

Project Administration Manual

Project Number: 38423
Loan and/or Grant Number(s):
October 2012

Nepal: Raising Incomes for Small and Medium
Farmers Project

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Agriculture Development (MOAD) and the Department of Agriculture (DOA) are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by Ministry of Agriculture Development (MOAD) and the Department of Agriculture (DOA) of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Grant agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Grant Agreement, the provisions of the Grant Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AEC	–	Agro Enterprise Center
AFS	–	audited financial statements
CQS	–	consultant qualification selection
DMF	–	design and monitoring framework
EARF	–	environmental assessment and review framework
EIA	–	environmental impact assessment
EMP	–	environmental management plan
ESMS	–	environmental and social management system
GACAP	–	governance and anticorruption action plan
GDP	–	gross domestic product
ICB	–	international competitive bidding
IEE	–	initial environmental examination
IPP	–	indigenous people plan
IPPF	–	indigenous people planning framework
LAR	–	land acquisition and resettlement
LIBOR	–	London interbank offered rate
NCB	–	national competitive bidding
NGOs	–	nongovernment organizations
PAI	–	project administration instructions
PAM	–	project administration manual
PIU	–	project implementation unit
QBS	–	quality based selection
RRP	–	report and recommendation of the President to the Board
SBD	–	standard bidding documents
SGIA	–	second generation imprest accounts
SOE	–	statement of expenditure
SPS	–	safeguard policy statement
SPRSS	–	summary poverty reduction and social strategy
TOR	–	terms of reference

I. PROJECT DESCRIPTION

1. The Project will reduce the market and business risks faced by small and medium farmers diversifying into high value commodities in 10 districts of the Mid-west (MWDR) and Far-west (FWDR) development regions of Nepal.¹ The two regions have the lowest human development indices within Nepal due to limited investment in access to services, physical, social and economic infrastructure. Poverty incidence is, on the average, high for both regions; within regions, the hill areas suffer higher rates of poverty where up to 70% of households fall below the poverty line. Small farmer incomes are limited by (i) low returns from traditional agricultural commodities, (ii) small and declining farm sizes with low productivity, and (iii) a supply-driven production system that has not captured potential market benefits for high value commodities (HVC).²

2. The Project will assist small and medium sized farmers to diversify into HVC by establishing market linkages; providing capital for inputs and improved technology; and for building post harvest value chain infrastructure including storage, packaging, grading, and processing.³ Project grants will be provided to (i) small and medium farmers that are members of existing farmer groups or cooperatives with established market supply agreements for initial inputs and farm technology, and (ii) post harvest enterprises for the development of value chain infrastructure to support the market supply agreements. The Project will outsource service delivery to nongovernment organizations (NGOs) and the private sector for farmer mobilization, training, production, and business planning and for feasibility studies to access Project funding.

3. The Project contributes to the ADB level one results framework through increasing rural income, reducing poverty and increasing food security in Nepal (ADB Target 17.14% of the Asia Pacific population living on less than \$1 per day by 2015) – for the project, more than 95,000 individuals will move above this threshold. The level 2 country outcome performance targets are addressed through the provision of Project grants to small and medium sized enterprises (including farmer cooperatives) with the Project supporting an estimated 220 enterprises and 890 farmer groups within the ADB performance target of 54,000 enterprise accounts supported. The Project contribution to the ADB level 3 operational targets is through the development of the private sector in the poorer parts of rural Nepal (ADB performance target of 30% of Projects with private sector involvement) and gender mainstreaming (ADB performance target of 40% of projects with gender mainstreaming). The implementation modality builds strong partnerships with NGOs for which ADB performance target is for NGO inclusion within 80% of Projects.

4. The Project impact is increased profitability of small and medium sized farms. The outcome of the Project will be increased production of HVC by small and medium sized farmers with supply agreements (the Design and Monitoring Framework is presented in Appendix 1). The 7,500 ha of contracted production of high value commodities will by 2017 produce an estimated annual output of 64,500 tonnes with a projected retail value of \$31 million, farm gate value of \$13.5 million, and a gross margin to farmers of \$9.5 million per annum. Since the growing of HVC such as vegetables, fruits, spices and other non-cereal crops has always been

¹ In the Mid West Development Region (MWDR) Project districts include Banke, Bardiya, Dang, Dhailekh and Surkhet. In the Far West Development Region (FWDR), Project districts include Baitadi, Dadeldhura, Darchula, Doti, and Kailali.

² High Value Commodities (HVC) are agricultural crops and other non-livestock based commodities, e.g., honey which generate a higher rate of return to the farmer per hectare than the production of staple crops such as cereals.

³ ADB. 2009. *Technical Assistance to the Government of Nepal for Preparing the Crop Diversification and Commercialization Project*. Manila. The title of the project changed during the implementation of the technical assistance.

the domain of women, the Project will especially increase women's cash income contribution to their households. The Project is expected to benefit an estimated 17,800 farm households that would grow HVC crops on the average in 0.4 ha for existing farmer groups and 0.25 ha for the disadvantaged persons groups.⁴

A. Outputs

5. The Project outputs comprise: (i) building HVC value chains in mid west and far west region supplying markets; (ii) formulating business plans for producing and adding value to HVC in the far-west and mid-west; (iii) ensuring effective and efficient project management.

1. Output 1: HVC value chains in mid west and far west region supplying markets

6. To achieve Output 1, the Project will provide grants to finance beneficiary investment into (i) post harvest facilities and limited support for strengthening farmer cooperatives, (ii) essential HVC inputs, and (iii) selected essential farm technology including climate change adaptation, all of which will benefit disadvantaged persons, indigenous people and women-headed households involved in the production and marketing of HVC. The provision of grants to beneficiaries is justified by the cost of doing business in the mid and far west regions due to (i) the high logistical costs within the far-west and mid-west regions, (ii) the lack of "value adding" in the region, (iii) the political and business risks facing enterprises establishing within in the mid-west and far-west region including the costs of aggregating supply. ADB maintains the right to review and audit all Agribusiness Grant Fund transactions.

2. Output 2: Business plans for producing and adding value to HVC in the far west and mid west

7. For Output 2, the Project will (i) provide post harvest enterprises with HVC and agribusiness training programs, supplier agreements, and support for preparing business plans; (ii) develop and disseminate agriculture market information; (iii) using market supply agreements, build integrated market chains which link buyers to farmer cooperatives and cooperatives to existing farmer groups with supporting production plans; (iv) provide access to on-farm services, technical support (including climate change adaptation) and production planning services for building capacity of small and medium farmers; and (v) support HVC producers through capacity building of District Agricultural Development Offices (DADO), Community Agricultural Service Centers and Agricultural Resource Centers to respond to the differing needs, constraints, and opportunities of disadvantaged persons, indigenous people and women and (vi) mobilize existing and new disadvantaged person (DAP) farmer groups with predominantly female members.

3. Output 3: Effective and Efficient Project Management

8. Output 3 will be achieved through project management and administration and ensuring the efficient and effective implementation of the project by the Project Management Unit (PMU) in Nepalgunj and a Liaison Office in Kathmandu. The Project will also support the provision of consulting services through SNV to backstop value chain and agribusiness service providers,

⁴ Data presented in SNV, MOAC, 2009, *High Value Commodities and NTFPs in Western Nepal. Assessment of Value Chains in the Surjhet-Dailekh, Surkhet-Jajarkot and Surkhet-Jumla Road Corridor Districts* does not reflect additional value captured from post harvest investment through reduced losses, and value addition.

support for procurement, monitoring and evaluation, adherence to ADB Safeguard Policy (2009 as updated from time to time), and the sourcing of qualified post harvest and farm service providers.

9. MOAD will submit curriculum vitae of two candidates for the Project Director role with a stated preference and ADB will confirm their acceptance of the preferred candidate if the candidate meets the criteria of being class 2 or above with 5 years of managerial experience, including project management, and with at least 6 years before retirement age.⁵ The preferred candidate will be appointed prior to grant negotiations. The PMU staff positions of an Account Officer, Accountant, and administrative assistant will be appointed after Government signing of the Grant Agreement. Other support staff for information technology, office assistants, drivers and security will be supported under the Grant. Additional 9 technical and monitoring positions will be provided by Government⁶. The Information Technology, Social and Gender Inclusion, Environment Officer, Civil Engineer and Sub-grant fund processing cum desk officer will be sourced through a Government public service contract to the PMU.

10. The Project Liaison office will be staffed by a junior technician, an administrative assistant (seconded from MOAD), a computer operator (under a Government Service Contract), and a class 3 or above agricultural graduate to support Project coordination, and policy linkages in Kathmandu. The Liaison Office⁷ will provide the clearing house functions for the PMU relating to financial and project reporting, disbursement and reimbursement documentation and its provision to ADB.

⁵ Detailed terms of reference are provided in this Project Administration Manual (PAM).

⁶ Include Planning Officer, M&E Officer, Procurement Officer, Agri-Technical officer, Engineer, Junior Technician and other positions as may be needed.

⁷ A detailed TOR is provided in the PAM.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	Months						Who is responsible
	Sept	Oct	Nov	Dec	Jan	Feb	
Appoint Project Director by 10th October 2010		◆					EA
Include in budget requests for 2011 by 30 th September 2010		◆					EA
Two short listed candidates for Project Director submitted to ADB by 30th September 2010		◆					EA
Appoint Project Director by 10 Oct 2010		◆					EA
Grant Agreement Negotiated implementation arrangements by November 30, 2010			◆				ADB/EA
ADB Board approval by 1 December 2010			◆				ADB
Grant Signing by 15 th December 2010				◆			ADB
Consultant Packages (Selection of preferred bidders package no. 2, SNV MOU) by 30 th January 2011							
Project Steering Committee formed by 30 th January 2011					◆		EA
PMU and liaison office staffed by 30 th February 2011						◆	EA
Grant effectiveness by March 2011						◆	EA/ADB

B. Overall Project Implementation Plan

Indicative Activities	2010	2011	2012	2013	2014	2015	2016	2017
A: DMF Activities								
Output 1:HVC value chains in mid west and far west region supplying markets								
1.0 Establish agribusiness promotion grant imprest account by month 3 after loan effectiveness		█						
1.1 Appoint IAP for grant awards - define operational procedures		█						
1.2 Review Grant Applications			█	█	█	█	█	
1.3 Disburse grants approved by IAP			█	█	█	█	█	
Output 2: Business plans for producing and adding value to HVC in the far-west and mid-west region								
2.0 Contract AEC and pre qualify post harvest service providers, and national and local on-farm service providers		█	█	█				
2.1 Implement a market linkages program in two regions and develop supply agreement, identify farmer cooperatives develop business plans and grant applications			█	█	█	█		
2.2 Design and implement the AMIS program			█	█	█			
2.3 Design and implement post harvest training programs		█	█	█	█	█		
2.4 Upgrade DADO, CASC and ARCs, on-farm services providers contracted			█	█	█	█		
2.5 Contract on farm service providers, farmer group sensitization and market linkages program with training, production planning and grant applications			█	█	█	█	█	
2.6 Mobilize new groups for DP and IP link to farmer cooperatives support training and grant applications			█	█	█	█		
2.7 DADO trained and implementing monitoring and impact assessment programs		█	█	█	█	█		

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Stakeholders – Roles and Responsibilities

	Project Stakeholders	Management Roles and Responsibilities
	<ul style="list-style-type: none"> Executing agency Ministry of Agriculture Development (MOAD) 	<ul style="list-style-type: none"> Provide overall guidance for the implementation of the Project to the lead implementing agencies, viz, DOA and AEC. Ensure that all partners will cooperate in all the Project's activities.
		<ul style="list-style-type: none"> Prepare, approve and implement policies, strategies, rules, regulations and guidelines necessary for the implementation of the Project. Support the Project Management Unit PMU through DOA in the monitoring and evaluation of the Project.
	<ul style="list-style-type: none"> Project Steering Committee 	<ul style="list-style-type: none"> Provide policy guidance Enable coordination between institutions and sectors
	<ul style="list-style-type: none"> Implementing Agency: Department of Agriculture (DOA) 	<ul style="list-style-type: none"> Implement the Project through forming the PMU and the Project liaison office Provide technical backstopping, guidance and support to the PMU through the Project Director (PD).
		<ul style="list-style-type: none"> Provide Government budget, staff and office facilities for PMU. Manage procurement through the PMU
	<ul style="list-style-type: none"> Nepal Rastra Bank 	<ul style="list-style-type: none"> Disbursement of the AGF grants to selected AGF partners; Monitor and ensure that the grants are utilized properly as agreed in the business plan
	<ul style="list-style-type: none"> Agro Enterprise Center (AEC) 	<ul style="list-style-type: none"> Support the PMU to implement post harvest and market linkage programs Strengthen the capacity of AEC regional offices and AEC Field Units, and District Chambers of Commerce and Industry in value chain development Facilitate Business to Business linkages Develop value chain integration business plans. Provide quarterly and annual progress reports and financial statements to the PMU. Assist PMU organize agricultural fairs and promotion field days Develop and manage agricultural market information systems and networks, and transfer knowledge amongst stakeholders and assist the private sector

	Project Stakeholders	Management Roles and Responsibilities
		agribusiness community to facilitate a multiplier effect to value chain actors.
	<ul style="list-style-type: none"> • National On-Farm Service Provider (National NGO) 	<ul style="list-style-type: none"> • Support, supervise, monitor and provide quality control over the on-farm service providers programs • Provide awareness and training to local service providers • Assist PMU organize farmer tours and field days • Provide technical on-farm consulting services to the PMU and the wider Project • Work closely with the PMU to develop and build agribusiness and HVC knowledge products
	<ul style="list-style-type: none"> • Local Level NGO Service Providers 	<ul style="list-style-type: none"> • Supply group social mobilizers • Provide project awareness and training programs to farmer group members • Develop production and marketing plans for groups with supply agreements • Provide technical support for the production of HVC and their subsequent marketing
	<ul style="list-style-type: none"> • DADO 	<ul style="list-style-type: none"> • Technical training of agricultural service providers • Support local service providers in training farmers • Monitoring of farm group achievement • Monitoring of Grant fund use and impacts on farm and post harvest • Reporting to PMU and the annual evaluation meetings • Development of HVC best management practice extension programs
	<ul style="list-style-type: none"> • Independent Appraisal Panel 	<ul style="list-style-type: none"> • Review all applications for funding from the Agribusiness Grant Facility • Advise PMU/PD on the technical and financial merits of each application
	<ul style="list-style-type: none"> • Ministry of Finance 	<ul style="list-style-type: none"> • Ensure the provision of counterpart funds as required by the project.
		<ul style="list-style-type: none"> • Assure timely and prompt procedures regarding overcoming financial constraints during Project implementation
	<ul style="list-style-type: none"> • Ministry of Local Development 	<ul style="list-style-type: none"> • Ensure active participation of the district development committees (DDCs) in planning, implementing and monitoring project activities.
	<ul style="list-style-type: none"> • National Agriculture Research Council 	<ul style="list-style-type: none"> • Provide, Agriculture Service Provider (ASP), available HVC technologies that can be introduced

	Project Stakeholders	Management Roles and Responsibilities
		and scaled-up in Project districts <ul style="list-style-type: none"> • Participate, as an ASP, in the Project's demand driven research programs.
	<ul style="list-style-type: none"> • Department of Cooperatives 	<ul style="list-style-type: none"> • Assist in forming and managing cooperatives through its divisional offices.

Key Persons Involved in Implementation

Executing Agency

Ministry of Agriculture
Development

Officer's Name: Mr. Nathu Prasad Chaudhary

Position: Secretary

Telephone : 977-01-4211808

Email address:

Office Address: Singh Durbar, Kathmandu, Nepal

Implementing Agency

Department of Agriculture

Officer's Name: Mr. Vijoy Kumar Mallik

Position: Director General

Telephone : 977-01-5521323

Email address: vijoy58@gmail.com

Office Address: Hariharbhawan, Pulchok, Lalitpur,
Nepal

Implementing Agency Agro Enterprise Center

Officer's Name: Mr. Pradip Maharjan

Position: Chief executive officer

Telephone : 977-01-4262245

Email address: aec-fncci@mos.com.np

Office Address: FNCCI Building, Teku, Kathmandu,
Nepal

Implementing Agency Nepal Rastra Bank

Officer's Name: Mr. Gopal Prasad Kafle

Position: Executive Director

Telephone : 977-01-4441316

Email address: gple125@yahoo.com

Office Address: Baluwatar, Kathmandu, Nepal

ADB

Division Director

Takashi Matsuo

Telephone: 632-632-5579

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Mission Leader

Ahsan Tayyab

Telephone: 632-632-6720

Email address: atayyab@adb.org

C. Project Organization Structure

D. Overall Implementation Arrangements

11. **Implementation Period and Completion Date:** The Project will be implemented over 6 years, beginning on 14 June 2011 with a completion date of 30 June 2017begining on 14th June 2011 with a completion date of 30th June 2018.

12. **Project Steering Committee:** Overall interagency coordination will be achieved through a Project Steering Committee (PSC) that will be formed before grant effectiveness, The Committee will comprise of the following: Project Steering Committee: Secretary, MOAD (Chairperson), Joint Secretary (Planning), MOAD, Director General, DOA, Representatives of Department of Cooperatives (DOC), Ministry of Finance (MOF), National Planning Commission (NPC), Department of Food Technology and Quality Control (DFTQC), Ministry Local Development, Representative of NRB, Representative of FNCCI, Executive Director, NARC and Project Director, PMU . The PSC will be responsible for (i) review implementation performance and reporting to the EA and PD on options to improve the effectiveness and efficiency of the Project, (ii) provide interagency coordination linkages for the IA and PMU, and (iii) ensure that the Project is consistent with Government Policy and Project Agreements.

13. **Executing and Implementing Agencies:** The Project Executing Agency will be the MOAD, with the Department of Agriculture (DOA), Nepal Rastra Bank and Agro Enterprise Centre (AEC) of the Federation of Nepal Chambers of Commerce and Industry (FNCCI) being the Implementing Agency's through the PMU and the 10 district DADOs. AEC will enter into a Memorandum of Understanding (MOU) with the PMU.

14. **Service Providers:** Service providers for the project will be a competitively sourced National NGO , Regional NGOs and Local NGOs.

15. For market linkage and post harvest training programs, service providers will be selected. PMU, in consultation with AEC, will recruit such service providers. AEC will be responsible for developing a market linkage program for HVC in the Project regions through promotions, fairs and linking market buyers to regional farmer cooperatives by mobilizing the service providers. Awareness programs will be linked to training enterprises and cooperatives in value chain principles and developing HVC market supply agreements. Local service providers will then work with those post harvest enterprises that have marketing agreements and farmer cooperatives to develop business plans for adding value to HVC production within which investment into post harvest infrastructure is identified and due diligence (financial, environmental, and social) is completed. The business plan once completed will be used to prepare an application for Project Grants. AEC will enhance and extend their existing Agriculture Market Information System to incorporate HVC and the 10 districts within the Project as well as the 5 main markets for Nepal HVC in India.

16. The National Service Provider will be responsible for supplying key technical advisors to the PMU and to the local service providers (NGOs). The National Service Provider will support the PMU in developing on farm awareness and training programs based on the consolidation of training needs from the local service providers. The service providers will be contracted by the

PMU and will include the technical experts and develop linkages with local service providers. . Local service providers will work with existing farmer groups to create awareness of a market linked production system, the merits and benefits of HVC, assist the farmer groups to secure marketing agreements, provider provides supporting production plans, and a farmer group level application for HVC production inputs and essential farm technology that will be provided to farmer cooperatives who in turn will work with a post harvest service provider.

1. Project Outputs

17. The Ministry of Agriculture Development (MOAD) will be the executing agency (EA) and the Department of Agriculture (DOA), Nepal Rastra Bank (NRB) and the Agro Enterprise Center (AEC) will be the implementing agencies. DOA will be responsible for project management and coordination of implementation. MOAD will establish a Steering Committee, a Project Liaison Office in Kathmandu, and a PMU in Nepalgunj. The EA shall open a first generation Project Management imprest account and an Agribusiness Grant Facility imprest account with the Nepal Rastra Bank (Kathmandu). Two local currency second generation imprest accounts will be opened with NRB in Nepalgunj for Project Management costs and the Agribusiness Grant Facility. The imprest accounts, in aggregate, will be eligible for an advance of up to the forecast 6 months disbursement or 10% of total grant, whichever is lower.⁸

a. Output 1: HVC value chains in mid-west and far-west region supplying markets

18. Grants will be provided to enterprises and producers with market supply agreements that are signed between buyers and producer cooperatives or farmer groups based on business and production plan applications. For approved applicants contracts will be issued and grants based on the Independent Appraisal Panel findings on instruction from the PD.

19. The PMU shall prepare guidelines for the submission of grant applications including monthly deadlines and timelines for panel meeting dates. Grants will be provided to successful applications reviewed by an Independent Appraisal Panel and approved by the Project Director. The Nepal Rastra Bank–Nepalgunj Branch will disburse agri-business grant to applicants in their bank account who shall use these for procuring agreed goods and services. Beneficiaries will submit procurement documentation to the PMU as per the agreed plan. Beneficiaries will procure using commercial practice whilst maintaining records for audit purposes.

20. If the appraisal panel findings are disregarded, the PD must obtain ADBs prior approval before any contract or disbursement is undertaken. For grants in excess of \$100,000, the PD must obtain ADB's prior approval. The PMU will ensure that beneficiaries receive their first installment/advance within 30 days approval by the independent appraisal panel (IAP). A performance target is set that 90% of approved applications receive first installment/advance within 30 days of IAP approval. ADB, in consultation with the GON, reserves the right to reassign fund management if performance targets are not achieved on a quarterly basis.⁹ ADB also reserves the right to inspect and review all Agribusiness Grant Fund documentation and procedures.

⁸ Project Administration Manual (Appendix 2).

⁹ The requirement for this reflects other sector experience in delays for such disbursement and also highlights the critical nature of timely availability of inputs for HVC that have short growing seasons defined by market opportunities and/or climatic conditions.

b. Output 2: Business plans for producing and adding value to HVC in the far-west and mid-west

21. Activities for Output 2 will be implemented through private sector service providers to secure market agreements and HVC supply.

i. Agro-Enterprise Center – Implementation Role

22. For securing markets and the post harvest investment program, the Agro Enterprise Center (AEC) of Federation of Nepal Chambers of Commerce and Industry (FNCCI) will be responsible for implementation. AEC's role provides: (i) access to FNCCIs 700 members that include the majority of domestic enterprises involved in agribusiness, (ii) local presence in the two regions and Project districts that will be strengthened and sustained after the Project, and (iii) capacity building of DCCIs' of project districts for their leadership in in agribusiness services and products to Project beneficiaries. AEC will support planning for securing markets, including developing and implementing training programs, review of local service providers' business plans and grant applications.

23. AEC implementation role (see terms of reference appended) will be linked to specific budget lines for subcomponent 2a (detailed cost table number 1 and summarized below).

24. AEC will work with the PMU in defining a post harvest training program that will be implemented by private sector service providers – the contracting of these service providers will be undertaken by the PMU in consultation with AEC . AEC will, through their staff, support the Project, provide a quality control review of all application for grants as part of their implementation roles. AEC will work closely with SNV to provide training to service providers as required through the market linkage and promotion programs.

25. Where no service provider is available for the provision of training, AEC may deliver training as part of its implementation functions using shopping procedures.

26. AEC, under separate PMU contract will expand the AEC agricultural market information system with systems for data analysis, data collection and access established in the two Project development regions. AEC will sign a memorandum of understanding with MOAD and ADB and will be remunerated by the PMU based on agreed work plan milestones. SNV and the Procurement expert will assist the PMU on defining and applying these milestones.

Table 1: AEC Detailed Budget Lines with Shared Procurement for Training and PMU Contract for AMIS

Detailed Costs	Unit	Inputs	Cost (\$)
		Total	Total
I. Investment Costs			
A. Agriculture Enterprise Center Service Provider Contract /a			
1. Program Management			
a. Program Manager -Nepalgangj	person month	57	122,085
b. Regional Office Managers	person months	108	115,709
c. Manager travel costs	per month	42	12,735
d. Manager Per diems	days	1,085	35,211
e. Support staff	person months	25	9,367
f. AEC Overhead	lump sum		55,109
Subtotal			350,216
2. AEC Liaison Offices			
a. Motor Cycle	each	3	7,764
b. Office Equipment			
Laptop Computer	each	3	2,470
Printer/Copier/Scanner	each	3	674
LCD Projector	each	3	4,490
Furniture	set	6	956
Miscellaneous Equipment	each	3	3,188
Subtotal			11,778
c. Office Operation and Maintenance	month	162	86,781
Subtotal			106,324
3. AEC Field Units			
Computer	each	10	6,197
Printer/Copier/Scanner	set	10	2,245
Miscellaneous Equipment	lump sum	10	10,627
Office Operation and Maintenance	month	540	173,563
Subtotal			192,632
Subtotal			649,172
D. Building Market Linkages Programs			
1. Package 1: Establishing Market Linkages to Suppliers/Producers	per each	16	168,344
2. Package 2: Promotion of Market Networks	year		32,189
3. Package 3: Preparation and Dissemination of Publications /g	year		26,763
Subtotal			227,296
Total			876,468
PMU/AEC contracted Post Harvest Training			
C. Awareness Building and Training in Post Harvest Issues Contracts			
1. Package 1: Agribusiness Training of Farmers' Groups Lead Farmers	course	67	65,604
2. Package 2: Agribusiness Training for Management of Farmers' Groups	course	35	98,106
3. Package 3: Officials of New Groups DP, IP, Landless	course	11	30,881
Subtotal			194,591
PMU contract to AEC for AMIS			
B. Agricultural Market Information Systems (AMIS) Contract			
1. AMIS Evaluation Study /b	sum	1	22,452
2. Price Collection and Dissemination Centers /c	year	15	15,997
3. Market Information Database /d	year	5	16,125
4. Mobile Phone Messaging Service /e	year	4	17,159
5. Radio Broadcasting /f	year	40	42,898
Subtotal			114,631

Note: Budget allocated in the above table under the cost category C. Awareness Building and Training in Post Harvest Issues Contracts and D. Building market Linkages Programs will be utilized by the PMU through service providers in consultation with AEC.

ii. National On-Farm Service Provider Role/Contract

27. For securing supply through farmer groups with market agreements, the PMU will contract a national service provider (probably an NGO) quality based selection for technical support, overall quality control and supervision of local/district service providers. The national service provider will develop training programs, provide a quality control function for local service providers, and provide training for and awareness on the Project grant eligibility and application process. At the district level, local NGO service providers will be contracted for social mobilization, HVC awareness and training programs, and planning services to enable existing

Project farmer groups to access Project grants for inputs to produce HVC. The Project will form about 90 new farmer groups for DAG through contracting regional level NGOs. These contracts include provision for mobilization, access to Project training and Project grants, and provision for the leasing of land for 1.5 years (three crops) for groups of landless farmers. PMU will recruit all these service providers (national, regional and district level NGOs) using quality based selection method under consulting services as defined in grant agreement.

c. Output 3: Efficient and Effective Project Management

28. The Project Management Unit (PMU) will be located in the Project area, at Nepalgunj (MWDR). The PMU will provide overall management, administration, monitoring and evaluation and reporting services and will report to the DOA. The PMU will manage and administer the post harvest and on-farm service providers, support the Independent Appraisal Panel, undertake non-agricultural Fund procurement, financial management and project reporting. The Project will support the PMU with the provision of consulting services for Project Management support, backstopping HVC value chain development, and on-farm HVC production. In addition output 3 will implement post graduate training, HVC awareness programs, agricultural marketing fairs, safeguard supervision and monitoring and evaluation. The PMU with support from SNV and AEC organize regional and national study tours.

i. Selection Criteria and Job Descriptions for Senior Project Management Senior Staff

29. **Project Director (PD):** MOAD will submit curriculum vitae of two candidates for the Project Director role with a stated preference and ADB will confirm their acceptance of the preferred candidate if the candidate meets the criteria of being class 2 or above with 5 years of managerial experience, including project management, and with at least 6 years before retirement age. The preferred candidate will be appointed prior to grant negotiations. In addition, candidates with the following would be advantage:

- (i) working experience in a donor funded project,
- (ii) understanding of the geographical situation of the Project area,
- (iii) substantial knowledge of HVCs and their value chains,
- (iv) substantial knowledge of Government and ADB financial management systems, and
- (v) a commitment to work in the Project for its duration (2011–2017).

