANNEXES
  - 1. Terms of Reference
  - 2. Itinerary & thematic issues
  - 3. List of Persons Interviewed
  - 4. Summary of Outputs & Outcomes Achieved
  - 6. Review of Grants
  - 7. Geographical Dispersion of Activities
  - 8. Overview Lemon Grass Oil Production
  - 10. List of Procurement Executed
  - 11. List of Consultant's Reports and Programme Publications
  - 12. Review of Steering Committee Meetings
  - 13. List of Documents Reviewed

## Method and Procedures

- The participatory approach is a collaborative evaluation process. It builds on strengths and it values the contribution of everyone involved.
- The following three principles of the participatory approach are based on Result Based Management.:
  - The focus of a participatory evaluation is on achievements and learning.
  - A participatory evaluation enables an appreciation for shared activities, coordinated efforts and linkages among those who are conducting a programme.
  - In a participatory evaluation the analysis of a substantive focus must be jointly organized by both evaluators and stakeholders.



Graph 1: The Results-Chain within the framework of RBM

## Concept & Design

- Long term Objectives
  - To improve the capacity of the rural poor to sustain their livelihoods through increased income and employment opportunities.
- Immediate Objectives:
  - 1. Facilitate the creation of strategies, policies and create enabling environment for the growth and development of rural enterprises;
  - 2. Enhance institutional capacities of agencies and institutions supporting the development of rural enterprises;
  - 3. Enhance the entrepreneurial capacity of private sector, especially farmers, artisans, and merchants and community-based organisations and producers/trade groups to participate in formal, mainstream economic activities.
  - 4. Develop a portfolio of technical, management and business tools necessary for the creation of rural enterprise systems; and
  - 5. Enhance the productivity and marketing of products produced and sold by rural enterprises and individuals

## •Relevance of Programme

- The Programme is relevant to the needs of the RGOB and conforms to its priorities and current policies (9th Plan).
- CCA (2000) framework. The Programme meets the challenges and options available concerning the issues of poverty and equity; and development strategies focusing on micro, cottage, small and medium scale industries.
- The Programme has the potential to meet the needs of the direct beneficiaries. It imparts knowledge-based technology, which is environmentally friendly, to enhance the income and employment opportunities of subsistence farmers.

## Programme Implementation

- **Partners: RGoB, UNDP, SNV**
- **Total Budget – US\$4.1916 Million**
  - UNDP US\$ 3,200,000
  - SNV US\$ 991,600
  - RGOB in kind
- **Total Expenditure US\$ 2,517,504.70 (51%)**
- **Total Project Period 60 Months**
- **Time utilized 63%**

## Progress -MTI

- **Component 1: Enabling Policy Environment**
  - Draft Industries & Investment Act of the Kingdom of Bhutan prepared.
  - TA document on Foreign Investment Policy in process.
- **Component 2: Institutional Support Structures and Skills Dev.**
  - Needs assessment completed.
  - Trainings conducted
  - Strategy Dev. Plans for RTIOs drafted.
  - Eco. Profile of all Dzongkhags in process.
- **Component 3: Marketing and Marketing System.**
  - Market Research on Bhutanese wooden handicrafts, textiles, natural dyes conducted.
  - BPS started.

## Progress cont.

- **Component 4: Non-agriculture enterprise development.**
  - LEMON GRASS
    - Workshop on Lemon Grass Industry conducted.
    - Central Collection Depot constructed.
    - Manual for harvesting and distillation prepared.
    - Lemon Grass Producers Group formed.
    - Constitution and By-laws for the Group drafted.
  - REM
    - Sub-sector analysis conducted.
    - Strategy for cane, bamboo, wood lathe and incense adopted.
    - 10 persons trained under handicraft
  - REGS
    - 11 out of 14 applications approved.

## Progress- MOA Component 5

- **High Value Niche Organic Products**
  - Certification of organic products in process.
  - National Framework for Organic Farming in process.
  - Model demo farm initiated.
  - Info leaflets on organic farming produced and distributed.
- **Fruit and Vegetable processing**
  - ISPP established & trial products developed
  - Farmers trained in fruit processing.
  - food processing manual developed.
  - citrus suppliers group initiated
- **Horticulture Dev & Marketing**
  - market research for fruits and vegetables conducted.
  - Vegetables and fruits exported.
  - Exhibition held in Dhaka
- **Micro Capital Grant Scheme**
  - 11 projects approved

## Implementation Problems

- **Enabling Policy Environment**
  - Industries and Investment Act in draft stage.
  - Licensing simplification for SMEs also in draft stage.
- **Institutional support and skill dev.**
  - Capacity strengthening plan not finalized
  - Rural Enterprise skill development plan not developed
- **Market & market information systems.**
  - marketing strategy for potential product not developed.

## Implementation Problems

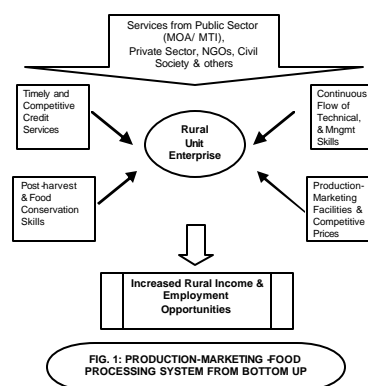
- branding strategy not completed
- MIS not in place
- Non agri-enterprise develop.
- market strategy not prepared
- depleting raw material
- no management plan of RM
- REM
- REM not established
- Catalogue not developed
- steps not undertaken for improving quality

## Implementation Problems

- High Value niche organic prod.
- manuals & leaflets not user friendly
- trial initiated but no market link established
- Organic certification in process only
- Fruit & Vegetable processing
- equipment too costly for farmers to invest
- products developed not commercialized
- equipments procured have limited use.
- No base line date for measuring project impact at the end of project.

## Summary:

- Project too wide spread
- Activities completed but no tangible output as expected-especially in development of potential enterprise viz. niche organic products, natural resource and traditional knowledge & skill based.
- Project M&E mechanism not in place.
- The immediate objectives exhibit little operational content to ensure results on-farm.
- They fall short in sequencing on-farm institutional adjustments (through stated objectives) needed to ensure technological changes.
- There is an absence of synergy mechanisms to link up objectives and ensure outcomes where they are most needed: in peoples' livelihoods.



## Recommendations

Fig 1 illustrates Programme implementation framework for the remaining time.

- Components 1,2,3 :
  - Complete outputs concerning strategies, policies , technical and management tools, etc., with particular focus on rural enterprise development and in line with the recommendations below.
- Component 4:
  - Configure Business Plan for Cooperatives recommending.
  - sustainable practices in lemon-grass' production-marketing .
  - identify potential alternative livelihoods
  - continuous training opportunities to upgrade skills.
  - NRM plan for the sustainable exploitation of lemon grass including prescribed burning plan
  - propose land tenure arrangements for community management of NR within current legal framework.
  - conduct rapid survey to establish socio-economic baseline of cooperative members for M&E purposes.

## Recommendations cont.

- Component Rural Enterprise Model–Components 5A, 5B, 5C
  - Continue work to complete outputs to facilitate the preparation of handicraft national strategy with particular reference to niche markets, i.e cultural and natural resource-based.
  - For the remaining of the Programme's life, consider conducting community-based and micro enterprises development as projects.
  - One project could be Dagapela's ISSP as satellite of Paro's NPHC.
  - The Programme's intention is to reach the farmer (the primary beneficiary) within the life of the Programme, training to enable farmers' to take over facilities, i.e. the ISSP of Dagapela, should start from day one. Identify project potential based on organic niche framework

## Recommendations cont.

- **Business Plan or National Development Strategy for Agro or non-Agro based Rural Enterprises**
  - A Business Plan is centered on the needs and potential of farmers. Key elements are:
    - Farmers' needs must be assessed and validated.
    - Production capabilities, must be determined in terms of agro-ecological and climatic factors.
    - The approach to production must be market oriented; marketing arrangements should be organized in consequence.
    - The credit requirements should be determined taking into account farmers' savings and/or assets. The participation of credit organizations is vital to ensure overall sustainability of credit operations.
    - If the agro-based production and market potential of a possible areas is limited, alternate income generating activities should compensate the situation.
    - A baseline survey must be conducted for M&E purposes.

## Recommendations cont.

- ***Selection Criteria for Project Sites***
  - **Advantage of natural resources or traditional knowledge.**
  - **In absence of agricultural potential MTI could explore income generating activities.**

## Recommendations cont.

- **Sustainability Strategy**

A long-term framework for sustainability is critical from the start. The knowledge of horticultural production-marketing systems, home based food processing, and other income generating know-how, must be embedded within the communities of pilot projects. Consider following option:

  - Identify natural leaders in a community,
  - Organize farmers' clubs under the leadership of identified leaders with the support of the Programme.
  - These farmers' clubs should provide an enabling environment in their communities, such that the Programme results can achieve sustainability.
  - The district and local governments must play a catalytic role in maintaining the sustainability of farmers' clubs.
  - Therefore each business plan needs to prove its solid potential to contribute to (1) better cash income, and (2) fostering development through greater opportunities for the commercialisation of family production of fruits and vegetables.

## Recommendations cont.

- ***Rural Enterprise Grant Scheme & Micro Capital Grant Scheme***
  - Analysis of grant proposals shows that grants awarded are promoting unsustainable enterprises because grants are not replicable due to limited capital.
  - After honouring commitments made already, consider discontinuing this component. Instead launch standard credit operations with one-year-grace of debt payments to stimulate entrepreneurship.

## Recommendations cont.

- ***Current Programme Management***
  - It is paramount to coordinate decision-making rules under one management structure. The principal functions will comprise, among others :
    - to enhance greater participation among stakeholders including the final beneficiary,
    - to deliver effectively all required inputs for the production of outputs and in turn to transform outputs into outcomes,
    - to implement RBM framework for transparency and accountability in all management operations.
    - To the extent that future implementation will focus on community level results, consider reviewing all the equipment purchased so far.
    - Take a full stock of all equipment purchased under the Programme. In conformity with NEX procedures, equipment must be tagged as UNDP equipment.
    - Identify technically the equipment that facilitates the Programme for the remaining implementation time. In conformity with NEX procedures, equipment with little or no use should pass to jurisdiction of UNDP.

## ANNEX 5

### METHODS AND PROCEDURES

#### THE PARTICIPATORY APPROACH AND RESULTS-BASED MANAGEMENT

##### 1. Scope and Method

The participatory approach is in step with the scope of the present terms of reference.

- The participatory approach is a collaborative evaluation process.
- It builds on strengths and it values the contribution of everyone involved.
- Training, the imparting of learning to achieve program goals, is the lynchpin in the process of capacity building, with stakeholders conducting training.
- The voices of all key stakeholders and beneficiaries draw a picture of program's intended and unintended results.
- The approach incorporates all necessary elements until it has been totally validated by all stakeholders and beneficiaries including the evaluators.
- Finally, the evaluation plan becomes an open-source operating system.

##### 1.1 Working Tools: The Three Principles

The active participation of stakeholders is directly related to their understanding of the evaluation process. It is possible to graphically explain the evaluation process through the participatory approach. This procedure has been proved useful where cross cultural communication was an essential task.<sup>18</sup> The fundamentals of the participatory approach can be summarized in three principles.<sup>19</sup> The concept and tools are graphically outlined in Figs 1 and 2.

- Principle 1. The participatory evaluation focuses on achievements and learning.

##### *Focus on Achievement*

- To assess achievements, the participatory approach applies the “results chain” and the “substantive focus” of evaluations within the framework of Results Based Management (RBM). If you are using initials later, capitalize the first initials in the phrase so that your intent is obvious.
- "The results chain" identifies three levels of results. The set of actions of each level must be achieved satisfactorily to enable the next level to begin. If you undertake the right set of activities or actions, you should achieve the first level of results or changes you want – outputs, as illustrated below in Graph 1. The three levels of results are:
  - Short-term results = outputs
  - Medium results = outcomes (immediate development objectives)
  - Long-term results = impacts (development objectives).

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<sup>18</sup> It has been used by the consultant in participatory evaluations concerning environmental issues in China, natural forest management in Central African Republic.

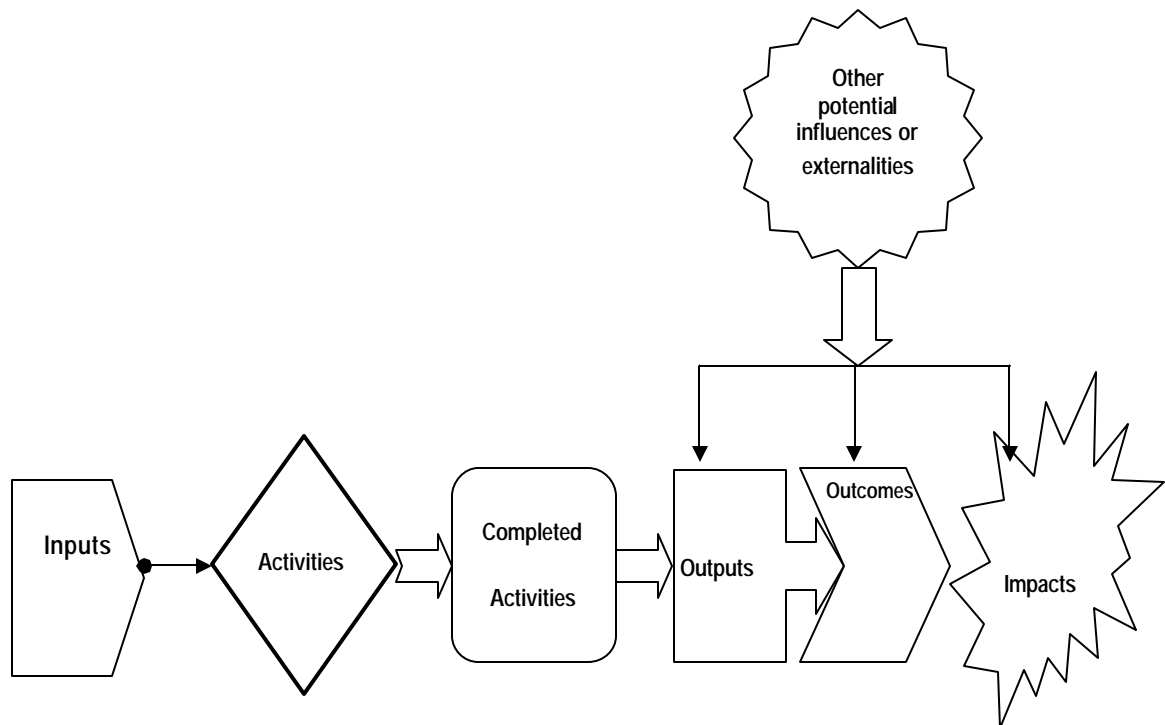
<sup>19</sup> Health Canada. *Guide to project evaluation: a participatory approach*. Ottawa, 1996, pp. 4-14

It is vital to understand:

- **Activities Are Not Results.** Activities are ACTIONS ... Results are CHANGES.

