

**Final Guidelines for Sub- project Detailed Proposal (SDP)
for
Non- Infrastructure Investment**

A. BASIC INFORMATION

This Guideline has been prepared in pursuant with the CAA Article of Association (Clause 9 Cha, 2007), Standard Operating Procedure (SOP, 2008) and Business Plan (BP, 2008) to facilitate the CAA members and Management Team to prepare and screen the project for Commercial Agriculture Fund (CAF) award.

1. Sub-project Detailed Proposal [SDP] is a detail description of an approved SCN in a prescribed format. The SDP will:

- a] Allow CAA members to submit a proposal in a standard format for grant funding assessment, and
- b] Allow the CAA offices to manage the review process so as to identify the proposals those are worth pursuing to the level of CAF award.

The SDP is to be submitted to CAA Branch Office by CAA members within the date specified in the letter inviting a SDP.

This guideline explains the Pro Forma of the SDP. The SDP is a sub-project detailed proposal of the approved SCN that follows the specific guidelines and criteria prescribed in the CAA operating documents (such as CAA Business Plan and SOP) and needs to be detailed in a manner so that the concepts developed are self explanatory.

2. Preparation of SDP and Page Limit

The SDP should be prepared according to the format described in this guidelines and should include a completed logical framework [also known as a *log frame*] and necessary documents. It is advised to complete the logframe first, and then the text of the Detailed Proposal. Guidance for preparing the logframe is provided in **Annex 3**. The Detailed Proposal should not exceed 20 pages excluding the Annexes.

3. Priority Area

The SDP under the Non- Infrastructure investment, generally, be within one of the following indicative areas as identified by CAA and announced in the call (Box 1). Priority will be given to those works that link farmers more effectively to the market chain.

| Box 1: Indicative List of Items under CAA Non-infrastructure Grants | |
|---|--|
| A. Main Items | |
| Group promotion of improved cultivation practices for HVC and emerging crops ¹ ; | |
| (i) | Pest management including integrated pest management techniques ; |
| (ii) | Farm machinery and equipment ; |
| (iii) | Greenhouse equipment ; |
| (iv) | Agro processing equipment and machinery ; |
| (v) | Laboratory equipment for product testing and quality control ; |
| (vi) | 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 |
| (vii) | Micro-irrigation and |
| (viii) | Other Thematic Area added by CAA Board. |
| B. Promotional and Representational Activities | |
| (ix) | Trade fairs and trade promotion ; |
| (x) | Industry networking on issues requiring joint action for resolving cross-border issues and reducing local red tape ; |
| (xi) | Product labeling and certification arrangements ; |
| (xii) | Product identification, branding, and feasibility studies ; |
| (xiii) | Quality mark initiatives; |
| (xiv) | Brand and intellectual property right protection ; and |
| (xv) | Specialized skill development and employment strategy formulation. |

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.

4. Necessary Documents and Fee to be submitted with SDP

The SDP should be submitted along with the following documents required with neatly compiled in a paper file in the order as indicated in Table 1.

Table 1: Types and Number of Copies of Documents to be submitted with SDP

| S N | Necessary documents | Copies Required |
|----------------|--|----------------------------|
| 1. | Minute of the institution/group executive committee with consensus decision to request the CAA for undertaking the project | 2 |
| 2. | Commitment of General Members to implement the project under cost-sharing arrangement with the CAF ((at least 50% cost sharing either in cash or kind or both) | 2 |

¹ Examples under HVC include vegetables crops such as cabbage, carrots, cauliflower, and tomato; spices crops such as cardamom, ginger; fruits such as citrus, mango, litchi, papaya and pineapple and other cash crops such as, herbs, honey, mushroom, tea, sugarcane, oilseeds, lentils etc. Similarly, examples under emerging crops include onion, garlic, gherkin, sericulture, floriculture, bittle, areca nut, coffee, broom grass, potato, capsicum, seeds, organic fertilizer, essential oils etc.

| | | |
|----|--|---|
| 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). | 2 |
| 4. | Letters of intent of the other donor (If applicable) ² | 2 |
| 5. | Approved version of SCN and its Log frame | 2 |
| 6 | Log frame of the SDP (in the format given) | 2 |
| 7 | Institutional profile of the member institution and collaborating partner/s (if there is any) indicating Physical Facility, Human Resources, Financial Turnover etc. | 2 |
| 8 | Commitment letter on free land contribution by relevant stakeholders (if land required) | 2 |

