



منظمة الأغذية  
والزراعة  
للأمم المتحدة

联合国  
粮食及  
农业组织

Food  
and  
Agriculture  
Organization  
of  
the  
United  
Nations

Organisation  
des  
Nations  
Unies  
pour  
l'alimentation  
et  
l'agriculture

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

## PROJECT DOCUMENT

<b>Country:</b>	Nepal
<b>Project Title:</b>	Ginger Competitiveness Project: Enhancing Sanitary and Phytosanitary Capacity of Nepalese Ginger Exports through Public Private Partnerships
<b>Donor:</b>	Standards and Trade Development Facility
<b>Project Number:</b>	PGM/MUL/... Nepal MTF /NEP/068/STF (STDF 329) – STDF contribution, EIF contribution
<b>Duration</b>	24 months
<b>Starting Date:</b>	March 2012
<b>Completion Date:</b>	February 2014
<b>Executing Agency:</b>	FAO/UN
<b>In collaboration with:</b>	Ministry of Commerce and Supplies, Ministry of Agriculture and Cooperatives, Agro-Enterprise Center, Federation of Nepalese Chamber of Commerce and Industry
<b>Total Funding:</b>	USD 1 173 694 EIF contribution: USD 711 550 STDF contribution: USD 462 144

**Section I: Summary Page**

I.1 Project title	Enhancing Sanitary and Phytosanitary Capacity of Nepalese Ginger Exports through Public Private Partnerships								
I.2 Category of project	Tier 2 – Technical Assistance and Capacity Building								
I.3 Grant recipient entity	Ministry of Commerce and Supplies, Government of Nepal								
I.4 Implementing entity (if different from grant recipient entity)	Ministry of Agriculture and Cooperatives, Government of Nepal, Food and Agriculture Organization of the United Nations in Nepal, Agro-Enterprise Centre, Federation of Nepalese Chamber of Commerce and Industry								
I.5 Project duration	2 Years								
I.6 Total project costs	USD 1,173,694								
I.7 EIF funding sought	USD 711,550								
I.8 Other sources of funding (including counterpart funding)	USD 462,144 (STDF)								
I.9 Objective of the project	Increased income level of ginger farmers through improvements in SPS arrangements and value addition for export to India and other countries								
I.10 Results statement	Increased market opportunities for Nepalese ginger through a series of SPS related and value-addition interventions								
I.11 Brief description of the project	<p>The project aims to raise incomes of ginger-producing households in Eastern Nepal by improving the quality of ginger, increasing capacity to comply with SPS requirements and enhancing market access. The project encompasses a series of interventions, based on a value chain approach, involving stakeholders from ginger farmers, collectors, traders, cooperatives and ginger producer/trader associations, as well as local government departments responsible for extension and training, and central government departments responsible for demonstrating compliance with the SPS requirements of trading partners.</p> <p>Stakeholders in the ginger value chain - including small farmers (many women) and cooperative members - will play a key role in implementation of activities. As such the project will create a basis for genuine engagement of the target beneficiaries and support capacity building on the ground. The project will engage and promote collaboration across public and private sector stakeholders, in recognition of the fact that both the public and private sector have essential and complementary roles to play in promoting ginger exports.</p>								
I.12 Approved by and date	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">-----</td> <td style="width: 50%; text-align: center;">-----</td> </tr> <tr> <td style="text-align: center;">(NSC Chairperson)</td> <td style="text-align: center;">(EIF Focal Point)</td> </tr> <tr> <td style="width: 50%; text-align: center;">-----</td> <td style="width: 50%; text-align: center;">-----</td> </tr> <tr> <td style="text-align: center;">(Donor Facilitator)</td> <td style="text-align: center;">(EIF ES)</td> </tr> </table>	-----	-----	(NSC Chairperson)	(EIF Focal Point)	-----	-----	(Donor Facilitator)	(EIF ES)
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(Donor Facilitator)	(EIF ES)								

**Ministry of Commerce and Supplies  
Ministry of Agriculture and Cooperatives  
Food and Agriculture Organization of the United Nations in  
Nepal  
Agro-Enterprise Centre, Federation of Nepalese Chamber of  
Commerce and Industry**

**Ginger Competitiveness Project:  
Enhancing Sanitary and Phytosanitary Capacity of  
Nepalese Ginger Exports through Public Private  
Partnerships**

**Revised 8 February 2012**

**Kathmandu, Nepal**

## Summary

The Nepal Trade Integration Strategy in 2010 (NTIS 2010) identified a number of areas for intervention in the ginger export sector. This project proposal is a direct outcome of NTIS 2010, which builds on the Government of Nepal's strategies for agricultural and trade development. It aims to enhance market access for exports of fresh and processed ginger from Nepal to countries in the region and beyond by improving quality and adding value.

This project focuses on developing the ginger value chain, identified as a high-potential sector for export, value-addition, employment and income-generation by the Nepalese government and development partners. The project promotes public-private sector collaboration to improve the quality of, and add value to, ginger for export, which will enhance market access and increase incomes of rural people involved in the ginger value chain, who comprise a large number of poor, women-headed households. The success of capacity building activities depends, in large part, on the parallel establishment and operation of a ginger washing/processing facility in Eastern Nepal. Construction of this facility will enable ginger farmers to add value to their production (via washing and simple processing) and ensure increased transparency and fairer prices for growers.

This is a demand-driven project that has the support and commitment of key stakeholders. The goal is to increase the incomes of ginger farmers through improvements in SPS arrangements for export to India and other countries. The purpose (outcome) is increased market opportunities for Nepalese ginger through a series of SPS related and value-addition interventions. The project aims at achieving the following outputs (numbered) through respective actions (bulleted):

1. Ginger washing/processing facility designed, constructed and operationalized and producer organizations strengthened
  - Design facilities, carry out preparatory assessments (EIA, etc.), obtain permits and produce business plan for the establishment and operation of a ginger washing and processing facility (with auction yard) at the Jhapa corridor.
  - Establish washing and processing facility at the Jhapa corridor.
  - Deliver hands-on training (including on financial and business management, record-keeping, etc.) and set up systems required for the effective operation and management of the facilities.
2. Relevant training and technical materials on Good Agricultural Practices (GAPs), post-harvest handling and sanitary and phytosanitary (SPS) requirements developed and capacity enhanced
  - Develop ginger growing manual and other training materials (print, video, etc.) on GAPs for ginger cultivation, post-harvest handling of ginger and SPS requirements suitable for target beneficiaries.
  - Develop trainers and conduct trainings for farmers and other value chain actors on GAPs, post-harvest management, grading and control of post-harvest rots, etc..
  - Establish ginger demonstration cum multiplication plots at Jhapa hubs and use these plots for field training courses in GAPs and post-harvest management.
3. Supply of quality ginger rhizomes of improved marketable cultivars available

- Devise and implement system for provision of post-harvest control measures (inputs).
  - Obtain improved (marketable) cultivars from other parts of Nepal and further afield.
4. Study on regional and international markets for fresh and processed Nepalese ginger, and market (SPS) requirements
    - Conduct market study and produce detailed analysis report on existing and potential markets (India, Bangladesh, Iran, Middle East, EU, and USA, etc.) as well as market access / SPS requirements for fresh and processed ginger.
  5. Improved capacity of Nepalese government to negotiate and demonstrate compliance with SPS import requirements of trading partners
    - Traceability and reducing frequency of pesticide residue testing.
    - Bilateral meetings and contacts between the Nepalese and Indian government counterparts to discuss sanitary and phytosanitary issues related to fresh ginger exports from Nepal to India, and reach agreement on sanitary and phytosanitary import requirements for ginger.

Given the scale of ginger production, and the characteristics of producers, this project will have a measurable impact on trade and poverty reduction in Nepal. Some 2,000 small farmers will be involved in, and benefit directly from, activities under the project. Furthermore, the new ginger washing/processing facility is expected to serve up to 4,000 households in the districts covered by the project in Eastern Nepal. Projected benefits include increased gross margin income (of between 25 and 30%) on ginger sales for beneficiaries, some two thirds of whom will be women, increased market access, and greater transparency on post-farm transactions. Estimated benefits are likely to increase substantially if other value-adding activities can be leveraged by the project.

This project is submitted to the Standards and Trade Development Facility (STDF) and Enhanced Integrated Framework (EIF) because of the nature of the issues to be addressed and the expected impact on trade and poverty reduction. In essence, this project includes two sub-projects: (i) the component for consideration by the STDF focuses on SPS capacity building, analysis of ginger market opportunities (and SPS requirements) in the region and beyond, and support on SPS regulatory aspects; and (ii) the component for consideration by the EIF focuses on the construction and operation of a ginger washing/processing facility in Eastern Nepal, and provision of high-quality ginger rhizomes and agricultural inputs.

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## Acronyms

ABPSD	Agribusiness Promotion and Statistics Division
ADB	Asian Development Bank
AEC	Agro Enterprise Centre
APP	Agriculture Perspective Plan
CADP	Commercial Agriculture Development Project
DADO	District Agriculture Development Office
DFID	Department for International Development
DFTQC	Department of Food Technology and Quality Control
DoC	Department of Cooperatives
DoLS	Department of Livestock Services
EDR	Eastern Development Region
EIA	Environmental Impact Assessment
EIF	Enhanced Integrated Framework
EU	European Union
FAO	Food and Agriculture Organization
FNCCI	Federation of Nepalese Chamber of Commerce and Industry
FY	Financial Year
GAP	Good Agricultural Practice
GMP	Good Manufacturing Practice
GDP	Gross Domestic Product
GoN	Government of Nepal
HACCP	Hazard Analysis and Critical Control Points
HR	Human Resources
HS	Harmonized System
IPM	Integrated Pest Management
IPPC	International Plant Protection Convention
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
MDGs	Millennium Development Goals
MFSC	Ministry of Forest and Soil Conservation
MoAC	Ministry of Agriculture and Cooperatives
MoCS	Ministry of Commerce and Supplies
MoHP	Ministry of Health and Population
NBSM	Nepal Bureau of Standards and Metrology
NEAT	Nepal Economic, Agriculture and Trade
NGO	Non-Governmental Organization
NGPTA	Nepal Ginger Producers and Traders Association
NGRP	National Ginger Research Program
NIU	National Implementing Unit
NMTPF	National Medium-Term Priority Framework



NSCDP	National Spices Crop Development Programme
NTIS	Nepal Trade Integration Strategy
OIE	World Organization for Animal Health
PACT	Project for Agriculture Commercialization and Trade
PC	Project Coordinator
PCE	Phytosanitary Capacity Evaluation
PI	Pesticide Inspectors
POPs	Persistent Organic Pollutants
PPD	Plant Protection Directorate
PRP	Pre Requisite Programs
PTB	German Institute of Metrology
SPS	Sanitary and Phytosanitary
STDF	Standards and Trade Development Facility
TA	Technical Assistance
ToT	Training of Trainers
TPC	Third Party Certification
TYIP	Three Year Interim Plan
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNIDO	United Nations Industrial Development Organization
USA	United States of America
USAID	United States Agency for International Development
WHO	World Health Organization
WTO	World Trade Organization

# **1 BACKGROUND**

## **1.1 General Context**

In Nepal, agriculture provides livelihood for over 74 percent of the population and accounts for 32 percent of the Gross Domestic Product (GDP). Therefore, any efforts in agriculture sector development help both economic growth and poverty reduction. Nepal is one of the poorest countries in the world. The living standards survey estimated that about 24.7% of Nepalese lived below the poverty line in 2008.<sup>1,2</sup> Poverty alleviation has been one of the major objectives of successive development plans emphasizing the promotion of agriculture and agro-enterprises. Seventy percent of the total cultivated area in Nepal is rain-fed and consists of hills and mountains.

The Nepal Trade Integration Strategy (NTIS) 2010, developed under the Enhanced Integrated Framework (EIF), was adopted in July 2010. The NTIS recognized the need to put in place a supportive domestic infrastructure for SPS standards, and identified 19 priority export sectors for support. In the agriculture sector, these included cardamom, ginger, honey, lentils, tea (green and black), noodles, medicinal herbs and essential oils.

Ginger is grown for export in most of Nepal (see map in Annex 4) and constitutes the major cash crop of many Nepalese smallholders. Ginger is widely adapted to the growing conditions between the low-lying plains of the "Terai" up to altitudes of 2,000 meters. Climatic suitability and proximity to the Indian market have led to ginger becoming an important export commodity of Nepal. Nepal is the fourth largest producer of ginger worldwide, and the sixth largest exporter (NTIS, 2010). Ginger represents the country's most important spice export, besides cardamom, with exports in 2008 worth US\$8.2 million (NTIS, 2010). Export values for ginger doubled from 1994–2003. About 80% of ginger production is traded fresh, with the remainder retained for propagation material or dried. Almost all ginger exports go to India (Sharma, 2009). The porous nature of the border with India allows a significant amount of informal trade between the two countries, including ginger, which simply cannot be captured.

Ginger has been identified by the Government (NTIS<sup>3</sup>) and development partners as a priority, high-potential sector for the country. A value chain study by the International Trade Centre (ITC) identified opportunities to process ginger extracts (oleoresin) and introduce higher yielding and better quality cultivars.<sup>4</sup> There is potential to bring new areas of land into ginger cultivation and to increase productivity and quality through improved production techniques and varieties. There are also significant opportunities to diversify into processed products for export to regional markets (e.g. Pakistan, Bangladesh, Malaysia, Singapore), as well as more distant markets (e.g. United States of America (USA), Europe and Japan). Traders have already started to export sliced dried ginger and powder to Japan, the Netherlands and Germany, although in very small quantities. If SPS and other issues affecting quality in the ginger value chain are addressed, potential exists to diversify into other markets in the region and internationally.

## **1.2 Sectoral Context**

The enhancement of the “quality, standard and hygiene of food products available in the market and those consumed by the households” is one of the major objectives and policy commitment of the Government of Nepal as stipulated in the Three-year Interim Plan, the

Agricultural Policy (2004) and the recently approved National Agriculture Sector Development Priority for the Medium term (2010/11-2014/15). As a signatory to the “Agreement on the Application of Sanitary and Phytosanitary Measures (the SPS Agreement), Nepal has already accepted its obligations to adhere to the provisions and obligations of the SPS Agreement.

Despite past assistance in the SPS area (including a completed STDF project), SPS constraints persist in both the public and private sector in Nepal, and serve as a genuine barrier to agri-food exports. This relates to the weak capacity on both the government and industry side, including the fragmented and unorganized nature of producers/exporters. In addition, the recent period of political instability negatively affected all aspects of life and the economy.

The Ministry of Agriculture and Cooperatives (MoAC) is the government agency responsible for SPS controls and management in Nepal. The MoAC is also working to finalize policies and acts regarding food safety, quality feed, slaughter houses, animal husbandry and veterinary drugs to ensure Nepal meet international SPS standards.<sup>5</sup> The SPS enquiry point<sup>6</sup> is located in the Department of Food Technology and Quality Control (DFTQC) and includes food safety, veterinary and plant health experts. The Codex Contact Point is also located in DFTQC. The DFTQC is responsible for implementing the Food Act 2023 (1966) and Food Regulation 2027 (1970). The Food Act was rewritten with FAO support in 2004; it is under review and has yet to be submitted to the legislative process.

DFTQC is responsible for testing the quality of processed and unprocessed food and spices within the frameworks of the Food Act 2023 and Feed Act 2033. The Department is in the process of further strengthening its capacity for pesticide residue analysis (with support from Germany) and is receiving accreditation from the National Accreditation Board for Laboratories of India during the course of 2011, which will directly benefit the project beneficiaries by eliminating the need for these tests to be carried out in India.<sup>7</sup>

Nepal's membership of the International Plant Protection Convention (IPPC) was approved in September 2007. A new Plant Protection Act was enacted in 2007, which aligned Nepal's legislative framework with the IPPC and the SPS Agreement. Regulations under the new act were approved by the Council of Ministers in 2009/10. The National Plant Protection Organization (NPPO) is located in the Department of Agriculture (DoA). The DoA issues phytosanitary export certificates for ginger and has the necessary capacity in this regard. The Plant Protection Directorate (PPD) has staff at 15 border posts including three crossings into China, 11 crossings into India and one at Tribuvan International Airport. The MoAC also has departments dealing with animal health (Department of Livestock Services, DoLS) and cooperatives (Department of Cooperatives, DoC).

A national SPS coordination committee exists and is headed by the Secretary, MoAC, with representation from the Ministry of Commerce and Supplies (MoCS), the Ministry of Forests and Soil Conservation (MoFSC), Ministry of Health and Population (MoHP), and the Animal and Plant Quarantine offices of the MoAC.

Extension services are available at the field level. The Department of Agriculture, Plant Protection Directorate, along with District Agriculture Development Office (DADO) within DOA is, in theory, the primary suppliers of agronomic, crop protection and post-harvest management knowledge. While information exists on integrated disease and pest management and sustainable soil and nutrient management, farmers' access to such

knowledge is still inadequate. Group formation, technical advice to growers, technology demonstrations, and training are the key activities of DADO. However, due to a lack of human resources in the DADO, extension activities are limited, and access of farmers to these services is poor.

The National Spices Crop Development Programme (NSCDP) under the Directorate of Vegetable Development, in the DOA is a Kathmandu based public agency. The NSCDP aims to promote spices in Nepal by improving production and productivity, promoting export of spices, substituting the importation of spices and increasing farmer's income. Collection and selection of varieties, technology generation, production and distribution of quality planting materials, provide training and technical know-how to the farmers are some of the key activities of the section. The National Ginger Research Program (NGRP) under Nepal Agriculture Research Council (NARC) has the mandate to conduct research on ginger and has recommended cultivars such as Kapurkot-1 and also developed ginger peeling and drying units. NGRP also produces breeders 'seed' (rhizomes) and carries out trials on rhizome rot control.

The Agro-Enterprise Center (AEC) of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) aims to expand and strengthen market-oriented private sector driven agro-enterprises in order to increase the value and volume of high-value products both domestically and internationally. FNCCI functions as the main lobbying organization on behalf of business community. The AEC/FNCCI works with government agencies responsible for SPS, and participates in the national SPS committee.

### **1.3 Sanitary and Phytosanitary issues related to Nepalese ginger exports**

Capacity to ensure compliance with even basic SPS requirements is weak throughout the ginger value chain from production to export. Production and trading of ginger is handled by small farmers and small, family-owned businesses with limited to non-existent forward or backward linkages in the supply chain. Ginger is an important cash crop for small largely subsistence farmers, and provides one of the main sources of cash income in the Mid-hills and Terai serving as an important counterforce to rural-urban migration by providing income generation opportunities (NTIS, 2010). Furthermore, ginger, which is often grown on degraded, poor quality land, contributes towards reducing soil erosion in the mid-hills.

Fresh ginger rhizomes are the main product traded. Most Nepalese ginger is exported "dirty" for subsequent washing, grading and packaging in India in standard 60kg gunny bags. Indian traders buy most of the ginger produced in Eastern Nepal, which is taken to Naxalbari, West Bengal for washing. Nepalese farmers are price-takers and unable to verify feedback from Indian brokers on price, levels of post-harvest rotting and other quality issues (e.g. broken rhizomes).