Through the evaluation's "substantive focus", relevance, performance and success must be assessed. These three dimensions are the cores of an evaluation exercise. The following criteria were (criteria is plural, criterion is singular) used to assess each dimension.<sup>20</sup>

- Relevance - the degree to which the objectives of a project remains valid as originally planned or as modified owing to changing circumstances
- Performance - the extent to which a project is implemented in an effective, efficient and timely manner.
- Effectiveness - the extent to which a project achieves its immediate objectives and (aren't the objectives the desired outcomes, why duplicate?)
- Efficiency - the optimal transformation of inputs into outputs.
- Timeliness of inputs and results.



**Graph 1: The Results-Chain within the framework of RBM**

<sup>20</sup> See: UNDP. *Results oriented monitoring and evaluation*. New York, 1997, pp 25-28

Success: The following criteria constitute success.

- Sustainability - durability of positive project results after the termination of the technical cooperation; static sustainability - the continuous flow of benefits, by the completed project; dynamic sustainability - the use or adaptation of project results to a different context and/or other targets.
- Capacity Development – to what extent individuals, organizations (governmental and non governmental) develop their abilities individually and collectively to perform functions, solve problems and set and achieve objectives.
- Impact - results of a project are assessed with reference to the long-term goals of that project; changes in a situation, whether planned or unplanned, positive or negative, that the project helps to bring about.

### ***Focus on Learning***

The systematic assessment of the relevance, performance and success, draws lessons from the evaluation. Lessons on what worked and what did not work. The people and the organizations most directly involved with the project, determine what worked.

Learning can be used to move to action. The participatory evaluation is action oriented because it must be useful to the people and organizations that are doing the work.

- Principle 2. Participatory evaluation causes an appreciation for shared activities.  
It coordinates efforts and linkages among those conducting a program. This allows assessing potential or actual synergies in an operation.
- Principle 3. In a participatory evaluation the analysis must be jointly organized by evaluators and stakeholders.

The evaluation and project teams jointly define the procedures the choice to visit sites, and interaction with key stakeholders. The project team prepares the data, especially identifying the results achieved, successes and failures for review by the evaluation team. For accountability and transparency purposes, the project team is fully responsible to prepare the information needs for the evaluation team. The division of labour for data collection and analysis follows the TOR. The Team Leader will consider closely the elements suggested. Any modification will be reviewed jointly.

- It is essential that the Team Leader knows of the complete set of institutional arrangements i.e. policy initiatives, training procedures, and the like.
- The criteria of performance and success should be identified by the stakeholders for the assessment.

## **1.2 Conducting the Assessment: The Five Key Evaluation Questions**

Each evaluation question hereunder suggests working tools embodied in the 3 principles.

*First Question: Did we do what we said we would do?*

*Second Question: What did we learn about what worked and what didn't work?*



*Third Question: What difference did it make that we did this project?*

Are the strategies and policies implemented sustainable? If so, is the sustainability of a static or a dynamic nature? Are there early signs of impact?

*Fourth Question: What could we do differently?*

This question deals with the recommendations. Options will be outlined regarding project design, implementation, monitoring and evaluation based on the findings.

*Fifth Question: How do we plan to use the evaluations findings for continuous learning?*

Learning should be incorporated into the overall project cycle through an effective feedback system.

## **2. The Analysis of the Evidence**

This evaluation uses a mixture of techniques for data compilation: it starts up with a Desk Review and Analysis of Existing Data. The following techniques are used to collect supplementary information.

*Work samples.* These are written responses to specific inquiries. There is no intent to elicit attitude response. The answers are generated from official documents. It carries most of the advantages of records and reports data. Official documents can enhance the quality of information and reliability.

*Project Maps/Analysis.* Key stakeholders directly involved with project implementation will participate in drafting project map/analysis. This provides for stakeholders to be closely involved with the evaluation process.<sup>21</sup>

- ✓ The primary aim is to identify results achieved from the standpoint of a stakeholder.
- ✓ They intend to show the linkages and concentration of different outputs leading to intended results.
- ✓ These results achieved are mapped out with the assistance of a set of tables, work samples and charts.

*Direct Observation.* It can be as unstructured as walking through the fields or forest on the lookout for specific evidence; or behaviourally specific as observing interactions in a meeting. It generates in situ data and is highly relevant. When combined with feedback data or cross checking information the reliability can be enhanced significantly.

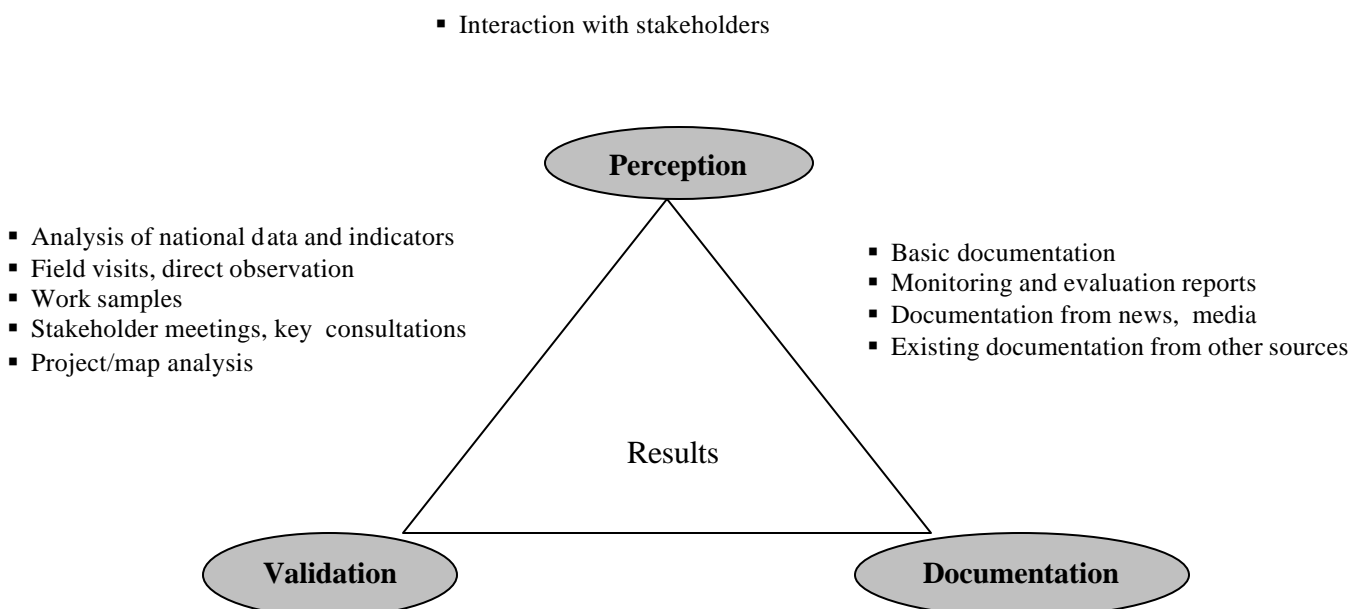
*Key consultations with either groups or individuals.* It secures specific information from those people who, by virtue of their formal or informal standing, are in position of providing accurate and reliable information. It is relatively simple and inexpensive. The potential built-in biases can be counterbalanced by ensuring the participation of other

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<sup>21</sup> See: UNDP. Managing for results. Evaluation and monitoring in UNDP. A results oriented framework. New York, November 2002, p.3

individuals from different social segments and varied perspectives.

In sum, to analyse all evidence to back up the conclusions reached, the evidence must be collected from three sources of information: perception, validation and documentation. All evidence will then be triangulated as illustrated in Graph 2.



**Graph 2: Concept of Triangulation for the ADR**

(Source: Adapted from UNDP, Assessment of Development Results. Framework and guidance. New York, 2000b, p.9)

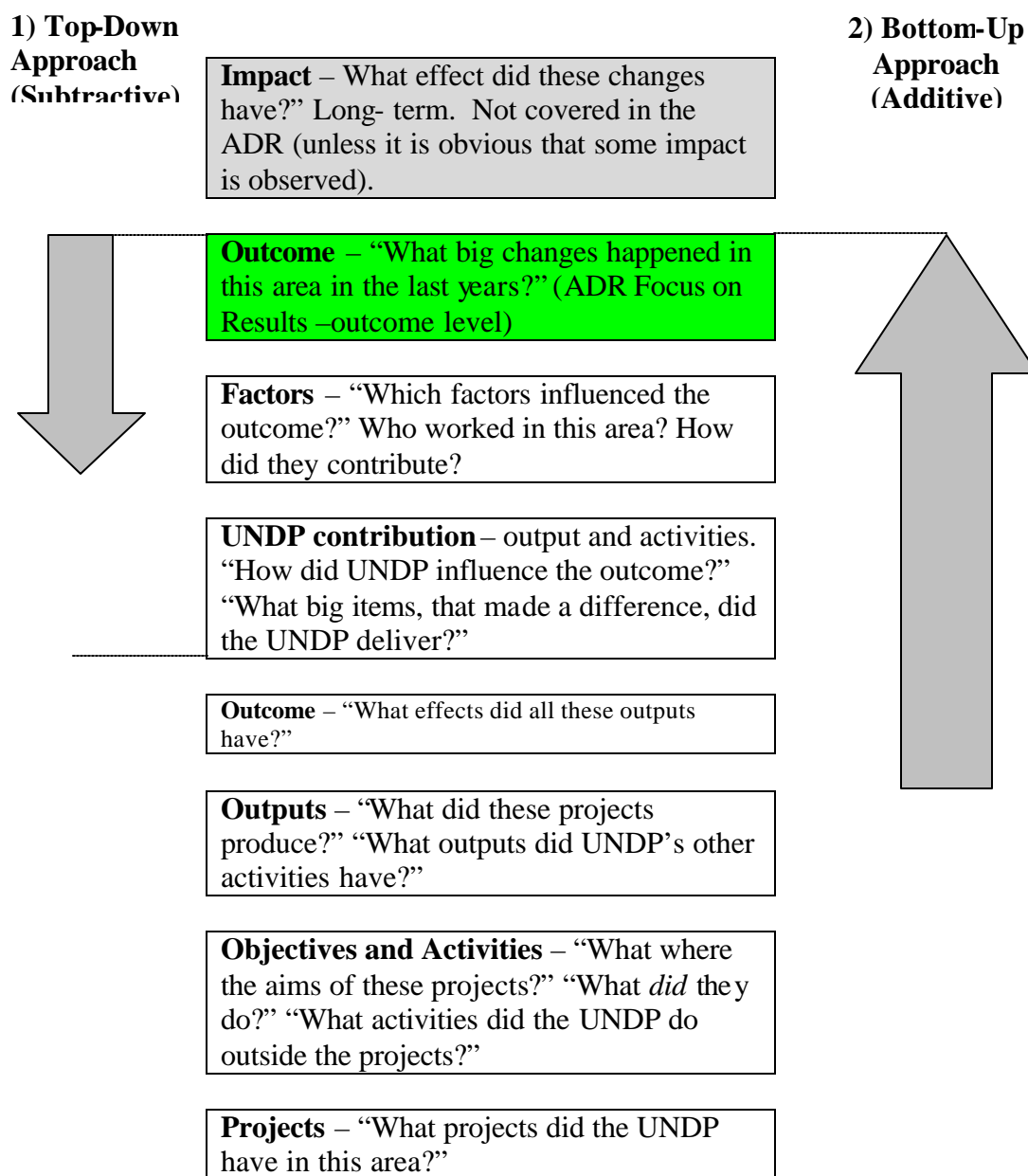
## 2.1 The Assessment of Development Results (ADR)

When assessing results at the country programme level, there are generally two broad approaches used in evaluation, as illustrated in Graph 3.<sup>22</sup> The Assessment of Development Results (ADR) will mainly follow the top-down approach. However, this approach will be complemented with additional bottom-up analysis. Specifically:

**1) Top-Down:** Looking at the overall achievements in the country, within a sector or a thematic area, and then attempting to explain which parts of the national successes and failures are linked to the efforts of a particular project. This approach is basically “subtractive”; starting from the top and “drilling down” results to the project level, but not to a detailed project level. One advantage of a top-down approach is that there is no need to drill down to a project level. The ADR tries to attribute results to the *UNDP*, *not* to the UNDP-supported project X or Y.

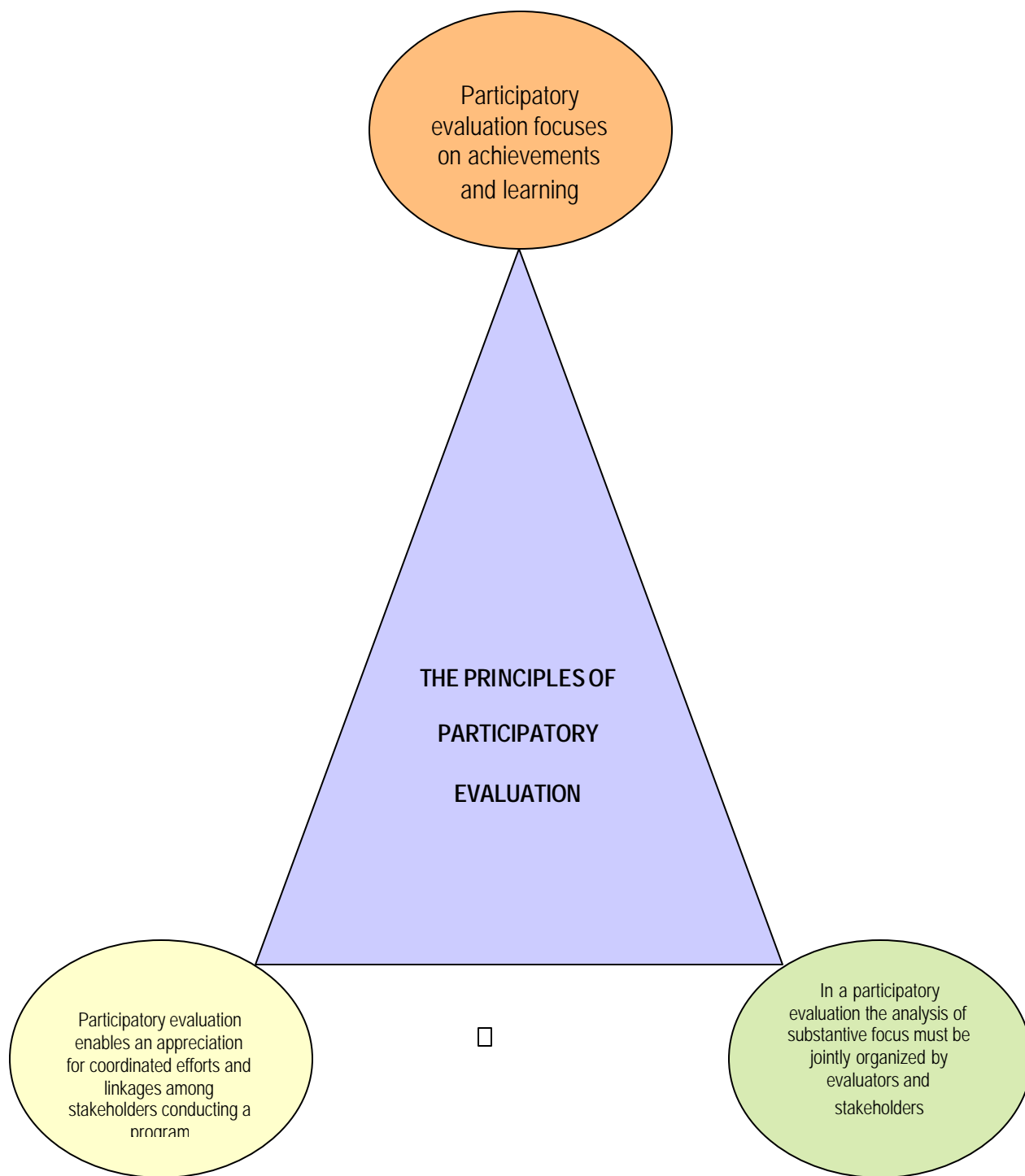
<sup>22</sup> Key challenges in Country Programme review: A review of experience of DFID and other donors, DFID, 2001

