



Technical Assistance Report

Project Number: 50069-001
Capacity Development Technical Assistance (CDTA)
December 2016

Kingdom of Bhutan: Enhancing Competitiveness of High-Value Agriculture and Artisan Products Value Chains

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 29 November 2016)

Currency unit	–	ngultrum (Nu)
Nu1.00	=	\$0.015
\$1.00	=	Nu68.58

ABBREVIATIONS

ADB	–	Asian Development Bank
DAMC	–	Department of Agriculture Marketing and Cooperatives
MSMEs	–	micro, small, and medium-sized enterprises
NGO	–	nongovernment organization
OVOP	–	One Village One Product
PMU	–	project management unit
QPO	–	Queen's Project Office
TA	–	technical assistance

GLOSSARY

certified organic	–	Certified organic is a label accorded to products produced under license to organic standards, such as the International Federation of Organic Agriculture Movements Standard (which is the basic global standard) and the Japan Agricultural Standard for organic agricultural products.
micro, small, and medium-sized enterprises	–	In the context of Bhutan, micro enterprises have fewer than five employees, small enterprises have 5–19 employees, and medium-sized enterprises have 20–99 employees.
participatory guarantee system	–	A participatory guarantee system is a locally focused quality assurance system where producers, buyers, and end consumers agree on product quality standards and provenance sources. A participatory guarantee system may be related to, but is not restricted to organic standards.

NOTE

In this report, "\$" refers to US dollars.

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CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 50069-001	
Project Name	Enhancing Competitiveness of High-Value Agriculture and Artisan Products Value Chains	Department /Division	SARD/SAER
Country	Bhutan	Executing Agency	Queen's Project Office
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Agro-industry, marketing, and trade		0.50
		Total	0.50
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
Environmentally sustainable growth (ESG)	Environmental policy and legislation		
Regional integration (RCI)	Pillar 2: Trade and investment		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	Effective gender mainstreaming (EGM)	✓
Knowledge solutions (KNS)	Pilot-testing innovation and learning		
Partnerships (PAR)	Implementation		
Private sector development (PSD)	Private Sector Promotion of private sector investment		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Rural	High
Household Targeting	No	Urban	Medium
SDG Targeting	Yes		
SDG Goals	SDG9		
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.50	
Capacity development technical assistance: Technical Assistance Special Fund		0.50	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
Government		0.00	
Total		0.50	
9. Effective Development Cooperation			
Use of country procurement systems	No		
Use of country public financial management systems	No		

I. INTRODUCTION

1. The Government of Bhutan has requested the Asian Development Bank (ADB) for technical assistance (TA) to improve the competitiveness of the high-value agriculture and artisan products business subsector and its support services to achieve a higher level of competitiveness in domestic and export markets. ADB fielded consultation missions with the government and private sector and agreed with the government on the design and implementation arrangements.¹ The design and monitoring framework is in Appendix 1.²

II. ISSUES

2. Given the vulnerabilities that arise from a narrow export base and market, a major challenge for Bhutan is to diversify its export markets. The Government of Bhutan's 11th Five Year Plan³ aims to expand into new markets, achieve inclusive social development, and accelerate green economic development through the Rural Economy Advancement Program and the Rapid Investment in Selected Enterprises Program. These two programs form the cornerstone of the government's diversification strategy, which aims to develop agro-processing and other subsectors, small and cottage industries, and tourism links. Bhutan's trade strategy highlights high-value niche exports that promote Brand Bhutan and indicate the product's geographic origin.⁴ Bhutan's forestry policy also highlights comparative advantages in nutraceuticals, medicinal herbs, and natural dyes, which compliment artisan and high-value agricultural products. The One Village One Product (OVOP) initiative supported by the Queen's Project Office (QPO) has prioritized a number of Bhutanese agro-products based on market potential, grassroots community production, and potential for development and scaling up.

