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Grant No.0063-NEP (SF)

COMMERCIAL AGRICULTURE ALLIANCE
(A Not Profit Distribution Company set up under the Nepal Company Act, 2006)

CAA Business Plan (Final)

June 2008¹

¹ Adopted by CAA Board of Directors on 22 June after incorporating the suggestion received from ADB on the Board's comments forwarded on April 2008.

List of Abbreviation

ADB	Asian Development Bank
AoA	Articles of Association
BOD	Board of Directors
BP	Business Plan
CAA	Commercial Agriculture Alliance
CADP	Commercial Agriculture Development Project
CAF	Commercial Agriculture Fund
COC	Code of Conduct
CRM	Complaint Readdressal Mechanism
DDC	District Development Committee
DRC	District Review Committee
DSP	Detailed Sub-Project Proposal
EDR	Eastern Development Region
FNCCI	Federation of Nepalese Chamber of Commerce and Industries
GM	General Manager
GNP	Gunasho Nirupan Prakiya
GoN	Government of Nepal
HVC	High Value Crop
MoA	Memorandum of Association
MOAC	Ministry of Agriculture and Cooperatives
PMU	Project Management Unit
SCN	Subproject Concept Note
SDP	Subproject Detailed Proposal
SOP	Standard Operating Procedures
VDC	Village Development Committee

CHAPTER I: INTRODUCTION

1. Title and Commencement

- (1) This Business Plan (BP) may be called "Business Plan of Commercial Agriculture Alliance, 2008".
- (2) The Board of Directors (BOD) of the Alliance has adopted this BOP on April 2008 after receiving the concurrence of the Government of Nepal represented by the Ministry of Agriculture and Cooperatives (MOAC), and the Asian Development Bank (ADB).

2. Definition

- (1) "CAA" shall denote Commercial Agriculture Alliance.
- (2) "AOA" shall denote the Article of Association of the CAA submitted to the Office of the Company Registrar, Ministry of Industries, Commerce and Supplies for the purpose of its registration, and any amendments duly undertaken as per the Company Act of Nepal.
- (3) MOA shall denote the "Memorandum of Association" of the CAA submitted to the Office of the Company Registrar, Ministry of Industries, Commerce and Supplies for the purpose of its registration, and any amendments duly undertaken as per the Company Act of Nepal.
- (4) "Board" shall denote the Company Board of Directors formed pursuant to the Company Articles of Association.
- (5) "Members" shall denote Company's general and nominated members unless stated otherwise.
- (6) "General Manager" shall denote the General Manager of the CAA Corporate Office, Biratnagar.
- (7) "Branch Manager" shall denote the Manager of the CAA Branch Offices.
- (8) "COC" shall denote the Code of Conduct adopted by the BOD on September 30, 2007 and future revisions/amendments when duly undertaken with the approval of the Bank and the Ministry.
- (9) SOP shall denote the Standard Operating Procedure adopted by the BOD on September 30, 2007 and future revisions/amendments when duly undertaken with the approval of the Bank and the Ministry.
- (10) CNP shall denote the Complaint Redressal Mechanisms, or in Nepali, Gunaso Nirupan Prakiya, adopted by the BOD on September 30, 2007 and future revisions/amendments, when duly undertaken with the approval of the Bank and the Ministry.
- (11) "Ministry" refers to the Ministry of Agriculture and Cooperatives, unless stated otherwise.
- (12) "Bank" refers to the Asian Development Bank, unless stated otherwise.
- (13) "CAF" shall denote the Commercial Agriculture Fund established by the Company as per its Articles of Association.

- (14) "Project" shall denote the Commercial Agriculture Development Project unless stated otherwise.
- (15) "BP" shall denote to this Business Plan of the CAA.
- (16) "Beneficiary" shall denote to those institutions such as District Development Committee (DDC), cooperatives and farmer groups, and individuals such as producers, traders and processors whose proposals for the CAF have been approved.

