Investing in rural people

Nepal

Rural Enterprise and Remittances Project - Samriddhi

Technical note – Project Design Update

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Contents

List of Figures

List of Tables

Currency equivalents

Currency Unit	=	Nepalese Rupee
US$1.0	=	NPR104

Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

Abbreviations and acronyms

ADS	Agriculture Development Strategy
AEC	Agro-Enterprise Centre
AEZ	Agro-ecological zone
ASDP	Agriculture sector development project
B2B	Business-to-business
BDS	Business Development Services
CAP	Cluster action plan
CCI	Chamber of Commerce and Industry
CIT	Citizens’ Investment Trust
CPMA	Corridor Potential Mapping Assessment
DoFE	Department of Foreign Employment
EDF	Economic Development Facilitators (RERP)
EF	Employment Fund (World Bank/SDC/HELVETAS)
EFT	Economic Facilitator team (RERP)
FBF	Financial and Business Facilitators (RERP)
FI	Financial Institution
FIRM	Financial Instrument for Risk Management (FIRM)
FMDB	First Microfinance Development Bank
FNCCI	Federation of Nepalese Chamber of Commerce & Industries
FSP	Financial services provider
GALS	Gender Action Learning System
GIZ INCLUDE	A business development services project of GIZ
GON	Government of Nepal
HH	Household
HHM	Household Methodology
HVAP	High Value Agriculture Project in the Hills and Mountain areas (IFAD/GON)
IOM	International Organization for Migration
IT	Information technology
KM	Knowledge management
LOI	Letter of Intent
M&E	Monitoring and evaluation
MCP	Multi-stakeholder Cluster Platform
MFI	Micro-finance institutions (Class D bank)
MIS	Management information system
MOI	Ministry of Industry

MRC	Migration Resource Centre
MTO	Money Transfer Operators
NEFSCUN	Nepal Federation of Savings and Credit Cooperative Unions Ltd
NGO	Non-governmental organization
NPR	Nepale Rupee
NRB	Nepal Rasta Bank – Central Bank of Nepal
ORMS	Organization Result Management System (IFAD)
PAR	Portfolio at risk
PCF	Private co-investment fund (RERP)
PCMC	Project coordination and monitoring committee (RERP)
PDR	Project Design Report
PIC	Palika Information Centre (RERP)
PAMP	Prime Minister’s Agriculture Modernization Project
PMD	Platform for Migration and Development (RERP)
PMO	Project Management Office (RERP)
PNCC	Pravasi Nepali Coordination Committee (a migrant support organization)
POS	Point of Service
PP	People
RERP	Rural Enterprise and Remittances Project
RMDC	Rural Microfinance Development Center
RMSE	Rural Micro- Small and Cottage Enterprise
RSDC	Rural Self-reliance Development Centre Micro-finance Bank
SAMI	Safe Migration Project (SDC/HELVETAS)
SDF	Sector Development Facility (RERP)
SDR	Standard Drawing Rights
SM	Social mentors (RERP)
SMT	Senior management team (RERP)
TA	Technical assistance
ToR	Terms of Reference
ToT	Training of Trainers
TVET	Technical and vocational education and training
UAE	United Arab Emirates
UNICEF	UN Children’s Fund
USD	United States’ Dollar
VDC	Village Development Committee (discontinued)

I. Introduction to design update

1. RERP Samriddhi has just started its third year since project effectiveness in Dec 2015. Its overall historic performance was assessed as “unsatisfactory” (rated 2 out of 6) by the recent Joint Supervision Mission due to substantial delays in project start-up reflected in a disbursement rate of IFAD and GoN funding of just 1.4% as of October 2017 and only very limited minor field activities implemented.

2. The Joint Supervision Mission concluded that the slow start-up is the results of significant issues in the original project design as well as operational aspects. For the original design, the scale and complexity of the project, including multiple different approaches and modalities has not assisted project implementation. A lack of reliable analysis in the design documents of the economic opportunities in project locations has further added to uncertainties within the PMO of how to achieve the development objectives. In addition, notable operational issues have included: delayed contracting of major implementing partners (AEC and HELVETAS); delayed recruitment of PMO team, and; frequent change of Project Manager, with the project having had three Project Managers already in its first 2 years.

3. Notwithstanding the historic issues, the mission found that there are solid grounds to be optimistic about the future performance of the project if the identified critical design and operational issues can quickly be addressed - as outlined in the agreed actions from the mission. Furthermore, there are now established and proven approaches in Nepal for all the major required elements of the project (i.e. decent work, micro-enterprise development, inclusive supply chain/cluster development, financial/business literacy, savings/investment mechanisms for remittance-receiving families and migrant workers abroad), that may not have been widely recognised at the time of the original design in 2014 but are now very established and can be readily applied by RERP.

4. The mission concluded that with five years remaining, RERP Samriddhi can still be a highly relevant project, at the right time in the right place in Nepal. However, the scale and scope of the project modalities need to be re-validated based on a proper assessment of the economic opportunities available to target beneficiaries.

5. The ongoing transition to the new federal system may also require project implementation modalities and activities to be monitored and adjusted. This transition will continue to evolve over several years and so project modalities may also need to evolve further in the future as the new government systems and structures become more established. This transition also provides opportunities for Samriddhi to actively support the positive development and practices of the new local government bodies, in particular in helping strengthen their capacities and sustainable service delivery modalities in areas relevant to the project development objectives.

6. This Design Update Note, and the associated process for developing it driven by the project teams, directly responds to the critical actions identified in the Joint Supervision Mission and seeks to remedy issues in the original design as well as important operational aspects to help accelerate project implementation.

7. The design update is based on more in-depth data gathered through a joint exercise by the three implementing partners (MOI/PMO, HELVETAS and AEC/FNCCI) including extensive field visits. The resulting Corridor Potential Mapping Assessment and Labour Market Demand Assessment (Sector analysis) provide a solid evidence base on which future plans can be built. The joint effort of data gathering and design update has also strengthened the cohesion of the project teams and partnership among the three implementing partners.

8. On an additional note, IFAD has recently adopted a new Operational Result Management System (ORMS) which, among other things, requires a re-drafting of all ongoing project log frames to provide greater clarity and simplicity. An updated log frame will therefore be prepared for this design to comply with the new ORMS guidelines.

9. With a strong PMO already in place that has driven a much improved and clarified project design update and internal structures, there is now a good prospect for a highly effective project.

II. Strategic context and rationale

A. Country and rural development context

10. Economic opportunities in the project areas can be grouped into four main economic pathways:

- (a) Self-employed / (micro)-entrepreneur
  - (i) In supply chains, serving bigger markets mostly outside the local area
  - (ii) Serving local markets directly
- (b) Paid work
  - (i) Locally
  - (ii) Overseas (migration)

11. RERP will directly promote the first three of these pathways while also supporting better migrant services, so those that choose to migrate for work can do so more effectively (without having to incur large debts prior to migrating; and being able to save/invest back home directly, through their relatives or upon return).

12. The Corridor Potential Mapping Assessment and Labour Market Assessment recently completed by the project partners estimated credible potential outreach in each of the three promoted economic pathways as summarized in Table 2. This shows that among the current economic opportunities for individuals in project areas: around 60% are as producers and RMSEs within supply chains (mostly in agriculture including crops, livestock and forestry products), around 15% are in running their own local RMSE and around 25% are in decent jobs working for others.

13. For a majority of Nepali migrants, migration is not an end-goal in itself. It is, rather, a temporary arrangement to try to take advantage of better income opportunities overseas with the intention of returning home once they are in a stronger financial position. The hope is to be able to use the money earned overseas to build a better home and livelihood for themselves and their family on their return.

14. The objective of Samriddhi is therefore not to promote migration, but rather to, firstly, promote better local economic opportunities and, secondly, to enable those that still choose to migrate or who are returning to be better able to gain the full benefits of migration as a transformative step in their families' economic livelihoods.

15. It is estimated that approximately 60% of households in project areas are migrant households – having at least one member working overseas or a returnee migrant, or receiving overseas remittances.

16. The project also works in both plain and mid-hill areas. There are important social differences in these communities and the project will need to adjust its modalities accordingly. The Social Mentoring activities of Comp 3.2 are specifically included to address some of the most prominent negative impacts of the social norms, behaviours and attitudes in the different communities.

17. The transition to federalism provides the dominant context for future implementation arrangements for RERP. The national budgeting process for FY18/19 is further accelerating the decentralization of government budgets including, potentially, ODA projects such as RERP. As such, RERP must accelerate its own transition of its implementation arrangements to better align with the wider changes taking place, even faster than envisaged before. The updated design includes several specific refinements to the implementation arrangement to facilitate a successful accelerated transition.

B. Rationale

18. The Theory of Change for Samriddhi is summarized as below.

Samriddhi response:

19. Samriddhi aims to help motivated women and men to substantially improve their livelihoods by successfully taking advantage of new or improved opportunities in one of three main economic pathways.

⇨ *Comp 1: RMSE and Job Promotion*
1.1 Supply chain dev.
1.2 RMSE development
1.3 Decent jobs

20. Yet individuals from some communities in project areas, especially in the Terai, are vulnerable to common social risks within households and in local communities undermining efforts to improve livelihoods. Accordingly, progress on economic opportunities and social issues must go hand in hand.

⇨ *Comp 3.2: Social mentoring incl. GALS*

21. To take advantage of the economic opportunities, people must first know about them and have the core foundational skills to make informed choices, especially on the likely financial costs, benefits and risks of the different opportunities. These same foundation skills will also allow them to make better use of the opportunities they choose to pursue – by being able to make more informed financial decisions, for example about longer term savings and productive investments, as well as in the day-to-day running of their household budgets or their own micro-enterprise or producer groups.

⇨ *2.1 Rural Finance incl. Financial and business skills education*

22. Around 75% of these economic opportunities require individuals or households to invest – as producers in supply chains, as part of producer groups or as local RMSEs. Such investments need to be financed through a combination of savings, remittances and loans. For the 25% who gain decent jobs working for others, these create opportunities for both savings and long-term financial planning. All of these require a better awareness and use of appropriate financial services.

⇨ *2.1 Rural Finance all activities*

23. Yet in rural financial services there are obstacles on both the demand and supply sides. On the demand side, there is a lack of quality demand, especially for small investment loans – in both business and financial skills of individuals but also in a wide range of unmanaged external risks around the proposed enterprises.

⇨ *2.1 Financial and business skills education*
⇨ *1.1 Brokering and mentoring of local clusters*
⇨ *3.1 Mentoring of producers and producer groups by Economic Development Facilitators*

24. On the supply side there are constraints on liquidity in co-operatives and MFI, though not in the financial sector as a whole. Many prospective borrowers have limited access to quality collateral. There are a relatively narrow range of products and services offered by many FIs that are not always well suited to the needs of typical Samriddhi households – for example products directly linking remittances to savings and investment. Bigger, better capitalized and more capable FIs (Class A and B banks) often have more limited coverage in rural areas but are legally obliged to invest 4-5% of their total lending into the deprived sectors, while smaller FIs, especially co-operatives, have better rural coverage but less capital and more limited operational capacity and governance. There are therefore potential win-win opportunities to forge better links between larger banks and smaller local FIs to the ultimate benefit of the Samriddhi households

⇨ *2.1 Rural Finance incl.*
- *Financial Instrument for Risk Management (FIRM)*
- *Financial product development and links to Citizen Investment Trust*
- *Linkages between wholesale lenders and MFIs/co-operatives (including secured via FIRM)*
- *Capacity building of co-operatives.*

wanting to invest.

25. Migrant households are a majority in project areas, around 60%. The skills, attitudes and financial resources this brings to the area creates potentially important opportunities for individual households and the local economy. Yet too often, migrant workers and their families are poorly prepared and do not achieve the benefits they hoped for from their work overseas. At the same time, migration can too often have negative social consequences and costs within the remaining household and returning migrants can face difficulties in re-integration on their return. Current pre-departure support, support to remaining households and support to returnees is all too limited.

⇨ *2.1 Financial and business skills education*

⇨ *2.2 Migrant services development (MRC, PIC, Radio programmes etc)*

⇨ *3.2 Social mentoring, including GALS, for remaining migrant households, especially high-risk households*

26. There is therefore a need for migrants to be much better prepared, including at the point they make their decision to migrate for work, in making and putting into practice achievable financial plans, in making more productive use of the money they earn and in making a more successful return from overseas having used the money and skills acquired as a platform for a better and more secure future for themselves and their families.

27. Within each of the three economic pathways, there are specific obstacles that must be overcome but which individuals may not be able to do solely on their own.

28. In supply chains, for small producers to be competitive and sustain good market linkages, it is often essential for them to collaborate with like-minded individuals in producer groups. The success of individual producer and producer groups is also dependent on the overall competitiveness of the supply chain and their local cluster in winning business in the wider market. Yet raising the efficiency and competitiveness of a cluster often requires coordinated action to tackle common problems that no single producer group or enterprise can tackle on their own. This requires trust and coordination in the local clusters. Similarly, sustaining competitiveness also requires vibrant support markets able to provide the essential services and inputs to the supply chain.

⇨ *1.1 Supply chain development incl.:*
- *Multi-stakeholder Cluster Platforms & Cluster Dev.*
- *Business-to-business (B2B) follow-up*
- *Support market development*
- *Private Co-investment Fund*
- *Sector Development Facility*

29. In starting and growing local RMSEs, micro-entrepreneurs face many challenges. They therefore often need to call on specific business development services and business clinics to get good advice.

⇨ *1.2 RMSE developm't incl.*
- *BDS linked to CCIs*
- *Strengthening of CCIs to support local RMSEs*

30. In securing a decent job and building a career, individuals need to gain relevant employable skills which are recognized by employers and then find jobs and successful navigate the transition to full-time paid employment.

⇨ *1.3 Decent Jobs incl.*
- *TVET combined with job placement*
- *Apprenticeship*

31. In the area of migration and associated support services, there are many stakeholders - from the government, non-governmental and private sectors - with different priorities and moving in different directions. Coordination among the many stakeholders is relatively limited at all levels. With the newly created palikas and provincial authorities now having responsibilities related to migration, there are new opportunities to improve coordination and implement improved policies and action plans concerning migration and development at local, provincial and, even, national level.

⇨ *2.2 Mobilising Migrant resources, incl.*
- *Capacity building and policy advocacy*
- *Migrant and Development Platform establishment at local, provincial and federal levels*

III. Project description

A. Project area and target group

32. The introduction of the new federal system of government requires the definition of project target locations to be updated. The principal changes of relevance are the creation of guan/nagar palikas (rural/urban municipalities), provinces and federal government, each with defined roles, accountabilities and authorities. In parallel, districts and VDCs cease to exist as administrative areas and there will be a reorganization of the associated government offices and services that used to operate at these levels.

33. In practical terms, geographical coverage of the project will remain the same, with only minor adjustments to better align with the new provincial structures. Project target areas will, however, now be primarily defined in terms of palikas with market opportunity potential along the economic corridors the project covers and the associated provinces.

34. The updated project area is therefore 208 palikas between Provinces 1, 2 and 3 in the territory in 16 districts. The total population of the 208 palikas is approximately 7.8 million people and 1.5 million households.

35. RERP will have a more intensive focus in approximately 100-110 "priority palikas" (~50%) based on potential and need. Total population in the "priority palikas" is approximately 4 million people (750,000 households).

36. The new geographical targeting therefore can be broadly summarized in terms of interventions at different levels, as below:

(a) Interventions in communities will concentrate on approximately 100-110 "priority palikas" as being primary locations for intensive project support under Components 1, 2 and 3. These palikas were identified through the recent corridor potential mapping assessment and include palikas in all former project districts, including Sindhuli.

(b) Institutional strengthening and provincial level engagement will primarily focus only within Province 1 and 2, except on an exceptional basis, as fifteen of the sixteen districts fall within Provinces 1 and 2. Only a handful of priority palikas in Sindhuli are in Province 3. This especially relates to the institutional capacity building actives under:

- Sub-component 1.2 - strengthening the local and provincial CCIs and associate business development service enterprises under the CCIs,
- Sub-component 2.1 - strengthening savings and credit co-operatives and other FIs active in project locations, and
- Sub-component 2.2 - strengthening migrant family services.

37. In addition to the overall definition of project locations above, the following clarifications of project target areas for specific activities, include:

(a) Sub-component 1.1: Supply chain development. For the associated engagement with relevant authorities on policies, regulations and resources for development of the supported clusters and commodities, the sub-component will engage with all necessary relevant authorities at local, provincial and federal levels – as determined by the specific issues to be addressed.

(b) Sub-component 1.2: Decent jobs. The sub-component will be able to draw beneficiaries that meet eligibility criteria from across any palikas of project districts in Province 1 and 2 and the specific priority palikas of Sindhuli in Province 3. However, given the intensive mobilization effort in the 100-110 priority palikas, it is expected that a majority of applicants for TVET and apprenticeships will be from individuals in these priority palikas.

38. It is noted that under the new federal and local government legislation, as Samridhhi is a project under a federal ministry, the palikas in each of the three provinces can choose to partner with the project under their own authority. Importantly, the project will now have to establish appropriate partnership agreements with each of the proposed priority palikas. This decentralized authority also enables the project to continue to work directly with the identified priority palikas in Province 3, even with more limited activities at the provincial level in Province 3.

39. The table below summarizes the main geographical target areas for each sub-component.

Table 1: Target locations for sub-components

Component	Target area
1. RMSE and Job Promotion	
1.1 Supply Chain Development	• Approx. 100-110 priority palikas identified in the CPMA - drawn from all 16 project districts.
1.2 RMSE development	• Local CCI strengthening is expected to focus on approx. 28 local CCIs in or near the project corridors in which the priority palikas are located. • Provincial CCI strengthening, including BDS Business, in Province 1 and 2 only
1.3 Decent jobs	Trainees selected from: • Priority palikas, and • other eligible beneficiaries from within project districts of Province 1 and 2 only. (For Province 3, trainees can only be drawn from the priority palikas)
2. Productive Investment	
2.1 Rural finance	• Business and financial literacy training delivered within priority palikas (plus some overseas workers) • FI capacity building will cover FI's providing services in the priority palikas, whether or not the FI is itself located in the palikas.
2.2 Mobilizing migrant resources and skills	• Local migrant services strengthened in priority palikas or in district headquarters where offices continue to provide services in the former project districts. • Policy advocacy and capacity building on migration and development in 16 districts, Provinces 1 & 2 and federal level.
3. Inclusion & mobilization	
3.1 Economic mobilization	• In priority palikas only
3.2 Social mentoring	• In priority palikas only, with an expected focus on those in the Terai with greater concentrations of high-risk households

40. **RERPs Targeting strategy** is based on a three-pronged approach that targets economic opportunities in supply chains, local RMSEs and decent jobs supplemented by social inclusion strategies integrated within the approach, for further inclusiveness, to specifically meet the needs and aspirations of women, youth, migrant and non-migrant households in their diversity and heterogeneity.

41. RERP beneficiaries will participate in project activities based on self-selection based on pre-established eligibility criteria, primarily from within project supported priority palikas. In addition, Comp 1.3 may also select beneficiaries meeting the agreed criteria from other areas of Province 1 and 2 in addition to the priority palikas.

42. While the project will adopt an inclusive targeting approach, married and unmarried youth[1] (people aged 18-40) and women headed households will be actively encouraged to take advantage of project opportunities. The project will include a set of empowering, enabling and procedural measures to promote socio-economic, gender, youth and migrant household inclusiveness and identify and help mitigate common social risks. The project will actively encourage parents to facilitate the process of youth to participate in RERP. As such, it is likely that more than one individual within a household be targeted.

43. Targeting (and tracking data) will be at the individual/RMSE level (i.e. individuals) and not based on households unless specifically set-out for a given activity. In practice, there may be more than one RMSE in each household facilitated by the project – a young women may start a chicken hatching enterprise while her brother starts a barber shop or parents engage in other productive agricultural crops. This is to be encouraged.

44. Beneficiaries are expected to increase over time in each of the geographic areas of intervention. This is especially true for Comp 1.1., in which it is fully expected that in an initial stage mostly those able to assume risks more easily (those living just below or above the poverty line) be the first ones to engage in the cluster. Subsequently, it is expected that poorer households will be ready to engage in larger numbers as they witness proof of concept and the local economy improves. While the better off are not the main target group, their participation in Comp 1.1 will be beneficial to increase production volumes and generate market appeal that other participating households can benefit from.

45. **Deepening RERP Targeting**. RERP should develop a clearer segmentation of its target groups, identifying the specific constraints and opportunities faced by the different types of target individuals – for example differentiated by younger youth (<24 yrs) vs old youth (25 - 40yrs), as women or men, as members of migrant or non-migrant households, as members of socially disadvantaged groups. The objective of this analysis and segmentation is to be able to map the various project interventions against the specific challenges and opportunities of each target group. This will confirm if the project has a set of credible interventions that are likely to be collectively sufficient to enable each group to genuinely participate and benefit from RERP and also to identify gaps.

46. For example, analysis of the constraints, opportunities and interests of youth based on age, gender and social group may allow RERP to better respond to the differentiated livelihood pathways and constraints faced by young men and women at different ages and in different stages of their life. The aspirations and challenges that young youth (18-24) face are more prone to change and are materially different compared to those of marrieds/settled youth, generally aged 25-40. Young women (<24yrs) may face a double set of challenges – as both women and young youth – and so RERP should also consider if there are specific activities and mechanisms that could be used to increase their participation and benefit from the project.

47. **Commodity and cluster selection** within project areas is a critical element of the targeting strategy and also drives the selection of priority palikas for more intensive project support. A portfolio of commodities will be selected to provide opportunities in different agro-ecological zones (AEZ) and individuals with different productive resources and interests. The prioritised commodities to be initially supported by the project will be selected from those identified via the Corridor Potential Mapping Assessment. These will be further prioritized by the PMO based on the following criteria:

(a) Clear, current market demand for the specific products - sufficient to absorb the expected increase in production;

(b) Substantial confirmed interest from:

[1] This is Nepal's official definition of youth that RERP will also adopt.

(i) traders and businesses to increase their sourcing from small-scale producers and producer groups in the cluster locations;

(ii) producers, including small-scale producers/smallholder and younger producers, to expand and improve their production;

(c) Opportunities for competitive, profitable and sustainable small-scale production via inclusive investment pathways (see below);

(d) Practical intervention opportunities for the project to facilitate the accelerated development of the particular supply chain and local cluster.

48. **Inclusive investment pathways.** A critical part of the selection process is the detailed analysis of each of the proposed commodities and associated small-scale production systems to establish that there are viable and affordable investment pathways that are accessible to the target group, given realistic assessments about their financial and non-financial resources. To be genuinely inclusive and warrant RERP support, each commodity must have the credible potential to generate net income per family worker at least 50% above unskilled-wage rates[2] within not more than 4 years of an affordable initial investments. As of Jan 2018, this means target net incomes of at least NPR15,000 per month for full time work (USD145) - i.e. 50% above unskilled-wage rates, currently around NPR10,000 per month (USD95). This is vital to help create a genuine appetite among the next generation of producers and micro-entrepreneurs (18-40 yrs) to live and work in their villages and reduce rural to urban and overseas migration.

49. **Producer groups**. RERP will work with existing groups when they comply with project targeting criteria within identified cluster areas and a large majority of members will work together as a producer organisation for their chosen commodity. Being a member of an existing group is not a pre-requisite for participation in the project. In fact, it is expected that most beneficiaries under Comp 1.1 will come together in groups (formal and informal) to participate in the project and not start as members of existing producer groups.

B. Development objective and impact indicators

50. The Project Goal and Development Objectives will be maintained as well as the corresponding key performance targets as set-out in the original project log frame, namely:

Goal: Reducing poverty and achieving sustainable peace through employment-focused, equitable and inclusive economic development;

Development objective: Viable rural micro, small and medium enterprises (RMSEs), both in the farming and off-farming sectors, provide sustainable sources of income to rural poor households, migrant families and returnees.