3. Recent lessons from agriculture projects in Bhutan show that more entrepreneurial capacity is required for value-adding agro-enterprises to compete successfully.⁵ In Bhutan, the inclusive approach to micro, small, and medium-sized enterprise (MSME) development has raised awareness but has spread capacity thinly.⁶ Further, the majority of MSME clusters are at a basic stage of commercialization. To date, few interventions have given adequate commercial focus to establish comprehensive and viable value chains with attention to village-based supply chain management, post-farm processing, marketable product development, packaging and logistics, and value competitiveness in end markets. The OVOP approach has contributed to rural village sustainability in Japan and Thailand and was recently adopted in Bhutan. However, the approach relied heavily on public sector resources to build start-up capacity building, which

¹ The proposed TA is included in ADB. 2016. *Bhutan: Country Operations Business Plan, 2017–2019*. Manila.

² The TA first appeared in the business opportunities section of ADB's website on 2 November 2016.

³ Government of Bhutan, Gross National Happiness Commission. 2013. *Eleventh Five Year Plan, 2013–2018*. Thimphu.

⁴ In October 2014, the Department of Trade, with support from the United Nations Development Programme and global brand partner FutureBrand, developed the Brand Bhutan strategy, which reflects the values of Bhutanese society, history and Gross National Happiness philosophy, and recognizes country of origin as a dimension of brand strength in export markets.

⁵ World Bank. 2015. *Implementation Completion and Results Report: Decentralized Rural Development Project in the Kingdom of Bhutan*. Washington, DC; International Fund for Agricultural Development. 2015. *Kingdom of Bhutan: Commercial Agriculture and Rural Livelihoods Enhancement Programme (CARLEP)—Programme Design Report*. Rome; and ADB. 2015. *FAST Report: Equity Investment to the Mountain Hazelnuts Group Limited for the Hazelnut Value Chain Development Project in Bhutan*. Manila.

⁶ MSME clusters typically include (i) farmers, wild product collectors, artisans, and input suppliers; (ii) MSMEs involved in processing, grading, packing, and marketing; (iii) logistics and financial services; (iv) wholesale, retail, and food service markets; and (v) other enterprises, including for machinery parts and repairs, design, and technical advice.

contributed to the failure of an ADB project in Pakistan.⁷ Among emerging agro-enterprises and government support services, there is limited understanding of MSME business structures, business-to-business linkages, and practices for commercially attractive value adding and marketing that (i) builds in fair trading and ethical treatment of grassroots producers, (ii) meets international quality and safety standards, and (iii) can effectively embody Brand Bhutan. Lessons from an ADB brand marketing project in Mongolia⁸ and local stakeholders suggest that Brand Bhutan needs to be supported by formal eligibility criteria for products and services and intellectual property registration. Capacity building can help develop the brand in a competitive global context. The World Bank's Enterprise Surveys indicate that agribusiness in Bhutan is weak in innovation and has made limited use of information communication technology. Only 3.7% of agro-enterprises in Bhutan have some form of certification, compared with 17.2% in the region.⁹

4. The global market segment for natural, certified organic, standardized for safety, sustainable, and socially responsible food, fiber, and cosmetics is worth about \$5 billion annually, has been growing 12% per year since 2009, and is forecast to reach about \$6 billion in 2016.¹⁰ Developed countries dominate this high-value market by building on traditional knowledge and practices with modern farming and processing technologies, attention to quality, well-researched product design, and tight value chain linkages. But Bhutan has comparative advantages in many high-value niche products. Studies have identified a number of Himalayan fruits and honey with high levels of bioactive and antioxidant compounds¹¹ that food and beverage manufacturers are demanding as new food ingredients, together with "ancient grains" produced in Bhutan.¹²

5. The critical constraints are (i) lack of knowledge on small-scale agro-processing and value adding; (ii) lack of laboratory analysis to quantify bioactive compounds and product quality; (iii) limited capacity of support services to help MSMEs meet high-value market standards; (iv) poor linkages between producers and buyers; (v) fragmentation resulting in insufficient scale, inefficient logistics, and a high proportion of transaction cost in the end market price due to multiple middlemen in the value chain; and (vi) limited knowledge of financial performance, resulting in lack of finance. But for micro and small agro-enterprises and government support services, market competitiveness is the key challenge. It encompasses the need to improve post-farm processing, packaging, labeling and product design, organization of transport and logistics, and small-business skills such as supply chain and financial management.

