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ANNEX 2

of the Commission Implementing Decision on the Annual Action Programme 2017 Part II and 2018 Part I to be financed from the general budget of the Union

Action Document for "EU-Bhutan Trade Support"

1. Title/basic act/ CRIS number	EU-Bhutan Trade Support CRIS number: ACA/2017/039-571 financed under the Development Cooperation Instrument			
2. Zone benefiting from the action/location	Bhutan (Asia) The action shall be carried out countrywide			
3. Programming document	Multiannual Regional Indicative Programme for Asia for the period 2014-2020			
4. Sector of concentration/ thematic area	Focal sector 1 (ASEAN): Connectivity through Sustainable and Inclusive Economic Integration and Trade	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost: EUR 4 000 000 Total amount of EU budget contribution: EUR 4 000 000			
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with the International Trade Centre – ITC			
7. a) DAC code(s)	33110 – Trade policy and administrative management			
b) Main delivery Channel	41000 – United Nations agency, fund or commission (UN) – International Trade Centre			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	Trade integration for green and inclusive growth			
10. SDGs	Main SDG Goal: goal 8 – promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all Secondary SDG Goals: goal 17 – strengthen the means of implementation and revitalize the global partnerships for sustainable development			
Summary The Royal Government of Bhutan (RGoB) is committed to economic reforms and removing constraints to growth within the concept of Gross National Happiness. The overall Bhutan Vision 2020, the current 11th Five Year Plan (FYP) 2013-2018, as well as the Economic Development Policy (2010, revised in 2016) outline policies on developing trade and investment for sustainable economic growth and poverty reduction. A Diagnostic Trade Integration Study (DTIS) was carried out in 2012 which includes a National Export Strategy, and identifies details on how trade and investment could contribute to the efforts of the RGoB for economic development and poverty reduction. The Multiannual Indicative Programme (MIP) 2014-2020 of the EU for Bhutan focuses on two sectors: (a) rural development and climate change as well as (b) governance, including local government, public finance management and civil society. The regional Multi-annual Indicative Programme for Asia 2014-2020 foresees complementary support to ensure that the country can benefit from enhanced trade with regional and global markets. The overall objective of the proposed action is to contribute to Bhutan’s economic growth and poverty reduction. The specific objective of the action is to increase export diversification, possibly contributing to and drawing upon the implementation of the “Brand Bhutan” initiative, by improving the capacities of trade and investment policy formulation and implementation, and increasing exports in selected value chains, i.e. horticulture and textile handicrafts.				

The Action will focus on two value chains, horticulture and textile handicrafts, as well as cross-cutting trade policy issues. It is expected to achieve the following outputs:

- Enhanced capacity in formulation and implementation of trade and investment policy and regulations;
- Increased export of high value horticulture products (including organic);
- Increased export of high value handicraft textile products.

The value chain approach will benefit in particular woman and youth.

These priorities were identified during project identification (June and November 2016) and confirmed during project formulation (January 2017). Broad consultations with the Government of Bhutan, other development partners, and other stakeholders took place to ensure an integrated approach.

It is proposed to implement the proposed Action through a project modality with an International Organisation. The **International Trade Centre (ITC)** has been identified as the preferred organisation to implement the project.

1. CONTEXT

1.1 COUNTRY CONTEXT

Bhutan is a small, land-locked and least developed country (LDC) situated between two large neighbours, i.e. India and China. The total population is currently about 765,000 persons. Bhutan has a total land area of 38,394 km² of which 72.5% are covered by forest. According to 2015 national data, the population below the poverty line, i.e. with a per capita income below USD 1.25 per day, stands at 12%. Bhutan's economy is traditionally based on agriculture and forestry which provide the main livelihood for more than 60% of its population. Agriculture consists largely of subsistence farming and animal husbandry. Most of the industrial sectors are of the cottage industry type. Rugged mountains dominate the terrain and make it very difficult and expensive to build and maintain transport, energy and other infrastructure.

In recent years, Bhutan has embarked upon a peaceful modernization and democratization process. Bhutan has also gradually embraced international trade and investment in order to achieve economic self-reliance and inclusive green socio-economic development. Under the 11th Five Year Plan 2013-2018 (FYP), Bhutan has set up ambitious goals to achieve full employment and graduate from the LDC status by 2020. Bhutan's exports are highly concentrated, with over 70% of exports consisting of only 10 commodities, and India accounting for more than 80% of exports by destination in 2015. The main export products include hydropower-generated electricity and primary products to India. This high degree of concentration leaves Bhutan economically vulnerable and dependent.

Furthermore, Bhutan's trade deficit has been consistently large and growing and is currently estimated at 32,808 million Ngultrum (Nu) including electricity, and 44,682 million Nu, excluding

electricity in 2015¹. Bhutan must increase its trade competitiveness and diversify its export markets in order to mitigate the risks associated with concentrated exports and a growing and unsustainable trade deficit.

In the last two decades, Bhutan has experienced structural changes to develop its industrial and services sectors. The attempt has, however, yet to result into productive employment opportunities, vibrant private sector growth, and economic and trade diversification. The Bhutanese economy continues to provide very limited employment opportunities for the population, particularly for youth and women.

1.2 PUBLIC POLICY ASSESSMENT AND EU POLICY FRAMEWORK

Bhutan has recently gone through the transition from an absolute monarchy to a constitutional democracy. In 2008, the first national assembly elections were held and the Constitution was adopted. Bhutan adopted its Vision 2020 based on the concept of *Gross National Happiness*, i.e. peace, prosperity and happiness. The peaceful modernization and democratization process has yielded results, not only in terms of political stability, but also in economic growth and poverty reduction. Annual average growth was more than 8% in 2008-2014 and the per capita income increased from USD 730 in 2000 to USD 2,068 in 2014. Poverty in the country has been reduced by half from 23% in 2007 to 12% in 2015 (national data).

In order to promote trade and investment and reduce poverty, the RGoB has formulated various public policies. These include the Economic Development Policy (EDP) of 2010, updated in June 2016, and the Foreign Direct Investment (FDI) Policy 2010 (amended in 2014). The FDI policy has improved the investment climate in the country, by relaxing the conditions for foreign investment (repatriation of dividends, reduction of the minimum threshold for equity share holding, etc.). A Diagnostic Trade Integration Study (DTIS) carried out in 2012 identified specific opportunities to enhance trade. In line with its efforts to promote trade and investment, Bhutan launched the "Brand Bhutan" initiative to promote exports in February 2016. The initiative has yet to deliver on its expectations.