Key performance indicators:

(a) 87,500 direct beneficiary households (70% of target HHs) reporting increase of at least 20% in HH asset ownership within 4 years of project support, as compared to baseline

(b) 10% of reduction in the prevalence of child malnutrition, as compared to baseline

(c) At least 33 % of target entrepreneurs, vocational trainees and apprentices are women

(d) 60,000 rural entrepreneurs expand their existing business (i.e. have increased their income by at least 30%) or create a new one

(e) 30,000 rural youth access job placement services

[2] The official minimum wage for non-tea workers since 1 Feb 2016 is NPR9,700 per month. (http://www.pioneerlaw.com/news/minimum-wage-salary-2016-2072)

(f) 30,000 RER/SAMRIDDHI-supported enterprises (20,300 new and 9,700 existing) are still in business after 3 years (RIMS), of which 33% owned by women/30% owned by migrant returnees

(g) 21,000 RER/SAMRIDDHI-supported vocational trainees and apprentices, of which 33% of women, are in gainful employment over at least 6 months

51. Additional elements of the log frame will be jointly reviewed by GoN and IFAD and revised to bring them into line with the new IFAD Operational Results Management System requirements.

C. Outreach

52. The total household outreach for the project remains unchanged at 125,000 direct beneficiary households.

53. The main outreach and impact indicators for the project are driven by Component 1, with Components 2 and 3 largely delivering additional services and support to those already covered under Component 1.

54. For Component 1, there are a net total of 172,000 direct beneficiaries[3] comprised of:

(a) 94,500 people directly participating under Sub-component 1.1-1.3 (net of overlaps)

(b) 77,500 people employed in the extra new jobs created by the RMSEs of the participants in 1.1 and 1.2. A total of 70,500 RMSEs will supported under 1.1 and 1.2 and these are expected to create 1.1 extra new jobs per RMSE on average[4] (in addition to the lead entrepreneurs listed in Table 2 above)

55. At the household level, this equates to around 125,000 distinct households directly benefiting from Component 1, assuming an overlap of 25-30% among individual beneficiaries with some households having more than one member participating in different aspects of the project – e.g. a mother engaged in vegetable production cluster (1.1) while her adult daughter takes an apprenticeship (1.3).

56. For Components 2 and 3, total direct beneficiaries from Component 2 are expected to include around 210,000 people, both in project areas and migrants overseas, benefiting from business skills and financial literacy training plus a large number of indirect beneficiaries who will benefit from improved supply of rural financial services from partner Financial Institutions. It is expected that a large majority, though not all, of the 210,000 people will be from the 125,000 distinct households benefiting directly from Component 1. Similarly, all the beneficiaries under Component 3 are expected to be already covered under Component 1.

57. In comparison to the original outreach targets, the total number of direct household beneficiaries is the same, at 125,000 households, while the outreach in terms of individuals is now 172,000 compared to 179,000 in the original design – a variance of 4%. This variance is primarily due to the assumption in the original design that each RMSE would generate 1.5 additional jobs, where as the revised figure is based on actual data from the Employment Fund where the multiplier ratio is 1.1 additional jobs per RMSE.

[3] using the same definition as in the original design
[4] Based on actual experience from the Employment Fund since 2012

IV. Components

58. The project will now be organized into 4 components, summarized in the table below.

Table 2: Project components and outreach

Component	Sub-component	Outreach (people)
1. RMSE & Jobs Promotion **Total direct beneficiaries 172,000 people** including: Net outreach 1.1-1.3 94,500 people + 77,500 people in extra jobs created in 1.1/1.2	1.1) Supply chain development: Creating RMSE and job opportunities for producers, including smallholders, and other enterprises in competitive agricultural and non-agri clusters. (replaces former sub-comp 1.1)	57,000
	1.2) RMSE development (Enterprise Service Centres and CCI strengthening). Building sustainable business services to create opportunities for local RMSEs. (in original design)	13,500[5]
	1.3) Decent jobs through TVET, jobs placement and apprenticeships. (in original design)	30,000
2. Productive Investment **Total direct beneficiaries 210,000 people**	2.1) Rural finance – widespread financial & business education; improved supply of financial services via strengthening of co-ops, partnerships with FIs and risk sharing instruments. (in original design, new title)	210,000
	2.2) Mobilizing migrant resources and skills – develop sustainable migrant services, especially at local level, via migrant resource centres, info desks and online services (in original design)	Serves all HHs in project areas
3. Inclusion & mobilization (new component) **Total direct beneficiaries 87,000 people**	3.1) Economic mobilization and mentoring of individuals and groups	87,000[6]
	3.2) Social mentoring of households and groups to address common social risks using the household (HH) methodology. Mentoring will be provided at individual household level for 30-40% of high risk households and on a group-basis for large numbers of individuals involved in Comp 1.	6,750 high-risk HHs for HH- level mentoring (from among Comp 1 HHs)
4. Institutional Support and Project Management	4.1) Knowledge management and M&E: to provide evidence-based continuous learning and improvement and support scaling-up of best practices in the project and by other actors (originally included in 4.2, replaces previous 4.1 on Institutional Strengthening and Development which is now mainstreamed in relevant areas of Comp 1 + 2)	-
	4.2) Project management	-

[5] There is an expected overlap of around 6,000 people in 1.2 and 1.3 – those who receive TVET training (under 1.3) and then go on to start their own RMSE taking services from CCIs (1.2)
[6] 87,000 = Comp 1 net total (excluding overall in 1.2 & 1.3) and minus 7,500 existing cottage and small enterprises supported under Comp 1.2

A. Component 1: RMSE and Jobs Promotion

1.1) Supply chain development

59. **Objective**: Creating RMSE and job opportunities for producers, including smallholders, and other RMSE through the development of competitive and inclusive agricultural and non-agricultural clusters that are part of supply chains serving wider markets, often outside the local area.

60. **The project will catalyse the emergence of competitive clusters for a portfolio of products** with confirmed market potential and comparative advantages for smallholder production in the project locations. These will be selected based on the criteria outlined in paragraph 47 and importantly on the validation of credible inclusive investment pathways (see para. 48).

61. **The CPMA identified 14 distinct commodities with credible growth potential** (see Table 4). The project will initially focus on 8-10 of the most promising of these commodities, based on the criteria above (para 47 and 48), and adopt an inclusive cluster development approach using the approaches and techniques developed in the recent High Value Agriculture Project (Province 6). Additional commodities and clusters may be added later in the project subject to adequate project progress, capacity and resources.

62. **The sub-component will adopt a cluster development approach.** Clusters (see Box 1) offer many advantages for small-scale producers in competitive commodity markets and can make it possible for supply chains to be more inclusive. Clustering production to aggregate supply and reduce transaction costs between buyers and small-scale producers/farmers, as well as in the delivery of critical services (e.g. financial or technical services), is also vital if small-scale producers are to succeed in becoming reliable suppliers in the market. It is especially important for younger and poorer households who are only able to make the minimum initial investments and must expand their production gradually. Clustering can thus help improve market access for small-scale producers/farmers and hence make the above investment pathways viable.

63. **Cluster development processes will be driven by the primary actors themselves, principally small-scale producers/farmers and RMSEs.** Producers and businesses are the ones who must make their investments successful and carry the risks of failure. It is they who must drive the process. Facilitating an ongoing process of action-oriented dialogue and brokering among these key actors in each commodity cluster is a central element of the cluster development approach. The initial focus of these dialogue and brokering processes is grounded in immediate opportunities for actions and improvements that help build trust and momentum in the cluster. Only once momentum and trust begin to emerge, is it feasible to jointly consider longer-term aspirations and begin to tackle them. The dialogue and brokering process among key cluster actors should establish jointly owned action plans and progress tracking for the development of their particular commodity cluster.

64. The project will work closely with current and former staff of HVAP to gain deep understanding of the approach and how to adapt and apply it in the setting of Samriddhi, which is similar but also with important differences – especially in terms of the starting level of market-orientation of many producers and enterprises, more developed physical market infrastructure in many cases, wider presence of FIs and high concentrations of migrant households receiving remittances.

65. **Support market development forms a vital part of the cluster development process.** Vibrant support markets, including commercial supply of inputs and services (e.g. technical, financial) are essential for sustaining competitive clusters and also for enabling other clusters to emerge to copy the initial successes (sometime called “crowding in”). Within profitable clusters and supply chains, the costs of such services and inputs should be an affordable routine business cost for producers and businesses and should not require external subsidy. RERP will therefore focus on facilitating investments that develop, in a broadly harmonized manner, the demand and supply of these market-based services and inputs in the clusters (see para 116), consistent with the pluralistic service framework envisaged in the Agricultural Development Strategy.

Box 1: Clustering for inclusive economic development

Clusters are a geographic concentration of interconnected producers, buyers, suppliers, and associated support institutions that creates direct and indirect synergies among them, resulting in market linkages. For the purposes of the project, cluster are commodity specific (i.e. each cluster focuses on one commodity) and will typically be defined geographically by zones of production which form distinct buying zones of several competing buyers/traders.

Key actors in a cluster include:

1. primary actors such as producers, buyers, input suppliers, commercial service providers (e.g. technical services, financial services) who are directly involved in production, processing, trading or distribution of products or services in the specific supply chain, and
2. secondary supporting actors such as government and non-government agencies.

A cluster-based approach will geographically group the key actors along the supply chain for a specific product in the same areas. This means that for a single commodity the project is likely to support several different clusters each in a different location. It also means that one village may have farmers participating in several different clusters, each for a different commodity.

A cluster-based approach is useful when the supply chain is highly fragmented or unstructured throughout its segments (production, transportation, distribution, enabling environment etc), thus requiring interventions by numerous stakeholders who could not resolve any single issue alone.

A cluster-based approach also creates a more enabling environment in which small producers can invest, get organized and develop as reliable actors in the supply chains by facilitating coordinated action on critical issues from production to market linkages or access to critical inputs and services.

A central part of the cluster-based approach is a rolling cycle of multi-stakeholder cluster meetings at which the primary actors and supporting actors fully participate. Through these processes, key actors are able to discuss arising issues and develop action plans together to advance their cluster for mutual benefit. These processes build trust among stakeholders and strengthens coordination of the multiple stakeholders and supply chain segments.

For each priority commodity the potential for the local cluster development will be re-confirmed by initial rapid scans including confirming buyer demand and mapping and analysis of the different players (buyers, suppliers, banker, and service providers) and attractiveness to small-scale producers and especially younger people.

In RERP, as an approximate guide, a typical local cluster when mature might include 10-20 producer groups of 20-40 farmers per group – approximately 300-600 producers, though some groups and cluster may be much larger, with the size of the group often influenced by characteristics of the commodity. These producer groups would ideally be supplying regularly to 5-10 buyers to ensure adequate competition. RERP may therefore expect to support 1500-2000 producer groups spread across 100-200 local commodity clusters.

The rolling cycle of multi-stakeholder cluster meetings, sometimes called multi-stakeholder cluster platforms (MCPs), are the central networking process within the clusters, linking producers, buyers and service providers. These are informal networking processes which drive joint cluster action plans but which do not necessarily require the formalization of the cluster networks into their own permanent organization, though formalization is possible if it delivers clear benefits and is desired by the primary cluster actors themselves.

MCPs, and the associated follow-up activities, will initially be facilitated by the project teams. Over time, this cluster facilitation role is taken on by primary actors in the cluster themselves, typically a joint working group of several leading buyers and leaders of producer groups with the support of the strengthened local Chamber of Commerce and Industry (CCI). Initial handover of the facilitation role typically begins after around 3 years of cluster growth, once there is momentum in the cluster, maturing trust among different actors and experience of the MCP and cluster development process. Clusters for regularly traded and short cycle products (e.g. vegetables, chicken, milk, handicrafts) tend to mature more quickly than products with one annual crop – due to more frequent interaction among producers, buyers and service providers.

Major activities of the sub-component

66. Activities broadly fall into three areas: i) cluster brokering, ii) investment facilitation, and iii) support market development. These are outlined below.

1.1.1 Cluster brokering

a) Cluster selection and verification

67. For each supported commodity, the potential for the local cluster development will be re-confirmed by an initial rapid scan at start-up of the cluster, including confirming buyers' demand, mapping, analysis of the cluster primary actors and supporters, and attractiveness of opportunities to smallholders, especially the next generation of younger farmers and to women and men – each of whom may have differing interests and constraints.

68. An opportunity verification workshop will be held for each commodity and cluster. The findings and evidence from the rapid scans will be presented back to representatives of the primary actors (producers, buyers, suppliers) to validate the conclusions and confirm if there are credible opportunities and commitments sufficient to justify the project proceeding with the specific commodity or cluster.

69. The process of cluster identification will also collaborate with other organizations that are actively pursuing similar objectives – such as other development projects, progressive MFIs etc. These partnerships would then be extended to ensure these important actors become active participants of the cluster development process, including via the MCPs and investment facilitation processes.

b) Market-oriented producer mobilization

70. Mobilization of farm and non-farm individuals and households into the clusters and project activities will be led by a team of market-oriented Economic Development Facilitators (Comp 3.1) with support from the Supply Chain teams (Comp1.1). In working with small producers in supply chains, including smallholder farmers, the project will be free to work with existing producer groups and organizations, and mobilize new producer groups focusing on the particular product depending on the reality in each community. As a general guide, based on past experience, existing groups should only be used as the entry point if a majority of their members want to join the specific commodity cluster concerned. If not, new producer groups should be mobilized.

71. It is expected that the starting point for each commodity in each community may fall into one of three categories and the detailed mobilization process may be fine-tuned to accommodate these different starting points:

(a) Existing active producer group focused on the target commodity

(b) Existing production of the target commodity by many farmers but not organized in a producer group

(c) Minimal current production of target commodity by farmers and no organized producer groups

72. Where production of the commodity is new to the local area or only very traditional production practice are applied, the mobilization process is expected to include additional steps to either demonstrate the intended production system in the local setting or exposure visits to other producers in similar conditions for the producers interested.

c) Multi-stakeholder cluster platforms (MCP)

73. The core of the cluster development approach is a rolling process of action-oriented brokering, dialogue and investment facilitation among the key actors in each cluster to catalyse investments and remove bottlenecks to increase trading and profits, and make the most of practical opportunities for growth.

74. MCPs are the central element of this process. MCPs will be held regularly (at least 2 times per year) at the cluster level in each cluster, initially facilitated by the project team but later jointly by the producers and businesses themselves. Commercial and non-commercial suppliers (of technical or financial services or inputs) as well as government agencies and other Supporters including research institutions, insurance companies would also be active participants of such meetings.

75. The focus of the meetings is to enable the primary actors (producers/farmers and businesses) to jointly identify practical opportunities and bottlenecks for developing their cluster and corresponding priorities for individual or joint actions. The meetings also foster trust among the different players, which is vital for sustaining longer-term commercial relationships. It also creates greater common understanding of the opportunities and challenges among primary actors but also critical suppliers, such as bank/MFI credit officers.

76. *Investment Priorities* for private and public good investments and follow-up by the project and others are set by the MCP process, in particular via a rolling joint "cluster action plan" (CAP) produced for each cluster as a key output of the meetings.

77. The rolling cycle of multi-stakeholder meetings also create a practical mechanism to locally coordinate the support of the various government and non-government initiatives that are relevant and active in the local area.

d) Business-to-business (B2B) follow-up

78. Shortly after the MCPs (normally within 1-2 weeks), bilateral follow-up meetings will take place, typically between a business (either a buyer or supplier) and a set of producers who met during the MCPs and identified specific opportunities to do business together. The B2B follow-up meetings will focus on developing and negotiating practical trading plans between producers and buyers/businesses to do business together. Experience suggests that it may take 3 or more follow-up meetings before a final agreement is negotiated.

79. In turn, the agreed trading plans will often lead to the need for specific actions or investments to be made by the producers, buyer/business or both. The investments and actions may be taken individually or jointly, depending on what has been agreed. Similarly, follow up meetings /interactions will also take place between service providers (Financial, technical, Business) and producers /traders in utilizing the available services and products.

1.1.2 Investment facilitation

80. Driven by the Investment Priorities set through the MCP process, two types of investment are likely to be needed, each of which will be facilitated by the project as required:

(a) Private goods investment – Primarily financed through private investment by a private individual, producer group or enterprise (e.g. buyer or supplier) that will capture most of the benefits from their own investments. Some investments can happen without external support, while others may require some form of enabling public support - brokering, technical advice or financial support. Examples of private goods investment include: on-farm technologies and equipment, producer group collection centres, cold stores, processing facilities etc.

(b) Public goods investment – Financed through a combination of public and private investment, where the majority of benefits are captured by a broad network of primary actors and it is not feasible for the investments to be financed as a private enterprise. The share of private finance should consider the degree to which specific private actors capture the financial benefits of the investments in comparison to the wider socio-economic benefits. Examples of public goods investment might include upgrading market facilities, action research and variety trials, strengthening of sanitary and phytosanitary inspection and testing capacity, market studies etc.

a) Private investment facilitation

Investment planning

81. Good quality, but minimally complicated, investment plans will often need to be prepared by the producers and RMSEs in responses to their agreed trading plans or for their own business development purposes. It is important that such plans are well informed, credible and realistic and based on sound technical and business foundations without being unduly complicated.

82. In many cases, small producers and RMSEs may require specific technical support to prepare well-informed investment plans that can be presented to financial institutions for financing. The project will facilitate those requiring such support to acquire it from suitably experienced service providers, with a strong preference for commercial service providers in order to stimulate development of critical support markets.

83. Individual producers will already be participating in business skills and financial literacy mentoring in their producer group by this stage of the process (Comp 2.1.). They will have growing confidence in understanding the financial aspects of their investment plans they are now considering. As needed, the project will arrange additional pre-investment technical advice to the producers/farmers to ensure the plans are sound, including in terms of climate resilience. Such advice may be in terms of better understanding climate risks to the proposed investment, but also to identify technologies or strategies that can reduce those risks.

84. Businesses requiring additional technical support in developing their detailed investment plans will also be supported by the project to identify and buy-in the necessary advice.

85. Where the investments are expected to require additional technical or business advice during implementation, the costs of such advice must be included in the investment plans themselves.

Loan Financing

86. The project will facilitate cluster participants to link to partner FIs to apply for loan finance if need for their investments. Bank, MFI and savings and credit co-operative officers are expected to already be participating in the MCPs and cluster process, so should be increasingly familiar with the market opportunities and risks by the time the loans application begin to be received.

87. Where investments are to be made as multiple small investments by several cooperating producers in a community, the loan applications and investment proposal will be aggregated and pre-screened to ensure adequate quality and completeness before they are submitted to interested banks. This will be carried out by the EDF team. For multiple similar small investments, loan application may either be consolidated into a single loan application or as a single bundle of multiple smaller loans depending on the decisions of the applicants and the acceptability to the FIs.

88. Assessment of loan applications and loan decisions will follow the FIs standard procedures and the project will not be involved in this process. Saving and remittances will also be encouraged as an instrument for beneficiaries to build their assets, acquire newly designed FI credit products, and accumulate capital for investments in income generating activities.

89. Measures to increase the supply of loans and other financial are described under Comp 2.1.

Execution of investments

90. Investment plans will be implemented by the producers and RMSEs themselves who will carrying the risks and rewards of their own investments. However, investment implementation will be supported through the ongoing process of producer group mentoring. Producers will be advised in buying the necessary quality inputs and technical services they need for success. Where adjustments are needed to their plans during implementation, they will be assisted to consider the cost and benefits of the different options and prepare revised plans that best suit their situation.

91. Technical advice required by producers and RMSEs to implement their plans will be provided by commercial service providers with the costs of the services already allowed for in their investment

plans. The project will support the development of strong support markets supplying these services (see below) and will assist produces and RMSEs in identifying and screening of such service providers.

Investment supervision and reporting

92. For all RERP facilitated private investments made with loan financing secured under the FIRM, supervision and reporting of investment implementation and results will be carried out by the Economic Facilitator Team (EFT) as part of ongoing coaching of producer groups and RMSEs.

93. Data on performance of the investments will be compiled and analysed via the project MIS. Where potential performance issues are identified, the EFT will work with the investor (producer / RMSE) and concerned FI to take corrective actions to prevent the investment failing.

94. Supervision will include both business and technical aspects to enable early identification of potential problems so that producers and RMSEs can take corrective actions before they run into serious difficulties that put their investments at risk.

95. Where there is a mass default in a group or palika on loans facilitated by the project, the causes will be investigated, including with the local authorities. If there is no evidence of force majeure, or other extenuating circumstances, then the concerned group or palika may be excluded from future project activities until the debts are cleared and appropriate measure adopted by the local authorities and producer groups to prevent a re-occurrence of the problems.

b) 'Public goods' investment facilitation

96. A variety of 'public goods' investments are anticipated to be needed during the project period to help grow competitive and inclusive clusters. These may range from 'big ticket' hardware, such as wholesale livestock markets, to less expensive 'software' investments such as market research of new markets or action research on improved varieties or production technologies to improve resilience in specific agro-ecological zones.

97. There are numerous ongoing government and non-government support initiatives in project areas, for example the Prime Minster Agricultural Modernization Project (PMAMP). Similarly, the new Palika governments will have direct control of significant investment budgets to support economic development in their communities. Many of these are well resourced and share similar core objectives with RERP to raise rural incomes. RERP will actively encourage these 'Supporters' of the targeted clusters and commodities to participate in the MCP processes and help develop a more coordinated support response.

98. Of particular note, is the MOI strategy for the development of industrial villages and parks in the coming years to provide hubs for growth industries to continue their competitive growth. This is highly complementary to RERP's cluster development activities, which will help nurture a range of promising local supply chains and industries than can then be the basis for well targeted investments by MOI.

Coordination with other support programmes

99. RERP's role for 'public good' investment is, therefore, primarily as an 'integrator' of existing support initiatives of the government and others. Through the MCP process, the project will create a practical mechanism for the various Supporters to develop a common understanding of the opportunities and constraints in the clusters and the relative roles that each can play in addressing these with their resources.

100. Where there are gaps in available resources to address critical 'public goodss' investments that have been prioritized by the producers and RMSEs in a cluster, the project will be able to mobilize resources from its own Sector Development Facility implemented either on their own or combining with resources of other non-RERP sources.

c) Financial instruments to support private and public investment

101. RERP will include three main financial instruments to directly support financial investments:

Private goods investment:

i. Financial Instrument for Risk Management (FIRM) – an instrument to enable banks and MFIs to provide collateral free investment loans to project beneficiaries

ii. Private Co-investment Fund (PCF) – a grant mechanisms to provide partial grants of around 30% of the total investment cost to i) Innovation Investments in the supply chain, and ii) Unlocking Investments, mostly to producer groups to jointly invest in essential joint productive assets to kick-start improved production

Public goods investment:

iii. Sector Development Facility (SDF) to finance "public goods" investments that cannot be delivered through private investment in the current context of the clusters and which are not being addressed through other public support programmes. Investments may include hardware and software and address the bottlenecks and priorities identified by the primary cluster actors, typically via the MCPs.

102. Each of these instruments is summarized below (or under Comp 2.1) and further details will be developed by the PMO for approval by GoN and IFAD.

i) Financial Instrument for Risk Management (FIRM)

103. The FIRM will enable partner FIs to offer collateral free loans to small-scale producers, producer groups and RMSEs. This is the main financial instrument under RERP to support private investments, as if it is effectively utilized is able to secure over US$30 million per year in collateral free private investment loans from FIs to project beneficiaries. The FIRM will operate broadly as outlined for the risk-sharing scheme in the original design. See Comp 2.1 for further details.

ii) Private co-investment fund (PCF)

104. The fund will offer grants to facilitate priority private investment of two types outlined below. Grants will not be to individual households or private individuals, except for expanding local service providers. The two types of investment to be supported include:

105. a) "Unlocking investments" in essential joint productive assets for recently mobilised producer groups. In certain circumstances there may be need for a small-medium sized investment in a joint productive asset before a group of producers can effectively start production and generate revenue. Examples might include: a private small-scale pumped irrigation system covering multiple vegetable farmers over 2-3 ha or jointly owned chilled milk collection tanks of around 1000L capacity. In economic terms, these are largely private goods but serving a small group of private producers. If the producer group is recently mobilized, it may be difficult for them to secure 100% of the private finance for these essential initial investments, especially if they have longer payback periods (>2 yrs). 'Unlocking investments" may also be offered, under a dedicated window, to private providers of essential services to establish or expand their operation in target clusters at a time when there may be only nascent demand that will grow over time but may not support a private investment so early in the cluster development cycle.

106. For "unlocking investments", co-investment grants equivalent to around 30% of the total investment cost (including fixed and working capital) will be offered under strict eligibility, targeting and performance criteria. It is expected that such investments would be financed through a combination of the grant plus producers' own funds and a loan. Maximum loan sizes will be capped to ensure equity in distribution of support.