3. Purpose of the BP

- (1) The overall purpose of the BP is to enable the CAA to manage CAF cost-effectively and to the most satisfaction of its members and valued clients. With the implementation of this BP, CAA aims to bring CAA key agricultural stakeholders (farmers, traders, and processors) to a common platform to work together to enhance commercialization as per the project purpose, design and demands of the stakeholders.
- (2) Specifically, BP provides mechanisms and processes for the cost effective utilization of the CAF by its members, and thereafter for technical backstopping, supervision and monitoring of the projects in a highly cost efficient manner. It outlines the methods for achieving CAF goals by elaborating on the nature of the operation, its management, technical feasibility, profitability and returns on investment.
- (3) BP also describes nature and types of the projects for which CAA may wish to fund.
- (4) BP is aimed at enabling CAA to undertake a thorough assessment of every important aspect related to the feasibility and sustainability of a project or enterprise which will be financed through CAF.

CHAPTER II. COMMERCIAL AGRICULTURE ALLIANCE

4. Commercial Agriculture Alliance: Establishment, Goal, Purposes and Scope

- (1) The Government of Nepal has signed an agreement with the Asian Development Bank (ADB) on 23 February 2007 (11 Falgun 2063) to implement the **Commercial Agriculture Development Project (CADP)**.
- (2) The overall objective of the Project is to reduce poverty of the rural communities in the Eastern Development Region (EDR). The Project aims to realize the objective of reducing poverty reduction by targeting poor areas and expanding the economic opportunities of the rural poor, involving the poor and other stakeholders in Project activities, catalyzing private sector investment in agriculture, and strengthening the capacity of local institutions.
- (3) The project has established Commercial Agriculture Fund (hereafter CAF) under the Commercial Agriculture Investment and Management component of the Project². The purpose of this component is to facilitate key agricultural stakeholders (farmers, traders,

² Project has 5 components. Apart from Commercial Agriculture Investment and Management component, other four component of the Project are (a) Inclusive Development of Stakeholders, (b) Market Information Dissemination, (c) Capacity Enhancement of Project Partners, and (d) Project Implementation Support.

and processors) to work together to increase commercialization in agriculture. Commercial Agriculture Alliance is the implementing agency of this component. Appendix 1 presents project design matrix of this component.

- (4) As a not-for-profit distribution company, the CAA is registered at the Office of Company Registrar and its corporate office has been established in Biratnagar, headquarters of the EDR.
- (5) CAA is responsible for the management of the CAF which will only be accessible to CAA members, and will facilitate subproject linkages and the networking of agricultural stakeholders within the project area.
- (6) The purpose of the CAF is to (i) develop community-based market infrastructure, and (ii) expand non-infrastructure investments to add value to agriculture products.
- (7) The CAF is a cost-sharing grant facility which is available to CAA general members and the DDCs to strengthen market-chain activities and develop linkages within the market chain.
- (8) As per the Project Document, CAA will initially operate in eleven districts of the EDR namely, Taplejung, Dhankuta, Ilam, Panchthar, Terhathum, Udayapur, Jhapa, Morang, Saptari, Siraha, and Sunsari.
- (9) AOA, MOA, SOP and CRM have described the organizational structure, staffing patterns and roles and responsibilities of BOD, CAA staff and other key stakeholders. This BP will fully comply with the provisions made in these documents, and therefore not repeated here.

CHAPTER III. COMMERCIAL AGRICULTURE FUND

5. Commercial Agriculture Fund: Components and Scope

- (1) Under the CAF, the CAA will finance two types of projects, (a) community-based market infrastructure investments, and (b) non-infrastructure investments for community. The examples on types of activities under infrastructure and non-infrastructure are listed in SOP.
- (2) To receive CAF financing as a grant on a cost-sharing basis, the proposed investment must incorporate public good content by (i) adding value to agricultural products, (ii) benefiting other stakeholders or the community as a whole, (iii) improving market-chain efficiency, and (iv) providing a strong demonstration impact for the community.

6. Community-based market infrastructure investments

- (1) Community-based market infrastructure investment proposals include projects like the construction of (i) small collection centers, (ii) small markets (haat bazaar), (iii) ropeways/suspension bridges, (iv) farm-to-market road improvement including culverts and swing bridges, (v) small-scale cold/cool storage, and (vi) storage facilities. Under the community-based market infrastructure investment priority will be given to civil works that link farmers more effectively and efficiently to the market chain.