The EDP is the guiding document for all the ministries and agencies to stimulate economic growth, and to ensure consistency with the current 11th FYP. More specifically, the EDP mentions that trade is an essential contributor to economic growth and employment creation. The policy focuses on creating an improved regulatory and enabling environment for more robust trade by simplifying administrative procedures and deregulating wherever feasible.

The 2016 update of the EDP includes further reforms such as implementing a quality assurance program to support export oriented businesses to meet market quality requirements or revising the rules and procedures for imports from third countries by 2017. The promotion of agro-based products through fair and ethical trade in the framework of "Brand Bhutan" as well as organic certification is also part of the EDP.

¹ Bhutan's currency Nu is pegged with the Indian rupee at a 1:1 ratio.

The overall goal of the current 11th FYP (2013-2018) is the “self-reliance and inclusive green socio-economic development” with four important pillars, i.e. (1) equitable and sustainable socio-economic development; (2) preservation of the environment; (3) preservation and promotion of the Bhutanese culture; and (4) strengthening good governance. The current FYP highlights the important role of trade and investment for economic development and poverty reduction. The RGoB will build on the EDP to develop the 12th FYP (2018-2023). The importance of trade and investment for the economic development of the country are expected to remain at the core of the 12th FYP.

In order to maximize the impact and contribution to the development objectives of the RGoB, the EU’s bilateral assistance to Bhutan focuses currently on two strategic areas: (1) renewable natural resources, including rural development particularly related to agriculture and forestry; and (2) good governance, including local government development, public finance management, and support to civil society. In addition, the EU provides support through thematic programmes in the area of climate change. The EU’s regional Multi-annual Indicative Programme for Asia 2014-2020 foresees complementary support to ensure that the country can benefit from enhanced trade with regional and global markets.

Overall, Bhutan’s trade sector policy supports the objectives of poverty reduction, sustainable and inclusive growth, and democratic governance.

1.3 STAKEHOLDER ANALYSIS

The following is a summary of the main stakeholders involved in the proposed Action:

Gross National Happiness Commission (GNHC): The GNHC is responsible for the overall development planning of the country. GNHC is the interlocutor for development partners to design their support.

The Ministry of Economic Affairs (MoEA): The Ministry is responsible for trade and export development in Bhutan. Key departments for the Action are the Department of Trade (DoT), Department of Industry (DoI), the Policy and Planning Division (PPD), and the Department of Cottage and Small Industry (DCSI). The MoEA expressed the need to strengthen trade negotiation skills, carry out export and investment promotion, trade and market research, improve public-private dialogue through the **Better Business Council (BBC)**.

The Ministry of Agriculture and Forests (MoAF): The Ministry aims to develop the Bhutan agricultural sector, including horticulture, by transforming the sector from subsistence farming to market-oriented commercial farming in line with the objectives of the FYP. MoAF expressed the need for support to better understand agricultural trade-related issues, and to promote products in international markets.

Bhutan Chamber of Commerce and Industry (BCCI): The Chamber is the apex body of the private sector in Bhutan, representing 12 sector associations. Members, particularly SMEs and women entrepreneurs expressed the need for capacity building in the area of market information, compliance with market requirements and quality standards, export marketing and branding.

Bhutan Association of Women Entrepreneurs (BAOWE): The association aims to develop a social-consciousness-driven private sector and promote women entrepreneurs at the grassroots level thereby contributing to poverty reduction, self-reliance, and business from a GNH perspective to achieve the economic empowerment of women. Women entrepreneurs need support to enhance their understanding of and access to international markets.

Agency for Promotion of Indigenous Crafts (APIC): The agency is responsible for facilitating the equitable growth of the craft sector and its industry by enhancing skills and business knowledge with emphasis on innovation, product development and marketing. APIC would welcome assistance for market studies in the EU or US, design inputs as well as support in training and awareness-raising for artisans on better packaging and pricing.

Other stakeholders in relation to expected outputs 1 and 2 of the Action include the Bhutan Standards Bureau, National Statistical Bureau, Royal Institute of Management, and the Royal University of Bhutan. Stakeholders specifically related to Output 3 of the Action include the Handicrafts Association of Bhutan, Tarayana Foundation, the Tourism Council of Bhutan, and the Royal Textile Academy.

An additional important stakeholder is the **Ministry of Finance** for overall management of public finances.

Working with these institutions, building on their existing initiatives, and strengthening their skills and services to the private sector throughout the implementation of the Action will contribute to ensure project ownership, maximize results and their sustainability beyond the project span.

Table 1: Identification of partner institutions under overall coordination by the GNHC

Expected Output	Lead institution	Other partners
1. Enhanced capacity in trade policy regulations formulation, implementation and investment promotion (cross-cutting support)	Ministry of Economic Affairs (MoEA)	BCCI and members, BBC and members, Academia including Royal University and Royal Institute of Management
2. Increased capacities to export value added horticulture products	Ministry of Agriculture and Forestry (MoAF)	MoEA, BCCI and members, National Statistical Bureau, College of Natural Resources, Bhutan Standards Board
3. Improved quality and marketing potential of high value Bhutanese handicraft textile products with special focus on youth and women	Agency for Promotion of Indigenous Crafts (APIC)	MoEA, BCCI, BAOWE and members; Handicraft Association; Royal Textile Academy; Tarayana Foundation; Bhutan Tourism Board

1.4 PRIORITY AREAS FOR SUPPORT/PROBLEM ANALYSIS

Summary of the economic and trade-related strengths, opportunities, weaknesses and constraints

Bhutan benefits from strong natural endowments which, coupled with preferential market access, political stability and a generally educated labour force, offer high opportunities for growth. Below is the summary of Bhutan's economic and trade-related strengths, opportunities, weaknesses and constraints.

