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Acronyms

1. BRCSA-Building Resilience Commercial Smallholder Agriculture
2. BFDA-Bhutan Food and Drug Authority
3. BSB-Bhutan Standard Bureau
4. B2B-Business to Business
5. BOS-Bhutan Organic Standard
6. CLEAR-Consolidated Livelihood Exercise for Analyzing Resilience
7. FSL-Food Safety License
8. GHP-Good Hygiene Practice
9. GMP-Good Manufacturing Practice
10. GYIH-Gender and Youth Inclusive Hub
11. IFAD- International fund for agricultural Development
12. MoAL-Ministry of Agriculture & Livestock
13. MBS-Market Based Solution
14. MSP-Multi-Stakeholder Platform
15. PPPP-Public Private Producer Partnership
16. TA-Technical Assistant
17. ISO-International Organization for Standardization
- 18. IEC-International Electrotechnical Commission**
19. SoP-Standard Operating Procedures
20. WFP-World Food Program
21. RAMCO-Regional Agricultural Marketing Cooperative Office



1. Background

The project under the theme “*Building Resilient Commercial Smallholder Agriculture*” (BRECSA) is targeted for its implementation in four Dzongkhags; Sarpang, Tsirang, Trongsa and Zhemgang, which covers 37 Gewogs and 539 villages. The project will benefit 12,074 farmer households (47,088 beneficiaries) covering 60% women, 30% youth and 600 persons with disabilities in the project Dzongkhags. For project implementation, the International Fund for Agricultural Development (IFAD) is the supervising entity and lead implementation partner, while the World Food Programme (WFP) is the supervising entity for Technical Assistance and implementation support. The project is housed at Agriculture Research & Development Centre, Samtenling, Sarpang.

The BRECSA project aims to catalyze a 30% increase in resilient commercial agricultural production and improve food and nutrition security in the four target Dzongkhags by 2030, recognizing the diverse needs of farmer households ranging from those engaged in subsistence farming to those pursuing semi-commercial and commercial activities. Thus, the project aims to fundamentally transform smallholder agricultural practices into inclusive and resilient agri-food systems by adopting a climate-resilient, nutrition-sensitive, and commercial value chain approach.

2. Current situation and Rationale

The BRECSA project places a strong emphasis on inclusivity of gender and youth to drive agricultural development in Bhutan. However, existing farmers' groups and/cooperatives are not able to perform effectively due to a mismatch of the work being performed. Farmers are facing challenges in marketing their products due to poor market access precipitated by weak linkages in the agri-food value chain; production, aggregation/ collection, processing, packaging, transport, and distribution.

The establishment of Agri-food hubs stems from the significant gender gap and weak participation of youth in agriculture production in Bhutan. Women face high unemployment rates, limited managerial roles, and challenges such as low productivity and poor market access. Similarly, youth show low interest in agriculture due to perceptions of laboriousness



and low remuneration. Nevertheless, the Project aims to empower women and youth, addressing the challenges and supporting agricultural modernization and resilience (PIM 2023). The transformation of smallholder agricultural practices into inclusive and resilient agri-food systems requires focus on commodity based potential production in different agro-ecological zones, investing in production and marketing infrastructure, introducing internationally recognized food standards, and promoting an enabling financial, policy, and innovative digital environment. Therefore, the investment in the establishment of agri-food hubs warrants a proper feasibility study and development of linkages of Farmers' groups and/cooperatives to these hubs, empowering women and youth to ensure inclusiveness in the Agri-food hubs operation and management.

3. Scope

The guideline will facilitate the establishment, operation and management of Gender and youth inclusive Agri-food hubs in the project Dzongkhags and ensure proportionate engagement of women and youth in fulfillment of the project requirement, serving as a model school for farmers in terms of value chain management and technology transfer. Further, it shall provide a basis for establishment of agri-food hubs of different scale based on commodity production potential, accessibility, and market. The guidelines shall facilitate forward and backward linkages in Agri-food value chain and quality assurance for food safety and commercial farming.

4. Objectives

- To facilitate development of market infrastructure and market access, creating production zones by promoting the commercialization of prime agricultural commodities through lead farmers, linking farmers groups and cooperatives with the aggregators
- To strengthen logistics in value chain systems for agricultural commodities to enhance aggregation points facilitating the processing, packaging, and marketing of Agri-food products.
- To guide proportionate engagement of gender and youth in agriculture commercialization through Agri-food hubs establishment, operation, and management



5. Goals

- The goal is to implement climate-resilient farming practices and establish agri-food hubs for resource access and technology transfer, engage farmers in groups and cooperatives for large-scale production, and formalize the Agri-food value chain to ensure food quality and safety.

6. Business Models and Operational Modality

The Gender and Youth Inclusive Hub shall adopt an inclusive and an integrated business model where all stages of the value chain are integrated in the hub.