India's official import requirements stipulate that Nepalese rhizome ginger destined for domestic consumption in India must be accompanied by a phytosanitary certificate and be free from weeds, seeds and soil. Food safety requirements in India require ginger imports to undergo pesticide residue tests at border points. Samples are sent to India (i.e. Calcutta for ginger produced in Eastern Nepal) for analysis, during which time consignments wait at the border. Results are normally available in approximately three days. India does not permit Nepalese vehicles into the country so all movement of ginger from the farm gate in Nepal is done by Indian transporters.<sup>8</sup>

Residue testing and soil issues have affected Nepalese ginger exports to India during recent years. Border inspections generally find evidence of soil, even in well-washed consignments. India has historically accepted the existence of informal trade in ginger from Nepal, even if this raises risks related to the introduction of pests (via soil) as well as the possible use of unwashed ginger for propagation purposes. Even if India currently appears to accept the risks associated with the introduction of soil on Nepalese ginger, the export of unwashed ginger is clearly objectionable under the SPS Agreement. Moreover, it cannot be assumed that India will continue to accept imports of unwashed Nepalese ginger in the future. If India were to ban imports of unwashed Nepalese ginger, the consequences for the Nepalese value chain would be disastrous, particularly since Nepalese producers rely overwhelmingly on the Indian market.

While the NTIS and other value chain studies have identified new and more lucrative markets (regional and international) for Nepalese ginger exports, limited knowledge and insufficient capacity of stakeholders in the value chain to comply with even basic SPS requirements in these markets prevents these opportunities from being realized.

### **1.3.1 Development priorities, World Food Summit objectives and Millennium Development Goals**

The project will contribute to the achievement of the Millennium Development Goals (MDGs), particularly MDG 1 (Eradicate extreme poverty and hunger) and, to some extent, the MDG 7 (environmental sustainability) and MDG 8 (Global Partnership for Development). Similarly the project will also contribute to Nepal's commitment vis-à-vis the Rome Declaration on Food Security and World Food Summit Plan of Action, especially Commitments one and two.

### **1.3.2 National Medium-Term Priority Framework and United Nations Development Assistance Framework**

The National Medium-Term Priority Framework for Nepal, currently being finalized, has identified national capacity development for effective implementation of the SPS Agreement as a high priority. This project will make an important contribution in this regard.<sup>9</sup> The project will contribute to achievement of the goal of Priority Area 'C' Sustainable Livelihood, especially its Outcome C.2 "Improved Household Food Security" of the United Nation's Development Assistance Framework (UNDAF), which was extended to 2012.

## **1.4 Sectoral Policy and Legislation**

Key policy and strategy documents relating to the agricultural sector include the Agriculture Perspective Plan (APP). The APP focused on the need to diversify agricultural production on the basis of geographical location and commercialization of agro-products. At the policy level, the 2004 Agricultural Policy and the 2006 National Agricultural Business Promotion Policy further guide the development of the agricultural sector. The Ninth Five-Year Plan (1996–2001) and the Tenth Five-Year Plan (2002–07) incorporated the strategies set out in the APP. During 1996–2007, two major changes in government policy have affected the sector. Firstly, market-oriented principles have been embraced and state interventions and controls were reduced significantly. Secondly, there was a move towards decentralization, with the Self-Governance Act of 1999 providing greater power to the local governments.

The Three Year Interim Plan (TYIP) (2007-2010) continues to emphasize the role of cooperatives, private sector and local bodies in agriculture and notes that agriculture is gradually transforming toward commercialization from subsistence systems, with an emergence of cooperative, private and community organizations and corresponding decrease in the involvement of the government sector in the flow of services. The Nepal Agricultural Development Strategy, currently under preparation is expected to maintain the focus on agricultural priorities identified in the TYIP.

The Nepal Trade Integration Strategy (NTIS), adopted in July 2010, has the support of key government and private sector actors involved in agricultural production and trade.<sup>10</sup> The NTIS emphasized the need to create a supportive domestic support infrastructure for SPS standards, and identified seven high-potential agro-food export products, including ginger. This project makes a key contribution to implement priorities identified in the NTIS. In particular, it will contribute towards the following specific SPS priorities in the NTIS: (i) development of GAPs through a pre-requisite programme (PRP); and (ii) development of ginger washing facilities with a pilot processing unit acceptable to standards in Nepal. In the longer term, the project will contribute towards NTIS priority area 4, i.e. organic certification of ginger for markets beyond India.

## **2. RATIONALE**

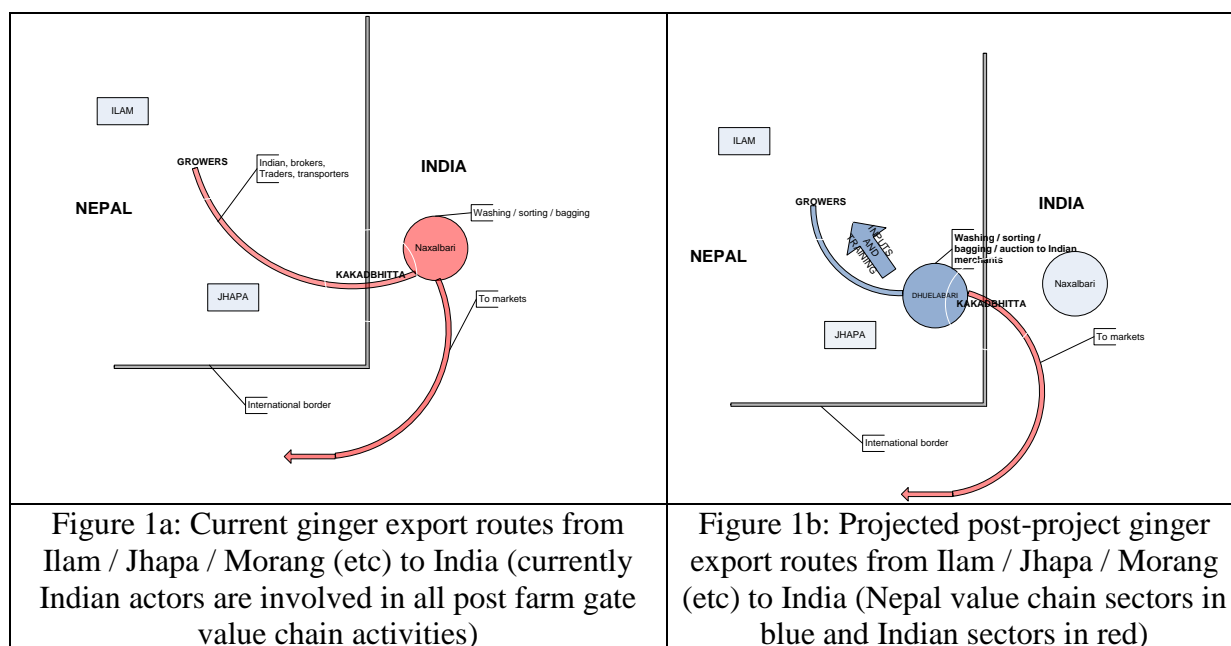
### **2.1 Problems / issues to be addressed**

This project focuses on developing the ginger value chain in Nepal, which has been identified as a high-potential sector for export, value-addition, employment and income-generation by the Nepalese government and development partners. Nepal already exports substantial volumes of ginger, however, farmers and others in the ginger value chain do not fully benefit from this production and trade due to limited capacity to meet the SPS requirements of importing countries and implement risk-based monitoring and control systems. Farmers generally have very limited, if any, knowledge about good agricultural practices (GAPs) including use of pesticides and other market requirements, such as cleanliness, grading and packaging of ginger.

As a consequence, almost all of the ginger produced is purchased by Indian brokers directly from Nepalese cooperatives (see Figure 1a) and exported "dirty" (covered in soil) to India. This leads to a series of subsidiary issues in the form of double and triple handling, uncontrolled washing in India and no incentive for product handlers to minimize losses after the farm gate. Rhizome rot in fresh ginger is reported by traders and brokers to be a significant cause of post-harvest losses. Examination of the treatment of ginger roots in Indian washing facilities indicates rough handling, which combined with inadequate drying, facilitates the entry of weak pathogens into damaged rhizomes.

This situation results in a high level of frustration among Nepalese ginger growers, who have no option but to rely on the transparency and honesty of the Indian buyers with regard to price, post-harvest losses or quality parameters. Testing of pesticide residues by Indian laboratories often takes significant time during which there are chances of some deterioration of the product. As a result, small-scale subsistence farmers receive lower prices and have lower profit margins.

Current and proposed future arrangements are illustrated below (Figures 1a and 1b.)



Other issues which compound the problems faced by ginger growers include the following: (i) absence of other income-generating opportunities for farmers; (ii) limited availability of improved varieties (i.e. with higher yields, less fiber, higher oil and oleoresin content); (iii) weak institutional capacity of farmer cooperatives and ginger associations; and (iv) limited experience and capacity to produce higher value-added ginger products (including organic).

This project will directly support small farmers and traders in Nepal to improve the quality and supply of fresh ginger for export, enabling them to benefit from higher prices in the main export market (India) and to enter new, more lucrative export markets in the region and beyond. By improving ginger production and storage practices, addressing SPS issues, and establishing a ginger washing/processing facility, this project will result in an increased supply of high-quality fresh ginger and value-added ginger products for export to regional and international markets. This will increase the incomes of poor rural households that rely on ginger production for a significant part of their cash income.

## 2.2 Stakeholders and Target Beneficiaries

This project actively engages both the public and private sector in Nepal based on a value chain approach. On the government side, the project will closely involve the MoAC, specifically DFTQC and the National Plant Protection Organization (NPPO), the MoCS (the EIF NIU), and district-level government officials in Eastern Nepal. On the private sector side, the project involves the complete range of stakeholders involved in the ginger value chain, notably small farmers, processors, and traders, cooperatives and their members, the Nepal Ginger Producers and Traders' Association (NGPTA), and the Agro-Enterprise Centre of the Nepalese Chamber of Commerce and Industry.

The main beneficiaries of the project are small farmers "at the base of the SPS pyramid" and members of local ginger cooperatives mainly from the districts of Morang, Jhapa, Ilam and Panchthar (some 250 cooperatives exist in the Jhapa and Ilam districts alone). Some 2,000 farmers will benefit from the project through training on good agricultural practices, access to

improved inputs, and access to a new facility for washing, grading and curing of ginger rhizomes in Eastern Nepal. The majority of these farmers are very poor with high levels of household debts. It is estimated that at least 60% are women-headed households. The project is expected to increase gross incomes from ginger at the farm level by 25% or more (these estimates exclude potential gains due to improved yields and potentially higher prices for more desirable cultivars). Trained farmers, with access to improved ginger varieties, are expected to experience a 30% reduction in post-harvest rots / shrinkage, which will further increase profit margins.

In addition to the farmers directly targeted under the project, the ginger washing/processing facility will benefit other households in the project area. In total, this facility is expected to serve between 3,500 and 4,000 farm households. It will also create an important source of rural employment in this area through some 100 seasonal jobs (3 to 4 months per year). Approximately 200 collectors, transporters, processors and traders will also benefit from targeted training activities (focused on SPS requirements, post-harvest management, etc.) under the project.

The project will strengthen the institutional capacity of the NGPTA to effectively service its members. The NGPTA was established by ginger growers, local traders and exporters at Dhulabari in Jhapa (Eastern Nepal) in 2005. NGPTA has 51 members (37 farmers' group and 14 traders) from Morang, Ilam and Jhapa and neighboring districts. It is a regional organization (registered in the District Administration Office in Jhapa as non-profit, non-government organization) that provides support services focused on ginger production, marketing and capacity development for ginger growers and traders in Eastern Nepal. NGPTA is a member of Federation of Nepalese Chamber of Commerce and Industry (FNCCI). NGPTA is run by eleven professional members, who are elected to an executive committee, and supported by two professional staff in the NGPTA Secretariat (which is located in Dhulabari, Jhapa District). An overview of NGPTA is provided in Annex 7.

NGPTA offers a very useful umbrella to connect and reach ginger growers and traders in the project area. The NGPTA owns 10 Katha of land on a river bank near Dhulabari and has committed to provide this land for the construction of the ginger washing/processing facility and auction yard (mandi) to be established under this project (see Annex 7). This facility would serve small ginger producers - including members of the NGPTA - in Eastern Nepal. The auction yard would provide a point of sale for traders to buy ginger in an open auction.

The project will directly involve and benefit the Nepalese Government, particularly at the local level. The capacity of District Agriculture Development Offices (DADO) will be strengthened through participation in training activities on good agricultural practices, SPS issues, etc. which will enhance the quality and effectiveness of extension services. At the central level, the project will enhance the capacity of SPS regulatory authorities to understand and demonstrate compliance with SPS requirements of Nepal's trading partners.

### **2.3 Project Justification**

This is a demand-driven project that has the support and commitment of key stakeholders and is clearly based on national priorities (as identified in the NTIS and other value chain studies). The project harnesses a public-private sector approach to improve the quality of, and add value to, ginger for export, which is likely to enhance market access and increase incomes of rural people involved in the ginger value chain, who comprise a large number of



poor, women-headed households. Given the scale of ginger production, and the characteristics of producers (i.e. many poor, women-headed households and people with few, if any, other income opportunities), this project would have a measurable impact (as explained above) on trade and poverty reduction in Nepal, one of the poorest countries in the world. The project would further develop and apply an innovative model to enhance ginger production, value-addition and trade, which could be replicated in other parts of Nepal or for other commodities.

The project concept was developed by government and private sector participants at the EIF/STDF project design training workshop in Kathmandu in March 2011. A ginger value chain project, with a strong private sector focus, was developed to: (i) address SPS and other supply-side constraints by involving relevant stakeholders all along the ginger value chain in order to promote trade and reduce poverty; and (ii) complement previous support to the government of Nepal (including in Pest Risk Assessments). Recent STDF work on good practice in SPS technical cooperation has pointed to the benefits of a value chain approach to target assistance to the areas where it would have the greatest impact on trade performance. The project design draws on relevant recent work by development partners, including the comprehensive GIZ value chain study (Sharma, 2009).

This project is submitted to the Standards and Trade Development Facility (STDF) and Enhanced Integrated Framework (EIF) because of the nature of the issues to be addressed and the expected impact on trade and poverty reduction. This project essential includes two sub-projects: (i) the component for consideration by the STDF focuses on SPS capacity building, analysis of ginger market opportunities (and SPS requirements) in the region and internationally, and support on SPS regulatory aspects; and (ii) the component for consideration by the EIF focuses on the construction, infrastructure and operation of a ginger washing/processing facility in Eastern Nepal, and the provision of improved ginger cultivars and agricultural inputs.

This project respects the Paris Principles on Aid Effectiveness:

1. The project concept and request originated from the Government of Nepal and private sector;
2. The theme of the application derives from the SPS issues and one of the priority crops (ginger) identified in the NTIS 2010;
3. The application is endorsed by the relevant ministries (MoCS and MoAC) and private sector, notably the AEC and the direct beneficiaries (NGPTA);
4. Donors and development partners in Nepal, including the Asian Development Bank (ADB), the European Union (EU), Denmark, Germany, GIZ, the United States Agency for International Development (USAID), the World Bank and Mercy Corps (a US-based NGO), were actively consulted during the project formulation process. These consultations identified opportunities for indirect and direct synergies with other planned donor programmes, as well as possible options to replicate this project's approach in other parts of Nepal or with other agri-food products. The EIF Donor Facilitator (Germany) was informed about the development of this project during a meeting with the EIF Executive Secretariat in Kathmandu in March 2011, and subsequently informed about this project application by the NIU in Nepal. Germany participated in EIF NIU Steering Committee Meetings in Nepal, which endorsed this application.
5. A Logical Framework training workshop held under the auspices of the STDF and Enhanced Integrated Framework (EIF) in March 2011, and subsequent meetings with

MoCS, MoAC and other public and private stakeholders, endorsed the logical framework for this project.

During the design phase, the main alternative to achieve the project's objective was also considered (Table 1) in the context of the Millennium Development Goals and value chain outcomes. The alternative - carrying out Pest Risk Assessment - is clearly less effective.

**Table 1: Evaluation of project choice options**

Project Outcome		Ginger Washing Project	Pest Risk Assessment (PRA) for soil and weed seeds
MDG's	End Poverty and Hunger	Yes	No
	Universal Education	Yes	No
	Gender Empowerment	Yes	No
	Child Health	No	No
	Maternal Health	No	No
	Combat HIV / AIDS	No	No
	Environmental sustainability	Yes	No
	Global Partnership	Yes	No
Plant health problem addressed		Yes	Maybe
New market opportunities created		Yes	No
Value adding opportunities enhanced		Yes	No
Improved quality of product		Yes	No
Capacity building		Yes	Yes
Institution building		Yes	Maybe
Opportunities for Replicability		Yes	No
Job creation		Yes	No

## 2.4 Past and Related Work

### 2.4.1 Donor activity

The project builds on past and related technical cooperation in Nepal, including an STDF project (STDF 170), which focused on capacity building of government officials responsible for inspection, quarantine and certification of agricultural and food products at checkpoints.<sup>11</sup> Implemented by FAO from 2008-10, STDF 170 delivered trained food inspectors, veterinary inspectors and quality control officers, animal quarantine officers, plant protection and quarantine officers, and staff of the SPS Enquiry Point and Notification Authority responsible for monitoring and enforcing SPS measures in Nepal. Under the project, 51 SPS master trainers and over 600 mid-level officers and field technicians from the Ministry of Agriculture and Cooperatives (MoAC) were trained.<sup>12</sup>

Donors in Nepal have paid increasing attention to the use of a value-chain approach to boost agricultural production and trade. Yet, while some donor-supported activities have already been implemented in the ginger sector, these have generally been small-scale, isolated and/or limited in geographic focus.

Two large donor-financed projects focused on broad agricultural development and commercialization have provided some limited support to stakeholders involved in the ginger value chain, specifically:

1. The Project for Agriculture Commercialization and Trade (PACT) financed by the World Bank and implemented by the Ministry of Agriculture and Cooperatives in the central and western areas of Nepal (i.e. not in the area targeted by this project). The project development objective is to assist the Government of Nepal in improving the competitiveness of smallholder farmers and the agribusiness sector in selected commodity value chains in 25 districts supported by the project. This will be achieved by: (i) helping farmer groups and cooperatives engage in profitable market-oriented production and improved access to markets through the provision of technology and information services and critical public infrastructure and linkages to agribusiness; (ii) creating and strengthening industry-wide partnerships along the value chain, thus forging linkages between producers, traders, processors, and other stakeholders and, (iii) reducing existing obstacles to agriculture and food trade thereby increasing the ability of farmers and agribusiness to respond to sanitary and phytosanitary (SPS) and food-quality standards to meet domestic and international market requirements.<sup>13</sup>
2. The Commercial Agriculture Development Project (CADP), financed by the ADB, is implemented by the Department of Agriculture under MoAC in 11 districts of the Eastern Development Region. This project initially identified ginger as one of ten potential high-value crops, however, it appears that no tangible assistance has been provided in follow-up or is planned in the ginger sector.

GIZ (formerly GTZ) commissioned a value chain study of ginger in 2009, carried out in consultation with interested public and private sector stakeholders, which was useful in informing this project design (Sharma, 2009). In follow-up to this study, GIZ provided some support, focused on Palpa and Pyuthan districts in the Mid-Western region, to enhance ginger production, processing and marketing, and develop institutional capacity. Outcomes of this assistance included: (i) exploration of market opportunities in Kathmandu and India; (ii) establishment of an auction yard near the highway towards Tansen and Pokhara; (iii) capacity building of actors involved in the ginger value chain; (iv) first steps to establish a warehouse; (v) establishment of four "rhizome villages" in Palpa district; (vi) installation of tunnel solar dryer in Palpa; and (vii) training of trainers and resource persons. The current phase of this programme is coming to an end; while no follow-up activities are planned, GIZ indicates that other ginger value chain activities may be contemplated in the future (Shrestha, 2011, personal communication).