Table 2: Bhutan's trade related strengths, weaknesses, opportunities and constraints:

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Political stability • Peace and security • Market access • Educated labour force • Wide use of English language 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Narrow export product base and markets • Limited supply-side capacities • Inadequate transport infrastructure / High transportation costs • Lack of capacities in trade policy • Lack of market knowledge
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Low volume, high value (niche) products, including organic production; • Strategic geo-economic location with access to regional markets • “Brand Bhutan” initiative • Improvements in existing export initiatives 	<p style="text-align: center;">Constraints</p> <ul style="list-style-type: none"> • Geography/landlocked • Small domestic market

Analysis of the weaknesses and identification of related priority areas of support

The following are Bhutan's key weaknesses which the project aims to address.

- **Narrow export product base and markets:** Trade is highly dependent on a few commodities and one trading partner. About 80% of total exports consist of electricity, mineral products and base metal. India absorbs more than 80% of Bhutan's exports and provides more than 70% of its imports.
 - The Action will contribute to increase Bhutan's export diversification by improving the quality, supply capacities and sales to new export markets for selected value chains, be it regionally or beyond, including developed country markets.
- **Limited supply-side capacities:** Trade competitiveness is hampered by limited supply-side capacities while the country benefits from preferential market access, notably to the EU under the GSP's Everything but Arms scheme. About 85% of Bhutanese industries are small and micro industries or artisans, which are constrained by a lack of access to capital, technology, markets and skilled labour resulting in low volume, high cost and inferior quality. Production costs are relatively high in Bhutan – except in the electricity sector – and research and innovation capabilities are limited, resulting in low labour productivity. Small industries do not yet have the full capacity to grasp the benefits of the market access preferences granted by the South Asian Free Trade Area (SAFTA), Bhutan's free trade agreement with India, as well as

duty-free and quota-free access to the EU and to other developed markets, including the United States.

- The Action will address supply-side capacity constraints through training and coaching along selected value chains, instilling new production techniques, attracting investment, improving quality management, packaging and labelling, marketing and branding skills.
- **Inadequate infrastructure and high transportation costs:** The small size of the domestic market, being land-locked, and the mountainous terrain mean that building and maintaining infrastructure is expensive and transport costs are higher as compared to other countries. With limited access to income generating opportunities, the rural areas are much more affected by poverty. Around 98% of the poor are living in rural areas. Their livelihoods largely depend on agriculture and traditional crafts.
 - While the Action will not support transport and infrastructure development and upgrading, it will focus on markets for high value products and products with the highest impact on poverty reduction. While regional markets are important, developed country markets, notably the EU, hold the greatest potential for value-added horticulture and organic products and high-quality authentic handicrafts. This will be well coordinated and complement other programs, e.g. in rural development, climate change, and civil society support.
- **Lack of capacities in trade policy and regulations formulation, implementation and investment promotion:** Overall the public service of Bhutan is very competent and efficient. In the trade and investment areas, there are however many technical issues which are emerging and may lead to inconsistent policies and require constant update of knowledge and skills of government officials. For example, MoEA (and MoAF) officials need trade negotiation skills. They also need to formulate the foreign direct investment promotion strategy, particularly for the new industrial estates. Many government officials involved in trade and investment do not have the international exposure, knowledge, and skills to promote trade and investment outside of the country.
 - The Action will provide capacity building in trade negotiations, business advocacy and investment promotion, which are strongly required by both the public and private sector across value chains.
- **Lack of market knowledge:** Limited access to market information and understanding of market requirements in the region and beyond are major impediments to Bhutan's trade development and promotion across sectors.
 - The Action will provide support to identify trade opportunities, analyse and apply international market requirements and standards, building on the ITC's existing portfolio of projects and tools, notably the Market Access Map and the Standards Map.

Selection of the value chains

Underpinned by an export diversification and poverty reduction approach, the focus of the Action will be on increasing exports, income and employment along two selected value chains.

The selection of value chains has been guided by the following main criteria:

- Requests from country stakeholders,

- Priority value chains in the country’s development plans and strategies and in line with analysis already provided in the Diagnostic Trade Integration Study (DTIS),
- Potential for diversification and value addition while preserving traditions and culture,
- Impact on poverty reduction and employment for women and youth.

Selection has been made following desk research based on existing surveys, sector studies, and extensive consultations with the government, private sector and academia in Bhutan. As a result of the analysis, it was decided to focus on the following two value chains: (1) horticulture, and (2) handicraft textile products.

Agriculture represents 15% of GDP and remains the primary source of livelihood for 60% of the population. Over 95% of the earning women in the country work in the agricultural sector. Increased support in product and export diversification along agricultural value chains would lead to significant benefits for a large part of the population, including women in rural areas. The country has a favourable environment for the production of agricultural products such as potato, offseason vegetables, medicinal plants, mushroom, which have high value chain enhancement opportunities. Within the agricultural sector, horticulture holds high potential for value added niche products and markets such as spices, herbal plants and honey. These products significantly contribute to national income and employment among the rural population. The RGoB is emphasizing the need to diversify agricultural production from that of a subsistence type of farming to high value cash crops.

The textile industry is an integral part of Bhutanese life and culture. Almost half – 47% – of manufacturing employment is in textiles. This sector is especially important for women: 85.7% of all women employed in the manufacturing sector are in the textile sector. In particular, the textile handicraft industry could expand significantly in Bhutan. The Bhutanese Weaver Survey 2010 found that a total of 64,100 women are engaged in weaving activities on a regular basis. This means that at national level one out of five women or one out of three women between the age of 20 and 40 are weaving on a regular basis. Most of the weavers come from families that have a modest income and 10-15% of them are considered poor.

Horticulture and textile handicraft have been identified in the FYP and the DTIS as priority sectors for economic growth and with potential for value addition. The reasons for proposing these value chains are as follows:

Table 3: Selection of value chains

Criteria	Horticulture	Handicraft textile products
Requests from country stakeholders	Request from MoEA and MoAF, i.e. Bhutan horticulture programme geared towards transforming the sector from subsistence farming to market-oriented commercial farming	Request from MoEA/Department of cottage & small industry, APIC, HAB, BAOWE
Priority in the country’s development plans and strategies	<ul style="list-style-type: none"> • 11th Five Year Plan • DTIS • “Brand Bhutan” / ”Grown in Bhutan” 	<ul style="list-style-type: none"> • 11th Five Year Plan • DTIS • “Brand Bhutan” / ”Made in Bhutan”