**2) Bottom-up:** It takes individual projects and aggregates the findings. It is an “additive” process that uses conventional evaluation techniques. This approach is time-consuming and most applicable when the country programme is quite small. Most ADRs will, however, add an element of the bottom-up approach for purposive sampling, where taking the project as starting point may yield information in a cost-efficient manner.<sup>23</sup>



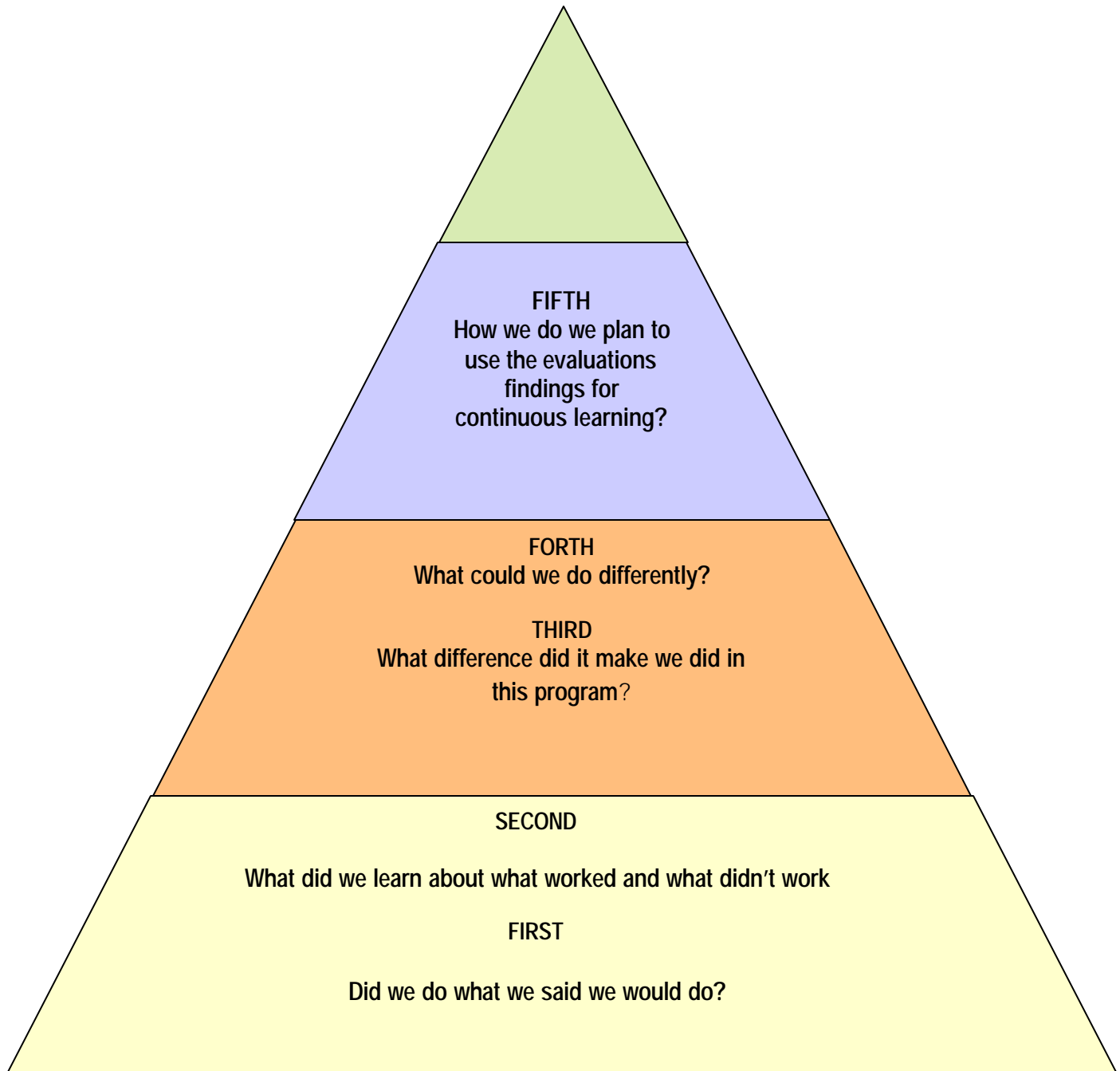
**Graph 3: Assessing Development results within a thematic area** (Source: UNDP 2002)

<sup>23</sup> UNDP. Assessment of development results. First draft, July 2002, pp 10-11



**FIG. 1 : THE PRINCIPLES OF PARTICIPATORY EVALUATION**

Fig. 2: THE FIVE KEY QUESTIONS OF A PARTICIPATORY EVALUATION



## ANNEX 6

### SUMMARY OF OUTPUTS AND OUTCOMES ACHIEVED OR IN PROCESS

#### MINISTRY OF TRADE & INDUSTRY

#### COMPONENT 1: ENABLING POLICY ENVIRONMENT

(Project period: August 2002-July 2007)

Expected Results	Progress	Original Output Targets (Project document)	Mission Assessment
<p><u>Expected Long Term Objective:</u> Support national strategies to enhance sustainable livelihood through increased income and employment in rural areas.</p> <p><u>Expected immediate Objectives:</u> To assess the impact of globalization and WTO rules based trading system of Bhutan. To create an enabling policy environment for private sector development. To formulate a Technical Assistance Proposal for the establishment of a Foreign Investment Promotion Division / Agency To Strengthen the Operational and Manpower Capacity of Policy and Planning Division of MTI</p>	<p>Log frame's performance and success indicators were not updated (Project document).</p> <p>Indicators unavailable</p>	<p>NA</p>	<p>Evidence indicates moderate uncertainty to reach the ultimate beneficiaries i.e. rural households.</p> <p>Thus, with the participation of key stakeholders, reach consensus about (1) those activities that can achieve completion status within 1 semester; and (2) those completed activities capable of becoming outputs within 1 semester.</p> <p>Afterwards, consider realigning activities and resources to participate in proposed Area Based Development pilot projects—whose purpose is to reach ultimate beneficiaries.</p>
<p><u>Expected Output:</u> 1. An action-oriented plan to mitigate the impacts of globalization and the WTO</p>	<p>It was decided that this activity would not be undertaken in order to avoid duplication of works</p>	<p>Assessment finalized (2003)</p>	<p>No action</p>

rules based on trading system of Bhutanese economy.	by the Department of Trade.		
2. Recommendations on appropriate policies and regulations to facilitate private sector development in Bhutan.	<p>Draft Industries and Investment Act of the Kingdom of Bhutan prepared.</p> <p>The national RED facilitator has been recruited in January 2005 to develop the Business Promotion.</p>	<p>Recommendations made to Stakeholders (2003)</p> <p>New policy mechanism working satisfactorily (2004,2005,2006, 2007)</p>	<p>Delayed Completed Activity (follow up so it becomes an output)</p> <p>In process (need to target expected output)</p>
3. Strengthened Operational and Manpower Capacity of Policy and Planning Division of MTI	Four officers from the Division participated in the Program for Development Managers (PDM) course at the Asian Institute of Management.	Policy and M&E section of PPD/MTI equipped and three officials trained in policy analysis and M & E (2003)	Delayed Completed Activity (need to target expected output)
4. Industries and Investment Act and simplification of business licensing procedures.	<p>An International Consultant had been recruited to assess the business licensing procedures, rules, regulations, guidelines and policies that govern the establishment of business in the Kingdom. Report is under discussion.</p> <p>Business information handbook developed</p>	NA	<p>In process (follow up to achieve output definition)</p> <p>In process (unavailable to Mission)</p>
5. Technical Assistance Document for the establishment of a Foreign Investment Promotion Division and appropriate mechanisms for implementation and promotion of foreign direct	FDI expert was recruited to draft a TA document on Institutional Arrangements for the Implementation of Foreign Investment Policy in Bhutan.	<p>Technical Assistance Document finalised and approved, implementation started (2003)</p> <p>Implementation on track (2004 &amp;2005)</p>	<p>Delayed</p> <p>In process (follow up so it becomes an output)</p>

investments in Bhutan	<p>Study tour undertaken by the senior officials to Singapore, Honkong, Sri Lanka Maldives, and Thailand.</p> <p>FIAS consultant and Regional Program Coordinator for South Asia presented and discussed the findings of the existing institutional arrangements within the Department of Industry for the implementation of foreign investment policy in July 2005.</p>	<p>Increase of FDI in priority sectors specified by the Government (2006/2007)</p>	<p>Activity (target expected output)</p> <p>In Process (follow up so it becomes an output)</p>
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**MTI COMPONENT 2: INSTITUTIONAL SUPPORT AND SKILLS DEVELOPMENT**

(Project period August 2002-July 2007)

<b>Expected Results</b>	<b>Progress</b>	<b>Original Output Targets (Project document)</b>	<b>Mission Assessment</b>
<p><u>Expected Objectives</u></p> <p>1. To strengthen national public sector institutions and employees to build up their capacities to support entrepreneurship development.</p> <p>2. To build up a core cadre of entrepreneurs in rural areas who are able to take advantage of opportunities offered through market information, enterprise development, and other models.</p> <p>3. To establish a consolidated and coordinated entrepreneur support services at the Regional and Dzongkhag levels to use these services as primary frontline contact in the delivery of entrepreneurship and enterprise development programme.</p>	<p>Log frame's performance and success indicators were not updated (Project document).</p> <p>Indicators unavailable</p>	<p>NA</p>	<p>Evidence indicates moderate uncertainty to reach the ultimate beneficiaries i.e. Rural households.</p> <p>Thus, with the participation of key stakeholders, reach consensus about (1) those activities that can achieve completion status within 1 semester; and (2) those completed activities capable of becoming outputs within 1 semester.</p> <p>Afterwards, consider realigning activities and resources to participate in proposed Area Based Development pilot projects—whose purpose is to reach ultimate beneficiaries.</p>
<p><u>Expected output</u></p> <p>Capacity strengthening needs assessment of institutions (both regulatory and services) and rural firms at manpower and institutional level.</p>	<p>A Capacity Strengthening Specialist (CSS) was recruited in 2004. Needs assessment study has been made</p>	<p>Capacity strengthening needs assessment carried out and plan proposed (2002)</p> <p>Training programmes</p>	<p>Completed activity (follow up so it becomes an output)</p>

	<p>at the RGoB institutional level and at the BCCI and Business Association level.</p> <p>Two days RTIO Strategy Development Workshop was held in April 2004 focusing on the need for RTIOs to shift from existing regulatory and monitoring to business promotional roles. Draft strategy development plans for RTIOs drafted.</p> <p>Needs and demands assessment of enterprises in Phuentsholing, Gelephu, and Samdrupjongkhar conducted.</p> <p>Economic profile of each of the 20 Dzongkhags prepared.</p> <p>Regional Directors participated in a 2-week programme on Micro, Small, and Medium Enterprises (MSME).</p>	<p>designed and executed (2003)</p> <p>All employees trained by 2004</p> <p>Coordinator at RTIO's identified (2003)</p> <p>District Economic Officers recruited, 5 in 2002, 5 in 2003, 10 in 2004 and each trained in RE business development</p> <p>Business skill need assessment carried out and proposed (2003)</p>	<p>Completed activity (follow up so it becomes an output)</p> <p>Activity completed</p> <p>In process (follow up so it becomes an output)</p> <p>Activity dropped</p> <p>Activity (target expected output)</p>
Development of curricula for training for services and regulatory organization's personnel and entrepreneurs.	EPC has been able to develop manuals and conduct awareness workshops as a result of refresher course on small business management in March 2003.	<p>Business course designed and trainers trained (2003,2004,2005,2006,2007)</p> <p>Relevant training programme designed (2004)</p>	<p>Delayed</p> <p>In process (follow up so it becomes an output)</p> <p>Manuals</p>

			unavailable to Mission
Training all stakeholders in collaboration with EPC.	<p>The CEFE TOT program was conducted from August 18 to September 14, 2004. 17 participants (from the EPC, BCCI, private sector, financial institutions, Department of Human Resources, Ministry of Labour and Human Resources, Vocational Institutes and Ministry of Agriculture) were trained. The EPC now uses superior time-tested CEFE training in conducting entrepreneurship courses. A pool of CEFE trainers has also been created.</p> <p>EPC consultants attended 'Advanced SME Management Course' and they have become more competent in the delivery of training services to both existing and potential entrepreneurs.</p>	<p>Need assessment for BCCI and relevant Business association</p> <p>Entrepreneurs related to RED trained (2007)</p> <p>Training conducted (2007)</p> <p>EPC equipped and trained (2005)</p>	<p>Completed activity (Follow up so it becomes an output)</p> <p>Completed Activity (Follow up so it becomes an output)</p>
Establishment and operationalization of Demo Projects	Work on REMs ongoing. See component 4B.		In process (follow up so it becomes an output)

Establishment of Promotion Section in RTIOS and structuring of both institutional and service functions.	Apart from the 4 existing RTIOs, 2 additional offices have been established in Trongsa and Mongar. BPS offices launched in all RTIOs.	6 BPU/RTIO's equipped and transport means provided for (2004) and	Delayed In process (follow up so it becomes an output)
Strengthen the capacity of Promotion Section of RTIOs.	<p>Orientation programme for 6 promotional officers conducted in July 2003.</p> <p>Attachment with Rural Enterprise Facilitator for 1 year where they acquired on-the-job skills needed when they take up their responsibilities in the Regions.</p> <p>Comprehensive entrepreneurship course (CEC) imparted to BPS officers from 17 November to 21 December 2004 where they became familiar with business enterprise functional areas of business management.</p> <p>Business Promotion Service Officers trained in developing business plan.</p>	BSU personnel trained (2005)	<p>Complete activity (Target expected output)</p> <p>Completed activity (Follow up so it becomes an output)</p> <p>Completed Activity (Follow up so it becomes an output)</p> <p>Complete Activity (Target expected output)</p>
Support the Promotion Section in replicating REMs /demonstration projects to potential entrepreneurs.	EPC conducted series of workshops in the regions in 2 <sup>nd</sup> quarter of 2005. 262 rural entrepreneurs participated.	Service demand/supply tracking mechanism at BPU level is designed and tested (2003) and fine-tuned in 2004, 2005, 2006, 2007. Communication &	Delayed Complete Activity (Follow up so it becomes an output)