The USAID Nepal Economic, Agriculture and Trade (NEAT) Activity for 2011-13 aims to develop activities in selected value chains. NEAT has identified possible opportunities to develop the ginger value chain in Western Nepal and is interested in potential to replicate the model to be implemented under this project. This project will develop a close relationship with NEAT to ensure synergies.

Mercy Corps (a small American NGO) is running a small project targeting 200 ginger farmers in the Jhapa District. The Mercy Corps project aims to demonstrate the profit potential of improved production with buyers of fibreless ginger. It is supporting ginger traders and exporters to improve market competitiveness by piloting improved processing, grading, and trading practices with farmers and end-buyers, via forward contracts, hedging and institutional buy-back arrangements.<sup>14</sup> Initial results have been positive. The project

would build on these early results by involving cooperatives already established by the Mercy Corps thus gaining synergies and momentum from the outset.

The EU Coordinator of Operations in Kathmandu (donor coordinator for agricultural assistance) has expressed commitment to share information on this project with development partners in Nepal. Using the donor coordination mechanism will help to ensure complementarities and synergies with relevant ongoing and future interventions. Lessons learned and experiences will be shared with other donors that might be interested in supporting similar ginger value chain interventions (e.g. in the Rupandehi and Kailali export corridors in the central and western regions).<sup>15</sup>

The development of pesticide residue testing in Nepal at DFTQC has been supported by a number of donors. New laboratory and head office buildings are under construction with assistance from the Japan International Cooperation Agency (JICA). The upgrade of laboratory equipment, training and a wide range of supporting activities is underway at DFTQC and the Nepal Bureau of Standards and Metrology (NBSM). Funding is from the EU and activities are being undertaken by the United Nations Industrial Development Organization (UNIDO) together with UNESCAP and *Physikalisch-Technische Bundesanstalt* (PTB – the national metrology institute of Germany).<sup>16</sup>

Evidence indicates that there are currently no on-the-ground interventions in Eastern Nepal that directly address national SPS priorities, and opportunity and weaknesses identified in ginger value chain studies. Donors and development partners involved in related activities will be informed about this project and consulted to promote complementarities and synergies with activities to be carried out.

#### **2.4.2 Lessons learned from previous projects**

From a study of previous and ongoing projects in the ginger sector the following conclusions can be drawn:

1. Any project must intervene at several points in the value chain otherwise the value of any one of the interventions risks being lost.
2. The private sector must be involved at the outset.
3. Business planning and business management skills must be developed as an integral part of the intervention.
4. Projects must be designed with clear project management and management responsibilities.
5. Monitoring and Evaluation is a critical part of the design of any project.

### **2.5 Food and Agriculture Organization's Comparative Advantage**

FAO is well-placed to implement this project in view of the scope of work and FAO's comparative advantage. Firstly, FAO has a close working relationship with the Government of Nepal and long track record of implementing agricultural development and trade promotion projects in Nepal and the region. Secondly, FAO hosts the Secretariats for the International Plant Protection Convention (IPPC) and Codex Alimentarius Commission, which develop international plant health / food safety standards to be implemented under this project. FAO also has a successful track record in the provision of capacity building support in Nepal, and elsewhere, to enhance capacity to implement SPS requirements for market access. Thirdly, FAO's presence in Nepal, and good working relationships with government

partners, development partners and other stakeholders involved in this project, will facilitate implementation. Finally, FAO is a founding partner of the STDF and has provided valuable support in implementation of several STDF projects.

### **3. PROJECT FRAMEWORK**

#### **3.1 Impact and Goal**

The Impact / Goal of the project is: increased income level of ginger farmers through improvements in SPS arrangements and value addition for export to India and other countries. The structural reasons for constraints in producer income are detailed in Sharma (2009) and these have been a significant part of the basis for project design. Constraints are essentially due to market inefficiencies including essentially makeshift arrangements for washing ginger in India leading to value chain inefficiencies which are mostly borne by the growers.

#### **Outcome and outputs**

The purpose (outcome) is: Increased market opportunities for Nepalese ginger through a series of SPS related and value-addition interventions.

Outcome: Increased market opportunities for Nepalese ginger

The following outputs are expected:

Result 1 Ginger washing/processing facility designed, constructed and operationalized, and producer organizations strengthened

Result 2 Materials development and training on GAPs, post-harvest handling and SPS requirements

Result 3 Supply of quality ginger rhizomes available

Result 4 Study on regional and international markets for fresh and processed Nepalese ginger, and market (SPS)

Result 5 Improved capacity of Nepalese government to negotiate and demonstrate compliance with SPS import requirements of trading partners

#### **3.2 Sustainability**

1. Economic dimensions: Operating costs of the washing facility will be recovered from the proceeds of value added ginger sales to the traders. The private sector company operating the facility will pay a fair price to the growers, after deducting margins and operating costs, thus guaranteeing a net positive cash flow to cover overheads and out of season costs. Income from rent of the site would be invested in a trust fund, managed by the NGPTA, for the benefit of ginger farmers in the project districts and overall maintenance of the facility. Institutional capacity building will ensure the ability of the NGPTA to effectively manage this trust fund. Training is also incorporated to set up and implement effective business and

operational planning systems for operation of the facility. The aim is to establish, equip and operationalize a ginger washing/processing facility, which would be operated by a private company and supervised by a Board of Directors, without need for further donor assistance.

2. Operations and maintenance: At the project design stage, thought was given to how to enable the ginger washing/processing facility to effectively maintain its operations after the life of the project. Ownership and operation arrangements will be discussed in detail by all the concerned stakeholders during project inception. Based on discussion with public and private sector to date, an innovative approach is proposed for the operation and oversight of the facility. A competitive and transparent bidding process, open to interested private companies, will be carried out to select a company to operate the facility. A Board of Directors (properly constituted with transparency and accountability in elected officials, free and fair elections to positions on the board with clear reporting guidelines) would supervise overall operation of the washing facility but not have power to intervene in its financial operations. The principle issues are to ensure: a) transparency in the operation of the facility (given that financial viability is already demonstrated by the existence of washing facilities in India); b) separation of operational responsibility from ownership; and c) oversight by neutral third parties (Board of Directors) who have no direct financial control.

3. Community dimensions and stakeholder participation: Ginger farmers, cooperative members and their association (NGPTA) have been actively engaged during project design and would be the main beneficiaries. To ensure effectiveness and sustainability, the project actively engages all public and private stakeholders involved in the ginger value chain, based on their respective roles and responsibilities.

4. Environmental dimensions: The design of the washing facility will require an environmental impact assessment (EIA) as it will be near a waterway and will use lots of water. The facility will likely draw water from a river (as does the facility in India) which requires efforts to avoid negative impact on water and river users. Preliminary discussions took place during the design phase on environmental issues and management options. These will be further analysed during the initial project activities.

### 3.3 Risks and Assumptions

The risks in the project were analysed by industry and sector specialists at a workshop on 7-10 March 2011 in Kathmandu. Risks, as well as strategies to mitigate them, are identified below.

#### *Risks related to SPS issues and ginger exports to India*

<b>Risk</b>	<b>Impact</b>	<b>Probability</b>
Indian government authorities do not accept Nepalese washed ginger or impose new measures (scientifically justified or not)	High	Low
Nepal and India do not reach agreement on new phytosanitary import requirements for Nepalese fresh ginger imports	High	Low
Indian border states do not adhere to new phytosanitary import requirements agreed between Indian and Nepalese NPPO	High	Low
Weak food safety/plant health institutions in Nepal	Medium	Medium

The following specific activities are planned to effectively mitigate the above-mentioned risks. In addition, government officials were trained on phytosanitary import requirements,

risk assessment, traceability and GAPs, etc. under a previous STDF project, and have a good basis on which to carry out these activities.

- Funds are included in the budget to enable Indian government officials to visit the ginger production area at the start of the project, as well as the facility (when operational), to demonstrate that it is in compliance. Relevant activities under the project will conform to Indian Food Safety and Standards Act, 2006, No. 34.
- Direct bilateral meetings between Indian and Nepalese authorities are planned to discuss India's phytosanitary import requirements for fresh Nepalese ginger. The Nepalese National Plant Protection Organization (NPPO) will carry out desk research to identify regulated pests of relevance to fresh ginger exports and their prevalence/absence in India and Nepal, which will provide an informed scientific basis for these consultations. These activities will increase transparency about India's import requirements and reduce the likelihood that India imposes new (unjustified) requirements on ginger imports.
- The project takes a value chain approach and is designed to ensure that key actors are able to implement good practices and address critical SPS issues within their control. By improving quality during production and post-harvest handling, putting in place traceability and due diligence, and adding value to ginger, the project will increase the supply of high-quality ginger for export. This will also enable Nepal to access new markets in the region and elsewhere.

The mitigation strategy for the above-mentioned risks assumes that: (i) Indian authorities view ginger washing activities carried out under the project as an improvement on the current situation; (ii) Indian authorities are willing to discuss and re-negotiate phytosanitary import requirements; and (iii) India respects the WTO SPS Agreement and applies its food safety and phytosanitary regulations in a transparent and non-discriminatory manner.

The Nepalese government is responsible for taking the lead on activities to address this cluster of risks. In particular, the NPPO will be responsible for scientific research work and consultations with the Indian NPPO on issues related to phytosanitary import requirements. The International Plant Protection Convention (IPPC) Secretariat (in FAO) has committed to provide advice and technical guidance to the Nepalese NPPO, as needed, to inform negotiation of phytosanitary import requirements with India.

### ***Risks relating to farmers preferences / decisions***

<b>Risk</b>	<b>Impact</b>	<b>Probability</b>
Farmers decide to move out of ginger production	High	Low
Farmers do not make use of ginger washing/processing facility	High	Low

The above-mentioned risks related to farmers' preferences/decisions would have a high impact on the project but are considered to be of very low probability. Due to the tradition of ginger cultivation in the project area, the ability of ginger to grow on low-quality soils and the few, if any, alternatives available, it is highly unlikely that ginger farmers will stop growing ginger. It is also unlikely that farmers will be unwilling to use the new washing/processing facility since they stand to gain substantial benefits and raised earnings by washing their ginger production and adding value.

The following strategies have been built into the project to mitigate the above-mentioned risks: (i) cooperative leaders and trained farmers will help to raise awareness about the benefits (including higher prices) to be achieved by washing ginger and adding value; and (ii)

on-site demonstration plots will be established for training purposes to clearly show improved cultivation techniques and post-harvest management. The MoAC, AEC and FAO will play the leading role in addressing the above risks through delivery of the specified activities.

**Other risks**

<b>Risk</b>	<b>Impact</b>	<b>Probability</b>
Occurrence of rhizome rot	High	Medium
Difficulty to procure quality ginger planting material	High	Medium
Availability of resource persons for training	High	Low to Medium
NGPTA is a relatively young organization	High	Low to Medium

The occurrence of rhizome rot (linked to lack of good quality planting materials and poor storage facilities) is a real problem in ginger production and has the potential to negatively influence the results of the project. The project will mitigate these risks by: (i) training farmers on GAPs and post-harvest management which reduces the likelihood of rhizome rot; (ii) providing healthy ginger rhizomes and inputs to control post-harvest diseases to farmers; and (iii) establishing a production /distribution centre in the project area to ensure a sustainable supply of quality ginger planting materials.

An inadequate number of resource persons to deliver training to farmers is a low to medium risk. This will be mitigated by adopting a Training of Trainers approach, and working closely with cooperatives and local agriculture officials, to ensure sufficient qualified resource persons. MoAC and AEC will be responsible for mitigating these risks.

The relative inexperience of the NGPTA, to manage the proposed trust fund, could present a risk. This risk will be mitigated by strengthening the institutional capacity of NGPTA and its ability to effectively carry out its role. The high level of ownership, demand and commitment for this project - combined with practical training and institutional building - will help mitigate these risks.

## **4. IMPLEMENTATION AND MANAGEMENT ARRANGEMENTS**

### **4.1. Institutional Framework and Coordination**

#### **4.1.1 Requesting and executing government / agency or private body**

This project is requested by the Ministry of Agriculture and Cooperatives (MoAC), in collaboration with the Ministry of Commerce and Supplies (MoCS) and the Agro-Enterprise Centre (AEC) of the Federation of Nepalese Chamber of Commerce and Industry (FNCCI).

The project will be implemented by FAO Nepal, in accordance with normal FAO rules and procedures, in close cooperation with MoAC and AEC.

#### **4.1.2 Collaborating government(s) / agency**

The project partners would work closely with the EIF National Implementation Unit (NIU) in the Ministry of Commerce and Supply (MoCS). The NIU Coordinator will represent the NIU in the Project Steering Committee and will have a direct role in project supervision.



FAO Nepal will work closely with the MoAC and AEC to implement particular activities, which will support local capacity building and enhance the sustainability of the project. FAO will sub-contract responsibilities for particular activities under the project to MoAC and AEC, as appropriate, based on a clear, written agreement regarding the expected roles, responsibilities, budget and deliverables for each activity. Sub-contracting needs and arrangements will be discussed in detail during the project inception stage. During project inception, detailed terms of reference and agreements governing sub-contracted activities will be shared with the STDF, EIF Executive Secretariat and Trust Fund Manager for review prior to signature and release of funds.

#### **4.1.3 Project management and decision-making structure**

The implementation and supervision arrangements for the project are illustrated in Figure 2.

FAO Nepal will receive, disburse and manage funds for the implementation of project activities, in accordance with FAO rules and procedures. The PSC and FAO Bangkok will provide oversight and supervision on the project budget. Relevant staff of the FAO Regional Office in Bangkok, Thailand will provide regular technical backstopping support to the project.

FAO will hire a full-time project manager, to be based in the project area, who will manage all aspects of project implementation on a day-to-day basis. Normal FAO rules and procedures -- including on human resources and recruitment, financial arrangements and budgeting, audit, international and local procurement, anti-corruption, etc. -- will apply to all aspects of project implementation (by FAO and any other partners or third parties involved in implementation). The Memorandum of Understanding, agreed by FAO and UNOPS for the purpose of this project, provides specific details on FAO's responsibilities and obligations in this regard.

The MoAC will nominate a National Project Coordinator, for the duration of the project, to ensure coordination at the central level of activities carried out. The National Project Coordinator will meet regularly with the NIU Coordinator to facilitate information exchange and coordination at the central level.

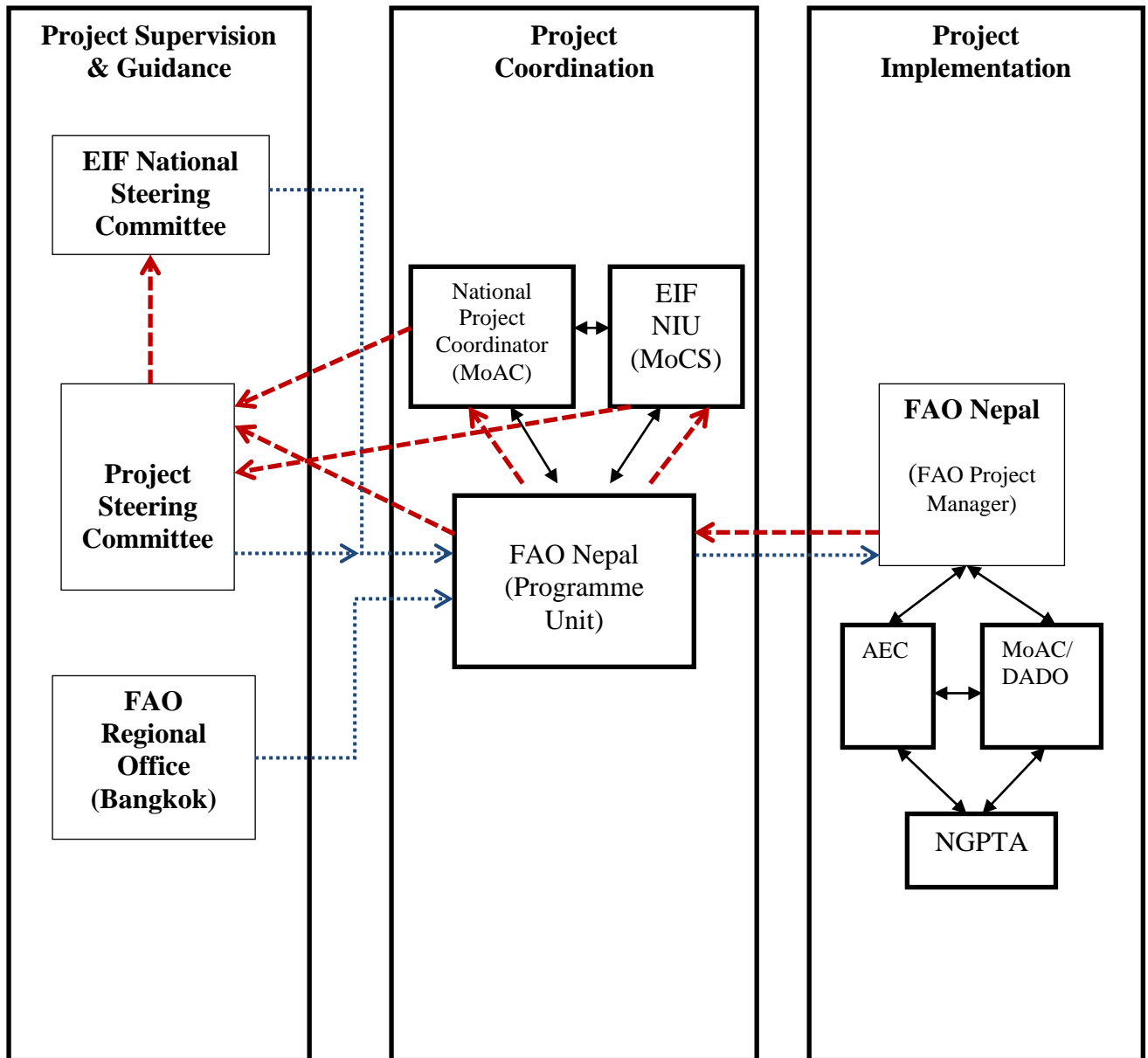
A Project Steering Committee (PSC) will be established to oversee and supervise implementation. The PSC will be chaired by the MoAC Secretary. It will include representatives from FAO, MoAC (NPPO, DFTQC, WTO section of Agribusiness Promotion and Statistics Division), MoCS, the NIU Coordinator, and the AEC. The PSC will report to the EIF National Steering Committee, as requested. The NIU Coordinator, as a member of the PSC, will report regularly on the project to the EIF NSC.

The PSC will meet on a bi-annual basis. Donors and development partners will be invited to particular meetings, as appropriate. The PSC will supervise implementation of the project and the results achieved, and facilitate inter-agency coordination (see Terms of reference in Annex 6). Specifically, the PSC will:

- Review and approve project plans, budgets, and progress reports and provide overall advice and guidance for the implementation of the project;
- Review project targets, criteria and arrangements to ensure that project benefits reach the target groups;
- Ensure inter-agency coordination and policy support; and

- Proactively identify and respond to any possible problems in a timely and efficient manner.