30. The Project Director's outline job description and responsibilities are as follows:

- (i) the overall management, facilitation and supervision of Project implementation;
- (ii) coordination of Project activities with the PSC; ADB, IAP, MOAD, AEC, DADOs, ASPs; and other Project partners and stakeholders,
- (iii) the management and direction of the PMU and PLO staff,
- (iv) close liaison with the consultancy team leader and overall coordination of the consultants' inputs,
- (v) management and administration of the Agribusiness Grant Fund
- (vi) to act as Member and Secretary to the PSC and IAP,

- (vii) coordination of ADB missions regarding Project progress,
- (viii) submission of regular report and accounts to the MOAD and ADB, and
- (ix) submission of Project Inception, Mid Term, and Completion Reports.

31. **Project Liaison Officer (PLO):** The Project Liaison Officer will be an Agriculture Officer (class III or above) seconded from the DOA. He or she should possess the following minimum qualifications and commitment:

- (i) at least a Master degree in agriculture or a related subject;
- (ii) a minimum of 3 years work experience in a donor funded project;
- (iii) a good understanding of working conditions in the Project area;
- (iv) substantial knowledge of HVCs and their value chains; and
- (v) detailed knowledge of line agencies within MOAD.

32. The Project Liaison Officer's outline job descriptions and responsibilities are as follows: (i) liaise with central Government Ministries and agencies regarding the coordination of Project activities; (ii) arrange, under guidance from the PMU, PSC and stakeholder meetings and workshops in Kathmandu; and (iii) arrange the printing and distribution of Project reports and accounts to interested parties.

33. The candidates nominated by the MOAD for recruitment as PD and PLO should be appointed in accordance with current regulations the selected candidate should be approved by ADB prior to taking up his/her appointment.

d. Independent Appraisal Panel (IAP)

34.

An IAP will be established with the purpose of examining, appraising and recommending the Applications for Project Grants and making important recommendation on project affairs.

The IAP will comprise the following members:

- (i) Regional Agricultural Directors (RADs) of the MWDR and FWDR- Joint Chairpersons¹⁰,
- (ii) Representative, FNCCI, or a Private Sector representative- Vice Chairperson
- (iii) Technical Officer, PMU – Member Secretary
- (iv) Gender and Social Inclusion Officer, PMU – Member
- (v) Environment Officer, PMU - Member

¹⁰ The relevant RAD will chair meetings of the IAP depending on the region from which the application emanates.

(vi) Project Director – Invitee member

35. The ex-officio members of the IAP will be convened by PSC under the advice and recommendation of the PD, PMU. Chief of District Agriculture Development Office will be an invitee member of IAP for AGF proposals of the respective district. A quorum of three is required for the assessment of all applications. A roster of **Technical Specialists, Financial Specialist, and Management Specialist** will be maintained at PMU to review the AGF proposal. Qualification, experience, terms of service and remuneration of the specialists will be decided by PSC, and PMU will make call for specialists' application. These specialists will work as peer reviewers of the AGF proposal. The IAP will meet at the premises of the PMU when required.

2. Agribusiness Grant Facility

36. The Agribusiness Grant Facility (AGF) will be established by the Executing Agency and Nepal Rastra Bank as part of the Project fund flow mechanism. The facility will operate as a separate local currency second generation imprest account in the Nepal Rastra Bank (Nepalgunj Branch) from which the NRB will disburse direct to Project beneficiaries account that have approved applications. Installments will be deposited in the bank accounts of the successful grant applicants. First installment/advance will be provided by the PD after a successful applicant has entered into a contract with the PMU and the NRB for the use of funds. The beneficiary on receipt of funds shall procure according to usual commercial practice and will submit documentation to the PMU. Once procurement documentation is validated against the approved application, the PMU will request the NRB to release the funds.

37. The AGF shall be used to finance three groups of beneficiaries (i) Disadvantaged and Marginalized Farmers Groups (DGMF) (ii) community organizations and cooperatives engaged in agriculture enterprise, and (iii) registered agribusinesses (individual and firms) with confirmed HVC supply agreements. The grants shall be provided on the basis of (i) a business plan for the post harvest enterprise that establishing market demand, financial viability and overall feasibility, (ii) a farmer cooperative members group production plans where each farmer group with a supply agreement identifies the HVC to be produced and then has a production and marketing plan that also establishes the value of the crop to the individual household. Each farmer group shall forward their final plan to their farmer cooperative and the cooperative shall aggregate inputs across its members for a single application on behalf of its members. The farmer cooperative will be the initial beneficiary of the Project Grant and will on behalf of its members purchase eligible goods and services and then distribute these to its members.

38. The provision of grants to beneficiaries is justified by the cost of doing business in the mid and far west regions due to (i) the high logistical costs within the far-west and mid-west regions, (ii) the lack of "value adding" in the region, (iii) the political and business risks facing enterprises establishing within in the mid-west and far-west region including the costs of aggregating supply, (iv) the cross border trade risks as processors and others may gain advantages from subsidies to producers and agribusiness enterprises. The following are examples of eligible use of grant funds.

a. Farmer Production Inputs

39. Farm inputs including fertilizer, seed and plant protection costs will be supported with Project Grants only for the first crop grown under the Project.

b. Farm Technology Investment Financial Assistance

40. Applications for support for farm technology investments, funded from the AGF, will be identified by LSPs and included in farm group applications submitted through their farm cooperative to the PMU. Applicants will be evaluated based on the following eligibility criteria:

- (i) member of a FG or Agricultural Cooperative,
- (ii) HVC production experience,
- (iii) individual member of group or cooperatives operates a farm of less than 2.0 ha,
- (iv) attendance at Project HVCs training courses,
- (v) access to actual or potential HVCs markets, and
- (vi) rationale and justification of investment proposal to be submitted and approved by FG or Agricultural Cooperative committee.

c. Post Harvest Value Chain Investments

41. Post harvest value chain investments, funded from the AGF, will be demand driven, identified by LSPs in consultation with post harvest enterprises. Applications for support will be evaluated based on the following basic eligibility criteria:

- (i) participation of leading members of FGs in the training courses and awareness programs on HVC production and value addition;
- (ii) the investment project must be market driven involving HVCs with proven actual or potential demand, and illustrate backward and forward linkages along the value chain;
- (iii) the potential for involvement of women, on an equal basis with men, in the investment;
- (iv) employment potential for youth, DAGs/IPs in the investment;
- (v) the investment proposal should not have any negative social and environmental effects, provide proof of knowledge of the comparative benefits and risks, and the potential price premiums that will result from the investment; and
- (vi) A feasible business plan and financing plan

3. Grant Administration and Award

a. Purpose of Agribusiness Grants

42. Grants are available to eligible applicants for development of agribusiness and demand driven agricultural production activities for the purpose of increasing socially beneficial and environmentally friendly economic growth and employment in the Project districts.

43. Grant eligibility is detailed in the following table. The Project will not consider grant application of less than \$1,500. The maximum grant is \$250,000. All grants will be screened and assessed by (i) the respective national service providers for quality and compliance, (ii) the Independent Appraisal Panel with safeguard representation, (iii) the PMU. All grants that are assessed by the IAP to be ineligible that the PMU decides to proceed with require ADB prior approval. The prior approval process will include a submission that includes (i) the application (in English), (ii) copies of the Independent Appraisal Panel, and (iii) the PMU assessment and rationale (with justification) for the proposal to be approved. All applications that are approved that involve amounts in excess of \$100,000 require prior ADB review and approval. Disbursement against ineligible applications will be considered negligence and remedial actions will apply including the recovery of ADB funds.

Table 2: Grant Eligibility Guide

Eligible group / grant type	Maximum grant (\$)	Grant Contribution per cent		Beneficiary Contribution per cent
		ADB	Government	
1. Land leasing for HVC production to disadvantaged and indigenous farmers groups (DGMF)	US\$3,000 per group,	Year 1- 100 (\$342/ha.) Year 2- 50 (\$171/ha.)	- 45	- 35
2. Farm development and technology grants for HVC production	50,000	50	15	35
3. Market linked agricultural cooperatives and medium sized enterprises for post harvest HVC investment	250,000	50	15	35
4. Farm inputs to HVC farmer group members (for new HVC and one year only and limited to	General groups- \$700/ha of HVC	50	15	35

seed, fertilizer and plant protection materials)	DAG farmers- \$900 /ha of HVC	100	-	-
5. Cooperative support Packages	5,000	50	15	35
6. Alternative energy for remote processing and post harvest enterprises	5,000	50	15	35

b. Grant Applications

44. Applicants are required to prepare business plans which outline the development or expansion of business activity for HVCs. All business plans and applications must be prepared in the format outlined in AGF Guideline. Applications must meet the selection criteria and requirements. Business plans and applications must be well prepared and will be assessed carefully by the Independent Appraisal Panel with all recipients obliged to participate in Project monitoring, impact assessments, evaluations, and audit procedures.

45. Applications must be sent directly to the Project Director, PMU, Nepalgunj or through local service providers, DADO, DCCI, PLO, RAD.

c. Assistance to Prepare Business Plans and Grant Applications

46. The Project will support the Agro-Enterprise Center (AEC) and National NGO/NGO's to help applicants prepare sound, viable and sustainable business plans, and to prepare the Project Grant Applications. AEC staff will provide detailed guidance to applicants to prepare business plans and to facilitate links to buyers and markets, as well as sources of specialized inputs needed for the business plan, such as processing equipment and supplies. NGO's will be hired to help identify and organize groups and enterprises that have viable business potential, using district based staff.

d. Selection Criteria

47. The following section outlines the criteria for eligibility for the use of Project grant funds.

i. Eligible Applicants

- (i) Legally registered farmer groups, cooperatives, community organizations with business activities involved with HVC agricultural products produced or processed in the Project districts;
- (ii) Agribusiness firms registered under Nepal Company Act, with business activities in the HVC value chain;
- (iii) Individual business persons (legally registered with tax number) with least 5 employees in the business located in the Project Mountain districts.

- (iv) Staff of MOAD or any of its line agencies, including enterprises with shares or equity involvement of individuals (or their relatives) in the public sector including political representatives, and its contracted service providers, and their family members, are not eligible.

ii. Eligible Agribusiness Activities and Facilities

48. The following are examples of the business activities and facilities which will be considered for AGF Grants:

- (i) the cost of leasing land for disadvantaged groups, up to a maximum of \$3,000 per group for the first two years;
- (ii) farm development and technology grant applications, for on farm capital, training, or research investments, including nurseries, small-scale irrigation and water harvesting works that are owned, managed and maintained by registered farmer groups. The application should be made by farmer owned co-operatives on behalf of their members;
- (iii) Market-linked agricultural cooperatives and medium sized enterprises supported for the cost of equipment, and installation where applicable, for transport, storage, grading, processing and marketing of HVC;
- (iv) A package of input supplies for farmers growing a particular HVC for the first time which is contracted to a co-operative or buyer. Support: one year only.
- (v) Cooperative Support packages for office equipment and accounting and management systems;
- (vi) Alternative energy for remote processing and post harvest operations

iii. Not Eligible for Grants

- (i) Items on ADBs Prohibited List
- (ii) Activities that do not comply with ADBs safeguard policy
- (iii) No subproject classified as Category A for environmental safeguards
- (iv) Land purchase, unless resettlement costs are incurred
- (v) Business operating and trading capital
- (vi) Speculative investment
- (vii) Study tours

iv. Assessment Process

49. The Business Plan and Grant Application will be considered by the Independent Appraisal Panel with expertise in business development, financial analysis, environmental protection, social and gender improvement, and corporate governance. The assessment will be based on the viability, sustainability, and impact of the Business Plan, the quality and thoroughness of its preparation, and the soundness of documentation and evidence provided.

50. Applications for Grants must provide full details and must be able to pass close scrutiny and assessment against Instructions below and the selection criteria. The Applicant must show they are competent and have excellent understanding of the business; demonstrate that it will benefit HVC agribusiness; and that there will be no negative social or environmental impacts. The application may be approved, rejected, or the Applicant may be requested to provide additional information.

v. Grant Agreement and Grant Payment

51. For approved Grant Applications, the Project Director will send the Applicant an Agribusiness Grant Agreement, which is a legal contract binding the Applicant, PMU and Nepal Rastra Bank to fulfill the conditions of the Grant Agreement. Conditions will include the schedule of Grant payments, and the Applicant's reporting and acquittal requirements, and monitoring schedule. The Grant Agreement must be signed and witnessed, and a copy returned to the Project Director. The procedure is as follows.

52. On approval of grant applications through IAP and PD, the PD will (i) enter into a contract for the proposed goods and services supported by the application between the PMU, NRB and the applicant, (ii) once a contract for use of funds has been formed the PD will instruct the NRB to release funds to the beneficiary, (iii) the beneficiary shall procure the agreed goods and services using normal commercial practices, (iv) proof of purchase documentation will be provided to the PMU who will review and if expenses are deemed eligible will instruct the NRB to release funds into the beneficiary bank accounts. Beneficiaries can have their account in any commercial bank in Nepalgunj or other locations at their choosing. Fund replenishment following disbursement of Project grants will be by SOE and replenished by the PMU.

vi. Instructions and Requirements for Agribusiness Grant Applications

53. The purposes of the Business Plan and Grant Application are to provide:

- (i) Evidence of the legal status of the business entity ("the Applicant") and its compliance to local and national law and regulations;
- (ii) Information for assessment of the business viability, the impact on people in the project area, the environmental impact;
- (iii) Specifications and costs of the items proposed to be financed with Grant assistance.

54. All Agribusiness Grant applications must fulfill the following requirements:

vii. Business or Individual Registration Legal details

- (i) Type of business structure (incorporated group, cooperative, company, etc.)
- (ii) Business Address (location and contact details)
- (iii) Name(s) of responsible person(s) and contact details
- (iv) Taxation File Number
- (v) Bank account details (Bank, account number for deposits, address)
- (vi) Evidence of land ownership (registration, title, lease or user right)

e. Business Plans

55. As applicable to the applicant the following items need to be addressed.

i. Production Plan – describe the product and how it is produced

- (i) Description of the products or services

- (ii) Description of the production process, and facilities, equipment and labor involved (mandatory: environmental management plan)
- (iii) Sources and annual quantity of inputs and raw materials (including procedures to ensure safety, quality, and sustainability of supply)
- (iv) Quantity of annual production

ii. Marketing Plan – describe how the product is sold

- (i) Sales plan (history and forecast)
- (ii) Buyers: description, location, status (confirmed or potential)
- (iii) Distribution process
- (iv) Pricing plan
- (v) Competitive strategy (competing products and businesses, quality management, differentiation)

iii. Management Plan – describe how business is managed

- (i) Management structure (brief description of positions and roles, name(s) of top management)
- (ii) Workers (description of jobs, number of full-time and part time; mandatory: plan for employment of local people)
- (iii) Sources of Contractors, Advisors (if required)
- (iv) Community consultation: mandatory (at a minimum, the applicant must hold a meeting with people who live next to the business, or who may be affected by the business; minutes of the meeting signed by people attending the meeting must be included in the application)
- (v) Compliance (permits or other written evidence from planning and regulatory authorities approving business operations and any planned civil works)

iv. Financial Plan – describe the financial status of the business

- (i) Statement of Assets (mandatory: evidence of business premises land ownership, lease or legal use right)
- (ii) Statement of Liabilities
- (iii) For proposals between \$1,500 and \$10,000: Basic Cash Flow statement
- (iv) For proposals exceeding \$10,000: Profit and Loss Account; Balance Sheet; Financial Projections (at least 5 years)

Table 3: Example of a Grant Application Cost Table

Item	Total Cost (quotes)	Financing					
		Business Contribution			Agribusiness Grant Contribution		
		by item	Amount	%	by item	Amount	%
Item 1 example: juicing machine	5,000	0	5,000	100	0	0	
Item 2 example: building	10,000		2,500	25		7,500	75
Materials					3,500		
Own labor		2,500			3,000		
Engineer and building contractor		0			1,000		
Total	15,000		7,500	50		7,500	50

v. Planned Business Development – describe the plan and costs to develop the business

- (i) Describe the plan for business development
- (ii) Specifications of the items required for the planned development (typically these will be facilities and equipment for Production)
- (iii) For purchase of goods and services, provide 3 price quotations based on the specifications.
- (iv) Cost and Finance table: list all items and costs for items required for the planned business development, and the source of finance for each (i.e. the business owner, Agribusiness Grant). If the business must borrow from a bank, a letter from the bank must be provided.

IV. COSTS AND FINANCING

56. The Project is estimated to cost \$33.54 million (Table 1).

Table 1: Project Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost ^b	
1. Agribusiness Grant Facility	22.90
2. Securing HVC Markets and Supply	6.30
3. Effective Project Management	3.30
Subtotal (A)	32.50
B. Contingencies ^c	1.04
C. Total (A+B)	33.54

HVC = high value commodities.

^a Includes taxes and duties of \$4.38 million to be financed from Government resources.

^b In mid-2010 prices.

^c Physical contingencies have been computed at 5% for all vehicles and equipment and consulting services (except international for which there is no contingency figure) and at 10% for delivery of advisory services, awareness campaigns, training and workshops, surveys and studies and project management costs. No contingency is applied to the matching grant fund.

Source: Project preparatory technical assistance estimates.

57. The Government has requested a grant of \$20.1 million from the ADB's Special Fund resources to help finance the Project. The financing plan is summarized in Table 2. ADB will finance 60% of the total costs including contingencies. The Government will provide \$5.33 million equivalent to 15% of the Project cost including PMU staff salaries and taxes. Beneficiary contributions of \$7.61 million will include matching funds for investments, their labor and increasing payments for services established under the Project. SNV will finance the agribusiness and value chain technical backstopping package with parallel grant financing for the 50% of the direct costs of professional staff with the remaining financing providers from the ADB grant. The PMU will contract SNV according to the terms of reference at a price that is equivalent to the agreed cost less the discount being offered by SNV. To determine the contract's value the EA will discount the firm's representations regarding cost to the extent that the parallel grant financing is fully off-set. The firm shall be held liable for the provision of the services irrespective of if the parallel grant financing is available or not. SNV payments will be based on contract milestones that total to the discounted price.

Table 2: Project Financing Plan
(\$ million)

Source	Amount (\$ Million)^b	Share of Total^a (%)
Asian Development Bank	20.10	60
SNV	0.49	1
Beneficiaries	7.61	23
Government	5.33	16
Total	33.54	100

^a Includes taxes and duties of \$4.38 million to be financed from Government resources.

^b In mid-2010 prices.

Source: Asian Development Bank estimates.

A. Detailed Cost Estimates by Expenditure Category

Expenditure Accounts Project Cost Summary	(Local Million)					(US\$ Million)				
	Local	Foreign	Total	%	% Total	Local	Foreign	Total	%	% Total
				Foreign Exchange	Base Costs				Foreign Exchange	Base Costs
I. Investment Costs										
A. Matching Grants Program										
1. Post Harvest Grants	329.38	668.75	998.13	67	41	4.43	9.00	13.43	67	41
2. HVC Production Support Grants	233.43	473.92	707.35	67	29	3.14	6.38	9.52	67	29
3. Grant Management and Impact Assessment	-	-	-	-	-	-	-	-	-	-
Subtotal	562.81	1,142.67	1,705.48	67	71	7.57	15.38	22.95	67	71
B. Civil Works /a	-	-	-	-	-	-	-	-	-	-
C. Vehicles and Equipment										
1. Vehicles /b	14.04	14.62	28.66	51	1	0.19	0.20	0.39	51	1
2. Office Equipment /c	3.06	7.50	10.56	71	-	0.04	0.10	0.14	71	-
3. Technical Equipment /d	6.06	12.30	18.36	67	1	0.08	0.17	0.25	67	1
Subtotal	23.16	34.41	57.57	60	2	0.31	0.46	0.77	60	2
D. Consulting Services										
1. International Consultants	-	67.73	67.73	100	3	-	0.91	0.91	100	3
2. National Consultants	81.74	-	81.74	-	3	1.10	-	1.10	-	3
Subtotal	81.74	67.73	149.47	45	6	1.10	0.91	2.01	45	6
E. Services										
1. Agricultural Marketing Information Service	7.61	-	7.61	-	-	0.10	-	0.10	-	-
2. Studies and Surveys	80.17	-	80.17	-	3	1.08	-	1.08	-	3
3. Publications and Promotional Materials	-	-	-	-	-	-	-	-	-	-
Subtotal	87.78	-	87.78	-	4	1.18	-	1.18	-	4
F. Training and Workshops	111.33	-	111.33	-	5	1.50	-	1.50	-	5
G. NGO_Mobilizers and Supervisors /e	237.61	-	237.61	-	10	3.20	-	3.20	-	10
H. Project Management Staff	37.52	-	37.52	-	2	0.51	-	0.51	-	2
I. Miscellaneous Project Management Support	27.65	-	27.65	-	1	0.37	-	0.37	-	1
Total Investment Costs	1,169.60	1,244.81	2,414.41	52	100	15.74	16.75	32.50	52	100
II. Recurrent Costs										
Total BASELINE COSTS	1,169.60	1,244.81	2,414.41	52	100	15.74	16.75	32.50	52	100
Physical Contingencies	55.43	1.72	57.16	3	2	0.75	0.02	0.77	3	2
Price Contingencies	154.32	61.85	216.17	29	9	0.19	0.08	0.27	30	1
Total PROJECT COSTS	1,379.35	1,308.38	2,687.74	49	111	16.68	16.86	33.54	50	103

- \a Refurbishment of buildings for project use. Government financing relates to District Agricultural Development Offices. Beneficiary financing relates to buildings for Community Agricultural Service Centers.
- \b Includes vehicle operation and maintenance costs.
- \c Includes office operation and maintenance costs. Certain services (eg those of Community Agriculture Service Centres) will become self-financing with income from payment for services by beneficiaries.
- \d For farm demonstration plots, farmer nurseries, etc. Includes operation and maintenance costs which will become increasingly self-financed as beneficiaries pay for seeds and services.
- \e Community Agriculture and Social Mobilisers (and Supervisors) from ASPs, including District Agriculture Development Offices, Community Agriculture Service Centres, nongovernment organizations, etc.

B. Allocation and Withdrawal of Grant Proceeds

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Raising Incomes for Small and Medium Farmers Project)					
CATEGORY					ADB FINANCING BASIS
No.	Item	Original Allocation for ADB Financing [\$]	Sources for Reallocation to the New Cost Category [\$]	Revised Allocation for ADB Financing [\$]	Percentage of ADB Financing from the Grant Accounts
1.	Agribusiness Grants	12,012,000		12,012,000	52% total expenditure claimed
2.	Equipment				
	2.a: Plant and Machinery	321,000		321,000	81% of total expenditure claimed
	2.b: Vehicles	265,000		265,000	68% of total expenditure claimed
3.	Consultants	1,426,000		1,426,000	70% of total expenditure claimed
4.	Services/ Training	1,017,000	(50,000)	967,000	85% of total expenditure claimed
5.	NGO Contracts	3,094,000	(350,000)	2,744,000	95% of total expenditure claimed
6.	Training and Workshops	1,348,000	(297,419)	1,050,581	88% of total expenditure claimed
7.	Recurrent Cost (Proposed new cost category)		997,419	997,419	*50% of total expenditure claimed
8.	Unallocated	617,000	(300,000)	317,000	
	Total	20,100,000	0	20,100,000	

C. Detailed Cost Estimates by Financier

Nepal
Raising Incomes for Small and Medium Farmers Project
Expenditure Accounts by Financiers
(US\$ Million)

	ADB		The Government		SNV		Beneficiaries		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
I. Investment Costs													
A. Matching Grants Program													
1. Post Harvest Grants	5.74	42.7	2.02	15.0	-	-	5.69	42.3	13.45	40.1	9.01	2.42	2.02
2. HVC Production Support Grants	6.27	65.3	1.44	15.0	-	-	1.89	19.7	9.60	28.6	6.43	1.73	1.44
3. Grant Management and Impact Assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	12.01	52.1	3.46	15.0	-	-	7.58	32.9	23.05	68.7	15.44	4.15	3.46
B. Civil Works /a	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Vehicles and Equipment													
1. Vehicles /b	0.28	68.0	0.13	32.0	-	-	-	-	0.41	1.2	0.21	0.07	0.13
2. Office Equipment /c	0.11	75.2	0.01	8.0	-	-	0.03	16.8	0.15	0.4	0.11	0.03	0.02
3. Technical Equipment /d	0.22	85.0	0.04	15.0	-	-	-	-	0.26	0.8	0.18	0.05	0.04
Subtotal	0.62	74.8	0.18	22.2	-	-	0.03	3.1	0.82	2.5	0.49	0.14	0.19
D. Consulting Services													
1. International Consultants	0.58	62.6	-	-	0.35	37.4	-	-	0.92	2.8	0.92	-	-
2. National Consultants	0.89	75.8	0.14	11.5	0.15	12.7	-	-	1.17	3.5	-	1.04	0.14
Subtotal	1.47	70.0	0.14	6.4	0.49	23.6	-	-	2.10	6.3	0.92	1.04	0.14
E. Services													
1. Agricultural Marketing Information Service	0.09	80.5	0.01	9.3	-	-	0.01	10.1	0.11	0.3	-	0.10	0.01
2. Studies and Surveys	1.03	84.9	0.18	15.1	-	-	-	-	1.21	3.6	-	1.07	0.14
3. Publications and Promotional Materials	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	1.12	84.5	0.19	14.6	-	-	0.01	0.9	1.32	4.0	-	1.17	0.15
F. Training and Workshops	1.48	88.5	0.19	11.5	-	-	-	-	1.68	5.0	-	1.48	0.19
G. NGO_Mobilizers and Supervisors /e	3.40	95.0	0.18	5.0	-	-	-	-	3.58	10.7	-	3.40	0.18
H. Project Management Staff	-	-	0.57	100.0	-	-	-	-	0.57	1.7	-	0.54	0.03
I. Miscellaneous Project Management Support	-	-	0.42	100.0	-	-	-	-	0.42	1.2	-	0.37	0.05
Total Investment Costs	20.10	59.9	5.33	15.9	0.49	1.5	7.61	22.7	33.54	100.0	16.86	12.30	4.38
II. Recurrent Costs													
Total PROJECT COSTS	20.10	59.9	5.33	15.9	0.49	1.5	7.61	22.7	33.54	100.0	16.86	12.30	4.38

^a Refurbishment of buildings for project use. Government financing relates to District Agricultural Development Offices. Beneficiary financing relates to buildings for Community Agricultural Service Centers.