		<p>coordination functions established (2003 and beyond)</p> <p>Mechanism in place for open dialogue, and collaboration with other agencies. Information packages identified and delivery mechanism developed (2004).</p> <p>Regular input sharing coordination between HAC, EPC and REMs (2004)</p> <p>Information dissemination plan made tested and implemented (2003, 2004, 2005, 2006/7)</p> <p>Study conducted on potential to develop sub-sector business support centre or alternatives (2003) and recommendations implemented (2003 and beyond)</p>	
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### MTI COMPONENT 3:     **MARKETING AND MARKET INFORMATION SYSTEM**

(Project period August 2002-July 2007)

Expected Results	Progress	Original Output Targets (Project document)	Mission Assessment
<p>Expected Objectives: Continuous Monitoring, Research, Analysis and Strategising of Market Conditions: The sub-component aims at establishing systems for continuous monitoring and analysing of market conditions for exploitation by entrepreneurs. Which in effect, will create a market-environment scanning service that continuously updates the range of domestic and export products and product markets in which Bhutanese entrepreneurs can participate, based on the range of production possibilities available to producers in Bhutan?</p> <p>Business Information Systems: to establish a Market Information System (MIS) that is seamlessly interfaced with production, skills, management, finance and other entrepreneurial information, that will provide up-to-date relevant information to rural entrepreneurs and other information seekers.</p>	<p>1. Log frame's performance &amp; success indicators were not updated.</p> <p>2. Indicators unavailable</p>	<p>NA</p>	<p>Evidence indicates moderate uncertainty to reach the ultimate beneficiaries rural households.</p> <p>Thus, with the participation of key stakeholders, reach consensus about (1) those activities that can achieve completion status within 1 semester; and (2) those completed activities capable of becoming outputs within 1 semester.</p> <p>Afterwards, consider realigning activities and resources to participate in proposed Area Based Development pilot projects—whose purpose is to reach ultimate beneficiaries.</p>

<p>Expected output:</p> <p>1. Continuously monitoring of market situation, e and to identify potential domestic and export markets, range of products and production regions.</p>	<p>Market research for Bhutanese handicrafts had been undertaken in Australia, U.K and Japan;</p> <p>Bhutanese Information Evening was held in Melbourne, Australia to introduce Bhutan's potential as a supply source to selected entrepreneurs; Participants included the Body Shop and one of Australia's largest and respected importer, wholesaler, and retailer of arts and crafts, Ishka.</p> <p>HWL Consulting has presented SWOT analysis facing the Handicraft Sector and a number of strategies to increase sale of Bhutanese handicraft products was outlined.</p> <p>Market research report on hand-woven textiles prepared.</p> <p>Market research report on the "International Market for Wooden Handicraft" prepared.</p> <p>Market research report on natural dyes prepared.</p> <p>Glossary on Bhutanese handicraft terminology.</p>	<p>Product with strong export potential identified. Market identified and entry strategy proposed.</p> <p>Marketing Plan drafted (2003)</p> <p>Feasibility of project defined. Source of input and project location identified.</p> <p>Business Plan drafted and Recruited BA graduates for marketing section (2004)</p> <p>Continuous monitoring of potential markets (2002-2007)</p> <p>Participation in trainings/conference/seminars/trade fair identified and catalogued marketable products/process</p>	<p>Delayed</p> <p>Completed Activity (Follow up so it becomes an output)</p> <p>Completed Activity (Follow up so it becomes an output)</p> <p>Completed activity (Follow up so it becomes an output)</p> <p>Completed Activity (Follow up so it becomes an output)</p> <p>Completed activity (Follow up so it becomes an output)</p>

		ideas (2005)	becomes an output)  Completed Activity Unavailable to the Mission
2. Establish Business Information Systems	<ul style="list-style-type: none"> <li>• Business Promotion Service started within 6 RTIO</li> </ul>	NA	In process
3. On-the-job training to public and private sector personnel in market research, marketing testing, and marketing.	<ul style="list-style-type: none"> <li>• Two seminars on supply chain management conducted.</li> <li>• Presentation to the handicraft community on market research findings on hand-woven textiles, wooden handicrafts, and natural dyes.</li> </ul>	NA	Completed activity (Follow up so it becomes an output)  Completed Activity (Follow up so it becomes an output)



**MTI COMPONENT 4: NON-AGRICULTURE ENTERPRISE DEVELOPMENT**

**4.1 LEMON GRASS AND OTHER ESSENTIAL OIL PRODUCTS**

(Project Period: August 2002-July 2007)

<b>Expected Results</b>	<b>Progress</b>	<b>Original Output Targets (Project document)</b>	<b>Mission's Assessment</b>
<u>Expected Objective:</u> The objective of the sub-component is to expand and increase participation and the value-addition factor of a farm-community-enterprise vertically integrated system to produce high-value products based on lemon grass and other essential oils.	1. Log frame's performance & success indicators were not updated. 2. Indicators unavailable	NA	1. Conduct rapid survey to establish socio-economic baseline of cooperative members.  2. Configure Business Plan for Cooperative.reccom end (i) production-marketing sustainable practices. (ii) Identify potential alternative livelihoods (iii) Continuous training opportunities to upgrade skills. (iv) Propose NRM plan for the sustainable exploitation of lemon grass including a fire management plan (v) propose land tenure arrangements for the community NR with the framework of the law of the land.
<u>Expected output:</u> 1. Market Strategy for Lemon Grass	Community Systems Specialist recruited in 2003. The CSS engaged in establishment of lemon grass		Delayed Completed activity

	oil producers' group. Senior scientists' experts from FFDC visited Bhutan from April 22 to May 30, 2004 to prepare a detailed master plan. The master plan discussed thoroughly between the programme and the consultants, and submitted to the Department for further discussions and approval to launch the activities. Marketing of lemon grass oil noted with tremendous success. In 2004		In process  Completed Activity  Follow up so it becomes an output.
2. Sustainable Utilization of Lemon Grass	A meeting was held among stakeholders where several prominent issues were discussed, which included CBNRM strategies in lemon grass utilization, studies of fuel wood depletion and corrective actions, resource mapping and demarcation, production, quality management and marketing. Workshop on "Lemon Grass Industry" held in Mongar on November 8 & 9, 2004. Central collection depot constructed at Sherichu, Mongar in 2003. Simple and illustrated manual for harvesting and distillation of lemon grass drafted.	Identify regions and farmers capable of growing lemon grass (2003)  Resource base study launched.  Recruit B.Sc graduate & I Class XII undergraduate (2004) Materials enhanced and utilization strategies coordinated (2005)	Completed activity  Follow up so it becomes an output  Completed activity  Activity  Activity Publication unavailable to Mission.
3. Increased technical autonomy of lemon grass producers	Movement towards lemon grass oil producers group, constitution, and bylaws has been drafted.		Complete activity Follow up so it becomes an output
4. Assured quality control of lemon grass	Parameters for quality assurance, product specification, and	Transport facilities (two wheelers)	Completed Activity Follow up so it

	<p>management system have been established. Quality control laboratory also has been strengthened.</p> <p>The EODP quality inspectors conduct regular field visits to monitor the quality production of oil, and to ensure that quality management is observed in the production season.</p> <p>To provide fast and efficient technical services the two quality inspectors were given motorcycles purchased with project funds, to facilitate their mobility.</p> <p>EODP continued to enhance the internal capacity by conducting in house refresher course.</p>	<p>provided for quality inspectors. Quality parameters standardized. Maintenance workshop strengthened. Welding workshop personnel trained.</p> <p>Quality control system developed. Production of simple guide book on lemon grass (2003)</p>	<p>becomes an output</p> <p>Completed Activity</p> <p>Activity</p> <p>Completed Activity</p>
5.Lemon Grass collection groups established	<p>First workshop for formation of lemon grass group was held in Phowan in 14 October 2003.</p> <p>Responsive Participatory appraisal workshops held with the assistance of SNV's community system specialist, the programme convened a workshop on Group formation in "Lemon Grass Industry" in Mongar on November 8 &amp; 9- 2004.</p> <p>During the Steering Committee Meeting in January 2005, it is decided that the only sub-component of lemon grass collection groups formation would be considered under the RED programme</p>	<p>Community System Specialist recruited (2003)</p> <p>Socioeconomics and situations at all sites defined. Individuals and community constraints identified and constrains removal plan developed.</p> <p>Collection groups formed.</p> <p>Operating licenses guidelines including a protection mechanism for farmers.</p> <p>Quality control system developed.</p>	<p>Completed Activity</p> <p>Complete Activity</p> <p>Follow up so it becomes an output</p> <p>Activity</p> <p>Follow up so it becomes an output</p>

		<p>Payment system in place. Group trained in the need for a quality system. (2003)</p> <p>Detailed annual community action plan prepared for each site (2003-2007)</p> <p>Quantity of essential oil increased and quality control mechanism functioning.</p> <p>Group management mechanism adjusted (2004)</p>	
5. Established management system for group collection of lemon grass	<p>Workshop on Co-operatives Act held in Bumthang from March 29 – 31, 2004.</p> <p>Workshop on formulation of Rules and Regulations for the Co-operatives” held in Mongar from June 15-17, 2004.</p> <p>The structure of the group has been finalized. The formation of the group has been initiated with the election of 12 representatives for all distillers. Further, the byelaws and materials for the constitution were also discussed to be included in the draft. The draft would be further discussed with the representatives and the distillers before it is endorsed for final adoption.</p> <p>With assistance from the Community System’s Specialist, a constitution and by-laws have been drafted.</p>		<p>Completed Activity</p> <p>Follow up so it becomes an output</p> <p>Completed Activity</p> <p>Follow up so it becomes an output</p> <p>Completed Activity</p> <p>Follow up so it becomes an output</p> <p>Completed activity</p> <p>Activity</p> <p>Target outputs</p>

	A study tour for interim management committee was organized to Bumthang and Trongsa from March 25-30, 2005.		
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#### 4.2.1 RURAL ENTERPRISE MODEL (REM)

(Project Period: August 2002-July 2007)

Expected Results	Progress	Original Output Targets (Project document)	Mission Assessment
<u>Expected Objectives:</u> To develop a portfolio of replicable technical, management and business tools necessary for creation of rural non-farming enterprise systems, and to use these to facilitate the development of a number of non-agricultural enterprises. The portfolio will be based on real-life entrepreneurial sectors and ventures.	1. Log frame's performance & success indicators were not updated. 2. Indicators unavailable	Management system plan drafted and implemented. (2005)	Evidence indicates moderate uncertainty to reach the ultimate beneficiaries rural households.  Thus, with the participation of key stakeholders, reach consensus about (1) those activities that can achieve completion status within 1 semester; and (2) those completed activities capable of becoming outputs within 1 semester.  Afterwards, consider realigning activities and resources to participate in proposed Area Based Development pilot projects—whose purpose is to reach ultimate beneficiaries.
<u>Expected Output:</u> 1 Detailed resource inventories will be carried out in the districts	The REM Specialist, the International REF, and the National REF	NA	In process Target output

	<p>conducted detailed sub sector analysis (consisting of resource inventories &amp; market scans) during the first 4 months of 2005. Report contained detailed information on the following sub-sectors: Wood handicrafts, Wood furniture, Bamboo, &amp; cane: handicrafts, Incense products, Natural health care products, mobile sawmill. Three sub-sectors were prioritized for interventions, namely wood handicrafts (wood lathe, cane &amp; bamboo and incense).</p>		
<p>2. Product based market researches for both domestic and international markets will be carried out, after which techno economic feasibility studies will be carried out for the establishment of the REMs.</p>	<p>General market assessments were commissioned in the UK, Japan, and Australia and a detailed market assessment was commissioned for Australia.</p> <p>Comprehensive Strategy &amp; Action Plan for 3 sub-sectors (cane &amp; bamboo, wood lathe and incense) designed and adopted.</p> <p>Three areas identified by the RED sub-sector scrutinized from the international market prospective. 16-member delegation led</p>	<p>Entrepreneurs producing products. Success case replicated.</p> <p>Production continuing and product quality improved. Product on sale in tourist outlets in domestic market. Product sold locally and exported (2006)</p>	<p>In process Target output</p> <p>In process Target output</p>

	<p>by the Director, Department of Industry visited the Thai Royal Projects in December 2004.</p> <p>Based on the identified potential REM products, the programme financed the participation of 8 entrepreneurs from the rural enterprise based on wood, cane, bamboo, textile, agro products, and natural incense sticks.</p>		In process
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#### 4.2.2 RURAL ENTERPRISE GRANT SCHEME (REGS)

(Project Period: August 2002-July 2007)

Expected Results	Progress	Original Output Targets (Project document)	Mission Assessment
<u>Expected Objectives:</u> Develop a small grants scheme for the benefit of non-farm based entrepreneurs.			Analysis of grant proposals shows that grants awarded are promoting unsustainable enterprises. As grants are not replicable due to limited capital.
<u>Expected Output:</u> N A	<p>The following documentation has been developed &amp; approved:</p> <ul style="list-style-type: none"> <li>REGS Policies &amp; Guidelines</li> <li>REGS Guidelines for filing a Business Plan by Applicants</li> <li>REGS Application form</li> <li>REGS Agreement (legal document)</li> </ul> <p>After approval, the REGS Scheme has been advertised by MTI on BBS and in the Kuensel.</p> <p>The International REF, National REF and EPC have trained the BPS Officers on 3 components and the training took place from 25<sup>th</sup> April up to the 6<sup>th</sup> May.</p> <p>15 REGs applications have been received out of which the REGs approval committee has approved 11 in August 2005.</p>	NA	<p>After honouring commitments made already, consider discontinuing this component. Instead, launch standard credit operations with one-year-grace of debt payments to stimulate entrepreneurship.</p>



### 4.2.3 RURAL ENTERPRISE MODEL, HANDICRAFTS

(Project Period: August 2002-July 2007)