All the SDP submitted to CAA District Branch for grant by the farmers group or cooperatives must be accompanied by a bank draft or cash deposit of Rs. 2500 (Rupees two thousand five hundred). The earnest money for the traders and processors shall be Rs.5 000 (Rupees five thousands). Such deposits will be immediately received in writing with the applicant. This deposit will be refunded (net of any relevant bank charges) to the applicant by bank transfer or draft in the following situations: a) The SDP screened out by the CAA, or; b) SDP approved but not implemented by members.

5. Call of SDP and Grant limit

Generally, the grant applications will be assessed in a trimester basis to select and evaluate the SCN. The selected SCN members should submit the SDP within a month. However, if a particular SDP requiring additional time for submitting EIA or any other technical documents may be allowed extra time .One CAA members can submit only one SDP at a time. One CAA members can submit SDP which would not exceeds \$20,000 for single project and cumulative unit of \$40,000 during the project period.

6. Sub-project Implementation Duration

Generally, one year duration is given for the execution of the selected sub-projects. Extra time may be granted by the CAA Board, in special circumstances, depending upon the nature of activities.

7. Eligible Expenditures and Contingency

Expenditures on service fees and expenditures on travel and incidental expenses charged at cost, incurred wholly and exclusively on an eligible service/travel usage of CAA approved facilities will be eligible for 50% grant support. Salaries for staff employed by the supported institution and pre-operative costs are not eligible, nor are recurrent costs such as royalty fees. No expenditures on fixed assets or computers can be supported. In especial cases, groups/cooperatives requiring land for group farming may be considered for land rent/leasing cost for the project period (i.e. up to Dec 2012). Contingency is termed as unforeseen expenses of the project. The expense may accrue to the project due to external factors such as natural calamities and other unexpected social factors. The contingency cost is up to 5 percent of the total proposed budget.

8. SDP Selection Process and Criteria

On receipt of SDP, the Branch staff will make preliminary assessment of the sub project and will submit the proposal to District Review Committee (DRC) for pre-appraisal and decision. The DRC will review and evaluate the submitted SDP in line with the Sub-project Selection Criteria developed by CADP PMU and approved by ADB and CAA Board and coverage of the project.

² 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 with the SDP.

The demand driven activities submitted by CAA members for CAF financing must meet a set of criteria as prerequisite for further processing and approval. In this respect the detailed proposal must justify how their proposal contributes to the following:

- (i) Add value to agricultural products,
- (ii) Benefit other stakeholders and community as a whole,
- (iii) Improve the market chain efficiency,
- (iv) Improve public good content,
- (v) Have strong demonstration effects on the rest of the community,
- (vi) Have the potential to increase income and opportunities of the poor and /or other disadvantaged group such as women and low caste groups,
- (vii) Technically sound and has the potential to be financially viable, as requisites for sustainability and
- (viii) Have no environmental effects on the environment once implemented.

District Branch will determine if the proposed subprojects based on the documents and field verification:

- (i) satisfies the CAA subproject selection criteria (as mentioned above),
- (ii) segregate the type of investment ,
- (iii) potentially viable based on described activities,
- (iv) the stakeholders involved can initiate, develop and manage the proposed project with grant facility and
- (v) Sustainability of the project.

Following the field checking and discussion in the District Review Committee, CAA District Branch may decide to:

- (i) Reject the SDP with justification or;
- (ii) Return it to the respective members for upgrading or completeness, or
- (iii) Forward the SDP to the Main Office

Project recommended by the DRC shall be submitted to head office for subsequent appraisal and approval. The branch staff shall establish at this stage that the grant element is clearly understood by the applicants and are capable to arrange remaining fund requirement from the beneficiary members of the project prior the use of co-financing facility.

Upon receive of the SDP from the District Branch; the Appraisal Committee of CAA Head Office will review it following the General Guidelines prescribed in the SOP (Box 2).

