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GAFSP GRANT NUMBER TF0B6044

# **Global Agriculture and Food Security Program Grant Agreement**

**(Additional Financing for Food Security and Agriculture Productivity Project)**

**between**

**KINGDOM OF BHUTAN**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
acting as Supervising Entity of the Global Agriculture and Food Security Program**

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**GAFSP GRANT NUMBER TF0B6044**

**GLOBAL AGRICULTURE AND FOOD SECURITY PROGRAM  
GRANT AGREEMENT**

AGREEMENT dated as of the Signature Date between THE KINGDOM OF BHUTAN (“Recipient”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”), acting as Supervising Entity of the Global Agriculture and Food Security Program (“GAFSP”) for the purpose of providing additional financing for the Project.

WHEREAS: (A) under an agreement dated May 18, 2017, between the Recipient and the World Bank (“Original Grant Agreement”), the World Bank, acting as Supervising Entity of the Global Agriculture and Food Security Program (“GAFSP”), agreed to provide to the Recipient a grant in an amount equivalent to eight million United States Dollars (US\$ 8,000,000) to assist in financing the project described in Schedule 1 to the Original Grant Agreement (“Original Project”);

WHEREAS: (B) the Recipient has requested the World Bank, acting as Supervising Entity of the Global Agriculture and Food Security Program (“GAFSP”) for an additional grant to assist in financing the project described under Schedule 1 to the this agreement and the Bank, acting in such capacity, has agreed to extend an additional grant to the Recipient for such purpose in an amount equivalent to four million six hundred forty thousand United States Dollars (US\$4,640,000), pursuant to this agreement between the Recipient and the Bank (“Additional Grant Agreement”); and

The Recipient and the World Bank hereby agree as follows:

**Article I  
Standard Conditions; Definitions**

- 1.01. The Standard Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the Original Grant Agreement, in this Grant Agreement, or in the Appendix to this Agreement.

**Article II  
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry

out the Project through MoAF, with the assistance of the Implementing Agencies, in accordance with the provisions of Article II of the Standard Conditions.

- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **Article III The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to four million six hundred forty thousand United States Dollars (US\$4,640,000) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

### **Article IV Recipient’s Representative; Addresses**

- 4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.
- 4.02. The Recipient’s Address is:

Ministry of Finance  
Tashichhodzong  
Thimphu, Kingdom of Bhutan

Facsimile:

00975-2-323154

4.03. The World Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex:	Facsimile:
248423 (MCI) or	1-202-477-6391
64145 (MCI)	

AGREED as of the Signature Date.

**KINDGOM OF BHUTAN**

**By**

*Mr. Lekzang Dorji*

\_\_\_\_\_  
**Authorized Representative**

**Name:** Mr. Lekzang Dorji  
\_\_\_\_\_

**Title:** Director General  
\_\_\_\_\_

**Date:** 07-Aug-2021  
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**INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT**  
**acting as Supervising Entity of the Global Agriculture and  
Food Security Program**

**By**

*Dandan Chen*

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**Authorized Representative**

**Name:** Dandan Chen  
\_\_\_\_\_

**Title:** Acting Country Director  
\_\_\_\_\_

**Date:** 07-Aug-2021  
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## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to increase agricultural productivity and enhance access to markets for farmers in Selected Gewogs in south-west Bhutan.

The Project consists of the Original Project and the following additional activities:

#### **Part 1. Strengthening Farmer and Producer Groups**

1.1 *Farmers' Group Strengthening and Formation:* Strengthening the existing mechanism of farmers' group formation and provision of capacity development to farmers' groups, RNR officials, and community resource persons (CRPs) on farm business management such as business orientation, financial literacy, book-keeping, market assessment, and on Climate Smart Agriculture (CSA).

1.2 *Strengthening Producers' Groups:* Supporting the formation of Producers' Groups using a cluster-based approach, including through the provision of capacity building in areas such as organizational governance, value chain analysis, business development, quality control, access to finance, and marketing, and CSA.