Expected Results	Progress	Original Output Targets (Project document)	Mission Assessment
<u>Expected Objectives:</u> To develop a portfolio of replicable technical, management and business tools necessary for creation of rural non-farming enterprise systems, and to use these to facilitate the development of a number of non-agricultural enterprises.	Draw up performance & success indicators	NA	Activity execution has begun on or about August 2005 under UNDP leadership.  Cut-off date of present MTR is July 2005, thus no review was conducted. Market segment targeted is promising. Executing should continue identifying a potential entrepreneur (s) with capacity to take over results already achieved. Time frame: 1 semester
<u>Expected Output:</u> 1. Establish a strong & coordinated core arts & crafts group.	<ul style="list-style-type: none"> <li>10 participants trained</li> </ul>		
2. To establish a core group of designers in Bhutan.			
3. To expand & extend dyeing skills of weavers.			
4. To enhance the sewing skills of sewers & tailors for commercial production.			
5. Expansion of retail products			
6. Development of textiles products as state gift.			
7. Development of institutional Hotel & Resort Products			
8. Collaboration with International Designers-Transformation of Bhutanese fabrics contemporary products.			
9. Overseas Exhibition			
10. Establishment of Bhutan artisan information website			
11. Photography of Bhutanese Weavers			

**MINISTRY OF AGRICULTURE**  
**COMPONENT 5: AGRICULTURE ENTERPRISE DEVELOPMENT**

**5. A HIGH-VALUE NICHE ORGANIC PRODUCTS**

(Project Period: August 2002-July 2007)

<b>Expected Results</b>	<b>Progress</b>	<b>Original Output Targets (Project document)</b>	<b>Mission's Assessment</b>
<p><u>Expected Long Term Objective:</u></p> <p>The long term objective for the Rural Enterprise Development Programme is to support national strategies to enhance sustainable livelihoods through increased income and employment in rural areas.</p> <p><u>Expected Short Term Objective:</u></p> <p>To establish organic/natural production &amp; marketing process as a viable enterprise for Bhutanese farmers.</p>	<p>Log frame's performance and success indicators were not updated (Project document).</p> <p>Indicators unavailable</p>	<p>NA</p>	<p>The completed activities could become outputs and, in turn, outcomes if synergy conditions are created. Consider Dagabela ISSP supported by PHRC's Paro as a pilot area for a focused execution.</p>
<p><u>Expected Output</u></p> <p>1. National strategies and policies for the growth and development of organic farming in Bhutan.</p>	<p>Organic Market Development (FAO) completed;</p> <p>MoA explored different options for certification of organic products; no final decision made;</p> <p>TA for Organic Farming (UNV) completed in 2004;</p> <p>Draft National framework for organic farming in Bhutan is prepared and will be presented to the ministry for formal clearance in October 05.</p>	<p>Niche organic product identified and target market short-listed.</p> <p>Competitiveness of Bhutanese product compared with other sources and determined. Projected demand determined and entry vehicle into each market established.</p> <p>Marketing Plan drafted (2003)</p>	<p>Complete Activity</p> <p>In progress</p> <p>Complete Activity Follow up so it becomes, output</p> <p>Completed Activity Follow up so it becomes, output</p>

2 To establish Demonstration and Trial Farms	Organic research initiated in all research centres.	NA	Activity Follow up so it becomes, output
	RC-Yusipang fully organic.  Model demo farms production initiated in Paro.	NA	Completed Activity Follow up so it becomes, output In process
	Information leaflets on organic farming practices developed printed and distributed.	NA	Completed Activity Make it more accessible to illiterate forms & the their families
	School organic agriculture programme initiated within 4 schools.	NA	Completed Activity Follow up so it becomes, output
3. Development of organic standards	Initiated assessment visits by INDOCERT were conducted on red rice production area, and Medicinal plant production to assess the suitability for certification.	Organic certification programme developed and completed (2005)	Activity Target output
	Food Safety and Quality Standard Specialist (FAO) undergoing his final mission.	NA	In process

## 5. B FRUIT AND VEGETABLE PROCESSING

(Project Period: August 2002-July 2007)

Expected Results	Progress	Original Output Targets (Project document)	Mission's Assessment
<p><u>Expected Objective:</u></p> <p>To reduce post harvest losses and encourage on farm semi or fully processing for farm-community enterprises, product development and value addition.</p>	<p>Log frame's performance and success indicators were not updated (Project document).</p>	<p>NA</p>	<p>The completed activities could become outputs and, in turn, outcomes if synergy conditions are created. Dagapela's ISPP supported by Paro's NPHC can become a linchpin for completed activities to turn into outputs and outcomes</p>
<p><u>Expected output</u></p> <p>1. To reduce post harvest losses and encourage and establish fruit and vegetable processing or value –addition through semi-processing and processing</p>	<p>NPHC staff attended courses in food processing at Thailand</p>	<p>NA</p>	<p>Activity without follow up</p>
	<p>First training on food processing provided to farmers and entrepreneurs in Dagana in August 2005</p>	<p>Product trial with pilot packaging system (2004-2007) Product reach identified market in Bhutan. Improvements in product quality. Product test marketed in Bhutan. Market information updated analyzed and disseminated to all parties. (2004-20070)</p>	<p>Completed Activity</p>

	2 <sup>nd</sup> Mission of Agro-processing specialist (FAO) complete sept.05	NA	Completed Activity
	Product development unit commissioned and trial on product development initiated.	NA	Activity Target out put
	Farm level processing specialist (FAO) completed mission in Nov 2004	NA	Completed Activity
	Jams, jellies, and other products are developed and prepared for market testing.	NA	Activity Target out put
	Manual for food processing developed.	NA	Completed Activity Not user friendly
2. Establish farm community enterprises	1 <sup>st</sup> ISPP Citrus suppliers group formation initiated in Dagana Dzongkhag	NA	Completed Activity
	Techno feasibility conducted for setting up 2 <sup>nd</sup> plant at Goling, Zhemgang.	NA	Completed Activity
	NHPC identified to manage the Plant.	NA	Completed Activity
	Refrigerated trucks procured for trial/demonstration on cool chain model.	NA	Completed Activity

	1 <sup>st</sup> Integrated semi processing plant (ISSP) started at Dagapela.	NA	Completed Activity
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## 5. C HORTICULTURE DEVELOPMENT/MARKETING

(Project Period: August 2002-July 2007)

Expected Results	Progress	Original Output Targets (Project document)	Mission Assessment
<u>Expected Objective:</u> Improve quality, value and export of horticulture produce	Logframe's performance and success indicators were not updated (Project document).	Information sources identified (2002) NA	Activities completed contain knowledge. This knowledge should be embedded within communities
<u>Expected Output</u> 1.Establish commercialised production and export of horticultural produce	With the beginning of RED implementation increase in volume and value of export noted for potatoes, mandarins, apples, and vegetables.	NA	Ongoing Activity
2. Market opportunities for fresh or farm level processed horticulture products improved, linking farmers to markets	Market Research for fresh fruits & vegetables conducted in Kolkota. Fruits & vegetable export commenced in 2005 to Kolkota.	NA	Ongoing Activity Ongoing Activity
	A detailed study was conducted on cordyceps marketing in Singapore & Hong kong. Marketing of cordyceps conducted.	NA	Completed Activity

	Fresh summer fruits and vegetable exhibition held in Dhaka in July 2004.	NA	Activity Concluded
	Fruits export to Dhaka commenced in 2005.		Ongoing Activity
	Panbang farmers group exported Mandarins worth Nu.8 million in 2004 season.	NA	Ongoing Activity

#### 5. D HORTICULTURE DEVELOPMENT/MARKETING- MICRO CAPITAL GRANT SCHEME

(Project Period: August 2002-July 2007)

Expected Results	Progress	Original Output Targets (Project document)	Mission Assessment
<u>Expected Objectives</u> To establish new enterprises, to expand existing enterprises and for pilot projects to establish the viability of a proposed enterprise.	Performance and success indicators need drafting.	NA	Evidence shows that grants awarded are promoting unsustainable enterprises. As grants are not replicable due limited capital. After honouring commitments already made, consider discontinuing this component. Instead, launch standard credit operations with one-year-grace of debt payments to stimulate entrepreneurship.
<u>Expected Output</u> Model enterprises set up to	<ul style="list-style-type: none"> <li>11 Projects have</li> </ul>		Completed Activity

encourage small agri-businesses in rural areas.	<p>been supported.</p> <ul style="list-style-type: none"> <li>-3Potato &amp; Banana chips units</li> <li>-Ambient temperate apple storage facility.</li> <li>-Mushroom unit</li> <li>-Orchid nursery</li> <li>-Vegetable seed production</li> <li>-Medicinal/culinary herb</li> <li>-Log mushroom cultivation</li> <li>-Cornflakes production</li> <li>-Commercial straw mushroom</li> </ul>		
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## **ANNEX 7**

### **LIST OF DOCUMENTS REVIEWED**

1. Rural Enterprise Development –Main Project Document (2002-2007)
2. Rural Enterprise Development (RED) Programme –Rolling Implementation Plan (RIP)
3. Rural Enterprise Development (RED) Programme –Annual Rolling Implementation Plan (RIP) MTI & MoA 2003
4. Rural Enterprise Development (RED) Programme –Annual Rolling Implementation Plan (RIP) MTI & MoA 2004
5. MoA REDP Annual Project Report 2003/2004
6. MoA REDP Annual Project Report 2004/2005
7. MTI REDP Annual Project Report 2004
8. REDP Half Yearly Progress Report
9. REDP Micro-Capital Grants Scheme
10. MTI Rural Enterprise Grant Scheme-guideline
11. MoA REDP Micro-Capital Grants proposals
12. MTI REDP Micro-Capital Grants proposals in process
13. Minutes of the RED PAC Meeting -26 June 2002
14. Minutes of the RED Project Meeting -20/12/2002
15. Minutes of the RED Project Meeting -27/12/2002
16. Minutes of the Programme Steering Committee Meeting -RED -22/12/2003
17. Minutes of the RED Meeting -7 July 2003
18. Minutes of Third Programme Steering Committee Meeting REDP 15 October 2004
19. Minutes of Fourth Programme Steering Committee Meeting REDP 18 January 2005
20. Bhutan Vision 2020
21. Poverty Assessment and Analysis Report 2004-Planning Commission
22. Ninth Plan Main Document (2002-2007) Planning Commission
23. National Human Development Report 2000-Planning Commission
24. Million Development Goals 2002
25. CCA Report 2000
26. Farm Level Food Processing (136 pages)FAO, Dr.Conrad O Perera
27. Feasibility Study for to identify an alternate site for the establishment of 1<sup>st</sup> ISPP in Bhutan & revise financial analysis of ISPP (22 pages) FAO, Nenda Wangchuk & Lynne Kennedy
28. Development of Quality & Food safety for Horticulture Produce FAO(BAFRA), Dr.Ramesh V Bhat
29. Feasibility study to identify an alternate site for the establishment of first ISPP in Bhutan & Revised Financial Analysis, Nenda Wangchuk
30. Outputs and outcomes: November 2003-November 2004, Grant Vinning, AMS SNV Marketing Specialist,

**ANNEX 8****LIST OF CONSULTANTS' REPORTS AND PROGRAMME'S PUBLICATIONS****LIST OF CONSULTANTS' REPORT**

Ministry of Agriculture

<b>Author</b>	<b>Title</b>	<b>Subject Matter</b>	<b>Date</b>	<b>Distribution</b>
Dr. Saipin Maneepun	Revised Feasibility Study for establishment of Semi-processing Plant in Bhutan(49 pages) FAO	Feasibility	6 <sup>th</sup> October 2003	Unknown
Dr.Conrad O Perera	Farm Level Food Processing (136 pages)FAO	Food Processing	2 <sup>nd</sup> September-31 December 04	ditto
Nenda Wangchuk & Lynne Kennedy	Feasibility Study for to identify an alternate site for the establishment of 1 <sup>st</sup> ISPP in Bhutan & Revised financial analysis of ISPP (22 pages) FAO	Feasibility	September 2004	ditto
Dr.Ramesh V Bhat	Development of Quality & Food safety for Horticulture Produce FAO(BAFRA)	Food Processing	January 2005	ditto
Grant Vinning, AMS SNV Marketing Specialist,	Outputs and outcomes: November 2003-November 2004,			ditto

**List of Programme's Publications**

<b>Author</b>	<b>Title</b>	<b>Subject Matter</b>	<b>Date</b>	<b>Distribution</b>
Lynne Kennedy	Basic Business Record	Business Record	NA	500 copies
	REDP Mirco Capital Grants to develop Rural Enterprises	REDP-Micro Capital Grants	NA	unknown
NHPC	Food Processing Extension Guide Technical Series-1	Food processing overview	March 2005	ditto
NHPC	Food Processing Extension Guide Technical Series-2	Food Hygiene, Personal Hygiene & Sanitation	March 2005	ditto
NHPC	Food Processing Extension Guide Technical Series-3	Basic Food Processing Techniques	July 2005	ditto
NHPC	Food Processing Extension Guide Technical Series-4	Food Packaging Transportation & Storage	March 2005	ditto
NHPC	Food Processing Extension Guide	Simple Quality Assurance	August 2005	ditto

	Technical Series -	Techniques in Food Processing		
REDP,DOA	Tips on Composting	Composting tips	NA	ditto
REDP,-DOA MoA National Organic Programme	Organic Farming	What is organic farming	NA	ditto
REDP,-DOA MoA National Organic Programme	Organic Farming Working in Harmony with nature	Healthy Organic Soil	NA	ditto
REDP,- MoA National Organic Programme	Organic Farming Working in Harmony with nature	Natural Plant Protection	NA	ditto
REDP,- MoA National Organic Programme	Vermi-Composting	What is Vermi Composting	NA	ditto

Note:

1. Publications 2000 copies printed and distributed to DAOs and Institutions within MoA.
2. Food Processing Manual (5 series) 100 copies printed in Aug 2005 and distributed to Extension Agents during training.
3. Basic Business Records 500 copies printed for Grant Recipients.