**Figure 2. Implementation, Supervision & Reporting Arrangements**



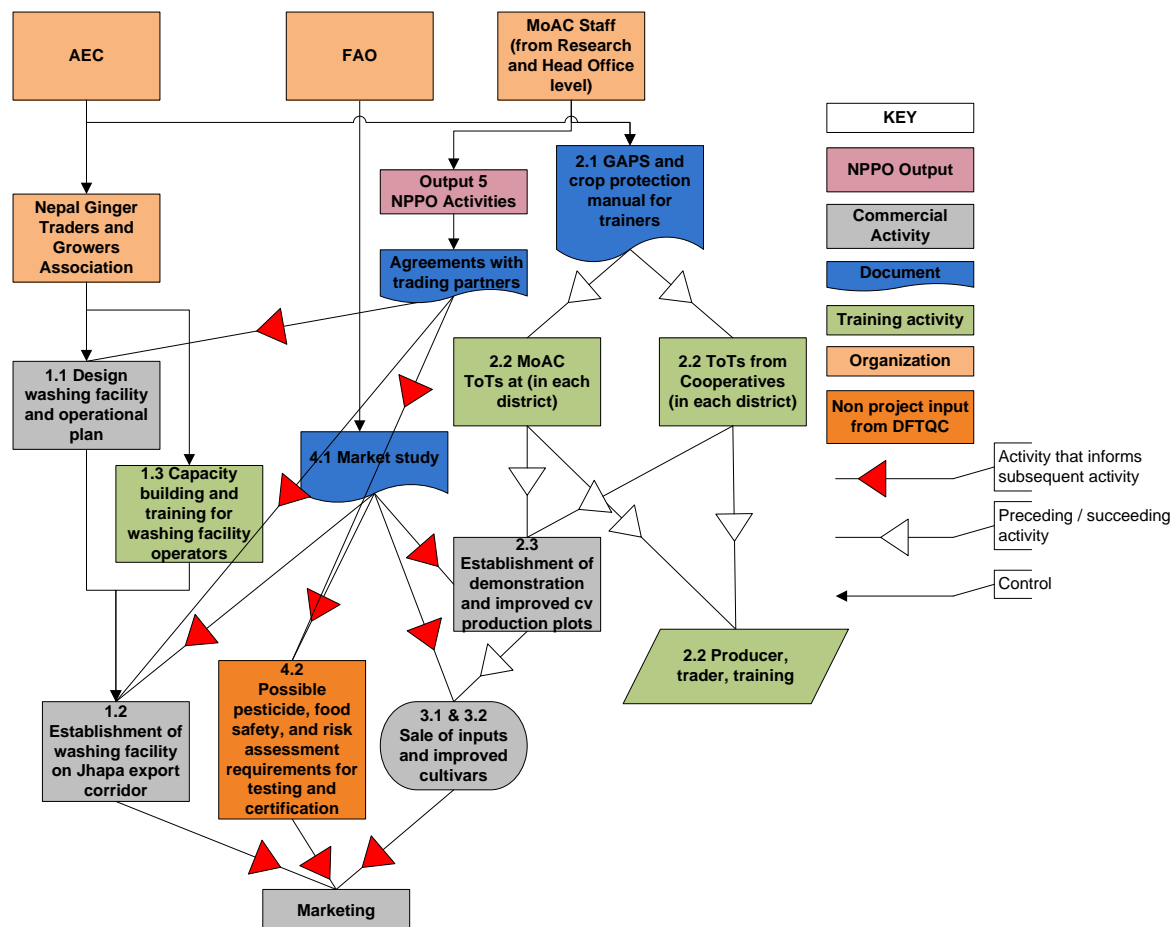
## 4.2 Strategy/Methodology

The project aims to raise incomes of ginger-producing households in Eastern Nepal by improving the quality of ginger, increasing capacity to comply with SPS requirements and enhancing market access. The project encompasses a series of interventions, based on a value chain approach, involving stakeholders from ginger farmers, collectors, traders, cooperatives and ginger producer/trader associations, as well as local government departments responsible for extension and training, and central government departments responsible for demonstrating compliance with the SPS requirements of trading partners. Figure 3 illustrates key activities and value chain linkages.

Stakeholders in the ginger value chain - including small farmers (many women) and cooperative members - will play a key role in implementation of activities. As such the project will create a basis for genuine engagement of the target beneficiaries and support capacity building on the ground. The project will engage and promote collaboration across public and private sector stakeholders, in recognition of the fact that both the public and private sector have essential and complementary roles to play in promoting ginger exports.

Implementation of the project will be based on the work plan (see Annex 3), which will be analysed and revised, as necessary, during the inception phase. The methodology will ensure flexibility to address unforeseen issues during implementation as required. There will be a strong iterative element (i.e. learning through doing) in all aspects of implementation.

**Figure 3: Activities for delivery of Increased market opportunities for Nepalese ginger**



### 4.3 Major Activities

The following major activities are planned in support of the project goal, outcomes and outputs.

#### **Activity 1.1 Design ginger washing / processing facility, carry out preparatory environmental impact assessment (EIA) and other assessments, as needed, obtain permits and produce business plan for the establishment and operation of a ginger washing and processing facility with auction yard for the Jhapa corridor**

As an initial step, within the first six months of the project approval, work will be carried out to design a ginger washing / processing facility (with storage space and an auction yard), produce a detailed cost estimation (for construction, investment and recurring costs), carry out necessary preliminary assessments and studies, and prepare a business plan for how the proposed facility would be built and operated will be prepared in accordance with Good Manufacturing Practices and Good Hygiene Practices. This would include the following:

1. Necessary preliminary studies such as an Environmental Impact Assessment and associated works (flood and erosion control). Waste water from washing may be suitable for irrigation, particularly as the facility will be operating during the dry season.
2. A business plan addressing in detail: i) human resource training needs (including in financial, business and technical management, particularly in terms of setting up a system for recording deliveries, determining quality, food safety requirements, and price received and from these ultimately determining grower payments); ii) budgetary aspects covering up-front investment and recurring operational costs (addressing user fees, revenues, etc.), working capital needed; iii) operations and maintenance; iv) ownership and management arrangements.
3. Detailed assessment of ancillary equipment required (e.g. crates, computers, water pumps, grading and sorting equipment).
4. Procurement plan for the purchase and installment of necessary equipment, etc.
5. An analysis and recommendations on the ownership and management structure of the ginger washing/processing facility to be established. This should include clear guidance on the ownership of the facility and equipment procured under the project, the selection of a company to operate the facility (and criteria for that purpose), the establishment of a Board of Directors to supervise its operations, etc. The exact nature of the ownership arrangements for the washing facility will be discussed and agreed during the project inception stage.

The development of the design plus costing will have to be developed into a formal architectural plan and bill of quantities in full compliance with regulatory requirements. The design will have to be first done by a processing engineer (or equivalent) before architectural plans are drawn up and signed off. Given that the likely design, excluding engineering works such as pumps and sorting equipment, will likely be very simple the drawings should be drawn up by a draughtsman and then signed off by an appropriate professional (e.g. an architect, according to national and regional laws and by-laws).

FAO will sub-contract some of the particular studies to be carried out, based on discussions in the project inception phase, to the AEC based on evidence of AEC's expertise to carry out the particular tasks. Detailed TORs for these sub-contracted activities will be developed

during the inception phase, and shared with the EIF/TFM for review prior to signature and release of funds.

### **Activity 1.2 Build ginger washing / processing facility for the Jhapa corridor**

Based on the preceding activity, a ginger washing/processing facility will be constructed in Jhapa on land provided by the NGTPA. The ginger washing/processing facility is essential to reinforce other project activities and will have a high impact on increasing project outcomes and impact.

FAO will run an open and competitive tender process to select a company to operate the ginger washing/processing facility. A detailed business plan will be prepared to clarify the ownership, financial management and management/operation of the facility. Legal documents will be prepared and the facility will be registered as a company with Nepalese authorities. **Activities 1.1** and **1.2** are due for completion within 18 (eighteen) months of the commencement of the project.

A Board of Directors for the facility will be established to supervise management of the facility, without access to financial operations (Figure 3).

In order to finance further activities, it is suggested that the rental costs of the site be reinvested through a trust which could invest in site upgrades in terms of volume and other value adding activities. The trust fund would be utilized to maintain facility and finance activities to support farmers such as providing micro credits for expansion of ginger cultivation in the region/country. During the inception phase, concerned stakeholders will discuss and agree on the specific issues related to the establishment of the proposed trust fund, as well as its operational procedures, mandate, responsibilities, etc.

FAO will sub-contract particular aspects of the implementation of the above activities to the AEC based on AEC's experience and expertise. Detailed TORs for these sub-contracted activities will be developed during the inception phase, and shared with the EIF/TFM for review prior to signature and release of funds.

### **Activity 1.3 Deliver hands-on training (including on financial and business management, record-keeping, etc.) and set up systems required for the effective management and operation of the facilities**

Based on the findings of a training needs assessment, training will be delivered, as needed, to the company responsible for operating the facility. Training would also be provided to the NGPTA, which is proposed to manage a trust fund (established with rental income from the facility) for the benefit of NGPTA member cooperatives and ginger farmers in the project area.

Training will be based on the detailed training needs assessment (which will be carried out as part of the business plan, see **Activity 1.1** above), and would address topics such as:

1. 'Goods in' and quality tracking systems for grower payments.
2. Requirements for food safety traceability and compliance to laws and regulations of importing countries through the application of Good Manufacturing Practices (GMPs)
3. Financial management including grower payments, overheads as well as cost control.

4. Developing and implementing systems based on good computer-based record keeping.
5. Long-term business planning including developing a culture of continuous improvement, innovation and value addition.

Based on the training needs assessment, FAO may sub-contract qualified local organizations (e.g. AEC) to deliver some of this training, as appropriate. Detailed TORs for these sub-contracted activities will be developed during the inception phase, and shared with the EIF/TFM for review prior to signature and release of funds.

**Activity 2.1 Develop ginger growing manual and other training materials (print, video, etc.) on GAPs for ginger cultivation, post-harvest handling of ginger, SPS requirements, etc. suitable for target audiences**

An immense amount of institutional knowledge on ginger growing, post-harvest handling and marketing is available in Nepal. Under this activity, this knowledge will be collated and compiled, and gaps (e.g individual cultivar requirements and post-harvest handling) identified. Relevant materials from other countries, produced by FAO and other organizations, should also be identified for use, as relevant, to maximize resources.

Ginger growing manuals, training materials and guidelines will subsequently be developed in Nepali, and English (if required), to convey essential information to smallholder farmers and other value chain actors. Curriculum development will also provide advice on the type and duration of training courses to be run.

FAO will oversee and supervise the preparation of these materials with support from relevant departments and institutes under the MoAC. The MoAC will draw on Nepalese data and institutional memory to collate agronomic information on ginger growing and post-harvest management, and FAO will draw on its external resources and data to supplement these. The training materials need to be available within six months of the start of the project. The training materials will be written and presented in a simple and user-friendly way, using graphics and pictures where possible. They will cover at least the following topics:

1. Botanical description of ginger and its related species<sup>17</sup>.
2. Production and productivity in the country and constraints of production.
3. Varieties of ginger and their characteristics.
4. Rhizome selection and seed treatment methods.
5. Land preparation, planting spacing, mulching, weeding and intercropping operation.
6. Diseases, insect pests, and their management.
7. Maturity, appropriate time of harvesting and storage methods.
8. Ginger processing.
9. National and international food safety and quality standards of fresh and dry ginger and practical requirements to meet these standards.
10. Concepts and methods of organic ginger production.
11. Compliance to legal provisions in Nepal and trading partner countries for pesticide use and safe food handling.
12. Methods of teaching adult farmers.

In addition, a short video will be made of the ginger value chain summarizing the necessary GAPs and necessary post-harvest management techniques.

**Activity 2.2: Train trainers and deliver training for farmers and other value chain actors (on GAPS, post-harvest management, grading and control of post-harvest rots, etc.)**

FAO, together with AEC and the MoAC task group, will initiate the field training component at the six month point of the project using as a basis the output from **Activity 2.1**. In the first phase of the training programme, 30 master trainers (15 from the GoN/NARC and 15 from the private sector) will be trained as Master Trainers over 10-12 days based on a Training of Trainers (ToT) approach. Private sector participants for the ToT must have ginger-growing experience and have completed at least primary education. Detailed criteria for the selection of all master trainers will be developed, together with the support and guidance of FAO, during the inception of the project. The Master Trainers will be expected to continue to serve as trainers even after completion of the project providing in-country teaching expertise and contributing towards cost-effective multiplication of project benefit and future sustainability.

During the subsequent phase, master trainers will train stakeholders involved in the ginger value chain, including farmers, collectors, transporters, processors, traders and field-level junior technicians. Detailed criteria will be developed for the selection of trainees. Organizations working in the field, including DADO, NGPTA and the Mercy Corps, will be consulted on the selection of trainees. In total, some 2,000 persons (approximately 60% of whom are women) will be trained during the project. The number of trainees represents approximately 30% of the total number of growers in the targeted regions.<sup>18</sup>

Master trainers will deliver monthly field days/short courses using the Farmer Field School (FFS) approach. Demonstration sites will be established, for GAPS, rhizome rot management and improved ginger cultivar production, and used for training purposes.

Some training may also take place in India to enable private sector representatives (farmers' groups, AEC) and government officials, as necessary, to learn about ginger production, processing, post-harvest handling, etc.

FAO will work closely with the MoAC and AEC to develop and deliver the training programme. Local staff of District Agriculture Development Offices (DADOs) will play a key role in the delivery of training for farmers, etc.

**Activity 2.3; Establish ginger demonstration / multiplication plots at Jhapa hubs and use these plots for field training courses in GAPS and post-harvest management**

Cooperative members and groups of trainees, who are selected to participate in the field training courses and receive improved planting material and inputs to manage Rhizome rot, be involved in the development of multiplication plots for improved ginger cultivars using inputs (such as *Trichoderma viridae* and *Trichoderma harzianum*) for the management of post-harvest rots, as well as other optimal practices (**Activity 3.1**). These cooperatives will provide some land for the development of ginger demonstration / multiplication plots, where their members can be trained.

The sites selected for ginger demonstration / multiplication plots should be accessible by road. They should also be in the proximity of motivated ToTs, have adequate nearby accommodation, and some basic classroom facilities. While selecting cooperatives and groups of trainees to develop demonstration and multiplication plots, priority will be given to groups composed only of women, followed by ethnic minorities, as a means to encourage their involvement in the project.

FAO will work closely with the AEC and MoAC/DADO to select sites for, and establish, ginger demonstration / multiplication plots for training purposes.

### **Activity 3.1 Devise and implement system for provision of post-harvest control measures (inputs)**

The inputs needed for the control of post-harvest rots are Trichoderma, healthy rhizomes, compost (30 T/ha) and brassica oil cake (2 T/ha). AEC in coordination with DADO will be responsible for sourcing and obtaining inputs and making them available to growers through the cooperatives. Healthy planting material for farmer supply will be sourced from contracted fields grown at various locations in the project area using best practices for rhizome rot control. Land for experiments will be provided by the farmers' group.

### **Activity 3.2 Obtain improved (marketable) cultivars from other parts of Nepal and further afield**

Under the project, improved ginger cultivars will be obtained and provided to beneficiaries, guided by the findings of the market study (to be carried out in Activity 4.1). The improved cultivars would be more marketable than the fibrous cultivars currently grown in Nepal. AEC with the technical support of MoAC/DADO will source these cultivars and introduce them into the project area using selected cooperatives as contract suppliers. Initial planting material for the multiplication plots will be provided free but subsequent growing, distribution and marketing will be commercially based. The cooperatives will be subsidized for additional inputs for rhizome rot control and the mother stock. In return contract growers will undertake to market their rhizomes as planting material.

### **Activity 4.1 Prepare a detailed study on regional and international markets for fresh and processed Nepalese ginger, and market (SPS) requirements**

Much market information on ginger trade / exports from Nepal is based on a very limited number of studies (usually quoting report ITC and GIZ value chain studies). More attention should be given to consider opportunities to diversify into new markets, including exports of fresh and processed ginger to regional markets (e.g. export of washed ginger to Bangladesh, export of improved cultivars to India, or export of fresh ginger and ginger products to other parts of Asia). Therefore a study will be commissioned to analyse potential ginger markets and SPS requirements from a Nepalese perspective, taking into account the country's landlocked situation and potential to add value to ginger exports (initially via washing).

FAO would engage an international consultant, with existing / prior experience of regional and global markets for spices, to produce a comprehensive study of the market situation for Nepalese ginger and ensure that activities (cultivar improvement, post-harvest management including rhizome rot control, washing and grading, as well as the need for testing and certification – and by extension the need for DFTQC services) are set in the context of market demand, likely production costs in Nepal, and logistical realities. The report should also guide long-term investments that have been suggested in other ginger value chains (such as oleoresins and dried ginger) which could be set up in the vicinity of the washing facilities to utilize by-products such as broken ginger or rhizomes with few fingers (< three). The marketing study will inform other project activities including the cultivar improvement component, the need for and development of testing and certification and the promotion of value adding activities by the private sector.



### **Activity 5.1 Traceability and reducing frequency of pesticide residue testing**

Under this activity, DFTQC will engage with food safety authorities in other countries, including bilateral discussions with India, to confer and reach agreement on import requirements and protocols for pesticide residue levels in ginger exports. The bilateral meetings and negotiations with Indian authorities will seek to reach agreement on the use of a 'due diligence' approach to replace the existing Indian requirement for testing on a consignment basis and need to send samples to India for testing. 'Due diligence' in essence requires the documented linking of GAPs (**Activity 2.2**) to GMPs (**Activity 1.3**), ensuring full product traceability (providing assurance on provenance through the value chain) together with demonstrated conformity to pesticide residue limits. The system does not depend on the pre-existence of a certified pesticide residue testing laboratory in Nepal but will eliminate the need for consignment testing of exported ginger -replacing it with testing based on risk assessments.

This activity will complement ongoing interactions between the Nepalese and Indian food safety authorities, as well as support, in the longer term, current efforts to strengthen DFTQC's capacity for pesticide residue analysis. The successful development and use – within the DFTQC – of ISO 17025 certified pesticide residue testing facilities, which are expected to become operational in 2011 will assist in replacing the current system of using Indian laboratories for pesticide residue testing but this outcome is not a precondition for implementation of this activity. However successful implementation of this activity will, in the short to medium term, allow the current testing arrangements to proceed at a lower intensity.

At the same time, product traceability (record keeping) will be introduced by selected growers, transporters and the management of the washing facility to provide assurance on provenance through the value chain.

### **Activity 5.2 Bilateral meetings and contacts between the Nepalese and Indian NPPOs to discuss sanitary and phytosanitary issues related to fresh ginger exports from Nepal to India, and reach agreement on SPS import requirements for ginger**

The Nepalese NPPO will request and undertake a series of bilateral meetings with the Indian NPPO, prior to and during project implementation, to discuss specific sanitary and phytosanitary issues related to fresh ginger exports from Nepal to India. The Nepalese NPPO will make two visits to India for discussions on India's concerns and requirements related to: (i) soil as a regulated article; and (ii) pests that could exist within residual soil. The Indian NPPO would be invited to visit Nepal – at the outset of the project and subsequently once the washing facility is operational – to inspect the washing facilities and ensure they comply with India's import requirements. Ongoing contacts would be undertaken by email and phone to reach a new agreement on specific conditions for washing and transportation of fresh ginger from Nepal to India.