- (2) Investment for each community-based market infrastructure project investment will not exceed \$80,000 (NRs. 50,00,000)³ This amount is exclusive of the matching fund (cost sharing arrangement) of the grantee.
- (3) Only the District Development Committee in the Project districts as specified in para. 4 (8) are eligible to submit application for the community-based market infrastructure investment. On cumulative basis, each DDC will be entitled for a maximum amount of \$320,000 (NRs. 200,00,000).
- (4) CAA project will mainly finance small scale community based market infrastructure. However, if CAA envisages that a particular infrastructure project facilitates a large number of commercial stakeholders and different parties (DDC/VDC/I-NGO/ Government Agencies/Trader/Processor/ Cooperatives/ Farmer Groups) are also committed to share the sub- project cost, CAA may consider it for investment without exceeding its grant limit for one project. Whoever the cost sharing parties are, the grant contract will be entered between only two parties i. e CAA and DDC, while other cost sharing parties may be incorporated as witness in the Contract Document." ADB's approval would be needed for any additional infrastructure investment other than listed in the indicative list.
- (5) Farmer communities, through their Village Development Committee (VDC), will identify needs in a participatory manner, and the DDCs will screen Vic's requests before submitting the proposal to the CAA to ensure (i) no duplication with other development programs in the district, and (ii) adequate appraisal of the technical and financial feasibility of the proposal.
- (6) Interested DDC should submit detail investment proposal in prescribed format (Appendix 2) to CAA. The proposal should concisely state objectives and concept of the project, implementation period, and strategies/plan for repair and maintenance of the community projects.
- (7) For community-based market infrastructure, the CAF will finance a maximum of 75% of the total investment cost. The community will provide 10% of the investment cost in the form of labor and in-kind contributions, and the DDC will finance the remaining cost (15%) in the form of technical services, field appraisal, and assessment.
- (8) Branch Manager will return incomplete Investment proposal to the applicant as per the instruction of the District Review Committee.
- (9) District Review committee will assess the investment proposal within 30 days from the date of its receipt and invariably recommend the CAA for funding.
- (10) CAA appraisal committee will further assess the proposal based on the inputs of the district review committee.
- (11) BOD will take final decision regarding investment and set the covenants, if deemed necessary.
- (12) Respective DDC will fulfill covenants when set by the BOD.

³ Nepali equivalent could increase or decrease based on the prevailing exchange rate.

7. Non-infrastructure investment

- (1) Proposals related to non-infrastructure investment, among others include (i) seed and fertilizer for High Value Crops (e.g. cabbage, cardamom, carrots, cauliflower, ginger, herbs, honey, mushrooms, tea, and tomato; citrus, mango, litchi, papaya, pineapple, apple etc.) and promotion of emerging crops and commodities such as onion, garlic, herbs, sericulture, floriculture, bittlenuts and essential oils; (ii) pesticide and pest management including integrated pest management techniques; (iii) farm machinery and equipment; (iv) greenhouse equipment; (v) agro-processing equipment and machinery; (vi) laboratory equipment for product testing and quality control; (vii) local transport such as pushcarts, trishaws, oxcarts, and pack animals; and (viii) market-related research and technology development such as pickle making, fruit or vegetable drying or preservation, tomato pulp making, crop diversification into emergent HVCs, and farm-to-market packaging systems.
- (2) Applications must be demand driven and identified by general members themselves. However, CAA will provide training to general members for writing sub-project concept note (SCN) and preparing full proposal.
- (3) Selected investments shall have maximum demonstration impact on the community and other agriculture stakeholders. Farm-level investment supports will be provided to farmer groups or cooperatives. Traders and processors must explicitly demonstrate how their proposed investments will enhance the agriculture value chain by strengthening linkages between farmer groups and markets.
- (4) Fund related to non-infrastructure investments will be available only for the CAA general members⁴ (farmer groups and cooperatives, traders, and processors).
- (5) Investment for each non-infrastructure investment will not exceed \$20,000 (NRs. 12,50,000) at a time exclusive of the matching fund (cost sharing arrangement). Whatever be the level of investment, the general rule is that each investment will comprise at least 50% contribution of the beneficiaries in cash or kind as a cost sharing arrangement.
- (6) When two or more general members submit a joint proposal, it will be considered as a single investment/project and the investment for the joint proposal will not exceed \$20,000 (NRs. 12,50,000) at a time.
- (7) Over the life of the project, a general member can obtain a maximum of \$40,000 (NRs. 25,00,000)⁵ on cumulative basis. Priority will be given to those sub-projects that are submitted by more than one members jointly.
- (8) General member will submit first Sub-project Concept Note in prescribed format (Appendix 3) to CAA through respective CAA Branch office within the deadline set in the work plan. SCN should concisely state objectives and concept of the project, processes and mechanisms for value addition in the agricultural value chain and cost sharing arrangement.