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

6. The impact will be a broader and diversified economic and export base. The outcome will be enhanced competitiveness of prioritized high-value agriculture and artisan MSME clusters in domestic and export markets. High-value agriculture and artisan clusters will graduate to a higher level of competitiveness, with increased value capture by local MSMEs.

⁷ ADB. 2010. *Completion Report: Rural Enterprise Modernization Project in Pakistan*. Manila.

⁸ ADB. 2014. *Technical Assistance Completion Report: Agricultural Marketing and Brand Development in Mongolia*. Manila.

⁹ World Bank Enterprise Surveys. Bhutan (2015). <http://www.enterprisesurveys.org/data/exploreeconomies/2015/bhutan>.

¹⁰ Australian Organic. 2014. *Australian Organic Market Report 2014*. Brisbane.

¹¹ G. Scattergood. 2016. *Wild Himalayan fruits provide nutrition and nutraceutical opportunities*. <http://www.foodnavigator-asia.com/Formulation/> (accessed 17 September 2016)

¹² These include quinoa, amaranth, buckwheat, millet, and traditional red rice varieties.

The TA is expected to directly benefit about 3,000 rural households and generate about 300 incremental employment opportunities in processing, packaging, marketing, and agritourism in regional urban centers. The TA focuses on the upstream value chain rather than on farming.

B. Methodology and Key Activities

7. The TA will be implemented in two phases: (i) readiness and needs assessment, and (ii) capacity building. The TA will achieve the outcome through the following outputs:

- (i) **Output 1: Business skills capacity of selected high-value agribusiness and artisan micro, small, and medium-sized enterprise clusters improved.** The TA will support (a) the selection of a small number of existing enterprise clusters at strategic locations, which may include food, beverage, herbal cosmetics, and artisan products; based on business readiness, sustainability and inclusiveness, potential for scale and replicability, and competitive advantage; (b) the provision of business development services, including market research, to refine product attributes and packaging design, upgrade equipment, and determine costs and pricing strategies; and (c) the provision of training and advisory services to boost entrepreneurship, business planning, and ability to access and manage finance.
- (ii) **Output 2: Production, value-adding, and marketing capacity of selected micro, small, and medium-sized enterprise clusters upgraded.** For the selected value-adding entities and their farmer suppliers, the TA will provide (a) training, demonstration, and advisory services to promote commercial, certified organic, and food safety systems; (b) training, demonstration, analytical, and advisory services for improved value-adding processes; standardized product formulation; and operating procedures and documentation to meet food safety and quality requirements; and (c) assistance to access matching grant support for capital value-adding items, including grading, processing, and packaging equipment. The training program will be publicly announced to encourage the participation of women.
- (iii) **Output 3: Value chains, from production to end markets, strengthened.** The TA will (a) strengthen quality assurance and intellectual property by helping develop and register logos, brands, trademarks, ethical trade and social responsibility endorsement, organic certification, and geographic indication of origin where product and market opportunities have been identified; (b) support stakeholder forums and tools to improve communication, access to services, market promotion, coordination, logistics, and consolidation of value chains; and (c) foster supplier–market linkages and agritourism linkages through approved supplier schemes and participatory guarantee systems.

8. Regional economic crisis may have a negative impact on agribusiness, which can be mitigated by diversification and improved competitiveness. All small enterprises face risks that may result in financial or organizational failure as they grow, which will be mitigated by conducting a risk and needs assessment and by applying selection criteria, including (i) start-up risk: only existing enterprises with at least 1 year of commercial operation with net profit; (ii) governance risk: enterprises must have their registration, governance structure, annual reports, and accounts inspected and approved by the Department of Agriculture Marketing and Cooperatives (DAMC) or another relevant authority; (iii) organizational risk: enterprises must have persons identified for management, financial, and operational responsibilities, and have systems for supply chain and marketing; (iv) financial risk: enterprise financial statements must be approved by relevant authorities to ensure viability before selection; and (v) safeguards and inclusiveness: enterprises will be screened.