107. b) "Innovation investments" by "first mover" private investors (producers, producer groups, RMSEs) along the selected supply chains who invest in new production technologies, new business models or other new services/functions needed in the value chain. The incentive grants are to absorb part of the additional risk associated with "first mover" investments. The objective is to encourage potential adopters of new technologies or new business models with unknown risks and economic benefits to actually adopt these and test their validity; this experience, as properly documented and

analysed, will facilitate their wider adoption and scaling-up without government subsidy and help create turnover, income, tax revenues and employment.

108. Incentive grants to private investors will be based on investment plans selected through a competitive process targeted specifically at the identified bottlenecks in each supply chain that emerge through the MCPs. Grants are expected to represent around 30% of total investment on average with the balance contributed by the private investor from either their own capital or with own capital and loan finance. The fund will initially operate three Windows for innovation investments, each targeting a particular scale of innovation investment and linked to the function along the supply chain, as summarized below and to be further detailed in the Fund Guidelines to be developed by the PMO. The call for investment proposals under all three Windows will be driven by the priorities determined by the primary cluster actors themselves through the MCP dialogue processes in the relevant supply chains and clusters. The Windows will be:

> Window 1: Small-scale producer investments, for example in improved on-farm production and initial post-harvest technologies and systems. Only non-rich smallholders are eligible, screened by land holding (or household assets) or similar measures. Indicatively, average grants of USD 500/household are envisaged. There will be a capped maximum number of grants per palika and/or cluster for "first mover investors" in the promoted technologies sufficient to provide the critical mass for demonstration effects to other farmers in the local cluster. Grant appraisal and award decisions will be made by Investment Committees at the corridor level.
>
> Window 2: Small enterprise investments, for example in initial post-harvest stages of the supply chain or service enterprises (e.g. combined harvesting service, nurseries/hatcheries), which will typically be by private businesses, formal producer groups or cooperative or similar. Indicatively, average grants of USD 15,000 are expected for investments serving at least 50 households (equivalent to USD300/household served). Up to 4 grants per corridor will be made for "first mover investors" in the promoted investment type to provide the critical mass for demonstration effects to other investors in the local clusters. Grant appraisal and award decisions will be made by an Investment Committee at the central or provincial level.
>
> Window 3: Medium business investments in the downstream supply chain, for example export grade packhouses, modern slaughterhouses, multi-chamber cold stores, processing factories. Indicatively, average grants of USD35,000 are expected up to a maximum of USD100,000 with the maximum of the equivalent of USD 300 per household substantially benefiting from the investment (e.g. as a major buyer of the farmers produce). In order to be eligible for a USD100,000 grant, the investment must deliver substantial benefits to at least 330 small-scale producers, typically as suppliers. Up to 2 grants per Province will be made for "first mover investors" in the promoted investment type to provide critical mass for demonstration effects to other investors in the local supply chains. Grant appraisal and award decisions will be made by Investment Committee at the central or provincial level.

109. <u>Operation of the fund</u>. Details of the fund and its mechanisms will be developed by the PMO, subject to approval by MOI and IFAD. A broad outline of the likely scope and focus of the fund is provided here and maybe subject to amendment by approval of GON and IFAD of the Fund Guidelines.

110. The Fund will be strictly managed according to the Fund Guidelines to be developed by the PMO and approved by GON and IFAD. Among other things, the guidelines will detail:

(a) actual maximum grant sizes, caps on the number of grants by cluster/palika/corridor, eligibility and other terms and conditions under the various windows;

(b) specific eligibility criteria, including unambiguous definitions of ‘first movers’;

(c) transparent and equitable processes for grant application, screening, approval and monitoring, including minimum performance standards for the Funds administration including in terms of time take to review and decide on each grant application;

(d) terms of reference and membership for the Investment Committees at corridor, provincial and central levels.

111. The percentage of grant offered and other terms under all windows will be actively monitored and revised if necessary based on actual uptake for different types of investments and clusters and supply chains being targeted. Changes in the percentage of grants offered and other major changes in terms will be subject to GON and IFAD approval.

112. The PCF replaces the former Performance-based matching grant scheme in its entirety. For the avoidance of doubt, there will be no other matching grant scheme under the project.

iii) Sector Development Facility (SDF)

113. A Sector Development Facility will be managed directly by the PMO for investment in "public goods" that address specific bottlenecks to cluster development identified by the primary actors themselves, typically through the MCPs. The SDF will focus on "public goods" investments only that cannot be delivered through private investment in the current context of the clusters and which are not being addressed through other public support programmes.

114. The types of investments possible under the SDF may include hardware and software, for example: action research on production issues, variety/production trials in targeted agro-ecological zones, piloting novel or untested business models, market research, co-investment with local authorities to upgrade critical public market infrastructure etc.

115. Investments under the SDF will be managed as distinct sub-projects, implemented either directly by the project teams or a suitably qualified contracted organization from either the private or public sector. Selection of the implementing partner for each sub-project will be based on purposeful selection of the best qualified to deliver the sub-project objectives and activities but with an element of competition where multiple equally-well qualified and interested potential partners are available. While SDF will focus on "public goods", the private actors will be expected to make a financial contribution of at least 15% (in cash or kind) to all SDF sub-projects to confirm ‘ownership’.

1.1.3) Support market development

116. RERP’s supply chain development will actively foster the development of support markets for all selected supply chains and clusters, including financial services (Comp 2.1), market-based non-financial services and input market. Such services are expected to include: for livestock – animal production and nutrition advice and services; veterinary services; specialist equipment suppliers (e.g. incubators); feed and veterinary medicine suppliers. For crops these are expected to include: crop production advice including climate-smart agriculture; crop protection services, mechanization services (especially for field crops such as legume); equipment suppliers (e.g. drip irrigation, trellis nets, grading machines); grading and packaging services. In addition, transport, storage and marketing services are also vital and the project will facilitate producer groups, cooperatives and RMSEs to invest and develop these services.

117. Historically, the public sector has dominated the provision of many services, especially in agriculture, often for free or with heavy subsidies. As such, the project will need to have a strong focus on fostering the growth of networks of competent market-based service providers within the context of a pluralistic non-financial service framework. It must stimulate demand for market-based services in parallel to building up supply of such services.

118. To address this, RERP will draw on successful experience from HVAP and elsewhere in the development of these markets. For example, in the case of horticulture services, local traders and packhouses will be encouraged to recruit their own agronomists to provide embedded service to the producer groups supplying them. Over time, such embedded services may remain embedded but

often transform into independent commercial service providers working in the same clusters once producer demand for such services become more established. Similarly, as producer groups and cooperative mature they will be supported to develop the business plans for setting up their own service provision to their members and others, including recruiting their own technicians. For livestock production and health services, effective approaches have been to develop networks of independent local private livestock technicians that are then facilitated to form jointly technician-owned service enterprises or cooperatives. RERP will learn from such experience and identify those approaches best suited to the conditions and opportunities in each cluster.

119. As such, private investment by suppliers of critical inputs and services will be encouraged by the project – either by RMSEs, cooperatives or individual micro-entrepreneurs wanting to provide market-based services to producers or others in the supply chain. Existing and potential suppliers will be encouraged to join the MCP processes to better understand the demands and opportunities in the clusters. It will also provide opportunities for them to establish networks of potential future customers for their services. Such small commercial suppliers and service providers will be provided with the same investment facilitation support as producers and buyers, including investment planning support, pre-investment technical and business advice, facilitation in accessing loans as well as mentoring during execution if needed.

120. It is expected that many of the technical services needed will provide opportunities for youth to engage in the clusters in non-farming roles. Some of these opportunities may be as the technicians hired by buyers or cooperatives to work with producer or in roles such as grading, packaging, QA or marketing.

121. The entry point during early implementation will be to complete specific local assessments in each confirmed cluster of the priority services needed, current providers and potential new providers including analysis of: availability, value-for-money, quality range, options in terms of sources of funding and delivery. As part of the MCP process in each cluster, specific plans will be developed to facilitate the deepening of market-based services in the cluster – including promotion of demand and strengthening of supply. Progress against these plans will then be regularly monitored as part of MCP-driven cluster action plans and processes.

122. Public extension staff (e.g. for crops, livestock and forestry) who now fall under Palika governments should be encouraged to play a critical role in providing technical backstopping and support to the emerging private service providers as these government staff are a valuable resource with good technical knowledge and skills but lack the budgets and resources to provide the scale of outreach demanded by producers. The anticipated budget constraints of many palikas in providing such services reaffirms the need to find ways to better capitalize on this important human resource. Their role in mentoring networks of good quality local private service providers will help ensure more producers have better access to quality services without increasing pressure on limited palika budgets.

123. It is recognized that this is a shift in the traditional role played by many of these teams, moving away from direct delivery of services. RERP shall take the opportunity of strong engagement with the new palika governments to support them to identify ways to maximise the impact on local economic development from the use of public resources. As part of this dialogue and capacity building with palika authorities, RERP will encourage local leaders to make such a transition. As part of this process, additional professional and technical training to public sector technical and private service providers in their new roles will be financed under the Sector Development Facility, if necessary.

124. **A critical policy issue for support market development,** with direct practical implications, is to ensure that free or heavily subsidized services are not provided unnecessarily to profitable clusters and commodities that can afford to pay for them. Providing subsidized services where they are not needed will directly undermine the emergence of sustainable commercial support markets and create continued dependence on very limited public resources. These issues of coordination and alignment are aligned with the national Agriculture Development Strategy which envisages a pluralistic extension

system, of private and public provision with each focusing on their appropriate roles. Under the new local government structure, they are also likely to be seen as increasingly important issues that also present practical opportunities for locally-driven actions to improve coordination and harmonization in the best use of local public resources. In support of the operationalization of this, RERP will:

(a) at the policy level, at palika, provincial and federal level, provide specific support to clearly define the future roles of the public sector technical service teams in a vibrant pluralistic agricultural extension system.

(b) address these issues at a practical level through the MCP and local coordination processes with palika and provincial authorities.

Implementation of Sub-Component 1.1

125. The sub-component will be led by a dedicated team including a combination of contract staff and AEC staff integrated in the supply chain development teams. The PMO-based Component 1 Co-ordinator will provide overall technical leadership of the sub-component.

126. A full Provincial Supply Chain Team will be set-up in each corridor and led by a Senior Supply Chain Specialist. Each provincial supply chain team will be organized as follows:

(a) Commodity teams – approx. 6 experienced business-to-business and supply chain officers in each province will be divided into 2-3 commodity teams. Each of the commodity teams will have named responsibility and accountability for the results and activities in approx. 2-4 specific commodities in all locations in their province. Commodity teams will be highly mobile but mostly based at the corridor office.

(b) Territory teams – a team of approx. 8 supply chain supervisors in each province will be based in hub/satellite office and will ensure overall coordination of all supply chain activities in the palikas that they are responsible for. This means that each supply chain supervisor may work on 6-8 supply chains in their local area. Working closely with the EDF team, they will be the main contact point between the supply chain teams and the producer groups and local enterprises and other actors in their palikas. An important responsibility will be the mentoring and support of producer groups so that they can build successful commercial relationships with buyers, participate effectively in the MCP processes and plan and execute profitable business and investment plans. They will also facilitate B2B and B2S follow-up in their palikas. They will work under the guidance of the Commodity teams and Corridor Coordinator.

127. Members of local CCIs will be actively encouraged to participate in cluster development processes and MCPs. Over the medium term the local CCIs, in partnership with leaders of the producer groups in the cluster, are expected to increasingly take on responsibility for facilitating the ongoing cluster development and MCP processes from the project teams. The parallel capacity building of the local CCIs (by AEC under Sub-comp 1.2) and of the producers groups (by the economic mobilization team under Comp 3) will be important complementary activities that lay the foundation for this gradual handover and sustaining the ongoing development of the clusters by the primary actors in the cluster themselves.

128. Policy and advocacy at palika, province and central levels in support of specific supply chains will be coordinated by the responsible supply chain teams with support of AEC and the partner CCIs.

1.2) RMSEs Development

129. **Objective:** To support the establishment and expansion of competitive and profitable RMSEs through provision of improved BDS and other support including business enabling environment from vibrant CCIs in their local area.

130. The sub-component will now focus on two areas:

1.2.1) Core capacity building of 30 CCIs, including 28 local CCI and 2 Provincial Federations, so that they are increasingly able to play an active role in leading the development of their local economy, and

1.2.2) Piloting sustainable business development services linked to CCIs, initially with one service business per province with a network of branches and agents in local CCIs. The service businesses should provide BDS to local RMSEs as well as advice to palikas on local economic development. This updates the activities on Enterprise Service Centres in the original design to respond to limitations in the ESC model identified via the PMO's insightful self-initiated study visit and review of similar past experiences in Nepal (especially the GIZ INCLUDE project initiated one stop shops).

131. In addition, the Component, will support Policy Dialogue and Advocacy for creating a Business Enabling Environment at Local, Provincial and Federal level in support of the market development initiatives under the project. This will be facilitated via the supported CCIs as well as by AEC and RERP directly.

1.2.1 Core capacity building of CCIs

132. The local and provincial CCIs have important roles to play in sustaining future development and competitiveness of the supply chains and clusters in their area, based on the successful experience of HVAP. Specifically, the CCIs together with leaders and representatives of producer groups in the cluster begin to take over the facilitation and management of the MCP processes, once momentum is built in the local cluster's development (typically after 2-3 years).

133. CCIs in the project area currently have varying levels of capacity and activity. The Sub-component will provide tailored capacity building support to approximately 28 local CCIs in the project areas as well as the two newly formed provincial CCIs.

134. The capacity building approach will draw on the experience and tools used in HVAP, including the use of self-assessment frameworks and senior level coaching and mentoring of CCI staff and leadership.

135. This work requires a high level of professional and relevant capacity building experience and a small, senior team will be recruited by AEC to lead this work. This AEC capacity building team will work closely with the Supply Chain Development team to ensure the capacity building plans and activities with each CCI are closely coordinated with the ongoing cluster development activities and engagement of CCI itself and its member businesses in each area.

1.2.2 Piloting sustainable BDS linked to CCIs

136. The objective is to establish a fully sustainable BDS business under the CCIs in each of Province 1 and 2 (i.e. one service business per province). This is recognized to be a challenging objective, especially in light of similar past experience in Nepal.

137. The approach will be to pilot one or more business models for BDS provision in the two provinces, with a critical focus on establishing financial sustainability of the BDS business. This will require a business-minded approach to revenue generation as well as testing ways for good quality but cost-efficient service delivery – which has proved a major challenge in past experiences.

138. The two BDS businesses are expected to target two main customer segments:

(a) RMSEs requiring advisory and other services to set-up or grow their business, and

(b) Palika and provincial authorities seeking business and market advice on local economic potentials and local economic development strategies and actionable policies.

139. Each BDS business is tentatively expected to be anchored under the new provincial CCI and operate a network of branches and agents linked to local CCIs.

140. Human resources strategies for the BDS businesses will need to be designed specifically to provide a good range of quality advisory services without committing to unsustainably high fixed staff costs. This is likely to require a combination of:

(a) A small number of more senior advisory staff, perhaps based at provincial or corridor level, to deliver specialist services to customers originated via the branch and agent networks;

(b) A well-trained team of business development advisors running the branches and delivering general BDS to customers in their areas;

(c) A roster of external specialist and BDS providers who can provide the demanded services to customers when the BDS businesses' own staff cannot meet demand;

(d) Intelligent use of information tools and databases to maximize the quality and relevance of information and advice provided to customers while minimizing the cost of delivery.

141. Revenue is expected to be generated through a combination of:

(a) Fee based services to customers

(b) Membership fees

(c) Commission from external service providers for referrals– e.g. from banks / MFI for introducing good potential loan clients

(d) Public sector contributions, from palika or provincial government, to ensure a good quality BDS business is operating in their areas given its contribution to local economic development

142. The BDS businesses will need their own coherent, practical business plan. This must include all essential elements, clearly defined milestones, well-considered market development strategies as well as a clear understand of the major risks and how these can be mitigated.

Implementation of Sub-Component 1.2

143. AEC will be fully accountable for delivery of the sub-component's results and targets.

144. The sub-component will be led by the re-defined AEC team, which will now include specialist CCI capacity building staff to work alongside the dedicated BDS business team. The AEC team will have a full team in each of province 1 and 2, led by a Provincial BDS Business Manager (with a strong business background) supported by a Provincial Capacity Building specialist and the team of ESC Coordinators. The AEC team is summarized in para 270(b) below:

145. It is noted that, in addition to the staff involved in the delivery of Comp 1.2, AEC will also provide several business linkage officers (B2B Officer, Supply Chain Supervisors) to work as a fully integrated part of the Supply Chain Development team under Comp 1.1 as well as one KM/M&E officer in each corridor that will work as a full member of the main PM&E team.

1.3) Decent jobs

146. **Objective:** to provide poorer youth with good quality skills relevant to local employment and enterprise opportunities so they are able to secure decent jobs and/or establish their own success ful skills-based RMSE.

147. The sub-component will provide skills training through two mechanisms:

1.3.1 Technical and vocation education and training (TVET) with integrated job placement, to be delivered by private technical training providers, and

1.3.2 Apprenticeships with local businesses. These will now be typically 12-month apprenticeships, in response to the need of the host businesses in providing genuine employable-level skill development.

148. Mobilization of trainees and targeting of training is the responsibility of the local service providers under the supervision of HELVETAS who are ultimately responsible for targeting and performance of the sub-component. This will be supplemented by the core economic mobilization activities of the project in the approximately 100 priority palikas (under Sub-comp 3.1) which will help identify and inform interested potential applicant for the TVET and apprenticeship opportunities.

149. TVET trainees and apprentices from priority palikas will also be offered business skill and financial literacy training (Sub-comp 2.1). The approximately 45% of successful TVET graduates who are expected to start their own RMSE within 2 years of their training, will also be able to access business development services from the BDS business of the CCIs (Sub-comp 1.2) and be eligible to apply for collateral free loans from partner FI secured under the FIRM (Sub-comp 2.1).

150. The numbers of trainees and apprenticeships to be offered and the occupations to be targeted will be informed by the useful Market Opportunity Survey for Implementing Skills and Apprenticeship Training Under SAMRIDDHI Project and associated sector analysis prepared by HELVETAS in preparation for this design update.

<u>Implementation of Sub-Component 1.3</u>

151. The sub-component will be led by HELVETAS who will be accountable for delivery of sub-component results and target. The updated draft Terms of Reference for HELVETAS' role is included in the annex.

152. The PMO will be legally responsible for the procurement, contracting and payment of the external training providers, the procurement and contracting of which will follow government procedures with HELVETAS acting in an advisory role as set-out in their ToRs.

B. Component 2: Productive Investment

153. **The objective** of the component is to substantially increase productive private investment by individuals, households and RMSEs in the economic opportunities promoted under Component 1. This will be enabled by improved accessibility and use of appropriate financial services and more productive use of migrant skills, remittances and investments.

154. There are two sub-components:

2.1) Rural finance – addresses constraints on both the demand-side and supply-side for rural financial services to increase their accessibility and use

2.2) Mobilizing migrant resources and skills – works at policy and operational level to develop sustainable migrant services, especially at local level, and more coordinated action among key stakeholders supporting migrants and remaining migrant families to make more productive use of remittances.

Sub-component 2.1 – Rural finance

155. Rural finance activities will improve use of and access to appropriate financial services by tackling bottlenecks on both the supply-side and demand-side in project areas, closing the gaps between financial institutions and their prospective customers – individuals, households, producer groups and RMSEs.

156. On the demand-side, RERP will focus on two aspects: i) mapping demand for various financial services and ii) improving the quality of demand. In this context, improving the quality of demand means improving the skills and knowledge of prospective financial service customers so that they can make better informed decisions about when and how to use specific financial products. This is especially important in obtaining loans for investment, with the need to present a better case for the planned investment, the likely cash flows, risks, and essential technical aspects required for success. In doing so, prospective customers are likely to be more successful in getting their loan applications approved by the banks, MFI and other FIs. Three activities under RERP contribute to substantially improving the quality of demand for financial services:

(a) Business skills and financial literacy training of individuals (including migrants overseas) and within producer groups (Comp 2.1)

(b) Mentoring of producers via the cluster development processes, including helping them: access essential technical services and inputs; improve and sustain links to buyers for assured market, and; increasingly work together in producer groups with like-minded neighbours to be more reliable players in the supply chain; (Comp 1.1)

(c) Providing technical and vocational skills around which they can build a viable RMSE, being able to demonstrate to others that they have such skills via formal certification (Comp 1.2)

157. On the supply-side, RERP has four main domains of interventions;

(a) Strengthening the capacity, outreach and product range of individual FIs and financial service providers

(b) Building better linkages between wholesale lenders and local retail FSP, to increase availability of loan capital and liquidity in the rural finance sector in project areas

(c) Establishing an effective Financial Instrument for Risk Management, so Class A, B and D FIs can address collateral risks and offer collateral free loans to otherwise credible loan clients or improved wholesale financing to smaller local FSP

(d) Strengthen the supervision and support capacity of new provincial and palika authorities to provide effective oversight and support for local FSPs, especially co-operatives, to ensure their members and clients can use their services in confidence.

Demand-side activities

2.1.1) Financial education and business skills for individuals

158. Through financial and business skills education, families build a large base of financially literate savers, investors, and entrepreneurs. RERP will serve large numbers of individuals in its priority palikas, with a variety of interests and characteristics that influence the scope and level of financial education and business skills most useful to them.

159. RERP must respond to the variety of needs and interests while offering training that is highly relevant to the individual concerned. It must do this while maintaining high quality and cost-efficient training delivery. While all individuals will benefit from a functional financial literacy level, many will also welcome more advanced skills and knowledge relevant to their particular interests and situation. Two main factors which are expected to influence the scope and focus of training of most relevance to an individual are:

(a) Do they, or a member of their households, send or receive remittances? Those managing remittances are likely to need greater knowledge on long-term financial savings and investments products and how best to use them.

(b) Do they expect their main income to be from a paid job or in running their own RMSE or household enterprise? Those hoping to run their own RMSE and/or work as part of producer groups will want more focus on business skills.

160. RERP will therefore adopt a modular approach to financial and business skills educations, based around a standardized set of topic-specific modules.

161. Training needs assessment. The first step in the process is for RERP to complete a gender-sensitive rapid assessment of the financial and business skills needs of the various types of project beneficiaries to be offered such training. This should also include the specific needs of migrant workers overseas. The rapid assessment should also draw on experience from other successful initiatives in this area, including HVAP and SaMI in the domestic context and of Access Advisory in overseas training.

162. Scope and design of modules. Based on the results of the needs assessment, the PMO will develop a financial and business skills education training curriculum and associated modules, TOT materials etc - adapting existing proven financial and business skills education programmes and materials where appropriate. A separate curriculum and modules will be developed for school-based training, and/or adopting already proven school-based financial education training programmes from other organizations, such as UNICEF.

163. Trainee courses are expected to be typically 50-75 hours training duration. This may be delivered in concentrated courses, e.g. fulltime over 1-2 weeks, or spread out over longer periods, e.g. 26 weekly sessions of around 3 hours per week. The scheduling of the training is expected to reflect the preferences of the course participants – with those considering migration or seeking TVET training expected to prefer more concentrated courses while those involved in producer groups in clusters expected to prefer regular weekly evening training over a longer period.

164. Financial and Business Skills Education is a comprehensive package of financial and basic business sills education which will include 3 levels for different target groups depending on their specific needs and interests:

Level 1: Family and Income Management Training
Objective: Goal setting, saving, investing, getting out of debt, and addressing family issues that drain their resources (including migrant remittances). *Particularly for aspiring migrants or migrant families, the goal is* how to achieve migration goals, how much to save monthly to achieve goals, where to invest and get training, how to get out of debt and how to address family issues.

Level 2: Investment and Business Forum
Objective: For those interested in RMSE or supply chain opportunities, focus is on basic business skills for running a household enterprise. Also promotes savings and investment packages, and business opportunities offered by partner financial institutions (cooperatives, banks, and financial NGOs) as well as economic and social services provided by the project and other national and local government and NGO partners.