⁴ The membership criteria for general members and selected nominated members are described in the Memorandum of Association of CAA.

⁵ Nepali equivalent could increase or decrease based on the prevailing exchange rate.

- (9) Based on the comments and suggestions on the SCN, concerned general member will submit a Sub-project Detail Proposal (SDP) in prescribed format to CAA through respective CAA Branch Office (Appendix 3).
- (10) BOD will take final decision regarding investment and set the covenants, if deemed necessary.
- (11) Respective beneficiary will fulfill covenants when set by the BOD.
- (12) The duration of a Sub- project will generally not exceed two years and each beneficiary will be required to submit activity proposal which include Annual work plan, details of activities and cost estimate every year at the beginning of the fiscal year.
- (13) CAA will release fund on trimester basis based on annual activity proposal and submission of the trimester progress report, expenditure details and its approval.
- (14) SCN and SDP can be submitted through electronic medium too but within the time frame set by the CAA.

CHAPTER IV. INVESTMENT AND FUND MANAGEMENT

8. Investment Plan

- (1) Of the total estimated investment plan for the project, \$ 15.7 million is available for Commercial Agriculture Investment and Management component. This will be financed on cost-sharing basis by the Bank, CAA general members, DDCs and farmers as follows (Table 1).

Table 1: Commercial Agriculture Investment and Management Component Investment by Financier

Financier		Investment (\$ million) Amount
1.	Asian Development Bank	10.4
2.	Counterpart funding by general members	4.0
3.	Technical services, field appraisal, and assessment costs incurred by DDCs.	0.8
4.	Contribution of farmer communities	0.5
	Total	15.7*

*All costs in the table include contingencies

- (2) Out of \$ 10.4 million (NRs. 664.56 Million)⁶, \$ 8.0 million (NRs.511.2 Million) has been allocated for commercial agriculture fund - \$ 4 million for community based infrastructure investment (NRs. 255.6 Million) and \$ 4 million (NRs. 255.6 Million) for non-infrastructure investment.
- (3) An Annual Investment Plan proposed by the financier is given below in Table 2. The CAA Board of Directors, however, may modify the annual ceiling of budget based on the numbers of SCN and SDP received and approved by the Board. Accordingly ADB would consider the reallocation of budget in the previous year, in case of good delivery at the field level.

⁶ Exchange rate NRs. 63.90 as of October 31, 2007.

Table 2: Annual investment plan by investment type proposed by financier

Component	Year					Total
	2008	2009	2010	2011	2012	
A. Community based infrastructure	1.1	1.2	1.0	1.0	1.0	5.3
ADB	0.9	0.9	0.8	0.7	0.7	4.0
DDC and Farmers Community Contribution	0.2	0.3	0.2	0.3	0.3	1.3
B. Non-infrastructure investment	1.8	1.8	1.4	1.4	1.6	8.0
CAF Non-Infrastructure Investments	0.9	0.9	0.7	0.7	0.8	4.0
CAA General Member Contribution	0.9	0.9	0.7	0.7	0.8	4.0
Total	2.9	3.0	2.4	2.4	2.6	13.3

9. Fund Management

- (1) Since it is very likely that a particular Sub-project may exceed two or more fiscal years, CAA shall ensure that the fund approved for a particular Sub- project will not get freeze due to government financial regulation and that the beneficiary will not encounter unnecessary hurdles and constraints.
- (2) Unspent but committed fund, when not paid to the beneficiary due to reasons such as the timing of the implementation of the project activities, failure of the beneficiary to submit necessary documents and reports and other unforeseen reasons, will be deposited in separate non-freeze account opened for the purpose of CAF operation.
- (3) This unfreeze account will be managed by CAA Corporate Office Biratnagar and released to the Branch Offices as per the need.
- (4) Whatsoever are written in above clauses, unspent amount remaining in the freeze account will be returned to Bank when the Project is terminated and time for withdrawal of the grant amount is lapsed. At this stage, beneficiary will suffer if the project is not completed and some activities remain to be implemented.