C. Cost and Financing

9. The TA is estimated to cost \$625,000, of which \$500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). The government will provide counterpart support in the form of counterpart staff, office accommodation, office utilities, secretarial assistance, taxes and duties, and other in-kind contributions. Detailed cost estimates are in Appendix 2.

D. Implementation Arrangements

10. The QPO will be the executing agency and act as the implementing agency. A project management unit (PMU) will be established and the QPO will appoint a project coordinator. The QPO will provide furnished office facilities with internet and utilities for the PMU, consultants, and support staff. A project steering committee will be established and will comprise members of the existing OVOP committee. The QPO will be responsible for (i) providing training to beneficiaries to ensure the full cooperation of other government agencies, including the Ministry of Agriculture and Forests, to make their staff available; using the training programs of the National Organic Program, DAMC, Post-Harvest Center, and Bhutan Agriculture and Food Regulatory Authority; (ii) coordinating with district and block-level staff; (iii) carrying out day-to-day TA activities, such as overseeing the consultants' work, conducting TA review workshops, and providing visas and domestic travel permits for international consultants; (iv) procuring vehicles, supplies, and equipment following ADB's Procurement Guidelines (2015, as amended from time to time); and (v) organizing and conducting the study tour within the Asian region.

11. The proposed study tour for 10 persons will expose participants to sustainable high-value food and related products, packaging, and markets in Asia through a regional expo, and provide an opportunity to gain lessons learned from agencies and entities supporting similar development initiatives. The project coordinator will select study tour participants from MSME leaders, the QPO, and key government support agency staff.

12. The TA will be implemented over 36 months, tentatively from January 2017 to December 2019. The TA will require 7 person-months of international consultant inputs and 18 person-months of national consultant inputs. A consulting firm will be engaged using the quality- and cost-based selection method with a 90:10 quality–cost ratio (since the assignments are complex with high downstream impacts) and a lump-sum contract will be offered. As these inputs need to be provided in line with the needs of MSME clusters and public sector partners, the exact nature and scheduling of the consultants cannot be predetermined. The firm will mobilize the consultants according to project needs, with the schedule determined during implementation to ensure flexibility. The recruitment of consultants will follow ADB's Guidelines on the Use of Consultants (2013, as amended from time to time), and as specified in the Project Administration Instructions on Preparing for Consultant Recruitment.¹³

13. Consultant inputs will comprise (i) an agribusiness value-chain development specialist and team leader (international, 4.5 person-months), (ii) an enterprise capacity building specialist and deputy team leader (national, 12 person-months), (iii) a marketing specialist (international, 1.5 person-months), (iv) a market linkages and communications specialist (national, 2 person-months), (v) product formulation specialists (international, 1 person-month; national 2 person-

¹³ ADB. 2014. Preparing for Consultant Recruitment. *Project Administration Instructions*. PAI 2.02. Manila.

months), and (vi) a brand development specialist (national, 2 person-months). The terms of reference are in Appendix 3.

14. The firm will also be responsible for hiring domestic and international contracted services for activities such as sample assessments, certification, periodic logistical and operational support, design of prototypes, food technology formulations, business accountancy services, and information and communications technology services. The nature and schedule of work will be confirmed after MSME clusters are prioritized and their development needs are assessed.

15. Good practices and lessons learned will be documented and disseminated through (i) the training of MSMEs and service providers; (ii) a national workshop; (iii) value chain stakeholder forums; and (iv) the publication of outputs through the OVOP website, as applicable.

16. The QPO, through the PMU, will be responsible for the procurement of vehicles, supplies, and equipment in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). The Government of Bhutan will be responsible for all taxes and duties related to all project expenditures. The QPO has a shortage of vehicles, particularly utility vehicles for carrying equipment, sample packaging, and products, and transporting personnel. Four-wheel-drive vehicles are required to regularly access remote rural areas. To minimize costs and potential for misuse, vehicles will be basic models preferably of regional make and will be turned over to the QPO upon completion of the TA project.

