

Document: EB 2012/106/R.21/Sup.1  
Agenda: 11(c)(iv)  
Date: 13 September 2012  
Distribution: Public  
Original: English

**E**



Enabling poor rural people  
to overcome poverty

## **Government of Nepal**

### **Kisankalagi Unnat Biu-Bijan Karyakram (Improved Seeds for Farmers Programme)**

#### **Negotiated financing agreement**

Executive Board — 106<sup>th</sup> Session  
Rome, 20-21 September 2012

---

**For: Information**

## **Negotiated financing agreement: "Kisankalagi Unnat Biu-Bijan Karyakram – Improved Seeds for Farmers Programme"**

(Negotiations concluded on 5 September 2012)

Loan Number:

Grant Number:

Programme Title: Kisankalagi Unnat Biu-Bijan Karyakram – Improved Seeds for Farmers Programme (the "Programme")

The Government of Nepal (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

### **Section A**

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

### **Section B**

1. A. The amount of the Loan is SDR 12.85 million.  
B. The amount of the Grant is SDR 12.85 million.
2. The Loan is granted on Highly Concessional Terms as defined in section 5.01(a) of the General Conditions.
3. The Loan Service Payment Currency shall be the US dollar.
4. The first day of the applicable Fiscal Year shall be 16 July.
5. Payments of principal and service charge shall be payable on each 1 December and 1 June.

6. Counterpart financing shall be provided for the Programme in the amounts of approximately USD 7.3 million from the Borrower/Recipient and approximately USD 10.9 million from beneficiaries both in cash and in kind. The contribution of the Borrower/Recipient shall cover (i) taxes and duties foregone on all the Programme inputs, (ii) the salaries of the Programme Manager and Accounts Officer and other deputed staff, and (iii) audit fees for the Programme. It is also expected that Heifer International will provide additional financing for activities related to the Programme in the amount of USD 2.5 million.

### **Section C**

1. The Lead Programme Agency shall be the Borrower/Recipient's Ministry of Agriculture Development (MOAD).
2. The following are designated as additional Programme Parties: Ministry of Federal Affairs and Local Development, Ministry of Finance, Ministry of Cooperatives and Poverty Alleviation, Federation of Nepalese Chambers of Commerce and Industries, Nepal Agricultural Cooperative Central Federation, Small Farmer Development Bank , District Agricultural Development Offices , District Livestock Service Offices , District Development Committees, Village Development Committees, Heifer International and Agro Enterprise Center.
3. The Programme Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

### **Section D**

The Financing will be administered and the Programme supervised by the Fund.

### **Section E**

1. The following are designated as additional general conditions precedent to withdrawal:
  - (i) The Programme Steering Committee and the Programme Management Office (PMO) shall have been established and the members designated;
  - (ii) the Programme Manager and the Accounts Officer, both acceptable to the Fund based on the approved terms of reference, shall have taken up their posts;
  - (iii) the Programme Implementation Manual shall have been approved by the Programme Steering Committee after non-objection by the Fund.
2. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Joint Secretary, Foreign Aid Coordination Division  
Ministry of Finance  
Singha Durbar  
Kathmandu, Nepal

For the Fund:

President  
International Fund for Agricultural Development  
Via Paolo di Dono 44  
00142 Rome, Italy

This Agreement, dated \_\_\_\_\_, has been prepared in the English language in six (6) original copies, three (3) for the Fund and three (3) for the Borrower/Recipient.

GOVERNMENT OF NEPAL

\_\_\_\_\_  
Authorized Representative  
Title

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Kanayo F. Nwanze  
President

## Schedule 1

### *Programme Description and Implementation Arrangements*

#### I. Programme Description

1. *Target Population.* The Programme shall benefit about 150,000 households, including those participating in production groups and farming households that adopt improved seed and livestock, in four districts in the Mid-Western Development Region (Rukum, Salyan, Rolpa, and Pyuthan) and two districts in the Western Development Region (Gulmi and Arghakhanchi) (the "Programme Area") during the first phase and additional districts (to be determined) in the second phase.
2. *Goal.* The goal of the Programme is to promote inclusive, competitive and sustainable agricultural growth within the target area so as to contribute to overall economic growth.
3. *Objectives.* The objective of the Programme is to improve household incomes through sustainable, market-drive productivity improvements, with the aim to scale-up an agriculture-led growth model.
4. *Components.* The Programme shall consist of the following Components and their associated sub-components:

#### 4.1 Component 1: Support to the Extension of the Formal Seed Sector

- a) The *Ensuring an Effective Enabling Environment* sub-component will promote policy and regulations improvements, increase the capacity of District Agricultural Development Offices, and improve the seed quality control system;
- b) The *Improved Seed Production* sub-component will assist in increasing output of improved seed, including facilitating participation of seed companies through a Competitive Grant Scheme;
- c) The *Promoting Farmer Demand for Truthfully Labelled (TL) Seed* sub-component will promote awareness of improved seeds among disadvantaged groups and people in remote areas.

The expected results of Component 1 are at least 7,200 households supported, organized around 720 groups and involving up to 13 private seed company operations participating in the production of approximately 760 metric tons (MT) of TL paddy; 830 MT of TL maize; 1660 MT of TL wheat; and 500 MT of a range of TL vegetable seeds. This is expected to generate overall positive net margins for both the seed groups and the seed companies. TL improved seed production is expected to lead to the increase of its utilisation coverage for the related varieties and be sufficient for the sowing of some 15,000 hectares of paddy; 41,000 hectares of maize; 14,000 hectares of wheat; and 65,000 hectares of vegetables in the agro-ecological hills zone.