^b Includes vehicle operation and maintenance costs.

^c Includes office operation and maintenance costs. Certain services (eg those of Community Agriculture Service Centres) will become self-financing with income from payment for services by beneficiaries.

^d For farm demonstration plots, farmer nurseries, etc. Includes operation and maintenance costs which will become increasingly self-financed as beneficiaries pay for seeds and services.

^e Community Agriculture and Social Mobilisers (and Supervisors) from ASPs, including District Agriculture Development Offices, Community Agriculture Service Centres, nongovernment organizations, etc.

D. Detailed Cost Estimates by Outputs/Components

Nepal Raising Incomes for Small and Medium Farmers Project Expenditure Accounts by Components - Totals Including Cont (US\$ Million)		Component 1: Agribusiness Promotion Grants				Component 2: Securing market supply agreements for high value commodity production		Component 3: Effective Project Management			Sub Component 3C: Project Safeguards and Social Inclusion Capacity Building	Total
Component	Sub	Sub	Sub	Sub	Sub	Sub	Sub	Sub	Sub	Sub	Sub	Total
1A: Post Harvest Matching Grants	1B: HVC Production Support Grants	1C: Matching Grant Oversight	2A: Market Linkages Formed	2B: Supply of HVC	3A: Project Management and Liason Offices	3B: Project Implementation Capacity Building	3C: Project Safeguards and Social Inclusion Capacity Building	Total				
I. Investment Costs												
A. Matching Grants Program												
1. Post Harvest Grants	13.39	-	-	-	-	-	-	-	-	-	0.06	13.45
2. HVC Production Support Grants	-	9.60	-	-	-	-	-	-	-	-	-	9.60
3. Grant Management and Impact Assessment	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	13.39	9.60	-	-	-	-	-	-	-	-	0.06	23.05
B. Civil Works /a												
C. Vehicles and Equipment												
1. Vehicles /b	-	-	-	-	0.15	0.26	-	-	-	-	-	0.41
2. Office Equipment /c	-	-	-	-	0.11	0.04	-	-	-	-	-	0.15
3. Technical Equipment /d	-	-	-	-	0.26	-	-	-	-	-	-	0.26
Subtotal	-	-	-	-	0.52	0.30	-	-	-	-	-	0.82
D. Consulting Services												
1. International Consultants	-	-	-	-	-	-	-	0.92	-	-	-	0.92
2. National Consultants	-	-	-	-	0.43	0.02	0.45	0.27	-	-	0.27	1.17
Subtotal	-	-	-	-	0.43	0.02	0.45	1.37	0.27	-	0.27	2.10
E. Services												
1. Agricultural Marketing Information Service	-	-	-	0.11	-	-	-	-	-	-	-	0.11
2. Studies and Surveys	-	-	-	0.23	0.63	0.17	0.16	0.03	-	-	0.03	1.21
3. Publications and Promotional Materials	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	0.34	0.63	0.17	0.16	0.03	-	-	0.03	1.32
F. Training and Workshops												
G. NGO_Mobilizers and Supervisors /e												
H. Project Management Staff												
I. Miscellaneous Project Management Support												
Total Investment Costs	13.39	9.60	-	1.19	5.82	1.48	1.69	0.38	-	-	0.38	33.54
II. Recurrent Costs												
Total PROJECT COSTS	13.39	9.60	-	1.19	5.82	1.48	1.69	0.38	-	-	0.38	33.54
Taxes	2.01	1.44	-	0.09	0.52	0.19	0.09	0.05	-	-	0.05	4.38
Foreign Exchange	8.97	6.43	-	-	0.33	0.16	0.92	0.04	-	-	0.04	16.86

^a Refurbishment of buildings for project use. Government financing relates to District Agricultural Development Offices. Beneficiary financing relates to buildings for Community Agricultural Service Centers.
^b Includes vehicle operation and maintenance costs.

^c Includes office operation and maintenance costs. Certain services (eg those of Community Agriculture Service Centres) will become self-financing with income from payment for services by beneficiaries.

^d For farm demonstration plots, farmer nurseries, etc. Includes operation and maintenance costs which will become increasingly self-financed as beneficiaries pay for seeds and services.

^e Community Agriculture and Social Mobilisers (and Supervisors) from ASPs, including District Agriculture Development Offices, Community Agriculture Service Centres, nongovernment organizations, etc.

E. Detailed Cost Estimates by Year

Nepal
Raising Incomes for Small and Medium Farmers Project
Expenditure Accounts by Years -- Totals Including Contingencies
(US\$ Million)

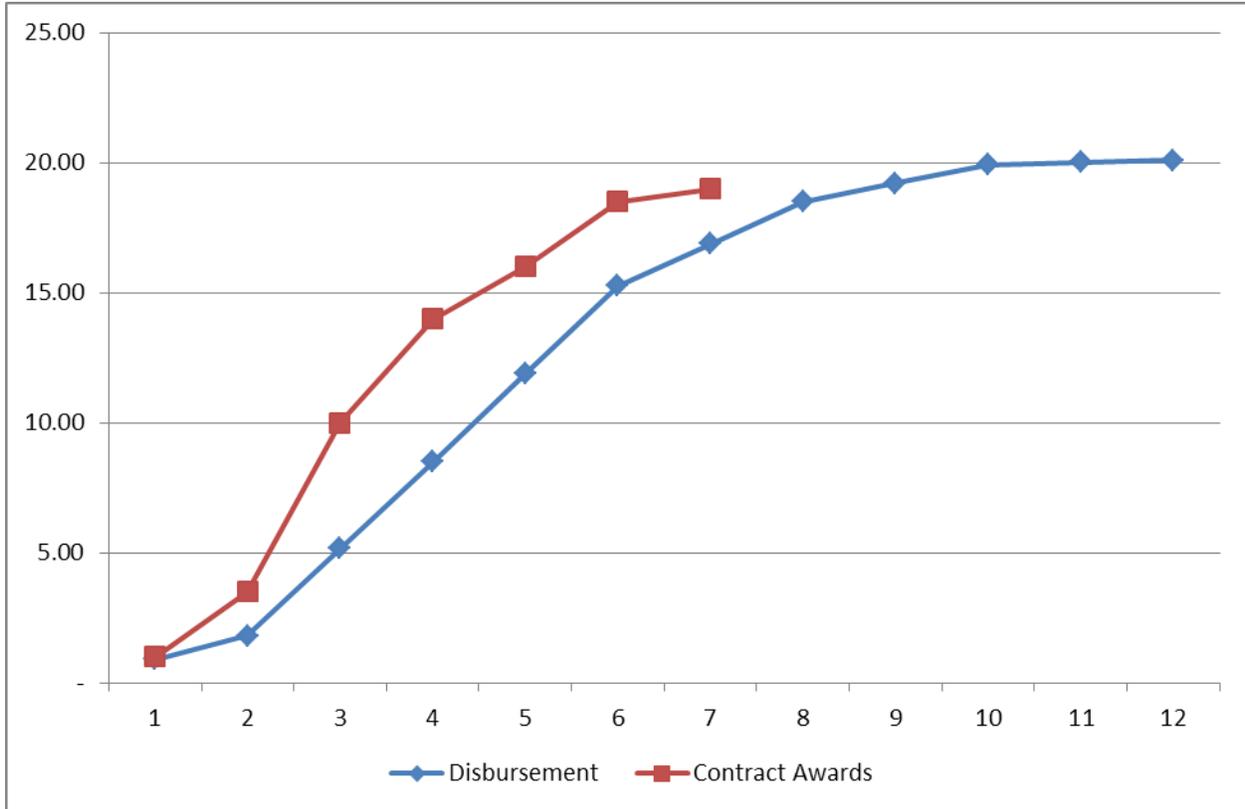
	Totals Including Contingencies						
	2010	2011	2012	2013	2014	2015	Total
I. Investment Costs							
A. Matching Grants Program							
1. Post Harvest Grants	0.84	5.54	3.93	1.89	1.26	-	13.45
2. HVC Production Support Grants	-	2.75	4.46	2.39	-	-	9.60
3. Grant Management and Impact Assessment	-	-	-	-	-	-	-
Subtotal	0.84	8.29	8.39	4.28	1.26	-	23.05
B. Civil Works /a	-	-	-	-	-	-	-
C. Vehicles and Equipment							
1. Vehicles /b	0.36	0.01	0.01	0.01	0.01	0.01	0.41
2. Office Equipment /c	0.15	-	-	-	-	-	0.15
3. Technical Equipment /d	0.01	0.26	-	-	-	-	0.26
Subtotal	0.51	0.27	0.01	0.01	0.01	0.01	0.82
D. Consulting Services							
1. International Consultants	0.27	0.26	0.26	0.11	0.01	0.01	0.92
2. National Consultants	0.34	0.28	0.28	0.16	0.06	0.05	1.17
Subtotal	0.62	0.54	0.54	0.28	0.06	0.05	2.10
E. Services							
1. Agricultural Marketing Information Service	0.02	0.03	0.02	0.02	0.02	0.00	0.11
2. Studies and Surveys	0.22	0.21	0.26	0.18	0.17	0.16	1.21
3. Publications and Promotional Materials	-	-	-	-	-	-	-
Subtotal	0.24	0.25	0.28	0.20	0.19	0.16	1.32
F. Training and Workshops	0.16	0.48	0.64	0.37	0.01	0.02	1.68
G. NGO_Mobilizers and Supervisors /e	0.36	0.90	0.96	0.68	0.68	-	3.58
H. Project Management Staff	0.09	0.09	0.09	0.09	0.10	0.10	0.57
I. Miscellaneous Project Management Support	0.07	0.07	0.07	0.07	0.07	0.08	0.42
Total Investment Costs	2.89	10.89	10.99	5.98	2.37	0.42	33.54
II. Recurrent Costs							
Total PROJECT COSTS	2.89	10.89	10.99	5.98	2.37	0.42	33.54

^a Refurbishment of buildings for project use. Government financing relates to District Agricultural Development Offices. Beneficiary financing relates to buildings for Community Agricultural Service Centers.
^b Includes vehicle operation and maintenance costs.

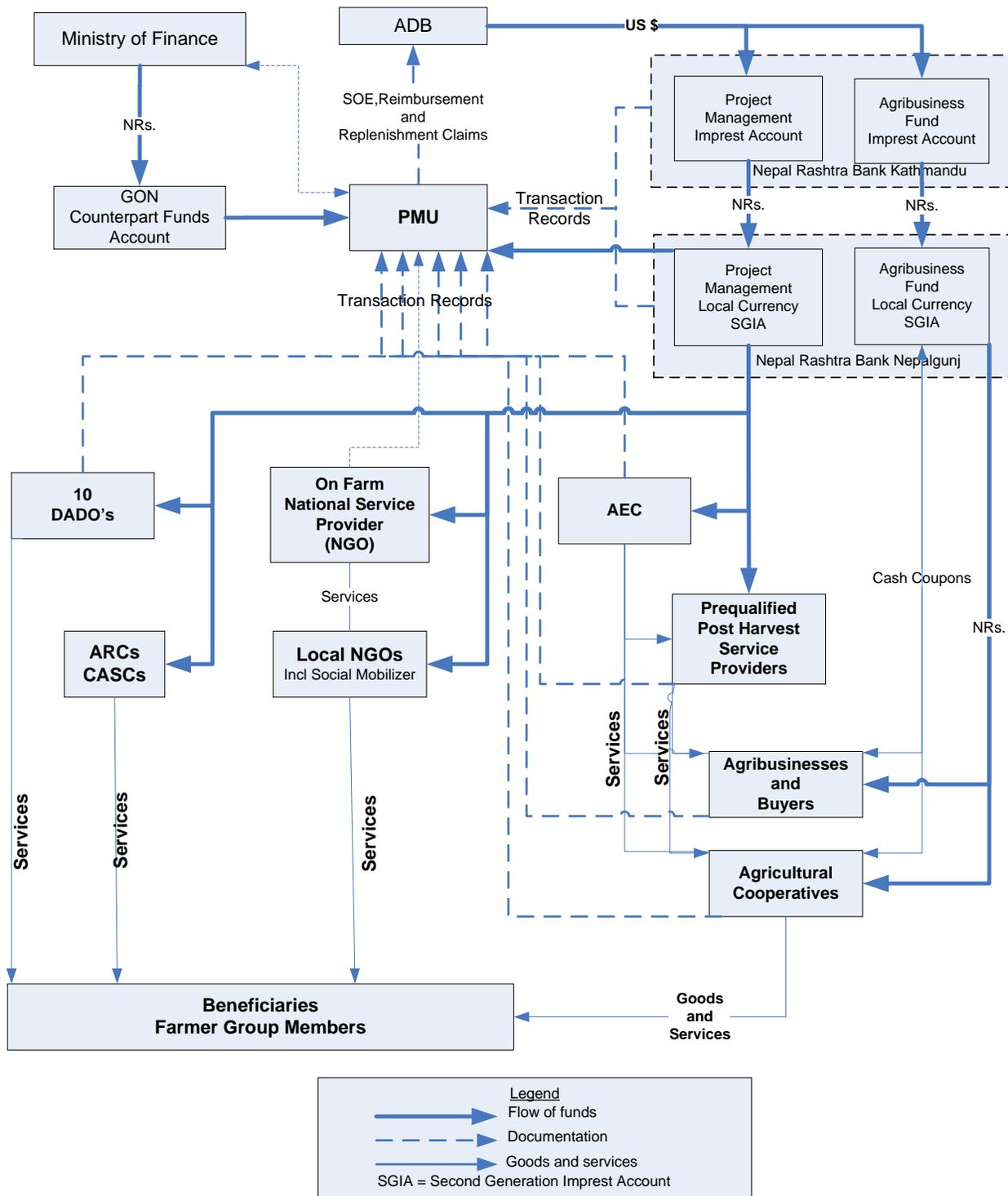
^c Includes office operation and maintenance costs. Certain services (eg those of Community Agriculture Service Centres) will become self-financing with income from payment for services by beneficiaries.

^d For farm demonstration plots, farmer nurseries, etc. Includes operation and maintenance costs which will become increasingly self-financed as beneficiaries pay for seeds and services.

^e Community Agriculture and Social Mobilisers (and Supervisors) from ASPs, including District Agriculture Development Offices, Community Agriculture Service Centres, nongovernment organizations, etc.

F. Contract and Disbursement S-curve**Figure 1: Contract Awards and Disbursement by Semester (\$ million)**

G. Fund Flow Diagram



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

58. The following financial management assessment was undertaken during the Project preparation technical assistance.

59. **Executing and Implementing Agencies:** The Ministry of Agriculture Development (MOAD) is the EA through the Department of Agriculture (DOA). The DOA is also the Project's lead implementer. Discussions were held with finance officials of the DOA regarding the Project and the ADB requirement of financial management assessment. The officials were provided with a copy of the Financial Management Assessment Questionnaire (FMAQ) and explained that must be completed and incorporated in the Project Preparation Technical Assistance (PPTA) Final Report. The DOA completed the Crop Diversification Project (CDP) financed by Asian Development Bank (ADB), in 2007, and are considered to have the experience in implementing externally funded projects successfully. The DOA has monthly, trimester and yearly statutory reporting requirements.

60. **DOA Staffing:** The existing organizational structure of DOA has five Regional Offices in Nepal's five development regions and, DADOs in each district headquarters, which all have accountancy staff. They are adequately qualified and are experienced in financial management functions. Financial staff is deputed by the Financial Comptroller Generals Office (FCGO) under the Ministry of Finance. The Revenue Administration Training Centre, under the Ministry of Finance, provides financial management and accountancy training to DOA staff. Officer level positions (class III) require at least a bachelor's level of management study, and the non-officer level is required to have had intermediate level study. DADOs have non-officer level accounting staff, and Regional and Central level offices have officer level accounting staff to head their accounts sections. There are accounting staff in DOA who worked in CDP and have the experience to undertake the financial management functions of the Project. Staffs are generally assigned or transferred for at least two years for service in any office of DOA. The Project will have written position descriptions that clearly define duties, responsibilities and lines of supervision.

61. **Accounting Policies and Procedures:** DOA maintains its books of accounts in accordance with Government's financial rules and regulations. There are provisions for recording financial transactions including the allocation of expenditure in according to respective Project components, disbursement categories and sources of funds. The Project Director and Accounts Officer have the main responsibility and accountability over the Project's budget and financial management functions. Therefore, there will be control systems in place concerning the preparation and approval of all financial transactions, ensuring that they are correctly made and adequately explained. The Project will follow the accounting policies and procedures of the Government. The accounting policies and procedures cover and deal with allocation of budget and expenditure, operation of cash and bank transactions, internal and external audit reporting and monitoring and other related financial management functions. Specific accounting policies and procedures and standards of the donor agencies have also been adopted by DOA. Accordingly, the Project will keep records and prepare the required financial reports and statement in accordance with donors' requirements.

62. **Financial Accounting Systems:** The financial accounting system of the DOA is still not computerized. Office excel is being used to record and produce reports. Financial records are

maintained accurately and on time. Monthly reports are prepared by the accounts section and approved by the head of the respective department or any other officials designated by the department head. Financial reports for the current month are sent to the concerned District Treasury Comptroller Office within seven days of the start of the next month. Similarly, the reports are also sent to the donor agency for reimbursement. The statements of accounts and the budget line items of DOA are in accordance with Government standards. The general ledger and subsidiary ledger are reconciled and in balance regularly. The Project retains all accounting and supporting documents on a permanent basis for audit purpose as well as to the mandatory requirement of the Government and the donor agency.

63. **Segregation of Function and Duties:** Accounting and financial reporting related responsibilities lie with the finance section. Responsibilities are carried out in accordance with the job description of each member of the finance staff as well as authorized by head of the office concerned. There are separate provisions made to segregate the duties of each member of staff for authorization to execute transactions, record of transactions and the custody of assets involved. Procurement of goods and services comes within the work scope of the general administration section. There are several units under this section one of them being the stores and inventory section. There is separate staff in the general administration section dealing with purchase orders, receiving of goods and their entry in inventories. After completing the checking of all bills and invoices and certification by authorized officials, such bills and invoices, along with a goods receipt note is forwarded to account section for payment. The system of ordering of goods and services from one unit and its payment from another unit, as well as separate staff assigned for bank reconciliation and payment, has proved the existence of segregation of duties in projects.

64. **Budgeting System:** The annual budget of DOA includes physical and financial targets. Budgets are prepared within the standard norms provided by National Planning Commission (NPC), respective ministries, and Ministry of Finance. The standard formats for submission of budgets to Ministry of Finance have sufficient details to provide a meaningful tool with which to monitor subsequent performance. There is a process of scrutiny of budgets at different levels of Government. The district level office submits its budget, with programs, to the concerned department. The department then reviews such budget documents in line with the guidelines provided by National Planning Commission, and concerned ministries, forwards it to the respective ministries and accordingly the ministry will forward it to the Ministry of Finance for approval. The Finance section keeps track of expenditure against actual budget frequently so that budgetary discipline can be maintained. There might be occasions where there is a need to show a variance in the budget; approvals for variations require advance approval from Ministry of Finance prior to payment.

65. **Payments:** The General Administration Section of the DOA issues the purchase order for any type of procurement. Once the purchase order is issued, the procurement process will start. The store/inventory unit receives the procured items from the suppliers. There will be a thorough check of the goods as to whether or not they are up to the standard quality, quantity and prices as approved in the purchase order. Once the process of checking and recording in the inventory is completed, the invoices along with the goods receipt note and purchase order is forwarded to the finance section for payment. The finance section check the documents forwarded by store/inventory unit before making payment with an appropriate budget code and mark the voucher with a 'PAID' stamp. The Payroll is prepared and approved by different officials. Due attention is given while approving the payroll.

66. **Policies and Procedures:** The accounting policy of Government is on a cash basis. All Government offices are required to follow the standard accounting policy of the Government. The accounting policies of the Government are equivalent to international standards. Apart from Government accounting policies, Government offices that have programs with foreign aid components will observe the required accounting standard and maintain records and submit reports accordingly. Generally, there will be no separate accounting policy and procedure manual for each project, provisions can be made for such projects to have separate policy and procedure manuals in line with proposed project activities, in addition to Government policy. As the Project may be implemented by DOA, wholly or in part, only the Government with the consent of Ministry of Finance can alter or establish new accounting principles, policy or procedures. Civil Service Act 2013 (1956), Regulations 2021 (1964), Financial Procedural Act, 2055 (1999), Financial Procedural Regulations, 2064 (2008), Public Procurement Act, 2063 (2007), Public Procurement Regulations, 2064 (2008) cover all routine financial management and related administrative activities of the implementing agency. As the DOA may be the implementing agency of the Government, it has a mandatory obligation to follow these rules and regulations unless otherwise stated for the specific project. The acts and regulations of the Government and the standard reporting requirement of the donor agencies are sufficient enough to cover all routine financial management and related administrative activities of the project. These rules and regulations also clearly define any situation of conflict of interest and other related party transactions (real and apparent) and provide safeguards to protect the project. In relation to policy and procedures, there are occasions when the finance section develops the written procedures, directives and guidelines to carry out the various tasks performed in this area within the main policy of the act and regulations.

67. **Cash and Bank:** The proposed project's bank account will be operated jointly by the Project Director and Accounts Officer. The Project should be capable of maintaining the required accounting books, ledgers, monthly reconciliation of cash and bank balances, and timely deposit of receipts and recordings of all financial transactions.

68. **Safeguard over Assets:** The DOA has strong mechanisms and experience of safeguarding the assets of the Project. There is provision for keeping records of all types of fixed assets, stocks on which physical verification will take place at least once in a year. Buying insurance policy for Government assets is not in practice; however the practice of insuring vehicles is gradually increasing every year.

69. **Internal and External Audit:** The internal audit of the proposed project will be carried out regularly by the respective District Treasury Comptroller Office (DTCO) under the Financial Comptroller General Office (FCGO). Since one of the tasks of the DTCO is to audit the accounts of each Government offices, they have experienced auditing personnel. The audit report of is sent to the project office and a copy to this effect is provided to DOA for information and necessary action. Upon receipt of internal audit report by the Project, the Project Director is must take action to address the audit remarks and in this context, they will be asked by concerned departments additionally to respond to audit queries. DTCO prepares its audit program every year and undertakes the audit accordingly. The external audit of the Project will be carried out by the Office of Auditor General. The Auditor General's Office is an independent body of Government with the status as constitutional body. The audit of AG office is up to the international standard and is carried out every year after completion of the fiscal year and the report is sent to project chief as well as to the concerning department for necessary action. Preliminary audit findings are sent to the Project Director for any response prior to finalization. The project office is given thirty five days time to response on their findings. As the office of Auditor General is a constitutional body, it submits audit reports on every Government office as

well as Government owned public enterprises, whom it audits itself or by an auditor appointed by them on their behalf. Upon receipt of the report of the Auditor general by the President, it is forwarded to Parliament for discussion and necessary action. There have been no major accountability issues raised by the external auditor during the past three years in the case of DOA. The recommendations of the external auditor are implemented as early as possible.

70. **Reporting and Monitoring:** Financial statements are prepared in accordance with standards prescribed by Government of Nepal. These standards are equivalent to international auditing standards. Financial statement of the implementing units is prepared monthly, trimester as well as yearly. Apart from producing regular financial reports, proposed project have to maintain the following major records:

71. **Books to be maintained:**

1. Reimbursement Account
2. Fund Replenishment Account (unit wise)
3. Withdrawal application (project wise)
4. Withdrawal Application Monitoring Account
5. Imprest Account
6. Main Loan Register
7. Subsidiary Loan Register

72. **Project Accounts:**

1. Summary Sheet
2. Notes to Account
3. Fund Flow Statement
4. Credit Note
5. Memorandum Statement of Imprest account
6. Disbursement Sheet
7. Statement of Replenishment
8. Statement of Outstanding Replenishment
9. Statement of Imprest Account
10. Reconciliation Statement
11. Statement of Expenditure (Sue)
12. Categories wise Expenses Account

73. Financial reports are prepared by spreadsheets. Financial reports compare actual project expenditures with allocated budget and programs. The proposed project has the mechanisms to review the utilization of budget along with the project's physical progress on a regular basis.

74. DOA as the possible implementing agency of a new Project have the past experience at implementing ADB projects are fully conversant with project accounting procedures and have confirmed that they would establish suitable accounting mechanism to account for the proposed project expenditures, which would enable the generation of required financial reports including total project expenditure, eligible amount for ADB financing, amount already claimed from ADB, amount reimbursed by ADB, statement of outstanding and disallowed reimbursement.

B. Disbursement

75. The Grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time),¹¹ and detailed arrangements agreed upon between the Government and ADB.

76. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),¹² ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to subprojects financed by ADB.

77. MOAD/PMU shall establish two first generation imprest accounts at the NRB (Kathmandu) – one for Project Management expenses and one for the Agribusiness Grant Facility (AGF). In addition, two local currency second generation imprest accounts will be formed with NRB (Nepalgunj Branch) for Project Management expenses and the Agribusiness Grant Facility (AGF).

78. Approval of AGF grant applications will be based on the recommendation of the Independent Appraisal Panel (IAP) assessment of each application and the PD/PMU entering into a contract with the applicant for the implementation of the proposal. As the IAP is advisory only any application that the PD seeks to approve without IAP support requires the PD to obtain ADB's prior approval for the contract. This approval will require (i) a copy of the IAP recommendation, (ii) a copy (in English) of the application, and (iii) detailed justification from the PD for inclusion of the application. Contracting without such approvals will be ineligible for ADB financing and grounds for PD replacement.

79. Once approved and a contract established between the PMU, Applicant, and the NRB the PD will issue a request letter to the NRB Nepalgunj to supply cash coupons to the applicant who will then procure the works, goods, and or services according to normal commercial practice. The proof of procurement will be copied to the PMU for validation and once validated eligible claims will be notified to the NRB to release funds against the cash coupons into the beneficiary bank accounts. NRB Nepalgunj will then issue a Credit Advice of requested amount to the bank having beneficiaries' account and the amount will be deposited in the mentioned account. Beneficiaries can have their account in any commercial bank in Nepalgunj or in a place of their choosing.