17. The PMU will procure equipment, according to the needs assessment of MSME clusters and government support services, in the early stages of TA implementation. The equipment will be used for post-harvest and processing facilities, laboratory facilities, and training that will be conducted in coordination with programs run by support service agencies, including the DAMC, Post-Harvest Center, Bhutan Agriculture and Food Regulatory Authority, and National Organic Program. It will be turned over to the QPO upon physical completion of the TA.

18. The consulting firm will be responsible for (i) the procurement of contracted services; (ii) surveys and market research; and (iii) administration and miscellaneous support, including project management, reports, and domestic transport, following ADB's Procurement Guidelines (2015, as amended from time to time). Disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to the Government of Bhutan for Enhancing Competitiveness of High-Value Agriculture and Artisan Products Value Chains, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with Economic and export base broadened and diversified ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Competitiveness of prioritized HVA and artisan MSME clusters in domestic and export markets enhanced	By 2019: About 50 MSMEs have demonstrated improved domestic market share and export performance (2016 baseline: 0)	Market surveys of selected MSMEs	Regional or global economic crisis affects small businesses
Outputs 1. Business skills capacity of selected HVA and artisan MSME clusters improved 2. Production, value-adding, and marketing capacity of selected MSME clusters upgraded 3. Value chains, from production to end markets, strengthened	By 2019: 1. Five MSME clusters have formulated and implemented business development plans, with at least 50% of the entities headed by women (2016 baseline: 0) 2a. At least five HVA and artisan MSME clusters have procured value-adding equipment (2016 baseline: 0) 2b. At least 100 participants from MSMEs, comprising at least 50% women, trained in value-adding processes and food safety and quality requirements, among others (2016 baseline: 0) 3. At least five MSME clusters in prioritized product value chains have approved supplier schemes or participatory guarantee systems (2016 baseline: 0)	1–3: Quarterly consultants' reports	MSMEs are unable to adapt to growing market demand
Key Activities with Milestones			
1 Business skills capacity of selected HVA and artisan MSME clusters improved			
1.1 Conduct product assessment and MSME selection (July 2017)			
1.2 Conduct value chain mapping and market research for each selected product cluster (August 2017)			
1.3 Prepare business development plans for each selected MSME cluster (March 2018)			
1.4 Review the status of business plan implementation and business performance (July 2017, March 2018, September 2018, March 2019, and September 2019)			
2 Production, value-adding, and marketing capacity of selected MSME clusters upgraded			
2.1 Prepare training and demonstration program for enterprise-linked farmers (August 2017)			
2.2 Prepare needs-based capacity building plans for individual enterprises (March 2018)			
2.3 Identify value-adding equipment and financing contribution (March 2018)			

<p>Key Activities with Milestones</p> <p>2.4 Procure value-adding equipment (May 2018)</p> <p>3 Value chains, from production to end markets, strengthened</p> <p>3.1 Establish value-chain cluster stakeholder coordination forums (September 2017)</p> <p>3.2 Agree on product specifications, quality standards, and assurance system at each forum (March 2018)</p> <p>3.3 Complete agreed brand and certification arrangements (May 2018)</p> <p>3.4 Agree among producers, processors, and buyers on pricing and payment (June 2018)</p> <p>3.5 Agree on target production and marketing plans at each forum (June 2018)</p> <p>3.6 Participate in a regional international trade expo of high-value, sustainable food products and packaging (June 2018)</p> <p>3.7 Review value-chain performance and agreements at each forum (November 2017, November 2018, and November 2019)</p> <p>TA Management Activities</p> <p>Establish a steering committee and PMU, and appoint a project coordinator (December 2016)</p> <p>Mobilize consultants (June 2017)</p> <p>Confirm the selection of value chain clusters (July 2017)</p> <p>Confirm program of inputs by government partner agencies (July 2017)</p> <p>Conduct stakeholder workshops: inception (July 2017), midterm (December 2018), and completion (November 2019)</p> <p>Inputs</p> <p>ADB: \$500,000</p> <p>Note: The government will provide counterpart support in the form of counterpart staff, office accommodation, office utilities, secretarial assistance, taxes and duties, and other in-kind contributions.</p> <p>Assumptions for Partner Financing</p> <p>Not Applicable</p>

ADB = Asian Development Bank, HVA = high-value agriculture, MSMEs = micro, small, and medium-sized enterprises, PMU = project management unit, TA = technical assistance.