Box 2: General Guideline for Sub-project Appraisal

- Whether the SDP meet the financial requirement.
- Whether the SDP elaborate how the proposed sub-project meets the selection criteria.
- Whether the SDP identify key participating actors and assess their capabilities.
- Whether the SDP quantify/describe benefits accruing to the stakeholders.
- Whether the SDP assess the technical viability of the proposed subproject.
- Whether the SDP assess the financial and economic viability of the proposed subproject.
- Whether the SDP assess the subproject's sustainability.

The Appraisal Panel will forward the finding of the appraisal to the Board for approval with its opinion and recommendation. All the SDP recommended by the Appraisal Panel are discussed in the Board and it may decide to:

- (i) Reject the proposal; or
- (ii) Return it to the members for upgrading or
- (iii) Approve the proposal with/without certain condition/s.

B. SDP FORMAT AND CONTENTS

The following table gives more explicit guidance on how to fill the particular SDP content in the boxes. The proposed format is available in the CAA Main Office Secretariat, Biratnagar and CAA Branch Offices and can also be downloaded from the CAA website: <http://www.caa.com.np> . **The SDP must be presented in the formats as given below.**

Sub-Project Summary (Complete the Summary Box Based on detail description of the relevant Section)

| | |
|---|--|
| 1. Sub-Project Name and Priority Area | [Title which concisely matches with the CAA priority area [related to section B 1.1 (ii)] . |
| 2. Name and Address of Member Institution | Name: Address: District: VDC/Municipality : Ward Number/Tole: |
| 3. Implementing Agency | (Institution with overall responsibility for Sub-Project implementation (related to section B 2-1)): Name: Address: Telephone: Fax: Email: |
| 4. Collaborator[s]/Partners | Collaborating organizations /partners (related to section B 2.2) : . |
| 5. Project Location | Specify the District: VDC/Municipality: Ward Number/Tole: |
| 6. Beneficiaries | Number and types of beneficiaries [related to section B 1.1 (iv)] . Primary: Secondary: |
| 7. Total Cost of the Project | Total budget required to implement the full-term project (related to section B 3) . |
| 8. Cost sharing | CAF/CAA: Member: Others (Specify): |
| 9 Duration of the Project | Total duration of implementation (related to Section B 7) . |

1. Sub-project Description

| |
|--|
| 1. 1 Sub-Project Background |
| It should include the i) Existing social, economic and marketing situation of the Sub-project area. ii) Name of the Sub-project (The CAA members should provide a title which concisely matches with the CAA priority area and describes the scope of the work (as specified in Section A3). The name generally should not be changed with the approved SCN unless CAA advises to do so). iii) Location/area iv) Project Beneficiaries (indicate primary and secondary beneficiaries ³ by number and economic and social classes) .The beneficiaries are those who gain social, economic or environmental advantage from the technology, methodology or knowledge transfer activities of the work to be supported. They may be identified as, for example, the household, the gender, the ethnic group, the village community or the CAA members .Try to quantify the number of beneficiaries of the project. |

³ The primary beneficiaries are the beneficiaries having direct and immediate benefit from the project investment while the secondary beneficiaries are the indirect beneficiaries having benefit in later stage of the project.

1.2 Justification

Short description on the extend of contribution that the Sub-project can make on i) poverty reduction (eg contribution in income increase, reduction in migration/seasonal earnings- indicate the present level of average household income and expected income after project and trend of migration before and after project situation), ii) social inclusion and gender issues (e.g type of beneficiaries, women's role , iii) employment generation (number of persons expected to be employed during the project implementation and after the implementation) iv) agricultural commercialization (how the sub-project will facilitate the commercialization process?) v) contribution to CAA Project key outputs/outcome (Refer Annex 1) and Vi) targeted high value crops and facilitation to market linkage . vii) Mechanisms/processes for adding value in value chain (Describe the way different value chain actors (producers, traders, processors) are benefited by the sub-project). viii) Key stakeholders of the proposed project (based on the stakeholder analysis).

2. Sub- project implementation mechanism and processes

2.1 Implementing Agency

Implementing Agency (Institution with the overall responsibility for the application to CAA and the implementation of the sub-project).

2.2 Collaborating Partners/Organizations (Yes or No)

Indicate whether there are collaborating organizations /partners with whom agreements have been made prior to/during SCN submission. If, yes A letter of intent, which demonstrates the collaborators are an active part of the proposal should be included with the SDP.