80. Separate imprest accounts will be established and maintained for Project management expenses and the Agribusiness Promotion Fund. The maximum ceiling of the imprest account(s) "in aggregate" will not at any time exceed the estimated ADB financed expenditures to be paid from the imprest account for the next 6 months or 10% of the respective loan amount, whichever is greater. The request for initial advance to the imprest account should be accompanied by an Estimate of Expenditure Sheet¹³ setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the borrower will furnish to ADB (a) Statement of Account (Bank

¹¹ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf

¹² Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

¹³ Available in Appendix 29 of the *Loan Disbursement Handbook*.

Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against the EA's records.¹⁴

81. The statement of expenditures (SOE) procedures will be used to facilitate reimbursement and liquidation. The maximum SOE reimbursement amount will be set at \$100,000. The PMU will prepare a budgetary allocation, and the Government will advance the funds to the PMU operating account. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.¹⁵

82. Before the submission of the first withdrawal application, GoN should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is US\$100,000, unless otherwise approved by ADB. Government is to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing.

C. Accounting

83. MOAD will maintain separate project accounts and records by funding source for all expenditures incurred on the Project. Project accounts will follow the Local Bodies Financial Administration Regulation, 2007.

D. Auditing

84. MOAD will cause the detailed consolidated project accounts to be audited in accordance with International Standards on Auditing by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the executing agency. The extended audit window is applied due to the dispersed nature of subprojects, the logistic and communication issues across both Project Development regions and the use of a decentralized Project Management Unit¹⁶. The annual audit report will include a separate audit opinion on the use of the imprest accounts, and the SOE procedures. The Government and MOAD have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures. For revenue generating projects only, ADB requires audited financial statements (AFS) for each executing and/or implementation agency associated with the project.

¹⁴ Follow the format provided in Appendix 30 of the *Loan Disbursement Handbook*.

¹⁵ Checklist for SOE procedures and formats are available at:

http://www.adb.org/documents/handbooks/loan_disbursement/chap-09.pdf

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Contracts-100-Below.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Contracts-Over-100.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Operating-Costs.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Free-Format.xls

¹⁶ An important lesson from other sector Project is the need for an extended audit timeframe as the 6 month window is rarely achievable.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

85. All advance contracting will be undertaken in conformity with ADB's *Procurement Guidelines* (April 2010, as amended from time to time) (ADB's *Procurement Guidelines*)¹⁷ and ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time).¹⁸ The issuance of invitations to bid under advance contracting will be subject to ADB approval. The borrower, MOAD and DOA have been advised that approval of advance contracting does not commit ADB to finance the Project.

86. **Advance contracting.** Advance contracting will not be used prior to Grant Signing. There will be advance actions in preparation of contracting of the three consulting packages. For the single sourced selection of SNV this will include finalization of a revised MOU between MOAD and SNV, agreement over terms of reference and inputs such that contracting will be completed within one month of Grant effectiveness. Two consulting service packages will be advanced through identification of potential providers through short listing, request for proposals, and the assessment of proposals prior to Grant effectiveness. The MOU and supporting contract between AEC and MOAD will be negotiated and ready for contract prior to Grant effectiveness.

87. Retroactive financing is not envisaged.

B. Procurement of Goods, Works and Consulting Services

88. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines* (2010, amended from time to time).

89. A total of \$12.3 million¹⁹ will be disbursed through the Agribusiness Promotion Grant and as such procurement will be the responsibility of the beneficiaries using commercial practice. The AEC Implementing Agency will be remunerated for its services by way of two contracts awarded by the PMU that will be disbursed on an agreed milestone basis.

For consulting services Package 1: Technical backstopping the PMU will contract SNV using single source selection procedures – see below for justification. The total cost of the package is estimated to be \$1.26 million of which \$0.5 million will be financed by SNV using a parallel financing modality.

90. The remaining consulting service packages will be awarded through QBSQBS procedures reflecting the expectation of local NGO participation.

¹⁷ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

¹⁸ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

¹⁹ Including taxes and IAP honorarium

91. Before the start of any procurement ADB and the Government will review the public procurement laws of the central and state governments to ensure consistency with ADB's *Procurement Guidelines*.

92. An 18-month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C.

93. All consultants and nongovernment organizations (NGOs) will be recruited according to ADB's *Guidelines on the Use of Consultants*.²⁰ The terms of reference for all consulting services are detailed in Section D.

94. An estimated 240 person-months (48 international, 192 national) of consulting services are required to (i) facilitate project management and implementation, and (ii) provide technical backstopping to the PMU and National Service Providers. Three packages will be awarded (i) single source selection of SNV, and (ii) two QBS packages for National NGO / companies for project management support and HVC technical support.

C. Procurement Capacity Assessment

95. The MOAD and the DOA will be implementing the project both of which have past and ongoing experience with multilateral and bilateral donor programs including ADB projects with similar target as the Project. While experience and understanding exists there is a significant likelihood that this will not be available for the Project. The overall assessment of the procurement capacity of the executing and implementing agencies is therefore weak to moderate with the likelihood of a significant impact on implementation. The Project design has therefore made the following provisions (i) the addition of a procurement specialist to the PMU consulting services team, (ii) provision of a project management expert to assist in terms of reference, contract management and PMU systems, (iii) the support of the private sector and a back stopping TA from SNV, and (iv) the use of a Financial Intermediary modality reducing the public sector procurement and providing the majority of significant procurement to Project beneficiaries directly. Other design responses include the use of a cash coupon and redemption procedure to ensure beneficiary use of funds is appropriate, the provision of an Independent Appraisal Panel on the use of investment funds and the need for prior approval in situations where the advisory panel recommendations are ignored.

D. Procurement Plan

Table 4. Procurement Plan

Project Information	
Country	Nepal
Name of Borrower	Nepal
Project Name	Raising Incomes for Small and Medium Farmers
Loan Reference	38423
Date of Effectiveness	TBD
Project Cost AMOunt (\$ million)	\$33.54 million
Of which ADB Loan AMOunt (\$ million)	\$20.1 million

²⁰ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

Project Information	
Executing Agency	Ministry of Agriculture Development
Approval Date of Original Procurement Plan	TBD
Period Covered by this Plan	2011 to 2017

TBD = to be determined.

^a The plan will be updated annually, on rolling 18-month basis, on the anniversary of the date of loan effectiveness.

1. Project Procurement Thresholds

96. Except as the Asian Development Bank (ADB) may otherwise agree, the following process threshold shall apply to procurement of goods and services.

Table 5. Procurement Thresholds, Goods and Related Services, Works and Supply and Install

Method	Threshold
International Competitive Bidding (ICB) for Works ¹	> \$1,000,000
International Competitive Bidding (ICB) for Goods	Equivalent to 500,000 or more
National Competitive Bidding (NCB) for Works/ Goods / supply & installation	Equivalent to \$1,000,000 or less
National Competitive Bidding (NCB) for Goods	Equivalent to \$500,000 or less
Shopping for Works	Equivalent to \$100,000 or less
Shopping for Goods	Equivalent to \$30,000 or less

¹ For ICB works, goods and supply contracts, pre-qualification procedures will be followed

Table 6. Procurement Thresholds, Consultants Services

Methods	Threshold
Quality- Based Selection (QBS)	> \$1,000,000 by Full Technical Proposal ≤ 1,000,000 by Simplified Technical Proposal ≤ \$600,000 by Biodata Technical Proposal
Individual consultants	In accordance with ADB's Guidelines on the Use of Consultants with procedures acceptable to ADB.

1. ADB Prior or Post review

97. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Table 7: Procurement Review

Procurement Method	Prior or Post	Comments
Procurement of Goods and Works		
ICB Works	Prior	
ICB Goods	Prior	
NCB Works	Prior for the first NCB	Post review for subsequent NCBs
NCB Goods	Prior for the first NCB	Post review for subsequent NCBs
Shopping for Goods	Prior for the first shopping bid document	Post review for subsequent shopping
Force account for works	Post	
Exceptional methods: Direct contracting	Post	

Procurement Method	Prior or Post	Comments
Recruitment of Consulting Firms		
Quality Based Selection (QBS)	Prior	
Other selection methods: Least-Cost Selection (LCS), and Single Source Selection(SSS)	Prior	

2. Consulting Service Contracts Estimated to Cost More than \$100,000

98. The following lists the three consulting service packages required by the Project.

Table 8: Consulting Service Packages

Description	Contract Value	Selection Method	Advertisement Date	International National	Comments
Agribusiness and Value Chain Technical Support	1.228 0.727 (Grant) 0.50 (SNV)	SSS		International National	SNV will finance \$0.5 million as grant
On Farm technical support	0.380	QBS		National	PMU
Project Management and Administrative Support	0.361	QBS		National	PMU
Service Providers Contracts	2.744	QBS		National	1 National NGO, 2 NGO for DAG, 10 District NGOs will be contracted by PMU
Total	4.212				

1. SNV

a. Structure of contract

99. The SNV contract has services specified (see terms of reference appended) with an estimated cost of \$1.228 million net of tax of which the Government of Netherlands will parallel finance \$0.5 million being 50% of the direct costs or professional personnel costs supplied under the contract. The EA will enter into a MOU with SNV for the terms of reference and the PMU will contract SNV according to the terms of reference. To determine the contract's value the EA will discount the firm's representations regarding cost to the extent that the parallel grant financing is fully off-set. The firm shall be held liable for the provision of the services irrespective of if the parallel grant financing is available or not. SNV payments will be based on contract milestones that total to the discounted price.

100. The PMU will contract SNV to supply the agreed inputs and deliver the stated outputs defined by the terms of reference with an estimated cost of \$ 1.228 million. The contractual obligation for the \$1,228 million will be allocated between the PMU (\$0.728 million) and SNV (\$0.5 million). Contractual payments will be specified in terms of agreed output milestones that will reflect the provision of inputs and delivery of outputs throughout the duration of the contract. The drawdown on the SNV financing will be on an agreed cash flow that is equivalent or better than the contribution of the ADB grant financing specified in terms of the proportion of total financing by financier for each milestone. For example if a milestone payment involved 15% of the total ADB financing of \$0.728 million then a contribution from the government of Netherlands financing must equal and exceed 15% of \$75,000.

101. The PMU will not handle the government of Netherlands funds which will be transmitted to SNV under their existing agreement. Payments made from the PMU can either be paid directly through the Project Management Imprest account by the PMU or at the request of SNV paid direct by ADB on the PD instructions.

b. Justification for Single Source Selection

102. SNV Nepal has several unique qualities making it the preferred provider for the Raising of Incomes for Small and Medium Farmers Project:

- (i) SNV has existing relationships with the Ministry of Agricultural Cooperatives and is the only international service provider for value chain MOAD initiatives (HVAP project) guided by a formal MOU. Experience with other donor programs including ADB funded indicates significant benefits from having an institution to institution relationship for management support with individual consultant based management support being mostly ineffective. Institutional agreement and support provides wider back stopping, lobby, pressure to guide these projects in the right direction. SNV is currently the only organization with such a position with the MOAD at the moment. The combination of management support and technical expertise is highly beneficial to the Project especially given the ongoing political reforms.
- (ii) SNV Nepal has developed a strong working relationship with AEC. The relationship with SNV involves significant partnerships with respect to value chains linked to tea and cardamom, and the provision of a Local Capacity Development Facility, joint value chain training where SNV will be capacity builder and AEC as the implementer. A review of service providers indicate no other provider is in such a position or has this capability. As the Project aims at impacting beyond the project period, long term relationships between SNV, AEC and MOAD form the basis of materializing long-term strategic relationships upon and through which institutional capability can be built and mentored.
- (iii) SNV Nepal has a strong interest towards public policy development for the promotion of the private sector as the engine for commercial agricultural development. SNV is already doing evidence-based policy development for an increased role of the private sector in poverty reduction in Africa and Latin America and with the knowledge development component in the IFAD-funded HVA-project it will start a similar process in Nepal. The Project will also have a knowledge development component which will complement SNV's effort within HVAP.

- (iv) SNV Nepal which implements the knowledge development component and the market linkage component of HVAP, will have a wealth of knowledge and experience that will directly benefit the Project with SNV is the TA provider. No other TA organization in Nepal has such a focus on building market linkages and inclusive business, all very similar to the approach designed for Project.
- (v) AEC has a strong and unique network of chambers around the country and has a strong private sector backing as it is a technical wing of the FNCCI. SNV Nepal, is already a long term partner of AEC, recognizes the risks of a sudden expansion of AEC's activities that could stretch organizational capacities. SNV's strong focus on localization and capacity building is evident in the performance based capacity development agreement between AEC and SNV.
- (vi) SNV Nepal and AEC are in partnership to support capacity development (business planning, marketing, etc) of district, regional or national agribusinesses. Through the Local Capacity Development Facility (LCDF) which will be operating by the end of 2010, (SNV will design and provide the initial funding), companies can apply for capacity building support if they demonstrate their pro-poor impact. Companies in the Project through contractual production with project beneficiaries would easily qualify for such support assisting what remains an immature private sector.
- (vii) The High Value Agriculture Project in Hills and Mountains (HVAP, implemented under MOAD, funded by IFAD) and Project have substantial complementarities which SNV will be able to capitalize as TA provider to both Project and HVAP. There is no other potential service provider which can offer such synergies. HVAP will have several workshops and selection rounds of potential agribusinesses interested in contractual production which are likely to be useful for the Project, and vice versa. Challenges and alignment of procedures can be tackled in similar manner providing more uniformity and synergy between the two projects, provide more input towards knowledge development, joint inputs towards public policy development, etc. Here is a unique chance of synergies beyond individual projects and towards a sector wide approach
- (viii) SNV Nepal is the only potential TA provider in Nepal focusing on market linkage/Inclusive business approaches reflecting its core competencies in Nepal, Asia and Global levels.
- (ix) In the Inclusive Business approach, SNV Nepal has the network of SNV Asia (5 countries) and SNV Latin America (6 countries) which are all working in a similar approach and which progressed towards knowledge development on this topic, linkage with public policy debate, etc. SNV Nepal receives support from this network of country offices and regional offices to advance in the inclusive business approach. There is no other potential TA provider in Nepal which has such a wide and functional network.
- (x) SNV Nepal as also provided TA in the Biodiversity Sector Programme – Siwalik and Terai (BISEP-ST) from 2001 onwards and to Ministry of Environment (to the Alternative Energy Promotion Center – coordinates all Renewable Energy activities for the Government of Nepal).

103. The financing allocation and share is presented in the following table.

Table 9: Proposed Budget Allocation and Financing for SNV SSS contract (\$)

	Total	ADB	Govt	SNV
		Total	Total	Total
I. Investment Costs				
C. SNV Value Chain and Agribusiness Support				
1. International Consultant				
International Airtickets	32,519	16,259	-	16,259
Senior Technical Advisor -Value Chain	493,514	246,757	-	246,757
Inclusive Business Expert	54,595	27,298	-	27,298
Unallocated International	109,600	54,800	-	54,800
Subtotal	690,229	345,114	-	345,114
2. National				
Value Chain-Inclusive Business	209,990	92,920	24,149	92,920
Knowledge Management	43,729	19,350	5,029	19,350
Monitoring and Evaluation	48,082	21,276	5,529	21,276
Unallocated - National	34,950	15,466	4,019	15,466
Subtotal	336,751	149,012	38,726	149,012
3. SNV Operating Costs				
National DSA	438	438	-	-
SNV Margin	114,950	114,950	-	-
Air Travel Costs	25,587	25,587	-	-
Local travel	55,862	55,862	-	-
Training	36,747	36,747	-	-
Subtotal	233,584	233,584	-	-
Subtotal	1,260,563	727,710	38,726	494,127

2. Goods and Works Contracts Estimated to Cost Less than \$1 million

104. The following table groups for goods and services within the first 18 months. The contract value is for ADB share only i.e., excludes duties and taxes.

Table 10: Packages for first 18 months (excluding consulting services)

S.N.	Contract (description)	Estimated Value (\$million)	Number of Package	Procurement method	Remarks
1.	Agribusiness grant Facility	2.0	n/a	n/a	Direct payment to Grant Fund account – actual procurement to be completed by beneficiaries using normal commercial practice
2.	Vehicles	0.237	3	NCB	
3.	Agricultural Marketing Information System	0.92	1	DC	Program to extend AEC AMIS to 10 districts, includes hardware software and regional price information from 5 Indian markets
4.	Training	0.4	>5	Shp	Service provider and post graduate training
5.	Agricultural Fairs and Promotions	0.2	5	Shp	
6.	Monitoring and	0.88	13	NCB	Baseline and a regional workshop 10 Dado monitoring contracts
7.	Market Linkage Contracts	0.1	2	Shp	1 per region
8.	Equipment	0.335	5	NCB	
9.	Operating Expenses	0.070	6	Shp	PMU and Liaison Office Incl. IAP Honarariums
	Total	5.142			

Table 11: Indicative List of Contract Packages

Ref	Contract Description	Packages	Estimated Costs (\$ million) ^a	Mode of Procurement	Duration (months)	ADB No Objection	Contract Starting	Contract Completion	Responsible Agency
	Agribusiness Promotion Grant Fund	I/s	11.96	See below	60	Prior	June 2011	June 2017	PMU/ADB
ADB Procurement Guidelines: Where the financing provides funds to an intermediary institution such as an agricultural credit institution or a development finance company, to be re-lent to beneficiaries such as individuals, private sector enterprises, small and medium enterprises, or autonomous commercial enterprises in the public sector for the partial financing of subprojects, the procurement is usually undertaken by the respective beneficiaries in accordance with established private sector or commercial practices, which are acceptable to ADB.									
A.	Works	Not required							
B.	Goods								
1.	AEC Agric Marketing Information Systems	1	0.140	DC	24	Prior	December 2013	December 2015	EA
2.	Vehicles	3	0.237	NCB		Post	June 2011		PMU
3.	Equipment	5	0.335	NCB /SHP			June 2011		PMU
4.	Resettlement (land acq.)	n/a	0.05				As required		PMU
5.	Operating Expenses	>30	0.179	SHP		n/a			PMU
6.	HVC BMP extension kits	7	0.07	DC		Post	Jan 2013		DADO
	Total Goods	>46	1.011						
	Related Services								
1.	Market Linkage	10	0.425	SHP		Post	January 2011	Jan 2016	AEC/PMU
2.	Independent Appraisal Panel	3	0.059	DC	60	Prior	June 2011	June 2017	PMU/EA
3.	Env. Monitor	3	0.026	SHP	Varies			December 2016	EA
4.	Training workshop	>20	1.050	QBS					
5.	Promotion, marketing studies	6	0.62	SHP					PMU
6.	Monitoring	20	0.666	NCB			June 2011	June 2017	PMU
	Total Related Services	62	2.486						
C.	Consulting Services	Package							
1.	SNV Post	1	0.727	SSS	60	Prior	June	June 2017	PMU/EA

Ref	Contract Description	Packages	Estimated Costs (\$ million) ^a	Mode of Procurement	Duration (months)	ADB No Objection	Contract Starting	Contract Completion	Responsible Agency
2	Value Chain On Farm support	1	0.380	QBS	48	Prior	2011 June 2011	June 2015	PMU/EA
3	Project Management	1	0.361	QBS		Prior	2011 June 2011		PMU
4	Farm service providers	13	2.744	QBS	60	Prior	2011 June 2011	June 2017	PMU/EA
	Total Consulting Services	16	4.212						

ADB = Asian Development Bank, QBCS Quality based cost selection, NCB = National Competitive Bidding, ICB = international competitive bidding, SSS Single source Selection. SHP shopping, TBD to be decided

^a Cost estimates for civil works do not include taxes, physical, and price contingencies.

Source: ADB estimates.

E. National Competitive Bidding

1. Procurement of Works

a. General

105. National competitive bidding for the procurement of works shall conform to the provisions for "Item Rate Tenders" as prescribed in the *Central Public Works Department (CPWD) Works Manual, 2003* as updated to September 2006²¹ and the *General Financial Rules, 2005* issued in July 2005 and elaborated in the *Manual on Policies and Procedures for Procurement of Works, August 2006*, both issued by the MOF, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB Procurement Guidelines.

b. Preferences

- (i) No preference of any kind shall be given to domestic private contractors, and domestic contractor groups associated with the Registered Labor Cooperative Societies and Unemployed Engineer Societies, and contractors of communities of Scheduled Castes and Scheduled Tribes.
- (ii) No purchase preference shall be given to products and services of Public Sector Enterprises.
- (iii) Foreign suppliers and contractors from ADB member countries shall be allowed to bid, without registration, licensing, and other government authorizations, leaving compliance with these requirements for after award and before signing of contract, without unreasonable costs or additional requirements.

c. Prequalification

106. Post qualification shall be used unless prequalification is explicitly provided for in the loan/grant/financing agreement/procurement plan. When used for large or complex works contracts, i.e. turnkey, design and build, or management contracts; or custom-designed

²¹ J.M. Jaina & Brothers, *CPWD Works Manual* (Updated and Corrected), September, 2006.

equipment, industrial plants, and specialized services, prequalification evaluation shall not include the evaluation of equipment and personnel. This assessment shall be undertaken at the bid evaluation stage. Irrespective of the procedure applied (whether prequalification or post qualification), no domestic or foreign contractor shall be precluded from participation.

d. Joint Ventures

107. Joint ventures shall be eligible to participate and submit bids. Joint venture partners shall be jointly and severally liable.

e. Bidding Documents

108. Procuring entities shall use standard bidding documents acceptable to ADB. No restrictions in the sale of bidding documents shall be imposed such as: (i) sale only to registered contractors; and (ii) limiting sale only up to four (4) days before the opening of bids.

f. Advertising

109. Bidding of NCB contracts estimated at \$1,000,000 or more for works shall be advertised via the posting of the Procurement Plan.

g. Contract Budget

110. The estimated budget for the contract may be published, but it shall not be stated or implied that bid prices shall not exceed the budget, or that bid evaluation will in any way take into account the budget. The budgetary allocation, ceiling price, or similar estimates of contract value shall not be used to reject bids without prior concurrence of ADB.

h. Schedule of Rates and Estimates

111. Scheduled rates or the system of unified schedule of rates may be used to establish the employer's estimate but bids should not be rejected solely on the basis of a comparison with the scheduled rates. Rejection of bids on the basis of rates substantially higher than estimates shall be subject to prior approval of ADB.

i. Two-Envelope Bidding and Two-Bid System

112. Bids shall be submitted, at the most, in two envelopes. The first envelope shall contain the bid security, legal documents, technical proposal and qualification documents, which shall be evaluated together. The second envelope shall contain the schedule of prices. The Two-Bid System as applied in the procurement of works shall be considered equivalent to ADB's Two-Stage bidding procedure.

j. Bidding Period

113. Procuring entities shall allow for a minimum of four weeks for submission of bids.

k. Bid Opening

114. No bid shall be rejected at bid opening, except late bids.

I. Validity of Bids

115. Bidders shall be required to submit bids valid for a period specified in the bidding documents which shall be sufficient to enable procuring entities to complete the comparison and evaluation of bids, and obtain all the necessary approvals, including that of ADB if prior review is required, so that the contract can be awarded within that period.

m. Bid Security, Performance Security and Retention

116. Where required, bid security (or “earnest money”) shall be in the form of a bank guarantee from a reputable bank and should normally be about two percent of the estimated value of contract to be procured. The bid security shall be required to remain valid for a period of not more than 30 days beyond the final bid validity period.

117. The terms and conditions of bid security (earnest money), retention money (or security deposit) and performance security (or performance guarantee) shall be clearly specified in the forms provided and/or conditions of contract in terms of periods of validity and grounds for forfeiture, or release of the bank guarantees, or refund of the cash security deposits.

118. Bid security and retention money shall not be accepted to form part of performance security because their purposes and grounds for forfeiture are different and applied separately.

n. Award Criteria

119. A contract shall be awarded to the bidder that submits the lowest evaluated substantially responsive bid, and who meets the qualifying requirements stipulated in the bid document. No other factor (i.e., offered schedule of rates based on a percentage above the market rate, excess of offered unit prices as compared to the schedule of rates) shall be considered in the determination of the lowest evaluated substantially responsive bid.

o. Price Negotiations

120. Price negotiation shall be allowed only where the price offered by the lowest evaluated and substantially responsive bidder substantially exceeds cost estimates. Approval of ADB is required prior to any negotiation of prices.

p. Mobilization Advance

121. Mobilization advance, if so provided in the conditions of contract, shall be granted as an interest-free loan.

q. Member Country Restriction

122. Bidders must be nationals of member countries of ADB, and offered works and services must be from member countries of ADB. Materials and equipment to be supplied for the works, must be produced and supplied from member countries of ADB.

r. Participation by Government-Owned Enterprises

123. Government-owned enterprises in India shall be allowed to participate in bids only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Executing Agency or Implementing Agency.

F. Consultant's Terms of Reference

1. Package 1: SNV Value Chain Technical Back stopping (see Annex One)

124. The terms of reference of the SNV contract are provided in Annex 1.

2. Package 2: HVC ON-Farm Technical Support

a. Summary of Inputs

	Position	b. Promotion and Public Relations Specialist (P.R.S.) (2 months)	Person Months							
			Total	PYR 1	PYR 2	PYR 3	PYR 4	PYR 5	PYR 6	
A:	Technical Team									
	i.	ii. Scope and Responsibilities	2	6	4	2				
	ii.	Farm Technology Specialist	6	3	3					
	125.	The consultant will provide two months' input during the Project's first year of implementation and will assist the PMU in promoting the Project's scope and support activities to potential beneficiaries and stakeholders.	2	0	0	0	0	0	0	0
		Subtotal	44	22	16	6	0	0	0	0

ii. Specific Tasks

- (i) at the outset of the Project implementation advise the PMU in designing a comprehensive awareness and promotion campaign to be held in the Project area in order to inform potential beneficiaries and stakeholders of the scope and benefits that the Project can offer in raising rural household incomes,
- (ii) prepare materials for use in the promotion campaign and subsequent Project review workshops,
- (iii) act as facilitator in one promotion and Project review workshop, of two days duration with approximately 50 participants, in Kathmandu, and
- (iv) act as facilitator in 10 promotion and review workshop, five workshops to be held in each Project region (MWDR and FWDR), with duration of two days each, for approximately 50 participants each.

iii. Reporting

126. The consultant will report to the PMU, Nepalgunj, where he or she will be based whilst on assignment. The consultant will provide the PMU with an inception report, one week after starting his or her first input, and a final report on finishing his or her assignment.

iv. Qualifications and Experience

127. The consultant will have an appropriate Masters degree in public relations; He or she will have at least five years of experience in the public relations sector. Experience with externally funded development programs would be desirable.

3. Farm Technology Specialist (FTS) - (6 person-months)

a. Scope and Responsibilities

128. The consultant will provide 6 months of intermittent input over the first three years of Project Implementation (2011-2013) and will assist the DOA and PMU in the effective implementation of the farm technology development sub component of component I (Enhancing Production of High Value Commodities (HVC).