6.1. Business models

6.1.1. Support to farmers' groups or organizations business model.

This business model should enable the farmers groups or organizations to structure its resources, services and collaboration with members, traders, suppliers, and partners to create and capture value for investment grounded on the principles outlined below:

- The hub should operate purely based on the business model with profit as a primary motive right from the initial stage.
- The hub should address customer needs, maximize revenue opportunities, and manage costs effectively.
- The hub should follow the “Market Based Solution” (MBS) where the hub produces products or services based on the demand from the customers.
- The hub should address social responsibilities, including ethical sourcing, employee well-being and community engagement.
- The hub should bring about direct benefits to smallholder farmers in securing production, adding value to products, enhancing market access, diversifying their source of income and improving their food and nutrition security.

6.1.2. Public-Private-Producer Partnership (PPPP) Business Model

1. The project will encourage Public-Private-Producer Partnership (4P) as sustainable approach to agri-entrepreneurship development in four target Dzongkhags. This is mainly



to enable sharing of scarce resources, risks involved and responsibilities that might be too costly or complex to be borne by the Government or private sector alone, ensuring long-term sustainability of project interventions.

2. The 4Ps business model in BRECSA financed hub should function in such a way that private sector can be a source of funding both in cash and kind. For instance, the private sector can provide inputs on credit and technical assistance, as well as making advance payments on any form of procurement.

6.2. Operational Modality

The operational modality of Gender and Youth Inclusive Hub is grounded on the principle of participatory governance practices where each actor in the value chain collaborates with the hub operator, ensuring business innovation, growth, profitability, viability, and replicability of the business model. The roles of different actors at each stage of the value chain are as follows:

Role of farmers' organizations and/or hub operator

- Manage shared facilities or resources in the hub based on the Standard Operating Procedure (SoP) and By-Laws developed by the Group/ Organization.
- Render aggregation, sorting, processing, packaging, and transportation services as per the contractual terms and conditions.
- Render technical support to ensure that members have adequate access to production inputs and credit services.
- Monitor and provide production and post-production support to ensure application of agreed quality, quantity, and timing standards.
- Monitor and support performance of members in accessing, utilization and repaying credit, if any.

Role of Value Chain Actors

- Collaborate and support to the sustainable growth of inclusive hub through provision of production input support, aggregation, transportation, and marketing of products.

Role of Private Sector



- Collaborate and provide support to the hub operator both in cash and kind, as per the SoP and contractual agreement.
- Support in sustainable growth of hub through provision of producer financing by way of distribution and production credit.

Role of Government (With IFAD financing and TA support from WFP, BFDA and RAMCO)

- Finance technical support to collectively establish inclusive hub and organize farmers.
- Support required production, processing, grading, packaging, and market infrastructures based on the business model being adopted.
- Provide required supports to ensure that smallholder farmers who are linked to the hub have assured access to production inputs, including credit, to maintain production quality, quantity, and timing standards.
- Monitor and assess the performance of hub, including all actors, to ensure that production standards are maintained.

7. Features and Services

7.1. Capacity building and Technology transfer

- Comprehensively address capacity development in the areas of production, post-harvest, processing, packaging, and marketing.
- Focus on tailor-made capacity building on Multi-Stakeholder Platforms (MSP), Business to Business (B2B), market linkages, product certification, and market exploration.
- Identify the training needs and gaps of the members and other value chain actors, and then customize training programs as per their needs.
- Promote climate resilient technologies.

7.2. Inputs Supply

- The hubs will serve as an input supplying center to ensure that smallholder farmers linked to the hub have assured access to production inputs.



7.3. Grading and Packaging facilities

The hubs will have a modern grading and packaging facilities based on the prioritized value chain interventions.

7.4. Processing and value addition facilities

The hubs will have a processing and value addition facilities being established based on the feasibility and viability analysis.

7.5. Sales outlet facilities

The hubs will have a functional sales outlet for the hub operators to sell local produce aggregated from the nearby farmer groups based on the production and market potential of the prioritized commodities.

7.6. Recreational facilities

Hub should include indoor and outdoor recreational facilities, which will be decided after detailed need assessment.

8. Hub establishment and operation

- The establishment of Gender and Your Inclusive Hub and its scale of operation shall be pursued based on commodity production potential and market accessibility of the product in the project Dzongkhags.
- The Hubs should facilitate backward and forward linkages in the value chain by using Multi-stakeholders Platform (MSP) to enhance efficiency of value chain operation that would ensure fair share of profit amongst all actors in the value chain.
- The MSP should be conducted at least once in a year to bring all actors together to deliberate, discuss, and resolve business issues.
- The operation of hubs shall be given preference to eligible women, youth and persons with disabilities. However, in order to ensure viability and sustainability of interventions, the selection.