1.3 *Contributing to Improved Nutrition:* Carrying out awareness raising activities for dietary diversity and nutrition among targeted population, including through a behavior communication change strategy, communication approach, and an in-depth diagnostic analysis of dietary behaviors, development of training materials, community mobilization, and participatory training to farmers' groups, delivered via training for CRPs and via support to the Food for Health Initiative of the MoAF.

#### **Part 2. Enhancing Farmer Productivity**

Promoting climate smart agriculture through productivity enhancement of rice, vegetables, pulses, and potatoes for improved food security and nutrition, and key high value crops for local and export market, including:

2.1 (i) the rehabilitation/construction of four (4) irrigation facilities in Targeted Gewogs; (ii) the provision of high efficiency micro-irrigation schemes for improved horticulture and cash crops in Selected Gewogs; and (iii) the creation and strengthening of water user associations and water user groups in improved agronomic practices, water use efficiency, and in the operation and maintenance of irrigation systems.

2.2 providing technical and institutional capacity building to farmers, extension services, and selected agricultural institutions to improve farm management and sustain Project activities; and

2.3 provision of equipment and goods to Eligible Beneficiaries.

### **Part 3. Enhancing Access to Markets**

#### **3.1 Post-harvest and Market Infrastructure Support**

Provision of support to farmers to minimize post-harvest losses, improve commodity shelf life, enhance product quality, storage and packaging, and transportation including through: (a) training and exposure visits of lead farmers and Producers' Groups; (b) the creation of, and provision of equipment and goods to, Food Processing Groups for preparation, packaging and marketing of food; (c) the construction and rehabilitation of farm shops; and (d) installation of cold storage facilities.

#### **3.2 Linkage to Domestic and Export Markets**

(a) Provision of support to DAMC to review and upgrade the market information system.

(b) Strengthening linkages, knowledge sharing, and interactions among producers through the promotion of the use of mobile technology.

(c) Facilitating knowledge and information exchange between Producers' Groups, traders, exporters and key stakeholders through, *inter alia*: (i) the organization of buyer-seller meetings; (ii) the dissemination of information such as production, market, applicable policies, international trade practices, and trade negotiation; (iii) the facilitation of linkages for effective value chain functioning; and (iv) piloting an online marketing application including its development and implementation.

(d) Facilitating productive linkages between Producers' Groups and schools through exposure visits to successful home-grown school feeding programs and developing the capacity of: (i) Producers' Groups in establishing partnerships with schools and accessing local markets to sell their produce; (ii) schools to improve school menus based on the crop calendar; and (iii) school cooks to make use of seasonal foods and increase nutrient retention.

### **Part 4. Project Management**

Supporting Project management and implementation, including: (i) coordination; (ii) monitoring and evaluation, including baseline surveys, annual outcomes survey, mid-term assessment, and end-of-Project evaluation; (iii) providing technical assistance; (iv) establishing an effective mechanism for grievance redressal; (v) conducting a capacity needs assessment of Project staff and providing requisite knowledge, management skills, exposure visits, and specific thematic/technical training in a systematic manner; (vi) Project communication and knowledge dissemination; (vii) carrying out reviews, studies, and policy analysis; and (viii) providing support for operational costs including travel, vehicle maintenance, and Project Support Team and Project Steering Committee (PSC) meetings.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation and Other Arrangements

The implementation and other arrangements described in Section I of Schedule 2 to the Original Grant Agreement are hereby incorporated by reference in this Section, unless the context otherwise requires, and shall apply, *mutatis mutandis*, to the Financing, and the Recipient hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

#### Section II. Project Monitoring, Reporting and Evaluation

##### Project Reports

The Recipient shall ensure that each Project Report is furnished to the Bank not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

#### Section III. Withdrawal of Grant Proceeds

##### A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; and (b) this Section; to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training and Incremental Operating Costs under the Project (other than Parts 2.3 and 3.1(b) of the Project)	2,343,000	100%
(2) Goods under Parts 2.3 and 3.1(b) of the Project	2, 297,000	100% (excluding any Eligible Beneficiary Cash Contribution)



<b>TOTAL AMOUNT</b>	4,640,000	
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**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 30, 2024.