129. The consultant will work closely with the High Value Commodities (HVC) Specialists, the agricultural extension specialist (AES), ASPs and CASMS, and liaise with the PMU's ADPS and the regional PIUs.

b. Specific Tasks

- (i) conduct a needs assessment of farmers in the Project area PPAs and Identify production problems related to the lack of on-farm technology for optimum HVC production,
- (ii) assess available technologies including the technologies developed through the National Agricultural Research and Development Fund (NARDF) under the Crop Diversification Project (CDP), 2001-2007, and make suggestions for the use of these technologies to increase production and productivity of HVCs,
- (iii) assist ASPs in identifying HVC farm technologies that can be used by the farmers in the Project area, under local conditions for increase production and productivity in a sustainable way,
- (iv) assist farmer beneficiaries, ASPs and CASMs in the installation of approved technology investments, at farm level, particularly rainwater retention tanks, micro irrigation facilities, farm mechanization, and controlled environment agricultural technology (CEAT), such as glass houses, net houses and cloches,
- (v) based on the needs assessment, provide suggestions to the ASPs and also guide them for implementing need based adaptive research at the farmers' field level, and
- (vi) assist PMU and ASPs to develop guidelines for conducting studies and trials on HVC technology at selected appropriate locations.

c. Reporting

130. The consultant will report to the PMU, Nepalgunj, where he/she will be based whilst on assignment. The consultant will provide the PMU an inception report, two weeks after starting his/her first input, a progress report following each completed input of his/her assignment and a final report on finishing his/her assignment.

d. Qualifications and Experience

131. The consultant must (i) hold a Masters degree, from a recognized educational establishment in Nepal or overseas, in agricultural engineering, or similar relevant subject, (ii) have at least 10 years experience in farm technology training and service delivery to farmers preferably on donor funded projects or programs, (iii) have excellent English language report writing skills, (iv) be computer literate, and (vi) experience of working in the South/South East Asian region will be an advantage.

4. High Value Commodities Specialist - Horticulture and Spices - (20 p-m)

a. Scope and Responsibilities

132. The High Value Commodities Specialist (Horticulture and Spices) will also act as the consultancy team leader. The consultant will provide 20 person months of intermittent input over the first 5 years of Project implementation (2011 – 2015) and will have the following key responsibilities:

- (i) act as team leader of the consultancy team and assist the PMU in coordinating and synergizing the inputs of the other specialist members of the team,
- (ii) ensure the timely implementation of Project component 1 (Enhancing Production of High Value Commodities (HVC)), with particular focus on (a) the preparation of detailed production methodology and farm technology for the Project's selected high value fruits, vegetables, spices and other crops such as medicinal and aromatic plants (MAP),
- (iii) assist HVC farmers in the Project area and facilitate their linkage to extension, training, value addition, and financial support services,
- (iv) to plan, design and conduct training of trainers (TOT) courses for the horticultural aspects of the Project's farmer training and field demonstration programs, and
- (v) work with the PMUs MES, and the consultancy team's PPMS in developing tools for the monitoring and evaluation of the Project's programs to enhance HVC production, against baselines established in 2011.

133. He or she will work closely with the PMU, ASPs and Social Mobilizers (CASMs) in the Project area, and liaise closely with the two regional PIUs. He or she will also liaise closely with the PMU, the Gender and Social Inclusion Specialist (GESS) and the Environment Specialist (ES) in integrating into the Project's activities (i) gender equity, disadvantaged groups (DAGs), indigenous peoples (IPs), and (ii) environmental sustainability and the negative effects of climate change on farming systems in Nepal.

b. Specific tasks

- (i) assist the PMU and ASPs to the build awareness of potential Project beneficiaries of the positive effect of high value fruit and vegetable production on raising rural households' incomes,
- (ii) identify production problems and conduct a needs assessment of production technology to increase the market led production of identified high value fruits, vegetables and spices in the Project's PPAs,

- (iii) develop criteria for the selection of high value fruits, vegetables and spices and other crops that can be grown successfully in the Project area and have high market potential in the domestic and border markets of India,
- (iv) develop a production manual for Project HVC including, citrus, garlic, chilies, and mushrooms incorporating recently developed varieties and production practices. The production manual should be self-explanatory and in simple language, with illustrations, assist farmers' groups and cooperatives in the development and management of high value fruit and vegetable nurseries which will have the effect of enhancing the supply of good quality, easily available, planting materials to individual farmers in the Project PPAs,
- (v) assist ASPs and SMs on specific high value fruits and vegetables and develop guidelines for conducting demonstrations plots using modern production techniques,
- (vi) develop criteria for selecting farmers wishing to participate in study tours to neighboring locations where high value fruits and vegetables are being produced using modern production practices,
- (vii) assist ASPs and SMs in conducting farmers' training in high value fruits and vegetable production through field based training courses in HVC production using the curriculum, training materials and methods established at the Project's TOT courses, and
- (viii) develop methods and procedure of operating farmer's field schools in high value fruits and vegetables including spices.

c. Reporting

134. The consultant will report to the PMU, Nepalgunj, where he/she will be based whilst on assignment. The consultant will provide the PMU with an inception report, two weeks after starting his/her first input, a progress report following each completed input of his/her assignment and a final report on finishing his/her assignment.

d. Qualifications and Experience

135. The consultant will (i) hold a Masters degree, from a recognized educational establishment in Nepal or overseas, in an agricultural subject including majoring in horticulture with spices as at least a secondary subject, (ii) have at least 10 years experience, at senior management level, in a recognized development organization, preferably on a donor funded projects or programs, (iii) have an in depth knowledge of rural development issues pertaining to agricultural production, and the Nepal agriculture sector in general (iv) excellent English language report writing skills, (v) be computer literate, (vi) experience of working in the South/South East Asian region will be an advantage, and (vii) knowledge of medicinal and aromatic plants (MAP) production will be an advantage.

5. High Value Commodity Specialists – Other– (6 person months)

a. Scope and Responsibilities

136. The consultant(s) will provide 6 person-months of intermittent input over the first 3 years of Project implementation (2011-2013) and will have the following key responsibilities:

- (i) ensure the timely implementation of Project component 1 (Enhancing Production of High Value Commodities (HVC), with particular focus on the preparation of detailed production methodology and farm technology,
- (ii) assist farmers and bee keepers in the Project area and facilitate their linkage to extension, training, value addition, and financial support services, and
- (iii) plan, design and conduct training of trainers (TOT) courses for bee keeping aspects of the Project's farmer training and field demonstration programs.

137. He/she will work closely with the project management unit's (PMU), ASPs in the Project area. He or she will also liaise closely with the PMU, the Gender and Social Inclusion Specialist (GESS) and the Environment Specialist (ES) in integrating into the Projects activities (i) gender, disadvantaged groups (DAGs), indigenous peoples (IPs) and (ii) environmental sustainability and the negative effects of climate change on farming systems in Nepal. The consultant will also liaise closely with the High Value Commodities (Horticulture and Spices) Specialist.

b. Specific tasks

- (i) assist the PMU and ASPs to the build awareness of potential Project beneficiaries on raising rural households incomes,
- (ii) identify production problems and conduct a needs assessment of production technology to increase the profitability and quality,
- (iii) develop a production manuals The production manuals should be self-explanatory and in simple language, with illustrations,
- (iv) assist the DOA's resource centers, ASPs and in the Project area, and develop guidelines for conducting on site demonstrations using modern production techniques,
- (v) develop criteria for selecting farmers wishing to participate in study tours to neighboring locations, and
- (vi) assist ASPs and SMs in conducting farmers' training through field based training courses in HVC production using the curriculum, training materials and methods established at the Project's TOT courses.

c. Reporting

138. The consultant(s) will report to the PMU, Nepalgunj, where he/she will be based whilst on assignment. The consultant(s) will provide the PMU with an inception report, two weeks after starting his/her first input, a progress report following each completed input of his/her assignment and a final report on finishing his/her assignment.

d. Qualifications and Experience

139. The consultant must (i) hold a Masters degree, from a recognized educational establishment in Nepal or overseas, in either fisheries economics or industrial entomology with bee keeping as a specialty, (ii) have at least 10 years experience of training and service delivery in fish farming or bee keeping, preferably on donor funded projects or programs, (iii) have excellent English language report writing skills, (iv) be computer literate, and (vi) experience of working in the South/South East Asian region will be an advantage.

G.**H. Package 2: Project Management and Administrative Support****1. Level of Inputs**

	Position	Person Months						
		Total	PYR 1	PYR 2	PYR 3	PYR 4	PYR 5	PYR 6
	Administration Support Team							
i.	Project Performance and Management	5	3	0	1	0	0	1
ii.	Gender and Social Inclusion Specialist	54	6	12	12	12	6	6
iii.	Procurement Specialist	12	6	3	3			
iv.	Donor procedures training specialist	12	6	3	3			
	Subtotal	83	21	18	19	12	6	7

2. Project Performance Monitoring Specialist (PPMS) – (5 person-months)**a. Scope and Responsibilities**

140. The consultant will provide five months' input over the duration of Project implementation (2011-2016) and formulate a comprehensive project monitoring and evaluation framework and a related schedule of activities for the Project. The consultant will work closely with the PMU's MES, other members of the consultancy team, and liaise with the AEC and ASPs.

b. Specific Tasks

- (i) in conjunction with the PMU's MES, design a monitoring and reporting framework that provides for the collection of all data required for monitoring and evaluating Project progress and impact with the source, and responsibility for data, specifying the timing, content, format and distribution of reports to stakeholders,
- (ii) collaborate with other consultants to ensure relevant data relating to training, gender, DAG, environmental issues are incorporated into the monitoring framework,
- (iii) test the assembly and reporting of data to ensure it is computerized along with data checks to ensure the accuracy of reporting and deadlines for the submission of data,
- (iv) review and advise on the effective and efficient collection of data at the field level taking into account the costs of data collection, the avoidance of bias in collection of data, and the timeliness of data collection,
- (v) review the process of data collection and dissemination of information by DOA and advise on how the system of data collection and monitoring under the project could be incorporated into the DOA's monitoring system, and
- (vi) prepare necessary instruction manuals and provide training to staff monitoring Project progress and collecting data.

c. Reporting

141. The consultant will report to the PMU, Nepalgunj, where he or she will be based whilst on assignment. The consultant will provide the PMU with an inception report, two weeks after

starting his/her first input, a progress report following each completed input of his or her assignment and a final report on finishing his/her assignment.

d. Qualifications and Experience

142. The consultant will have an appropriate Masters degree in economics, agricultural economics, marketing or business management. He or she will have at least five years of agricultural experience. Experience with externally funded development programs would be desirable, preferably with experience in agricultural production and improved market linkages.

3. Gender and Social Inclusion Specialist (GESS) – 54 months input)

a. Scope and Responsibilities

143. The consultant will provide intermittent input over the lifetime of the Project (2011 – 2016) and have the following key responsibilities:

- (i) ensure that the rights and safety of women, disadvantaged groups (DAGs), and indigenous peoples (IPs) engaged in high value commodity (HVC) production, value addition, and marketing activities in the Project area are being promoted and supported by the Project under its gender action plan (GAP) and poverty reduction and social strategy plan,
- (ii) develop the capacity of the Project's lead implementers of Components 1 (Enhancing Production of High Value Commodities (HVCs)) and Component 2 (Strengthening Farmer Participation in HVC Value Chains), viz Department of Agriculture (DOA) and Agro Enterprise Center (AEC) respectively, to ensure gender mainstreaming, and social inclusion as a cross cutting Project activities, ensuring the distribution of the Project's development benefits to men and women, DAGs, and IPs, equally and proportionately, and
- (iii) assist the regional project implementation units (PIUs), advisory service providers (ASPs) and community agricultural and social mobilizers (CASMs) in the formation of farmers groups (FGs) for engagement in the joint production, value addition and marketing of HVCs.

144. He/she will work closely with ASPs and CASMs in the Project area, and liaise closely with the two regional PIUs, and, in particular, their GESS staff members. The consultant should also liaise and provide assistance to the MOADs gender equity and environment division (GEED) staff on gender and social inclusion in the agriculture sector.

b. Specific Tasks

- (i) supervise the start up, facilitation, and implementation of the GAP,
- (ii) conduct gender and social inclusion needs assessment of women, DAGs, and IPs, in HVCs production, value addition and marketing activities and identify and analyze their participation problems and prospects,
- (iii) conduct gender and social inclusion needs assessment of DOA and AEC central, regional and district level staff, and, for ASPs, at production pocket area

(PPA) level, on gender and DAGs/IPs mainstreaming and sensitization in Project activities,

- (iv) examine the current roles and responsibilities of men and women, and marginalized groups in HVC production, value addition, marketing and entrepreneurship development,
- (v) provide technical assistance in developing gender and social inclusion training modules and materials, including a manual, for workshops and courses on gender sensitization and mainstreaming at community and household level in the Project area,
- (vi) build the capacity of DOA and other stakeholders on gender and marginalized groups mainstreaming techniques in agriculture, and provide necessary training and capacity building to PIU GESS staff,
- (vii) work with other specialist staff to integrate gender and social inclusion mainstreaming in all Project training programs,
- (viii) provide assistance (TOR) to the development of gender and social inclusion focal points in the regional PIUs,
- (ix) work with the ASPs and CASMs to facilitate the formation of farmers groups in the Project area PPAs, with particular focus on the formation of women only FGs, and the mainstreaming of women in mixed FG management committees, and
- (x) work with the PMUs Monitoring and Evaluation Specialist, and the consultancy team's Project Performance Monitoring Specialist in developing tools for the monitoring and evaluation of gender and marginalized groups mainstreaming in the Project's programs.

c. Reporting

145. The consultant will report to the Project Management Unit (PMU), Nepalgunj, where he/she will be based whilst on assignment. The consultant will provide the PMU an inception report, two weeks after starting his/her first input, a progress report following the completion of each input of his/her assignment, and a final report on finishing his/her assignment.

d. Qualifications and Experience

146. The consultant must (i) hold a Masters degree, from a recognized educational establishment in Nepal or overseas, in a relevant social science subject, including gender studies, development, studies, sociology and anthropology and have at least 10 years experience, at senior management level, in a recognized development organization, preferably on a donor funded projects or programs, (ii) have a proven understanding of gender and DAG/IPs development equity issues and the culture of Government agencies in this regard, (iii) knowledge of rural development issues and the agriculture sector, (iv) excellent English language report writing skills, (v) be computer literate, and (vi) experience of working in the South/South East Asian region will be an advantage.

4. Procurement Expert (12 person months)

147. The Procurement specialist shall assist the PMU develop capacity and undertake procurement according to the Asian Development Bank (ADB) *Procurement Guidelines and Guidelines on the Use of Consultants*.

148. The Candidate shall have a university degree with at least 10 years experience in the field of procurement, particularly of consulting services, and goods and contract service providers. The expert shall be responsible for the following tasks:

- (i) Undertake procurement training for all PMU and service provider staff
- (ii) Assist the PMU prepare a procurement manual and guidelines for PMU staff
- (iii) Update the procurement plan as part of the first annual work plan
- (iv) Develop systems in the PMU for planning, implementation and recording of procurement systems
- (v) Assist the PMU in the preparation of the procurement documentation for the first two years
- (vi) Supervise the implementation of the procurement programs especially tender and proposal document review, proposal evaluations and ranking
- (vii) Provide input into the evaluation and impact assessment of Agribusiness Promotion Grants.

149. The expert shall report to the PD.

5. Donor Procedures Training Specialist (12 person months)

150. The Candidate shall have a University degree and at least 5 years experience in project administration and management with ADB or WB, including graduate training in financial management. The candidate shall report to the Project Director and be responsible for:

- (i) Designing project administration and management systems for the PMU and PLO
- (ii) Providing training to all PMU staff in their respective roles and for awareness of Project administration and management procedures
- (iii) Hold seminars with Agricultural Service Provider Staff to build their awareness and knowledge of Project procedures
- (iv) Oversee and mentor staff in the introduction of the first years planning, budgeting, and financial management procedures including the preparation of quarterly and annual reports
- (v) Supervise financial management and imprest account procedures and mentor in the application of best practice with respect to disbursement and replenishment of Project expenditures
- (vi) Review procedures for the approval and award of Project Grant applications, provide seminars and on the job training to service provider to address any shortcomings.

VII. SAFEGUARDS

151. Safeguard monitoring will be undertaken through the due diligence process incorporated into the grant application process and then through the safeguards (Social Inclusion and Gender

Expert and Environmental Management Expert) staff within the PMU and the Project Management Support consulting services team and will ensure adherence to ADB Safeguard Policy (2009 as amended from time to time).

1. Safeguard Implementation

a. ESMS

152. The ESMS is appended to the PAM and provides the framework for safeguard implementation for the Project and the Project Grant Program. The responsibility for implementing the ESMS will be assigned to AEC as the National Service Provider for all the Post Harvest investment programs including social and environmental safeguards that will need to be included in the grant applications produced by the Service Providers and National On-Farm Service Provider for all on-farm related safeguards (mostly those outlined in the Gender and Social Inclusion Plan).

b. Gender and Social Inclusion

153. The GESI for the Project has three main thrusts:

- (i) the mainstreaming of gender empowerment measures in all elements of the project in recognition of women's prevalence in agricultural work and the potential for HVC production, processing and marketing to further reduce the gender gaps which persist between men and women in Nepal;
- (ii) a specific project sub-component addressing those requiring particular assistance to benefit from the project, such as more intensive mobilization, technical assistance, agricultural inputs, linkages to service providers, cooperatives and markets, and assistance in accessing land.
- (iii) overall, capacity building of project stakeholders to understand the differing needs, constraints and opportunities of indigenous people and DAGS, the gendered impacts of the project and the strategy designed in light of this to improve project outcomes (the GESI Plan).

154. **Implementation** of the GESI will take place by stakeholders at all levels of the project:

- (i) Overall implementation responsibility will be with the Project PMU, located in Nepalgunj. The PMU staff with management responsibility will be the Project Director, with key technical assistance provided by the Gender and Social Inclusion Specialist.
- (ii) The GESI Specialist will build the capacity of all project stakeholders, particularly social mobilizers and NGOs working to implement the HVC Farming for Disadvantaged Groups and Marginal Farmers sub component. Working relationships will be maintained with Gender Equity and Environment Division (GEED) of MOAD, as well as with the Gender specialist of the ADB Nepal Resident Mission.
- (iii) Social mobilizers working for the PMU as well as implementation NGOs and others working with farmer groups will implement project activities in accordance with the strategies in this document.

155. **Budget** for GESI implementation is provided through provision of relevant implementation staff, training, workshops and the HVC Farming for Disadvantaged Groups and Marginal Farmers sub component.

156. **Monitoring** of the GESI will be undertaken by the PMU GESI Specialist in conjunction with the PMU management team, with inputs from the social mobilizers and contracted NGOs, plus DADO district staff. GESI monitoring information will be disseminated to DOA, MOAD and ADB through quarterly project reports. Provision has been made for a half term national workshop with national and regional level representatives from the Project, DOA, MOAD, ADB, NGOs and national level organizations working for indigenous peoples, women's empowerment, disadvantaged groups and poor and marginal farmers. The purpose of the workshop is to discuss implementation wins and challenges, hear from other organizations regarding the efficacy of various approaches, and improve the approach for the second half of the project and beyond.

c. Resettlement Framework

157. A resettlement framework (RF) has been prepared (weblinked document 11) although there is no expectation of resettlement form within the design. The RF is provided due to the unknown nature of Project Grant funds and the lessons learned from previous sector projects that excluded all resettlement which in turn resulted in infrastructure being poorly located, under used, and in some instances redundant. The PMU is staffed with two social safeguard positions who will be responsible for reviewing the all grant applications.

158. The resettlement cost estimate is based, at this stage, very simply on an estimated (weighted) land value for 15 plots of approximately one quarter hectare. The project makes provision for up to twenty such facilities, however at least five are to be constructed in known locations already purchased for this purpose. All other related costs, such as RP preparation, updating, implementation and management, dissemination of information and related activities are provided for in the project budget as salaries of responsible staff, management costs and provision for community mobilizers.

159. All land acquisition funds will be paid to APs by the PMU using the grant procedures the same as for other project investments (see Appendix 1 of RF). Loan Assurances will guarantee APs are compensated for all losses as per the RP before land acquisition and commencement of civil works, and the PMU will verify whether compensation was paid and to the satisfaction of the AP. Detailed budget estimates for land acquisition will be prepared by DADO/PMU for each unit of construction.

160. The resettlement budget²² for land acquisition is \$56,250, which is calculated on the basis of 3.75 hectares of land at a weighted average price of \$15,000 per hectare, plus 3.75 hectares of rice crop lost @ an average yield (profit) of \$327 per hectare (total \$1,226). Therefore the total budget is \$57,476.

161. Land acquisition and compensation to APs cannot commence until the RP has been reviewed and approved by ADB. The project will be implemented over six years, with the first year mainly including group formation and strengthening, capacity building, establishment of value chains and planning. Therefore identification of infrastructure requiring land acquisition is not expected until year two, with substantial completion of all infrastructure construction by year five. Implementation milestones known at present are outlined below. An implementation schedule will be prepared in any Resettlement Plan and updated as required.

²² Prices based on information collected during project preparation and advice from DOA.

162. Due to the extremely limited nature of resettlement (indeed there may be no land acquisition at all), formal staff training for DOA staff at the project PMU and DADO staff who will have a key facilitation role at District level, has not been planned. However, the Project includes a generous training budget, including for enhancing knowledge on project safeguards. Therefore such training could be expanded as required, as the Project develops. In addition, Gender and Social Inclusion (GESI) consultants have been provided at PMU level who will oversee and provide on the job training and support in respect of any resettlement tasks.

163. The RP implementation activities will be closely monitored internally by the PMU and DADO in conjunction with the grant management and community mobilization processes of the Project. This will involve: (i) administrative monitoring to ensure that implementation is on schedule and problems are dealt with in a timely manner; (ii) socio-economic monitoring during and after any resettlement impact utilizing baseline information from sub-project preparation; (iii) overall monitoring to assess AP status; and (iv) preparation of resettlement information as part of regular six-monthly progress reports of the PMU to MOAD and the ADB.

164. The need for external monitoring (for independent verification) will be determined once the scope of land acquisition is known, and detailed in the Resettlement Plan.

VIII. GENDER AND SOCIAL DIMENSIONS

A. Introduction

165. This GESI Plan has been formulated based on the Gender Analysis, Indigenous Peoples Analysis and Social Impact Analysis carried out during preparation of the Project for Raising Incomes of Small and Medium Farmers (Project). The Project itself builds on the considerable successes of a previous ADB funded project, Crop Diversification Project (CDP) (2001-2007) in the same project Districts. Therefore ample information is also available on the impacts of this type of project on men and women, indigenous peoples and disadvantaged groups (DAGs). The design of the Project reflects the impacts and adopts many of the same strategies for social inclusion and empowerment as CDP, with adjustment for the more demand driven (rather than production push) approach of the new project, and other socio-economic and political developments that have taken place during this time.

166. The Project will, by 2020 increase the profitability of small and medium size farms contributing to poverty reduction and increased food security within the Project Districts. The outcome of the Project in 2017 will be small and medium sized farmers with supply agreements for high value commodities producing 7,500 ha of High Value Commodities (HVC) profitably by 2017. With an assumed 60% being vegetables, 30% fruit and 10% spice and other commodities an estimated output of 64,600 tones per annum has an indicative retail value of \$31 million, farm gate value \$13 million. Project will work with farmer groups in a total of ten Districts. In the Mid West Development Region (MWDR) Project will work in Banke, Bardiya, Dang, Surkhet and Dailekh. In the Far West Development Region (FWDR), the Project will work in Baitadi, Dadeldhura, Doti, Darchula and Kailali.

B. Situation of IPs in the Project Area

167. In the Project area there are two main IP groups: the Magars in the hills and Tharus in the Terai (plains). The Terai districts of the MWDR and FWDR are traditional homelands of the Tharus, and the hill districts of the Mid-western region are the traditional homelands of the dominant Magars therefore representation of these groups in the project districts is almost

double that of national level – estimated at a combined 30% of the total population in the MWDR, and 18.34% in the FWDR.

168. On the whole the Magars, Tharus and other IPs have livelihoods and levels of vulnerability similar to the non-IP community in the Project districts. The major exception are, within the Tharu community, the Mukta Kamiyas (freed bonded laborers), a particularly marginalized/disadvantaged sub-group. Freed bonded laborers have been resettled by the government through the provision of small plots of land, however many have remained in 'temporary camps', awaiting permanent resettlement sites, for up to ten years presently. This group, which has been subject to particular historical hardship and still faces discrimination today, requires particular support to enable cash crop farming. Many have benefited from small NGO projects such as pig raising and mushroom production. The social impact assessment undertaken during the PPTA revealed that the proposed project will yield significant positive impacts, since these people possess farming skills, however access to land is a major constraint.

C. Summary Gender Analysis of the Project Area

169. Nepal's agriculture development policy (NAP - 2004) requires at least 50% women's representation and participation in all aspects of agricultural enterprises. The Gender Equity and Environment Division (GEED) of the MOAD has the central role in mainstreaming gender equity concerns into agricultural programs. However, there are institutional, cultural and structural barriers to women's participation in decision making in agricultural activities. The division of tasks within rural households is inequitable as women have to bear more responsibilities than men, particularly regarding household chores, rearing children, and on-farm and off-farm activities. Furthermore, social exclusion has also been a structural problem in the project area among different and diverse social groups. There is an unequal and inequitable power relationship between Dalits and high caste Hindu communities (Brahmins, Chhetris and Thakuris) as well as between landlords and freed Kamaiyas (bonded laborers) and freed Haliayas (bonded ploughmen). These factors have contributed to less access for women and socially excluded groups to agricultural credit, inputs, services, capacity building and leadership training, agricultural marketing information relating to HVC production, and appropriate technology. There have been low levels of participation by women in the decision-making positions of Farmers Groups, agricultural cooperatives, and in community-based organizations (CBOs) generally. There is also a lack of female extension workers to promote and increase the mainstreaming and participation of women in agriculture. Therefore, additional efforts are required for the empowerment of women and disadvantaged social groups in agriculture, particularly in respect of access and control over assets and services, and fostering a greater voice, and more influence in decision making processes.

170. The growing of HVC, which include vegetables, fruit, spices and other predominantly non-cereal crops, is an agricultural sub sector particularly suited to women's empowerment due to a number of factors. Firstly, HVC are often grown on land not suitable for staple crops such as rice which require tracts of flat land which can be flood irrigated. Therefore the more marginal land such as that found around homesteads built on the relatively less valuable foothills is where HVC are often grown. This has often been the domain of women growing kitchen gardens in close proximity to the centre of their many domestic tasks. Converting this type of land from subsistence or underutilized area to HVC production puts a monetary value on agricultural work done by women with related economic and knock-on social empowerment impacts. Secondly, HVC production seasons are complementary to the gendered division of labor for women's inputs into rice planting/weeding/harvesting. Intensive HVC cropping occurs after rice planting during the monsoon when water is available in the non-irrigated gardens,

when many men from poor families migrate for wage labor elsewhere, leaving the women behind and effectively in control of resources. Thirdly, mostly, HVC production does not require the use of heavy machinery or teams of buffalo/bulls for plowing, a job falling traditionally to men and preventing women from taking full control of cereal production. An additional factor which cannot be ignored is that women are mostly responsible for household cooking and nutrition, therefore have good knowledge regarding which fruits, vegetables and spices are tasty, in demand, and available in various seasons. Many are also skilled in the processing of excess harvest into pickles, sauces or dried condiments in order to avoid spoilage – a form of value addition if linked to the market.