Level 3: Entrepreneurship/Social Entrepreneurship Training
Objective: Provide hands-on training and mentoring in starting a group business or social enterprise based on identified business and investment opportunities in the province of origin and interests of migrants and families. Include internal decision making, production planning, governance, commercial negotiation and skills to run an effective group enterprise.

165. Training delivery

166. To achieve its target of delivering financial and business skills education training to 210,000 individuals over the next five years, the project will adopt a multi-channel approach to maximize its outreach. The respective outreach targets for the different delivery channels will be regularly reviewed and adjusted, at least annually, with resources prioritized to those that prove most cost-efficient and technically effective.

In priority palikas

(a) Adult training in priority palikas, will primarily adopt two mechanisms:

  (i) Direct training delivery in the community by peer-based Financial and Business Facilitators (FBF) trained by the project. This is expected to account for a large majority of training delivery, covering around 150,000 trainees many of who will also be involved in activities under Comp 1.

  (ii) Via supported co-operatives and other organizations (e.g. MRCs), whose staff are trained through the ToT training and are then able to offer similar training to their members. This is expected to account for around 15,000 trainees, who are members or clients of the +500 co-operatives and other organizations to be supported (see below).

(b) School-based training – covering around 25,000 pupils in the schools in priority palikas. Delivery mechanisms for this will be determined following further consultation and review of experience of similar recent initiatives.

Overseas

(c) The project will seek to establish partnerships with FIs and organizations supporting migrant workers overseas to offer targeted financial education. It is recognized that this can be very challenging, not least due to the limited time that workers have and difficulty in mobilizing them into such training. The target is to provide training to around 20,000 migrant workers overseas. As per similar projects experience, it is expected that 20% of these migrants will save/invest back home - equivalent to 4,000 migrants as target for financial products, such as those linked to the Citizens Investment Trust (see below).

Online

(d) The project will develop and widely promote an online financial and business skills education program to further facilitate the training in remote areas, abroad and at lower cost and more flexibility for when and where the trainees choose to study. The online training classes will have a system of interactive modules that can be used by individuals for self-taught learning and by palikas in the future to provide financial education in their areas. The online training will adopt latest international best practice in the design and functioning of on-line training.

167. For direct training delivered by FBFs:

(a) the selection, training and support to FBFs should be informed by the experiences of HVAP, including that the FBF are selected from a short-list of those nominated by the producer groups and community themselves; and

(b) staff from FIs active in the project area will be invited to attend some of the later training sessions as resource people, to introduce their products and services to the trainees and to discuss their particular needs;

(c) individual FBF's may be able to run multiple courses concurrently, with evening session up to 3 or 4 times per weeks – each with a different class, as well as running daytime courses for those wanting more concentrated training;

(d) a target may be to have around 5 training FBF per priority palika - to ensure delivery of sufficient training during RERP and, importantly, also to ensure a small pool of experienced service providers remain in the palikas that can be paid by the palika authorities, trainees themselves and/or other organization to run similar courses in the future to meet ongoing demand;

(e) FBF's will also play an important role on the projects M&E and data collection, especially in regularly capturing data on the sales and financial performance of the producers and producer groups in supported clusters and supply chains (Sub-comp 1.1).

168. For training delivered overseas:

(a) RERP will focus on 4 migration countries: Malaysia, Qatar, Saudi Arabia and UAE as the countries with higher migration rates in Nepal and assumed profile of migrants in project areas. It is still unclear if it will be possible to work with Nepali migrants in Saudi Arabia, given that there are tighter restrictions to reach them. Online training may provide one alternative mechanism in this context.

(b) An IFAD-funded small grant project implemented by Access Advisory has developed experience with Nepali migrants in South Korea and Malaysia, by channelling their remittances and their family members' savings into rural financial institutions and into a Nepal government investment fund (Citizens' Investment Trust), thereby contributing simultaneously to increased rural economic activity and financial inclusion. This project also has contributed to the use of formal remittance channels by Nepali migrants abroad. RERP shall build on this experience.

169. PMO will develop indicators to measure the impact of financial and business skills education, i.e. increased levels of savings and investments registered by FSPs, reduced over-indebtedness and increased family income.

2.1.2: Mapping financial services demands of migrants workers (market research[7])

170. Mapping consists of profiling overseas migrants and remaining migrant family members that are clients or potential clients of financial institutions. Surveys include spending, savings and investment behavior in order to segment target migrants/family members' needs for financial products and services based on migration pattern.

[7] Mapping under Components 2.1 and 2.2 should be conducted at the same time. However, results in terms of financial needs and migration support needs can be managed by the two PMO teams separately.

171. The second part of the mapping is to establish a map of financial institutions and money transfer organizations and the different financial products and services they offer to migrants and migrant families, including when sending money to local financial institutions in the remittance corridors of four destination countries.

172. The mapping should estimate average remittance amounts, costs, channels, periodicity and destination disaggregated by migration corridor (see Box below).

Box 2: Migration corridors

'Migration corridor' refers to the migration flow and route that involves a country of origin and country of destination (e.g. Malaysia-Nepal migration corridor). The use of migration corridor here is not only at the country level but also at the local level. Hence, a migration corridor refers to the country of destination and palika/province of origin of migrants.

'Migration corridor approach' means that parallel actions are done in the destination countries reaching to the migrants and country/province of origin reaching to their families. It also involves the engagement of various organizations in destination countries and country/province of origin that provide economic and social interventions on both sides of the migration corridor.

The migration corridor approach is an important element to mobilize resources for development because it: links migrants and their resources to investment and business opportunities and in their own provinces of origin; fosters cooperation between the migration stakeholders in destination and origin province/palika in implementing concrete programs; and strengthens simultaneously the decision of both migrants and their families to save, invest, and engage in business.

Supply-side activities

2.1.3. Capacity Building for individual FSPs

173. The project will identify financial service providers (FSP) (cooperatives, banks and MFIs) operating in the project area that are serving or have the potential to serve target families through savings and investment products. It will carry out feasibility study and institutional assessment for each service provider/apex, identify capacities and gaps and existing products and outreach strategies for rural finance. Assessment will identify existing partnerships with money transfer operators (MTO) or remittance service providers (RSP).

174. Capacity building activities include support for selected FSP to develop and adopt institutional policies, processes and products to lower barriers for target individuals and families to access financial services including:

(a) Co-operative strengthening of core operational and governance capacity

(b) New product development, testing and roll-out by individual banks, MFIs and cooperatives

(c) Expanding FI coverage via agent and branchless banking networks

a) Cooperative strengthening

175. RERP aims to strengthen the governance and operation of at least 500 cooperatives providing financial services in project areas. Specific activities for cooperative capacity building include:

(a) Self-assessment workshops for cooperatives

Workshops have the aim to choose among 800 potential cooperatives the 500 that qualify as project partners. A booklet with assessment tool forms will be provided in 40 2-day workshops of 20 cooperatives per session: 20 workshops in year 1 and 20 in year 2. Cost included: venue and accommodation of participants. Travel cost of PMO staff included in Component 3.

(b) Training of Trainers

Capacity building activities in 500 pre-assessed cooperatives will be done by 160 trainers (local facilitators) to be selected in local levels (experience in training and cooperatives will be required). 5-7-day training of trainers will be performed in clusters of palikas, and include different topics: operations, business planning, governance, financial literacy, etc.

Potential service providers: NEFSCUN, Federation of Agriculture Cooperatives, Center for Self-Help Development. 5 trainers per district.

Costs include: venue, accommodation of participants, training facilitator fees.

(c) Training of staff of 500 cooperatives

Among 500 cooperatives selected, as per the review of secondary data, there are three groups: Group 1 (approx. 10%) are technically sound. They need little support from project. These types of cooperatives can be used as resource cooperatives to train the weaker ones through an inter-cooperative mentoring program. Group 2 (approx. 40% of cooperatives) have medium level of technical expertise and Group 3 (50% of the cooperatives) have low level of technical expertise.

The project will provide training sessions for at least 3 members of each cooperative as follows: 4 sessions, one per year for first group of cooperatives; 8 sessions, two per year for 2nd group; and 12 sessions, three per year for 3rd group.

The project will organize the 3-5 day training sessions and following up trainings provided by local facilitators trained.

These activities may be implemented by PMU or sub-contracted to one or more suitably qualified service providers if deemed operationally more appropriate within available budget resources.

Cost includes: venue, accommodation of participants, training facilitator fees.

(d) Inter-cooperative exchange visits

One to two staff of less qualified cooperatives will visit the good-performance cooperatives for periods of 15-30 days.

Cost includes: estimated for 120 staff. Cost of travel, lodging, materials.

(e) Review workshop

The PMO team will perform follow-up and monitoring of capacity-building activities for cooperatives. 2-day workshops each year with 70 cooperative members per workshop will be organized by clusters of palikas.

Cost includes: Venue, food, lodging, material, facilitators.

(f) IT-based MIS development

To improve record keeping and communication, the project will provide a grant of maximum US$1,000 to approx. 300 cooperatives to cover the costs of purchasing a computer, printer, power backup and internet connectivity. This grant will cover 50% of the cost per cooperative. The specific mechanisms for this will be determined by the PMO.

The IFAD supported IFSP-KUBK project is supporting Small Farmers Development Bank (SFDB) to develop software to be used by all cooperatives they are working with. RERP shall seek to use the same software with its cooperatives and coordinate with IFSP and SFDB in its implementation and training to the co-operatives.

Criteria of assigning grant: willingness of recipient cooperative to cover 50% of the total cost, cooperatives that perform manual operations (paper-based cooperatives), and priority will be given to cooperatives that can offer remittance services.

b) Partnering with FIs to expand coverage via agents and branchless banking

176. For Class A, B and D FIs that are committed to expand their service coverage in project areas, the project will consider co-finance activities with interested FIs to expand their networks of Agents and branchless banking points of service (POS). It is expected that these activities may be of particular interest to around 5 Class A banks operating in the project area. This is expected to include:

(a) Development of agents' network: Access to financial services in remote areas can be facilitated by agents of banks. Activities may include technical assistance to assess existing agents of 5 banks and training costs of 200 selected agents in project area.

(b) Branchless banking point of services and tablet-based. Activities may include co-funding of approx. 200 POS and tablets and technical support to branchless banks in remote areas.

177. Activities will be on a cost-sharing basis with the partner FIs, with project contribution of not more than 50%. Criteria for bank selection will be expanded by PMO and will include: sound financial operation, willingness to expand the network of agents in under-served project areas and willingness to co-fund at least 50% of costs.

c) Financial Product Development (Supply Chain or Migrant-related financial products)

178. Where individual banks, MFIs or co-operatives are interested to develop and roll-out new financial products to better serve the demands of supply chain or migrants clients, the project will support them to do so.

179. Driven by confirmed interest from the FI, the project will provide international and/or local technical assistance and training for development, testing and roll-out of specific products for supply-chain clients and remittance- or migrant savings- related products, including but not limited to term-deposits, credit, insurance, no-collateral loans for periodic remittance recipients, departure loan buy-back, etc.

180. FIs will be particularly encouraged to consider developing time deposit products that meet the needs of target migrant/family members and that can leverage the flow of remittances, including extending the remittance flow to the 'last mile', so that remittance senders can deposit directly into their own account in local financial institutions, and remittance receivers gain access to savings and other financial products that MTOs do not provide them.

181. Assistance will also be provided to train, coach and mentor local FSP staff and management, in testing new financial products, fine-tuning pilot products, and rolling out products and services.

182. Support will be provided on a cost-sharing basis with the partner FI to confirm genuine interest and commitment. For Class A, B and D FIs, project contribution is expected to be not more than 50% of product development and testing costs. For co-operatives, product development may cover several co-operatives with a higher share of project contribution allowable. The PMO will develop operational guidelines for this and other activities.

183. Beneficiaries will be banks, MFIs and cooperatives. Criteria for selection to be defined by PMO.

184. Cost may includes: technical assistance for selected FIs and for product development; product launching and staff training; exposure visit to India (or similar) for FIs staff/managers.

d) Expanding opportunities for migrant workers to invest in Citizens Investment Trust (CIT).

185. One IFAD small grant project has recently piloted a savings and investment opportunities program for Nepali migrants and families through Citizens Investment Trust (CIT). It now offers open term-deposit opportunities for migrants in South Korea and Malaysia and remittance recipients to invest in CIT. In line with the goals of the project, CIT is interested in expanding its savings/investment opportunities to Nepali migrants in the Gulf countries, and to expand its products to migrants abroad. Also, in order to improve transparency, it requires improving its MIS in order to provide online information to its clients.

186. RERP will provide specialized technical assistance for CIT to identify further investment instruments to be incorporated in its portfolio, and to incorporate Nepali migrants from Gulf countries as clients, and MIS support.

2.1.4 Better linkages between wholesale lenders and local FSPs

187. The objective is to support approximately 5 wholesale lenders to provide wholesale finance to approximately 5 D-class financial institutions (micro-finance), 15 financial NGOs and 170 cooperatives to increase liquidity for on-lending in project areas.

188. This is inline with the Central Bank's *Deprived Sector Lending Program*, a mandatory provision requiring all A-C class banks to invest a percentage of their total loan portfolio to the deprived sector via D-class banks (MFIs) and cooperatives. Each class of bank is required to invest the following percentage of their total lending portfolio: A class bank 5%, B-class banks 4.5 %, C-class banks 4% These activities should assist class A-C banks to meet their obligations under the programme.

189. The project will work with all categories of financial institutions, but mainly A, B, D as well as co-operative, given the lack of presence of C-category financial institutions in the project area. The project will assess D class banks in order to select 5-7 as project partners. Criteria for assessment for TA will be developed by the PMO. Activities will also strengthen the capacity of cooperatives, (as outlined above) given the assumption that particularly those in more remote areas, lack enough liquidity to meet demand.

190. Wholesale lenders may be able to secure the loans under the wholesale window of the FIRM (see below).

191. Activities are expected to include:

(a) B2B interaction program (financial linkages): This interaction program will create linkages between wholesale lending institutions such as SFDB, RMDC, FMDB, RSDC, NRB, National Cooperatives Banks and Commercial Banks, and cooperatives and MFIs.

Costs involved: 30 training sessions for A and B class banks as wholesale lenders of 160 D-class banks and cooperatives supported by the project.

(b) Training in coordination with bank (50% cost sharing): It is assumed that the wholesale lender bank will be interested in conducting training to their partner and potential partner MFIs/cooperatives in a cost-sharing basis (50%-50%) with the project.

Costs involved: co-financing of 15 training sessions.

(c) Training of financial institutions staff: Training on human resources management, rural agriculture, value chain and remittance-related financing.

Cost includes: 15 training sessions for 20 FIs.

2.1.5 Financial Instrument for Risk Management (FIRM)

192. FIRM is an instrument that will guarantee FIs against loan defaults with the aim to reduce/replace collateral. The FIRM is a US$1.5 million risk-sharing scheme to be made accessible to Class A, B and D financial institutions lending to project-supported family, micro and small enterprises, including project-supported supply chains. The FIRM will operate broadly in line with the approach and modalities outlined in the original PDR and updated below.

193. The introduction of the FIRM will provide the necessary security to the FIs so that they can extend producers and RMSEs loans thus: a) improving financial inclusion of the target groups and access to a wide variety of financial services; b) encouraging the FIs to forge stronger links with the rural sector and increase their capacity to identify and properly assess the credit risks linked to rural businesses; and c) eventually tailoring new financial products and services for the rural communities, including investment and working capital loans, product financing, receivables financing, insurance

etc. In addition, the Wholesale Guarantee window within the FIRM is expected to improve MFIs' and co-operatives access to wholesale funding from Class A-C banks for on-lending. (see 2.1.4)

194. FIRM support should be temporary. Once rural micro-entrepreneurs or smallholders have dully repaid their loans, they should have already developed sufficient positive credit histories to be offered loans on business terms without additional guarantees.

195. **FIRM Administration and Governance.** FIRM is an instrument of the project and will not be a separate legal vehicle. Accordingly, the project will sign a 'FIRM Contract' with each eligible financial institution, which will detail the scheme modalities and procedures. Financial institutions will accept to lend to RERP/SAMRIDDHI-supported enterprises on the basis of this deposit. Funds will be deposited in each participating financial institution holding a FIRM Contract. The PMO will procure the services of a suitably qualified external fund administrator, typically a respected accountancy or audit firm, to administer the FIRM and the FIRM Contracts.

196. The new FIRM will operate under the strategic direction of a FIRM Steering Committee, comprised by the representatives of MOI, Provinces 1 and 2, the PMO, and the FIs partnering with the FIRM. It will offer three types of guarantees: i) portfolio, ii) individual, and iii) wholesale for on-lending. It will adopt simple and cost-efficient operational processes – especially in the claims procedure. It is noted that cumbersome, slow and costly claim processes are often a common factor in the sluggish performance of other guarantee schemes elsewhere.

197. **FIRM Budget.** The FIRM will be capitalized with US$1 million and an additional US$0.5 million if it reaches trigger performance by the third year of its operation. It is expected to leverage between 8 and 10 times its value in loans and be open to registered Class A-C financial institutions. If by the third year FIRM is operating at full capacity with the USD1 million (i.e. 10 times leverage, average NPLs less than 7%), FIRM will be topped-up with a second tranche of USD0.5 million. FIRM administration costs will be paid for from within this budget allocation.

198. **Sustainability.** The financial sustainability of the FIRM will be achieved by accumulated income deriving from: a) fees paid by financial institutions participating in the scheme; and, b) income from investment of the FIRM's proceeds into fully secured financial instruments. Accumulated income would cover the scheme's operating costs and eventually recapitalise the FIRM.

199. For institutional sustainability, FIRM will initially be set-up as a temporary project instrument to operate for the duration of the project. However, the FIRM Steering Committee will review its performance after it has completed 2-3 years of operation, and in close consultation with the Central Bank and other relevant authorities, agreed on any future arrangements for continuing the FIRM after the end of the project.

200. With a stipulated leverage ratio of 5-10 times, it is expected that the US$1.5 million will raise up to USD30 million of loans to the target group during the life of the project, and an ongoing stream of at least USD5 million per year thereafter if it were to be converted into a permanent instrument.

201. **FIRM Guarantees** are currently expected to operate as set-out below. The specific details and terms may be revised from time to time through the regular project supervision processes.

202. **Portfolio guarantees:** approx. 70% of the FIRM will be offered as a portfolio guarantee to selected financial institutions under the following criteria: a) experience in rural financing, b) leverage, c) interest rates, d) rural finance specific products and e) portfolio quality and past performance.

203. Portfolio guarantees will cover 60% of individual loans up to a cap of 7% on the total portfolio guaranteed. Portfolio guarantees will target beneficiaries requesting loans above the collateral free threshold for each partner FI and up to NPR1,500,000 (individually or as a group). Eligible investments will be those in supply chains and clusters supported under Sub-comp 1.1, including producers and down-stream RMSEs, as well as local RMSEs supported via Sub-components 1.2 and 1.3.

204. Financial institutions will be given a quota, to be renegotiated yearly upon performance. Each financial institution will be secured for loans issued under a guarantee until their maturity. If repayment schedules are delayed, the financial institution should inform the FIRM Administrator and the project so as to initiate corrective action. Loans issued under this facility are expected to be of two years maximum maturity, though this may be reviewed by the FIRM's Steering Committee from time to time. The FIRM Administrator will charge the FIs a management fee of approximately 0.7%[8] of the value of every loan issued under FIRM.

205. Claims processes will be streamlined. Loans with repayments delayed for more than 90 days will be considered non-performing and the financial institution will be entitled to claim repayment from the FIRM. The claim should be made within 30 days starting from the date a loan has been declared non-performing and provided the financial institution has started litigation against the client. Within 5 days the FIRM Administrator and the project have the right to assess if the loan was eligible, due diligence performed and relevant fees were paid. If the financial institution does not receive an objection within 5 days, it is entitled to be repaid from funds in the FIRM account opened under the FIRM Contract.

206. Importantly, the existence and use of the guarantee should never be revealed to the borrowers to avoid decrease in repayment performance. This will be considered a breach of the guarantee conditions and invalidate the guarantee.

207. **Individual or wholesale guarantees.** The remaining 30% of the FIRM will be offered as individual or wholesale guarantees.

208. Individual guarantees will be offered for longer-term investments (5 to 10 years) of larger size and will be decided by a Committee comprising members of Steering, the project and the issuing financial institution. It will be issued for loans for investments on rural infrastructure or other strategic investments. The guarantee fees to be charged will be 1% in this case. The coverage will be for 60% and the cap of 7% limit on the overall guaranteed portfolio will remain. The claim procedure will be similar as with the portfolio guarantees.

209. Wholesale guarantees will be offered for banks to lend to other financial institutions for on-lending (see 2.1.4). As with the individual guarantees, wholesale guarantees will also be decided by the Committee, the fees will be 1% and the coverage 60% with a 7% cap.

2.1.6 Strengthen the supervision and support capacity of new provincial and palika authorities

210. In order to promote sustainability of financial inclusion activities, the project will provide training to the Palika staff in order to equip them with tools to continue supporting access and use of financial services to target families. Initial areas of need identified, and to be confirmed once the Palika structures are in operation are: planning, M&E, cooperative regulation and supervision, training of trainers on financial education. RERP will provide similar capacity building support to the corresponding authorities in Provinces 1 and 2 who are mandated to provide support to Palikas in these areas or have complementary roles in the development of the local financial sector.

211. Cost involved: As part of capacity building, the project will fund training activities to staff of at least 100 Palika and 2 Provinces and cover costs of travel for Palika/Province staff to participate on specific project activities.

[8] Final percentage fee to be agreed following analysis of operating costs of FIRM, including in consultation with the FIRM Administrator

Sub-component 2.2 - Mobilising migrant resources and skills

212. **Objective:** To develop sustainable and effective migrant services, especially at local level, and support the further improvement of the strategy and policies to maximize the benefits of migration to the Nepali economy and migrant families themselves. Major activities in each of these areas are expected to include:

213. **Strategy, policy and coordination** to create an enabling environment for more productive use of migration and remittances by migrant households and delivery of improved migrant services:

(a) Develop evidenced-based strategies and action plans for supporting better migration and migrant services, working towards greater harmonization between government authorities, RERP and other key stakeholders. This process begins with a mapping of migrant family needs/demand and supply of migration and remittances/savings support activities and related public policies. Actions plans are developed based on mapping assessment.

(b) Migrant and Development Platform establishment at local, provincial and federal levels – to support coordination among key stakeholders and operationalization of joint strategic priorities and action plans and policy advocacy with relevant national level authorities and agencies on key issues, for example on improved pre-departure financial literacy training

214. **Improve capacity and delivery of local migrant services providers** in project areas and associated tools and information platforms

(a) Migrant Resources Centre (MRC) / Migrant Information Desk (MID) establishment & strengthening in selected project areas

(b) Palika Information Centres/Desks strengthening/establishment

(c) Creating communication platforms and supporting information databases, in partnership with IOM & SaMI

(d) Piloting delivery models for improved “early stage” pre-departure training at local level, even before potential migrants have made their decisions to migrate and to which countries

215. Several of the activities above are likely to be implemented in partnership with one or both of IOM and SAMI. In the case of MRCs/MIDs, RERP will coordinate with SAMI and support the development of MRC in locations where SAMI is not also supporting MRC development.

216. The budget resources for the sub-component will be managed in a flexible manner, consistent with the idea of the sub-component acting as a Capacity Enhancement and Policy Development Facility in support of better migration and migrant services. It should therefore have a broad mandate to work across the two domains above relevant to migration and migrant services. The initial priority activities are summarized below, but RERP should have the flexibility to address additional issues and opportunities relevant to the objectives of RERP as they emerge during project implementation, reassigning resources and priorities as necessary through the regular supervision and planning processes.

217. In addition to the external-facing activities, the sub-component will also include RERP staff capacity building on migration and remittances, such as training, exposure visits and workshops.

218. Activities in these two areas are described below.

Strategy, policy and coordination

2.2.1 Evidence-based strategies

219. PMO will support Palikas and Provinces 1 and 2 to establish relevant migration policies and supporting action plans. These will be based on a thorough assessment of migration patterns in project areas and 4 countries: migration issues and challenges, government level initiatives, existing

programs by the government and NGOs operational in project areas, and pattern of migration (passports issued in each office, etc), local migration situation and stakeholder analysis. In particular, this assessment will consider:

(a) In the 4 countries of migrant destination selected (Malaysia, Qatar, UAE and Saudi Arabia), identify the migration corridor in the 2 provinces. Identify if there are outlets to promote specific financial education activities for migrant workers in Saudi Arabia or consider replacing with another country.