^a Defined by project.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	181.0
ii. National consultants	117.0
b. International travel	24.0
c. Reports and communications	2.0
2. Training, workshops, and study tour	
a. Training and workshops ^a	15.0
b. Study tour	15.0
3. Surveys and market research	10.0
4. Contracted services ^b	10.0
5. Miscellaneous administration support and operation costs ^c	10.0
6. Equipment	30.0
7. Vehicles ^d	50.0
8. Contingencies	36.0
Total	500.0

Note: The technical assistance (TA) is estimated to cost \$625,000, of which contributions from the Asian Development Bank (ADB) are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office accommodation, office utilities, secretarial assistance, taxes and duties, and other in-kind contributions.

^a Includes items such as training and demonstration materials for 20 training events and workshops benefitting about 500 participants in total. The study tour is described in the main text.

^b Includes domestic and international service providers for technical and laboratory assessments, certification, operational support services, prototypes, food technology formulations, business support services, and information and communications technology services.

^c Costs for domestic transport (e.g., bus hire) and project vehicle operation and maintenance.

^d Since the Queen's Project Office does not have sufficient vehicles, the project management unit will procure two four-wheel-drive pick-up utility vehicles following ADB's Procurement Guidelines (2015, as amended from time to time) using the shopping method. The vehicles will be turned over to the implementing agency upon physical completion of the TA.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The capacity development technical assistance (TA) will be implemented over 36 months, tentatively from January 2017 to December 2019. The Asian Development Bank (ADB) will engage a consulting firm or a consortium of international and national firms to provide consulting services and project management following its Guidelines on the Use of Consultants (2013, as amended from time to time). The executing agency will supervise the day-to-day work of the consultants and assume overall responsibility for producing the TA outputs and deliverables effectively and on time, consistent with the design and monitoring framework, and will assign counterpart staff to assist the consultants.

Table A3: Summary of Consulting Services Requirement

Positions	Person-Months Required
A. International	
1. Agribusiness value-chain development specialist and team leader	4.5
2. Marketing specialist	1.5
3. Product formulation specialist	1.0
B. National	
1. Enterprise capacity building specialist and deputy team leader	12.0
2. Market linkages and communications specialist	2.0
3. Product formulation specialist	2.0
4. Brand development specialist	2.0
Total	25.0

Source: Asian Development Bank.

A. Agribusiness Value-Chain Development Specialist and Team Leader (international, 4.5 person-months, intermittent)

2. The agribusiness value-chain development specialist and team leader will perform the following tasks:

- (i) provide overall supervision of the TA in close collaboration with the project management unit (PMU), through the project coordinator, to control the quality of outputs and monitor compliance with ADB procedures;
- (ii) prepare a review of the literature and commercial practices in sector strategy, trends, and competitiveness factors, including climate change impacts;
- (iii) assess and prioritize product value chains and micro, small, and medium-sized enterprise (MSME) clusters in collaboration with the One Village One Product initiative and the steering committee;
- (iv) prepare MSME value-chain maps, market analyses, and recommendations for value-chain strengthening, climate change risk mitigation, and product development and certification (e.g., organic, social, and environmentally inclusive business certification; and certification related to climate change);¹
- (v) provide technical advice to selected entities on capacity building and business planning;
- (vi) help selected entities prepare applications for matching grants for value-adding equipment, training, and business development;
- (vii) deliver knowledge presentations at value-chain coordination forums to link producer clusters and MSME enterprises to buyers and markets; and

¹ For example, a Swedish initiative was started in 2007 by KRAV and Swedish Seal (Svenskt Sigill) to develop climate certification for the food chain.