Based on the findings of the market study (**Activity 4.1**), the Nepalese NPPO will carry out desk research on phytosanitary import requirements of relevance to the main target markets – specifically India – for Nepalese fresh ginger. For instance, this research will identify and examine regulated pests of relevance to fresh ginger exports, their prevalence (or absence) in Nepal, and regulated pests in India that could be imported from Nepal via fresh ginger.

#### 4.4 Government Inputs

The Government of Nepal (GoN) will provide an in-kind contribution to the total project budget as its share of project costs. As an in-kind contribution, GoN will provide training hall, existing equipment and meeting room space for in-country trainings, meetings and workshops during project implementation. Desk research by the Nepalese NPPO on phytosanitary import requirements of relevance to India will also form part of the in-kind contribution.

The GoN (MoAC) will provide a National Project Coordinator (6 person months) to provide high-level coordination for the project. The MoAC will also contribute national experts in ginger cultivation to compile and analyse available knowledge on ginger agronomy and post-harvest management (including *pre*-harvest management to control *post*-harvest diseases). See Table 3 for a detailed breakdown of the GoN in-kind contribution.

Table 3: In-kind contribution by the Government

Description	Estimated Value in USD
Training rooms 160x200	32,000
Use of equipment for trainings (LS)	16,000
Meeting rooms for the meeting and workshops ( 20x200)	4,000
Desk research by Nepalese NPPO (LS)	8,000
Total	60,000

#### 4.5 Donor and Private Sector Inputs

Funds are requested under this application from the STDF and EIF. The Nepalese private sector (NGTPA) has committed to provide land and physical improvements (including access service roads and electricity) for the ginger facility, valued at a total of US\$140,000.

See Annex 1 for a detailed breakdown of the Project Budget.

#### 4.6 Technical Support / Linkages

FAO will provide technical backstopping support during project implementation and assist with sourcing and contracting national and international experts as required for the project. The MoAC will provide project coordination and linkage support with other stakeholders involved in the project implementation as outlined in **4.4 Government Inputs** outlined above.

#### 4.7 Management and Operational Support Arrangements

FAO is the lead implementing organization for the project, in collaboration with local project partners. FAO will take steps to ensure that implementation is on track, and the work plan is implemented based on the appropriate timeline. FAO will, where necessary, determine any modifications required and ensure that any proposed changes are brought to the attention of the PSC, appropriate persons in FAO, as well as the project donors (EIF and STDF) and EIF TFM.

A Project Steering Committee will supervise and provide oversight of the project (see above). FAO Bangkok will provide technical backstopping and technical supervision of the project.

## **5. OVERSIGHT, MONITORING, MANAGEMENT INFORMATION, AND REPORTING**

### **5.1 Oversight and Reviews**

The Project Steering Committee will be responsible for general oversight and supervision of the project. During the review process, indicators in the Logical Framework (Annex 2) will be applied to monitor progress and achievement of targets.

### **5.2 Monitoring and Knowledge Sharing**

#### **Monitoring and evaluation, including performance indicators**

Monitoring and evaluation activities will be built into the project from the outset. Monitoring and evaluation will be based on the EIF M&E Framework as well as FAO Guidelines (see FAO, 2011).<sup>19</sup> Participatory monitoring and evaluation by the target beneficiaries will be promoted at the field level.

During the inception phase, the project partners will review and revise the draft logical framework and identify baseline data, a core set of key indicators and targets to monitor performance and achievements at the different levels of the project (outputs, outcomes, etc.). The PSC should review and endorse the revised logical framework and M&E plan.

FAO will report to the Project Steering Committee on the achievement of targets and indicators, as defined in the revised logical framework. Members of the PSC may travel periodically to the project area to monitor progress.

The EIF and/or STDF Working Group may decide to carry out a final *ex-post* evaluation of the project.

### **5.3 Communication and Visibility**

Results from the project will be communicated by the developed training materials in the form of booklets, charts, short videos which will be made available to other projects such as NEAT and CADP. Information about the project – including relevant materials developed – will be disseminated on the STDF, EIF and FAO web sites. Other project outputs such as lessons learned will be shared with parallel projects in Nepal (such as the USAID NEAT project). All materials developed under the project should refer to the financial support of STDF and EIF.

### **5.4 Reporting Schedule**

FAO will report regularly on implementation of the project and progress achieved to the STDF Secretariat and EIF Executive Secretariat and Trust Fund Manager, based on their reporting requirements. Project reporting will consist of the following:

- ***Project Inception Report:*** A comprehensive inception report will be prepared by FAO within three months of project approval. The inception report will be prepared on the basis of an inception workshop and other preparatory meetings and discussions with stakeholders involved in the project, as well as national experts and technical officers of FAO. FAO will organize an inception workshop, which will review and finalize the project activities and agree on a detailed work plan of the project. The inception report will provide clarity and details on implementation of the project including (but not limited to) : (i) the project work plan; (ii) implementation arrangements including any sub-contracting of particular activities; (iii) targets and indicators to measure the success of the project's outputs; (iv) roles and responsibilities for regular monitoring of the project; (v) selection criteria for lead and master trainers.
- ***Six-monthly reports:*** FAO will prepare and finalize periodic six-monthly progress reports, in consultation with project partners, to be submitted to the EIF/TFM and STDF. FAO will engage directly with other organizations involved in joint implementation of any activities to obtain necessary information on a regular basis. Progress report should highlight the state of implementation of project components, including progress to achieve targets, contentious issues, outstanding activities, adjusted targets in accordance with agreed timeframes and budget.
- ***Consultant's report:*** Upon completion of their missions, consultant will submit reports to FAO. These will be shared with the EIF/TFM and STDF.
- ***Final/Terminal Report:*** FAO will prepare, in consultation with other organizations involved in implementation of activities under the project (notably MoAC and AEC), a final report presenting the main results and conclusions of the project. A draft will be produced by the end of the 23rd month of project implementation. The project terminal report will be prepared in accordance with established FAO guidelines, for submission to the EIF/TFM and STDF.
- ***Meeting reports:*** Regular meeting minutes will be prepared by the secretary of the PSC and forwarded to the FAO for record keeping and submission to the EIF/TFM and STDF, as required.

## ANNEXES

## Annex 1

**Table 1: Project Budget Requested from EIF and STDF**

<b>Account code</b>	<b>Expenditure Category</b>	<b>STDF Budget</b>	<b>EIF Budget</b>	<b>Total Budget</b>
5013	<b>Consultants</b>			<b>71,000</b>
	National consultants			-
	Business and operation plan expert	6,000		6,000
	Project manager/team leader	36,000		36,000
	International consultant			-
	Ginger Washing Facility Design Expert (Engineer) - Technical Cooperation between Developing Countries (TCDC)	14,000	-	14,000
	Ginger Product Marketing / SPS Expert	15,000	-	15,000
5014	<b>Contracts</b>			<b>457,000</b>
	Procurement of construction materials, labour cost for the construction and installation of washing facilities (see Table 3)		450,000	450,000
	Preparation of video film on ginger value chain	7,000	-	7,000
5020	<b>Locally contracted labour</b>			
	Fuel, vehicle and driver hiring etc.	5,000		<b>5,000</b>
5021	<b>Travel</b>			<b>27,000</b>
	Travel (FAO-TSS, Int. and national)	20,000		20,000
	Travel (AEC)	3,000		3,000
	Travel (M0AC)	4,000		4,000
5023	<b>Training and workshops</b>			<b>241,000</b>
	Inception workshop	2,500	-	2,500
	Development of training materials, guidelines and manuals together with code of conduct for ginger value chain	45,000	-	45,000
	In-country training at all level of value chain (see Table 4 below)	153,000		153,000
	Planning and delivery of capacity building and training activities (AEC)	18,000		18,000

	Overseas visit/observation - visit to India and Nepal by NPPOs and other concerned Government officials	20,000	-	20,000
	Final sharing workshop	2500		2,500
5024	<b>Expendable equipment</b>			<b>75,000</b>
	Printing of training and standards materials	10,000		10,000
	Introduction of new cultivars		25,000	25,000
	Inputs for field demonstration		40,000	40,000
5025	<b>Non-expendable equipment</b>			<b>155,000</b>
	Washing facility equipment (see Table 3)		150,000	150,000
	Training equipment (multi-media projector and computers)	5,000	-	5,000
5027	<b>Technical Support Services</b>	-	-	<b>27,000</b>
	Technical backstopping support (FAORAP)	27,000		27,000
....	<b>Publication of the final report</b>	6,200		6,200
5028	<b>General Operating Expenditure</b>			<b>13,429</b>
	Telecommunication, fuel, vehicle and driver hiring etc.	13,429		13,429
	<b>Total Programme Cost</b>	<b>412,629</b>	<b>665,000</b>	<b>1,077,629</b>
5029	Servicing costs* (12% for STDF and 7% for EIF)	49,515	46,550	96,065
	<b>Grand Total</b>	<b>462,144</b>	<b>711,550</b>	<b>1,173,694</b>

\* Project servicing costs are calculated at 12% on the STDF component (as per the WTO-FAO framework agreement). Project servicing costs are calculated at 7% on the EIF component as per EIF rules.

**Table 2: Total Project Budget (in USD) by Year**

<b>Account code</b>	<b>Expenditure Category</b>	<b>Person Months / times</b>	<b>Budget PY 1</b>	<b>Budget PY2</b>	<b>Total Budget</b>
5013	<b>Consultants</b>				<b>71,000</b>
	National consultants				-
	Business and operation plan expert	2	6,000		6,000
	Project manager/team leader	24	18,000	18,000	36,000
	International consultant				-
	Ginger Washing Facility Design Expert (Engineer) - Technical Cooperation between Developing Countries (TCDC)	2	14,000	-	14,000
	Ginger Product Marketing / SPS Expert	1	15,000	-	15,000
5014	<b>Contracts</b>				<b>457,000</b>
	Procurement of construction materials, labour cost for the construction and installation of washing facilities (see Table 3 below)		250,000	200,000	450,000
	Preparation of video film on ginger value chain	LS	7,000	-	7,000
5020	<b>Locally contracted labour</b>				<b>5,000</b>
	Fuel, vehicle and driver hiring etc.		2,500	2,500	<b>5,000</b>
5021	<b>Travel</b>				<b>27,000</b>
	Travel (FAO-TSS, Int. and national)	LS	10,000	10,000	20,000
	Travel (AEC)	LS	1,500	1,500	3,000
	Travel (M0AC)		2,000	2,000	4,000
5023	<b>Training and workshops</b>				<b>241,000</b>
	Inception workshop	1	2,500	-	2,500
	Development of training materials, guidelines and manuals, code of conduct for ginger value chain		45,000	-	45,000



	In-country training at all level of value chain (see Table 4 below)		85,000	68,000	153,000
	Planning and delivery of capacity building and training activities (AEC)	LS	9,000	9,000	18,000
	Overseas visit/observation - visit to India and Nepal by NPPOs and other concerned Government officials	1	20,000	-	20,000
	Final sharing workshop	1	-	2,500	2,500
5024	<b>Expendable equipment</b>				<b>75,000</b>
	Printing of training and standards materials	LS	5,000	5,000	10,000
	Introduction of new cultivars		15,000	10,000	25,000
	Inputs for field demonstration		20,000	20,000	40,000
5025	<b>Non-expendable equipment</b>				<b>155,000</b>
	Washing facility equipment (see Table 3 below)	LS	150,000	-	150,000
	Training equipment (multi-media projector and computers)		5,000	-	5,000
5027	<b>Technical Support Services</b>		-	-	<b>27,000</b>
	Technical backstopping support (FAORAP)	0.75	14,000	13,000	27,000
	<b>Publication of the final report</b>			<b>6,200</b>	<b>6,200</b>
5028	<b>General Operating Expenditure</b>				<b>13,429</b>
	Telecommunication, fuel, vehicle and driver hiring etc.		6,500	6,929	13,429
	<b>Total Programme Cost</b>				<b>1,077,629</b>
5029	Servicing costs *				96,065
	<b>Grand Total</b>				<b>1,173,694</b>

\* Project servicing costs are calculated at 12% on the STDF component as per the WTO-FAO framework agreement. Project servicing costs are calculated at 7% on the EIF component as per EIF rules.

**Table 3: Budget breakdown for the procurement, construction, and installation of ginger washing facilities and other equipment under the project (contribution from EIF and private sector)**

SN	Item	US\$	Remarks
<b>A</b>	<b>Contribution from EIF USD 665, 000</b>		
1	Cost for procurement of non-expendable equipment for washing facility	<b>150,000</b>	FAO budget line 5025 under non-expendable equipment
2	Cost for expendable equipment (ginger cultivars and inputs for field demonstrations)	<b>65,000</b>	FAO budget lines 5024 under expendable equipment
3	Procurement of construction materials, labor cost for the construction and installation of washing facilities (total of 2.1 to 2.7)	<b>450,000</b>	FAO budget line 5014 under budget line (contract)
3.1	Construction of the buildings for raw and washed materials storage	100,000	Two storage buildings with required facilities will be constructed
3.2	Construction of washing facility including water supply system and processing plants for diversified products	135,000	Washing plant with water supply system will be established
	Construction of buildings for drying, sorting facility	80,000	A well ventilated hall with drying facility will be constructed
3.1	Office Premises	35,000	Three rooms with a toilet will be constructed
3.2	Empty building for possible value addition activity	40,000	A building will be constructed for the establishment of equipment for other product diversification ( processing of unsold and broken ginger)
3.4	Construction of a building for Auction Market	35,000	An open space with roof having wall on three sides will be constructed
3.7	Washed dirty water management and toilet for the labor	25,000	A water management system/scheme will be available
	<i>Sub-total of A</i>	<b>665,000</b>	
<b>B</b>	<b>Contribution from private sector ( NGPTA) USD 140, 000</b>		
1	Land value	95,000	Estimated value of the available land as per present market price
2	Provision of 3 Phase electricity line	15,000	Responsibility of private NGPTA
3	Provision of road and other facilities	30,000	Responsibility of private NGPTA

**Table 4: Budget Breakdown for proposed in-country (field) training programme**

<b>Name of Training</b>	<b>Responsible</b>	<b>Training No.</b>	<b>Participant No.</b>	<b>Days</b>	<b>Participants</b>	<b>Estimated Cost (USD)</b>
Maters trainers training (ToT)	FAO (with MoAC/AEC)	1	30	12	Subject matter specialists and leader farmers of four targeted districts	20,000
Good Agriculture Practice (GAP)	FAO (with MoAC/AEC)	80	2000	Season long	Selected/targeted farmers	80,000
Post-harvest loss (District)	FAO (with MoAC/AEC)	4	80	3	Leader farmers	10,000
Seed Multiplication Programme	FAO (with MoAC/AEC)	4	80	4	Leader farmers	10,000
Safe handling and Safe transportation	FAO (with MoAC/AEC)	2	40	3	Collectors/traders/transporters' agent	6,000
Field level staff training (Junior technician training on GAP and GHP)	FAO (with MoAC)	1	20	5	Technicians from four targeted districts	12,000
Marketing Training Cum Workshop	FAO (with AEC)	2	40	3	Farmers/Exporters/Importers from India and Bangladesh	10,000
Processor training (GMP/GHP)	FAO (with AEC)	1	10	5	Processors	3,000
Washing Facility Operation training	FAO (with AEC)	1	20	2	Staff of washing plant	2,000
<b>Total training cost</b>						<b>153,000</b>

**Table 5: EIF Summary Budget by Category**

Country: Nepal

Project Title: Enhancing Sanitary and Phytosanitary Capacity of Nepalese Ginger  
Exports through Public Private Partnerships

Starting Date: February 2012

Project Duration: 2 years

Total Budget US Dollars: 1,173,694

EIF contribution 711,550

STDF contribution 462,144

**SUMMARY BUDGET BY CATEGORY**

ACCOUNT	CATEGORY	YEAR 1	YEAR 2	YEAR 3	TOTAL
71200	Int'l Experts				-
71300	Support Staff				-
71400	National Experts				-
71600	Travel & Missions				-
63400	Learning Costs				-
72100	Subcontracts	250,000	200,000		450,000
72200	Equipment	185,000	30,000		215,000
74200	Operating Costs				-
74100	Prof Services				-
73100	Premises				-
74500	Sundries				-
	<b>TOTAL</b>	<b>435,000</b>	<b>230,000</b>	<b>-</b>	<b>665,000</b>
	<b>7% servicing cost</b>	<b>30,450</b>	<b>16,100</b>	<b>-</b>	<b>46,550</b>
	<b>GRAND TOTAL</b>				<b>711,550</b>

## Annex 2. Logical Framework

	<b>Objectives</b>	<b>Indicators</b>	<b>Data Sources</b>	<b>Assumptions</b>
Goal	Increased income level of ginger farmers	25% increase in income of beneficiary households	Project initiation and post project survey Periodic reports	1. Beneficiation (washing / grading) in Nepal at least as efficient as that of India
Outcome	Increased market opportunities for Nepalese ginger	<ol style="list-style-type: none"> <li>25% increment in the farmers gross margin for ginger by the end of the project</li> <li>3500-4000 HHs (&gt;50% of women headed HHs) will directly be linked to Nepalese washing facilities by end of the project</li> <li>One transport corridor will meet the SPS requirements of importing country</li> </ol>	<ol style="list-style-type: none"> <li>Field survey reports</li> <li>Trade Export Promotion Center (TEPC) report</li> <li>Customs reports</li> <li>Plant quarantine data</li> <li>Training, meeting minutes and progress reports</li> </ol>	<ol style="list-style-type: none"> <li>Stable foreign exchange rate</li> <li>Supportive trade policy from trading partners</li> <li>Assured markets for improved cultivars and washed / graded ginger</li> <li>Partners (growers and traders associations) are willing to work together</li> </ol>
Output 1	Ginger washing / processing facility designed constructed and operationalized, and producer organizations strengthened	<ol style="list-style-type: none"> <li>Necessary specialists engaged for working through permits, and building requirements</li> <li>Construction company engaged and completes physical infrastructure</li> <li>Washing facility operational staff identified, trained and implementing business and operational plan</li> </ol>	<ol style="list-style-type: none"> <li>Monitoring and progress reports</li> <li>Outputs from specialists in the form of reports, drawings and applications and business and operational plans</li> <li>Physical construction to specification accepted by regulators</li> <li>Training records for operators</li> </ol>	<ol style="list-style-type: none"> <li>Partners (growers and traders associations) are willing to work together</li> <li>Offices set up by each hub can be made operational</li> </ol>