Criteria	Horticulture	Handicraft textile products
Potential for diversification and value addition while preserving traditions and the country culture	<ul style="list-style-type: none"> • Potential for improving quality, “organic” production • Potential for processing e.g. juices, jam • Agriculture/horticulture are part of the country’s traditional sectors which the Government aims to promote 	<ul style="list-style-type: none"> • Potential for improving designs, diversify offer and adjust prices according to market trends and demand • Synergy with the tourism market • Cultural identity impact e.g. weaving (Thagzo) is one of the 13 Arts and Crafts and an inherent element of Bhutan’s cultural and creative capital
Impact on poverty reduction and employment	<ul style="list-style-type: none"> • Around 98% of the poor are living in rural areas and are concentrated in agriculture and traditional crafts • Agriculture provides the livelihood base for 69% of the population and Horticulture accounts for approximately 13% of agriculture • Source of employment for women and youth • Broad country coverage (potatoes in the whole country, citrus in the subtropical southern regions of the country, apples in the Western part of the country) 	<ul style="list-style-type: none"> • Around 98% of the poor are living in rural areas are engaged in agriculture and traditional crafts • 65% of the population engaged in agriculture is also engaged in manufacturing handicrafts during the non-cultivation season as a means of sustenance (complementarity between the two value chains) • Source of employment for women in rural areas • Country wide coverage

Selection of the products

Specific products with high potential for export diversification and value addition have been identified under each value chain.

Within the horticulture sector, the Action will focus on a small number of selected products to ensure an integrated value chain support and to maximise results. Some activities will be common to these products (e.g. marketing and branding). Other activities and advisory support will be customized and differentiated (quality standards, price information, identification of buyers, etc.).

Indicatively, the horticulture products identified are ginger, honey, garlic and potatoes (recently certified organic locally in Bhutan). They have been indicatively shortlisted for further support according to the following list of criteria:

- There should be potential for export diversification and a potential to increase volume within one year;
- The product should be non-perishable;
- There should be potential for value addition (through quality or semi processed enhancement);
- There should be the potential to be competitive on markets beyond India, including the EU and other;
- The products should be grown in the same/close geographical areas – for logistics and cost efficiency purposes;
- The product should not compete for food security – should be aligned with national policies;
- The majority of producers should be women and youth;
- There should be complementarities with other projects.

Within the textile handicraft sector (ER3), products will include: scarfs, home-use textiles (such as bed covers, table runners, cushion covers), and accessories (such as hand bags). They have been identified according to the following list of criteria:

- Supply and weaving capacities should exist;
- There should be potential for value addition (through improved quality and designs);
- There should be potential demand in import markets including the EU and other;
- The majority of producers should be women and youth.

A final selection of the exact products to be supported under the two value chains will be confirmed by the project steering committee (see section below section 5.6), based on further analysis in line with the above criteria to be carried out by ITC.

2. RISKS

The risks associated to the proposed Action include the following:

Table 4: Risks and Mitigating Measures

Risk	Risk Level	Mitigating Measures
Lack of sustained commitment of producers, including SMEs and women entrepreneurs to participate in project activities	Medium	Outreach activities will be included to demonstrate economic benefits and incentives especially to SMEs and women entrepreneurs;
Lack of cooperation between the public institutions and private sector stakeholders	Medium	Close monitoring and involvement of the RGoB in frequent and regular project oversight steering committee meetings. The international organisation implementing the project will work with Bhutanese institutions by providing funding directly (e.g. grants) if possible.
Lack of sustainability at the end of the Action	Medium	The objective of the Action is to promote trade and investment, i.e. productive sectors that will generate income for the economy. It is therefore assumed that additional income generated as a result of the project's activities will contribute to the sustainability of the action. An exit strategy will be part of the project's activities.
Key assumptions: (1) It is assumed that expanded trade will lead to poverty reduction through equitable economic growth; (2) It is also assumed that the RGoB will be committed to trade and investment policy implementation.		

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 LESSONS LEARNT

An earlier EU trade project supported Bhutan's possible WTO accession and was implemented by ITC and UNESCAP from 2006 to 2009. The project provided training, information and market research to the Bhutan Export Promotion Centre (BEPC) which is now merged into the Trade Department of the Export Promotion Division within the MEA. Since ITC and UNESCAP did not have resident offices in Bhutan to follow up with the proposed activities, neither the BEPC nor exporters themselves were able to effectively use the information to realise exports. The experiences show that externally provided technical assistance has limits in terms of internalising the support in public policy implementation. A close involvement of beneficiaries in project monitoring (steering committees) is therefore required. It is furthermore essential that the implementing partner has adequate representation in the country.

Bhutan is currently re-examining the advantages and disadvantages of joining the WTO and may renew its interest in the WTO membership. The previous EU project primarily focused on research on WTO accession issues rather than long-term capacity building. Discussion about a potential WTO membership is hampered by the absence of a dynamic export production and limited integration into international markets. The approach of the present Action to support specific value chains will therefore contribute to the decision making process for an eventual WTO membership. The proposed action will address the lessons learnt from other projects in Bhutan, particularly projects funded by other development partners such as the World Bank, Asian Development Bank (ADB) and the Japan International Cooperation Agency (JICA). For example, JICA is supporting specific value chains (e.g. lemon grass) which has been very successful and offers valuable insights, including how to organise value chains with local producers in rural areas. Other lessons learned include: (i) support to value chains with small volumes but high value products is more efficient; (ii) a long term approach and support to producers is required to ensure success.

3.2 COMPLEMENTARITY, SYNERGY AND DONOR COORDINATION

Currently, there are only a few development partners which are active in providing trade-related assistance to Bhutan. These include Asia Development Bank (ADB), the World Bank/International Finance Corporation (IFC) and the United Nations (UN). ADB is assisting the Ministry of Finance on several transport and trade facilitation projects. It is also assisting Bhutan in building a mini-dry port in the south (Phuntsholing) to facilitate trade with India and other countries. The World Bank and IFC are also building a larger dry port and a road linked to it in an attempt of reducing the congestion in Phuntsholing so that customs claims for containers can be done in the dry port directly. The United Nations Development Programme (UNDP) took the lead to prepare the DTIS in 2012. ITC, the United Nations Conference on Trade and Development (UNCTAD), and the United Nations Industrial Development Organization (UNIDO) have provided only limited ad-hoc training and technical assistance (TA) activities in Bhutan due to their limited funding capacities. The present Action will be complementary to EU and other donors' support. The Action is coherent with the forthcoming EU support to rural development and climate change to MoAF. The present Action includes, for instance, support to the horticultural value chain which complements the focus of the MoAF on production techniques, with additional support in the area of quality management for marketing and export development.