- (viii) prepare the project performance monitoring system, evaluation framework, and progress and technical reports.

3. The consultant should have at least 10 years of experience in high-value and certified organic production, value adding, and marketing in a private sector capacity and also with international development agencies, and should have a proven track record as a team leader in high-value agribusiness development. The consultant should have experience in Bhutan or in the Asian region, and have qualifications in agribusiness, marketing, or agricultural economics.

B. Enterprise Capacity Building Specialist and Deputy Team Leader (national, 12 person-months, intermittent)

4. The enterprise capacity building specialist and deputy team leader will perform the following tasks:

- (i) review Bhutan's strategies and programs related to the high-value agriculture sector, identifying trends, competitiveness factors, and opportunities;
- (ii) assess and select priority product and MSME clusters in collaboration with the team leader, PMU, and value-chain stakeholders;
- (iii) assist the team leader in preparing value-chain maps of the MSME clusters;
- (iv) in cooperation with partner government agencies (such as the Department of Agricultural Marketing and Cooperatives, National Organic Program, Bhutan Agriculture and Food Regulatory Authority, and Post-Harvest Center), prepare a needs assessment and a needs-based training and capacity building program and budget for selected MSME clusters;
- (v) in close coordination with the National Commission for Women and Children as well as experts from the Decentralized Coordination and Partnerships for Gender Equality Results TA project,² prepare an approach to enable the participation of women and MSMEs headed by women in these TA activities. The approach will be based on assessment barriers and opportunities to enable women's participation in these TA activities, and will include recommendations to enable women to participate in all training programs and knowledge-sharing activities developed under this TA;
- (vi) prepare a simple monitoring framework to assess the project's baseline and progress in terms of inclusive business indicators, including commercial performance (sales revenue, profit, number of new products, and value of new marketing agreements) and women's participation (in each MSME cluster, each phase of the value chain, and in training activities);
- (vii) prepare a knowledge product guideline for prioritized MSME clusters on methods to enhance inclusive business development and provide training based on this;
- (viii) manage implementation of the training program and provide training as appropriate;
- (ix) identify grant financing opportunities available through the government, development partners, and nongovernment organizations (NGOs);
- (x) identify development financing opportunities and requirements from banking and financial institutions;
- (xi) supervise implementation of matching grants for business development, in collaboration with the PMU;

² ADB. 2014. *Technical Assistance to the Kingdom of Bhutan for the Decentralized Coordination and Partnerships for Gender Equality Results*. Manila.

- (xii) facilitate and deliver knowledge presentations at value-chain coordination forums to link producer clusters and MSMEs to buyers and markets; and
- (xiii) prepare progress and technical reports under the guidance of the team leader.

5. The consultant will (i) have at least 10 years of experience in project management, high-value agriculture, and private sector development, and have qualifications in management, agriculture, business, or a related field; (ii) preferably have experience in the private sector, the government, or NGOs; and (iii) have knowledge on gender and development issues in agriculture production.

C. Marketing Specialists

6. The international marketing specialist (1.5 person-months, intermittent) and national market linkages and communications specialist (2.0 person-months) will perform the following tasks:

- (i) the international marketing specialist will be responsible for the assessment of the market potential of and constraints on priority products and MSME clusters, in collaboration with the national market linkages and communication specialist;
- (ii) the national market linkages and communication specialist will design and carry out a domestic market survey of priority products, analyze results, and prepare a situation report that will include recommendations for product development, product differentiation; quality improvements, customer value perception, and market segments (including tourism, hospitality, and domestic market) and their requirements;
- (iii) the international marketing specialist under the supervision of the team leader, will be responsible for designing and carrying out a survey of relevant products, buyers, and retail chains in the health and sustainability segment in representative international markets, and prepare a report and presentation on the survey analysis and recommendations, highlighting potential product development strategies and listing potential buyer details;
- (iv) the international marketing specialist will recommend types of certification that are recognized in the target markets, and assess the proportion of value added by these certifications;
- (v) the national market linkages and communications specialist will arrange for sample Bhutanese products to be delivered to selected market buyers who have expressed interest, and obtain and collate their feedback and recommendations to MSME clusters; and
- (vi) the international and national consultant will jointly design and deliver capacity development initiatives to use information communication and technology tools and platforms (including social media) for communication among value-chain participants and for marketing-related initiatives.