	<b>Objectives</b>	<b>Indicators</b>	<b>Data Sources</b>	<b>Assumptions</b>
Activity 1.1	Design facilities, carry out preparatory assessments (EIA, etc.), obtain permits and produce business plan for the establishment and operation of a ginger washing and processing facility (with auction yard) at the Jhapa corridor	<ol style="list-style-type: none"> <li>1. Land acquired</li> <li>2. Designs completed</li> <li>3. Building permits and necessary impact assessments completed and approved</li> <li>4. Business and operational plans developed</li> </ol>	<ol style="list-style-type: none"> <li>1. Physical sites with title deeds, submitted reports and building plans</li> <li>2. documentary proof of permits and certificates, operational plans</li> </ol>	<ol style="list-style-type: none"> <li>1. Title deeds / leases in name of Growers and Traders Associations can be obtained / verified</li> </ol>
Activity 1.2	Build washing and processing facility at the Jhapa corridor	<ol style="list-style-type: none"> <li>1. Washing facility physically completed</li> </ol>	<ol style="list-style-type: none"> <li>2. Monitoring and progress reports</li> <li>3. Physical construction completed according to design and specifications and signed off</li> </ol>	<ol style="list-style-type: none"> <li>3. Local contractors able to complete building to design parameters and on time</li> </ol>
Activity 1.3	Deliver hands-on training (including on financial and business management, record-keeping, etc.) and set up systems required for the effective management and operation of the facilities	<ol style="list-style-type: none"> <li>1. Management staff trained</li> <li>2. Business and operational plans completed</li> <li>3. Business and operational plans implemented</li> </ol>	<ol style="list-style-type: none"> <li>1. Meeting minutes and implementation body reports</li> <li>2. Audit reports of washing facility</li> </ol>	<ol style="list-style-type: none"> <li>1. Partners are willing to work together</li> <li>2. Resource persons will be available</li> <li>3. Regular supply of electricity / clean water</li> </ol>
Output 2	Materials development and training on GAPs, post-harvest handling and SPS requirements	<ol style="list-style-type: none"> <li>1. Suitable training materials developed</li> <li>2. target training groups identified and trained, training carried out</li> <li>3. identified inputs available for farmers</li> </ol>	<ol style="list-style-type: none"> <li>1. Meeting minutes</li> <li>2. Implementation body reports</li> <li>3. Training records</li> </ol>	<ol style="list-style-type: none"> <li>1. Basic agronomic information available from MoAC</li> <li>2. Specialist personnel available to draw materials together</li> </ol>

	<b>Objectives</b>	<b>Indicators</b>	<b>Data Sources</b>	<b>Assumptions</b>
Activity 2.1	Develop ginger growing manual and other training materials (print, video, etc.) on GAPs for ginger cultivation, post-harvest handling of ginger, SPS requirements, etc. suitable for target audiences	1. Ginger grower manual and training materials developed and made available (published)	1. Meeting minutes and implementation body reports	1. Specialist / resource persons available
Activity 2.2	Train trainers and deliver training for farmers and other value chain actors (on GAPs, post-harvest management, grading and control of post-harvest rots, etc.)	<ol style="list-style-type: none"> <li>1. Training activities implemented for target beneficiaries including prioritizing the participation of women in training courses at 60% +</li> <li>2. 2000 farmers / 200 others in value chain including traders and others post harvest trained and aware of SPS requirements</li> <li>3. 50% of trained farmers applying SPS /GAPs measures</li> <li>4. 50% of target farmers / cooperatives sending to washing facilities in Nepal</li> </ol>	<ol style="list-style-type: none"> <li>1. Records from certifying agency and no. of certificate issued</li> <li>2. Meeting minutes and implementation body reports</li> <li>3. Reports from each training course carried out</li> </ol>	<ol style="list-style-type: none"> <li>1. Farmers / stakeholders are committed to receive training in ginger GAPs</li> <li>Partners are willing to work together</li> </ol>
Activity 2.3	Establish ginger demonstration / multiplication plots at Jhapa hubs and use these plots for field training courses in GAPs and post-harvest management	<ol style="list-style-type: none"> <li>1. Plant production fields established of improved / superior cultivars in each hub</li> <li>2. Field established using optimal practices</li> <li>3. Training in GAPs underway using improved fields</li> </ol>	<ol style="list-style-type: none"> <li>1. Progress reports , meeting minutes, reports from review team,</li> <li>2. Survey reports</li> <li>3. Meeting minutes and exchange data sources</li> <li>4. Field survey report</li> </ol>	<ol style="list-style-type: none"> <li>1. Farmers /stakeholders commitment for uptake of new cultivars</li> <li>2. Plant material is available in sufficient quantity</li> </ol>

	<b>Objectives</b>	<b>Indicators</b>	<b>Data Sources</b>	<b>Assumptions</b>
Output 3	Supply of quality ginger rhizomes available	<ol style="list-style-type: none"> <li>1. Arrangements put in place with partner cooperatives</li> <li>2. Purchase and delivery of improved cultivars</li> <li>3. Planting, growing, harvest and sale of improved plant material</li> </ol>	<ol style="list-style-type: none"> <li>1. Number of cooperatives working in partnership</li> <li>2. Progress reports , meeting minutes, reports from review team</li> </ol>	<ol style="list-style-type: none"> <li>1. Farmers / stakeholders commitment for uptake of new cultivars</li> </ol>
Activity 3.1	Devise and implement system for provision of post-harvest control measures (inputs)	<ol style="list-style-type: none"> <li>1. Inputs for 100 hectares of ginger available at Cooperative level</li> </ol>	<ol style="list-style-type: none"> <li>1. Reports, minutes of meetings</li> </ol>	<ol style="list-style-type: none"> <li>1. Availability of suitable input</li> </ol>
Activity 3.2	Obtain improved (marketable) cultivars from other parts of Nepal and further afield	<ol style="list-style-type: none"> <li>1. Purchase and transfer of plant material to planting sites</li> </ol>	<ol style="list-style-type: none"> <li>2. Progress reports , meeting minutes, reports from review team</li> <li>3. Documentation relating to purchase and transport</li> </ol>	<ol style="list-style-type: none"> <li>2. Farmers / stakeholders commitment for uptake of new cultivars</li> <li>3. Plant material is available in sufficient quantity</li> </ol>
Output 4	Study on regional and international markets for fresh and processed Nepalese ginger, and market (SPS) requirements	<ol style="list-style-type: none"> <li>1. Engage suitable consultant with needed international commercial experience in spice markets</li> </ol>	<ol style="list-style-type: none"> <li>1. Meeting minutes and implementation body reports</li> </ol>	<ol style="list-style-type: none"> <li>1. Suitable consultant available</li> </ol>
Activity 4.1	Produce market study with detailed analysis on existing and potential markets (India, Bangladesh, Iran, Middle East, EU, and USA, etc.), as well as market access / SPS requirements for fresh and processed ginger	<ol style="list-style-type: none"> <li>1. Market study completed and accepted by Project Management</li> </ol>	<ol style="list-style-type: none"> <li>1. Meeting minutes and consultants report (as electronic copy)</li> </ol>	<ol style="list-style-type: none"> <li>1. Export constraints identified by the study can be addressed by an incremental program of investment in SPS and processes inside Nepal</li> </ol>



	<b>Objectives</b>	<b>Indicators</b>	<b>Data Sources</b>	<b>Assumptions</b>
Output 5	Nepalese government departments (DFTQC and NPPO) have improved capacity to negotiate import requirements for ginger, and demonstrate compliance with SPS requirements of importing countries	1. Formal agreement with Indian regulators	1. Document establishing formal agreement with Indian regulators	1. Institutions including DFTQC in Nepal are brought up to required standard 2. Equivalence established in Nepal washing facility

	<b>Objectives</b>	<b>Indicators</b>	<b>Data Sources</b>	<b>Assumptions</b>
Activity 5.1	Traceability and reducing frequency of pesticide residue testing	<ol style="list-style-type: none"> <li>1. Completion of a Traceability and reducing frequency of pesticide residue testing exercise and presentation of results to Indian government authorities</li> <li>2. Writing of a report / paper</li> <li>3. Successful discussions with Indian regulators on accepting Nepal based pesticide residue testing and traceability</li> </ol>	<ol style="list-style-type: none"> <li>1. Generation of test data, and documentary linkage to production field</li> <li>2. Reports / minutes on meetings between Indian and Nepalese regulators</li> </ol>	<ol style="list-style-type: none"> <li>1. Negotiations / discussions between India and Nepal on cross border modalities for agricultural produce are an existing activity</li> <li>2. The activity assumes the certification of pesticide testing in Nepal to ISO 17025 in 2011</li> <li>3. Indian regulators will accept the use of GAPs at the levels attained by the project will be sufficient for traceability purposes and can replace the current requirement for testing on a consignment basis.</li> <li>4. Indian regulators accept 'equivalence between Nepal washing facilities and their own at Naxalbari</li> </ol>

	<b>Objectives</b>	<b>Indicators</b>	<b>Data Sources</b>	<b>Assumptions</b>
Activity 5.2	Bilateral meetings and contacts between the Nepalese and Indian NPPOs to discuss phytosanitary issues related to fresh ginger exports from Nepal to India, and reach agreement on phytosanitary import requirements for ginger	<ol style="list-style-type: none"> <li>1. Approval in principle that Nepalese washing facility, as proposed, is equivalent to that in India (Naxalbari),</li> <li>2. Confirmation that project implementation meets Indian requirements</li> </ol>	<ol style="list-style-type: none"> <li>1. Visit reports and minutes of meetings</li> </ol>	<ol style="list-style-type: none"> <li>1. Indian regulatory authorities accept the design of washing facilities will be equivalent or better than existing washing operation at Naxalbari</li> <li>2. Project implementation demonstrates compliance to Indian requirements</li> </ol>

### Annex 3. Work Plan

Outputs and Activities	Year 1				Year 2			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Output 0 Set up Project Management and Steering Committee	X							
Activity 0.1 Nomination of NPC and PSC formation	X							
Activity 0.2 Organization of project inception workshop and approval on the report	X							
Activity 0.3 Organization of terminal sharing workshop								X
<b>Output 1 Processing facilities designed constructed and operationalized and producer organizations strengthened</b>								
Activity 1.1 Design facilities, carry out preparatory assessments (EIA, etc.), obtain permits and produce business plan for the establishment and operation of a ginger washing and processing facility (with auction yard) at the Jhapa corridor	X	X						
Activity 1.2 Build washing and processing facility at the Jhapa corridor				X	X	X		
Activity 1.3 Deliver hands-on training (including on financial and business management, record-keeping, etc.) and set up systems required for the effective management and operation of the facilities						X	X	X
<b>Output 2 Materials development and training on GAPs, post-harvest handling and SPS requirements</b>								
Activity 2.1 Develop ginger growing manual and other training materials (print, video, etc.) on GAPs for ginger cultivation, post-harvest handling of ginger, SPS requirements, etc. suitable for target audiences		X	X					
Activity 2.2 Train trainers and deliver training for farmers and other value chain actors (on GAPs, post-harvest management, grading and control of post-harvest rots, etc.)			X	X	X	X	X	
Activity 2.3 Establish ginger demonstration / multiplication plots at Jhapa hubs and use these plots for field training courses in GAPs and post-harvest management		X	X	X	X	X		
<b>Output 3 Supply of quality ginger</b>								

<b>rhizomes available</b>								
Activity 3.1 Devise and implement system for provision of post-harvest control measures (inputs)			X	X	X	X	X	
Activity 3.2 Obtain improved (marketable) cultivars from other parts of Nepal and further afield		X	X	X	X	X	X	
<b>Output 4 Market study</b>								
Activity 4.1 Produce market study with detailed analysis on existing and potential markets (India, Bangladesh, Iran, Middle East, EU, and USA, etc.), as well as market access / SPS requirements for fresh and processed ginger		X	X	X				
<b>Output 5 Nepalese government departments (DFTQC and NPPO) have improved capacity to negotiate import requirements for ginger, and demonstrate compliance with SPS requirements of importing countries</b>								
Activity 5.1. Traceability and reducing frequency of pesticide residue testing			X	X	X	X	X	X
Activity 5.2 Bilateral meetings and contacts between the Nepalese and Indian NPPOs to discuss phytosanitary issues related to fresh ginger exports from Nepal to India, and reach agreement on phytosanitary import requirements for ginger	X	X	X	X	X			

## Annex 4. Map of Nepal showing ginger production and project location

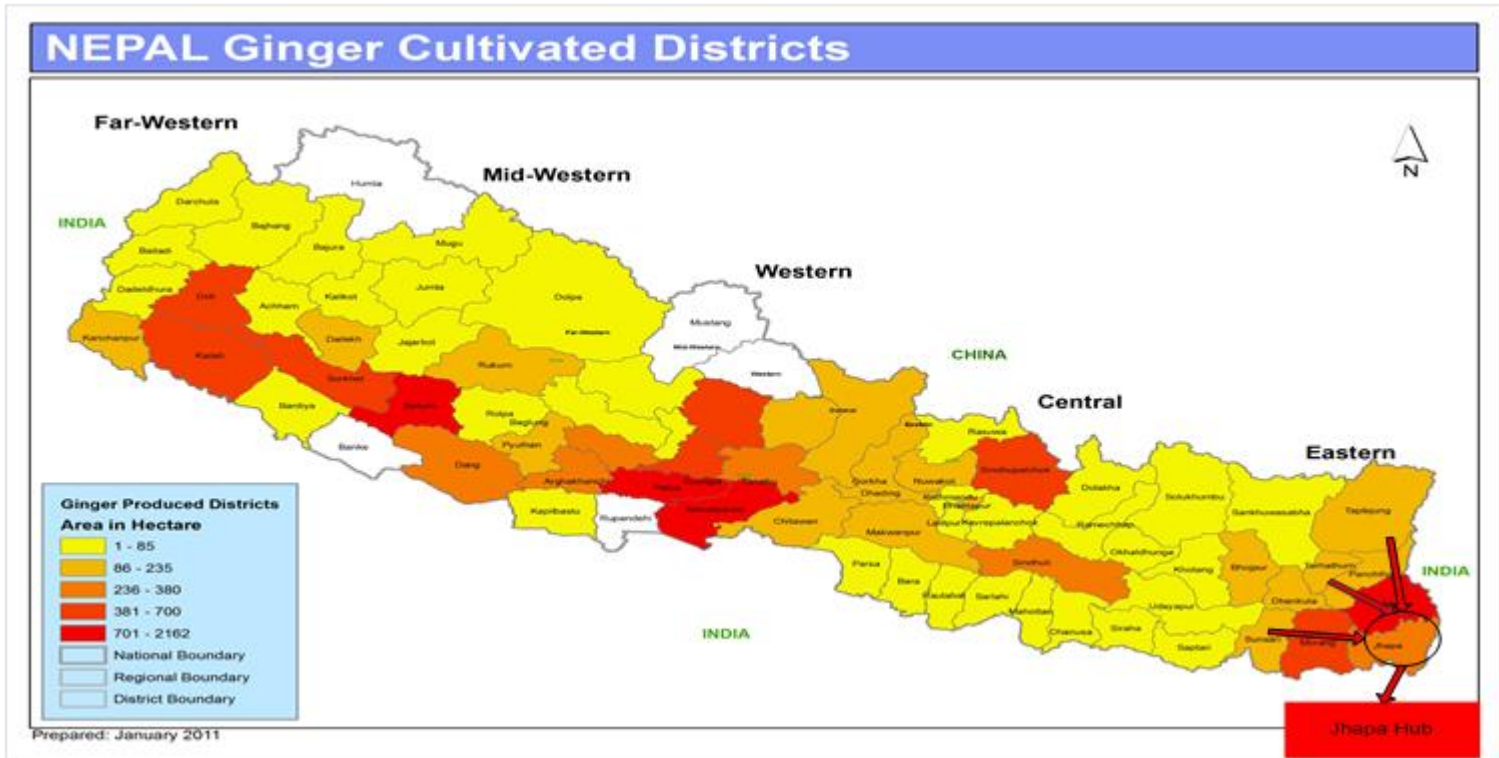


Figure A4: District map of Nepal showing ginger producing districts and proposed hub washing site<sup>20</sup>

## **Annex 5. Terms of Reference**

### **Terms of Reference**

#### **FAO Project Manager**

FAO will recruit a full time Project Manager for the duration of the project period. The Project Manager will work under the technical guidance of the FAO officer responsible for backstopping the project, the administrative supervision of the FAO Representative in Nepal, and in close collaboration with the National Programme Coordinator (appointed by the Government of Nepal) and the FAO Programme Unit. He/she will be responsible, on behalf of FAO, for the day-to-day implementation of the project, including ensuring a timely flow of FAO inputs and delivery of work under the project.

She/he will be an integral part of the project team. In particular, he/she will be responsible for the timely implementation of the project work plan and the activities envisaged therein in collaboration with relevant project partners. Key tasks will include the following:

- Assume overall responsibility for the day-to-day project management and smooth implementation of the activities in accordance with the project document and FAO procedures.
- Coordinate the inputs of and supervise, any professional and/or support staff hired under the Project Office, as well as the project budget. Certify attendance sheets, release of remuneration and oversee the operation of the project personnel performance assessment scheme.
- In consultation with relevant partners, and on the basis of the project document/inception report, prepare an annual and six monthly work plans as well as budget statements, and coordinate and monitor the implementation of the project work plans and delivery of inputs;
- Ensure consistency among the various components of the project, and related activities, as foreseen by the project document and the inception report.
- Work with the FAO office to prepare Terms of Reference for any National/International consultants, and Letters of Agreement (LoA) for collaborating partners/contractors.
- Identify and mobilize the necessary FAO expertise to build local capacities;
- Foster and establish links with collaborating partners and other relevant stakeholders as deemed appropriate and necessary, at various level.
- In liaison with FAO Programme Unit and the National Project Coordinator, support organization of Project Steering Committee and other review meetings/workshops, as well as working group meetings to discuss project progress, constraints and future work plans;
- Develop and oversee an effective monitoring and evaluation programme for the project. Develop a process, whereby the project assesses best practices as it gains experience.
- Be responsible for coordinating, overseeing the preparation of, and the delivery of project progress, consultants' and other reports as envisaged by the project document

and ensure timely submission to concerned unit of FAO for further submission to the STDF, EIF secretariats, and TFM; and,

- Assume other tasks as deemed necessary by the FAOR.

Duration: Full time for the duration of project period (24 months)

Deliverables: Periodic reports as stated in the project document

Duty station: Jhapa Hub and frequent travel to the target districts and Kathmandu as necessary

Qualifications:

1. A University degree in Agriculture, Agricultural Economics or related field.
2. Five years of working experience in senior management position (project operation, monitoring and evaluation)
3. Good written and spoken English proficiency



## **Terms of Reference**

### **National Project Coordinator**

(At no cost to the project)

The National Project Coordinator (part-time position) will be appointed by the Ministry of Agriculture and Cooperatives (MoAC) for the duration of the project.

The incumbent, in close cooperation and collaboration with relevant project partners, will be responsible for high-level coordination of the project, including provision of inputs and support, as required, by MoAC line departments required for the smooth implementation of the project activities and long-term sustainability. In particular he/she will:

- Coordinate with the FAO Project Manager and the project team to ensure a timely flow of project inputs and services from government ministries and line agencies in order to ensure that the project activities are developed and implemented in a timely manner, in line with the project strategy;
- Liaise and coordinate with relevant units of the government ministries/departments, as well as representatives of development partners and related donor projects, and invite them to attend PSC meetings, as appropriate.
- Organize regular meetings of the Project Steering Committee, and other periodic meetings and events, in coordination with the project team and relevant stakeholders, and timely monitoring and evaluation of the project activities;
- Act as secretary for Project Steering Committee meetings, and contribute to drafting project progress reports;
- Communicate and share information with the national SPS team in-between PSC meetings.
- Support logistical arrangements for project activities and consultants, as required, including invitations to government participants and resource people;
- Ensure that the project activities are gradually integrated into government programmes and plans, and that a long-term plan is developed for the institutionalization of project outputs;
- Assume other relevant tasks related with project management, coordination and networking with the project stakeholders from the government, non-government and private sectors at central level to achieve the targeted project outputs and outcomes.