### LIST OF CONSULTANTS' REPORTS

Ministry of Trade & Industry

Author	Title	Subject Matter	Date	Distribution
Maureen Liebl	Sub-Sector Analysis	Textile, Cane & Bamboo and Wood lathe	14 March 2003	unknown
MTI-SNV	Japan Market Report For handicraft items and Art Work (38pages)	Handicraft and Artwork		ditto

### List of Programme's Publications

Author	Title	Subject Matter	Date	Distribution
Unavailable	Unavailable	Unavailable	Unavailable	Unavailable

## ANNEX 9

### NON-CONSOLIDATED LIST OF PROCUREMENT EXECUTED

#### PART I DETAILED EQUIPMENT LISTS FROM PROJECT DOCUMENT

##### BUDGET BASIS (SUB-PROCESSING UNITS) - Fruit Pulp Production (e.g. Mandarins and Mangos)

Capacity: 1000Kg/day = 150 kg/hr/8hr day for season (oranges 2 mths, mango 2 mths)]

Process	Equipment	Price \$US
Weighing	Weigh Scales 0 - 100 kg	1,000
Washing	Tank 2 – 300 kg capacity	500
Peeling	Plastic Crates 20 kg x 150x\$5 each (Stacked up for peeling ops.)	750
Crushing	Pulper 150 kg/hr.	4,000
Finishing	Finisher 150 kg/hr	2,000
Packing	50L carboys 300 pcs. (Jerry cans HDPE)	1,000
Bulk storage liquid	200L x 3 x \$400	1,200
<b>Other equipment:</b>	Small 'Kitchen scales' 0 – 500 gm.	100
	S/steel buckets 15x\$40 each	600
	Gloves, Plastic PVC apron, hats x 60 pcs.	300
	Sodium metabisulphite or citric acid 20 kg each	200
	Sundry plastic utensils, knives, boards etc.	350
	Sundry simple lab testing and office equipment	500
	To enable revolving fund to operate	1,000
	<b>Total</b>	<b>13,500</b>

### **BUDGET BASIS (SUB-PROCESSING UNITS) - For Organics Production Centres**

<b>Equipment</b>	<b>Price \$US</b>
Large solar dryer unit fabricated at each centre.	2,500
Screening and sizing equipment for dried herbs etc.	1,500
Sundry plastic utensils, knives, boards etc.	350
Sundry simple lab testing and office equipment	500
Plastic crates for collection of herbs/plants 100	500
Other post harvest handling and packaging equipment	2,500
<b>Total</b>	<b>7,350</b>

**Processing Shed** to be built by farmer/entrepreneur groups under Dzongkhag guidance, under an MOU with the MoA, with materials provided by the program.

**Dimension:** 15m x 10m floor space

**Floor:** Sloping (1%) concrete floor

**Drain:** Side drain to sump or soakaway

**Power:** 3-phase power supply

**Water:** Potable water supply

**Materials:** Concrete, timber, roofing, cables, pipes, outlets, taps.

**Estimate per one shed, sub-total \$ 7,000**

**3 Sheds – Total \$ 21,000**

**MATERIALS AND SUPPLIES, EQUIPMENT – POST HARVEST PRODUCT  
DEVELOPMENT FACILITY MATERIALS AND SUPPLIES**

<b>Units</b>	<b>Items</b>	<b>Cost US\$</b>
20,000 cans	Cans	2,700
20,000 pieces	Label for bottle	800
20,000 pieces	Label for cans	800
1,000 kg	Paper for boxes	270
1,000 kg	Paper for cartons	270
1 kg	Yeast for	50
1,000 kg	White sugar	350
2 Litres	Citric Acid	200
5,000	Bottles with caps for jam	800
5,000	Bottles for wine	700
20,000	Bottles for juice	2,500
10,000	Bottles for Pickling	1,200
1 kg	Potassium Metabisulphite	150
5 bags	Charcoal	30
5 kg	Maltose dextrin	30
1 kg	Food color	30
1 kg	Flavor additive	30
10 kg	Plastic bags for vacuum packing	1,200
10 kg	Plastic bags for hot filling	500
<b>MATERIAL AND SUPPLIES TOTAL</b>		<b>12,610</b>

## EQUIPMENT

Units	Pilot Scale Equipment Items for centres	Cost US\$
5	Stainless steel thermometer (5-150 oC)	250
5	Cast aluminum pots with lid (with a capacity of approx 50 liters)	100
5	Cast aluminum pots with lid (with a capacity of approx 10 liters)	75
5	Cast aluminum pots with lid (with a capacity of approx 5 liters)	50
10	Wooden chopping boards (40x30 cm).	50
25	Stainless steel knives with a thick blade (15-20x2 cm)	150
25	Stainless steel knives with a thick blade (10x1 cm)	150
5	Colanders (25-20 cm diameter) with aluminum mesh	40
5	Plastic trays (40x60x5 cm)	20
10	Plastic buckets (20 liters)	50
10	Plastic buckets (10 liters)	50
5	Plastic or aluminum funnels (20 cm diameter)	50
5	Plastic or aluminum funnels (15 cm diameter)	50
25	Stainless steel spoons of different sizes	50
25	Large plastic spoons	50
25	Medium wooden spoons	50
25	Large wooden spoons	50
5	Manual pulp extractors/separators	500
5	Manual cappers for crown cork	375
15	Perforated plastic cases for fruit for 18-20 kg	300
5	Tables (180x120x80 cm approx, with a stainless steel top covering	500
1	Fruit, pulper finisher	2,700
2	Steam kettles -electrically heated	2,000
5	Plastic containers for fruits/vegetable handling	200
1	Washing tank	1,000
4	Solar dryer	1,000
1	Wash spray unit	1,200
1	Inspection roller conveyor unit	2,500
2	Electric fruit pulper	500
1	Vertical autoclave for 200-500 jars	5,500
2	Stainless shelving for equipment and cold room	2,700
1	Bottle filling machine	2,700
10	Large glass bottles for fermentation	500
10	Air locked capper	50
4	Pressure cooker	540
2	Freezer	1,600
2	Refrigerator	1,100
2	Electrical plastic heat sealer	500
2	Weighing machine - 25 kg	100
4	Electric top pan balance	1,400
2	pH meter	2,000
2	Refractometers, 0-30 oBrix	350

3	25-50 oBrix	350
2	40-80 oBrix	350
5	Steam pots (double trays no pressure)	500
2	Mixing pot with automatic rotator	2,500
2	Fruit crusher	2,500
6	Gas stoves	250
2	Automatic chopper	2,500
60	Sets of training/start-up equipment	11,000
1	Electrical Steam Generator for Drier and kettles	20,000
1	Deep fat fryer	1,000
1	Vacuum Drier	5,000
1	set steaming pots (double tray)	500
1	Set of pipes and fittings	2,000
1 each	Overhead projector, slide projector, TV/Video	3,000

<b>EQUIPMENT TOTAL</b>	<b>89,550</b>
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## PART II LIST OF EQUIPMENT PROCURED IN 2004

### INVENTORY of non-expendable items procured through REDP, MoA 2004

<b>2. Inventory of Field Equipments</b>						
1	Jerry Cans 50 Ltrs. HDPE	25/3/2004	300	450.00	135,000.00	NPHC, Paro
2	Storage Tanks (1000 Ltrs.)	25/3/2004	10	4,250.00	42,500.00	NPHC, Paro
3	Syntex Tank	17/12/2004	4	33,750.00	135,000.00	Issued to DAO T/gang Dz.
4	TCM Battery driven Fork Lift	14/6/2004	1	1,302,660.00	1,302,660.00	NPHC, Paro
<b>3. Training and Audiovisual equipment</b>						
1	Digital Camera - Sony	26/2/2004	1	24,272.00	24,272.00	Issued to NPHC, Paro
2	Multi System Color Television	16/3/2004	1	18,060.00	18,060.00	Issued to NPHC, Paro
3	In focus LCD LP 500 Projector	22/4/2004	2	119,500.00	239,000.00	Issued to NPHC, Paro & REDP Office
4	LCD LP 500 Projector with extra Bulb	22/4/2004	4			
5	OHP Projector Bulb (Plus DP-36)	25/2/2004	3	2,000.00	6,000.00	REDP Co-ordination Office
6	OHP Screen ( Standard stand)	30/3/2004	1	7,000.00	7,000.00	NPHC, Paro
8	OHP Screen ( Standard stand)	30/3/2004	1	7,000.00	7,000.00	NPHC, Paro
9	Sony DCR DVD 300 Model (Camcorder)	30/3/2004	1	85,205.00	85,205.00	NPHC, Paro
10	Sony ED 333	30/3/2004	1	9,800.00	9,800.00	NPHC, Paro
11	Still Camera (Canon ED 550 E)	30/3/2004	1	47,800.00	47,800.00	NPHC, Paro
12	White Board	30/3/2004	1	1,999.00	1,999.00	NPHC, Paro
<b>4 Food Processing Equipments</b>						
1	Horizontal Retort	30/6/2004	2	86,000.00	172,000.00	NPHC, Paro
2	Steam Generator	30/6/2004	1	375,000.00	375,000.00	NPHC, Paro
3	Straight Line Exhauster	30/6/2004	1	198,000.00	198,000.00	NPHC, Paro
4	Steam Jacketed Kettle	30/6/2004			-	
	Holding Capacity : 20 Ltrs.		1	60,000.00	60,000.00	NPHC, Paro
	Holding Capacity : 50 Ltrs.		1	72,800.00	72,800.00	NPHC, Paro
	Holding Capacity : 100 Ltrs.		1	87,000.00	87,000.00	NPHC, Paro
5	Deep Fat Fryer	30/6/2004	1	78,000.00	78,000.00	NPHC, Paro
6	Potato Slicer	26/2/2004	1	83,000.00	83,000.00	NPHC, Paro
7	Manual Pulp Extractor	26/2/2004	1	38,000.00	38,000.00	NPHC, Paro
8	Mixing Tank, 100 Ltrs.	26/2/2004	1	56,000.00	56,000.00	NPHC, Paro
9	Mixing Tank, 200 Ltrs.	26/2/2004	2	62,000.00	124,000.00	NPHC, Paro
10	Roller Table 1 x 1.5 x .9 MTR	26/2/2004	1	26,000.00	26,000.00	NPHC, Paro
11	Storage Tank, 300 Ltrs.	26/2/2004	1	52,000.00	52,000.00	NPHC, Paro
12	Washing Tank	26/2/2004			-	
	Holding Capacity : 200 Ltrs.		1	24,000.00	24,000.00	NPHC, Paro
	Holding Capacity : 500 Ltrs.		1	35,000.00	35,000.00	NPHC, Paro
13	Washing Tank, 300 Ltrs.	26/2/2004	3	29,000.00	87,000.00	NPHC, Paro
14	Slat Conveyor	26/2/2004	1	186,000.00	186,000.00	NPHC, Paro
15	Storage Tank, 1000 Ltrs.	26/2/2004	4	59,000.00	236,000.00	NPHC, Paro
16	Steam Piping & Fitting	26/2/2004	1	155,000.00	155,000.00	NPHC, Paro
17	Monoblock Pump on stand	26/2/2004	5	7,300.00	36,500.00	NPHC, Paro
18	Manually operated Flanger	17/7/2004	1	105,600.00	105,600.00	NPHC, Paro
	Rotary Flat can body reformer				-	

19	Double Semar 1ADS Type	17/7/2004	1	84,700.00	84,700.00	NPHC, Paro
20	Potato Peeler electrically operated	17/7/2004	1	83,250.00	83,250.00	NPHC, Paro
21	Dehydrator electrically operated	17/7/2004	1	46,250.00	46,250.00	NPHC, Paro
22	Electrically operated fruit pulper	17/7/2004	2	70,300.00	140,600.00	NPHC, Paro
23	Sieve	17/7/2004	2	3,700.00	7,400.00	NPHC, Paro
24	Electrically operated Finisher	17/7/2004	2	70,300.00	140,600.00	NPHC, Paro
25	Sieve	17/7/2004	2	3,700.00	7,400.00	NPHC, Paro
26	Hydraulic Juice press for extraction	17/7/2004	1	97,300.00	97,300.00	NPHC, Paro
27	Screw type juice extractor	17/7/2004	2	25,500.00	51,000.00	NPHC, Paro
28	Sieve	17/7/2004	2	1,850.00	3,700.00	NPHC, Paro
29	Fruit Juice Pasteurizer	17/7/2004	1	185,000.00	185,000.00	NPHC, Paro
30	Semi Automatic Vaccumetric Liquid filling Mac.	17/7/2004	1	83,250.00	83,250.00	NPHC, Paro
31	Hand operated Cap sealing Mac.	17/7/2004	1	11,100.00	11,100.00	NPHC, Paro
32	PP Block & PET Bottle Neck	17/7/2004	1	1,850.00	1,850.00	NPHC, Paro
33	Lug Cap Sealer	17/7/2004	1	16,650.00	16,650.00	NPHC, Paro
34	Automatic SS machine	17/7/2004	1	231,250.00	231,250.00	NPHC, Paro
35	Flexo Graphic Coding Unit	17/7/2004	1	30,000.00	30,000.00	NPHC, Paro
36	Table with stainless steel top	17/7/2004	4	23,100.00	92,400.00	NPHC, Paro
37	Electric plastic heat sealer	17/7/2004	1	37,000.00	37,000.00	NPHC, Paro
38	Air Compressor	17/7/2004	1	48,370.00	48,370.00	NPHC, Paro
39	Water softener	16/8/2004	1	30,000.00	30,000.00	NPHC, Paro
40	Chimney	16/8/2004	1	57,000.00	57,000.00	NPHC, Paro
41	Raw water pump	16/8/2004	1	8,500.00	8,500.00	NPHC, Paro
42	Steam Pressure regulating station	16/8/2004	1	39,000.00	39,000.00	NPHC, Paro
43	Steam Separator	16/8/2004	1	8,500.00	8,500.00	NPHC, Paro
44	50 NB GI Pipe line (70 mtrs.)	16/8/2004	1	38,500.00	38,500.00	NPHC, Paro
45	25 NB GI Pipe line (45 mtrs.)	16/8/2004	1	10,125.00	10,125.00	NPHC, Paro
46	12 & 15 NB GI Pipe line (70 mtrs.)	16/8/2004	1	12,250.00	12,250.00	NPHC, Paro
47	Water piping mountings	16/8/2004	1	12,500.00	12,500.00	NPHC, Paro
48	Water storage facilities	16/8/2004	1	12,000.00	12,000.00	NPHC, Paro

## **ANNEX 10**

### **OVERVIEW OF LEMON GRASS OIL PRODUCTION**

The objective of the sub-component is to expand and increase participation in, and the value-addition factor, of a farm-community-enterprise, vertically integrated system to produce high-value products based on lemon grass and other essential oils.

*Expected Outputs are as follows:*

- Market Strategy for Lemon Grass
- Sustainable Utilization of Lemon Grass
- Increased technical autonomy of lemon grass producers
- Assured quality control of lemon grass
- Lemon Grass collection groups established
- Established management system for group collection of lemon grass
- Development process for identified product established

*Market Strategy for Lemon Grass:*

The sub programme has been exploring the possibility of contracting an organization, rather than an individual, under this technical assistance. An Indian Government Agency – Fragrance & Flavour Development Centre (FFDC), has been identified to provide their expertise in downstream value-addition. Two senior scientists' experts from FFDC visited Bhutan in 2004 to prepare a detailed master plan. The master plan included the rationale and structure of a possible "National Centre", details of activities and tasks to be undertaken with respect to industrial utilization of essential oils, value addition and processing and R&D for creation of fragrance and flavour compounds for downstream consumer industries. The master plan and its components were discussed thoroughly between the programme and the consultants, and submitted to the Department for further discussions and approval to launch the activities. Subject to the acceptance and approval of the master plan by the Ministry, a contract would be signed between FFDC and EODP for technical consultancy in all aspects of this industry including agro technology, process technology, quality management, and fragrance and flavour application and development. The consultancy would cover the entire 9<sup>th</sup> five-year plan period.