There will be complementarities and synergy with other projects implemented by the ITC, notably those supported by the EU in Asia and globally. Key projects in this respect are the *Market Access Map*, *Standards Map* and the *Small Traders Capacity Building Programme*² as well as the ITC Trade-Related Assistance projects in Afghanistan and Sri Lanka.

The Action will build on the lessons learned and results achieved by the UNDP handicraft project (2014-2016) which contributed to create women weavers' groups and facilitate their access to micro credit. This Action will strengthen handicraft producers' skills, including those groups set-up under the UNDP project, through training and capacity building and link them to markets. Being a member of the One Programme of the United Nations in Bhutan, ITC will also ensure coordination of the Action with the UN work programme and other UN agencies' projects in Bhutan.

In terms of coordination of development partner efforts, UNDP used to be in the lead to coordinate trade and private sector development activities. However, this coordinating mechanism is no longer functional since UNDP does not have a trade project at the moment. Once the present Action is launched, the EU may play an active role in donor coordination for trade-related TA. The present Action will promote further coordination efforts and dialogue between development partners and beneficiaries in order to maximize results and their sustainability.

3.3. CROSS-CUTTING ISSUES

The proposed Action intends to integrate cross-cutting issues, particularly women and youth, gender equality and protection of the environment, into the design and implementation of the activities, in line with Bhutan's sector policies. To address unemployment and the rapidly growing youth population is a priority for the RGoB.

Women are playing an important role in the production, processing and marketing of products and services. More than 65% of the total workforce and more than 72% of female workforce is engaged in agriculture in rural areas in crop and livestock production activities. Many women, also in the younger working-age group, are employed in the crafts and tourism sectors. Women and youth will directly benefit from the support to horticulture and handicrafts of the present Action. The RGoB attaches great importance to gender equality. Ministries and agencies are mainstreaming gender equality into their plans and programmes. For example, the MoEA and MoAF are currently promoting technologies that are particularly women friendly (farm machinery, use of biogas for cooking, women participation in farmer groups and cooperatives). The RGoB is working with women artisans (more than 80% of artisans are women) to promote indigenous arts and handicrafts.

Bhutan is known, including through the Gross National Happiness concept, to respect the environment and preserve the nature by emphasizing the "high value - low impact" of its economic activities. The proposed Action closely follows these principles and practices. For

² <http://www.macmap.org/>, <http://www.standardmap.org/>, and <http://www.intracen.org/layouts/ProjectDetailsTemplate.aspx?pageid=47244640826&id=66545> respectively

example, the proposed support to the horticulture value chain will include capacity building for organic production.

4. DESCRIPTION OF THE ACTION

4.1 OBJECTIVES/RESULTS

The **overall objective** of the proposed action is to contribute to Bhutan's economic growth and poverty reduction.

The **specific objective** of the action is to increase exports and export diversification, possibly contributing to and drawing upon the implementation of the "Brand Bhutan" initiative, by:

- Improving the capacities of trade and investment policy formulation and implementation, and
- Increasing exports in selected value chains, i.e. horticulture and handicraft textiles.

The **outputs** of the Action are:

1. Enhanced capacities in the formulation and implementation of trade and investment policies and regulations;
2. Improved environment for export of high value horticultural products, including organic products;
3. Improved environment for export of high value handicraft textile products.

4.2 MAIN ACTIVITIES

The main activities of the present in relation to the respective result area are:

Output 1: Enhanced capacities in the formulation and implementation of trade and investment policies and regulations

- Building capacities in Bhutanese public and private institutions to inform trade policy/regulatory/investment policies;
- Address policy/regulatory/procedural impediments to business competitiveness along the selected value chains;
- Promote investments (foreign and domestic), including investment in the selected value chains (e.g. investment into storage facilities, cold chain equipment);
- Enhance access to trade and market information;
- Strengthen public-private policy dialogue involving the Better Business Council.

Output 2: Improved environment for exports of high value horticultural products, including organic products

- Develop horticulture value chain analysis and action plan for export diversification and value addition with special focus on youth and women;
- Design horticulture market penetration strategy for regional and/or international target markets;
- Enhance export and quality management capacities of stakeholders - from farmers to exporters - along the horticulture value chain and improve coordination;

- Set-up real-time price information access for producers using digital technology;
- Develop marketing and branding strategy for the horticultural sector, possibly contributing to the “Brand Bhutan” initiative;
- Establish buyer-seller sustainable linkages.

Output 3: Improved environment for exports of high-value handicraft textile products

- Develop handicraft textile products value chain analysis with special focus on women and youth and assess market potential in selected target markets;
- Improve product quality, enhance supply capacity and innovative designs matching market trends and develop demand;
- Develop a sector-specific marketing and branding strategy and build capacities on marketing and branding of handicraft textile sector, possibly contributing to the “Brand Bhutan” initiative;
- Establish buyer-seller sustainable linkages.

4.3 INTERVENTION LOGIC

Strategy to address the identified weaknesses and priority areas of support

The Action will adopt a **two-pronged strategy** to address the identified problems and constraints and provide trade-related technical assistance in the priority areas for support:

1. Enhancing national capacities for formulating and implementing trade and investment policies, improve regulatory frameworks, and in support of this:
2. Contributing to developing integrated and market-led value chains, building supply-side capacities to add value to export products, addressing two value chains i.e. horticulture and handicraft textile products.

The Action will apply the following **key principles** throughout implementation:

- An **integrated and market-led value chain development approach**: The Action will contribute to improve the coordination along the selected sector value chains, linking artisans and producers to market opportunities, to participate in and benefit from trade. The focus will be on market-led development, starting by identifying market opportunities and analysing the needs along the domestic value chains through market-led analysis, market intelligence and diagnostics, in order to customize capacity building and advisory support.
- **Supporting the implementation of Bhutan’s policy priority to diversify its exports**: The project will directly contribute to export diversification which is one of the main objectives of the Five-Year Plan of the RGoB. The Action has the potential to contribute to the “Brand Bhutan” initiative by strengthening capacities to produce and market quality products “made in” and “grown in” Bhutan along the two value chains supported by the Action (horticulture and textile crafts). It could possibly draw on synergy with Brand Bhutan, depending on the progress of the initiative.
- **Gender, youth and environment**: The Action will integrate gender, youth and environment-related issues (e.g. organic production) as cross-cutting issues. Sector value chains have been selected accordingly.