171. The Project gender strategy builds on the considerable ground made in CDP regarding gender empowerment which mobilized and supported nearly 30,000 female farmers to grow non-cereal crops, and increased the rate of women in farmer group leadership positions from less than 2% to 20% and 60% in the terai and hill areas respectively through mobilization and organization. Today, off season and high value crop production is a popular income earning activity for female farmers, who dominate this producer group for small and medium farmers, contributing significantly to household income.

D. Disadvantaged Groups (DAGs) of the Project Area

172. The Far and Mid Western Development Regions of Nepal have a much higher than average incidence of poverty (41% and 45% respectively) than Nepal as a whole (31%). Households headed by agricultural wage laborers are the poorest in Nepal (54%), followed by households headed by the self-employed in agriculture (33%). Poverty is highest however among hill and terai Dalits (46%) and in hill indigenous people (44%). In terms of those living in the project area with the ability to take advantage from the Project through production and marketing of HVC, disadvantaged groups cover those farmers without access to land for cultivation (or extremely marginal land in terms of area or suitability for agriculture). These could include families displaced by floods or the recent conflict, those facing historical discrimination such as Dalits, the poor living on the more marginal fringe land of a community, and those who for various reasons (abandonment, ill-health, indebtedness, being widowed) have been forced to forfeit their land.

173. Among the DAGs, women in general and female headed households in particular feel the effects of poverty the hardest, since they are less able to migrate in order to find work. This is especially so if they are responsible for children, the elderly or sick, which is often the case. Such women are often forced by circumstance into the three D's: dirty, dangerous and degrading work; compounding disempowerment and social exclusion.

E. Gender and Social Inclusion Plan

174. The GESI has three main thrusts: (i) the mainstreaming of gender empowerment measures in all elements of the project in recognition of women's prevalence in agricultural work and the potential for HVC production, processing and marketing to further reduce the gender gaps which persist between men and women in Nepal, (ii) a specific project sub-component addressing those requiring particular assistance to benefit from the project, such as more intensive mobilization, technical assistance, agricultural inputs, linkages to service providers, cooperatives and markets, and assistance in accessing land.(iii) overall capacity building of project stakeholders to understand the differing needs, constraints and opportunities of indigenous people and DAGS, the gendered impacts of the project and the strategy designed in light of this to improve project outcomes (the GESI Plan).

175. Implementation of the GESI will take place by stakeholders at all levels of the project:

- (i) Overall implementation responsibility will be with the PMU, located in Nepalgunj. The PMU staff with management responsibility will be the Project Director, with key technical assistance provided by the Gender and Social Inclusion Specialist.
- (ii) The GESI Specialist will build the capacity of all project stakeholders, particularly social mobilizers and NGOs working to implement the HVC Farming for Disadvantaged Groups and Marginal Farmers sub component. Working relationships will be maintained with Gender Equity and Environment Division (GEED) of MOAD, as well as with the Gender specialist of the ADB Nepal Resident Mission.
- (iii) Social mobilizers working for the PMU as well as implementation NGOs and others working with farmer groups will implement project activities in accordance with the strategies in this document.

176. **Budget** for GESI implementation is provided through provision of relevant implementation staff, training, workshops and the HVC Farming for Disadvantaged Groups and Marginal Farmers sub component.

177. **Monitoring** of the GESI will be undertaken by the PMU GESI Specialist in conjunction with the PMU management team, with inputs from the social mobilizers and contracted NGOs, plus DADO district staff. GESI monitoring information will be disseminated to DOA, MOAD and ADB through quarterly project reports. Provision has been made for a half term national workshop with national and regional level representatives from PMU, DOA, MOAD, ADB, NGOs and national level organizations working for indigenous peoples, women's empowerment, disadvantaged groups and poor and marginal farmers. The purpose of the workshop is to discuss implementation wins and challenges, hear from other organizations regarding the efficacy of various approaches, and improve the approach for the second half of the project and beyond.

Table 12: Summary of GESI Measures

Project Activities	Target Beneficiaries	Performance and Result Indicators	Implementation Arrangements
(i) Mainstreaming of gender empowerment measures in all elements of the project in recognition of women's prevalence in agricultural work and the potential for HVC production, processing and marketing to further reduce the gender gaps which persist between men and women in Nepal			
1. Awareness-raising on Project scope, benefits and implementation	<ul style="list-style-type: none"> • All female farmers of the project area 	<ul style="list-style-type: none"> • All female farmers of the project area are informed of the project activities 	Project Management Unit (PMU) with the support of DADO & social mobilizers
2. Gender sensitization training (with focus on the change of power relationships)	<ul style="list-style-type: none"> • Officials and members of the FGs and co-operatives • Project Implementation staff • MOAD, DOA • Staff (gender and equity Div.) 	<ul style="list-style-type: none"> • 80% functionaries /members • All • All 	PMU, GESI specialist, NGOs, Gender, Equity and Environment Division (GEED) staff

Project Activities	Target Beneficiaries	Performance and Result Indicators	Implementation Arrangements
3. Female farmer leadership development training (for the existing and the new groups)	<ul style="list-style-type: none"> Members of mixed and female farmer groups and cooperatives 	<ul style="list-style-type: none"> At least two members from group Share knowledge obtained in the training among co-members 	NGOs, social mobilizers
4. Skill development training on HVCs and their associated post harvest, value chain and marketing activities for women	<ul style="list-style-type: none"> All female farmers of groups who are interested in HVC production, marketing & processing activities 	<ul style="list-style-type: none"> 80% of female farmers linked to project supported cooperatives trained and demonstrate use of the skills acquired 	NGOs, mobilizers and service providers
5. Increased access to extension services	<ul style="list-style-type: none"> Female farmers of the groups in each district 	<ul style="list-style-type: none"> Increased number of female extension workers in the project areas 80% of the female farmers have the access to the extension services provided by project service providers 	PMU, service providers, NGOs, mobilizers, DADO
6. Increased access to micro-credit through financial organizations/ constituted groups/co-ops	<ul style="list-style-type: none"> Female farmers of the groups in each district 	<ul style="list-style-type: none"> Access to grants for at least 80% of female farmers who actually need the grants for the Project activities 	PMU, DADO, NGOs, bank and MFIs, cooperatives
7. Agro-based entrepreneurship training for female farmers	<ul style="list-style-type: none"> Interested female farmers 	<ul style="list-style-type: none"> At least 3 interested female leader farmers from each project district trained (on pilot basis) At least one third of the trainees started/ established agro-based enterprises 	PMU, DADO, NGOs, mobilizers, service providers
8. Institutional strengthening support for farmers groups (female/ mixed) and co-operatives	<ul style="list-style-type: none"> Members of the groups/ co-operatives 	<ul style="list-style-type: none"> Resource mobilization (generation of resources, investment in productive activities and recovery of the loans disbursed) improved Book-keeping system improved Agricultural input and production planning Office management system improved 	PMU, DADO, NGOs, mobilizers, service providers
9. Use of trained female leader farmers as local resource persons for capacity-building of the groups and extension services	<ul style="list-style-type: none"> All male/female farmers 	<ul style="list-style-type: none"> Number of the use of leader female farmers worked as local resource persons No. of other male and female farmers of the groups trained by these resource persons 	PMU, DADO, NGOs, mobilizers, service providers

Project Activities	Target Beneficiaries	Performance and Result Indicators	Implementation Arrangements
10. Focus on the female-headed households on HVC production, processing, post-harvest activities, marketing, irrigation management, and farm mechanization	<ul style="list-style-type: none"> Female heads of households 	<ul style="list-style-type: none"> 35 percent of the female-headed households trained on HVCs, processing, post-harvest activities, marketing irrigation management, and farm mechanization 	PMU, DADO, NGOs, mobilizers, service providers
11. Provide support to trained female headed household practicing/ using their training knowledge with small irrigation support like drip, sprinkle, seed, fertilizer, machineries (need based)	<ul style="list-style-type: none"> Trained female headed Households 	<ul style="list-style-type: none"> 10 percent of trained female headed household have started practicing the knowledge acquired in the field All households practicing their knowledge in actual field supported with irrigation, seeds, fertilizer, machinery, technology etc 	PMU, DADO, NGOs, mobilizers, service providers
12. Institutional effort to be made for the increase women's participation in the decision-making positions of the formed mixed groups/ co-ops	<ul style="list-style-type: none"> Female farmers 	<ul style="list-style-type: none"> 50% of the female farmers included in the formed mixed groups and co-operatives (president, vice-president, secretary, and treasurer) 	PMU, DADO, NGOs, mobilizers, service providers
(ii) Specific project sub-component, HVC Farming for Disadvantaged Groups and Marginal Farmers, addressing those requiring particular assistance to benefit from the project, such as more intensive mobilization, technical assistance, agricultural inputs, linkages to service providers, cooperatives and markets, and assistance in accessing land.²³			
13. Awareness-raising on Project scope, benefits and implementation	<ul style="list-style-type: none"> all IP/DAG farmers in the Project area 	<ul style="list-style-type: none"> all IP/DAG farmers, including IP/DAG women and other female farmers in Project areas are informed of the project activities and benefits 	Project Management Unit (PMU) with the support of DADO and social mobilizers
14. Disadvantaged Farmers Group Formation (in 10 Project districts)	<ul style="list-style-type: none"> 90 DAG farmers groups of approx 20 members each, at least 50% female, in 10 districts 	<ul style="list-style-type: none"> completed in first 6 months of implementation 	Contracted NGO
15. Farmer leadership development training (for existing and new groups)	<ul style="list-style-type: none"> IP/DAG, including 50% women, members of FGs and cooperatives 	<ul style="list-style-type: none"> at least two members from group share knowledge obtained amongst co-members 	mobilizers, NGOs, other technical service providers
16. Skills development training on HVCs and their associated post harvest, value chain and marketing activities for IPs/DAG farmers	<ul style="list-style-type: none"> Approx 2,000 IP/DAG farmers in DAG FGs, at least 50% female 	<ul style="list-style-type: none"> Target IPs/DAGs, including women farmers demonstrate practical use of the skills acquired through HVC cultivation 	Contracted NGO
17. Increased access to extension services	<ul style="list-style-type: none"> IP/DAGs farmers in the FGs in each 	<ul style="list-style-type: none"> Increased number of IPs/DAGs, including 	PMU, mobilizers, NGO

²³ See also Terms of Reference for NGOs for implementation of HVC Farming for Disadvantaged Groups and Marginal Farmers, particularly with reference to the land access strategy.

Project Activities	Target Beneficiaries	Performance and Result Indicators	Implementation Arrangements
	project district	women, accessing extension workers in the Project area,	
18. Facilitation of improved access to rural credit through linking IPs/DAGs groups to micro / all woman FGs to cooperatives	<ul style="list-style-type: none"> IP/DAGs/ female FGs in each project district 	<ul style="list-style-type: none"> access to credit for at least 20% of IPs/DAGs, farmers, including women farmers who need credit for project activities, by Year 2 	PMU, mobilizers, NGOs, cooperatives
19. Support for cooperative farming for Kamaiya/ Haliya groups	<ul style="list-style-type: none"> All interested Kamaiya and Haliya farmers in the Project area who have joined DAG FGs 	<ul style="list-style-type: none"> At least 10 all-Kamaiya FGs formed and take up HVC cooperative farming 	PMU, NGOs
(iii) overall capacity building of project stakeholders to understand the differing needs, constraints and opportunities of indigenous people and DAGS, the gendered impacts of the project and the strategy designed in light of this to improve project outcomes (the GESI Plan).			
20. Training workshops on IP/DAG social inclusion and project safeguards issues at central and regional level	<ul style="list-style-type: none"> Project Implementation staff Social mobilizers, NGO staff MOAD, DOA, DADO staff Civil society 	<ul style="list-style-type: none"> Inception awareness workshops at central, regional and institutional levels Mid term results and challenges workshops, as above with wide range of stakeholders from GoN and civil society. 	PMU, Project Gender and Social Inclusion (GESI) specialist, staff of Gender, Equity, & Environment Division (GEED) of MOAD
21. Human resource recruitment provision <ul style="list-style-type: none"> Provision of a female mobilizer in each field team Mobilizers recruited for services to 800+ regular FGs and 90 DAG/IP FGs Provision of Gender/Social Inclusion Specialist in the project team Support on GESI plan implementation to NGOs, DADOs 	<ul style="list-style-type: none"> All female farmers All IPs/ DAG farmers including women in the Project area All project results and participants All woman farmers, IP/DAG project participants, project staff and implementation partners 	<ul style="list-style-type: none"> Access to info on credit, agricultural inputs/ extension services increased At least 10% IPs/DAGs, including women included in overall mobilizers recruited Gender/Social Inclusion Specialist recruited Development of gender operational strategy for the project and its implementation Clarity in GAD concepts and IP/DAG issues for the project and roles and responsibilities, better planning, communication, co-ordination, implementation and documentation (with IP/DAG and sex disaggregated data) Implementation of this GESI Plan. 	<p>PMU, DADO, NGOs, mobilizers, service providers</p> <p>PMU Project Director</p> <p>GESI specialist of PMU</p> <p>GESI specialist of PMU</p>

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact: Increased profitability of small and medium farmers in 10 Project Districts</p>	<p>Value added for HVC produced in Project districts increased by 15% by 2020.</p> <p>Farm incomes of small and medium farmers increased by at least 20% in real terms by 2017 over 2011 baseline level by 2020.</p>	<p>Government statistics on agricultural production, productivity, household incomes</p> <p>CBS surveys on: (i) Nepal living standards, (ii) poverty trends in Nepal</p>	<p>Assumptions Government's budget continues to support agriculture and improve rural infrastructure.</p> <p>Risks Negative impact of climate change</p>
<p>Outcome Increased production of HVC by small and medium farmers with greater involvement of women.</p>	<p>By 2017, small and medium sized farmers with 7,500 ha of supply agreements have increased their returns by 30% from high value commodities.</p> <p>By 2017, at least 200 HVC enterprise grants and 30 Farmer Cooperatives with HVC supply contracts and grower agreements with Farmer groups.</p> <p>Participating farmers producing on average 0.4 ha more HVC compared to 2011</p> <p>Proportion of women's cash income contributing to family welfare increased by 60% from 2011 levels</p>	<p>DADO annual monitoring reports for farmer group and post harvest investment</p> <p>Project performance monitoring system (PPMS)</p> <p>Annual project reports</p> <p>Project completion review (PCR)</p>	<p>Assumptions Market agreements are respected.</p> <p>Risk Supply default by producers' results in either loss of supply agreement or markets.</p>
<p>Output 1.0: HVC value chains in mid west and far west region supplying markets</p>	<p>By 2017, HVC value chain grants 100% disbursed contributing to ADB level 3 performance target for private sector participation</p>	<p>Agribusiness Fund Disbursement records</p>	<p>Assumptions Farmer Cooperatives will be efficient actors in value chains.</p>
<p>Output 1.1: Post harvest enterprises adding value to HVC production</p>	<p>By 2017, at least 200 post harvest grants awarded to cooperatives for value adding</p> <p>By 2016, at least 10 medium sized enterprises supported for HVC processing</p> <p>By 2017, 10 new female owned agribusiness enterprises</p>	<p>Project progress reports based on PPMS indicators</p> <p>Value chain monitoring and impact assessment reports</p> <p>Baseline, midterm and completion enterprise monitoring surveys</p>	<p>Agribusiness is prepared to operate through cooperatives.</p> <p>Risks Input supplies are not available in a timely manner.</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Output 1.2: Small and medium farmers producing HVC to meet supply agreements</p>	<p>40 farmer cooperatives with business plans providing farm input supply chains to HVC farmer group members by 2013</p> <p>800 farmer groups with 16,800 members producing HVC profitably by 2016</p> <p>90 DP, IP, Women Headed Households with 1,900 members producing HVC with market linkages by 2016</p>	<p>PPA socio-economic profile submitted with application for project support</p> <p>Project progress reports based on PPMS indicators</p> <p>Baseline, midterm, and completion farmer monitoring surveys</p>	<p>Informal supply channels supply inferior or adulterated inputs</p>
<p>Output 2.0: Business plans for producing and adding value to HVC in the far west and mid west region.</p>	<p>By 2017, supply agreements for 800 existing farmer groups and 90 new DP/IP farmer groups, covering a minimum of 7,500 ha contributing to ADB level 3 performance targets for private sector participation, gender mainstreaming and NGO participation</p>	<p>PPMS, PCR</p> <p>MOAD Agribusiness and Statistics Division Information on Nepalese agriculture</p> <p>Project monitoring and impact surveys for farmers and HVC enterprises</p>	<p>Assumptions Food security in staple crops for small and medium farm households is maintained and improved.</p> <p>Supply agreements will be utilized by private sector.</p>
<p>Output 2.1 HVC markets identified, value chain market information systems developed and post harvest investment proposals assessed</p>	<p>By 2015, post harvest service providers producing at least 70 business plans and investment proposals for post-harvest grants</p> <p>By 2016, at least 40 Farmer owned cooperatives with effective financial systems and governance rules by 2016</p> <p>By 2017, 30 post harvest entities using alternative energy sources by 2017</p> <p>By 2012, 15 new AMIS centers established and self financing by 2016</p>	<p>National service provider quarterly reports</p> <p>DADO monitoring reports and annual monitoring and evaluation reports</p>	

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Output 2.2</p> <p>Farmer groups with market supply agreements, HVC production plans and HVC production and farm technology investment proposals</p>	<p>By 2014, 10 DADO offices, 10 CASC and 3 ARC strengthened Participating farmer groups will have at least 75% female membership (baseline of 49%)</p> <p>By 2015, 890 farmer groups with HVC supply agreements</p> <p>By 2015, at least 40 Agricultural Cooperatives supplying farmer groups using Project funds executive positions in farmer groups at least 50% female</p> <p>Participating farm cooperatives will have at least 40% women in decision making roles.</p>	<p>DADO reports</p> <p>AEC contract performance reports</p> <p>IAP document register</p> <p>Farmer monitoring surveys – baseline, midterm and completion</p>	
<p>Output 2.3</p> <p>Grant Disbursement - Impact and Governance Assessed</p>	<p>PMU disbursement within 30 days for 95% of approved applications.</p> <p>By 2012, at least 10% of Farmer group grants and 15% of post harvest grants assessed by DADO officers</p>	<p>IAP document register and service provider reports</p> <p>DADO field report</p> <p>Project monitoring at midterm and completion</p>	
<p>Output 3.0</p> <p>Effective Project Management</p>	<p>PMU and PIU staffed and operating by month 3 after effectiveness</p> <p>By 2015 8 postgraduate trainees completed study</p> <p>Lead ASP contracts (AEC, 2 NGO) by month 6</p> <p>Project monitoring with sex, caste, and ethnicity disaggregated data undertaken in 2011, 2013, and 2016</p>	<p>Project reports</p> <p>Contract documents</p> <p>IAP formation and meeting notes</p> <p>Monitoring survey results</p>	

Activities with Milestones	Inputs
1.0 Establish agribusiness promotion grant imprest account by month 3 after loan effectiveness	Total Project Cost: \$33.54 million
1.1 Appoint IAP for grant awards - define operational procedures	Val. Chain Inv. \$22.95
1.2 Review applications	Vehicle \$ 0.39
1.3 Disburse grants approved by IAP for cooperative strengthening, post harvest investment, farm input grants, and farm technology	Equip \$ 0.39
1.4 Mobilize technical service providers as required	Consultants \$ 2.01
2.1 PMU and AEC pre qualify post harvest service providers, and national and local on-farm service providers	Services/studies \$ 1.18
2.2 Implement awareness and market networking programs	Training \$ 1.50
2.3 Implement a market linkages program in two regions and develop supply agreement, identify farmer cooperatives develop business plans and grant applications	NGO Contract \$ 3.20
2.4 Design and implement the AMIS program	Project Mgt. \$ 0.88
2.5 Design and implement post harvest training programs	Contingencies \$ 1.04
2.6 Upgrade DADO, CASC and ARCs, on-farm services providers contracted	Financing ADB: \$20.10 million (equivalent 60%)
2.7 Contract on farm service providers, farmer group sensitization and market linkages program with training, production planning and grant applications	Government of Nepal: \$5.33 million (equivalent 16%)
2.8 Mobilize new groups for DP and IP link to farmer cooperatives support training and grant applications	Beneficiaries: \$7.61 million (equivalent 23%)
2.9 DADO-trained and implementing monitoring and impact assessment programs	SNV: 0.49 million (equivalent 1%)
3.1 Establish and implement project management arrangements including structure and procedures, staff recruitment	Consulting Services International: 48 person-months National: 192 person-months
3.2 Select and train ASPs in HVC production, post-harvest handling and marketing, and awareness of gender, indigenous peoples, and climate change issues	
3.4 Conduct overall project promotion and awareness campaign including study tours	
3.5 Establish and operate PPMS	
3.6 Train staff in ADB project procedures, 8 postgraduate trainees trained	
3.7 Procure and operate vehicles and equipment	
3.8 Prepare and submit project accounts and progress reports	
3.9 Support DOA of MOAD in preparation of PCR	

AEC = Agrol Enterprise Center, ASP = agricultural service provider, DADO = district agriculture development office, DOA = Department of Agriculture, HVC = high value crops, IAP = Independent Appraisal Panel, MOAD = Ministry of Agriculture Development, NGO = nongovernment organization, PCR = project completion report, PIU = project implementation unit, PMU = project management unit, PPMS = project performance monitoring system, RISMFP = Raising Incomes of Small and Medium Farmers Project.

Source: Asian Development Bank estimates.

B. Monitoring framework

1. Compliance and safeguard monitoring

178. Compliance monitoring will be undertaken through annual review missions and PMU reporting against the Grant covenants. Due Diligence for financial and economic assessment of subproject grants will be completed by local service providers and reviewed by (i) the national service providers and (ii) the IAP. Safeguard compliance will be monitored by the PMU and the safeguards staff and consultants who will report on compliance of the ESMS, GESI, and RF.

2. Performance and Impact monitoring

a. Introduction

179. An integrated monitoring and management information system is proposed. This will be based on annual monitoring and assessments to be undertaken by DADO. The PMU/PD will

also hold annual evaluation workshops in each region that will be reported publicly to the PSC and ADB. For impact assessments and monitoring of outputs a structured survey program and rigorous evaluations at project start up, mid-term and completion is planned. This section seeks to describe the activities and processes through which performance and impact monitoring will occur.

179. A strong and structured survey program and analysis of the Raising Incomes of Small and Medium Farmers Project (Project) is proposed as households that reside in rural areas and participate in agriculture activities are some of the poorest and most vulnerable populations globally and there is relative dearth of information on what strategies are likely to help this population the most. Moreover in Nepal, where approximately 66% of the population in 2008/2009 depended on agriculture activities to generate income, low income among this population group is likely a major constraint to greater poverty reduction. In particular, the evaluation of the Project will help to develop and identify optimal strategies that can help farmers increase their incomes and reduce vulnerability to poverty through diversification of crops into high value commodities (HVCs) and creating market linkages through farmer cooperatives.

180. Crucial to effective implementation of the project is developing and implementing an appropriate monitoring and evaluation (M&E) framework. In particular, the objectives of M&E for the Project are as follows:

- (i) Provide a means to assess the programs progress over time.
- (ii) Provide transparency to the project in order to possibly reward participating agencies for meeting certain targets and efficient implementation of project objectives throughout the project term.
- (iii) Provide constructive, evidence based information on how to improve program effectiveness/quality during time of program implementation.
- (iv) Provide detailed information on overall effects and distributional effects of program after completion and assess long-term benefits that may shed light on ways to alter the program to encourage long-term sustainability of the efforts and optimal strategies for expanding the project to additional areas.

181. Monitoring will assess programs progress ideally through semi-annual and systematic collection of information on key inputs, activities and outputs. Given the project will have an implementation period of 6 years running from 2011 to 2017, monitoring will provide the means to possibly correct for weaknesses in the program and to improve the overall project impact.

182. The monitoring responsibility is assigned to the PMU and District Agriculture Development Offices (DADO). However, the ability and capacity for DADO and DOA to effectively and efficiently monitor the activities is important and we will seek to strengthen their monitoring capabilities through a SNV technical backstopping contract. This contract will require SNV to serve as a technical advisor on M&E for PMU, DADO, DOA, and the national service providers. In particular, SNV will coordinate with the Project Management Unit (PMU) to design and implement the different survey components which will provide the means to assess whether the project is meeting the objectives and outputs described in the Design and Monitoring Framework (DMF). SNV will also develop a system or decision framework for monitoring and

evaluating the implementation of agribusiness plans and auditing the grant disbursement through the project performance and monitoring system (PPMS).²⁴

183. Monitoring will track the main project field activities through the DADO program and through the monthly and annual reporting of the two national service providers (AEC and a National NGO) which will be linked to an annual evaluation forum in each regional area and for the project as a whole. The PD shall chair the forums and will report to the standing committee, EA and ADB on how to potentially respond to the findings.

i. Management Information System

184. Having a good MIS is crucial to easy and effective monitoring and subsequent evaluation of the project. It will allow for easy reporting of whether the project is meeting the intended outputs and objectives. In addition a good MIS system will help lower the cost of doing some of the more in-depth analysis proposed in the impact evaluation component of the framework.

185. The MIS system should discriminate between project activities, subcomponents, output, outcomes, and impacts. It is essential given ADB's Gender and Inclusive Growth policies to also disaggregate data by sex and beneficiary status. In particular, one component should contain details on the farm cooperative groups formed including, the date formed, the size of the group in any given year, the identity of the farmers in any given year. A second component should track details of market supply contracts formed including date formed, contract amount or price procured for each harvest, commodities procured, farm cooperative identities, subsequent procurement entities, and cost of inputs. The final database component should include grants that have been allocated at a given date, identity of the entities who received the grants, grant amount, and grant type/terms of grant.

ii. Semi-Annual /Annual Reports

186. Semi-annual or annual reports will provide suggestive evidence of whether the project is meeting its targeted objectives based on basic statistical reports generated through the MIS system and supplemented with valuable anecdotal evidence. These reports should include details of new farm groups formed, market supply contracts that have been agreed upon, and types and amounts of matching grants that have been allocated. This provides the means to evaluate whether the project is meeting its proposed objectives in terms of its input goals. The reporting should cover constraints and challenges to formation of farm groups and market linkages.