(b) Understanding living and working conditions of migrants (to understand factors that hinder/facilitate their capacity to participate in training activities, save, invest, and engage in business)

(c) Mapping the organization and social network (to identify individuals and organizations who can be champions and advocacy partners in promoting financial education, saving, investing, and entrepreneurship)

(d) Identify potential philanthropic activities in place by Nepali diaspora groups in the 4 countries, and willingness to engage in strategic giving, like donating for a cause that can have sustainable impact in their provinces of origin.

220. Mapping under Components 2.1 and 2.2 should be conducted at the same time. However, results in terms of financial needs and migration support needs can be managed by the two PMO teams separately.

221. Building on the evidence collected, the program will conduct a series of policy and strategy dialogue events with various stakeholders, including relevant palika and provincial authorities. This will conclude with a validation workshop with migration stakeholders, supported by a migration and development expert to establish a strategy for the project to follow.

222. Costs involved: technical assistance to conduct surveys in the 16 districts and 4 destination countries.

2.2.3. Platform for Migration Development (PMD) & Policy Advocacy

223. Multi-stakeholder partnership on migration and development is a collaboration among migrant organizations, migrant families' association, government institutions, NGOs, financial institutions and private sector that pushes for joint undertakings to mobilize resources for development. Multi-stakeholder partnerships mobilize and share knowledge, expertise, technology, and financial resources to support the achievement of defined sustainable development goals. Multi-stakeholder partnerships work in various levels, at the province level, sub-national level, national level and transnational level. Transnational multi-stakeholder partnership involves partnership of stakeholders in destination and origin countries.

224. Forging multi-stakeholder partnerships is necessary in mobilizing resources for agricultural and rural development because:

(a) Migration is a cross-cutting issue and involves various stakeholder from the government, civil society, migrant associations and private sector in destination and origin countries. Programs and activities that seek to tap migrant resources will be effective when various stakeholders, both in destination countries and provinces of origin, pool their technical, financial and human resources to address the challenges and opportunities brought by migration.

(b) The mobilization of migrant resources needs an enabling environment that is conducive to saving, investments, and entrepreneurship. That can only be fostered through multi-stakeholder partnerships involving the government, FSPs, NGOs, social enterprises, schools, and other private sector organizations.

225. The project will support Platforms on Migration and Development (PMD) at palika cluster (district), province and federal levels. Through these PMDs, it is expected that migration policies will integrate with local economic development priorities. It is expected that Migration Resource and Information Centres can provide support activities for prospective and repeat migrants, returnees and their families.

226. Costs involved: PMO meetings and wrap up policy recommendation documents at federal level (1 per year), province level (4 per year), and palika level (by clusters of palikas, 32 per year).

Improve capacity and delivery of local migrant services providers

2.2.3 Establish MRCs and operation support

227. Pre-departure phase of migration is the most important, yet the least considered one. During pre-departure, aspiring and repeat migrants can:

(a) be guided to get proper information about job opportunities overseas, and acquire additional skills, thus guaranteeing better payment;

(b) avoid getting scammed by overseas company agents

(c) avoid getting into large debt to finance their migration costs

(d) understand the risks of migration, particularly for low-paying jobs

(e) and maybe even change their mind about migration and look into skills training and income-generation opportunities offered by the project.

228. As a pilot, the project will support the creation of 4 Migration Resource Centers (MRCs) – 2 in each province – in order to provide: access to IOM-created database (see below), information of alternatives to foreign employment (fed by Components 1 and 3 of this project), legal support pre, during and post migration, and financial advise and access to financial education through activities planned in Sub-component 2.1.

229. Training and capacity building is planned for approx. 2 staff per MRC staff (a migration counsellor and an information officer). This will cover information services and other services to be offered. It will also cover paralegal training and training on case handling and referral. MRC staff training will be coordinated with similar training of PIC and RERP staff.

230. Costs involved: purchase of support tools and equipment for 4 MRC (Computer, Printer/Photocopy, TV/Projector, Power Backup, Furnitures & utilities etc), and their operational and management costs.

231. IOM funded activities: foreign employment database and initial year of operation.

<u>2.2.4 Palika Information Centres/Desks strengthening/establishment</u>

232. In addition to 4 MRCs, the project will support the creation of and capacity building within Information Centres/Desks in 10 palikas. The goal is to install capacity within palikas to provide migration-related information and support.

233. At the end of the project period, it is expected that Palikas have acquired capacity to provide support to aspiring migrants, migrant families and returnees and fund specific activities on their behalf.

234. Activities with the PICs include:

(a) Training and capacity building of staff of Palika Information Centre (PIC) (approx. 1-2 staff per PIC)

(b) Paralegal training for MRC /PIC Staff

(c) Training on Case handling and referral for MRC /PIC Staff

235. In addition, capacity building and service delivery support more generally to palikas will also include:

(a) Police orientation programme against cheating (1 event per year)

(b) Facilitate & support for legal case (court and legal action) including rescue operation in partnership with concerned stakeholders (PNCC, People's forum)

(c) Facilitate and Support in formation/strengthening /Mobilisation of Returnee Volunteer/Association for Pre & post Migration activities including Reintegration & Counselling

(d) Support activities to strengthen Information Centers in former SaMi districts

236. Costs include: technical assistance support to develop capacity within palikas to handle counselling cases for returnees, cases of abuse pre-departure or during migration for migrants and families. TA will be complemented with training for facilitator to be selected among migrant returnees, palika/province staff as well as partner organizations. Training activities, TA by specialized partners, venues, travel and accommodation.

2.2.5 Creating communication platforms and supporting information databases, in partnership with IOM

237. The PMO will get technical assistance support to develop a communications strategy on migration for the project beneficiaries.

238. IOM will finance the creation of a migration dedicated radio program at fixed time-slots during which the most recent trends on wages, qualification requests, migration related issues are covered, with testimonials from returnees or migrants.

239. IOM will also lead the development of a web-supported database, active within the DoFE, accessible to all aspiring migrants and stakeholders, where the most up-to-date information about job availability, country of destination, proposed wages, employers details, list of reliable recruitment agencies, all-in costs are reported. The database will be a central tool for MRC, PIC and other service providers to provide reliable, up-to-date and relevant information to prospective migrants.

240. RERP, in collaboration with IOM and others will also lead or support activities in respect of Migration/Pre-departure orientation promo materials: Initial development, roll-out and subsequent review, upgrading and maintenance of Radio Programme (IOM-led), IEC materials, Video, Mobile Apps, Website etc.

241. IOM funded activities: radio program design and operation during the first year. The project will finance additional years of operation.

2.2.6 'Early stage' pre-departure orientation training for migrants @ MRC, PIC, Palika level

242. The project will further promote the need for aspiring migrants to acquire tools to make the best out of their migration experience in terms of labor rights, money management (income and savings), skills acquired, safety, self-protection, mental health, and safe return. Ideally the project can influence the quality of DoFE-required pre-departure orientation training for migrants and provide it at the local levels, even before migrants have made their decision about enrolling in foreign employment. Specific information for migrants or prospective migrants will be available at MRCs and PIC.

243. In support of this, RERP will pilot delivery models for improved "early stage" pre-departure training at local level, even before potential migrants have made their decisions to migrate and to which countries. The project will gather good data on the costs, effectiveness and impacts of these 'early stage' pre-departure trainings and benchmark them against other current pre-departure training models. These data will be used to assess the cost and benefits of different models to pre-departure training and feed into the policy dialogues at local, provincial and federal levels via the PMDs.

244. Financial and business skills education if provided as part of the pre-departure training will use the training modules and approaches developed under 2.1 and the Financial and Business Facilitators (FBF) trained under 2.1 will be used to deliver such training.

245. Costs include: training and promotion activities at palika level.

C. Component 3: Mobilization and Inclusion

246. **Objective**: to deliver a high degree of inclusion and effective mobilization of target individuals into the economic pathways promoted in the project (Comp 1) and to support communities and high-risk households to address the most common social risks which may undermine their ability to secure the hard-earned economic benefits for their households.

247. This is a newly created component to give focus to its objectives which are central to overall project performance. The component has two complementary but distinct work streams, reflecting the different skills and focus required on economic and social issues.

3.1) Economic mobilization and mentoring of individuals and groups

3.2) Social mentoring of households and groups to address common social risks using the household (HH) methodology. Mentoring will be provided at individual household level for 30-40% of high-risk households and on a group-basis for larger numbers of individuals involved in Comp 1.

248. Teams under the component will be the main face of the project in palikas working directly with beneficiary households, groups and overseeing the teams of peer mentors.

3.1 Economic mobilization

249. Economic mobilization has three main objectives:

(a) Deliver an integrated process of mobilization of project beneficiaries in priority palikas into one of the three economic pathways promoted under Component 1, namely: 1.1) as producers/RMSEs in supply chain cluster, 1.2) as RMSEs serving local demand, 1.3) Decent jobs using skills acquired through TVET or apprenticeships;

(b) Provide ongoing mentoring of producers and producer groups within the supported supply chain clusters so that they can make successful investments and become reliable supply chain partners for buyers and customers;

(c) Facilitate the strong alignment and coordination of all activities in the priority palikas into a coherent ‘one project’ engagement.

250. For mobilization of individuals into the economic pathways under Component 1, the project will recruit and train its own team of Economic Development Facilitators (EDFs). These women and men will preferably be selected from within or near to the communities in which they will work. They will work in small teams of 2-3 EDFs with each team covering 3-4 palikas.

251. The EDF teams will also be the main mechanism through which the financial and business skills education is delivered, via a cascade system using a network of Financial and Business Facilitators (FBFs) selected from a short-list of those nominated by the producer groups and community themselves. EDF’s role in this is to provide regular backstopping and supervision of the FBFs and also to facilitate the participation of staff from relevant FIs to attend selected sessions of the financial and business skills training to introduce their products and services and listen to the particular needs of their prospective clients.

252. While the financial and business skills training is likely to be completed by most beneficiaries in their first year of engagement with the project, the mentoring of individuals and producers groups is likely to be sustained over at least three years.

253. Specifically, for;

(a) Comp 1.1 (Supply Chains), RERP will be free to work with existing producer groups and organizations, and mobilize new producer groups focusing on the particular product. As a general guide, based on past experience from HVAP, existing groups should only be used as the entry point if a majority of their members want to join the specific commodity cluster concerned. If not, new producer groups should be mobilized.

(b) Comp 1.2 (local RMSEs), the EDF teams will coordinate closely with the CCIs and the associated BDS businesses (Comp. 1.2) to ensure existing RMSEs or aspiring entrepreneurs in priority palikas are fully aware of and able to access the business development support and services being offered via the CCIs.

(c) Comp 1.3 (Decent Jobs), EDF's will play a supporting role in mobilization of interested individuals to apply for the TVET and apprenticeships being offered. Final selection of trainees and apprentices will be by the respective TVET training providers and businesses offering the apprenticeships in line with the criteria and processes for this under Comp 1.3.

3.2) Social mentoring

254. **Objective:** To support individuals, households and communities to mitigate common social risks that may undermine their ability to achieve their own socio-economic aspirations.

255. Prospective project beneficiaries may face a number of critical barriers limiting their potential for sustained socio-economic development, such as:

(a) Limited access to land and limited tenure security, especially among male and female youth and women;

(b) Potential increase of household tensions and gender inequality with increased income flows in households, especially relating to the management of additional income from remittances[9];

(c) Overestimate of migration benefits and underestimate of costs, risks and of the importance of setting goals before engaging in migration;

(d) Negative social norms, attitude and behaviours in the local communities and households, for example in attitudes to wives remaining in migrant households while their husbands are overseas working;

(e) Limited interest in youth to engage in agricultural production, as it is associated with poverty;

256. Social Mentoring support will be offered to project beneficiaries to address these risks and barriers and ensure that households are able to maximize their socio-economic potential. Mentoring activities will be delivered first in target communities to obtain wider community buy-in, and then to beneficiaries in project-associated groups and with one-to-one mentoring of high-risk households. Social Mentoring will be integrated in a larger mentoring package, which will include financial and business skills education building and producer group mentoring (See 2.1 and 3.1).

257. High-risk households in project areas are considered to be migrant households, especially in the Terai (plain) areas, where the husband is overseas and the wife is living in their own household or with relatives of her husband. These will be a priority for social mentoring support.

[9] The use of GALS enables households to assess aspects of gender inequality that can limit women´s self development, hinder household and community overall wellbeing and limit household socio-economic progression and enable households and groups to identify suitable measures to address them.

258. Social Mentoring activities as designed for RERP based on evidence-based approaches, especially the Gender Action Learning System (GALS) – for the development of joint household visions and corresponding plans; discussing opportunities to assist youth in effectively engaging in the local (rural) economy (access to land, mentorship, etc.); assessment of risks, barriers and emerging opportunities[10].

259. The issues to be included in the Social Mentoring intervention will need to be re-confirmed at the start of the roll-out, through the initial interventions in the first priority locations for social mentoring. It is expected that the following elements be considered:

(a) Development of a household vision

(b) Household planning: use of resources and opportunities available, including remittances

(c) Identifying and addressing common barriers for household progress (including common areas of gender inequality; youth´s and women´s active and sustainable engagement in profitable livelihood strategies and the importance of accessing land and securing tenure)

(d) Balancing the costs and the benefits of migration and aligning migration and financial goals at household and individual levels

(e) Provision of basic information to prevent malnutrition

260. Social Mentoring activities will be implemented by trained members of the beneficiary groups supported in the context of RERP. Social Mentors will work with their peer beneficiaries over a period of about 8 months in groups and between 12-18 months at household level.

261. Once a critical number of changes have been made and sustained by households, participants “graduate” and become resources to other members of the project supported groups, their relatives, neighbours and wider communities.

262. Social mentoring will be offered in all priority palikas but with greater resources concentrated on those communities with higher concentrations of high-risk households. The higher risk communities are also expected to be the first communities in which the social mentoring activities are implemented and will then, once they graduate from the process, act as resources to support other communities.

263. Group-based social mentoring is expected to be mostly targeted towards households and individuals engaged in producer groups linked to Comp 1.1, approximately 60,000 individuals. One-to-one household level mentoring is expected to target 30-40% of the high-risk households within these groups. For planning purposes, around 60% of these individuals are expected to be from migrant households and that around 50% of migrant households are high-risk. This implies that one-to-one household mentoring will be provided to approx. 7000 high-risk households[11].

264. This level of targeting of high-risk households is intended to result in a critical mass of such households adopting positive changes in each community, which then catalyses interest from neighbours and friends to follow with the those who have already ‘graduated’ being able to support and counsel them in the process.

265. For planning purposes, it is estimated that each Social Mentor will be responsible for mentoring eight high-risk households as well as leading social mentoring activities with several groups in their community. Social Mentors will be paid and will receive technical support and oversight from trained Supervisors contracted to the PMO, with one supervisor per 10 Social Mentors.

266. Social mentoring and the GALS approach are highly effective but specialist approaches not yet widely used in Nepal. As such RERP will seek to establish a partnership with OXFAM to provide the necessary technical assistance and implementation support to the Social Mentoring activities based

[10] IFAD, October, 2014. Case Study: Gender Action Learning System in Ghana, Nigeria, Rwanda, Sierra Leone and Uganda. Gender, Targeting and Social Inclusion.
[11] 60,000 individuals x 60% from migrant households x 50% high-risk x 40% provided one-to-one mentoring

on the GALS approach and experience in other countries. OXFAM have been IFAD's principal partner in developing and implementing the GALS approaches in several countries over the last decade. OXFAM will also be a partner to RERP's sister project in Province 6, Agriculture Sector Development Project (ASDP), which will also be introducing GALS. RERP and ASDP will be the first projects to introduces GALS to Nepal on a large scale.

V. Implementation

A. Organizational framework

267. The organization framework of the project will remain the same, with the following minor adjustment.

268. Governance and leadership:

(a) MOI (or its successor) will continue to have primary responsibility for project delivery.

(b) a new Project Coordination and Monitoring Committee (PCMC) will be established to assist MOI and the Project Steering Committee to provide more regular monitoring and coordination support to the project among the key stakeholders, chaired by Joint Secretary, Planning and Policy Analysis Division of MOI.

269. PMO

(a) Senior Management Team to be established as outlined below.

(b) Operational teams will be distributed along corridors and into local clusters via multi-tier project structure and physically based in PMO / corridor / hub & satellite offices on the principle that all staff should be based as close as possible to the locations they are responsible for. Initial distribution of staff by offices are shown in **Error! Reference source not found.** and **Error! Reference source not found.** (see Annex). This will be reviewed and adjusted as necessary from time to time.

(c) Corridor Management Offices will be established in each of the two main corridors. The two corridor offices will be the main operational offices of the project and each will be led by a Corridor Coordinator who is also a full member of the SMT at the PMO level.

(d) Staff from the three implementing partners will be fully aligned at the various different levels (central PMO/corridor/hub etc) as appropriate to their individual roles.

(e) In due course, once the permanent Provincial capitals have been confirmed, PMO main office may be relocated to one of the Provincial capitals to improve alignment and coordination with new government structures.

270. Implementing Partners (see Annex for updated ToR/MoU with partners)

(a) HELVETAS

HELVETAS will have the same overall role as before and will retain overall accountability for the results in Sub-component 1.3. The Terms of Reference and budgets have been revised and revalidated and are included in the Annex.

(b) AEC

AEC will have an expanded scope of role to cover four areas:

Sub-comp 1.2: RMSE Development

- Core capacity building of 28 CCI and 2 Provincial Federations
- BDS business model piloting linked to CCIs – one service business per province with branch network and agents in CCIs

Sub-comp 1.1: Supply Chain Development

- Business-2-business officers integrated in supply chain development teams
- Policy and advocacy at Province/Central level in support of specific supply chains

AEC will retain overall accountability for the results under Sub-comp 1.2 and ensure that their staff assigned to Supply chain teams work as a fully integrated part of those teams.

AEC team composition and budgets will be adjusted to reflect this new role. All staff financed 50% or more by the project will be based in the project area assigned to the most relevant office. The Initial AEC team composition is expected to include:

Overall management
- AEC Manager (PMO-based)
- Account officer (KTM-based, 50% part time)

Province 1 Team
- Provincial Manager - BDS and CCI Development x1 (attached to Provincial CCI)
- CCI Capacity Development Specialist x1 (attached to Provincial CCI)
- ESC Coordinators x 4 (attached to selected municipality/district CCI)

Province 2 Team
- Provincial Manager - BDS and CCI Development x1 (attached to Provincial CCI)
- CCI Capacity Development Specialist x1 (attached to Provincial CCI)
- ESC Coordinators x 4 (attached to selected municipality/district CCI)

Embedded in Supply chain Team
- Business 2 Business Officers x2 (1 per corridor office)
- Supply Chain Supervisors x8

KM & M&E staff
- KM & M&E Officers x2 (1 per corridor office) – integrated into main RERP PM&E team

(c) Social Mentoring / GALS technical assistance partner

RERP should seek to establish a new partnership with OXFAM to provide technical assistance and implementation support to the social mentoring and GALS-based activities in the project.

The scope, implementation arrangements, costs and funding for this technical assistance will be determined in discussion between PMO and OXFAM with the assistance of IFAD who have a long standing technical co-operation with OXFAM on the development of the GALS and social mentoring approaches.

B. RERP and federalism

271. The transition to federalism provides the dominant context for future implementation arrangements for RERP. The national budgeting process for FY18/19 is further accelerating the decentralization of government budgets including, potentially, ODA projects such as RERP. As such, RERP must accelerate its own transition of its implementation arrangements to better align with the wider changes taking place, even faster than envisaged before. The updated design includes several specific refinements to the implementation arrangement to facilitate a successful accelerated transition. The implementation of the new federalism is expect to mature over the next 2 years and more. RERP will therefore need to continually monitor the evolving situation and adapt if necessary to facilitate harmonization and support to evolving new government structures.

272. There are already multiple opportunities emerging for RERP not only to adapt to but to positively support the successful transition to the new federal system. In particular, this involves building capacity in and around the new palika and provincial levels that has been introduced into various aspects of the project as described here:

(a) Palika-level

   (i) Economic opportunity mapping support to palika authorities, including as a service from the BDS Business linked to CCIs (Sub-comp 1.2)

   (ii) Cluster development of specific supply chains with comparative advantage covering one or more palikas in an area. Palika authorities will be encouraged to participate in this via MCP / supply chain development activities

   (iii) Supervision of cooperatives – specific capacity building to relevant teams in palika to perform their mandated roles (Sub-comp 2.1)

   (iv) Migration services – MRC's and Palika Information Desk development (Sub-comp 2.2)

   (v) Migration policy and coordination – support development of palika policies on migration and establish local multi-stakeholder Platforms for Migration and Development for cluster of palikas (and also at province land federal level)

   (vi) Establishing palika-based service providers for business skills and financial education training and social mentoring (Sub-comp 2.1 and 3.2)

   (vii) Economic Dev. Facilitators and Social Mentor Supervisors responsible for specific Palika to ensure closer coordination with local authorities and other stakeholders in the palika (Comp 3)

(b) Provincial-level (primarily in Province 1 and 2)

   (i) Capacity building support to new Provincial Federation of CCI

   (ii) Piloting ESC/BDS business under Provincial Federation of CCI

   (iii) Migration - establish multi-stakeholder Platforms for Migration and Development at province level (also in clusters and at federal level)

273. The above list of activities already included in the design update is just the starting point based on currently identified opportunities. As the new teams and leadership at province and palika level become established, further dialogue will be possible and it is fully expected that additional opportunities will be identified to support the successful operationalization of federalism.

274. In addition, in preparation for further decentralization of RER project delivery itself to state level, the design update has strengthened the role and structure of the Corridor Offices and associated Corridor Management Teams. In due course, these may provide the platform for further decentralization of significant parts of RERP to the state level without major disruption to activities. Under such a scenario, the Corridor Offices could be further upgraded to state-level PMOs with the federal PMO reduced in size and focused on overall project leadership, supervision and delivery of specific elements of RERP that cannot easily be decentralized – as they either operate at the federal level or cover multiple states with a single integrated instrument (e.g. the FIRM, Samridhhi Fund). The annual Joint Supervision Mission will provide a regular opportunity to review and agree the timing and approach to any further decentralization as appropriate at the time.

C. Staffing and PMO structure

275. The revised project staffing and PMO structure are shown in Figure 1 below. These include staff of all three current implementing partners. Draft Terms of Reference for these positions were circulated during the 2017 Joint Supervision Mission and remain the basis for developing final ToR for the various roles.

276. The PMO will be led by the Project Manager supported by a Senior Management Team (SMT). The SMT will support the Project Manager in the overall coordination and delivery of the project and be jointly accountable for its overall performance in addition to their technical areas of responsibility.

The SMT will have prime responsibility for ensure the full coordination and alignment between the various components and sub-components so that the project is genuinely implemented as 'one project' not a series of loosely related silos.

277. To strengthen the effectiveness of the SMT in driving project delivery, the SMT will be provided with structured programme of coaching by an experienced and respected performance councillor/coach for the next 12-18 months. This SMT coaching is not technical or institutional but focusing on establishing high performance internal dynamics and cohesive team dynamics within the SMT.

278. The Senior Management Team will be chaired by the Project Manager and comprise:

(a) Project Manager (Chair)

(b) Corridor Coordinators x2

(c) Planning, M&E Coordinator

(d) Component 1 Coordinator (also acts as Supply Chain Team Leader)

(e) RMSE Development Coordinator (AEC Team Leader)

(f) Decent Jobs Coordinator (HELVETAS M&E Manager)

(g) Rural Finance Coordinator

(h) Migration Coordinator

(i) Economic Inclusion Coordinator

(j) Chief Accountant

279. The KM Specialist will regularly attend the SMT and CMT meetings to capture and report key knowledge and lessons relevant to the project.

280. The Job Descriptions and Job Titles of the existing staff of the PMO will be updated to reflect the updated roles in the project as required.

281. <u>Corridor Management Offices</u>

(a) The two corridor offices will be the main operational offices of the project and each will be led by a Corridor Coordinator who is also a full member of the SMT at the PMO level.