- The Action will facilitate **policy dialogue**: The Action will contribute to promote public-private policy dialogue and cooperation (on trade policy, trade information etc.) as a means to support project sustainability and ownership by the country (see below).
- The Action will incorporate a **strong institutional and capacity building focus**: an important feature of the Action will be to work “from within” key partner institutions. The approach will be to work together with partners, emphasizing ‘learning by doing’ through training, coaching and skills development. The Action will enable relevant stakeholders to continue to provide relevant and effective trade support services to the private sector and to replicate the positive results of the project beyond its end date. The Action will use and reinforce local expertise to a maximum extent, working with national experts and conducting training of trainers.

5. IMPLEMENTATION

5.1 FINANCING AGREEMENT

In order to implement this Action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 INDICATIVE IMPLEMENTATION PERIOD

The indicative operational implementation period of this Action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 40 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorizing officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 IMPLEMENTATION MODALITY

5.3.1 *INDIRECT MANAGEMENT WITH AN INTERNATIONAL ORGANISATION*

This action may be implemented in indirect management with the International Trade Centre (ITC) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails to provide technical assistance for the project details outlined above. ITC will mobilise own staff as well as externally recruited experts and will organise capacity building, training, advisory, and other events. More specifically, it is foreseen that one full time National Project Coordinator based at the Gross National Happiness Commission in Thimphu will be recruited for the project, as well as a part-time trade expert in ITC Headquarter in Geneva for project technical management and implementation across the expected outputs. Other experts such as ITC staff experts in trade policy, agriculture, and other fields, national and international consultants, will be paid under the project as per specific short term assignments. This implementation by indirect management by ITC is justified because ITC is an International Organisation specialised in providing trade-related technical assistance and carries out similar projects worldwide. ITC is the joint agency of the World Trade Organization and the United Nations. Its mandate combines a focus on expanding trade opportunities with the aim of fostering sustainable development. Furthermore, the RGoB is well familiar with the ITC, given the experience with a previous project.

The entrusted entity would carry out the following budget-implementation tasks: launching and evaluation of calls for tenders, definition of eligibility, selection and award criteria, acting as contracting authority for concluding and managing contracts, and carrying out payments.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 6(1) of Regulation (EU, Euratom) No 966/2012. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

5.4 SCOPE OF GEOGRAPHICAL ELIGIBILITY FOR PROCUREMENT AND GRANTS

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

5.5 INDICATIVE BUDGET

	EU contribution (amount in EUR)	Indicative third party contribution
1. Indirect Management with an international organisation, i.e. ITC	4 000 000	N.A.
Total	4 000 000	N.A.

5.6 ORGANISATIONAL SET-UP AND RESPONSIBILITIES

The governance of the Action will be assumed by a Project Steering Committee (PSC) which will be composed of senior representatives of the Gross National Happiness Commission (GNHC), the Ministry of Economic Affairs, the Ministry of Agriculture and Forestry, the EU Delegation, and the ITC. Representatives from other public and private sector as well as civil society institutions active in the horticulture and handicraft sectors, may participate. The PSC will be co-chaired by the GNHC and the EU Delegation. The involvement of GNHC will ensure strategic guidance to the project, while facilitating coordination and communication between stakeholders and line ministries.

The PSC will ensure that the Action maintains coherence with the national development and trade priorities of Bhutan, and will provide strategic direction and oversight for its implementation. The Committee will regularly review the progress and performance of the Action and approve work plans. It will also gather lessons learned, identify possible bottlenecks and risks and propose mitigation actions. The PSC will meet once a year and ITC will ensure the functioning of its Secretariat.

ITC will establish a National Project Coordinator who in the initial phase of the project will be located within the premises of the GNHC. S/he will assume day-to-day coordination and ensure ownership of the Action. An important function of the Coordinator will be to maintain constant liaison, information sharing and communication with national partners, as well as outreach and development of working relations with stakeholders in rural areas.

Detailed Terms of Reference (TORs) of the PSC and National Project Coordinator shall be elaborated at the outset of the project by ITC in full coordination with RGoB and EU Delegation. To ensure effective leadership and ownership throughout the implementation of the Action, as well as to facilitate communication, specific partner organizations - including lead partners as country focal points - have been identified for each output of the Action. Hence it will ensure a de facto appropriate level of presence on the ground. These have been discussed and confirmed with country stakeholders during the formulation mission (January 2017). See paragraph 1.1.2 on Stakeholder analysis.

5.7 PERFORMANCE MONITORING AND REPORTING

Performance monitoring and reporting arrangements will be specified in the Delegation Agreement between the international organisation and the EU.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log-frame matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 EVALUATION

A final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that at the end of the project implementation, when RGoB will be starting to prepare its mid-term review of the 12th five year plan under which one of the core component is expected to be trade and investment for the economic development of the country. The lessons learned under the present action should help RGoB in dealing with export diversification in years to come. Additional lessons learned from other ITC projects in the region will be considered.

The Commission shall inform the implementing partner at least 45 days in advance of the dates foreseen for the final evaluation mission. The implementing partner shall collaborate efficiently

and effectively with the evaluation experts, and *inter alia* provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation report shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services will be concluded under a framework contract in the final year of implementation and shall be covered by another measure constituting a financing decision.

5.9 AUDIT

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. The financing of the audit shall be covered by another measure constituting a financing decision.

5.10 COMMUNICATION AND VISIBILITY

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

In particular, the reports as presented according to point 5.7 above will include the implementation of communication activities and will highlight how EU visibility and communication on the project are ensured.