**APPENDIX**  
**Definitions**

1. “Affected Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impact on the livelihoods of such persons.
2. “AMC” means Agriculture Machinery Centre, the center of the MoAF responsible for, *inter alia*, the research and development of improved agriculture equipment, promotion of improved agriculture technology, , and capacity development of the farmers in the use of improved technology and farming practices.
3. “Anti-Corruption Guidelines” means, for purposes of paragraph 2 of the Appendix to the Standard Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January, 2011, and as of July 1, 2016.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “DAMC” means Department of Agricultural Marketing and Cooperatives, the department of the MoAF responsible for promoting marketing of RNR products, facilitating institutional linkages, and strengthening farmers groups and cooperatives, or any successor thereto.
6. “DoA” means Department of Agriculture, or any successor thereto.
7. “Dzonkhags” means administrative districts established under the Recipient’s Dzongkhag Yargye Tshogdue Chathrim, 2002.
8. “Eligible Beneficiaries” means groups/individuals that meet the criteria acceptable to the World Bank and set forth in the Project Operations Manual for participation in Parts 2.3 and 3.1(b) of the Project.
9. “Eligible Beneficiary Cash Contribution” means the monetary contribution to be provided by Eligible Beneficiaries, as the case may be, in accordance with the cost-sharing arrangements set forth in the Project Operations Manual.
10. “ESMF” means the Environmental and Social Management Framework satisfactory to the World Bank, dated April 2016 and revised in February 2021, which includes the Land Acquisition and Rehabilitation Framework and which sets

forth the principles and procedures governing, *inter alia*, the environmental and social aspects of Project implementation and mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse environmental and social impacts under the Project.

11. “ESMPs” means, collectively, the Environmental and Social Management Plans to be prepared pursuant to Section I.E.1 of Schedule 2 to this Agreement, in accordance with the provisions of the ESMF, setting out mitigation, enhancement, monitoring and institutional measures, including capacity building through training, required to: (i) eliminate adverse environmental and social impacts of activities to be implemented under the Project; (ii) offset them, or reduce them to acceptable levels; and (iii) enhance any positive impacts thereof; as such plans may be revised, updated or supplemented from time to time with the prior written concurrence of the World Bank.
12. “Food Processing Groups” means community producer groups within the Project area who collectively utilize food processing centers for the preparation, processing, packaging, and marketing of locally produced food.
13. “GVCDPs” means the Gender and Vulnerable Community Development Plans to be prepared pursuant to Section I.E.1 of Schedule 2 to this Agreement, in accordance with the provisions of the ESMF, with the objective of avoiding cultural, social and economic adverse effects on women and vulnerable communities caused or likely to be caused by the Project, and through a process of informed consultation and participation, involving concerned women and vulnerable communities in the design and implementation of relevant Project activities; as such plans may be revised, updated or supplemented, from time to time, with the prior written concurrence of the World Bank.
14. “Gewogs” means administrative units within Dzongkhags established under the Recipient’s Geog Yargye Tshogchung Chathrim, 2002.
15. “Implementing Agencies” means, collectively, DoA, DAMC, Participating RDCs, Participating Dzongkhags, and Selected Gewogs.
16. “Incremental Operating Costs” means the incremental operating costs arising under the Project on account of local contractual staff salaries, travel and other travel-related expenditures, equipment rental and maintenance, vehicle maintenance and other reasonable costs related to vehicle operation, vehicle rental, bank charges and advertising expenses, materials and supplies and utilities and communications expenses, but excluding salaries of the Recipient’s civil servants.
17. “LARF” means the Land Acquisition and Rehabilitation Framework, satisfactory to the World Bank, for compensation, resettlement, and rehabilitation of Affected Persons, setting forth the guidelines, principles and procedures for mitigating any

adverse impact that may arise from resettlement under the Project, and incorporated in the section of the ESMF entitled “Land Acquisition”; as such framework may be modified from time to time with the prior written agreement of the World Bank.