3. Evaluation

187. Evaluation provides the means to assess whether the project is meeting its targeted objectives and the impacts of the project. It is comprised of process and performance evaluation as well as impact evaluation. The process and performance evaluation will be done by the PMU with support provided through the SNV contractor. It is proposed that the design of the baseline, intermediate, and endline surveys, sampling procedure, and impact evaluation analysis will be done primarily using technical assistance provided by ADB. The implementation

²⁴ Further details on SNV's technical role in building the capacity of participating parties can be found under the terms of reference for the M&E advisor.

of the actual survey will occur through a survey firm or organization that has experience working in Nepal.²⁵

a. Process and Performance Evaluation

188. Process and performance evaluation coincides with the semi-annual/annual reports produced through monitoring and will provide the means to update the priors about how the project should be implemented, the performance of the implementation processes, the performance of implementers of the project, and whether new strategies should be used for the duration of the project. This includes reviewing the institutional capacity of the participating parties such as DADO and DOA to effectively monitor the Project.

b. Impact Evaluation

189. The proposed impact evaluation method intends to take a closer look at the mechanisms through which the program is effective and how to maximize its effectiveness using rigorous econometric techniques which will bring a quantitative dimension to the analysis. It proposes to do at least one intermediate evaluation at any given year and a larger ex-post evaluation at project completion.²⁶ Moreover, it attempts to measure the statistically meaningful impacts of the program and its distributional effects. This will provide greater and more in-depth information on ways to improve effectiveness of funds so that it can increase the project outcomes and to devise policies that can more appropriately address the needs of vulnerable populations in rural agriculture through HVC methods. Proposed questions that the evaluation will attempt to find answers to are as follows:

- i) What are the overall positive impacts of the project in raising the net income of small and medium farmers who participated in the project? Can we provide a strong basis for creating policies and programs that will encourage rural development to occur through formation of farmer cooperatives that focus on HVCs and are directly linked to markets in order to reduce poverty and possibly spur greater economic growth?
- ii) What are the average effects from a farmer participating in the project (compared to not participating) on a farmer's net income and other measures of welfare such as outlook on life?
- iii) What are the distributional effects of the project? What are the characteristics (including institutional capacity) of farmers/farmer groups who are more successful at increasing their net income in both percentage and absolute terms? Is there a basis for developing policies that focus on particular farmer groups either to maximize the programs impacts or minimize increases in inequality or disparities between disadvantaged groups and encourage more inclusive growth patterns?
- iv) What are factors affecting a farmer's participation in the project? Can we develop targeting policies which can encourage more participation by people who can maximize the benefits of the program?
- v) What are the impacts of the project on land use, natural resources, and environmental degradation such as soil and water quality?

²⁵ To be decided.

²⁶ The intermediate evaluation can coincide and feed into the midterm evaluation to more immediately assess shorter term impacts of the project. However, the secondary reason for proposing this is to differentiate between short term versus longer term impacts of the project.

- vi) How do the impacts of the project differ depending on regional differences or institutional capacities in the different regions of the implementing agencies? Are some regions more successful than others even after controlling for other factors?²⁷

190. To accurately measure and assess the impact of the project requires comparing the people who participated or were “treated” by the project to a “control” group of people who did not participate in the project in order to form a counterfactual regarding what would happen to net income and other welfare measures in the event that the same person who was treated did not participate in the program.²⁸ This requires running both a baseline and end-line survey on both the treated and control groups. Ideally the control group will be characteristically similar to the treated group in all aspects and some intermediate surveys will be run on at least a subset of the baseline groups in order to assess the questions above over time to provide up-to-date information on what methods can be used to improve the project.

191. Since certain unobserved characteristics (such as motivation) are likely to cause the treated group to participate in the Project compared to the control group there may be strong selection issues that may prevent overestimation of the project impacts even when choosing a control group. To minimize this inaccuracy, it is highly suggested to include a randomized component into the roll-out of the project (such as a phase in approach where farmer groups are randomly selected to be treated first compared to later on or by randomly encouraging certain farmers/farmer groups to participate in the project while others are not encouraged). and combine this with statistical techniques that can further account for this potential selection bias (e.g. treatment effect regressions).

192. The challenge in designing any good evaluation is finding a good control group that is characteristically similar to the treated group. The most ideal situation is to construct a control group by sampling a set of farmers outside of the village areas targeted by the project, but that have a similar profile in terms of age, education, and access to markets as those in the treated areas. Given that approximately 800 farmer groups covering 16,800 members are expected to participate in the project it would be extremely costly and time consuming to try and create a representative survey of all people covered by the project and a subsequent control group of similar size. As a result, a second best option is to randomly sample members or farmer groups fitting the profile of the target population in the 10 districts covered by the project and combining this with a randomization component that will help to sufficiently identify the project impacts.²⁹ The main advantage of including such a randomized component into the design is that it reduces the need to rely purely on finding a control group that is exactly similar to the treated and would enable us to appropriately model the criteria for selection into the Project.

²⁷ It may be difficult to effectively gather data that captures institutional capacity of the implementing regions. Thus, it is highly suggested that findings be supplemented with anecdotal evidence obtained through the process evaluation.

²⁸ The impact that we are trying to measure is the event that the Project did not occur. If there are other interventions that are on-going in the areas covered by the Project that more likely affect the control group than the treatment group (i.e. people received help because they are not part of the Project) then it is necessary to gather basic data on other interventions/aid received by all farmers/farmer groups.

²⁹ The randomization component will be used as an instrument to statistically identify the causal impacts of the program (rather than the correlation). For more details, the reader should refer to papers such as Duflo, E. R. Glennerster, M. Kremer. 2006. “Using Randomization in Development Economics Research: A Toolkit.” MIT Department of Economics Working Paper no. 06-36.

193. The base minimum for evaluation is to have a baseline survey, which occurs prior to treatment, as well as an endline survey that occurs after the treatment has occurred. The endline should contain the same sets of questions and be run on the same set of groups or households as the baseline survey to accurately measure and control for group or household specific factors. It is also suggested to run intermediate level surveys on the same population set as the baseline at each stage of the project in order to more immediately assess the projects impacts in the short-term.

194. The exact details of the sampling strategy are to be laid out at a later date after obtaining more information on the size of the targeted population in comparison to the actual target size of the treatment and doing a basic power calculation under certain assumptions that include the level of detail at which we hope to statistically identify effects and the amount of attrition that may occur between baseline and endline surveys.

195. The baseline, intermediate, and endline surveys should contain details on all aspects of the treatment (i.e. those details that are likely collected in the MIS), demographic characteristics of the members of the farmer groups, and measures of income and social welfare which are the targeted impacts and outcomes of the project. In this way, we should be able to accurately assess and answer the questions proposed above in a systematic and rigorous way that controls for outside influences that may affect income using statistical analysis.

196. In general, surveying should be done in a manner that will allow one to evoke answers truthfully from respondents which typically means running surveys one-on-one. For example, while focus groups are good for obtaining anecdotal information on general preferences and beliefs of participants, trying to use this setting to gather data for a rigorous impact evaluation is nearly impossible as single individuals tend to dominate focus group sessions and peer pressure or concern over peer perceptions under these situations can cause people to respond differently and skew their answers in a way that could significantly differ from a one-on-one situation. As a result, it is unlikely that one could accurately evoke truthful answers regarding income information, detailed demographic characteristics, and perceptions of each participant in a focus group setting. It is also crucial to take a sufficient amount of time in designing a survey for the population group that is being targeted by the project and piloting the survey on a similar population group before finalizing it for the official baseline. For rural households and farmers with low levels of education, the design of questions may entail simplifying questions, shortening recall periods for asking questions, and asking them to provide detailed breakdowns of different items sold for income.

4. Implementation of M&E

197. To reduce the time burden placed on a select set of staff and improve the capacity of the participating parties in implementing the M&E system for long-term sustainability, it will require a number of the participating parties of the Project to work together to implement it effectively.³⁰

a. Result Chain and Measurement Plans

198. It is suggested to use result chain and measurement plans for each sub-component of the Project. Result chains will help to describe the intervention logic and verify whether a proposal is feasible and an impact that is achievable. The measurement plan will outline the

³⁰ Experience has shown that project staff often perceive M&E as an additional burden and therefore cede sole responsibility to a project's M&E officer,

responsibilities of the participating parties such as collection of different types of data within certain time frames which is especially important given that there are many different stakeholders and services providers for the Project. The data generated by the measurement plans will subsequently supply the requisite information for the MIS. The responsibility for design of result chain and measurement plans will reside with all staff and service providers that are involved in the Project and will be updated annually.³¹

199. The SNV M&E advisor will provide technical support and training to all staff on result chains and measurement plans. It is proposed to make result chains and measurement plans a requirement for all internal value chain proposals, interventions, and contracts approved by the PMU. This will allow for greater ease in measuring results as they will already be built in before interventions start and cede greater ownership to involved project staff and service providers. The Project will also assess whether this approach is also feasible for project interventions not linked to value chain/inclusive business development.

b. Cross-checking

200. As per the Project TORs for the M&E officer and SNV M&E expert that will require 3 person months of time dedicated to these activities, random field visits will occur to cross-check the progress of the Project with the actual planned objectives of the Project such as the number of approved proposals and contracts with services providers. The findings of these cross-checks will then be reported to the PMU.

5. Projected Costing for M&E

201. There may be a wide variation in costing dependent on the present ability of the particular organizations that are involved in the project to collect data in a systemized and automated way. For long term sustainability and effective monitoring the program it is perceived that building or developing the MIS systems to collect the data reported in the monitoring section with the related organizations would be beneficial. A total cost for a sample size of 4500 with 3 survey points is estimated to be \$150,000.

202. Within 6 months of physical completion of the Project, MOAD will submit a project completion report to ADB.³²

C. Reporting

203. MOAD will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency AFSs, together with the associated auditor's report, should be adequately reviewed.

³¹ This approach in value chain development (see Donor Committee for Enterprise Development: www.enterprise-development.org) has shown that for large projects a value chain is useful level for doing result chains and measurement plans.

³² Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

X. STAKEHOLDER COMMUNICATION STRATEGY

204. **Approach and Methodology:** The “reach” and “sustainability” of social development is improved when all stakeholders, including the poor and socially excluded groups, have an opportunity to participate in shaping the development programs and the voice of the poor is heard at all levels of decision making. Therefore a concerted effort has been made to conduct a stakeholder analysis to ensure that the relevant stakeholders are identified and included in the participatory project design process.

205. The Project is in many ways a continuation of the Crop Diversification Project (CDP), therefore good understanding exists on the types of stakeholders (e.g. small and landless farmers, women farmers, farmer groups, farmers’ associations, local NGOs, District Agriculture Development Office (DADO), Village Development Committees (VDCs), District Development Committees (DDCs), Department of Agriculture (DOA), Ministry of Agriculture and Co-Operatives (MOAD), private service providers, etc). During the initial social assessment for the preparation of the project preparatory technical assistance concept paper by the ADB-fact finding mission, a stakeholder analysis in the project areas/regions was conducted to assess needs, access to resources, capacity and mandates of stakeholders. The PPTA team, in collaboration with the MOAD/DOA/RDs, organizes an Inception Workshop in Nepalgunj, Banke of MWDR with the support of facilitators on the 19th of January, 2010. This was attended by a wide range of stakeholders (such as MOAD, DOA, RDs, DADOs, farmer groups’ representatives, representatives of farmers’ co-operatives, NGOs, private service providers, representative of the local chapter of Federation of Nepalese Chamber and industries (FNCCI), donors, consultants, etc). This workshop established the environment for stakeholder consultation, participation and collaboration for the design of the project. One of the two main activities performed in the workshop was a stakeholder analysis (the other being problem analysis and the possible role of the Project to resolve/mitigate) performed by four groups of representatives. While conducting the stakeholder analysis, the following key questions were asked: (i) what are their expectations/ interests? (ii) what are their perceptions of problems relevant to the project? (iii) what can they do or how can they support implementation? (i.e what resources do they have ?) and (iv) what specific mandates or formal authority do they have?. The workshop identified a total of 15 stakeholders for the Project.

206. The PPTA Social Development Consultant, together with Gender Specialist, next visited the five project districts (including the two sampled for the socio-economic survey) with a view to verifying the types of relevant stakeholders (already listed in the inception workshop). They further identified the interests/expectations of marginalized and vulnerable groups such as the Dalits, freed Kamaiayas (former bonded laborers) in the Tharu indigenous community and women/ female-headed households, ascertaining any possible impacts of the project on any social group and undertaking a gender analysis to understand household and community power relations. The research assistants employed for the socio-economic survey also contributed to the C&P plan formation. In this way, the results of the stakeholder analysis in the inception workshop were reinforced with the conduct of a series of focus group discussions with women, Dalits and marginalized indigenous groups in the project districts.

207. The result of the stakeholder analysis is presented below in a summary table of highlighting the expectations/interests of each stakeholder group, plus type and methods of participation. The C&P plan will be operationalized during project implementation to achieve the objective of because collaborative planning as well as empowerment of social groups (i.e. small

and landless farmers, disadvantaged groups, and women farmers). Effort will be made to ensure adequate and systematic engagement of all key stakeholders.

Table 13: Consultation and Participation (C&P) Plan

S.N	Stakeholder Groups	Objective of their intervention	Type of Participation	Participation Methods	
		Why they are involved		Method	Who will be responsible
1	Ministry of Agriculture & Co-operatives	Provide policy support and guidance, assist in poverty reduction and chair Project Steering Committee	Shared responsibility	Decision-making, policy co-ordination, and participation in workshops/meetings	Secretary and senior level staff
2	Department of Agriculture	Assist in poverty alleviation in MWDR/FWDR, increase agricultural productivity and ensure to supply seeds, seedlings and inputs	Shared responsibility	Decision making, coordination, implementation and participation in workshops/meetings	DG, DDGs and other senior staff of DOA
3	Regional Directorates	Reach the real target groups for poverty alleviation, work for institutional strengthening and human resource development and support to build physical infrastructure as per needs in MWDR/FWDR	Shared responsibility	Facilitation in coordination, monitoring and supervision at district and regional level, mediation between centre and districts and participation in workshops/meetings	RDGs and senior staff of regional directorates
4	District Agriculture Development Offices	Augment the income of farmers through crop diversification and commercialization, ensure financial and technical support in their respective districts, promote infrastructural development (office/ market centers/agricultural roads), enhance the capacity of DADO staff, promote necessary technology for the Project and be able to make agricultural inputs available	Shared responsibility	Decision making, coordination, implementation and participation in workshops/meetings	SADOs and other senior staff of the DADOs
5	Agricultural research and extension centers/agencies	Ensure financial support for need-based research and (especially on diversification and commercialization), ensure the dissemination of low cost income generating technology, and ensure for the promotion of bio-diversification	Shared responsibility	Participatory agricultural research	Executive Directors/heads of the concerned centers and scientists involved in the participatory research
6	Farmers (men and women)	Augment household income through the production of HVCs in limited amount of land and marketing of their	Shared responsibility	Decision making, coordination and implementation	Men and women farmers of the project areas

S.N	Stakeholder Groups	Objective of their intervention	Type of Participation	Participation Methods	
		Why they are involved		Method	Who will be responsible
		products, receive the appropriate technology, irrigation, and subsidy in agricultural inputs, build their capacity through training and technology, receive support for crop husbandry, tools & equipments, storage facilities for seeds/vegetable and fruit products, and home-based processing for value addition of agricultural products, receive support for market information and market-led planning, etc.			
7	Farmers' groups	Increase in household income and marketing of HVC products, receive the appropriate technology, irrigation, and subsidy support in agricultural inputs, build their capacity through training and exposure visits, receive support for crop insurance, tools & equipments, storage facilities for vegetable and fruit products, and home-based processing for value addition of agricultural products, receive support for market information and market-led planning, receive support for institutional development and mobilization for productive results and benefit sharing, etc	Shared responsibility	Decision making, coordination and implementation	Men and women farmer leaders of the project areas
8	Agricultural co-operatives	Receive support for the inclusion of more farmers of the communities in the co-operatives through social mobilization, institutional development for the sustained marketing of HVCs through them, market-based infrastructure development, market network, agri-inputs supply, post-harvest support (processing, packaging, labeling, distribution, etc) and coordination with DADOs	Shared responsibility	Decision making, coordination and implementation	Functionaries and members of the executive committees
9	Traders/middle persons	Expect the introduction of new technology for processing/value addition, subsidy/tax exemption for trading, market information, soft loan for agricultural-trade enhancement as genuine traders, etc.	Shared responsibility	Decision making, coordination and implementation	Traders/middle persons of the project areas

S.N	Stakeholder Groups	Objective of their intervention	Type of Participation	Participation Methods	
		Why they are involved		Method	Who will be responsible
10	Agri-input suppliers	Expect the role to play for the timely distribution of seeds and inputs (such as seeds, fertilizers and pesticides) , and their quality assurance, and support for marketing of outputs	Shared responsibility	Decision making, coordination and implementation	Managers and staff of private sector agencies at various levels
11	Local governments (DDCs/VDCs)	Expect to increase in employment and income of the farmers in the CDCP implemented districts for the enhancement of their livelihoods in the most inclusive manner, enhance the agricultural productivity, play the facilitating and coordinating role in the implementation, empower the farmers and ensure to supply sufficient agricultural inputs on time	Shared decision-making	Decision making, coordination and facilitation	Heads, functionaries/ or people's representatives of DDC/VDC bodies and secretaries
12	Rural financial institutions/ banks	Expect the availability of the business opportunities and profit making by provisioning loans under subsidized interest rate to farmers, farmer groups / cooperatives	Shared responsibility	Decision making, coordination and implementation	Managers and staff at various levels
13	Disadvantaged/ marginalized social groups (<i>Dalits, freed Tharu Kamaiyas, freed Haliayas and other poorer farmers from caste/ethnic groups</i>)	Expect support for income generation for their sustained livelihood, capacity building, and employment through skill development	Shared responsibility	Decision making, coordination and implementation	Disadvantaged or marginalized men and women farmers of the project areas
14	District/ local level NGOs	Identify, mobilize, and organize farmers to accrue more benefits to farmers in a short span of time, build the institutional capacity of farmer's groups & cooperatives, support the agency of the farmers to raise their voices or influence the related institutions to listen to their concerns, etc.	Shared responsibility	Decision making, coordination , implementation and participation in workshops/meetings/participatory rapid assessments/qualitative and quantitative surveys	Executive Directors and staff at various levels
15	Political parties	Ensure the balanced development, livelihood improvement/ food security of farmers in the poverty-stricken	Consultation	Meetings/workshops	Representatives of political parties at various levels

S.N	Stakeholder Groups	Objective of their intervention	Type of Participation	Participation Methods	
		Why they are involved		Method	Who will be responsible
		areas, participate at policy making as well as at implementation levels			
16	Federation of Nepalese Chamber of Commerce and Industries(FNC CI including its local chapter)	Promote the partnership / business, expect the support to the local chapter for networking at local levels and promote the public-private participation	Shared responsibility	Decision making, coordination, implementation, meetings and workshops	Elected functionaries of different levels/ their members and staff
17	Development partners/donors/ bilateral agencies	Focus on less developed parts of the country with balanced development programs for poverty reduction, support the prioritization of project activities, ensure the transparency in project implementation, ensure the financial support and flow of fund, and technology transfer at the local level	Shared responsibility	Decision making, coordination, implementation and participation in workshops/meetings/participatory rapid assessments/qualitative and quantitative surveys	Designated officials

XI. ANTICORRUPTION POLICY

208. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.³³ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.³⁴

209. Project measures to enhance governance and prevent corruption during implementation include (i) establishing transparent procedures for financial transactions; (ii) the use of private sector providers to undertake due diligence during business planning and a further review of this by the national service providers; (iii) the inspection of each project grant for the first two years by DADO staff; (iv) the review of grant proposals by the Independent Appraisal Panel; (v) stakeholders' annual evaluation of progress and lessons learned; and (vi) the PMU reporting all project activities and financial records to the District Public Audit Committees and on its website.

210. To support these efforts, relevant provisions are included in the grant agreement and regulations and the bidding documents for the Project.

³³ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

³⁴ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

XII. ACCOUNTABILITY MECHANISM

211. People who are, or may in the future be, adversely affected by the project may address complaints to ADB, or request the review of ADB's compliance under the Accountability Mechanism.³⁵

XIII. RECORD OF PAM CHANGES

³⁵ For further information see: <http://compliance.adb.org/>.

Annex one:

**Consulting Services Contract
for
Agribusiness and Value Chain Technical Support
and
Knowledge Products**

Proposed Contract between

**Project Management Unit (MOAD)
and
SNV Netherlands Development Organization**

A. Estimated Contract Financing

1. The contract value will be finalized by negotiation and as part of Grant effectiveness. It is forecast that the budget will total approximately \$1.26 million of which SNV will finance up to \$0.5 million for 50% of any professional fees or associated expenses, through a parallel financing arrangement with the remainder financed from the Grant (excluding any taxes). The PMU will contract SNV according to the terms of reference at a price that is equivalent to the agreed cost less the discount being offered by SNV. To determine the contract's value the EA will discount the firm's representations regarding cost to the extent that the parallel grant financing is fully off-set. The firm shall be held liable for the provision of the services irrespective of if the parallel grant financing is available or not. SNV payments will be based on contract milestones that total to the discounted price.

2. SNV Nepal has several unique qualities making it the preferred provider for the Raising of Incomes for Small and Medium Farmers Project:

- (i) SNV has existing relationships with the Ministry of Agricultural Cooperatives and is the only international service provider for value chain MOAD initiatives (HVAP project) guided by a formal MOU. Experience with other donor programs including ADB funded indicates significant benefits from having an institution to institution relationship for management support with individual consultant based management support being mostly ineffective. Institutional agreement and support provides wider back stopping, lobby, pressure to guide these projects in the right direction. SNV is currently the only organization with such a position with the MOAD at the moment. The combination of management support and technical expertise is highly beneficial to the Project especially given the ongoing political reforms.
- (ii) SNV Nepal has developed a strong working relationship with AEC. The relationship with SNV involves significant partnerships with respect to value chains linked to tea and cardamom, and the provision of a Local Capacity Development Facility, joint value chain training where SNV will be capacity builder and AEC as the implementer. A review of service providers indicate no other provider is in such a position or has this capability. As the Project aims at impacting beyond the project period, long term relationships between SNV, AEC and MOAD form the basis of materializing long-term strategic relationships upon and through which institutional capability can be built and mentored.
- (iii) SNV Nepal has a strong interest towards public policy development for the promotion of the private sector as the engine for commercial agricultural development. SNV is already doing evidence-based policy development for an increased role of the private sector in poverty reduction in Africa and Latin America and with the knowledge development component in the IFAD-funded HVA-project it will start a similar process in Nepal. The Project will also have a knowledge development component which will complement SNV's effort within HVAP.
- (iv) SNV Nepal which implements the knowledge development component and the market linkage component of HVAP, will have a wealth of knowledge and experience that will directly benefit the Project with SNV is the TA provider. No other TA

organization in Nepal has such a focus on building market linkages and inclusive business, all very similar to the approach designed for Project.

- (v) AEC has a strong and unique network of chambers around the country and has a strong private sector backing as it is a technical wing of the FNCCI. SNV Nepal, is already a long term partner of AEC, recognizes the risks of a sudden expansion of AEC's activities that could stretch organizational capacities. SNV's strong focus on localization and capacity building is evident in the performance based capacity development agreement between AEC and SNV.
- (vi) SNV Nepal and AEC are in partnership to support capacity development (business planning, marketing, etc) of district, regional or national agribusinesses. Through the Local Capacity Development Facility (LCDF) which will be operating by the end of 2010, (SNV will design and provide the initial funding), companies can apply for capacity building support if they demonstrate their pro-poor impact. Companies in the Project through contractual production with project beneficiaries would easily qualify for such support assisting what remains an immature private sector.
- (vii) The High Value Agriculture Project in Hills and Mountains (HVAP), implemented under MOAD, funded by IFAD) and Project have substantial complementarities which SNV will be able to capitalize as TA provider to both Project and HVAP. There is no other potential service provider which can offer such synergies. HVAP will have several workshops and selection rounds of potential agribusinesses interested in contractual production which are likely to be useful for the Project, and vice versa. Challenges and alignment of procedures can be tackled in similar manner providing more uniformity and synergy between the two projects, provide more input towards knowledge development, joint inputs towards public policy development, etc. Here is a unique chance of synergies beyond individual projects and towards a sector wide approach
- (viii) SNV Nepal is the only potential TA provider in Nepal focusing on market linkage/Inclusive business approaches reflecting its core competencies in Nepal, Asia and Global levels.
- (ix) In the Inclusive Business approach, SNV Nepal has the network of SNV Asia (5 countries) and SNV Latin America (6 countries) which are all working in a similar approach and which progressed towards knowledge development on this topic, linkage with public policy debate, etc. SNV Nepal receives support from this network of country offices and regional offices to advance in the inclusive business approach. There is no other potential TA provider in Nepal which has such a wide and functional network.
- (x) SNV Nepal as also provided TA in the Biodiversity Sector Program – Siwalik and Terai (BISEP-ST) from 2001 onwards and to Ministry of Environment (to the Alternative Energy Promotion Center – coordinates all Renewable Energy activities for the Government of Nepal).

3. Consequently, a single source selection consulting services contract is proposed for engaging SNV. The single source selection is proposed due to:

- (i) SNV's strong presence in the agribusiness and value chain sector of Nepal where they have established relationships with the major stakeholders and are providing technical support in the development of awareness relating to agribusiness approaches, building technical knowledge of the approaches and how these can be

supported and implemented, providing market linkages and value chain studies to identify opportunities.

- (ii) SNV's leadership in the development of inclusive agribusiness initiatives throughout the region with the building of agricultural enterprises that create market led pull strategies for smallholders and rural poor to participate in agricultural value chains. SNV's technical expertise can be mobilized into the Project enabling regional and global experiences to be introduced into the Project approach and methods.
- (iii) The presence of SNV in Nepal under other programs will enable a sector wide capture of lessons and for these to be consolidated into knowledge product as that can be used to institutionalize the movement of the Public Sector policy program for building commercial agriculture using a market led approach.

B. Contract Terms of Reference:

4. SNV will provide a technical backstopping team comprising of the following experts:

1. International:

- (i) Value Change and Agribusiness Expert / Team Leader (36 person months (pm)); and
- (ii) Inclusive Business Expert (4pm);
- (iii) Unallocated (8pm).

2. National:

- (i) Value Chain and Inclusive Business expert / Deputy Team Leader (48pm);
- (ii) Monitoring and evaluation expert (11 pm);
- (iv) Agribusiness knowledge management specialist (10 pm);
- (v) Unallocated (8pm)

5. Utilization of unallocated person months: SNV should provide the Project Management Unit (PMU) with the any request for utilization of unallocated consultant months, providing justification and the terms of reference for the consultant assignment.

6. See table one below for consultant schedule.

C. Tasks and Activities

- (i) Provide technical advice to the Project Director and the PMU staff to improve project implementation and management, including proper selection processes for Agricultural Service Providers (ASP) and consultants;
- (ii) Assist the PMU with the development of regional study tours and networks for building professional development related to value chains and agribusiness
- (iii) Provide technical training and support to agricultural service providers and DOA staff in the analysis and implementation procedures to ensure that the project is market-led. The backstopping will include advising, mentoring training and supporting services providers to develop processes, business models and plans which link agribusinesses with producer groups using contract farming and other approaches;
- (iv) Advise agricultural services providers of new varieties and technologies which can enhance agribusiness opportunities;

- (v) Provide advice and support to PMU and AEC and its contracted services providers in linking with export and partnership opportunities in other countries especially the South Asian Region;
- (vi) Assist contracted services providers with developing input supply models for producer groups that utilize cooperatives and associations with farmer group linkages;
- (vii) Provide Project Management Staff, AEC with training and development support in the monitoring and evaluation and results management systems of the project;
- (viii) Assist PMU and AEC to develop a system for knowledge management and ensure its adoption and use through the project implementation structure including the definition of processes for capture of relevant data, information and the development of knowledge products and their communication.
- (ix) Assist AEC in upgrading its current AMIS.