The Lemon grass oil produced in these regions is exported to the United Kingdom. For export, ISO standard guidelines are followed for processing, bulking and packaging. The total lemon grass oil production in 2004 was 9.9 MT compared to the production level of 8.820 Mt in 2003. The gross sale for 2004 was worth Nu. 4.9 million.

The Essential Oils Development Programme is actively involved in disseminating market information to producers. Under the EODP master plan, a range of potential essential oils and other products are tentatively short listed for carrying out feasibility study. The studies will focus, simultaneously, on the processing parameters, production potential and marketability features prior to establishing commercial viability.

### *Sustainable Utilization of Lemon Grass*

The sustainable development of Bhutanese essential oils industry is largely dependent on the contribution of all stakeholders, comprising of farmers, communities, Dzongkhag administrations, research centres, and other government agencies. The EODP field personnel and technicians frequently visit distilleries in all the four Dzongkhags and provide technical guidance. EODP fabricated extra new boilers and supplied to distillers who needed them. About 30 boiler sets were fabricated again for distribution to distillers for the production season of 2004. The central collection depot is constructed at Sherichu, Mongar in September 2003 at a total cost of Nu 767, 943.15 with water supply facility.

This facility serves as the central depot for the collection of lemon grass oil storage, cleaning, bulking and packaging. The aim of creating this facility is to lease out the facility to the community or cooperatives once the organization is legally established. A simple and illustrated manual for harvesting and distillation of lemon grass to serve as a reference and a training manual has been drafted. The manual would be ready for distribution to the existing distillers and other interested farmers as soon as the translation to Dzongkha is completed.

In terms of project sustainability, meeting was held in Mongar Dzongkhag on January 20, 2004 attended by national CBNRM co-ordinator, DAO, DzFO, DLO, Representatives of BAPC/Tashi company, territorial forest, RNR-RC Wengkhar and EODP. The prominent issues such as CBNRM strategies in lemon grass utilization, fuel wood depletion and corrective actions, resource mapping and demarcation, production, quality management and marketing were discussed. Bilateral meetings are also held on these issues with lemon grass distillers and workers at periodic intervals. Other agencies like the Divisional Forest Office, the RNR-RC Wengkhar, and Dzongkhag Agriculture and Forest offices are also consulted to find solutions to these crucial issues.

#### *Assured quality control of lemon grass:*

Over the years, EODP has successfully established parameters for quality assurance for lemon grass oil production, product specification, and management system. The quality control laboratory was further strengthened by procurement of appropriate apparatus and furniture. The EODP continued to provide continuous quality control support to the distillers and farmers involved in lemon grass activities through out the season. The quality inspectors conduct regular field visits to monitor & ensure product quality. Under the project two quality inspectors have been provided with motorcycles to facilitate monitoring. In-house training & information sharing on extraction technology, quality control, marketing, transfer of technology, to participatory learning methods and community-based groups is provided to the technical staff. The management has initiated an attachment program for three technical staff at FFDC. The program is for a period of two weeks, focusing on process technology and value addition of essential oils.

#### *Increased technical autonomy of lemon grass producers:*

A Community System's Specialist (CSS) had been recruited and fielded in April 28<sup>th</sup> 2003. The Specialist had been involved in the establishment of lemon grass oil producer's group and had been interacting with the distillers familiarizing them with the concept of group formation. The Interim Management Committee was formed to represent the lemon grass co-operative on behalf of all distillers, to work on drafting of constitution & bylaws of co-operative and to learn marketing procedures & other administrative procedures.

*Programme achievements:*

- i) There are 172 distilleries operating in the four eastern Dzongkhags of Mongar, Trashigang, Lhuntse and Tashiyangtse. About 1,720 farmers are employed by the project for maximum of 72 days in a year. Out of the total employment generated, rural women engaged in harvesting the lemon grass hold 65%.
- ii) The community system specialist of SNV is attached to EODP continued to liaise with lemon grass distillers, harvesters, workers, community leaders and relevant government agencies to collect ideas and develop the most suitable model for a trial group. With support of community system specialist, the programme/EODP held three major workshops related to group formation. The objective of these workshops was basically to sensitize the lemon grass workers on the rationale, aims and scope of forming community based groups for sustainable operation and management of lemon grass industries. The first workshop was held in Phowan on October 14, 2003, which targeted the farmers, distillers and lemon grass workers of Lhunsi Dzongkhag. Distillers and lemon grass workers of Chaskhar, Ngatsang, Thangrong, and Dremetse & Balam Geogs under Mongar Dzongkhag and Uzorong Geog under Trashigang Dzongkhag attended the second workshop in Sherichu on Dec 11-12, 2003. The third and final workshop was held in Duksum, which targeted distillers and lemon grass beneficiaries of Tashiyangtse Dzongkhag.
- iii) The community system specialist (CSS), EODP quality inspectors and some selected lemon grass distillers also attended the "Workshop on Co-operatives Act" held in Bumthang from March 29 – 31, 2004. The Project Chemist & CSS also participated in the "Workshop on formulation of Rules and Regulations for the Co-operatives" held in Mongar from June 15-17, 2004. In addition to the above workshops, the EODP also organized a training workshop on 'Community Organization', on September 3-5, 2003, in collaboration with SNV Bhutan for other agencies. Geog extension officers of Trashigang, Lhuntse and Mongar Dzongkhag, researcher of medicinal and aromatic plants, Lingmithang, and Staff of EODP attended this workshop. This workshop was conducted to discuss the linkages and roles of stakeholders to essential oils industry and their potentials for contributing to poverty alleviation in these regions. Emphasis was also placed on discussions of program & policies, fostering consensus and transparency between stakeholders and to ensure sustainable utilization of lemon grass resources. At

the workshop held in Mongar in November 2004, the cooperative model was presented to the producers and they were very receptive to the idea. The group also designed organizational structure for the lemon grass co-operative. The general organizational structure of lemon grass cooperative would comprise of General Assembly (all the distillers), Interim Management Committee (representatives from Geogs/Dzongkhags and management (hired manager & support staff). They have elected 12 members for the interim management committee representing the different lemon grass growing areas in the four eastern Dzongkhags.

- iv) Study tour for lemon grass distiller's interim management committee members to Bumthang & Trongsa. The objective of the study tour was to enable the interim management committee to interact and learn about working in groups and to get an insight view of the constitution and bylaws of the cooperatives/associations that were in operation in Bumthang and Trongsa. With the assistance from the Community System's Specialist, a constitution and by-laws has been drafted. Several field trips were undertaken to meet members of interim management committee to discuss the draft constitution and by-laws.

*Problems and Issues noted by the Mission:*

The followings are the issues and problems noted by the mission during the discussion and interactions it had with the Dzongkhag officials, EODP officials, and the producers during the field visit.

1. *Environment Issue:* While forestry and civil administration officials blame lemon grass oil producers for deliberately setting fires in Chir Pine forests, where lemon grass grow wild as under-storey vegetation, to invigorate lemon grass regeneration, lemon grass promoters and producers reject such allegation and suggest that they are being made scapegoats. Also, in several areas lemon grass regeneration is said to be on the decline, which has implication on the sustainability of lemon grass oil production. This is basically due to the absence of any management techniques. If the lemon grass production is to continue to benefit the rural communities, the aspect of sustainable management of lemon grass resources needs to be carefully studied and recommendations made for introducing appropriate interventions. Prescribed burning (controlled and rotational) may be an appropriate management technique but these will need to be complemented with equipment, training, and social mobilization and accountability strategies. It was noted that in Drametsi, prescribed burning of lemon grass growing areas is being piloted under the Participatory Forest Management Programme managed by the Social Forestry Division of the Department of Forestry. Such pilot activities need to be introduced in other areas to have a comparative basis for future interventions. Also, the issue of land tenure comes into play since the lemon grass growing areas are actually forest areas which are under the

custody of the Department of Forestry as per the Forest and Nature Conservation Act 1995. While forest areas can be used for extraction/ grazing based on a permit system, the law does not permit any physical management interventions – least of all controlled burning – by the users. Having said this, it needs to be emphasized that the Forest and Nature Conservation Act 1995 does have provision for community forest management. However, the process of establishing community forest management tends to take a long time. Another issue of environmental sustainability is the fuel-wood consumption, which is said to be high for lemon grass oil distillation. Although the Mission could not get any hard data on fuel-wood consumption, based on interactions with a few lemon grass oil producers, it is estimated that each distillation unit consumes on average 1-2 truckloads (6-12 tons) of fuel-wood in one working season. Consequently, it has become increasingly difficult to get enough fuel-wood for lemon grass oil distillation. This, and the fact that lemon grass regeneration is in decline in some areas, has led some lemon grass oil producers to engage in the business on an intermittent basis. The problem related to forest fire was highlighted in Mongar District, where over the last few years it has suffered loss of forests severely. The cause of forest fire was stated to be deliberately setting forest fire to rejuvenate higher yielding lemon grass for the next season. The producers and the Dzongkhag authorities have been exchanging dialogue on this issue. The Dzongkhag authority seems quite determined on closing down the project, if other income generating alternatives are in place. The Dzongkhag is currently conducting detailed investigation on this issue and the findings will be discussed with the concerned ministries in few weeks time.

2. *Raw material:* Over the years, natural growth of lemon grass has been decreasing. All the projects are fully dependent on natural growth of lemon grass for the raw material supply. Since the project inception, measures have not been considered for management programme of raw material sustainability. However, as forest is under Ministry of Agriculture and this project being implemented by the Ministry of Trade & Industries it calls for proper linkages and coordination. The project being identified as one of the prime rural non-agriculture enterprise creating significant job opportunities for rural populace, sustainable supply and utilization of raw material is critical to project viability. As of date the project has not undertaken any resource mapping which, could also help in solving the issue of forest fire.
3. *Cooperative formation:* With the help of Community System's Specialist group formation is underway. Presently Interim Management Committee is formed. The constitution and bylaws are drafted in English and translation in Dzongkha is in process. However, it is noted that group members are from Tashigang, Mongar and Lhuntse districts, and it might be difficult for the group to meet and function regularly.

4. *Base line data:* As of date, there is no socio-economic base line data for REDP to measure the project impact on household income, effects on living standard of rural populace, and economic indicators of project.
5. *Value addition:* The value addition factor under the lemon grass sub-component will now be undertaken under the Government of India funded project. In view of this, this sub-component is left with only the activity of formation of lemon grass collection groups.



## ANNEX 11

### REVIEW OF GRANTS AWARDED AND UNDER REVIEW

#### 1. MTI-Assessment of grants in process

Rural Enterprise Grant Scheme (REGS) is expected to foster an entrepreneurial culture by providing support through sharing of cost for establishing business. This intervention may mitigate urban migration problems by facilitating the creation of viable rural business and broader economic opportunities in the regions. It has an indirect impact on poverty alleviation; promotion of non-farm based rural enterprises and is expected to generate employment opportunities in rural areas.

Based on the objectives stated above, MTI is in the process of approving grant applications from various regions. The Ministry has received 14 grant applications. The proposals include bakery, furniture saw mill, auto workshop, incense manufacturing, traditional bells manufacturing etc. The basic details of some of the project under process are as follows:

Applicant	Grants Requested	Total cost	Participation	Brief Description	IRR in %				Benefits
					1yr	2yr	3yr	4yr	
Mr.Tshering	175,465	508,027	332,562	Automobile Fabrication workshop, in Bumthang	2		12	15	Provide auto-fabrication service. Create employment
Mr.Dorji Wangdi	283,054	704,384	421,331	Wooden doors & window frames, Furniture at Gongkhar Community	208	249	269	290	Create employment
Mr.Lhendup	125,550	300,758	175,208	Expand the existing traditional incense unit at Bumthang	17	35	40	46	Enhance income
Mr.Dorji Tshering	300,000	736,984	453,984	Manufacturing of traditional bells	12	17	19	22	Enhance income

#### 2. MoA – Micro Credit Grant Scheme

The objective of MoA in considering the Micro-Capital Grants scheme is to encourage local initiatives for establishment of small agribusiness enterprises. The grant is mainly given for capital investment in the project. The scheme is based on basic operational outline followed by the Ministry. The scheme became operational since August 2004 and to date the Ministry has delivered 11 grants to individuals engaged in agribusiness enterprises. The awards include potato & banana chips unit, ambient temperature apple storage facility, mushroom production, orchid nursery, vegetable seed production, medicinal/culinary herb production, Cornflakes production etc.

## 2.1. Assessment of grants awarded

Name	Grant	Total	Participation		Brief Description	IRR					Benefits Labour Employed
			Nu.	In%		1	2	3	4	5	
Mr.Karchung	200,000	421,000	221,000	52%	Agro-processing for potato & banana chips at Kheri-Gonpa, Pemagatshel.	N a	N a	N a	N a	N a	Value addition, Encourage farmers to produce more quality potato & banana. Market created for agri-products. 5 workers will be employed.
Mr.Khasapa	199,821.39	284,281.39	84,460	30%	Establish orchid farm for commercial production of edible orchid and orchid plants at dogar, Paro.	N a	N a	N a	N a	N a	Sustainable production of edible & ornamental orchids.
Ms.Lhadon	107,800	154,000	46,200	30%	Production & supply of quality vegetable seeds. Project located at Wuchu, Paro	N a	N a	N a	N a	N a	Supply of quality seeds to the farmers. 15 workers employed. Enhance rural income.
Ms.Pema Laden	200,000	340,000	140,000	41%	Oyster mushroom cultivation.						Commercial supply of nutritional high value product.  Employment created for 2 persons.
Mrs.Pema Choden	90,000	107,000	27,000	30%	Production of cornflakes at Belegang, Dagana.	N a	N a	N a	N a	N a	Minimise post harvest loss of maize, which is grown in abundance. Project employs 12 workers
Mr.Passang	141,120	201,600	60,480	30%	Production of potato chips at Chapcha, Chukha.	N a	N a	N a	N a	N a	Value addition to agri - produce and creation of employment for 3 persons
Mr.Sangay Dorji	129,500	184,500	55,000	30%	Commercial cultivation of shitake mushroom at Damji, Gasa.	N a	N a	N a	N a	N a	Encourage farmers in remote areas to take-up rural enterprises

NB: Most of the above grant applications lack detail project proposal.

### **3. Assessment of grants awarded and verified during field visits**

#### **3.1 Year Round Mushroom Cultivation Facility, Wangchang, Paro :**

This project is basically up gradation of the existing semi-permanent facility the grantee was operating prior to availing the financial grant from the Ministry. The grant amounting to Nu.197, 396.62 was rendered for constructing permanent shed with semi-permanent roofing to Mr.Dezang. During the construction phase, the grantee decided to change the roofing material and invest for permanent CGI roofing, which had an impact on the capital investment, and the cost escalated from Nu.422, 821.62 to approximately Nu.500,000.00 which was met by the grantee. It was informed that, initially he had been operating on sustainable basis. Since, his savings was mostly used for repairing the shed he decided to invest for permanent structure. The grantee also seems to have sought for financial assistance from the banks but his application was declined. Through establishment of the facility under the grant scheme in late April 2005, one production cycle has been achieved with earnings of Nu.22, 000 approximately. The production is halted since late August 2005 due to shortage of straw. Considering the expected yield and expenses, the unit is likely to make an income of Nu.345, 000 per season. However, the income reflected for the last season appears much below the estimates based on the information provided by the proprietor. In view of the estimated project return, if some financial packaging had been developed to help such enterprising entrepreneur in line with development objectives in rural context, then the grant would not have been necessary.