APPENDIX – INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Intervention logic	Sub-Expected Outputs	Indicators	Baselines (incl. reference year)	Targets	Sources and Means of verification	Assumptions
Overall objective: Impact	Contribute to Bhutan's economic growth and poverty reduction		<p>1) Absolute volume/value of Bhutan's export flows of horticulture and handicraft textile products</p> <p>2) Average annual incomes of beneficiary stakeholders – of which women and youth - in the horticulture and handicraft textile sectors</p> <p>3) Bhutan's ranking in the specific sub-indicators of the World Bank Doing Business improved based on the addressed issues through the project</p>	<p>1) Volume/value data to be collected as part of the value chain analyses conducted under outputs 2 and 3 (2017/8)</p> <p>2) Average income to be collected as part of the value chain analyses conducted under Outputs 2 and 3 (2017/8)</p> <p>3) 73 (2017)</p>	<p>1) 15% increase</p> <p>2) 20% increase</p> <p>3) 70 (2021)</p>	<p>Country statistics, sales statistics of exporters and associations, project mission reports</p> <p>Sector associations' reports and data, project surveys and reports</p> <p>World Bank Doing Business Report/data</p>	<p>Continuation of national policy focus on trade-related development</p> <p>Overall country economic stability and growth</p> <p>Government commitment in providing necessary resources (human and financial) for achieving project objectives</p> <p>Other countries ranking on the World Bank Doing Business ranking remain stable – as Bhutan might improve its policies but comparatively other countries might do as well</p>
Specific objective: Outcome	Increased exports and export diversification, possibly contributing to the implementation of the "Brand Bhutan" Initiative		<p>1) Value of sales of: a) horticulture products, b) handicraft textile products</p> <p>2) Number of horticulture and handicraft textile producers – incl. women and youth – linked to export markets</p> <p>3) Number of export markets to which new sales of: a) horticulture and b) handicraft textile products have been made</p> <p>4) Number of new a) horticulture and b) handicraft textile products exported, where possible under "Brand Bhutan"</p>	<p>1) Value data to be collected as part of the value chain analyses conducted under Outputs 2 and 3 (2017/18)</p> <p>2) Number to be collected as part of the value chain analyses conducted under Outputs 2 and 3 (2017/8)</p> <p>3) 0</p> <p>4) 0</p>	<p>1) 20% increase</p> <p>2) Number to be defined based on the value chain analyses conducted under ERs 2 and 3</p> <p>3) a) 5, b) 4</p> <p>4) a) 2, b) 20</p>	<p>Sales statistics of exporters/producers, project surveys and mission reports, evaluation/feedback forms</p> <p>Value chain analyses, project surveys and mission reports</p> <p>Sales statistics of exporters/producers in the horticulture and handicraft textile sector with reference to export markets (for both indicators), project surveys, mission reports</p>	<p>Willingness and ability of Government and key stakeholders to boost trade competitiveness in a concerted effort</p> <p>Availability of resources (human and financial) of target beneficiaries in the horticulture and handicraft textile sectors to engage and follow up</p> <p>Effective participation by the target beneficiaries in the horticulture and handicraft textile sectors (farmers and businesses) in the planned project activities in accordance to the set timeline</p> <p>No climate hazards affecting the horticulture production and/or harvest</p> <p>Infrastructure/road conditions are conducive for the transport of the products to be exported</p>

Output 1	1. Enhanced capacities in the formulation and implementation of trade and investment policies and regulations	<p>1.1. Capacities in Bhutanese public and private institutions to inform trade policy/regulatory/investment policies are built</p> <p>1.2. Policy/regulatory/procedural impediments to business competitiveness addressed along the selected value chains under ERs 2 and 3</p> <p>1.3. Investments (FDI and domestic) promoted into Bhutan, including investment in the selected value chains under ER 2 and 3 (e.g. investment into storage facilities, cold chain equipment)</p> <p>1.4. Enhanced access to trade and market information</p> <p>1.5 Better Business Council (BBC) strengthened with a view to promote informed Public-Private Dialogue</p>	<p>Output 1 Indicator: 1)Number of policy/regulatory reforms/measures adopted fostering value chain competitiveness and/or business environment</p>	1)0	1)5	MoEA reports	Coordination and cooperation among relevant policy-makers and key public and private institutions
			<p>1.1 indicators: 2)Number of trade policy-related workshops held</p>	2)0	2)8	Workshops reports	Existence of sufficient political will and bureaucratic reactivity to implement relevant trade and investment policies
			<p>3)Number of public and private representatives – including women and youth – trained that report increased awareness in relation to policy regulations formulation, implementation and investment promotion</p>	3)0	3)80	Evaluation questionnaires	Commitment on the part of Bhutanese public and private institutions (i) to nominate suitable staff for training, (ii) to secure tenure of trained staff and (iii) to follow up on trainings and implement actions as required
			<p>1.2 indicators: 4)Number of value chain analyses focusing on policy/regulatory issues endorsed by MoEA</p>	4)0	4)2	Completed value chain analyses endorsed by MoEA	Availability of time and resources of key public and private institutions to engage in analysis, consultations, drafting of relevant documents, training/advisory/information activities, and participation to all required events and activities
			<p>5)Number of recommendations endorsed through the consultation process</p>	5)0	5)10	Event reports	
			<p>1.3 indicators: 6)Number of investment profiles endorsed by MoEA and sectoral associations</p>	6)0	6)6	Investment profiles	Beneficiary institutions and private sector organizations have the necessary absorption capacities to apply the skills provided through the project
			<p>7)Number of investment- related events where the participation of Bhutanese investment promotion officers/private sector representatives was facilitated by the project</p>	7)0	7)4	MoEA/private sector participants' reports	
			<p>1.4 indicators: 8)Status of trade information portal</p>	8)Not operational	8)Portal online		
			<p>9)Number of MoEA/BCCI/Exporters association/other business organizations staff – of which women and youth - who reported increased knowledge on how to collect and analyse relevant information to identify markets and market trends</p>	9)0	9)30	Existence of portal	
			<p>1.5 indicators: 10)Number of BBC technical committees' positions informed through the project</p>	10)0	10)5	Workshop reports, evaluation/feedback forms, survey of trained officers	
			<p>11)Number of research papers /position papers produced through mentorship</p>	11)0	11)9	BBC minutes and/or final report informing the technical committee	
			Position papers/research papers				