(b) The principal roles of the corridor office are to:

(i) coordinate and ensure effectively delivery of all project-related activities in their respective corridor, with an important focus on ensuring close coordination between different sub-components in the planning and delivery of activities at field level. i.e. that RERP is delivered as "one project" at the field level.

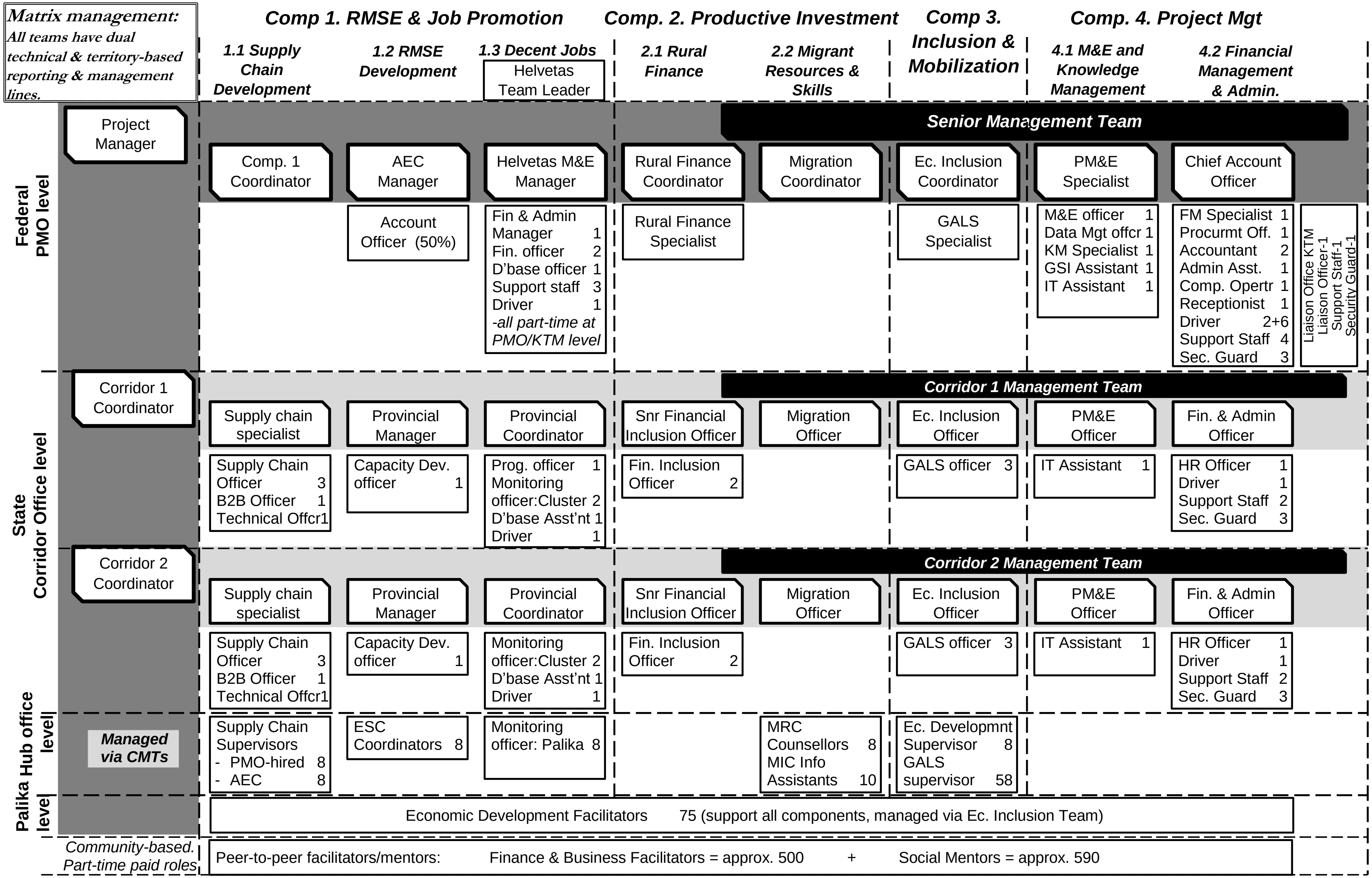
(ii) Identify, establish and manage relevant local external relationships with key stakeholders in the respective provinces and palikas to enable the smooth operation of the project (including with government, private sector and civil society stakeholders)

(c) All project-related staff working in corridors will work within a matrix management structure, with dual reporting lines – to the corridor-level and through the technical line up to the relevant technical lead at the PMO (e.g. sub-component co-ordinator).

(d) A Corridor Management Team will be established in each corridor to support the Corridor Coordinator to coordinate and supervise all project related activities in the local area.

(e) The technical leads in the PMO will retain overall accountability for ensuring technical quality of delivery of activities and relevant technical backstopping and supervision of activities in corridors in their technical areas. The CMT roles is to support and facilitate this process and to provide additional follow-up and coaching to field teams.

Figure 1: PMO Structure and Staffing



D. Planning and M&E

282. Resource allocation between major project activities will be continuously monitored against actual performance, impacts and cost effectiveness. RERP will adopt a performance-based resources allocation approach. Consequently, from 2019 onwards, resource allocation between and within components will increasingly be based on the performance of the specific elements of the project and how will they are contributing to the project development objectives and targets. Given the finite project resources and large targets, two key measures will be the cost effectiveness (ultimately measured in terms of impact per unit cost) and targeting effectiveness of the different activities.

283. As part of this regular resource planning and results management processes of the project, the level of budget allocation and associated targets for the each of major activities of the project will be routinely reviewed. Performance of major activities will be reviewed against their delivery on key milestones and expected likelihood of achieving their specific impact and outcome targets compared to the unit cost of those results. As the project is implemented, major activities which out-perform their results targets in terms of impacts, value for money and targeting effectiveness will be prioritized for increased resources to scale-up those activities to their maximum potential. Similarly, major activities that under-perform may be reorganized and budget allocation adjusted or reduced accordingly. This will primarily occur through the annual Joint Supervision and AWPB processes.

E. Financial management, procurement

284. Financial management and procurement arrangements remain unchanged. However, it is expected that the project will now initially operate from one cost centre only based at the PMO. The number of cost centre may be reviewed from time to time given the operational requirements of the project.

VI. Costs and financing

285. Project costs and financing remain unchanged, with minor adjustments to the expected level of beneficiary contributions in some activities. Revised cost tables have been prepared and summarized in the table below with full details in the Excel tables attached to this document.

286. Approved project financing from IFAD and GON under the Financing Agreement remains unchanged and is equivalent to US$48.63 million at current exchange rates[12] including:

(a) IFAD Loan of SDR 15,500,000 (equivalent to US$22.4 million)

(b) IFAD Grant of SDR 11,950,000 (equivalent to US$17.3 million)

(c) GON contributions of approx. US$9 million

287. In addition, the Financing Agreement envisages:

(a) Beneficiary contributions of approx. US$6.6 million

(b) Private sector contributions of approx. US$13.7 million

288. In addition, IFAD will investigate the possibility of mobilizing an additional technical assistance grant of approximately US$500,000 to support project implementation. The scope, focus and implementation arrangements of any such grant will be confirmed in due course.

Table 3: Summary of updated project costs and financing by component

US$ 000s	GoN		IFAD LOAN		IFAD GRANT		Beneficiaries		Private Sector - Financial Institutions		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. RMSE & Job Promotion												
Supply chain development	1,284	7.7	3,445	20.5	7,049	42.0	4,000	23.8	1,000	6.0	16,777	24.6
Services to RMSE	542	14.3	1,260	33.2	207	5.5	1,628	42.9	159	4.2	3,795	5.6
Decent jobs	2,543	18.9	7,569	56.3	3,340	24.8	0	-	0	-	13,452	19.7
Subtotal Comp 1	4,368	12.8	12,273	36.1	10,596	31.1	5,628	16.5	1,159	3.4	34,024	49.9
2. Productive Investment												
Rural Finance	1,710	8.7	4,136	21.1	1,514	7.7	0	-	12,260	62.5	19,619	28.8
Mobilising migrant resources	368	25.3	981	67.3	0	-	108	7.4	0	-	1,457	2.1
Subtotal Comp 2	2,078	9.9	5,117	24.3	1,514	7.2	108	0.5	12,260	58.2	21,076	30.9
3. Inclusion and mobilization												
Economic mobilization	596	29.3	1,272	62.5	169	8.3	0	-	0	-	2,037	3.0
Social mentoring	63	2.2	158	5.6	2,625	92.2	0	-	0	-	2,846	4.2
Subtotal Comp 3	659	13.5	1,431	29.3	2,794	57.2	0	-	0	-	4,883	7.2
4. Management & KM												
P,M&E and KM	461	26.1	1,236	70.1	66	3.7	0	-	0	-	1,763	2.6
PMO	1,577	24.4	2,511	38.9	2,368	36.7	0	-	0	-	6,456	9.5
Subtotal Comp 4	2,038	24.8	3,747	45.6	2,434	29.6	0	-	0	-	8,219	12.1
Total	9,143	13.4	22,568	33.1	17,337	25.4	5,736	8.4	13,419	19.7	68,202	100

[12] 1 SDR = US$1.443600 @ 1 Mar 2018 (https://www.imf.org/external/np/fin/data/rms_mth.aspx?reportType=CVSDR)

VII. Annexes

A. Corridor Potential Mapping Assessment Draft Results

Table 4: Commodity and district potential mapping

Former DISTRICTS	Main commodities with wider markets										Local market Potential		Pilot Potential		Total Potential outreach (Households)
	Vegetable	Milk	Potato	Goat	Fish	Citrus Fruits (Orange, Mandarin., Lemon)	Ginger	MAPs	Rice	Turmeric	Watermelon	Pine Apple	RABBIT	Floriculture	
Dhanusha	1500	1500	500	200	700			900			500	200	75	150	6225
Rautahaat	1500	1500	1000	550	700		190		500	195	250		100	50	6535
Sindhuli	1000	1000		500		3000				500		200	100		6300
Bara	596	1200	1200	450	875	0	50	450	500	150	350	80	100	50	6051
Mahottari	1500	1000	1000	1000	1000			100			500		50		6150
Morang	1000	900	1000	400	700	150	350	200	500	300	0	100	150	150	5900
Sarlahi	1110	750	370	800	400		150	250	0	150	480		50		4510
Sunsari	800	700	500	400	500	100	0	300	300	200	100	80	100	100	4180
Saptari	880	900	400	550	500	80	0	0	300	200	100	80	50		4040
Udaypur	450	500	0	300	0	300	1000	100	0	600	0	0	50		3300
Siraha	600	700	500	100	500	0	0	0	300	0	300	150	50	50	3250
Khotang	300		100	250		500	1000	500		100					2750
Terathum	500	100	500	400	0	200	650	200	0	0	0	0	0		2550
Dhankuta	400	500	300	500	0	250	500	30	0	0	0	0	0	25	2505
Bhojpur	250	60	700	400	0	250	700	100	0	0	0	0	0		2460
Okhaldhunga	300	60	100	500	0	300	500	500	0	0	0	0	0		2260
Total	12686	11370	8170	7300	5875	5130	5090	3630	2400	2395	2580	890	875	575	68966
Share in %	18	16	12	11	9	7	7	5	3	3	4	1	1	1	

B. Terms of Reference - HELVETAS Implementation Support to RERP

1. To furnish the Implementation Support (IS) to Rural Enterprises and Remittance Project (RERP) - SAMRIDDHI in implementing and leading all aspects of Sub-component 1.3 – Decent Work, including Vocational and Apprenticeship Training and job placement through private sector Training and Employment Service Providers.

Background and Lessons from Employment Fund

2. RERP - SAMRIDDHI is a joint initiative of the Government of Nepal (GoN) and International Fund for Agricultural Development (IFAD). Its strategic goal is 'Reducing poverty and achieving sustainable development through employment-focused, equitable and inclusive economic development'. SAMRIDDHI Project is implemented by Ministry of Industry, Commerce and Supplies (MOICS) and funded by International Fund for Agricultural Development (IFAD).

3. HELVETAS Swiss Intercooperation Nepal is an implementing partner organization of the project so as to provide implementation support and overall leadership of Sub-component 1.3 – Decent Jobs, drawing on the proven experience and expertise of the Employment Fund Project of HELVETAS Nepal implementing outcome-based financing and market-based skills training. The market and outcome-based approach are highly consistent with the overall RERP principles and approach.

Lessons from the Employment Fund

4. The successful experience of the Employment Fund provides a solid knowledge base to inform RERP objectives and activities. The following lessons are primarily drawn from the EF tracer studies 2012-15:

(a) Around 60% of TVET trainees successfully make the transition to permanent gainful employment or self-employment in their own MSME – based on them being in such occupations 2 years after completing the TVET training. Initially, 6 months after training, around 70% of TVET trainees are successfully in paid work or have started their own MSME completing training. Around 85% of these continue to be employed or running their own MSME after 2 years.

(b) There appear to be three routes followed by successful trainees, ultimately with around 55% of successful trainees in paid employment and around 45% with their own RMSE Initially (6 months after training), only around 25% of TVET trainees decide to start their own micro-enterprise with the remaining 75% taking paid employment. Then, over the subsequent 18 months, around 25% of those in employment choose to start their own RMSE (i.e. 25% of 75%) and around 75% remaining in paid employment. The final distribution of the three routes is therefore:

(i) directly into paid employment where they remain (approx. 55% of successful trainees)

(ii) directly into their own MSME (approx. 25% of successful trainees)

(iii) initially into paid employment for a period and then starting their own RMSE (approx. 20%).

(c) Some occupations that are popular among potential trainees can become rapidly saturated in the job market, leading to falling incomes, as was seen in the early years of the Employment Fund for tailoring trainees. Thus, there is a need to match the number of training places offered to the realistic number of opportunities and wage levels for that occupation in the target job markets.

(d) Wages / income earned increases quickly over the first two years after training – typically doubling from their level six months to the level two years after training. The interpretation of this would be that as they gain practical experience to supplement the technical skills learned via TVET they earn high wages or are able to grow their RMSE.

Outcomes and Outputs of Sub-component 1.3

5. The expected Outcome of the sub-component is that:

At least 24,900 individuals[13] *from households classed as poor or nearly poor*[14] *are in gainful jobs or skills-based self-employment for at least 6 months after completing the training or apprenticeships,* including:

(i) 15,000 women (50%[15])

(ii) 15,000 youth (60%[16])

6. Gainful jobs and self-employment are considered those with salaries (for jobs) and net income (for self-employed) of at least NPR10,000 per month within 6 months of completing training. It is noted that a monthly income of NPR 10,000 within 6 months of training will typically double to around NPR 20,000 by 24 months after training, based on EF tracking data.

7. The Outputs for the sub-component needed to deliver this Outcomes are:

(a) 6,000 people minimum complete apprenticeships with local businesses, of 12 months duration with apprenticeship contracts (6 months training and 6 months post training follow up work), and 95% of whom are hired and retain gainful job for more than 6 months after completing their apprenticeship training.

(b) 24,000 people complete technical and vocational training, gaining training certificate, and 80% of whom are hired and for at least 6 months after training retain gainful job or are gainfully self-employed.

8. The project will maximize the number of apprenticeships provided as they have a higher successful job placement rate and a lower unit cost to the project (due to cost sharing with the employer). Thus, the target of 6,000 apprenticeships is a *minimum* target and additional apprenticeship should be provided if greater opportunities are identified. Financial resources for additional apprenticeship will be reassigned from those for TVET training, and the TVET training output targets adjusted pro-rata in line with the budget reduction.

9. For information purposes only, it is noted that typically around 25% of the 80% in gainful work 6 months after completing their TVET training are gainfully self-employed in their own RMSE. This number rises to around 45% after 2 years, as around ¼ of those that initially take a paid job then later choose to work for themselves and their own RMSE. For the avoidance of doubt, this is for information only based on EF experience and does not form part of the formal targets for the sub-component.

Sub-component 1.3 Implementation arrangements and approach

10. The approach will be informed by the experience of the Employment Fund and outcome-based financing and market-based training. The overall project implementation modality synopsis which will be the integral part of this TOR is presented in Annex 1 of this TOR.

11. In summary, TVET training will be implemented by Private Sector Training and Employment Service Providers using outcome-based financing approach for vocational training and cost sharing approach will be applied for apprenticeship training with the concerned industries having one year contract for training and subsequent employment.

12. HELVETAS will provide overall leadership of the sub-component and be accountable for delivery of the Sub-component outcome and results. HELVATES will provide all technical guidance, management and monitoring of the activities, outputs and outcomes specific to the sub-component

[13] Assume 95% of 6,000 apprenticeships plus 80% of 24,000 TVET trainees
[14] under GoN official definitions
[15] Women represent 55% of the rural labour force (ILO Nepal Labour Market Update – Jan 2017). Also, the Employment Fund achieved 57% women participants – see 2015 EF Tracker Survey
[16] Youth constitute nearly 50% of Nepal's economically active population but 46% of youth are under-employed, see App 2 of original PDR. In Nepal, 'Youth' are officially defined as those 15-40 years old.

13. MOICS, via the PMO, will be administratively responsible for the procurement, contracting and payment of the training service providers and apprenticeship business under the advice and supporting evidence provided by HELVETAS. As PMO must strictly follow relevant government procurement and other procedures, the advice from HELVETAS should be consistent with these requirements.

Objectives of the Implementation Support

14. The overall objective of the support to be provided by HELVETAS is to ensure delivery of the sub-component Outcome. The expected results of the Implementation Support are therefore the identified Outcome and Output targets of the sub-component stated above.

15. It is noted that for administrative reasons, contracting of the TVET providers and businesses providing apprenticeship will be done by the PMO under the advice of HELVETAS. As such, HELVETAS shall not be held accountable for delivery of the sub-component Outcome and Outputs if the PMO does not follow the major recommendations and advice of HELVETAS in the contracting of service providers other than where such advice contradicts required procedures and regulation that PMO must follow.

Commitments, Roles and Responsibilities

HELVETAS Swiss Intercooperation Nepal commits to:

16. Implementation of vocational skills training: The HELVETAS Nepal team will technically assist Project Management Office, SAMRIDDHI to implement vocational skills training including:

(a) Market Opportunity survey and district level market assessment: These studies will form the basis for trade identification for training and case load allocation to different service providers. HELVETAS will also conduct the Rapid Market Appraisal training to training providers before submitting the Technical and Cost Proposals.

(b) Service providers' procurement: Based on the experiences with the Employment Fund, the HELVETAS Technical Assistance Team will support to procure the services from the private sector service providers through competitive bidding. All the procedural requirements i.e. from the call of Letter of Intent (LOI) to the contracting of finally selected service providers will be facilitated by the team.

(c) Service provider management: The Team will manage the service providers and ensure their mobilization, reporting and post-training follow-up. HELVETAS will also conduct capacity building training on Monitoring and Reporting, Database operation, training of trainers for instructors to the staffs of training providers to ensure the smooth and quality implementation.

(d) Monitoring of vocational skills training provision: Quality training implementation will be ensured through regular monitoring of the vocational skills training activities, processes and results. The training process will be monitored at its pre, during and post training stages at least 4 times per training event to access the quality compliances against the agreed quality. The result in terms of employment and income will be monitored at least 2 times i.e. three months post training verification and 6 months post training verification.

(e) Tracer studies: Beyond training implementation, outcome as an employment and income will be monitored through 3 and 6 months post training verification by the team for recommend the payment disbursement to the implementing partners. The team will also assist to conduct the tracer studies for the knowledge management purpose.

17. Mentoring: The HELVETAS Technical Assistance Team will help PMO to develop a vocational skills training system and to strengthen the PMO's ability in dealing with the vocational skills training and apprenticeship training modules.

18. Monitoring and reporting requirement: HELVETAS will provide monthly updates, trimester (4 monthly) and annual progress and financial reports on HELVETAS managed activities and contribute to standardized and harmonized M&E system within SAMRIDDHI.

19. Learning exchange: HELVETAS will support experience and learning exchange in its fields of expertise around vocational skills training, business development, remittance management and knowledge management through technical assistance where suitable and required.

20. Knowledge management: HELVETAS will contribute PMO to develop and implement a knowledge management system.

Ministry of Industry, Commerce and Supplies (MoICS) commits to:

21. Provide finances for implementation of the project subject to the approval from Government of Nepal. MoICS will guide and provide directives for joint planning and formulation of AWPB with defined financial resources for complementarity and synergy for achieving intended Project results and impacts.

22. Will fund and ensure timely disbursements of funds for smooth implementation of the project.

23. Will have pivotal role in achieving full cooperation among all “partners” and stakeholders in Project operations. It will provide directives and guidelines to federal, provincial and local level offices for their coordinative and supportive roles in implementing field level activities so as to achieve intended results and outcomes through “partnership”.

24. Joint bi-annual Reviews: PMO will organize joint bi-annual, reviews of the implemented activities to monitor regular progress and achievements of the “partnership”.

25. Participation: Ensure the participation of HELVETAS in the Project Consultative and Coordination Committee.

26. Policy initiatives: Facilitate debate and passage of key policy/legislative initiatives promoted by the PMO to respond to policy/legislative constraints identified within value chains being supported by the project

Institutional and Other Arrangement

27. HELVETAS staffing and structure will be determined by HELVETAS in order to deliver the agreed Outcomes and Output within the agreed budget. HELVETAS shall follow its own Financial, Procurement; Administrative and Personnel Polices and will ensure that they comply with IFAD’s General Terms and Conditions covering the project. The overall project will be led by the Team Leader, and M&E Manager will be deputed as responsible contact person for component 1.3. and he/she will closely work with PMO working as a member of Senior Management Team. The monitoring team based at provincial offices will manage the day to day implementation of the project in close coordination with SAMRIDDHI team. HELVETAS will manage its provincial and Kathmandu office operational costs on sharing basis with the other projects of HELVETAS wherever possible to comply with its policy and to bring synergy among its projects. Staffing and structure may be subject to amendment over time, if there is more than 20% deviation in staffing and time commitments, prior approval will be taken from the Project Manager.

28. At the time of this design update the initial agreed staffing plan is summarized in the agreed action plan and budget, and includes up to:

29. Leadership and management (based at Kathmandu unless otherwise stated)

- (i) Project Team Leader (45%)
- (ii) M&E Manager (Sub-Component Coordinator) (45%)-expecting to have at least 50% time in the project area

(iii) Finance and Accountant (Finance and Administration Manger-45%, Finance Officer x2 50%, IT and Logistic Officer-45%, Support staffs x3-50% and Driver-75%

30. Field staff (100% of time unless otherwise stated)

(i) Provincial Co-ordinators x2

(ii) Cluster Monitoring Officers x4

(iii) Monitoring Officers x 8 and Database Assistants x2

(iv) Program Officer x1

(v) Drivers x2

31. The project will also benefit from the guidance and advice of the HELVETAS Country Director and senior management team as appropriate such costs will be covered via the agreed overheads.

Coordination

Overall partnership and strategic coordination

32. The collaboration will be coordinated by planning/budgeting and review meetings as well as joint monitoring of HELVETAS and Ministry of Industry, Commerce and Supplies. These shall include:

(a) Planning/budgeting meeting: This meeting will be convened annually and modification of the activities and budget can be recommended if requires. Progress against budgets will be reviewed every 4 months as minimum.

(b) Partnership Review meeting: Implementation progress and issues of common interest will be discussed during bi-annual review meetings.

(c) Joint monitoring: Joint field monitoring will be organized when possible and required, including HELVETAS Nepal senior management participation in the annual Joint Supervision Mission led by GON and IFAD.s.

Operational coordination

33. The HELVETAS team and activities are an integral part of RERP. MOICS and HELVATAS will therefore make best efforts to ensure full and transparent cooperation and coordination between the teams.

34. MOICS may provide office space for HELVETAS field teams in the relevant offices at PMO, Provincial, Corridor and other levels in the project. HELVETAS field staff preferably use such offices as their operational base for their activities and, as a minimum, will visit the relevant offices at least once per week for coordination and information sharing purposes with the wider project teams.

35. HELVETAS M&E Manager (Sub-Component Coordinator) will be a full member of the RERP Senior Management Team attending all SMT meetings and activities.