7.7. Infrastructure Development

- The Hub infrastructure will be categorized into three different scales of operation: small, medium, and large hubs, according to the production potential, number of households, accessibility and strategic location.
- The identification, construction, and size of the hubs will be determined by the detailed feasibility study conducted.
- The Consolidated Livelihood Exercise for Analyzing Resilience (CLEAR) and Agriculture Resilient Plan (ARP) should be taken into account during the development of infrastructure.
- The infrastructure should house facilities for collection, storage, aggregation, processing, packaging, and marketing sales outlets.
- Biosecurity, food safety and waste management should be implemented in accordance with the fulfillment of the concerned agencies.
- To the extent possible, green and climate resilient technologies such as solar energy will be encouraged in the hub.
- The Bhutan Standards Bureau (BSB) standards should be applied for the design and drawing of the hubs.
- The infrastructure should have user-friendly for people with disabilities by incorporating facilities such as ramps, elevators, and accessible restrooms.
- Facilities like housing and basic recreational amenities should be integrated into the hub.

7.8. Quality Assurance and Certification

- The establishment of Agri-food hubs for processing and packaging should comply with the Bhutan Food & Drug Authority (BFDA), Good Hygiene Practices/Good Manufacturing Practices (GHP/GMP) criteria for food and livestock products as requirements for food safety and quality assurance. Interested enterprises and food businesses can undertake Food Safety License (FSL) as per ISO/IEC 17020. For quality



assurance related to seeds and seedlings, Nursery registration and seed certification shall be undertaken.

- The agricultural produce will be certified based on Bhutan Organic Standard (BOS), Bhutan GAP standards, or any other international standards.
- The products will undergo regular sampling and testing by the National Food Testing Laboratory or other externally accredited laboratories to ensure quality and safety.

8. Hub financing

The BRECSA project will support the establishment of Gender and Youth Inclusive Hub (GYIH) based on the business model adopted. However, the support from the project will be provided in accordance with the Cost Sharing Guidelines of the MoAL.

9. Criteria for Selection of Agri-Entrepreneurs for the operation of Hub

The potential agri-entrepreneurs for the operation of the GYI Hub will be selected based on the following criteria:

- The interested applicant should be a permanent resident of project landscape Dzongkhags.
- The applicant is genuinely interested to stay back in the village and take up agri-entrepreneurship.
- The interested applicant should be in the age range of 18 to 34 years with a minimum qualification of Class X passed.
- The preference will be given to youth and women candidates who have a prior experience in farming or have undergone training in entrepreneurship.

10. Selection Process

The potential candidates will be selected based on the multi-pronged approach following the international best practices as outlined below:

- Expression of Interest: The implementing agency or the project will invite expression of interest and short listing of eligible candidates based on prescribed criteria.
- Written Test: The short-listed candidates will then be called for a written test.



- Psychometric Test: The candidates who got through the written test will be called for psychometric test.
- Personal Interview: The candidates who got through the psychometric test will be called for a personal interview.
- Announcement of Result: The implementing agencies or the project will then announce the result of the selected candidates.
- Capacity development: The selected candidates will be provided with rigorous agri-entrepreneurship training before they are assigned to operate the hub.

11. Risk management.

11.1. Financial risks

- Limited access to financial support may lead to financial instability which entails project failure. As such to curb the risk:
- Develop a strong financial plan to ensure that the project has a clear road map for budgeting and source of income.
- Diversify fund sources including PPP model, donor fund, private investor, etc.
- Leverage existing structures/facilities for the project to minimize cost.
- Build strong partnership with relevant stakeholders to increase financial stability and access to resources.
- Monitor financial performance to identify potential issues periodically to help reduce the risk of financial instability.

11.2. Operational Risks

- Operation risks such as supply of inferior quality equipment, underutilization, lack of commitment from the members, inconsistent supply of raw materials and market associated risks are anticipated. Therefore, to mitigate these risks following measures should be adopted:
- Procurement of quality equipment, spare parts, trained technicians, and periodic maintenance
- Execute contract agreement amongst the members.



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- Contract farming with appropriate Memorandum of Understanding signed.
 - Conduct market study analysis of potential value chain commodities.
 - Establish Multi-stakeholder Platform (MSP) to foster synergies among actors, enabling them to collectively identify opportunities, address bottlenecks and alternately come up with solutions.

12. Monitoring and Evaluation

- The monitoring of the hubs should be conducted by the BRECSA-PMU in collaboration with the respective dzongkhags and the relevant Civil Society Organization until the completion of the project period.
- The monitoring will be scheduled three times in a year; quarterly, bi-annually, annually. However, ad-hoc monitoring should be conducted as and when required.
- A standard monitoring format will be developed by the monitoring team.
- Evaluation will be conducted once in every two years by a third party in order to ensure fair assessment of the performance of the Agri-food hubs.



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