2.3 Mechanism and Process

An outline of activities which are to be implemented in order to achieve the outputs of project. There should be an activity or group of activities associated with each output of the project, the activities defining the action strategy for accomplishing each output. It should also include any facilities or expertise already available to the CAA members which will be utilized in the implementation of the project. In addition, the location of specific components of the work, and any special resources required should be included. Present a Flow Diagram to show key components and activities.

2.4 Staffing

Existing and Proposed Types and Number of Staff Sub-project Implementation.

| S.N | Staff Type (Designation) | Required Number (No- Number, PM- Person Month) | | | | | |
|-----|---------------------------|---|----|--------------|----|-------|----|
| | | From the Organization | | From Outside | | Total | |
| | | No | PM | No | PM | No | PM |
| | | | | | | | |
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3. Sub- Project cost and Sharing Arrangements

Estimation of Eligible Expenditures (refer Chapter A 7 for the explanation of eligible expenditure and contingency). A separate sheet on the number, types of materials and equipments, their unit price and total price has to be given. Similarly, the source of different materials to be used such as raw materials, packing materials labours (both skill and unskilled) etc also needs to be described.

| Proposed Activities | Unit | Quantity | Cost Contribution (Rs) | | | | | | | CAA Grant | | | | |
|--|------|----------|--------------------------|-----------------|--------------------|---------|--------|-------------|--|-----------|---|---|-------|--|
| | | | CA A | General Members | Communitie s /VDCs | Other s | Tota l | Requirement | | | | | | |
| | | | | | | | | | | 1 | 2 | 3 | Total | |
| A. Capital investment | | | | | | | | | | | | | | |
| Building/Sheds | | | | | | | | | | | | | | |
| Technical Civil Works | | | | | | | | | | | | | | |
| Machinery and Equipment | | | | | | | | | | | | | | |
| Others (Specify) | | | | | | | | | | | | | | |
| Sub-total A | | | | | | | | | | | | | | |
| B Working capital | | | | | | | | | | | | | | |
| Raw Materials | | | | | | | | | | | | | | |
| Packing Materials | | | | | | | | | | | | | | |
| Labour (Skilled) | | | | | | | | | | | | | | |
| Labour (Unskilled) | | | | | | | | | | | | | | |
| Service Fee | | | | | | | | | | | | | | |
| Transportation | | | | | | | | | | | | | | |
| Insurance Fee | | | | | | | | | | | | | | |
| Others..... | | | | | | | | | | | | | | |
| Sub-total B | | | | | | | | | | | | | | |
| C. Total (A+B) | | | | | | | | | | | | | | |
| D. Contingency(Refer A7) [up to 5%of C] | | | | | | | | | | | | | | |
| E. Total (C+D) | | | | | | | | | | | | | | |
| F. VAT/Tax (13% of E) | | | | | | | | | | | | | | |
| TOTAL (E+F) | | | | | | | | | | | | | | |

3.1 Cost Estimation and CAA Quarterly Requirement

Requirements

1. Minute of General members of financing at least 50 % cost sharing.
2. Full justification for the purchase of equipment will be required in the project proposal.
3. Collaborative and partnership contribution will be encouraged.
5. Consult prevailing financial Acts and Regulations.

3.2 Cash Flow Analysis

Provide Monthly/yearly Cost and Benefit Stream of the Sub-Project after Investment indicating the types of cost incurred and benefit to be derived (in Rs).

| S · N | Description | Month and year | | | | | | | | | | | | |
|-------------|----------------------------|----------------|---|---|---|---|---|---|---|---|---|---|----|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | - | - | - | - | 12 | |
| A | Cost | | | | | | | | | | | | | |
| 1 | Capital | | | | | | | | | | | | | |
| 2 | Operating | | | | | | | | | | | | | |
| | Sub-Total A | | | | | | | | | | | | | |
| B | Benefit | | | | | | | | | | | | | |
| 1 | | | | | | | | | | | | | | |
| 2 | | | | | | | | | | | | | | |
| | Sub-total B | | | | | | | | | | | | | |
| C | Net Cash Flow (B-A) | | | | | | | | | | | | | |

4. Plan for Future Utilization

It includes how it will be utilized in future (skill shared with fellow farmers, supply of improved inputs like seed/ saplings, fertilizer etc to fellow farmers, exploration of new market , product diversification, further value addition to the products)