36. As a general principle, RERP promotes the principal that all staff for whom RERP finances >50% of their cost should have their main operational post in the project locations and preferably co-located in the relevant project offices alongside the wider project teams. This is to maximize the benefits of close coordination and build a harmonized team. Both MOICS and HELVETAS shall endeavour to apply these principles while acknowledging the following:

(a) HELVETAS has mandatory guidelines on staff safety and security which may differ from those of GON. Premises which will act as project offices should be selected to best reflect both partners' requirements on safety and security for their staff. In the event the MOICS is unable to find suitable premises that also comply with HELVETAS safety and security requirements then the HELVETAS staff shall not be expected to use such premises as their operation base and may then only attend the offices for agreed meetings and activities and extra efforts made to ensure continued close coordination.

(b) Senior management and financial staff of HELVETAS who are assigned part time to RERP but where their costs are >50% supported by RERP may also have responsibilities outside the RERP project area and will not expected to be necessarily based fulltime in project locations. In such cases the Operational Managers from MOICS and HELVETAS shall agree practical coordination mechanisms for such roles. Including as a minimum, that the HELVETAS Sub-Component Co-ordinator regular attends the RERP Senior Management Team meetings and discussions.

(c) HELVETAS is currently reviewing its own operational structure, with a view to possibly opening an office in one of the project provinces. If managers and financial staff assigned to RERP part time are transferred to this new provincial office, the Operational Managers of HELVETAS and MOICS shall agree a reasonable basis for sharing their time between the HELVETAS provincial office and the RERP PMO/Provincial offices.

Duration

37. The activities under sub-component 1.3 will be fully implement within 48 months, from January 2018 to December 2021. HELVETAS shall claim the expenditures incurred during the period of October to December 2017 retroactively as per the agreement of dated 17 October 2017. The HELVETAS Implementation support shall cover this full period.

Costs and funding

38. Total budget allocation for Sub-component 1.3 is approximately USD13.3 million. The detail of budget has been presented in Annex -2. This allocation may be subject to change through the regular review and planning process of the project.

39. The total budget allocation for the HELVETAS Implementation Support is USD 3.21 million as specified broadly in Budget Table. Actual annual budget allocations will be agreed by MOICS and HELVETAS through the regular annual work plan and budgeting processes and so actual total costs over the full project may vary from this allocation.

40. Funds for the HELVETAS Implementation Support shall be provided by MOICS from the IFAD Grant funds only.

Performance-based resource allocation

41. As part of the regular resource planning and results management processes of the project, the level of budget allocation and associated targets for the each of major activities of the project will be routinely reviewed. Performance of major activities will be reviewed against their delivery on key milestones and expected likelihood of achieving their specific impact and outcome targets compared to the unit cost of those results. As the project is implemented, major activities which out-perform their results targets in terms of impacts and value for money will be prioritized for increased resources to scale-up those activities to their maximum potential. Similarly, major activities the under-perform may be reorganized and budget allocation adjusted or reduced accordingly. This will primarily occur through the annual Joint Supervision and AWPB processes.

42. Resources for Sub-component 1.3, including the total budget and allocation for HELVETAS Implementation Support will be subject to this regular review and resource allocation process.

Persons responsible

43. Legal representative of HELVETAS shall be the HELVETAS Country Director

44. Legal representative of Ministry of Industry, Commerce and Supplies shall be Secretary, MOICS

45. Operational line manager responsible for HELVETAS Nepal staff shall be the Team Leader of Employment Fund

46. Operational manager responsible for MOICS shall be the Project Manager, RERP.

Fiduciary and Reporting

Financial Arrangements

47. Payments will be based on actual costs for all costs incurred by HELVETAS except under the agreed overhead. HELVETAS will claim the overhead @3.5% against the overall expenditure of component 1.3. To claim the overhead in monthly financial reporting, HELVETAS will refer the actual expenditures recommended to and accepted by PMO in each month for the payment under output 1. The actual expenditure under output 1 will be reconciled with PMO. HELVETAS will not be liable to submit the detail of expenditures of overhead on financial reporting but will retain and make supporting documents available for verification as part of regular audit processes.

48. HELVETAS will pre-finance the activities based on the agreed activities as per the annual work plan, based on Statement of Expenditure (SOE) with the ceiling of USD 100,000. The annual work plan will also serve as the basis for budget allocation for each year. The annual work plan could be revised during the course of the year on mutual agreement.

49. When expenditure reach or exceed the SOE amount, HELVETAS requests the reimbursement from SAMRIDDHI in an agreed template. SAMRIDDHI will prepare withdrawal application as per its normal procedures and instruct IFAD to pay directly to HELVETAS account excluding of VAT/Tax amount (amount to be deposited in USD). HELVETAS will not be required to submit financial /supporting documents to substantiate the expenses reported in SOE but will retain and make supporting documents available for verification as part of regular audit processes.

50. Tax: HELVETAS shall submit SOE to SAMRIDDHI for all expenses incurred, including VAT/tax amounts paid by HELVETAS. HELVEAS shall submit the SOE showing the VAT/Tax amount separately. HELVETAS shall be reimbursed the VAT/Tax amount claimed as per SOE by the PMO directly to the HELVETAS NPR account. HELVETAS shall not be required to submit all the original VAT/Tax invoices to the PMO along with SOE but will retain and make supporting documents available for verification as part of regular audit processes.

Audit: The external audit of HELVETAS programme will be accomplished by an external registered independent auditor meeting Nepal Accounting Standards and International Standard on Auditing. Procurement Arrangement

51. HELVETAS will procure vehicles required and budgeted as per it's own procurement policy/procedures and the costs (including duties) will be claimed through the SOE. The vehicles procured out of project funds will be handed over to MoICS at the project closure unless agreed otherwise in writing by MoICS. All other equipment and assets, also be procured by HELVETAS following its own procurement policy, out of its overhead and will remain the property of HELVETAS.

52. **Reporting and Documentation Requirements**

53. HELVETAS will provide monthly updates, trimester, (4 monthly) and annual reports to the PMO based on the format designed and finalized by both parties.

Conflict resolution

54. In case of any disputes MoICS and HELVETAS will resolve the issues through dialogue. In case no resolution can be reached, IFAD will act as a mediator.

Annex 1:

Project Implementation Modality Synopsis

Name of the project	SAMRIDDHI-EF/HELVETAS Nepal
Duration	2074/75- 2078/79 (2017/18-2021)
Geographical coverage	**Province 1:** Bhojpur, Dhankuta,Terhathum, Khotang, Okhaldhunga, Udayapur, Morang, Sunsari (8) **Province 2:** Saptari, Siraha, Dhanusa, Mahottari, Sarlahi, Rautahat, Bara, *Sindhuli* (8)
Total budget	USD 3.21 Mio. (Technical Assistance)
Targeting	30,000 youths from economically poor and socially disadvantaged communities (among them 24000 for vocational skill training and 6000 for apprenticeship training) within the age group of 16-40 years (Up to 25% of total trainees can be above 40 years.) from poor and disadvantaged. Priority will be given to: • Individuals who are interested in vocational skill or apprenticeship training and willing to continue the same occupation as career • Individual who are willing to establish a new enterprise (micro) after having a technical skill training • Potential apprentices who are interested to acquire skills and continue a work with at least one year contract for training and job placement in the same industry • At least 50% will be of women participants • No education bar but applicant must not be enrolling in formal education • Economic and social criteria and priority groups will be categories as A, B, C and D (as explained below)
Training delivery and sectors	Institution based or mobile type of short term vocational training courses (390 hours, level one courses) in different occupations which are in market demand will be offered. **The major sectors for Vocational Skill Training**: Construction, Mechanical, Electrical, Electronic, Automobile, Tourism and Hospitality, Textile, Health and Some other potential like: Renewal Energy, Leather Goods, and Handicrafts etc. **The major Industries/sectors for Apprenticeship Training**: Spinning Mill, Faber Mill, Mechanical, Automobile, Garment, Hospitality and Leather Goods Ware However, the potential number of trainees per occupation will be determined through the Rapid Market Appraisal to be conducted by Training and Employment Service Providers before service contract with PMO. In case of apprenticeship training, the occupations will be identified jointly with concern industries and CCIs.
Training group size	**20** trainees in a group with 2 instructors (lead instructor and co-instructor),

	instructor-trainee ratio is 1:10.
Certification/Skills testing	All the skill-graduates will be given opportunity of skills testing and certification to be done by National Skills testing Board. It is targeted that 95%of graduates will be attending test and 90% of them will pass.
Monitoring of training processes and its results	Monitoring of the **training processes in different stages**; - Pre training stage (like information dissemination, application collection, training venue verification and trainees selection) - During the training Stage (like training delivery, qualification of instructors, training consumables, training logistics and facilities, regularities etc.) will be thoroughly monitored. - During training monitoring also includes the assessment of immediate results like learning achievement, confidence level of trainees, skill test performances etc. - The post training **monitoring/ verification for the results** (employment and income) will be conducted in sample basis i.e. stratified random sample to be generated by the online database system. The sample size will be in between 15-25% for three month post training period and 35-45% for six months post training period. - The monitoring of the training as well as results will be done by the monitoring staffs (Provincial Coordinators, Cluster Monitoring Officer and Monitoring Officers) of HELVETAS assigned for the project. - The online database system which is being adopted by the EF-HELVETAS will be customized and applied in this project. The system will also be aligned and synchronized with database of SAMRIDDHI/IFAD. - The occasional monitoring and field visits to be carried out by SAMRIDDHI PMO, MOICS, HELVETAS Country Office, and IFAD will help to give a strategic reflection and guidance for the project.
Training materials and resources	All the training will be based on Council for Technical Education and Vocational Training (CTEVT) approved competency based curricula. The training manuals and other relevant training materials developed by HELVETAS will also be used. The project team will closely work with CTEVT to develop/amend the curricula and manuals for newly identified occupation. The other IEC materials for the training purpose will also be developed and adopted with close coordination with CTEVT, T&E, PMO and other similar projects/programs. In case of apprenticeship, based on the demand of concerned occupation and industries, curricula will be developed with the help concerned experts
Instructors	The instructors will be as follows: • Qualified and experienced (at least 2 years in training delivery) TSLC or Diploma or Level 2 holder will be mobilized as lead instructors • Qualified and experienced level 1 or at least 5 years experienced local practitioner will be mobilized as an assistant instructor • Out of two, at least one instructor should poses Training of Trainers (TOT) certification from recognized institute. • In case of apprenticeship training, master craft person having at least five years of experience in the same occupation will be selected as a supervisor at concerned industry, whereas another instructor to deliver theoretical training will have at least TSLC/Diploma level qualification on the concerned occupation with

	three years of training delivery experience and TOT certificate. Such instructors either to be hired from training institute or within the concerned industries who meet the required qualification and experience. • Few events of TOT can be organized by the project through Training Institute for Technical Instruction (TITI) in cost sharing basis with T&Es.
Institutional arrangement of the project	The Annual Work Plan will be developed and submitted to the Project Management Office (PMO) for its approval. The overall project will be led by the Team Leader, and M&E Manager will be deputed as responsible contact person for component 1.3. and he/she will closely work with PMO working as a member of Senior Management Team. The monitoring team (Provincial Coordinator, Cluster Monitoring Officer, and Monitoring Officers) based at provincial offices will manage the day to day implementation of the project in close coordination with SAMRIDDHI team. The database assistances based at provincial offices will facilitate the data acquisition and capacity building process of the T&Es. The private Training and Employment Service Providers (T&Es) will be the implementing partners for the vocational skills training. The call for Letter for Intent (LOI) will be published by the PMO. Based on the submitted LOIs, eligible services providers will be shortlisted and called for the detail technical and cost proposals. The technical proposal must be based on the finding from the Rapid Market Appraisal to be conducted by Training and Employment Service Providers as per the orientation and guideline provided by HELVETAS Nepal. The selection of the service provider will be done by PMO with close technical support from the HELVETAS Nepal. The bi-annual contracts with selected service providers will be made by PMO complying the result based financing model. The annual performance evaluation of the T&Es will be made jointly by the PMO and HELVETAS Nepal. Based on the performance evaluation, the contract renewal decision for succeeding year will be made accordingly. T&Es will be requested to access the market opportunities through RMA before submitting technical proposal considering the overall working palikas (208 Palikas) of 16 districts. In case of apprenticeship training, concern industries and CCIs will be consulted having interaction workshops and final modality will be finalized. Since this modality will be the piloting with piloting with interested industries so direct tripartite agreement with the interested industries, apprentices and CCIs who are willing to work in cost sharing approach will be done. Detail elaboration of the modality will be mentioned in training implementation guideline.
Incentives for better targeting	The target beneficiaries will be disaggregated into 4 categories via. Category A, B, C and D and incentives will be tied with direct training cost as 60%, 50%, 40% and 30% for each of the categories respectively. The classification of beneficiaries categories are defined as follows: **Cat. A:** Economically poor women from discriminate groups (Dalit, Janajati, *Madeshi* women) and with special needs **Cat. B**: Economically poor women not referred to under category A **Cat. C:** Economically poor men from discriminated groups (Dalit, Janajati, *Madeshi*), and men from all groups with special needs **Cat. D:** Economically poor men not referred to under category C ***Note:*** *The definition of poverty will be adopted or aligned with SAMRIDDHI project.*
Mode of payment to	As per the agreement, the cost of training and employment for the service

the training providers	providers will be released by PMO directly based on the recommendation provided by the HELVETAS Nepal. SAMRIDDHI will ensure the payment to the training providers within 30 days of recommendation of HELVETAS Nepal. The annual agreement will make the provision of 4 instalments for the service providers i.e. 10% advance after signing the contract and submitting the training implementation plan, 40% after completion of the skill training and submission of training completion report, 25% after three months of employment verification report and, final 25% after final employment and income verification reports from HELVETAS Nepal. In the case of cost components allocated directly to the HELVETAS Nepal, SAMRIDDHI shall place the withdrawal claim to IFAD within 30 days of submission of the SOE from the HELVETAS Nepal.
Employment targets and minimum threshold	In vocational skill training component, out of total graduates, it is targeted that 70% of trainees will be gainfully employed, whereas 85% will be employed. In apprenticeship training component 95% of apprentices will complete the training and continue the job at least for additional 6 months in the same industry. The minimum income threshold to be a gainfully employed will be average NPR 10,000/ per individual at least for the period of six months of post training period.
Reporting	HELVETAS Nepal shall ensure timely reporting to the SAMRIDDHI as per the mutually agreed format in Nepali Fiscal Year Calendar. HELVETAS Nepal will provide monthly brief progress no later than 5 days by the end of the month. Trimester report will be provided for each of the three trimesters no later than 15 days after the end of the trimester. The annual progress report will be provided within 60 days after the end of the year. In addition, HELVETAS shall make available of occasional information on project implementation as per the request of SAMRIDDHI.

55.

Annex-2: Detail of Budget

Project Secretariat
HELVETAS Nepal
OCTOBER 2017 - DECEMBER 2021

Source of Funding: IFAD							**EXRATE**	**100**
		OCT 2017-DEC 2021 (NPR)					Amount in USD	
Component 1: Skills Training and Employment								
Output 1:	**Skills Training and Employment**	**Target**	**Unit**	**Per Unit Cost**	**Total Cost (Npr)**	**Total with VAT (NPR)**	**Total Cost (USD)**	
1.1	Skills Training and Employment (Level -1)	24,000	Trainees	34,800.00	835,200,000.00	835,200,000.00	8,352,000.00	
1.3	Skills Training and Employment (Apprenticeship)	6,000	Trainees	29,000.00	174,000,000.00	174,000,000.00	1,740,000.00	
					1,009,200,000.00	**1,009,200,000.00**	**10,092,000**	**76%**
Component 2: Contract With HELVETAS								
Technical Assistance of HELVETAS								
TA 1.	**Market Research and Product Development**							
1.1	Consultant: Various Research and Market Studies (Labour Market Studies; District Level Market Assessment; other researches)	5	LS	400,000.00	2,000,000.00	2,260,000.00	22,600	
1.2	Consultant:Database System Support	4	Time	200,000.00	800,000.00	904,000.00	9,040	
1.3	Updating and Revision of Training Manuals/ Curriculum	18	Manuals	650,000.00	11,700,000	11,700,000	117,000	
1.4	Printing & Publications of Training Materials (Manuals; Implementation Guidelines; Monitoirng Guidelines and Application Guiedlines; Flip file; handbook)	23	LS	250,000.00	5,750,000.00	6,497,000.00	64,970	
1.5	Training & Workshop on Communication & Outreach; Production and Broadcasting of PSAs; Communication and Outreach materials;	7	LS	500,000.00	3,500,000.00	3,955,000.00	39,550	
1.6	Technical Assistance to Local Government on TVET	2	LS	2,500,000.00	5,000,000.00	5,000,000.00	50,000	
					28,750,000.00	**30,316,000.00**	**303,160**	**2%**
TA 2.	**Capacity Building (Training & Workshops)**							
2.1	Capacity Building Training and Workshops to T&Es & Project Staff (General TOT and Others Trainings)	20	Events	327,500.00	6,550,000.00	7,401,000.00	74,010	
2.2	Training and Capacity Building Workshop to T&Es (Monitoring ; Database;Finance)	13	Events	250,000.00	3,250,000.00	3,672,000.00	36,720	
2.3	Review & Planning Meeting with T&Es, EFS team; RERP & Stakeholders	16	Events	196,875.00	3,150,000.00	3,559,000.00	35,590	
2.4	Orientation on Decent Work Standard among Employer; Employee and Stakeholders	15	Events	270,000.00	4,050,000.00	4,576,000.00	45,760	
					17,000,000.00	**19,208,000.00**	**192,080**	**1%**
TA 3.	**Program Monitoring**							
3.1	Training/Outcome Monitoirng personnel Cost	48	Months	2,381,500.00	114,312,000.00	114,312,000.00	1,143,120	
3.2	Program Monitoring, Travel	48	Months	699,813.00	33,591,000.00	34,436,000.00	344,360	
					147,903,000.00	**148,748,000.00**	**1,487,480**	**11%**
TA 4.	**Project Management Cost**							
4.1	Project Management-Personnel Cost	48	Months	1,073,625.00	51,534,000.00	51,534,000.00	515,340	
4.2	Office Operating Cost of Project	48	Months	408,750.00	19,620,000.00	20,220,000.00	202,200	
4.3	Procurement of Vehicles (Duty Exempt)	2	Vehicles (4WD)	3,000,000.00	6,000,000.00	6,000,000.00	60,000	
					77,154,000.00	**77,754,000.00**	**777,540**	**6%**
	TOTAL: Technical Assistance of HELVETAS				**270,807,000.00**	**276,026,000.00**	**2,760,260**	**21%**
	Overhead Cost (3.5% of overall Component 1.3)	**3.5%**				**44,983,000.00**	**449,800**	**3%**
	Grand Total of TA					**321,009,000.00**	**3,210,000**	**24%**
	Total Budget : Sub Component 1.3					**1,330,209,000.00**	**13,302,000**	**100%**

Office Operation Costs	Description of Expenses
Rents	2 Provincial Office; Hub Office and Kathmandu Office
Office Running Costs / Office Maintenance	Office Expenses including stationery, photocopy, newspaper, courier, electricity, water, building R&M, security, cleaning costs, office representation cost, heating cost, field gear etc.
Communication Costs	Internet, rent server, postage, telephone, toll free cost; fax, courier etc.
Information Sourcing/ Print Media Costs	Newspapers / Magazines etc.
Bank Charges	
Audits	Internal and External Audit
General Office Materials	

Program Monitoring and Travel	Description of Expenses
Travel Cost	Field visit costs like DSA; accommodation; transportation; airfare; vehicle rental etc
Vehicle Running Cost - 3 Vehicles	Fuel ; R&M; insurance; tyres; vehicle leasing cost
Motorbike Running Cost -13 Bikes (CMO - 4 ; MO-8; PO-1)	Fuel ; R&M; insurance; tyres; vehicle leasing cost

C. AEC MoU amendment

MEMORANDUM OF UNDERSTANDING

Between
Government of Nepal
Ministry of Industry, Commerce and Supplies
Rural Enterprises and Remittances Project "SAMRIDDHI"
And
Federation of Nepalese Chambers of Commerce and Industry/ Agro Enterprise Center
(FNCCI/AEC)

The am Memorandum of Understanding (MoU), dated…………………., which will be the basis for a contract between FNCCI/AEC and the RER Project of the Ministry of Industry, Commerce and Supplies (MoICS), Government of Nepal in fulfilling a role of technical support and capacity building of the PMO within the Rural Enterprise and Remittance Project - Samriddhi, hereinafter called 'Samriddhi'. This MoU is based on the updated project design document of Samriddhi and is subject to any later agreed and accepted changes in the Samriddhi project design.

I. DEFINITIONS

AEC: Agro Enterprise Center
AMIS: Agricultural Market Information Services
AWPB: Annual Work Plan and Budget
BDS: Business Development Services
BMO: Business Membership Organization
B2B: Business to Business
CPMAS: Corridor Potential Mapping and Assessments
DCCI: District Chamber of Commerce and Industry
ESCs: Enterprise Service Centres
FNCCI: Federation of Nepalese Chambers of Commerce and Industry
GoN: Government of Nepal
IFAD: International Fund for Agriculture Development
M&E: Monitoring and Evaluation
MoICS: Ministry of Industry, Commerce and Supplies
MOU: Memorandum of Understanding
NPC: National Planning Commission
PMO: Project Management Office
PSC: Project Steering Committee
PY: Project Year
RER: Rural Enterprises and Remittances
RMSEs: Rural micro/cottage and small enterprises
SCCs/SFACLs: Savings & Credit Cooperatives/Small Farmers Agricultural Cooperative Limited
SOE: Statement of Expenditure
SPs: Service Providers
USD: United States Dollar

II. PROJECT BACKGROUND

A. The Project Background and Context

Rural Enterprises and Remittance Project (RERP-SAMRIDDHI') is a joint initiative of the Government of Nepal (GoN) and International Fund for Agriculture Development (FIAD). Its strategic goal is "Reducing poverty and achieving sustainable development through employment-focused equitable and inclusive economic development. SAMRIDDHI project is implemented by Ministry of Industry, Commerce and Supplies and funded by International Fund for Agriculture Development (IFAD). The Project Development Objective is 'viable rural micro/cottage and small enterprises (RMSEs), both in farming (supply chain) and off-farming sectors, provide sustainable source of income to rural poor households, migrants families and returnees'.

The project intends to cover 16 districts[17] from Province 1, 2 and 3 following a road corridor approach to facilitate connection of hill districts to larger market in Terai districts. Majority of targeted beneficiaries come from below the national poverty line. The Project facilitates household level income generating activities, supports rural micro-cottage-small enterprises and producer organization and facilitates job placements to the trained youth. In province 1, Samriddhi only covers 8 of the 14 former districts. Former 7 districts of Province 2 (except Parsa District) and former Sindhuli district of Province 3 are also covered in the project area. The updated project area is therefore 208 palikas between Provinces 1, 2 and 3 in the territory in 16 districts. The total population of the 208 palikas is approximately 7.8 million people and 1.5 million households. RERP focuses in approximately 100-110 "priority palikas" (~50%) of the palikas in its operational area based on potential and need. Total population in the "priority palikas" is approximately 4 million people (750,000 households)

Project Goal: The goal of the Project is 'reducing poverty and achieving sustainable peace through employment-focused, equitable and inclusive economic development'.

Purpose: The Project Development Objective is 'viable rural micro/cottage and small enterprises (RMSEs), both in farming and off-farming sectors, provide sustainable source of income to rural poor households, migrants families and returnees.'

Outcomes: The expected outcomes of RER include;

- Rural entrepreneurs and unemployed labor have access to business services enabling them to develop their existing businesses, to create new ones or to secure jobs;
- RMSEs and migrants have access to financial and non-financial services enabling them to sustain and expand their business as well as use remittances to promote sustainable business investment;
- Policies and institutional capacities required to promote (i) sustainable and profit-making RMSEs along viable business models and (ii) migrants' reintegration and investment in sustainable business development are in place.

Development Objective: Viable rural micro, small and medium enterprises (RMSEs), both in the farming and off-farming sectors, provide sustainable sources of income to rural poor households, migrant families and returnees.

Components: The project has following four components:

Component 1: RMSE & jobs promotion
This component has the following three sub-components:
Sub-Component 1.1: Supply chain development

[17] Morang, Sunsari, Saptari, Siraha, Bhojpur, Dhankuta, Khotang, Terhathum, Udayapur, Bara, Dhanusa, Mahottari, Rautahat, Sarlahi, Okhaldhunga and Sindhuli.