Professional requirements:

Language: A very good command of English, both written and spoken, is required

Duty Station: Kathmandu

Duration: Full time for the project period

Qualification: M.Sc. in Agriculture or in related field.

## **Terms of Reference**

### **Business and Operation Planning Expert**

Under the overall supervision and guidance of the FAO Representative in Nepal, and under the direct technical supervision of the Lead Technical Unit (LTU), and in close coordination with the other collaborating agencies the incumbent will carry out the following activities:

1. Prepare an operational plan for the commissioning of the washing facility;
2. Train facility staff and put into action the operational plan;
3. ensuring that the operational plan is fully backed up by the necessary support and infrastructure (computers, QC equipment / QC systems);
4. Ensure that the facility operator is compliant with necessary financial and management accounting systems for legal and operational control;
5. Prepare business plan for the targeted groups; and
6. Prepare and submit consultancy report to FAO.

Duration: 2.0 person months

Deliverables: Consultancy report

Duty station: Kathmandu and travel to the field as necessary

Qualifications:

1. A Master degree Agricultural Economics, Business Management or related field.
2. Five years of working experience in related field.
3. Good written and spoken English proficiency

## **Terms of Reference**

### **International (TCDC): Ginger Washing Facility Designing Expert (Engineer)**

Under the overall supervision and guidance of the FAO Representative in Nepal, and under the direct technical supervision of the Lead Technical Unit (LTU), and in close coordination with the other collaborating agencies, the incumbent will carry out the following activities:

1. Design, layout, and estimate the cost for the ginger washing facility of the Jhapa Hub
2. Examine the proposed sites for the development of ginger washing facilities and draw up the building and product / process handling plans.
3. Ensure that the constructions conform to building codes in Nepal.
4. Ensure that they meet requirements for Environmental Impact Studies (EIS) and other environmental codes (toilets, hygiene, etc), as they will require and dispose of a lot of water and be located near rivers and streams.
5. Identify possible uses and necessary treatment for waste water including treatment and downstream use e.g. treatment through filter ponds and use for crop irrigation
6. Make plans for their operation in terms of managing raw material received, grower payments, working capital and equipment.
7. Prepare and submit consultancy report to FAO

Duration: 2.0 person months

Deliverables: Consultancy report

Duty station: Ginger producing / exporting districts, Nepal

Qualifications:

1. Qualified / board certified as an architect or equivalent in Nepal or India
2. Five years of working experience in related field.
3. Good written and spoken English proficiency

## **Terms of Reference**

### **Ginger and Ginger Product Marketing Expert**

Under the overall supervision and guidance of the FAO Representative in Nepal, and under the direct technical supervision of the Lead Technical Unit (LTU), and in close coordination with the other collaborating agencies the independent contractor will examine the potential markets in the region and elsewhere for ginger exports from Nepal. The outputs of the study will be used to look at further investments in value addition and ginger marketing and will include the following tasks:

1. Review world markets in terms of Nepalese ginger quality, logistical connections and SPS requirements.
2. In the light of market requirements examine the current situation in Nepal and make recommendations as to any needed improvements (cultivars, growing practices, post-harvest management and grading).
3. Make recommendations as to how Nepalese exporters can link up with other markets. comprehensive study of the market situation for Nepalese ginger and ensure that activities (logistical realities, costs in Nepal and their context in terms of world prices, cultivar improvement, post-harvest management including rhizome rot control, washing and grading as well as the need for testing and certification – and by extension the need for DFTQC services) are set in the context of market demand.
4. The report should also guide long term investments that have been suggested in other ginger value chains such as oleoresins and dried ginger which may be set up in the vicinity of the washing facilities and utilize by products such as broken ginger of rhizomes with few fingers (< three).
5. Prepare and submit a technical report to FAO

Duration: 1.0 person month

Deliverables: Consultancy report

Duty station: Ginger producing / exporting districts, Nepal, India selected countries in South Asia and the Middle East.

Qualifications:

1. A Master degree in Marketing and /or Agricultural Economics or related field.
2. Strong business experience in the commercial production and marketing (worldwide) of spices, including ginger related field.
3. Good written and spoken English proficiency

## **Annex 6. Terms of Reference for the Project Steering Committee**

A Project Steering Committee (PSC) will be established to supervise implementation of the project and the results achieved, and facilitate inter-agency coordination.

The PSC will meet on a bi-annual basis. It will be chaired by the MoAC Secretary, and include representatives from FAO, MoAC (NPPO, DFTQC, WTO section of Agribusiness Promotion and Statistics Division), MoCS, the NIU Coordinator, and the AEC. Donors and development partners will be invited to particular meetings, as appropriate.

Specifically, the PSC will:

- Provide overall guidance to support the planning, implementation, monitoring and evaluation of the project;
- Review and approve project plans, budgets, and progress reports;
- Facilitate coordination among the stakeholders involved in the project implementation.
- Review project targets, criteria and arrangements to ensure that project benefits reach the target groups;
- Ensure inter-agency coordination and policy support for the project;
- Report to the EIF National Steering Committee, as required, on progress in implementation of the project;
- Ensure required communication with National Steering Committee, and Liaise with EIF/STDF.
- Proactively identify and find solutions to respond to problems that may arise in a timely and efficient manner.

## **Annex 7: Introduction to the Nepal Ginger Producers and Traders Association (NGPTA)**

### **I. Brief Introduction**

It is an institution formed by a group of people representing from Ginger growers, local traders and exporters in Eastern Zone of Nepal in 2005. It is registered in the District Administration Office in Jhapa as non-profit /non-government organization. This organization is a member of Federation of Nepalese Chamber of Commerce and Industry (FNCCI) as Commodity Association.

### **Vision, Mission and Objective of the Association**

**Vision:** An apex entrepreneurs association in Nepal dedicated for the institutional development of the Ginger business, which in totality brings the development for the increased welfare of the Ginger and its related farmers, entrepreneurs and contribute significantly in the national economy.

### **Mission**

To make the Ginger business improved and systematic, institutional development of the people involved in this business, make them competent to the present context of *Globalization*, and expand this business as a sustainable business for the contribution in the national economy.

### **Objective/s:**

Objective /s of this organization are as for its establishment is as follows:

In honor of contemporary laws and regulation, this association as a not for profit, has been established for achieving following objectives to increase public welfare.

- A. Establish Market Information Centre.
- B. Improve quality of Ginger
- C. Expansion members network to increase in trading capacity of the members.
- D. Advocacy for the rights and welfare and act as problem solving institution for the members.
- E. Empower the association's capacity enabling to become a national level association.

### **Secretariat:**

NGPTA secretariat is located in the ward number 1 ,Mecha Nagarpalika, Dhulabari, Jhapa district in the Eastern Development zone of Nepal.

Postal address: NGPTA, Mechi Nagar-1 , Dhulabari, Jhapa

Tel: 023-561280, Email: ngpta99@yahoo.com

II Membership and number of members:

Traders, farmers groups, organizations and institutions interested to work and working in an organized manner in the areas of production and profession of ginger, fulfills following state and files application accepting this legislation can be granted membership of this association.

- A. Business firms dealing with cardamom
- B. Individuals and the institutions directly or indirectly related to the business, collections, processing and trading of Cardamom.
- C. In the case of the institution, registered as per the contemporary laws of Nepal.
- D. Person not legally charged and not punished.

This association is presently providing its services to 51 members including 14 farmers groups and 37 trader members from different districts from Nepal covering all ginger growing districts namely Jhapa, Illam, Palpa, Dhankutta, Terhathum, Sindhuli and Makawanpur.

### III Executive Committee:

This organization is run by eleven professional members elected for the Executive committee and supported by the professional staff of different discipline including Marketing and Management. Present Executive committee is as below:

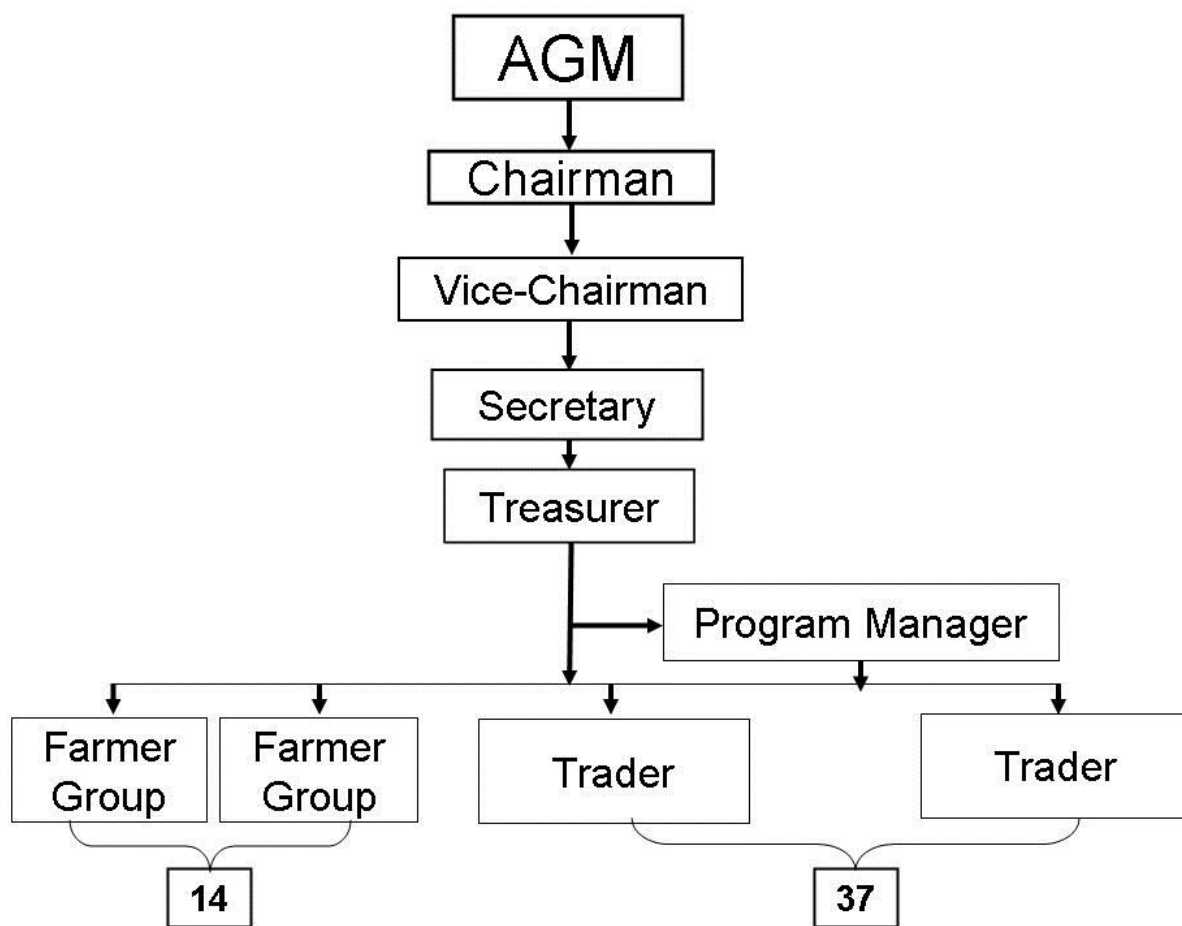
- 1. President – Mr. Narendra Khadka
- 2. Vice President: Mr. Raju Karki
- 3. Secretary: Indra Budhathoki
- 4. Treasurer: Mr. Sanjeev Shah
- 5. Members: 7

Total 11 members.

Moreover, secretariat of the NGPTA is supported by the full time employees as below:

- 1. Program Officer: Mr. Hemanta Raj Bohra
- 2. Secretary: Sataym Khadka

(see organogram for the Line of Command)



This organization is a membership fee based organization for the support of organized trade of ginger in Nepal. This organization established with following development objectives:

**IV. Activities to be conducted for achieving the objectives.**

This association is conducting following activities to achieve the objectives mention in the clause 3 of this legislation.

1. Improvement of this business to establish Ginger as exportable agricultural products from Nepal and let GoN recognize Ginger for high priority sector and support and give more facilities to the entrepreneurs involved in this sector.
2. Generate scientific knowledge in the production of Ginger and promote for extension with the assistance of modern technology and high yielding variety of seed seedlings.
3. To initiate in production and processing of highest quality Ginger for increasing the trustworthiness and its export in the international market and establish Ginger as major source of foreign currency earning in Nepal and contribute in the national economy.
4. To achieve the objectives mentioned in the sub-clauses 1, 2, 3 of clause 15 conduct training, workshops and seminars for the farmers and producers and entrepreneurs, for this sake sought assistance with GoN, projects and foreign donors. And for the institutional development in long run establishment of Training Centre in the future.
5. Establish Auction Centers in the appropriate places in the district for the creation of appropriate market of Ginger and expand it as per the needs.



6. Initiate efforts to establish friendly relationship between the Ginger entrepreneurs and initiate healthy competition among them.
7. Run the programs to bring modernization in the cultivation and marketing management of the business of Ginger to enhance the capacity of the businessmen to reach international competency.
8. Encourage people for the extension cultivation of Ginger in the other potential areas of the country.
9. Draw the attention of the financial institutions, GoN, cooperating agencies, projects and run joint programs for the promotion of Ginger cultivation and processing.
10. Establish linkage with the international associations and institutions for the technology and increase in the opportunities of investments.
11. Startup of organic cultivation of Ginger and initiation of Organic Certification to introduce Nepal as best and quality Ginger producing country in international market.
12. Act as umbrella organization for the development and ensure professional security, protection of rights and welfare of the Ginger entrepreneurs.
13. To assist GoN on behalf of the Ginger entrepreneurs for the promulgation of the policies, acts and regulations to create benefit at all levels.
14. Other activities:
  - A. To receive facilities and privileges provided by the GoN.
  - B. To publicize in the journal, magazines, Radio, Television and other means of Medias for achievements of the objectives of the association.
  - C. If required by receiving approval from the GoN, establish agreement with the people, national and international associations, institutions and companies for the welfare and goodness of the association and conduct its activities.



जि.प्र.का.द.नं. १२०५/०६२

**नेपाल अदुवा उत्पादक तथा व्यवसायी संघ**  
**Nepal Ginger Producer & Traders Association**

प.स.

स्था : २०६२

फोन नं. ०२३-५६९२८०

च.स.

मिति : .....

**18<sup>th</sup> November 2011**

**विषय :**

To,

**Mr. Chandra Ghimire**

**The Joint Secretary**

**Ministry of Commerce and Supplies**

**Singhadurbar, Kathmandu**

**Ref: Nepal STDF Project.**

Dear sir

It is our pleasure to be the implementing partner of the envisaged STDF project for the strengthening ginger trade in Nepal. In the mean time we would like to assure with our firm commitments in providing land for the purpose of establishing ginger washing and drying facility in Dhulabari, East Nepal. This land is now available for NGPTA for the said purpose and official ownership transfer of the land to the NGPTA project is underway upon the completion of the project agreement finalization with your good selves and NGPTA.

On behalf of NGPTA I would like to express my sincere gratitude to the MOCS, FAO and Standards and Trade Development Facility (STDF), World Trade Organization for trusting us as implementing partner in this endeavour and may I take this opportunity to reiterate the role of our organization and commitments for the fulfilment of the project objectives.

Looking forward for kind co-operations.

Thanking you

Yours sincerely

Narendra Kumar Khadka

## **Annex 8: Procurement**

As indicated in the project document, the following major items would be procured as part of the planned activities under this project:

- improved ginger planting materials and inputs to manage Rhizome rot
- materials required for conducting season-long Integrated Pest Management (IPM) Farmer Field Schools (FFS)
- materials for the construction of the ginger washing and processing facility, including buildings for the storage of raw and washed ginger, drying, sorting, water processing, auction yard, office premises, etc.
- non-expendable equipment for the ginger washing and processing facility

A detailed Procurement Plan will be prepared and submitted for approval to the EIF Executive Secretariat and Trust Fund Manager (UNOPS) during the inception phase of this project. This annex summarizes relevant procedures to be followed by FAO Nepal in procurement under this project.

### **FAO PROCUREMENT/CONTRACT PROCEDURE**

The purpose of this internal FAO guideline is to ensure that all the administrative actions arising from procurement and Letters of Agreement (LOA) by the FAO Representation in Nepal are efficient, cost effective, transparent, and in compliance with the Organization's MS502 & MS507, which prescribes the FAO regulations that should be followed during all its Procurement and LOA actions.

### **Procurement Function at FAO**

In consideration of the overall goal of procurement which is to efficiently support the Organization's ability to fulfil its mandate, the principle objective of procurement at FAO is **Best Value for Money**, which implies:

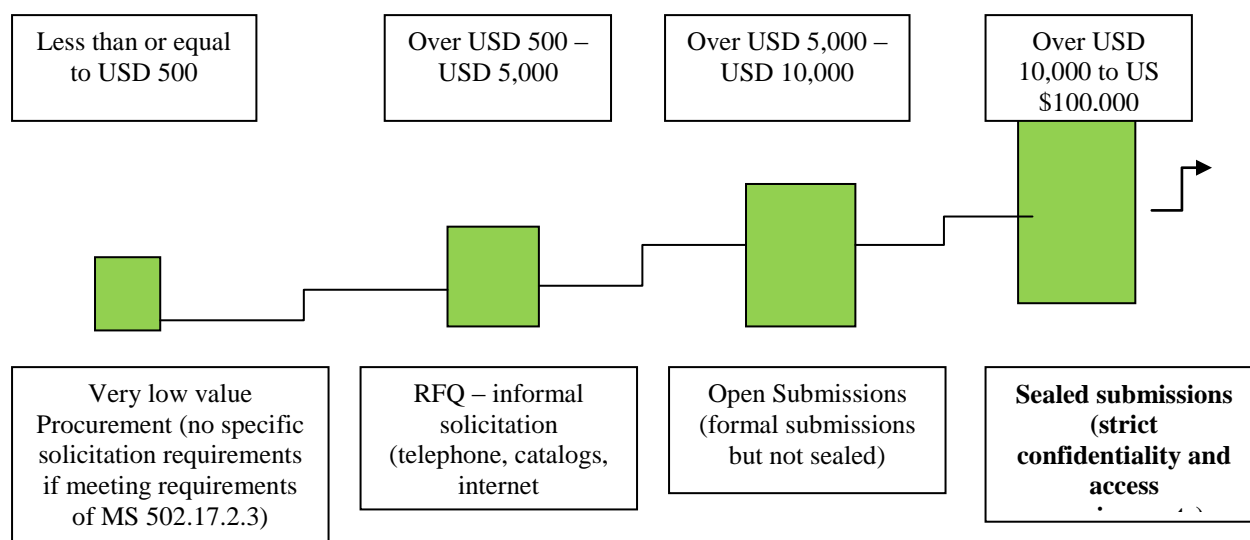
- Timely acquisition of goods, works and services in a competitive and transparent manner
- Optimum combination of expected whole life benefit versus cost to procure

Compatible with this objective, procurement activities should also:

- Promote standardization and the use of framework agreements
- Consider attaining an equitable international distribution of procurement sources while encouraging local economies and supporting capacity building in beneficiary countries
- Favour cooperation with other entities of the United Nations System and
- Promote a competitive market by favouring procurement for the private sector

All procurement of goods required by the Representation and on going projects should be done by the Representation within the limits of his/her financial authority, on the basis of segregated duties and responsibilities, a competitive price, the availability of quality guarantees, and after sales service.