5. Roles and Responsibilities of Key Actors/Stakeholders (Who will be doing what?)

6. Quality Control Mechanism and Process (Propose way of maintaining quality of the work/products)

7. Implementation Schedule (Work description, date of implementation, milestones etc) How long will the project last? The maximum period is 12 months; there is no minimum, unless stated in the call for proposal.)

| S.N | Work Description | Month and year | | | | | | | | | | | | |
|-----|------------------|----------------|---|---|---|---|---|---|---|---|---|---|----|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | - | - | - | - | 12 | |
| 1 | | | | | | | | | | | | | | |
| 2 | | | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | | | |

8. Operation, Repair and Maintenance Plan (Responsible agency person for operation, provision of repair and maintenance fund etc to be well spelled out).

9. Risk Assessment and Mitigation Measures (Internal and External –Risk are negative statements of conditions, events or actions that would adversely affect or make it impossible to achieve the intended results. Both internal and external risks and mitigation measures needs to be discussed and proposed).

10.Environmental Impact Assessment (Some of the project may also required to conduct Initial Environmental Examination (IEE) / Environmental Impact Assessment (EIA) according to Environmental Protection Act and Rules (1997) to indicate effects of proposed projects on the physical, biological and socio-economic and cultural environment of the project area and propose required mitigation measures to minimize the possible hazards. Therefore, the status of environmental issues needs to be described as follows:
 10.1 Need of IEE/EIA (Refer **Annex 2** for the type of Agricultural and Other projects requiring IEE/EIA).
 Yes (if yes, submit IEE/EIA report as per Environmental Protection Rule Format)
 No (indicate the positive and negative environmental effect due to the project , even if a separate IEE/EIA report is not required as per **Annex 2**)

11. Result- based Management Framework (Logical Framework Analysis)
 Describe the i) Project purpose (The purpose is the measurable immediate outcomes of the Project. This is also a final accomplishment of the project, and to which the project contributes. Indicate what you want to achieve overall, i.e. what implications you hope the project will have) and ii) Project Outputs (Results or deliverables of the Project that the Project can guarantee) .The logical framework is described, and guidelines for its construction are given in **Annex 3**.

Annexes

1. LOGICAL FRAMEWORK (IN THE FORMAT PROVIDED IN ANNEX 3)
2. ATTACHMENT OF DOCUMENTS (AS PRESCRIBED IN A 4)

For Official Use only (to be completed by CAA)

After receiving of the SDP, the CAA Branch offices are required to do the following in the prescribed formats:

A. Checking of documents submitted with SDP and mentioning of reasons (if not submitted)

| S N | Necessary documents | Copies Included | | Remarks/Reasons |
|--------|--|-----------------|----|-----------------|
| | | Yes | No | |
| 1. | Minute of the institution/group executive committee with consensus decision to request the CAA for undertaking the project | | | |
| 2. | Commitment of General Members to implement the project under cost-sharing arrangement with the CAF ((at least 50% cost sharing either in cash or kind or both) | | | |
| 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. | Letters of intent of the other donor (If applicable) | | | |
| 5. | Approved version of SCN and its Log frame | | | |
| 6. | Log frame of the SDP (in the format given) | | | |
| 7. | Dully filled SDP (in the format given) | | | |
| 8. | Institutional profile of the member institution and collaborating partner/s (if there is any) indicating Physical Facility, Human Resources, Financial Turnover etc. | | | |
| 9. | Commitment letter on free land contribution by relevant stakeholders (if land required) | | | |

B. Field Verification

Field Verification Date:

Verification by: a) Name:

Remarks of Field Visit:

b) Designation:

C. Decision of the DRC and its justification

After field verification, evaluate the SDP following the Sub-project Selection Criteria approved by ADB and CAA Board and Mark on of the following decision taken by DRC and forward the decision (whatever it may be) to the CAA Main Office and the concerning member.

| Decision | Mark(√)in the appropriate box | Justification/Reason |
|---|-------------------------------|----------------------|
| Reject the SDP with written justification ; or | | |
| Return it to the respective members for upgrading or completeness, or | | |
| Forward SDP to the CAA Main Office. | | |