D. Reporting Requirements

7. The team leader will report to the Project Director with contributions to the quarterly and annual reports and through subject based outputs defined in the individual terms of reference below. The other TA team members will report to the TA team leader.

E. Outputs and Performance Targets

No.	Output	Target number	Completion date (months after contract signing)
1	PMU staff trained in project management and implementation	All staff	6
2	Fully developed Project Performance and Monitoring and Results Management system	n/a	6
3	Training to PMU and AEC in Project Performance and Monitoring and Results Management system	All AEC staff assigned to the Project	24
4	Mentoring of AEC staff in networking activities and forming working relations between farmers' HVC groups, cooperatives and agribusiness enterprises	All AEC staff assigned to the Project	48
5	Develop systems for knowledge management	n/a	12
6	Advice and implementation design for upgrading the AEC AMIS	n/a	12
7	Workshop and seminar manuals and trainings for post harvest agricultural service providers to develop processes, business models and plans which link agribusinesses with producer groups using contract farming and other approaches analysis, ensuring that the project is market-led	minimum 200 days	36
8	Workshop and seminar manuals and training for post harvest agricultural service providers in new varieties and technologies which can enhance agribusiness opportunities	minimum 100 days	36

F. Table 1 - Consultant Schedule

Consultants	Person months			
	2011	2012	2013	2014
Technical experts – International				
Senior Technical Advisor – Value Chain /TA leader	8	12	12	4
Inclusive Business expert	4			
Unallocated	3	2	2	1
Sub Total International	15	14	14	5
Technical experts – National				
Value Chain and Inclusive Business expert	12	12	12	12
ME advisor	4	2	3	2
Knowledge management	3	2	3	2
Unallocated	3	2	2	1
Sub Total National	22	18	20	17
TOTAL	37	32	34	22

G. Individual Positions Terms of Reference**1. International Consultants****a. Team Leader / Senior Technical Advisor – Value Chain Expert (36 pm)**

8. The team leader (TL) / Senior Technical Advisor – Value Chain expert will:

- i) provide overall team leadership for supervision and coordination of activities of the consultants, including jointly formulating individual work plans consistent with those of the Project;
- ii) ensure that all consultants deliver the specified services according to their TOR;
- iii) ensure quality control of the outputs of the SNV team;
- iv) ensure the outputs of the SNV contract with MOAD are delivered in a professional and timely manner;
- v) advise the Project Director on project planning and implementation, work planning, scheduling and coordination of inputs, determination of priorities and management of project resources;
- vi) provide technical training and support to AEC and PMU staff in designing market-led interventions and assist, provide backing in the implementation to ensure that the project is market-led. The backstopping will include advising, mentoring training and supporting processes, business models and plans which link agribusinesses with producer groups using contract farming and other approaches. During implementation this will include advice, in collaboration with AEC, to contracted service providers to execute in line with vision of the project and the contract.
- vii) participate in the supervision and review of the implementation of activities funded by the Project;

- viii) assist the Project Director, AEC to plan and implement the Stakeholder Communication Strategy, including preparation and dissemination of promotion and information materials, via print, local mechanisms, AMIS, and local radio;
 - ix) assist the Project Director and the M&E Expert in the designing of the project performance management system; and provide advice on appropriate remedial measures in case of problems and delays;
 - (x) participate with the PMU in SC meetings related to the project,
 - (xi) assist the Project Director to ensure the preparation and timely submission of project reports, including the monthly project progress reports and project completion report to the Government and ADB,
9. The team leader / Value Chain and Agribusiness expert will have:
- (i) at least a Masters Degree in agribusiness, management, agricultural economics, or related fields;
 - (ii) at least 10 years relevant experience in project implementation, agribusiness development, rural livelihoods and have previous satisfactory experience in leadership;
 - (iii) have relevant work experience in the South Asian region.
10. Output and Performance Target:
- (i) The TL will ensure the SNV team is managed to deliver the SNV outputs in a timely and professional manner.

2. Inclusive Business expert (4pm)

11. The Inclusive Business expert will:
- (i) Assist the designing of strategies, approaches, relevant documents related to agri-business engagement and other market-led initiatives and provide back stopping to the team leader and value chain and inclusive business expert, AEC and PMU staff in its implementation.
 - (ii) Prepare training materials and provide training to Project stakeholders including DOA and PMU staff on the application of inclusive business concepts to the project objectives;
12. The Inclusive Business expert will have:
- (i) at least a Masters Degree in agribusiness, management, agricultural economics, or related fields;
 - (ii) at least 10 years relevant experience in project implementation, agribusiness development, rural livelihoods and have previous satisfactory experience in leadership;
 - (iii) have relevant work experience in the South Asian region.

H. National Consultant – individual terms of reference

1. Value Chain and Inclusive Business expert (48pm)

13. The Value Chain and Inclusive Business expert will:

- i) Advise and assist the team leader and inclusive business expert in the implementation of their tasks as appropriately requested by them;
- ii) Assist the PMU, and service providers in identifying and solving constraints in agribusiness development, involving private and public stakeholders;
- iii) Assist the TA team leader to ensure efficient establishment and operation of the agribusiness grant procedures, including preparation of grant applications, assessment process, grant disbursement agreements, administrative procedures, and monitoring of grant disbursements;
- iv) Assist and advice AEC and PMU staff in effective implementation of work/Value Chain plan related to agribusiness engagement and value addition in different sections of the value chain.
- v) Assist the PD and M&E experts with the PPMS and reporting related to agribusiness engagement;
- vi) Undertake any duties assigned by the TA team leader.

14. The Value Chain and Inclusive Business expert will have:

- i) Post-Graduate qualifications in agribusiness, agriculture or rural development, or related fields, and training in management or business;
- ii) at least 10 years of experience in agribusiness and inclusive business development, especially with high value agricultural products (or Masters with 7 year experience);
- iii) experience in project management, legal agreements, extension services, MOAD and ADB procedures and regulations.

2. Monitoring and Evaluation advisor (11pm)

15. The Monitoring and Evaluation (M & E) advisor will:

- i) work closely with PMU to design and implement base line studies in a way that the information could be used as benchmarks for project benefit monitoring;
- ii) Design a project performance monitoring, evaluation and reporting system for the project aligned to the Design and Monitoring Framework, including roles and responsibilities for implementation;
- iii) Assist the PMU, and service providers to establish effective procedure for monitoring and evaluating the implementation of agribusiness plans supported by the project grants, and auditing a percentage of Grant recipients' Grant Agreement completion reports, especially acquittal of the Grant proceeds and compliance with environment and social safeguards;
- iv) Train and guide the PMU monitoring and evaluation staff, AEC, and service providers to implement the PPMS;
- v) Assist development a decision framework to (i) analyze PPMS data to improve project performance, and (ii) for outcome and impact evaluation of various project activities implemented under the project including the performance of service providers and Grants Assessment Panel experts;
- vi) Guide the PMU, AEC M&E staff to establish effective reporting procedures and formats, and for dissemination of the instructions for remedial actions;
- vii) Undertake any other duties as may be reasonably assigned by the Team Leader.

The Monitoring and Evaluation advisor will have:

- i) Minimum Master Degree in administration, management, economics, social sciences or other relevant field;
- ii) at least 7 years of experience in designing and implementing monitoring and evaluation, programs and projects (or post-graduate with 10 year experience)
- iii) Demonstrated knowledge of participatory M&E systems, project performance monitoring system, benefit monitoring and evaluation, or other relevant experience.

3. Knowledge management specialist (10pm)

16. The Knowledge management specialist will:

- (i) Assess the current system for knowledge management in the DADOs and AEC;
- (ii) As required, develop an integrated knowledge management systems for the PMU and national service providers that is integrated with, their existing knowledge management systems to ensure knowledge developed during the project is retained and accessible;
- (iii) Assist PMU to develop a system for knowledge management by the PMU;
- (iv) Assist PMU to develop a system for knowledge dissemination by the PMU and the project implementing agencies to other stakeholders to extend lessons learnt. Support AEC and PMU in the development of knowledge products.
- (v) Support AEC and PMU to access knowledge from other projects and organizations.
- (vi) Have excellent interpersonal and team work abilities;

17. The Knowledge management specialist will have:

- (i) Minimum Master Degree in administration, management, economics, social sciences or other relevant field;
- (ii) At least 7 years of experience in knowledge management (or post-graduate with 10 years experience)
- (iii) Demonstrated knowledge of knowledge management systems

Annex 2:

National Level Lead Service Provider
Post Harvest Support Services

Agreement between:

The Project Management Unit (PMU),
Ministry of Agriculture Cooperatives (MOAD)

And

The Agro Enterprise Center (AEC)
of the
Federation of Nepal
Chambers Of Commerce and Industry (FNCCI)

1. The Government of Nepal and the ADB entered into a grant agreement on {DATE} whereby the ADB will provide a grant not exceeding US dollars 20,100,000 (twenty million and one hundred thousand United States Dollars) towards the implementation of the Raising Incomes of Small and Medium Farmers Project (hereinafter referred to as the Project). The Project duration is 6 years, from January 2011 to 2016, covering 10 districts within the mid west (MWDR) and far west (FWDR) development regions of Nepal. The Ministry of Agriculture Development (MOAD) is the Project executing agency, and the implementing agency is the Department of Agriculture (DOA).

2. The Project impact by 2020 is expected to be increased profitability of small and medium size farms contributing to poverty reduction and increased food security. The outcome at the conclusion of the Project in 2017 will be small and medium sized farmers with supply agreements for high value commodities producing 7,500ha of HVC profitably by 2017.

- (i) Output 1: High value commodity value chains in the mid-west and far-west development region delivering supply agreements through (i) post harvest enterprises adding value to HVC production, and (ii) small and medium farmers producing NVC to supply agreements.
- (ii) Output 1 will provide a grant credit line that will be disbursed to finance beneficiary investment into (i) post harvest facilities and limited support for farmer cooperative strengthening, (ii) essential HVC inputs, and (iii) selected essential farm technology including climate change adaptation. Funds will be provided as grants based on applications reviewed by an Independent Appraisal Panel and approved by the Project Director. The Nepal Rastra Bank – Nepalgunj Branch will disburse to beneficiaries who will procure using commercial practice whilst maintaining records for audit purposes.
- (iii) Output two: Securing markets and supply of HVC by small and medium farmers through (i) HVC markets identified, value chain market information systems developed and post harvest investment proposals assessed and (ii) Farmer groups with market supply agreements, HVC production plans and HVC production input and farm technology proposals, and (iii) credit line disbursement monitoring and impact assessment.
- (iv) Output two will (i) provide post harvest enterprises with HVC and agribusiness training programs, supplier agreements, and support for preparing business plans that determine and justify the need for market chain infrastructure eligible for Project grants; (ii) develop and disseminate agriculture market information in Project districts; (iii) using market supply agreements, build integrated market chains which link buyers to farmer cooperatives and cooperatives to existing farmer groups with supporting production plans; (iv) provide access to on-farm services, technical support (including climate change adaptation) and production planning services for building capacity of small and medium farmers that diversify into HVC; and (v) support HVC producers through building capacity of 10 Project District Agricultural Development Offices (DADO), Community Agricultural Service Centers and Agricultural Resource Centers, and (vi) mobilize existing and new disadvantaged person (DAP) farmer groups.
- (v) Output three: Effective and efficiency Project Management through the staffing of the PMU, provision of consulting services and safeguard management.
- (vi) Output three will support Project Management and Administration and will ensure the efficient and effective implementation of the project through a Project Management Unit (PMU) in Nepalgunj and a Liaison Office in Kathmandu. The Project will also support the provision of consulting services through SNV to backstop value chain and agribusiness service providers, project management and administration support for procurement, monitoring and evaluation, and safe guards and the sourcing of qualified post harvest and farm service providers.
- (vii) Implementation of Output 2 will be undertaken through national level service providers with supporting region, district and local service providers. For Output 1.1 - to establish market linkages - the PMU will contract Agricultural Enterprise Center (AEC) of Federation of Nepal Chambers of Commerce and Industry (FNCCI) as the

national level service provider for post harvest services support (output 2.1) through a single source selection procurement.

6. This TOR will form the basis of the memorandum of understanding between the Project Management Unit (PMU) MOAD and AEC, to be drawn up and signed prior to Project grant effectiveness.

B. Terms of Reference

3. The AEC will establish regional and district level field presence in each Project District linked to the wider network and program of the FNCCI. The network will become the focus of post harvest services within the Project and the staff shall work closely with the PMU, DADO and local service providers for on-farm support programs. The AEC shall incorporate these offices in their wider knowledge development and client services programs as well as completing the following terms of reference.

4. The Agro Enterprise Center will provide leadership in establishing market linkages through:

- (i) mobilizing market buyers and identifying their needs for HVC in the two regions;
- (ii) building awareness of market opportunities and the identification of buyers and potential market chain participants;
- (iii) assist the PMU to identify and prequalify suitably skilled service providers to work with post harvest enterprises and cooperatives;
- (iv) provide training to local service providers and post harvest agribusiness service providers in market information systems, agribusiness awareness, supplier agreements and product promotion;
- (v) develop supply agreements and contracts for the supply of produce in demand;
- (vi) monitor local service providers programs and ensure Project operational procedures are applied;
- (vii) review training requests and develop training programs for submission to the PMU that consolidate similar training needs into targeted programs;
- (viii) deliver or assist the PMU to contract awareness and training to post harvest stakeholders;
- (ix) work with the prequalified local agricultural service providers (ASP) and post harvest businesses to develop business plans with investment proposals for essential market chain infrastructure;
- (x) strengthen farmer owned cooperatives or associations which have HVC supply contracts to agribusiness service providers, buyers or processors with effective financial systems and governance rules;
- (xi) Plan and deliver a market linkage program that identifies buyers and then links these to potential suppliers;
- (xii) Support the PMU to promote HVC market networking and networks within the two Project regions;
- (xiii) Work with SNV and PMU to develop agribusiness and value chain knowledge products;
- (xiv) Participate in the monitoring of Project grant applications to ensure all applicants have established supply agreements and that they meet the criterion for applications;
- (xv) Participate in the annual evaluation program through a presentation of achievement versus planned work and provide recommendations for strengthening the Project activities with respect to the Project Outcomes;

- (xvi) Provide 1/4ly activity and monitoring reports to the PMU as required by the PMU and consistent with the needs of the project monitoring, reporting and results based management system requirements.

C. Term of agreement:

5. This agreement shall lapse on and after 31 December 2014.

D. Performance Standards and Outputs

6. AEC will ensure following minimum effort in the number of training courses provided:

Training Courses	Number of Courses			
	2011	2012	2013	2014
Awareness Building and Training in Post Harvest Issues Contracts				
Agribusiness Training of Farmers' Groups Lead Farmers	5	17	25	20
Agribusiness Training for Management of Farmers' Groups	3	9	13	10
Officials of New Groups DP,IP, Landless		2	4	5
Building Market Linkages Contracts				
Establishing Market Linkages to Suppliers/Producers	4	6	4	2
Total	12	34	46	37

7. **AEC will achieve the following outputs and milestones:**

No.	Output	Target number	Completion date
1	Farmer groups contracted through cooperatives to buyers using contract agreements	800 farmer groups, minimum of 7500 ha	31 December 2014
2	Post harvest service providers producing business plans and investment proposals for post-harvest grants	40	31 December 2014
3	Farmer owned cooperatives with effective financial systems and governance rules by 2016	25	31 December 2014
4	post harvest entities using alternative energy sources by 2017	15	31 December 2014
5	By 2015, at least 40 Agricultural Cooperatives supplying farmer groups using Project funds	25	31 December 2014
6	Quarterly, annual and final reports delivered on time	Per contract	Per contract
7	Audit reports completed on time	Per contract	Per contract

E. Reporting requirements

8. AEC will at a minimum report directly to the Project Director on a monthly basis in an agreed report format and will meet formally on a 1/4ly basis for the presentation and discussion of the quarterly reports that will summarize activities undertaken, financial reports, issues and recommended actions to address issues.

Annex 3:

AEC Proposed Contract Number 2:

Terms of Reference for
Agricultural Market Information System (AMIS)
Service Provision contract

Between

The Project Management Unit (MOAD)

And

Agro Enterprise Council
FNNCI

A. Development of an Agricultural Market Information System

1. AEC is currently operating an agricultural marketing information system for staple crops and a limited range of other crops based on price collection and dissemination. The current system does not cover the Project regions or HVC. The PMU will, under a separate contract to AEC using Direct Contracting (single source);
2. The follow excerpt from ADB Procurement Guidelines indicates the conditions under which Direct Contracting can occur. For the AMIS contract the Direct Contracting is justified according to items 3.6 (b) the standardization of the AMIS with the existing AMIS as part of establishing a commercial cost recovery service, AND (c) for compatibility of equipment, data collection and data dissemination.

B. Terms of Reference

3. AEC will:
 - (i) In conjunction with SNV, undertake a study to identify the scope of the AMIS for HVC in the 10 Project regions and 5 border markets in India, the scope will define which commodities and which pricing points will be included
 - (ii) By 31 December 2012, establish 10 price collection and price dissemination centers in project districts and 5 in relevant Indian markets;
 - (iii) Establish and operate of the market information database.
 - (iv) Introduce cost recovery and commercial access by fee options for the service by the end of the Project.
 - (v) Establish and operate the mobile phone messaging service. Service to be self-financing from service fees by the end of the Project.
 - (vi) Establish and operate a district-level FM radio broadcast service. Service to be self-financing from service fees by the end of the Project.

C. Contract Outputs and Timelines

No.	Output	Target number	Completion date (months after contract signing)
1	Study completed on scope of AMIS	n/a	9
2	Price collection and price dissemination centers established in Nepal	10	31 December 2012
3	Relevant location price collection and price dissemination centers established in India	5	31 December 2012
4	Market information database operational	n/a	18
5	Mobile phone messaging service operational	n/a	24
6	District-level FM radio broadcast service operational	n/a	24

EXERT FROM CONTRACTING SERVICES HANDBOOK

Item 3.6: Direct contracting is contracting without competition (single source) and may be an appropriate method under the following circumstances:

- (i) Additional items are required under an existing contract, which was awarded in accordance with ICB procedures. ADB shall be satisfied in such cases that no better offer is likely to be received, and that the price to be paid is not more than the original price. Usually, the repeat order shall occur within 18 months of the original order while the additional quantities shall not exceed 30% of the original quantities.
- (ii) Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original supplier. For such purchases to be justified, the original equipment shall be suitable, the number of new items shall generally be less than the existing number, the price shall be reasonable, and the advantages of another make or source of equipment shall have been considered and rejected on grounds acceptable to ADB.
- (iii) The required equipment is proprietary and obtainable only from one source.
- (iv) The contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee.
- (v) Where civil works are to be contracted that are a natural extension of an earlier or ongoing job and it can be shown that the engagement of the same contractor will be more economical and will ensure compatibility of results in terms of quality of work.
- (vi) In exceptional cases, such as in response to natural disasters.

Annex 4:

**Terms of Reference for
HVC Farming
for Disadvantaged Groups and Marginal Farmers
(in 10 Project Districts)**

ABBREVIATIONS

ADB	–	Asian Development Bank
CBO	–	Community Based Organization
DADO	–	District Agriculture Development Office
DDC	–	District Development Committee
DOA	–	Department of Agriculture
EOI	–	Expression of Interest
FWDR	–	Far Western Development Region
GON	–	Government of Nepal
HVC	–	High-value Crop
M&E	–	Monitoring and Evaluation
MOAD	–	Ministry of Agriculture Development
MWDR	–	Mid Western Development Region
NGO	–	Non-government Organization
PMU	–	Project Management Unit
RFP	–	Request for Proposal
TOR	–	Terms of Reference

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TERMS OF REFERENCE FOR PARTNER NONGOVERNMENTAL ORGANIZATIONS FOR SUPPORT TO HVC FARMING FOR DAGS AND MARGINAL FARMERS

1. BACKGROUND

212. Government of Nepal has received grant assistance from the Asian Development Bank (ADB) towards the cost of the Project for Raising the Incomes of Small and Medium Farmers (PROJECT) and, intends to apply portion of this grant to eligible payments under this Contract. The project will commence in 2011 and will continue for six years. Ministry of Agriculture Development (MOAD) is the Executing Agency and Department of Agriculture (DOA) is the Implementing Agency.

213. The project is to be implemented in 5 districts of the Mid Western Development Region (MWDR) - Banke, Bardiya, Dang, Surkhet and Dhailekh; and 5 districts of the Far Western Development Region – Baitadi, Dadeldhura, Doti, Darchula and Kailali. The overall goal of the project is the increased income of small and medium size farmers.

214. The expected outcome of the project is for small and medium sized farmers with supply agreements to produce 7,500ha of high value commodities profitably by 2017. The scope of the project includes: 1) Securing market supply contracts for high value commodity production by farmer groups comprising small and medium farmers; 2) Matching grants for investment in HVC value chain development; and 3) Effective Project Management.

215. The project component 2 - “Business plans for producing and adding value to HVC in the far west and mid west development regions” is to be implemented in partnership with AEC and Nongovernmental Organizations (NGOs). It is envisaged that with support from two partner NGOs, one for each development region, stakeholders who are producing only enough for subsistence are expected to be able to generate additional income and take up commercial activities, while those already engaged in commercial activities beyond their subsistence needs will be able to increase their turnover and graduate upwards in the value chain, benefiting more from cooperative membership.

2. OBJECTIVES OF COMPONENT -2

216. This component will (i) assist small and marginal farmers within the project area to develop or participate in income-generating agricultural activities and undertake more commercial activities; (ii) strengthen stakeholders (farmers, traders, processors) already partly engaged in commercial agriculture to become fully commercial; and (iii) promote social inclusiveness and reduce poverty. This component will also help develop agriculture sector skills of the poor and landless, who may then be employed by larger farmers and cooperative members. This component is closely linked with component 1 (HVC value chains in mid-west and far west region supplying markets) where investments will address and reinforce social inclusion and assist subsistence stakeholders to raise their commercial status. This will be accomplished by developing community-based market infrastructure, providing catalytic investments that will benefit subsistence stakeholders, and implementing the whole range of The Project activities that promote backward and forward linkages.

3. OBJECTIVES OF THE ASSIGNMENT

217. The objective of this assignment is to assist disadvantaged groups (to be defined by NGOs in each project Region but broadly this term relates to groups facing social exclusion such as Dalits, groups who have faced historical disadvantages such as Mukta Kamaiya, households displaced during the insurgency now living in marginal areas, houses with significant disadvantages such as female headed (or proxy female headed due to migration) households and households with very small or marginal land holdings (who, on this basis cannot practically join regular farmer groups). It is envisaged that with group mobilization, assistance to access leased land and capacity building in understanding input costs, HVC production and planning for the next season, these groups have the potential to graduate to a the functionality of a regular farmers group if they receive initial support to overcome their difficulties. With support from the partner NGOs, stakeholders who are producing only enough for subsistence are expected to be able to generate additional income and take up commercial activities. Project financial assistance will be provided on a reducing scale in order to encourage future self reliance.

4. SCOPE OF WORK

218. The selected NGO will support DAG and marginal stakeholders to take a more active role in commercial agriculture activities. They will be supported through interventions on (i) social mobilization and group formation;³⁶ (ii) preparation of a production plan to identify inputs that would be eligible for grant financing, (iii) training on producing identified off-season vegetables and other HVCs³⁷; (iv) networking of farmer groups with input (seed, fertilizer, machinery) suppliers, traders, processors, and public and private service providers including DADO, and rural financial institutions.

219. The landless will be provided with skill-based training in areas such as planting and husbandry skills including propagation of seedlings, transplanting techniques, correct application of fertilizer and pesticides, plant protection techniques including integrated pest management, harvesting techniques and preparation of crops for market. They will also benefit from employment opportunities generated from investments made under component 1.

5. MAJOR ACTIVITIES TO BE ACCOMPLISHED

- (i) Identify, form and register up to 40 groups of approximately 20 members per group;
- (ii) Identify lease land for each group;
- (iii) Form a production plan with identified input requirements for each group for seed, fertilizer and agricultural chemicals; training requirements;
- (iv) Link each group to a farmer cooperative, which will make an application for matching group funds for the provision of input supplies ie seed, fertilizer and agricultural chemicals;
- (v) Assist farmer groups in keeping simple farm record books of expenses and income for farm planning and budgeting;
- (vi) Provide technical support and training for three years;
- (vii) Provide an up to date list of groups and activities to DADO;

³⁶ Social mobilization activities include awareness raising on the potential of HVC production to improve incomes and agricultural skills, proposed project interventions, group formation, registration with DADO and group management skills training, and identification of HVC crops suitable for the area.

³⁷ This project will not support livestock or fisheries sub-projects

- (viii) Monitoring and evaluation of the development of the beneficiaries, and reporting to PMU copied to DADO;
- (ix) Provide PMU with quarterly reports on implementation progress issues, and achievements; plus annual audited statements and annual reports.

6. EXPECTED OUTPUTS

220. In each Development Region:

- (i) 45 land leases
- (ii) 45 groups formed, registered with DADO and linked to cooperatives for supply chain access
- (iii) 45 groups trained in HVC production, planning, husbandry and marketing
- (iv) Production of minimum three HVC crop harvests per group.

7. PERSONNEL REQUIRED

221. As part of the NGO proposal, the NGO will propose such staff in technical and managerial positions as they see necessary to undertake the work as described.

8. PERIOD OF ASSIGNMENT

222. The PMU will enter into partnership arrangements as an annual contract with right of renewal based on performance with selected NGOs (one for each of the two regions) to assist stakeholders for a period of three years with condition that the second year will continue only if first year progress is satisfactory. The PMU reserves its right to terminate the agreement at any point of time if the partner NGO fails to perform as per agreement.

9. REPORTING DELIVERABLES

- (i) Annual Work plan: The NGO is required to submit the first year's annual work plan after mobilization within a period of 4 weeks containing information on proposed activities for year one.
- (ii) Progress Reports and financial statements: The NGO should submit monthly, quarterly and annual progress report (both program and finance) to the PMU as per agreement. The monthly financial report should include bill of quantities, bill of financial transactions and financial statement to draw payment from the PMU.
- (iii) Training and workshop Reports: NGOs should submit Training and workshop Reports after completion of each training program. The training report should contain a list of people trained, training content and evaluation of training by participants. All participant information is to be disaggregated by sex and DAG category.
- (iv) Project Completion Report: The NGO should submit a Project Completion Report after the completion of all activities as per the TOR incorporating comments and suggestions, to the PMU.
- (v) Other Reports: The NGO should submit other Reports as requested by the PMU as required to satisfy the requirements of the Government of Nepal/THE PROJECT and ADB.
- (vi)