#### **3.2 Ambient Temperature Apple Storage Facility –Namseling Thimphu:**

Mr.Passang, a farmer, promotes the project with technical support from National Post Harvest Centre. The capital cost of the project is Nu.850,000 of which a loan of Nu.500,000 was provided by BDFC and Nu.450, 000 was mobilized by the entrepreneur as equity contribution. The existing storage capacity is approximately 25 tonne at a time. The capacity is lower than initially planned size of 40 tonne as a result of fault in design. This project has been in operation for two seasons. During the first season the apples were stored in wooden crates. However, due to frequent replacement cost of wooden crates it was decided to make use of plastic crates. Hence, entrepreneur applied for the micro-capital grant and received Nu.175, 500 which are 70% of the total fund required for importing the 1000 plastic crates. The contribution of the entrepreneur amounted to Nu.67, 500. Observing all the details, it is apparent that the selected entrepreneur was already in good business before receiving any grant assistance. As a farmer he was able to mobilize substantial amount of equity capital for the construction even before any grant was delivered and states that he would have availed further financial assistance from the banks if required. This indicates that entrepreneur has a good asset backing to qualify for obtaining financial assistance from any banks. The micro-capital grants scheme criteria spells that estimated time for the business to become self-sustainable, in most

instances, is within one year. In this particular case, the project was already in operation for one season so; even if the replacement of wooden crates were frequent income earned from the operation could have been ploughed back. The Grant criteria also indicate that 30% contribution should not be met from BDFC however in this case the entrepreneur was already an existing client of the corporation. In addition, the created facility solely benefits only one farmer since he purchases apples from the nearby orchards to be sold at a later stage when the prices of apples rise. The entrepreneur even hired the plastic crates to other orchard owners but found the damage risk high and stopped doing so. However, this factor depends upon restrictions specified in the contract or at the time of approval.

### **3.3 Potato Chips unit –Khaling, Tashigang**

The entrepreneur, Mrs. Duptho Zangmo, had been operating this unit since 2001, and had been producing 100-150 packets of chips daily. Over the years, she had established her market and with increasing demand it was decided to expand the capacity of the factory. Accordingly, she requested for grant under the Micro-Credit Grant scheme. The unit was provided grant of Nu.141, 120 on the total estimated capital cost of Nu.201, 600 in March 2005. The total grant was 70 % of the estimated capital cost and 30% was entrepreneur contribution towards the project. The unit was rendered technical help from NPHC. The grant was basically for procuring equipment. The equipment, that was to be procured by MoA, has not yet arrived at the project site. The unit is still operating with the old equipment. The unit currently employs two national workers. The shed construction undertaken by the entrepreneur is halted due to conflict between the entrepreneur and the Dzongkhag authorities. The entrepreneur also runs a small grocery and earns rental income from the house owned by her. Due to delay in project start-up she is losing interest in the project and fears competition. It is observed that selected grantee being an existing entrepreneur with good source of income could have availed the financial assistance from the local banks to up-grade the existing facility without difficulty.

### **3.4 Medicinal Herb Production-Ura, Bumthang**

Mr.Jamtsho at Ura in Bumthang Dzongkhag is promoting the project. He had been cultivating medicinal herbs for the last few years. On assessing the potential of some medicinal plants he applied for micro-capital grant through the Ministry. The grant was mainly for fencing two acres of land under cultivation. The total cost was estimated at Nu.440, 000 and he received a grant of Nu.200, 000 being the maximum amount of grant permissible under the Micro Credit Grant Scheme. The balance of Nu.244, 000 was to be met by entrepreneur. The unit employs 20 workers in the project. The medicinal herb is harvested every 2-3 years and supplied to Institute of Traditional Medicinal Services. Initially, the entrepreneur earned as much as Nu.50, 000 per kg of herbs. However, over the years the price has dropped as low as Nu.9, 000 per kg.

## **Findings**

- i) Most of the Grants awarded to existing entrepreneurs, and new entrepreneurs not developed;
- ii) Objectives of the Grant Schemes are to alleviate poverty indirectly, mitigate rural-urban migration of rural youth, and generate employment opportunities in the rural areas by developing new entrepreneurs. However, it is noted that significant changes have not taken place in any of the above areas;
- iii) Most of the grants are awarded to people from a certain region thereby defeating the goal of balanced development in the country;
- iv) The mission noted that the grants were awarded without any Terms and Conditions for the award of grants;
- v) From the grants awarded, it is noted that most of them are awarded to males. Hence implying gender imbalance in considering grantees;
- vi) Monitoring and Evaluation Mechanism for grants not in place. If these types of projects are to be replicated to other places and regions, results of M & E would be greatly useful then;
- vii) In most cases economic feasibility and financial viability aspects of the projects were not considered while approving grant applications.

## ANNEX 12

### GEOGRAPHICAL DISTRIBUTION OF PROGRAMME'S ACTIVITIES

<b>Regions</b>	<b>MoA</b>	<b>MTI</b>
<b>Western</b>	<ol style="list-style-type: none"> <li>1. Organic Research Demonstration Site, Yusipang;</li> <li>2. Week End Vegetable market extension, Thimphu;</li> <li>3. ISPP at NPHC, Paro;</li> <li>4. Product Development Unit</li> <li>5. Organic Farm, Paro;</li> <li>6. Cold Chain model</li> <li>7. Orchid farm, Dogar, Paro;</li> <li>8. Straw Mushroom cultivation, Paro;</li> <li>9. Cold Storage, Namseling;</li> <li>10. Production of vegetable seeds and ornamental flowers, Paro;</li> <li>11. Oyster mushrooms, Hejo, Thimphu;</li> </ol>	RTIO-BPS in Thimphu
<b>Central</b>	<ol style="list-style-type: none"> <li>1. Mushroom Cultivation, Gasa;</li> <li>2. Organic Medicinal Plants, Ura, Bumthang;</li> <li>3. Potato Chips, Chhukha;</li> <li>4. FCB Auction Yard /Cold Storage</li> <li>5.</li> </ol>	RTIO +-BPS established (capacity development), Trongsa;
<b>Eastern</b>	<ol style="list-style-type: none"> <li>1. Potato and Banana Chips, Pemagathsel;</li> <li>2. Potato Chips, Khaling;</li> </ol>	RTIO-BPS est. .in Mongar Lemon Grass Oil producers' group formation, capacity development;
<b>Southern</b>	<ol style="list-style-type: none"> <li>1. Cornflakes Production, Dagana;</li> <li>2. ISPP, Dagapela;</li> </ol>	BPS est. .in Phuentsholing BPS est. in S/Jongkhar BPS est. in Gelephu

## ANNEX 13

### REVIEW OF STEERING COMMITTEE MEETINGS

Meeting	Date	Recommendation	Follow-up
RED PAC Meeting	26 June 2002	<ul style="list-style-type: none"> <li>➤ Recruitment will be done through the RCSC;</li> <li>➤ Vehicle purchase – a further meeting will be held on this;</li> <li>➤ Training: SNV will support 10% of relevant training (pointed out the training for DEcOs particularly)</li> </ul>	<p>Follow up actions for the recommendations/ approvals are unavailable in the minutes of the meetings.</p> <p>Linkages are seldom conducted for issues discussed in meetings</p>
RED Project Meeting	20 December 2002	<ul style="list-style-type: none"> <li>❖ Meeting called to discuss status of the preparation of Project Implementation Plan and M &amp; E.</li> <li>❖ Outcomes of the meeting to be presented in the 1<sup>st</sup> Steering Committee Meeting on 31 December 2002.</li> </ul>	Ibid
RED Project Meeting	27 December 2002	<ul style="list-style-type: none"> <li>✓ Combine 2 TAs (Sr. Industrial Economist and Business Specialist) into one and make it as Economist/Private Sector Development Specialist.</li> <li>✓ Agriculture Economist TA for 1.5 mm will be kept as Unallocated.</li> <li>✓ ToR for the Economist to be refined.</li> <li>✓ Consult with TA already available in country ???</li> <li>✓ UNDP may follow-up with contacts in Laos???</li> <li>✓ Training on the District Economic Officers to be discussed in a small group.</li> <li>✓ 5 District Economic Officers will be recruited in the beginning of 2003.</li> </ul>	Ibid

		<ul style="list-style-type: none"> <li>✓ Capacity Strengthening Specialist will be board by March/April 2003.</li> <li>✓ Work on the BSUs and Regional Service Centers to be initiated by April 2003.</li> <li>✓ Forum of informal Programme Coordination will be continued.</li> <li>✓ Will be suggested to PMC to hold PMC meeting every 6 months.</li> <li>✓ Decided to hold the next Programme Coordination Meeting on 27 Jan 2003.</li> </ul>	
RED Meeting	7 July 2003	<p>MTI</p> <ul style="list-style-type: none"> <li>➤ Recruitment of 2 consultants will be made in the next 2-3 months to draft TA document to carry out implementation of FDI policy, assessing impact of globalization / WTO and integration of policy for PSD.</li> <li>➤ Savings from the programme would be re-appropriated for the long-term capacity building of PPD.</li> <li>➤ BSUs of RTIOs would be used, as interim measure, to carry out the responsibilities of District Economic Officers.</li> <li>➤ MTI to field a local consultant to draw up a focused program using handicraft expert's report and pinpoint what products are feasible.</li> </ul> <p>MoA</p> <ul style="list-style-type: none"> <li>➤ Will conduct a feasibility study to assess various types of fruits available in the East, South West and Central regions and to identify location for fruit processing.</li> <li>➤ Equipment for fruit processing will be jointly identified with BAIL.</li> </ul>	



Programme Steering Committee Meeting	22 Dec 2003	<ul style="list-style-type: none"> <li>➤ Workload of the Private Sector Development Advisor would be reviewed by the SNV.</li> <li>➤ One round of national selection would be carried out for the recruitment of Rural Enterprise Development Facilitator. Programme would indicate required budget from SNV for the following year by September 04.</li> <li>➤ MoA &amp; MTI will work together on market information system, market research and field studies to gather a common understanding, enabling both the Ministries to tackle the problem jointly.</li> <li>➤ Establishment of rural models (micro enterprises) be taken up as a priority in 2004.</li> <li>➤ Resource base surveys, under the lemon grass component, would be carried out in consultation with MoA.</li> <li>➤ Implementing Ministry should have final say in the allocation and redistribution of resources. Agencies with better implementing abilities would be allocated more resources.</li> <li>➤ Working level meetings will be convened every 4 months or as necessary to review the progress of the programme and discuss issues of common interest to foster greater working level linkages between the various sub components within the 2 implementing agencies.</li> <li>➤ Steering Committee Meeting would be convened annually.</li> <li>➤ Rolling Implementation Plan was endorsed for 2004.</li> </ul>	Ibid
		➤	
Third Programme Steering Committee	15 Oct 2004	<ul style="list-style-type: none"> <li>➤ For the establishment of Rural Enterprise Models (REMs), 2-</li> </ul>	Ibid

Meeting		<p>prong approach would be taken by MTI. One approach would be to continue conduct of detailed techno-economic feasibility studies to assess commercial viability of REMs. The other approach, simultaneously, will be to invite private entrepreneurs and interested community members to submit proposals for the REMs.</p> <ul style="list-style-type: none"> <li>➤ Approved activities for Q4, 2004 (<i>Study tour on REMs to the Royal Thai Project, Participation in the India International Trade Fair-2004, Purchase of office equipment for 20 districts, Workshop on Business Advisory Services in the MTI and regional trade and industry HQs</i>).</li> <li>➤ Approved re-appropriation of funds for the above activities (Q4-2004). UNDP expressed reservation on the prevailing trend of re-appropriating funds to purchase equipments. It also pointed out the need to distinguish between technical equipment for introducing new technologies and value-addition would be considered.</li> <li>➤ After having approved re-appropriation of US\$ 140500 to REMs given the duplication of activities of RED Programme and GOI assistance in EOIDP, it was agreed to document clearly the activities financed by RED Programme separately from those carried out under GOI assistance.</li> <li>➤ Organic produce to explore high-end markets.</li> <li>➤ MoA to ensure that experiences and knowledge acquired under the Micro Capital Grants supported activities would be imparted to other farmers. Activities supported under the grant would be documented and disseminated</li> </ul>	
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		<p>to larger audience.</p> <ul style="list-style-type: none"> <li>➤ Recognized the need for greater working level linkages and coordination between the 2 implementing agencies. Thus recommended greater cooperation in activities such as in REMs, cooperative activities and marketing to be conducted in consultation between the 2 Ministries.</li> <li>➤ 2 implementing agencies would plan judiciously its expenditures for the Q4 of 2004 to ensure optimal utilization of funds.</li> <li>➤ Submit a proposal on the implementation of long term HRD activities approved by 1<sup>st</sup> and 2<sup>nd</sup> PMC.</li> <li>➤ Agreed to circulate project related reports, issues etc in advance to allow the members enough time to discuss them meaningfully.</li> </ul>	
4 <sup>th</sup> Programme Steering Committee Meeting	18 Jan 2005	<ul style="list-style-type: none"> <li>➤ Instructed programme management to ensure high delivery rate in 2005. Balance fund of 2004 would be used by Q1 of 2005.</li> <li>➤ MTR would be carried out in 2<sup>nd</sup> quarter and not in 3<sup>rd</sup> as proposed in the RIP.</li> <li>➤ Agreed to allocate US\$10,000, as Direct Execution, each by 2 Ministries for monitoring, evaluation and advocacy by UNDP.</li> <li>➤ Closer ties be established between RED programme and E-business in the development of handicrafts.</li> <li>➤ Output oriented capacity building reports be submitted to the donors for all HRD activities implemented in the programme.</li> <li>➤ Approved a Masters Degree programme for US\$75000 for 2005.</li> </ul>	

		<ul style="list-style-type: none"> <li>➤ Organic information would be included in the horticulture information system.</li> <li>➤ Approved Rural Enterprise Capital Grant Scheme of MTI and agreed Micro Capital Grant supported projects of MoA should be assessed and publicized through media.</li> <li>➤ Approved procurement of vehicle for RED MoA.</li> <li>➤ MoA would explore local domestic markets for its organic/natural produce.</li> <li>➤ Use national UNV to develop enterprises and to enhance the outreach and sustainability of SME development.</li> <li>➤ Consultants are employees of the host Ministry and should represent the donors.</li> <li>➤ Approved RIP 2005 for RED Programme.</li> </ul>	
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