## Authority of FAO Representative



FAOR can re-delegate authority for procurement of goods and services to CTA/ Team leaders / Program manager up to US\$ 10000 as provisioned under MS 502 Appendix B1. All the procedure related to purchase of goods and service must be followed.

### **Procurement Committee of the FAO Representation -Local Procurement Committee (LPC)**

**LPC**, also known as Local Procurement Committee is established in FAO Representation to review certain procurement actions above the threshold established for Sealed Submissions for the relevant FAO Representation in MS 502 Appendix E "Solicitation and Submission Method Selection".

#### **Composition of Procurement Review Committee (PRC)**

Chairperson: FAOR or designated persons (AFAOR (P)/AFAOR (Admin) or Emergency Coordinator/CTA/Team Leader

Principal Members: (AFAOR (P) /AFAOR (Admin) and ERCU Admin officer.

Alternative Members: Programme Officers and ERCU technical staff

Member Secretary: Procurement officer /ERCU operation/logistic officer

- FAOR can delegate authority to AFAOR (P)/ AFAOR (Admin)/EC/TL to chair the LPC and report the suggestions of the committee for final approval by FAOR, the authorized official in FAO Nepal.
- For project related procurement, the panel should include a representative of the relevant project such as the CTA or the NPD/NPC or any concerned person of the project. FAO Administration section should obtain quotations and arrange LPC meeting to review the offers.
- In principle, the person in charge of the payment function should not be a chairing member of the procurement panel.

Whoever (CTA/ Team leader/Manager) is authorized for purchase of goods and services up to US \$ 10 000 can form a separate PRC consisting representative from FAO Representation.

### **Term of References of LPC**

- Ensure that proposed procurement/contract action is strictly in accordance with FAO's Financial regulations and Rules, procedures and instructions (ref MS502 & MS507)
- Review the quotations to ensure that it is fair, competitive, and transparent and provides best value for money.
- In terms of LOA's the "Note for the File" should document at least three Recipient Organizations (ROs). Each RO should get a fair evaluation of their competence, experience and cost effectiveness for receiving LOA funds.
- In terms of detailed descriptions of outputs from the RO should be evaluated against the cost estimates as documented in the LOA budget.
- Recommend the selection of the best financial offer considering the related contractual/bid/offer implications of proposals received.
- For procurement propose the best choices from at least three valid offers.
- Make sound justifications where the MS502 could not be fully complied with, in the minutes of the LPC's minutes for the FAOR's final approval.

Provide advices /solutions in cases of dispute between FAO and vendors during or after the delivery of goods and or services.

### **Segregation of duties and responsibilities**

Proper segregation of duties and responsibilities is required between the staff responsible for the procurement administration e.g. issue of purchase order and the financial administration e.g. processing the invoices related to procurement and making the payments and the management approval responsibilities that rest with the FAO Representative. The following duties and responsibilities including desk instructions are essential documentation for the staff normally involved in the procurement cycle.

Exploring the possibility of covering the responsibilities as documented below, during leave sick leave, holidays is important with the nomination of OIC's and alternates so that the documents that require signing and segregation of duties are kept segregated. The essence of segregation of duties and responsibilities is in addition to the needs for augmenting the control and supervisory responsibilities of each staff function. The combination and mutation in roles and duties will improve the skills and capacity in the Office to ensure smooth function and close monitoring of procurement activities, while maintaining the accountability and transparency of procurement actions.

### **The FAO Representative (FAOR)**

- Ensure to have appropriate system of financial controls and segregation of duties and responsibilities in the Representation

- Make sure that resources are safeguarded and used efficiently, effectively and economically.
- Has overall control of the budget and all expenditure.
- Approves and authorises all commitment (excluding those delegated) and expenses.
- Verifies and approves purchase orders for transaction processing.
- Approves and countersigns all Disbursement Vouchers (DV)/payments.
- Ensures that no payments are signed off without proper supporting documents and adherence to procedure.
- Ensures and periodically verifies that the financial and administrative procedures are being followed.

#### **The AFAOR (Admin)**

- Develops, maintains and updates the list of approved suppliers.
- Documents or reviews (projects) purchase requirements on PR requests and obtains approval from the FAOR for issuance of Purchase Orders.
- Advises FAOR on Project and Regular Programme budget status and availability.
- On behalf of FAOR , closely monitors the whole procurement process
- Arranges and plans for the LPC meetings, and finalizes the LPC's minutes and carries out the recommendations from the members of the LPC.
- Ensure strict compliance of FAO rules and regulations (ref MS 502 and MS 507) in the procurement/contract process and maintains adequate documentation in the relevant procurement and contracts files.
- Raises a Local or Field Purchase Order in COIN.
- Places order with FAO approved/identified supplier.
- Verifies or ensure the project manager verifies the quality and quantity of goods/services delivered against purchase order.

#### **The Administrative / Accounting Clerk (AC)**

- Raises the FAS PO for procurement that was approved by the FAO Representative for over US\$ 500.
- Receives and holds original invoice documentation for payment to supplier.
- Verifies that payment has not already been made for the concerned invoice.
- Verifies Purchase order details i.e. PO number, order specifics and value against supplier's invoice.
- Checks and verifies accuracy and completeness of supporting documentation before processing payment.
- Obtains where not available the certification that goods and services were received in "good order".
- Prepares DVs for approval and signature by FAOR.
- Updates FAS with approved invoices and print payment details and prepare the check for signature by two members of the panel of bank signatories.
- Stamps the original invoice/disbursement voucher documents as "PAID".

Makes payment to supplier and obtains a receipt acknowledging payment. Files and maintains a record of all payments and financial transactions.

## 1. Procurement Planning and Initiation of Procurement Actions

Procurement Planning is a coordinated, cooperative and integrated action to fulfill a need for goods, services and or works in a timely manner, at a reasonable cost and in accordance with FAO procurement rules and regulations. It clarifies WHAT and HOW MUCH is required and WHEN, WHERE and WHY it is needed for both Requester and Buyer through development of an annual procurement plan.

### 1.1 Request for Procurement

- An internal document used to request the Buyer to initiate the Vendor selections process
- Represents confirmation by the Budget Holder that the funds are available and have been committed
- Initiate a particular procurement action. An approved request for procurement should be received prior to issuance of Contractual Instrument (except for very low value procurement or Low Value Orders issued directly by the Budget Holder).
- Includes full specifications, estimated costs and suggested vendors, where possible

### 1.2 Parties involved in procurement

- Requester: specifies requirements
- Budget Holder: confirms availability of funds
- Buyer: ensure requirements are met through appropriate procurement process
- Technically-competent unit(s) or officer(s): provides/clears specifications/SOWs/TORs

### 1.3 Identification of best procurement mode

- Competition
  - Standard practice
  - A solicitation process is deemed to be competitive when it is based on the receipt of at least 3 Responsive offer
- Direct procurement
  - Waiver of competitive solicitation
  - Applicable in exceptional circumstances specified in MS 502
  - Requires written detailed justification
- UN cooperation
  - Appropriate to obtain volume pricing or achieve process or operational efficiencies
  - May include carrying out joint procurement activities, relying on the procurement decision of another UN entity, requesting another UN Entity to carry out procurement activities on behalf of the organization or procuring goods, works or services from another UN entity

### 1.4 Methods of Solicitation of Offer

- Very low value procurement (direct procurement)
  - No competitive quotations required when goods/services are readily available on market

- Documentation requirements: description of the goods or services purchased and written evidence of the price paid
- Request for quotation (RFQ)
  - RFQ is an informal request made to a Vendor by telephone, email, facsimile or consultation of published price list. Three sources are required or justification
  - RFQ is used for low value procurement of simple goods, works or services with clearly defined or standard specifications
- **Invitations to bid (ITB)**
  - ITB is a formal (written) invitation to a Vendor to submit a formal offer in accordance with a specified procedure for the supply of goods, works or services meeting precise specifications
  - In general, an ITB is used for the procurement of goods with objectively measurable quantitative and qualitative specifications. An ITB may also be used to contract for services that can be expressed quantitatively and qualitatively
- **Requests for proposal (RFP)**
  - RFP is a formal (written) invitation issued to a Vendor to submit a formal offer in accordance with a specified procedure to a supply goods, works or services meeting a general description
  - A RFP is used where the goods, works or services required cannot be quantitatively or qualitatively expressed in a complete and definitive manner, such as for complex goods, works or services when proposals from the vendors are preferred

## 2. Vendor Selection and Issuance of Contractual Instrument

### 2.1 Vendor

- A list of potential FAO suppliers for the different categories of goods or services should be prepared by the AFAO (O) following consultation with other UN agencies and based on the experience made over the past few years. Prior to the FAOR approval of the supplier list, the list may be reviewed by members of the LPC.
- The suppliers list should be updated regularly at least every 6 months. Occasionally the Representation may carry out a market survey to update the supplier's list.
- Where there are reasons the FAO could hold a meeting with registered vendors and counterparts/project team members to inform the supplier about FAO's procurement procedures and Fraud Control Plan
- FAOR or designated staff can make physical visits to FAO's vendor sites to inspect goods or services.

### 2.2 How many vendors should be invited to submit an offer?

- The aim is to obtain at least 3 responsive offer
- Number of vendors to be invited
  - Value of procurement action
  - Delivery times
  - Number of market players



- Need to support local capacity building (particularly in an Emergency Situation)
- Diverse international geographical distribution of potential vendors should be represented to the extent applicable except when there are specific reasons to invite only local/regional vendors
- Invitation of less than three vendors must be justified in the file
- Parameters to be used to limit or reduce a list of vendors
  - Received a previous award for the same goods, works or services and performed satisfactorily
  - Submitted a responsive offer for a similar requirement within the last three years
  - Include in the FAO's database of registered vendors
  - Responded to a call for interest

### 2.3 How to transmit solicitation documents?

- Request for Quotation (RFQ)
  - Quotation may be requested:
    - verbally (including by telephone)
    - Consultation of price list via catalogue, internet or other media
  - Documentary requirements:
    - Document vendors or price lists consulted
    - The sources from which such quotations were obtained
    - Written confirmation from the vendors to whom award will be made
    - A copy of the published price list used as basis for award
- Invitation to Bid (ITB) and Request for Proposal (RFP)
  - Simultaneously to all invited vendors
  - By any means which provides confirmation of receipt or through the relevant Field project Officer, FAO Representative or other UN Entity representative for vendors in the field

### 2.4 Methods of submission for bids and proposal

- Open submissions
 

Open submissions do not restrict buyer access to the contents of the offer pending the closing date of the solicitation and the standards of confidentiality are lower.
- Sealed submissions
 

Sealed submission is a written offer submitted by a vendor under seal subject to defined conditions for security and custody, which is not opened until a specified time together with all other offers resulting from the solicitation. Sealed submissions are received and kept in a secure place until bid opening. The secured place should be accessible only by the personnel duly authorized by the relevant authority.

### 2.5 Opening and recording of offer

The purpose of opening and recording procedures is to ensure that the offers are received handled and opened:

- According to the instructions of the solicitation documents

- In a manner to assure transparency and confidentiality as specified in MS 502

Opening of offer usually takes place immediately after the closing date. Opening of offers is a formal process of opening and recording in writing all offers received in response to a solicitation.

Opening and recording procedure for:

- Open submissions
 

Procedures for the recording of open submissions, established by the buyer must ensure

  - Appropriate confidentiality of the submitted offers
  - Security of offer contents against potential tampering
  - Compliance of submission with the instructions of the solicitation documents
  - No modifications of financial offers
  - Confidentiality of the opening and or recording proceedings
  - Confidentiality of the financial proposal pending evaluation of the technical proposal
  - A record of the invited vendors, the dates and times of receipt of offers
  - The validity of the offers received and any other relevant observations
- Sealed submissions
 

Opening and recording of sealed submissions is a responsibility of an Opening Panel that is established by FAOR. Opening of sealed submissions must meet requirements of Open Submissions as well as provide for:

  - A record of the dated and time of the opening and the persons present
  - Forwarding the record of the opening as well as the offers received to the buyer

## 2.6 Evaluation and award recommendation

- Objective of the evaluation process
  - To obtain best value for money
  - To ensure transparency, confidentiality, fairness, reasonableness and objectivity
  - To conduct evaluation in accordance with the established evaluation criteria and evaluation methodology specified in the Solicitation Documents
- Responsibilities:
  - Buyer
    - Commercial evaluation of offers received
    - Confirmation of responsive offers
    - Final recommendation to the authorized official for award  
The buyer is the sole point of contact with vendors during the evaluation process
  - Requester
    - Providing the buyer with an assessment of offers received
    - Review of the commercial evaluation

- Clearance of the recommendation for award

**In case of Procurement Request Form (PRF), the requester is responsible for:**

- Providing the buyer with a technical evaluation and ranking proposals
  - Review of the commercial evaluation
  - Providing the buyer with a consolidated ranking of the proposal
- Advisory Panel
    - May be established by the requester to assist in the evaluation
    - Should include representation from the technically-competent units and other units having an interest in the goods, works or services under consideration
    - Is subject to the same standards of ethics and requirements for confidentiality as other personnel involved in procurement activities

**Evaluation and Award Recommendation**

Solicitation Type	RFQ	ITB	RFP
Evaluation Methodology	Lowest cost responsive/compliant/acceptable quotation	Conformity to specifications and a commercial evaluation	<ul style="list-style-type: none"> <li>○ Evaluation of the technical proposals</li> <li>○ Evaluation of financial proposal</li> <li>○ Consolidated evaluation</li> </ul>
Award Basis	Lowest priced quotation meeting requirements	"Best value for Money" i.e. the lowest priced, most technically and commercially acceptable responsive offer	"Best value of Money", i.e. the responsive offer evaluated to offer the greatest overall benefit in response to the requirements

**2.7 Evaluation criteria**

Basis upon which all offers will be compared to achieve the best result. This can be divided into the following categories:

- Administrative
  - Offers have been properly signed and submitted
  - Offers are accompanied by the required documentation, if applicable
  - Offers are complete
- Technical
  - Compliance/non-compliance with specification/TOR/SOW
  - Weighted scoring methodology
  - Previous experience with similar projects/ from the region
  - Available capacity and equipment
  - Qualifications and experience of proposed personnel
  - ISO standards
  - Financial soundness

- Financial
  - Financial criteria may require the breaking down of the financial proposal to such cost elements as:
    - Unit costs
    - Freight
    - Operational costs
    - Start-up costs
    - Life cycle costs

## 2.8 Negotiations prior to award

Negotiations are an interactive process of discussion between the buyer and the vendor regarding the terms and conditions of contractual instrument. Generally negotiations are not used after a competitive selection process but may be considered after the completion of the evaluation to enhance competition to obtain best value for money or where there is a suspicion of collusion. Negotiations are often used in the case of Direct Procurement.

## 2.9 Mode of Procurement

There are three main mechanisms used by FAO Nepal for purchasing of goods:

- Local purchase order: Procurement of goods, works and services from vendors located in the country. Goods, services and works procured locally must be obtained free of taxes, duties and tariffs, whenever possible, if local legislation requires payment of such duties, all efforts must be made to obtain reimbursement. Prices shall be inclusive of freight and insurance, where applicable.
- Field Purchase Order: Procurement of goods, works or services from vendors located outside the country. A FPO is used by FAO Nepal without access to Oracle, to order goods from a vendor outside the country of assignment and that cannot be paid from the location imprest account. FAO Nepal will send the original signed FPO to the vendor and a copy will be sent to the responsible business office (CSAP or SSC). The responsible business office will input the FPO information into Oracle, allowing payment to the vendor from FAO Headquarters.
- Request for procurement: Request by FAO Nepal to CSAP for procurement of goods, services or works with an estimated value above the delegated authority for procurement must be routed through Regional Offices which have Oracle capability for the raising or a PR in Oracle.

## 3. Receipt of goods and payment

### 3.1 Receipt of goods

- Ensure that customs document are ready when goods arrive from abroad
- Ensure that inspection certificate, if requested, is received before payments is made
- Apply actual or liquidated damages, as necessary
- Local orders are paid on receipt of goods

### 3.2 Payment

- No advance payment without acceptable guarantee
- Payments of Field Purchase Orders (FPOs) by FAO HQ is normally processed upon receipt of invoice and shipping documents
- Local orders are paid on receipt of goods
- Ensure that goods meet quality and quantity requirements before payment

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- <sup>2</sup> Buddhi Prakash Sharma, 2009, Present Status of Ginger: Strategies for Improving Income and Employment in Palpa, Pyuthan and Ilam 2009, GTZ /INCLUDE
- <sup>3</sup> Cassidy, D, (2009) Nepal Trade Integration Strategy 2009, SPS REPORT.
- <sup>4</sup> International Trade Centre, 2007, Export Potential Assessment in Nepal, Asia Trust Fund September 2007
- <sup>5</sup> Kantipur, 2011, most agriculture-related WTO pledges fulfilled, <http://www.ekantipur.com/2011/05/05/business/most-agriculture-related-wto-pledges-fulfilled/333533.html>, website accessed 14, 05, 2011
- <sup>6</sup> Government of Nepal, 2009, <http://www.spsenquiry.gov.np/>. This site has links to both the plant (<http://www.ppdnepal.gov.np/>) and animal health (<http://www.dls.gov.np/>) websites dealing with SPS issues.
- <sup>7</sup> Yadav Raj Joshi, (2010), Nepali labs eye int'l accreditation, <http://www.thehimalayantimes.com/fullNews.php?headline=Nepali+labs+eye+int%27l+accreditation+&NewsID=259588>
- <sup>8</sup> See sections 6.1 Plant Quarantine (PQ) and 6.2 Prevention of Food adulteration (PFA) in the GIZ ginger value chain report, Buddhi Prakash Sharma , 2009, **Present Status of Ginger: Strategies for Improving Income and Employment in Palpa, Pyuthan and Ilam**, August 2009, submitted to GTZ /INCLUDE .
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- <sup>13</sup> PACT, 2010, First Annual Progress Report: August, 2010 Project for Agriculture Commercialization and Trade
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development of coordination mechanism among development partners, Volume II, Donor coordination mechanism, (final) Scott Wilson Nepal Pvt. Ltd.

<sup>16</sup> Anonymous (2009), Revisit of Indicative Timeline by NBSM/DFTQC as per decision of Technical Committee Meeting – Submitted to Programme Steering Committee Meeting, 30 July 2009 (Amended based on stakeholder comments and discussion, 20 August 2009) Annex II. - Indicative Timeline (20 August 2009)

<sup>17</sup> Botany in this instance refers to the study of plants – and not taxonomy as is commonly thought. The marketed part of ginger is a horizontal underground stem. It is adapted to growing underground and thus is susceptible to a range of problems when harvested and poorly handled. For example it has a thin outer skin and is thus susceptible to damage, dehydration and rots

<sup>18</sup> Karkee, M., 2008, Nepal Economic Growth Assessment, Agriculture Submitted to USAID Nepal Submitted Kathmandu, August 12, 2008

<sup>19</sup> FAO, 2011, Monitoring and Evaluation, <ftp://ftp.fao.org/docrep/fao/010/a1111e/a1111e04.pdf>

<sup>20</sup> Reproduced by permission of the Nepal Economic, Agriculture and Trade Activity (NEAT) Project funded by USAID