18. “LARPs” means the Land Acquisition and Rehabilitation Plans to be prepared pursuant to Section I.E.1 of Schedule 2 to this Agreement, in accordance with the provisions of the LARF, identifying Affected Persons on account of implementation of Project activities, and setting forth the terms and conditions for providing them with resettlement assistance and/or compensation, as well as the procedures to be applied in the identification, assessment and mitigation of potential Project related social impacts, including the protocols for consultation, the processing of complaints and grievance redressal, monitoring and reporting requirements; as such plans may be revised, updated or supplemented, from time to time, with the prior written concurrence of the World Bank.
19. “MoAF” means the Recipient’s Ministry of Agriculture and Forests, or any successor thereto.
20. “Original Grant Agreement” means the grant agreement for the Food Security and Agriculture Productivity Project between the Recipient and the Bank, dated May 18, 2017, as amended to the date of this Agreement (TF0A4224-BT).
21. “Original Project” means the Project described in Schedule 1 to the Original Grant Agreement.
22. “Participating Dzonkhags” means, collectively, the Chukha, Dagana, Haa, Samtse, and Sarpang Dzonkhags; and any other Dzongkhag acceptable to the World Bank.
23. “Participating RDCs” means, collectively, the RDCs located at Bajo, Samtenling, and Yusipang; and any other RDC acceptable to the World Bank.
24. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 28, 2020 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.
25. “Procurement Regulations” means, for purposes of paragraph 20 of the Appendix to the Standard Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
26. “Producers Groups” means group of members deriving economic benefits from one or more economic enterprises related to the RNR sector and legally constituted and registered in accordance with the Recipient’s Cooperative Rules and Regulations, 2010, and/or the Recipient’s Cooperative (amendment) Act, 2009.

27. “Project Operations Manual” means the manual to be developed for the implementation of the Project and referred to in Section I.B.1 of Schedule 2 to this Agreement.
28. “Project Steering Committee” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement, or any successor thereto.
29. “RDCs” means Renewable Natural Resources Research and Development Centers, the centers established by MoAF at the regional level to provide support to agricultural development and serve as offices and housing for extension staff of the MoAF, or any successor thereto.
30. “RNR” means renewable natural resources.
31. “Safeguard Documents” means collectively, the ESMF (including the LARF), the screening reports and assessments, ESMPs, GVCDPs, and any other documents (to be) prepared, disclosed and implemented pursuant to Section I.E of Schedule 2 to this Agreement.
32. “Selected Gewogs” means, collectively, the Bongo, Dungna, Getana, Metakha, Sampheling, Drujeygang, Kana, Karmaling, Lhamoizingkha, Nichula, Gakiling, Usue, Samar, Sangbaykha, Dophuchen, Norbugang, Sangngagcholing, Tading, Tendruk, Gakidling, Shompangkha, Dekiling, Samtenling, Tareything, Phuentsholing, Kartsho, Largyab, Yoeseitse, and Umling Geogs; and any other Gewog acceptable to the World Bank.
33. “Signature Date” means the later of the two dates on which the Recipient and the Bank signed this Agreement and such definition applies to all references to “the date of the Grant Agreement” in the Standard Conditions.
34. “Standard Conditions” means the “International Bank for Reconstruction and Development and International Development Association Standard Conditions for Grant Financing Made by the Bank out of Trust Funds”, dated February 25, 2019.
35. “Targeted Gewogs” means, collectively, the Dekiling, Gakidling, Norbugang, and Dophuchen Gewogs targeted for participation under Part 2.1 of the Project.
36. “Training” means workshops and training, as defined in the training plan of the Recipient for the Project, including expenditures for the cost of design, planning and implementation of the trainings, training materials, facilities, course fees, travel, accommodation, allowances and subsistence for trainees in connection with these events.