Sub-Component 1.2: RMSE development
Sub-Component 1.3: Decent jobs

Component 2: Productive Investment.
This component has the following two sub-components:
Sub-component 2.1: Rural finance
Sub-component 2.2: Mobilizing migrant resources and skills

Component 3: Inclusion and mobilization
This component has the following two sub-components:
Sub-component 3.1: Economic mobilization and mentoring
Sub-component 3.2: Social mentoring

Component 4: Institutional Support and Project Management
This component has following one sub-component
Sub-component 4.1: Knowledge management and M&E
Sub-component 4.2: Project management

AEC will be mainly responsible to implement **Sub component 1.2**, and will also contribute and coordinate to other component of the project as per required.

III. OBJECTIVE OF RERP "SAMRIDDHI" and AEC/FNCCI PARTNERSHIP

The aim of this partnership is to support the establishment and expansion of competitive and profitable RMSEs through provision of improved BDS and other support from vibrant CCIs in the local area. The BDS shall shape up national initiatives in local entrepreneurship development and market assurance to contribute in livelihood promotion of rural poor households, migrants' families and returnees. The MoU will be performance based and is subject to an annual review of achievement of the agreed outcomes and outputs expected from AEC/ FNCCI.

IV. COMMITMENTS, ROLES AND RESPONSIBILITIES OF AEC

Overview of role:
AEC will have an expanded scope of role to cover four areas:
Sub-comp 1.2: RMSE Development

- Core capacity development of CCIs – at state and district/municipal level, expect to cover 28 district/municipal CCIs and the 2 new state-level CCIs.
- BDS business model piloting linked to CCIs – expected to be based on one service business per state with branch network and agents in local CCIs

Sub-comp 1.1: Supply Chain Development

- Business-2-business officers and Supply Chain Supervisor integrated in supply chain development teams
- Policy and advocacy at Province/Central level in support of specific supply chains

AEC will retain overall accountability for the results under Sub-comp 1.2 and ensure that their staff assigned to Supply chain teams (Sub-comp 1.1) work as a fully integrated part of those teams under the Sub-comp 1.1 management and team structures.

AEC as an implementing agency agrees and makes following specific commitments to implement the RERP 'SAMRIDDHI' project.

Sub-component 1.2: RMSE Development

1.2.1 Responsibility of AEC in setting up and sustaining ESC

A principal role of AEC/FNCCI is the setting up of the Enterprise Service Centers (ESCs) which will provide BDS and also link with Service Providers (SPs) providing BDS to RMSEs. AEC shall facilitate capacity building of ESCs and SPs and develop a fee-based service market for the SPs.

There will be a ESC office in each state which will be established in state level CCI office. These state level ESC will work as a head office for other ESC which will be established in district or in palika of that respective state. Initially there will be two ESC head office established in State 1 and State 2 at state level CCI office and there will be 3 district/municipal level ESC in each state which will be monitored and controlled by state level ESC of respective state.

ESC will focus on two main client groups:

1. MSME seeking advice and assistance for developing their business
2. Local government bodies, at state and municipal level, seeking advice and assistance especially in relation to inclusive local economic development and enterprise promotion.

AEC in close co-ordination with PMO in the promotion of RMSEs possesses the following responsibility.

1) AEC shall set up ESCs, manage them for the project period, develop them as self-sustaining within the structure of the CCIs and hand them over to CCIs as self-sustaining units of the district/municipal chamber of commerce and industry;
2) ESCs formed by AEC and managed by CCIs shall make available updated information on markets and business opportunities, facilitate RMSE linkages with qualified Business Development Services (BDS) and financial service providers based on approved business plans;
3) ESCs shall promote business linkages and RMSE inclusion in off farm sectors and provide information and counseling on migrants' issues;
4) ESCs shall set up a roster of qualified service providers, design and manage an annual capacity building program for service providers;
5) ESCs shall develop innovative modalities for service delivery, contributing to developing a diversified and sustainable market of BDS providers;
6) AEC will prepare an operation manual for ESCs, which will describe the procedures for implementing operations as well as for financial and administrative management, in close collaboration with PMO;

1.2.2 Responsibility of AEC in Capacity Development of CCI (both State level CCI and district/municipal level CCI)

AEC in close co-ordination with PMO possesses the following responsibility in capacity development of CCI(s)

1) AEC shall assess the strong and weak aspect of CCI(s) and assist in continuing the strong and mitigating the weak part.
2) AEC shall assess the CCI(s) through participation and monitoring of members and staff to ensure ownership, liability and responsibility towards the outcome.
3) AEC shall closely monitor the capacity development of the assessed CCI(s) and will graduate them to the next level as per their capacity enhancement.
4) AEC will develop or adapt the existing capacity development tool based on which capacity development reports of the assessed CCI(s) will be prepared and necessary suggestion to the concerned stakeholders will be provided.

<u>Sub-component 1.1 Supply Chains</u>

Responsibility of AEC in contributing to component 1.1 (supply chain development)
AEC in close co-ordination with PMO to contribute to supply chain development possesses the following responsibility.

1) AEC, through its network of CCI(s) shall assist in establishing a proper market linkage, business linkages and financial linkages as required to achieve the target of supply chain development.
2) AEC shall assist in any sort of policy advocacy that is required to effectively and efficiently implement the plan set forth for the supply chain development.

V. KEY PERFORMANCE INDICATORS

The following key performance indicators are expected to be delivered by AEC.

Indicator	Definition`	Target			Means of verification		
		Base-line	**Mid-term**	**End**	**Data source**	**Frequency of data collection**	**Respon-sibility**
RMSE supported to start or grow their business	At least 13500 RMSEs provided with services to start or grow their business	0	5,500	13,500	ESC Customer Reports	Annual	AEC from Provincial ESC Office
ESCs demonstrate financial sustainability	Each provincial ESC business can demonstrate 100% cost recover based on reliable revenue streams from customers or other permanent sources fully meeting planned operating costs for next 12 months	0%	50%	100%	ESC Audit Report; ESC business and financial reports	Annual	AEC from Provincial ESC Office
ESC Customers a satisfied with the services	85% of all customers rate customer satisfaction of 4 or above on 5 point scale (1 = highly unsatisfied, 3 = neither satisfied nor dissatisfied, 5	0%	85%	85%	Customer satisfaction survey	Annual	AEC from Provincial ESC Businesses

	= highly satisfied)						

For RMSEs supported via the ESCs, the following results are also expected:

- 13,500 new and existing entrepreneurs will be created and expanded, of which:
  - Entrepreneurs will be:
    - 80% poor households (For micro-enterprises this is the status of the entrepreneur when they first contacted the CCI for service. For Cottage Industries the 80% target shall apply to the status of workers of the CI not the owners)
    - 50% women and
    - 50% youths.
  - approximately 6500 potential new entrepreneurs are expected to have also received TVET skills training under Comp 1.3 of RERP.

Additional data to be monitored for ESC operations:

- Number of customer for each type of service offered
- Revenue generated by each type of service offered
- Cost of delivery of each type of service offered
- % of repeat customer
- ESC audit report

CCI Capacity Development:

- CCIs ownership, liability and responsibility towards the outcome will be accessed by RESPIRATION Check Tool

Indicator	**Definition`**	**Target**			**Means of verification**		
		Base-line	**Mid-term**	**End**	**Data source**	**Frequency of data collection**	**Respon-sibility**
CCI achieve sustainable high level of capacity	2 Provincial + 22 local CCIs achieve Respiratory Check score of minimum 145 points out of maximum of 180 points.	TBC	2 Provincial + 22 local CCIs achieve score of >130 points	2 Provincial + 22 local CCIs achieve score of >145 points	Respiratory Check Report	Annual	AEC

VI. Personnel Management

AEC will retain overall accountability for the results under Sub-comp 1.2 and ensure that AEC staffs assigned to supply chain teams work as a fully integrated part of those teams. AEC team composition and budgets will be adjusted to reflect their role. All staff financed 50% or more by the project will be based in the project area assigned to the most relevant office. The Initial AEC team composition is expected to include:

Provision of Human Resources					
Post	**Year**				
PMO Itahari	18/19	19/20	20/21	21/22	22/23
AEC Coordinator	1	1	1	1	1
Province 1					
Provincial Manager (responsible for both ESC and CCI capacity development)	1	1	1	1	1
Capacity Development Officer	1	1	1	1	1
M&E and KM Officer (works as integrated part of main RERP M&E/KM team)	1	1	1	1	1
Small Enterprise and Service Providers Officers (ESC Coordinator)	4	4	4	4	4
CCI Focal Person	15	15	15	15	15
Province 2					
Provincial Manager (responsible for both ESC and CCI capacity development)	1	1	1	1	1
Capacity Development Officer	1	1	1	1	1
M & E and KM Officer (works as integrated part of main RERP M&E/KM team)	1	1	1	1	1
Small Enterprise and Service Providers Officers (ESC Coordinator)	4	4	4	4	4
CCI focal person	15	15	15	15	15
Central (AEC, Kathmandu)					
Account Officer (Half time)	1	1	1	1	1
Supply Chain Team Members					
ESC Coordinator (Embedded in Supply Chain as Supply Chain Supervisor)	8	8	8	8	8
B2B Officer	2	2	2	2	2

VII. AEC OFFICE OPERATION

i) <u>Implementation operations</u>: The AEC management at central office in Kathmandu shall have overall responsibility of setting up the ESCs and supporting them in their operation, managing the ESCs and running their operations, ensuring support for ESC activities as well as other project activities from CCIs, ensuring participation by other BMOs (FNCSI, NMEFEN, Migrants' Organizations etc) in the ESC activities, liaison with other BMOs in providing BDS and ensuring their support services, bringing in ESCs as per project document, preparing annual budget and program and submitting them to PMO, supporting PMO in executing project activities and mobilizing the private sector support in development of linkages of the RMSEs with larger enterprises (B2B linkages) and reporting periodically on activities and budget implementation.

ii) <u>Staff administration and integration</u>: AEC Coordinator appointed by AEC for RERP-SAMRIDDHI shall manage/implement its part of bilateral agreement. The coordinator shall, at a strategic level, ensure that the AEC staffs at province/corridor, district/Hub level adhere to AEC service delivery standards and AEC's financial, human resources and administrative rules, regulations and related practices. The AEC team shall be well integrated in the PMO and Corridor level management and operations. The team shall work in close coordination with PMO under the supervision of AEC Managing Director and RERP Project Manager.

iii) Coordination with PMO: AEC coordinator and officers stationed at PMO, Province/Corridor and Hub/district level report to relevant supervisor accordingly as stated in their respective TOR.

iv) All future staff recruitment staff shall be through independent professional recruitment process. Where PMO is also conducting recruitment at the same time, position to be contracted by AEC shall be recruited as part of the same assignment to the recruitment agency selected by the PMO.

VIII. ROLES AND RESPONSIBILITIES OF RERP "SAMRIDDHI"

RERP "SAMRIDDHI" makes the following commitments in support to AEC in project implementation:

a. The AEC team and activities are an integral part of RERP. MOICS and AEC will therefore make best efforts to ensure full and transparent cooperation and coordination between the teams;
b. PMO will provide necessary office space, furniture& other logistics for AEC teams in the relevant offices at PMO and Corridor in the project;
c. AEC Co-coordinator will be a full member of the RERP Senior Management Team; attending all SMT meetings;
d. AEC Provincial Managers of Province 1 and 2 will be a full member of the RERP Corridor Management Team (CMT); attending all CMT meetings;

IX. CONFLICT AND RESOLUTION

In case of any disputes PMO and AEC will resolve the issues through dialogue. In case no resolution can be reached, MoICS or arbitrary authority should act a mediator

X. FINANCIAL ARRANGEMENTS

a. **Payment modality**: AEC shall prepare AWPB for the activities for which it is responsible within components 1.2 as part of the project's AWPB process. After approval of the AWPB, the PMO shall transfer the budget on trimester basis as an advance to AEC account upon the request received and as soon as the PMO budget gets released. AEC shall submit the trimester statement of expenditure (SOE) to the PMO, as per the format provided by the PMO, and get the expenditure regulated by the PMO.AEC will charge 7% as AEC overhead as stated in the budget sheet on Trimester basis. The overhead will be utilized by AEC for office operation expense, administrative costs, AEC central staffs' and representatives' mobility in the project districts and other office overhead costs associated with AEC.
b. **Staff Cost:** AEC shall recruit full time/partial as stated on project design document taking the consent of PMO. The salaries of these staffs shall be as agreed between AEC and RERP 'SAMRIDDHI'
c. **Accounts:** AEC shall maintain separate accounts and records adequate to reflect, in accordance with consistently maintained GoN & IFAD accounting practices, the operations, resources and expenditures and furnish periodic report on monthly, trimester and annual basis including detailed statements of the expenditure to the PMO as and when required.
d. **Auditing:** AEC shall carry out independent audits by the qualified auditing companies of the AEC implemented activities under RERP 'SAMRIDDHI. The AEC shall appoint an independent auditor for audit of funds received from PMO in line with IFAD's audit guidelines. The expenditure of ESC will be audited by respective CCI. The Audit reports of each fiscal year shall be submitted to the PMO within two months after completion of each fiscal year.
e. **Procurement**: AEC shall follow procurement act and regulations of Government of Nepal for procurement. Equipment procured from the resources (funds) provided by the project will be handed over to concerned offices as per the provisions made in the project document.

XI. PROGRESS REPORTING

AEC Provincial Managers stationed at Province level will submit their monthly, trimester and annual progress report (in English) to AEC coordinator and copy to Corridor Coordinator. AEC Coordinator work as a representative of AEC at PMO, will provide periodic report on monthly, trimester and annual basis to RERP Project Manager (PMO) and AEC Managing Director in English (if necessary in Nepali) of AEC implemented activities.

Regarding financial progress, AEC Account Officer will submit monthly, trimester and annual progress report to RERP Account and Finance Section and CC will be given to RERP Project Manager and AEC Coordinator.

It shall strengthen RERP/PMO reporting system to harmonize PMO mainstream reports on the NPC/IFAD prescribed formats and schedule.

AEC M & E and KM Officers at corridor level will works as integrated part of main RERP M&E/KM team under the day to day guidance of the PMO PM&E Specialist.

XII. EFFECTIVENESS, DURATION AND SUSPENSION/TERMINATION OF MOU

a. Effectiveness: This agreement shall come into force and effect from the date off first agreement i.e. 14th July, 2017;

b. Duration: This agreement shall remain effective until project completion, currently expected in 31 Dec 2022.

c. Conditions governing extension: In case of extension of the project is deemed necessary, and based on the recommendation of review missions, MoICS/PMOand AEC could mutually agree for the further involvement of AEC.

d. Suspension: Ministry of Industry, Commerce and Supplies may by notice to AEC suspend or terminate this agreement when: i) AEC shall have failed to perform any of its obligations under this agreement and ii) when a situation shall have arisen or developed which, in the reasonable opinion of MoICS, shall or may make it improbable that AEC shall be able to perform any of its obligations under this agreement. Notice of suspension of termination of agreement from either side shall be sent with 3 months of anticipation. Temporary suspension can be agreed upon if it becomes impossible or difficult to implement the project due to temporary force majeure condition such as natural disaster or conflict situation.

e. Termination: This agreement and all obligations of MoICS and AEC, as also described in the MOU shall terminate on the Project Closing date or any later date as may be agreed between AEC and MoICS, provided it precedes the Project Closing date. Each party shall have the right to terminate the agreement by giving six-month prior notice to the other party in the event of:

i) Irreconcilable ideological differences between the two parties
ii) Misuse of financial resources
iii) Lack of cooperation by either party
iv) Inability to carry out the stipulated activities as per the agreement
v) The termination of this agreement shall not affect the rights or liabilities of either party
vi) IFAD stopping fund release for any reason what so ever or requiring amendments to RERP that remove the role for AEC
vii) Impossibility of project implementation due to force majeure including conflict situation and natural disaster.

XIII. OTHER CLAUSES

i) Changes, Amendments and Cancel: Any necessary change and amendment to this agreement shall be discussed and agreed on by the PMO and AEC in Written. Any dispute on the agreement shall be solved by the two organizations through consultation, if necessary with mediation of a third party agreeable to both. This agreement can be cancelled if any of the parties (FNCCI/AEC or RERP "SAMRIDDHI") gives written notice for cancelation.

ii) Ownership of Material: Any studies, reports or other materials (graphic, software or otherwise) prepared by AEC staffs for MoICS/PMO under this agreement shall be joint property of the Project. Both PMO and AEC may use the materials for purpose of knowledge sharing and networking, or in (joint) publications with approval from PMO.

iii) Indemnity/ Release of Liability: AEC and MoICS/PMO shall not be liable for the acts of defaults of the other party. All liabilities arising from or in connection with the activities carried out by PMO shall be the responsibility of PMO and no liability of any nature shall be passed to AEC; and vice versa. All liabilities arising from or in connection with specific AEC activities, carried out by AEC, shall be the responsibility of AEC.

iv) Confidentiality: Neither AEC nor MoICS/PMO shall transfer or divulge any confidential information to any other person or organization, not connected to AEC and MoI/PMO, unless:

a) Prior written consent from both parties is obtained; and/or
b) The information is already in domain; and or
c) Disclosure is required by law

XIV. FINAL REMARKS

Both parties agree to the terms described in this agreement. These terms only can be changed or adjusted under an agreement signed by both parties. What so ever written in MoU, AEC/FNCCI should follow the provision made on GoN Act, Rules and project design document including updated design of RERP "SAMRIDDHI". This agreement enters into force on the date of its signing by both parties.

The agreement consists of 12 Pages.

Agreed and signed in duplicates:

At: Kathmandu, Nepal. At: Kathmandu, Nepal

On: On:
For
RERP "SAMRIDDHI"
Government of Nepal/ MoICS For AEC/FNCCI

………………………………… ………………………
Mr. Saroj Prasad Guragai Mrs. Bhawani Rana
Project Manager President

WITNESS

………………………………. ………………………
Name: Dilli Prasad Sanjel Name: Dr. Dinesh Prasad Parajuli
Designation: Account Officer Designation: Managing Director
Organization: RERP "SAMRIDDHI" Organization: AEC/FNCCI

Annex: 1

List of Chamber of Commerce

S. No.	CCI Name	District	Province
1	Province 1 Chamber of Commerce and Industry	Morang	1
2	Chamber of Industries, Morang	Morang	1
3	Morang Merchants Association		1
4	Sundar Dulari Udhyog Banijya Sangh, Gachiya		1
5	Urlabaari Chamber of Commerce and Industry		1
6	Chamber of Commerce and Industry, Inaruwa	Sunsari	1
7	Chamber of Commerce and Industry, Itahari		1
8	Sunsari Chamber of Commerce and Industry, Dharan		1
9	Dhankuta Chamber of Commerce and Industry	Dhankuta	1
10	Terhathum Chamber of Commerce and Industry, Myanlung	Terhathum	1
11	Bhojpur Chamber of Commerce and Industry	Bhojpur	1
12	Khotang Chamber of Commerce and Industry, Diktel	Khotang	1
13	Triyuga Chamber of Commerce and Industry, Triyuga Gaighat	Updaypur	1
14	Udayapur Chamber of Commerce and Industry, Katari Bazar		1
15	Okhaldhunga Chamber of Commerce and Industry, Okhaldhunga Bazar	Okhaldhunga	1
16	Saptari Chamber of Commerce and Industry, Rajbiraj	Saptari	2
17	Lahan Chamber of Commerce and Industry	Siraha	2
18	Ramnagar Mirchaiya Chamber of Commerce and Industry, Mirchaiya		2
19	Siraha Chamber of Commerce and Industry, Siraha		2
20	Province 2 Chamber of Commerce and Industry, Janakpur	Dhanusha	2
21	Janakpur Chamber of Commerce and Industry	Dhanusha	2
22	Sabaila Chamber of Commerce and Industry		2
23	Gaushala Chamber of Commerce and Industry, Gausala Bazar	Mahottari	2
24	Jaleshwor Chamber of Commerce and Industry, Jaleswor		2
25	Mahottari Chamber of Commerce and Industry, Matihani		2
26	Bardibas Chamber of Commerce and Industry, Bardibas		2
27	Chamber of Commerce and Industry, Malangawa	Sarlahi	2
28	Rautahat Chamber of Commerce and Industry, Gaur	Rautahat	2
29	Rautahat Chamber of Commerce and Industry, Gaur	Bara	2
30	Sindhuli Chamber of Commerce and Industry, Kamalamai Municipality	Sindhuli	3

D. Lessons learned on selected topics

56. **Employment fund and Job promotion** – largely drawn from the tracker studies over 2012-15

(a) Around 60% of TVET trainees successfully make the transition to permanent gainful employment or self-employment in their own RMSE – based on them being in such occupations 2 years after completing the TVET training. Initially, 6 months after training, around 70% of TVET trainees are successfully in paid work or have started their own RMSE completing training. Around 85% of these continue to be employed or running their own RMSE after 2 years.

(b) There appear to be three routes followed by successful trainees, ultimately with around 55% of successful trainees in paid employment and around 45% with their own RMSE Initially (6 months after training), only around 25% of TVET trainees decide to start their own micro-enterprise with the remaining 75% taking paid employment. Then, over the subsequent 18 months, around 25% of those in employment choose to start their own RMSE (i.e. 25% of 75%) and around 75% remaining in paid employment. The final distribution of the three routes is therefore::

(i) directly into paid employment where they remain (approx. 55% of successful trainees)

(ii) directly into their own RMSE (approx. 25% of successful trainees)

(iii) initially into paid employment for a period and then starting their own RMSE (approx. 20%).

(c) Some occupations that are popular among potential trainees can become rapidly saturated in the job market, leading to falling incomes, as was seen by tailoring in the early years of the Employment Fund. Thus, there is a need to match the number of training places offered to the realistic number of opportunities and wage levels for that occupation in the target job markets.

(d) Wages / income earned increases quickly over the first two years after training – typically doubling between six months after training to two years after training. The interpretation of this would be that as they gain practical experience to supplement the technical skills learned via TVET they earn high wages or are able to grow their RMSE.

57. **Social Mentoring and Household methodologies**[18] (HHMs) are participatory methodologies that enable family members to work together to improve relations and decision - making, and to achieve more equitable workloads. Their purpose is to strengthen the overall well–being of the household and all its members.

58. HHMs build on a growing understanding that, in many parts of the world as also in Nepal, households are not cohesive units with shared needs, resources, benefits and goals. Rather, women and men in the same household often pursue separate livelihoods and are responsible for different production and consumption activities. They enable all household members to identify and overcome obstacles and to make the most of the available opportunities in order to improve their lives. In doing so, HHMs go beyond addressing the symptoms of gender inequality, by tackling the underlying social norms, attitudes, behaviours and systems. As part of the HHM process, household members realize that inequalities in gender roles and relations can be part of the reason they stay poor. Hence, a household's ability to understand the causes of their current situation – and their willingness to act upon the findings – is crucial for unlocking a household's potential.

[18] Extracts from IFAD (2014) Household methodologies: harnessing the family's potential for change. Available @ www.ifad.org/documents/10180/c89c54a6-fb41-4df0-9bf8-ef6ff4e4bc9a

59. HHMs have not yet been applied widely in Nepal. RERP will need a period of adaptation to the local social context and within different economic opportunities, supply chains and industries.

60. Key findings from external evaluations of household methodologies, such as GALS, in a maize-based rural community in Malawi include:

(a) Household methodologies (HHM) intervene in intra-household relations to strengthen agency.

(b) Study findings in Malawi show large shift towards sharing of tasks and benefits for HH members.

(c) Women's social standing in community improves.

(d) Meaningful choice does not require significant assets as a precondition.

(e) Mobilizing women's agency effectively allows effective mobilization of assets.

61. Furthermore, the study found “a significant shift towards sharing of on-farm tasks and household tasks, and joint realization of the benefits from agricultural produce in GALS households. They are building up portfolios of assets including livestock, houses, ox-carts, and land, unlike non-GALS households. Respondents in GALS households, particularly de facto women-headed households, report an increase in social standing and participation in community life. In both GALS and non-GALS households, men and women agree that men continue to dominate marketing and are final decision-makers. However, financial transparency and intra-household agreement on expenditures characterize households with GALS participants.”