7. The consultants will have at least 10 years of experience in marketing development for high-value agriculture and food products, including for organic, fair trade, or similar certification. The specialists will have qualifications in marketing or agribusiness, and have experience in the private sector, the government, or NGOs in a development context.

D. Product Formulation Specialists

8. The product formulation specialists (international, 1 person-month; national, 2 person-months, intermittent) will perform the following tasks:

- (i) assess and prepare a report on the existing and recommended product range and product formulations of prioritized MSME clusters in terms of food safety, quality, shelf life, unit size, packaging, and presentation;
- (ii) work with selected MSME clusters to prepare improved recipes and product formulations for processed and packaged food products that are aligned with market opportunities, including for organic and health foods;
- (iii) ensure any food ingredients and additives that may be recommended (e.g., antioxidants, flavors, emulsifiers, gums, and stabilizing agents) are allowed under international food standards (and organic standards if that is the target market for specific products), and support the sustainable and healthy food concept aligned with Brand Bhutan,³ and prepare a list of reliable and feasible suppliers of these food ingredients;
- (iv) work with the Bhutan Culinary Association and selected tourist hotels and restaurants to prepare a menu of Bhutanese food and spice products, their quality specifications, and recipes for promotion to the tourism and hospitality industries; and
- (v) deliver knowledge presentations at value-chain coordination forums to link producer clusters and MSMEs to buyers and markets.

9. The consultants will have at least 5 years of experience in food processing and food product development, including experience in the private sector, the government, or NGOs in a development context. The consultants will have qualifications in food technology, culinary arts, agribusiness, or a related field. The consultants will have demonstrated understanding of the requirements for certification to food safety and organic standards for processed food products.

E. Brand Development Specialist

10. The brand development specialist (national, 2 person-months), will perform the following tasks:

- (i) review the literature on Brand Bhutan and obtain stakeholder recommendations for its strategic development;
- (ii) prepare a knowledge product for the high-value agriculture and food subsectors, summarizing the brand concept, embodied value attributes, and quality standards;
- (iii) prepare a report for the government and the Bhutan Chamber of Commerce and Industry outlining the strategic development of Brand Bhutan;
- (iv) in collaboration with the team leader and marketing specialists, review the types, standards, and procedures for product certification and inclusive business certification schemes to support Brand Bhutan, and prepare a report with appropriate recommendations for Brand Bhutan; and
- (v) prepare a knowledge product to guide prioritized MSME clusters on the benefits of and process for certification and brand and intellectual property registration.

11. The consultant will have at least 5 years of experience in brand marketing and intellectual property, and business development in a commercial law context. The consultant will have qualifications in commercial law, business, or marketing, and have experience in the private sector, the government, or NGOs in a development context.

³ In October 2014, the Department of Trade, with support from UNDP and global brand partner FutureBrand, developed the Brand Bhutan strategy, which reflects the values of Bhutanese society, history and Gross National Happiness philosophy, and recognizes country of origin as a dimension of brand strength in export markets.

F. Project Management and Deliverables

12. The consulting firm will ensure the consultants are appropriately qualified and experienced, fully briefed, and mobilized according to the schedule described in the inception report and work plan. The consulting firm will establish a project bank account in Bhutan for the project expenses it is responsible for, including national consultants' fees and expenses, surveys and market research, contracted services, and miscellaneous administration support costs such as operational expenses.

13. The consulting firm will be responsible for the following TA deliverables:
- (i) inception report, work plan, and training plan (by month 5);
 - (ii) quarterly progress reports with financial statements and invoices;
 - (iii) report on sector strategy and recommendations for priority MSME clusters (by month 7);
 - (iv) analysis of priority MSME clusters (by month 10);
 - (v) business development plans for priority MSME clusters (by month 18); and
 - (vi) final report (by month 34).