10. Release of the funds

- (1) The funds for the community infrastructure investments will be released annually in three installments as per the project proposal. The first installment would be released as soon as the project proposal is sanctioned and contract is signed between CAA or its Branch Office when the power of signing contract is delegated to the Branch Manager, and the DDC. The second and third installments would be released after the beneficiary DDC submits the Progress Report with expenditure details and the CAA Branch Office submits the utilization certificate.
- (2) The funds for non-infrastructure investments will be released annually but number of installments would not exceed 5 in total notwithstanding what is written in the project proposal. The first installment would be released as soon as the project proposal is sanctioned and contract is signed between the beneficiary and the CAA. However, beneficiary would be required to submit a guarantee from any bank. Alternatively, beneficiary may wish to receive first installment after undertaking some activities from its side as a part of its matching contribution.
- (3) General Manager may delegate contract signing authority to the respective Branch Manager.

PROJECT DESIGN MATRIX (Component 1)

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Outputs</p> <p>1. Increased public and private investment in commercial agriculture</p> <p>1.1 Establishment of the commercial agriculture alliance (CAA)</p> <p>1.2 Community-based market infrastructure investments</p>	<ul style="list-style-type: none"> • The CAA has at least 160 general members by project completion • The CAA has balanced membership composition covering all districts and areas within a district; working on all potential commodities; and including farmers groups/cooperatives, traders, processors, and women • CAA annual general meetings and district meeting held • At least 50 market infrastructures developed by project completion • The supported subprojects include small collection centers, small markets, small suspension bridges, small cool or cold storage, and farm-to-market road improvement • Farmer communities managing and maintaining the market infrastructure 	<ul style="list-style-type: none"> • CAA membership record • Project results-based monitoring • Project management unit (PMU) quarterly and annual progress reports • Project completion report • Project results-based monitoring • CAA records of number of applications made, number approved, and type of subproject funded • District development committee (DDC) and community records of subprojects and level of use and 	<p>Assumptions</p> <ul style="list-style-type: none"> • Commercial agriculture stakeholders perceive that the CAA can play a meaningful role • Communities have the ability and support to identify subproject investments • The DDC is effective in screening and prioritizing community-based proposals • The DDC has capacity to supply needed technical services to communities
		<p>maintenance</p> <ul style="list-style-type: none"> • Project socioeconomic surveys of product throughout or delivery via the improved market infrastructure maintenance • Project socioeconomic surveys of product throughout or delivery via the improved market infrastructure 	
<p>1.3 Non-infrastructure investments add value to agriculture products</p>	<ul style="list-style-type: none"> • At least 200 subprojects implemented by project completion • The supported subprojects include HVC promotion; quality control; equipment for product testing; and agro-processing technology, equipment, and machinery • At least 10 commercial agriculture promotional and representational activities launched by project completion • The supported promotional and 	<ul style="list-style-type: none"> • Project results-based monitoring • CAA records of number of applications made, number approved, and type of subproject funded • PMU quarterly and annual progress reports • Project completion report • Records of chambers of commerce 	<ul style="list-style-type: none"> • CAA general members identify subproject investments with public good content.

Appendix 1

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
	representational activities include trade fairs, intellectual property right protection, product labeling and certification, and industry networking		

Source: ADB. 2006. *Report and Recommendation of the President to Board of Directors, Commercial Agriculture Development Project*. Manila.