Output 2	2. Improved environment for exports of high-value horticulture products (incl. organic)	<p>2.1. Horticulture value chain analysis and Action Plan produced for export diversification and value addition with special focus on youth and women</p> <p>2.2. Horticulture market penetration strategy for regional and/or international target markets designed</p> <p>2.3. Export and quality management capacities of stakeholders - from farmers to exporters - along the horticulture value chain built and coordination improved</p> <p>2.4. Scheme set-up for farmers to have access to real time price information using digital technology</p> <p>2.5. Marketing and branding strategy developed for the Bhutan horticultural sector where possibly contributing to the “Brand Bhutan” initiative</p> <p>2.6. Buyer-seller linkages established</p>	<p>Output 2 indicator: 1)Number of farmers/producers – of which women and youth - which put in place new procedures on technical practices and business management to improve product quality or value addition as a result of project support</p>	1)0	1)200	Evaluation tests passed by participants and monitoring report	High professionalism and buy-in of key stakeholders in the horticulture sector engaged in the project
			<p>2.1 indicators: 2)Number of Horticulture Value Chain Action Plans - focusing on the 2 selected products and integrating gender and youth dimension - produced with and validated by country stakeholders</p>	2)0	2)2	Value chain analyses and Action Plans, event reports	Availability of time and resources (human and financial) of farmers, businesses, producers and buyers in the horticulture sector to engage in all relevant activities and follow up on recommendations
			<p>3)Number of institutions coached in conducting value chain analysis</p>	3)0	3)3	Event reports, lists of participants, value chain analysis materials/methodology documents at the disposal of institutions, evaluation/feedback forms from institutions	Stakeholders along the horticulture value chain are willing and able to improving existing practices as a result of trainings / advisory workshops / information activities / new technologies
			<p>2.2 indicator: 4)Number of Horticulture value chain market penetration strategies - focusing on the 2 selected products and integrating gender and youth dimension, - produced with and validated by country stakeholders</p>	4)0	4)2	Market strategies, event reports	Willingness and capacity of selected exporters/producers to cost-share their participation in fairs/B2B events
			<p>2.3 indicators: 5)Number of training workshops for horticulture export and quality development held</p>	5)0	5)50	Event reports	Beneficiary institutions and private sector organizations have the necessary absorption capacities to apply the skills provided through the project
			<p>6)Number of horticulture value chain stakeholders – disaggregated by type i.e. farmers, exporters, women, youth – trained and reported improved export skills</p>	6)0	6)500	Event reports, lists of participants, evaluation/feedback forms from participants	
			<p>2.4 indicators: 7)Number of farmers using mobile system providing real time product price information</p>	7)0	7)500	Mobile platform report on users	
			<p>2.5 indicators: 8)Status of criteria for the 2 selected horticulture products to be able to apply the “Brand Bhutan”/“Grown in Bhutan” logo for exports</p>	8)No list of criteria	8)List of criteria produced	Existence of list	
			<p>2.6 indicators: 9)Number of trade fairs and B2B events where the participation of Bhutanese horticulture exporters was facilitated by the project</p>	9)0	9)4	Event reports, photos	
			<p>10)Number of exporters/producers - of which women and youth - which participated in trade fairs and/or B2B events and identified new potential buyers</p>	10)0	10)20	Event reports, feedback/evaluation forms from participants, list of visitors/buyers met, correspondence with buyers	

Output 3	3. Improved environment for exports of high-value handicraft textile products	<p>3.1. Handicraft textile products value chain analysis undertaken with special focus on women and youth and market potential in selected target markets assessed</p> <p>3.2. Product quality improved, supply capacity enhanced and innovative designs matching market trends and demand developed</p> <p>3.3 Develop a sector-specific marketing and branding strategy and build capacities on marketing and branding for the Bhutan handicraft textile sector, in collaboration with the “Brand Bhutan” initiative</p> <p>3.4. Establish sustainable market linkages with markets</p>	<p>Output 3 indicator: 1)Number of handicraft textile producers/exporters – of which women and youth - which improved product quality/design or value addition as a result of project support</p>	1)0	1)200	Evaluation tests passed by participants and monitoring report	High professionalism and buy-in of key stakeholders in the handicraft textile sector engaged in the project
			<p>3.1 indicators: 2)Status of Handmade Handicraft textile value chain analysis integrating gender and youth dimension</p>	2)Analysis requires updating	2)Analysis updated	Value chain analysis document, event reports	Availability of time and resources (human and financial) of producers in the handicraft textile sector to engage in all relevant activities and follow up on recommendations
			<p>3)Number of institutions and government agencies coached in conducting value chain analysis</p>	3)0	3)4	Event reports, lists of participants, value chain analysis materials/methodology documents at the disposal of institutions, evaluation/feedback forms from institutions	Stakeholders along the handicraft textile value chain are open to changing existing practices and to engage in higher value production and exports as a result of trainings / advisory workshops / information activities / new technologies
			<p>3.2 indicators: 4)Number of producers, traders, representatives of institutions and associations - of which number of women and youth - trained on market requirements, product development, pricing & costing</p>	4)0	4)50	Mission and event reports, training attendance sheets	Continues supply of raw material including silk yarn and dyes
			<p>5)Number of new handicraft textile products</p>	5)0	5)25	Mission and event reports, promotional material	Price structure is flexible and producers and exporters are willing to analyse their structure and – together with ITC – engage in competitive and sustainable prices
			<p>3.3 indicators: 6)Status of Marketing and branding strategy for the Bhutan handicraft textile sector produced incl. a set of criteria for the handmade textile sector developed to be able to apply the “Brand Bhutan”/”Made in Bhutan” logo for exports</p>	6)Strategy does not exist	6)Strategy developed	Marketing and Branding strategy, list of criteria	Adequate support and back-up given to the “Brand Bhutan” initiative
			<p>7)Number of brand books, product catalogues, labels, flyers and other promotional material developed</p>	7)0	7)15	Promotional materials	Willingness and capacity of selected exporters/producers to cost-share their participation in fairs/B2B events
			<p>8)Number of producers, middlemen and traders - of which women and youth - that have increased their knowledge on international market trends, requirements as well as the role of intellectual property in handicraft</p>	8)0	8)30	Event/training workshop reports, attendance sheets, evaluation/feedback forms, Mission reports	Beneficiary institutions and private sector organizations have the necessary absorption capacities to apply the skills provided through the project
			<p>3.4 indicators 9)Number of linkages established with buyers in the EU, US and other markets</p>	9)0	9)15	Event and Mission reports, lists of participants, evaluation/feedback forms, list of visitors/buyers met, correspondence with buyers	
			<p>10)Number of B2Bs, incl. participation in trade fairs, organized for Bhutanese handicraft textile exporters/producers</p>	10)0	10)7	Event and Mission reports	