INVESTMENT PROPOSAL FOR COMMUNITY-BASED INFRASTRUCTURE

A. The request would merit consideration only if those are accompanied with the following documents (whenever applicable):

1. Minute of the DDC with consensus decision to request the CAA for undertaking the project,
2. Minute of the participating VDCs / communities to undertake the project under cost-sharing arrangement with the DDC and CAF (either in kind or cash),
3. Minute of the DDC with commitment to finance at least 15% of the total cost estimate in the form of technical services, field appraisal, and assessment,
4. If DDC has already entered into an agreement with other organizations and donor agencies to receive support to implement a part/component of the proposed project/investment, it will be necessary for the DDC to duly mention such an arrangement and include the copy of the agreement,
5. If DDC or any other development organizations have undertaken feasibility studies in the past about the prospective community infrastructure project, it will submit its copy to the CAA together with the request,
6. Statement on whether there will be a need to undertake EIA/ IEE and plan to undertake EIA/ IEE when necessary,
7. A brief note to demonstrate how the proposed project will link producers (farmers) to the market chain, and
8. Detailed project proposal.

B. Type/nature of eligible projects

Construction of small collection centers, (ii) small markets (haat bazaar), (iii) Ropeways/suspension bridges, (iv) farm-to-market road improvement including culverts and swing bridges, (v) small-scale cold/cool storage, (vi) storage facilities and so forth.

C. Project Detail

1. Project Description

- (i) Name of the project
- (ii) Location/ Area
- (iii) Primary and secondary beneficiaries (Number, nature, economic or social classes)
- (v) Extent of contribution to
 - a) poverty reduction,
 - b) employment generation,
 - c) commercialization of agriculture,
 - d) addressing post-conflict issues and conflict mitigation,
 - e) environment protection,
- (iv) Key outputs/ outcomes of the project,
- (v) Short description of targeted high value crops/commodities and facilitation to market link,
- (vi) Indication if the proposer intends to hire the services of

consultants/contractors for implementing the project on behalf of the DDC/proposor. If the response is yes, short description on the selection processes and criteria for the service providers, and
(vii) Key stakeholders of the proposed project (based on stakeholder analysis).

2. **Project implementation mechanisms and processes** (if possible present a flow diagram to show key components and activities)
3. **Project cost**
 - (i) Capital investment (Fixed Capital)
 - a) Land area cost
 - b) Building
 - c) Technical civil works
 - d) Machineries and equipment
 - (ii) Pre-operative expenses
 - (iii) O & M capital
 - a) Raw material/packaging (source/quantity/cost)
 - b) Labour (Quantity/cost)
 - c) Miscellaneous
 - d) Contingencies
4. **Cost sharing arrangements**
 - (i) CAF
 - (ii) DDC
 - (iii) VDC
 - (iv) Local communities
 - (v) Other donors/agencies, when applicable
5. **Plan for future utilization**
6. **Roles and responsibilities of key actors/stakeholders**
7. **Quality control mechanisms/processes**
8. **Implementation Schedule** (Item of work, Date of Implementation, Bar charts/Milestones may be enclosed)
9. **Operation, repair and maintenance plan**
10. **Risk assessment and mitigation measures**
 - (i) External to the proposed project
 - (ii) Internal to the proposed project
11. **Result based management (Logical framework analysis)**

INVESTMENT PROPOSAL FOR NON-INFRASTRUCTURE INVESTMENT

A. The request would merit consideration only if those are accompanied with the following documents (whenever applicable):

1. Minute of the institution/group executive committee with consensus decision to request the CAA for undertaking the project.
2. Commitment to implement the project under cost-sharing arrangement with the CAF (either in kind or cash).
3. Commercial bank's commitment letter to finance the project subject to the approval of the project by CAA when proponent intends to undertake the project with loan from the commercial bank.
4. If the group/institution has entered an agreement with other organizations and donor agencies to receive support to implement a part/component of the proposed project/investment, it will be necessary for it to duly mention such an arrangement and include the copy of the agreement.
5. Project concept note (PCN).
6. Full proposal after the approval/comments on the PCN.

B. Type/nature of eligible projects

1. Non-infrastructure investment may take the form of (i) group promotion of improved cultivation practices for HVC⁷ and emerging crops;⁸ (ii) pest management including integrated pest management techniques; (iii) farm machinery and equipment; (iv) greenhouse equipment; (v) agro processing equipment and machinery; (vi) laboratory equipment for product testing and quality control; and (vii) market-related research and technology development such as pickle making, fruit or vegetable drying or preservation, tomato pulp making, crop diversification into emergent HVCs, and farm-to-market packaging systems. The selected investments must have maximum demonstration impact on the community and other agriculture stakeholders. All farm-level investment supports will be provided to farmer groups or cooperatives, not to individuals. Traders and processors must explicitly demonstrate how their proposed investments will enhance the agriculture value chain by strengthening linkages between farmer groups and markets.
2. Other non-infrastructure investments by CAA general members include launching promotional and representational activities such as (i) trade fairs and trade promotion; (ii) industry networking on issues requiring joint action for resolving cross-border issues and reducing local red tape; (iii) product labeling and certification arrangements; (iv) product identification, branding, and feasibility studies; (v) quality mark initiatives; (vi) brand and intellectual property right protection; and (vii) specialized skill development and employment strategy formulation.

⁷ Including cabbage, cardamom, carrots, cauliflower, ginger, herbs, honey, mushrooms, tea, and tomato; and fruits such as citrus, mango, litchi, papaya, and pineapple.

⁸ Examples include onion, garlic, gherkin, herbs, sericulture, floriculture, bittlenut and essential oils.

C. Sub-Project Concept Note (Maximum 10 pages)**1. Sub-Project Description**

- (i) Name of the sub-project
- (ii) Location/ Area
- (iii) Primary and secondary beneficiaries (Number, nature, economic or social classes)
- (iv) Extent of contribution to
 - a) poverty reduction
 - b) employment generation
 - c) commercialization of agriculture and
 - d) social inclusion and addressing gender issues
 - e) Key outputs/ outcomes of the project
 - f) Short description of targeted high value crops/commodities and facilitation to market link.

2. Sub-project implementation mechanisms, processes and staffing (Key points/bullets)**3. Project cost**

- (i) Capital investment (Fixed Capital)- (a) Land area cost (b) Building (c) Technical civil works (d) Machineries and equipment
- (ii) Working capital
- (iii) Contingencies

4. Cost sharing arrangements

- (i) Beneficiaries (General member)
- (ii) Local communities/VDCs
- (iii) Other donors/agencies, when applicable

5. Plan for future utilization**6. Implementation schedule (Item of work, Date of Implementation)****7. Result based management (Logical framework analysis)****D. Detail Sub-Project Proposal (Maximum 20 pages)****1. Sub-Project Description**

- (i) Name of the project
- (ii) Location/Area
- (iii) Primary and secondary beneficiaries (Number, nature, economic or social classes)
- (iv) Extent of contribution to
 - a) poverty reduction,
 - b) employment generation,
 - c) Commercialization of agriculture and
 - d) social inclusion and addressing gender issues
- (v) Key features of the project (explain how the project is different from similar projects)

Appendix 3

- (vi) Outputs/outcomes of the project
 - (vii) Short description of targeted high value crops/commodities.
 - (viii) Mechanisms/processes for adding value in value chain
 - (ix) Key stakeholders of the proposed project (based on stakeholder analysis)
- 2. Sub-Project implementation mechanisms, processes and staffing** (if possible present a flow diagram to show key components and activities)
 - 3. Sub-Project cost**
 - (i) Capital investment (Fixed Capital)
 - a) Land area cost
 - b) Building
 - c) Technical civil works
 - d) Machineries and equipment
 - (ii) Pre-operative expenses
 - (iii) O & M capital
 - a) Raw material/packaging (source/quantity/cost)
 - b) Labor (Quantity/cost)
 - c) Miscellaneous
 - d) Contingencies
 - 4. Cost sharing arrangements**
 - (i) Beneficiaries (General member)
 - (ii) Local communities/VDCs
 - (iii) Other donors/agencies, when applicable
 - 5. Plan for future utilization**
 - 6. Roles and responsibilities of key actors/stakeholders**
 - 7. Quality control mechanisms/processes**
 - 8. Implementation Schedule** (Item of work, Date of Implementation, Bar charts/Milestones may be enclosed)
 - 9. Operation, repair and maintenance plan**
 - 10. Risk assessment and mitigation measures**
 - (i) External to the proposed sub-project
 - (ii) Internal to the proposed sub-project
 - 11. Result based management (Logical framework analysis)**