#### 4.2 Component 2: Smallholder Livestock Development

This Component aims to increase income from livestock production through breed improvement; nutrition and management; veterinary services development; farmer training; and market linkage development, including establishment of livestock markets, in three sub-components:

- a) The *Improving Dairy Productivity* sub-component will focus on breed improvement, nutrition and management, veterinary services development, farmer training, and market linkage development;
- b) The *Improving Goat Productivity* sub-component will include the same main areas of focus as the dairy sub-component, but with the addition of Farmer Field Schools;
- c) The *Strengthening of District Livestock Service* sub-component will improve the mobility and equipment of district offices, including creating an expanded artificial insemination capacity.

This Component will support groups/cooperatives/communities to establish at least 28 milk chilling centres under public-private partnership. It will also promote at least 15 local private dairy enterprises under a competitive grant system. Under the Improving Goat Productivity sub-component, the Programme will support establishment of 26 goat collection hubs/livestock markets, which in their turn stimulate the private investments in meat processing and detail sales. With the implementation period of the sub-component, it is expected that increase of milk and meat production will yield substantial financial income among the 8,900 beneficiaries households.

#### **4.3 Component 3: Local Entrepreneurship and Institutional Development**

This Component aims to support Components 1 and 2 by providing a conducive environment for their activities at the institutional, household, production and commercialization levels.

- a) The *Institutional Strengthening* sub-component will include both local bodies and producer groups and cooperatives;
- b) The *Access to Non-financial Services* sub-component will support the Programme-supported value chains by creating an Investment Window at the District Chambers of Commerce and Industry and supporting agro-vets to expand their outreach to Programme-supported groups;
- c) The *Increasing Outreach of Microfinance Institutions* sub-component will promote microfinance outreach in the target area, including assisting the cooperative movement to increase the number of its affiliates and assisting development banks to set up points of service and explore the use of microfinance activities based on mobile phone technology.

This Component will provide a conducive environment for activities undertaken under components 1 and 2: (i) 156 Village Development Committees (VDCs) will be strengthened; (ii) 24,810 households will adhere to producers' cooperatives and will benefit from technical and management training; (iii) 30,000 households will have access to financial services through the creation of at least 30 Small Farmer Agriculture Cooperatives and 6 local banks' branch extension. They will benefit from loans amounting to USD 8 million and improved financial services from the strengthened financial institutions.

#### **4.4 Component 4: Programme Management Office**

This Component aims at ensuring effective and efficient management of the Programme through planning, training, monitoring and evaluation, knowledge management and governance.

## **II. Implementation Arrangements**

1. The Programme shall be implemented under the overall direction of a Programme Steering Committee (PSC), chaired by the Secretary of the Lead Programme Agency. The PSC shall evaluate and approve annual work plans, reports, and budgets; provide directives on strategic aspects of Programme activities; and approve major competitive and matching grant agreements.
2. The Programme Management Office (PMO) shall include a Programme management team comprised of a Programme Manager, Deputy Programme Manager, Senior Programme Advisor, Accounts Officer, Monitoring and Evaluation/Knowledge Management Officer, Planning Officer, Contracts and Procurements Manager, Financial Management Specialist, Crops/Seed Development Officer, Livestock/Veterinary Officer and a Gender and Social Inclusion (GESI) Advisor and other staff. The Programme Manager, Deputy Programme Manager, Accounts Officer, Planning Officer, Crops/Seed Development Officer and Livestock/Veterinary Officer will be deputed MOAD personnel. All other PMO staff will be recruited by the Programme.
3. Main Implementing Agencies and Roles:
  - (a) MOAD shall assume overall management and implementation responsibility for the Programme.
  - (b) Programme staff and experts, other than deputed MOAD personnel (as referred to in paragraph 2), will be recruited from the local market through a contracted recruitment agency following a competitive selection process in order to assist the PMO team for key managerial tasks.
  - (c) HEIFER International shall be a key implementation partner of Component 2 and provide support, technical advice and backstopping for the livestock development initiatives in accordance with an MOU, satisfactory to the Fund, between it and the Borrower/Recipient.
  - (d) Agro Enterprise Center (AEC) shall be the institution charged with facilitating business development in the agricultural sector nationally, linked to the Federation of Nepalese Chambers of Commerce and Industry (FNCCI). It shall also fulfil this role in the Programme in accordance with an MOU, satisfactory to the Fund, between it and the Borrower/Recipient.
  - (e) Development partners providing additional funding may, with the approval of the Fund, be designated by the Borrower/Recipient as implementing agency for specific Programme activities.
4. Programme Implementation Manual. The PMO shall finalise the Programme Implementation Manual ("PIM") and shall submit the PIM to the Fund for no objection and to the PSC for approval.
5. Mid-Term Review. A Mid-Term Review ("MTR") shall be conducted at the end of Programme Year three to prepare Phase II of the programme. The MTR shall assess the progress, achievements, constraints, and emerging impact and likely sustainability of the programme and make recommendations and necessary adjustments for the remaining period of disbursement. The MTR shall be carried out jointly by the Lead Programme Agency and IFAD. The MTR shall take into account additional amounts provided by other donors and recommend appropriate changes to the Allocation Table in Schedule 2.

**Schedule 2***Allocation Table*

1. *Allocation of Loan and Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Grant Amount Allocated (expressed in SDR)	Percentage (all net of taxes)
I Funds	2 320 000	2 320 000	100% net of beneficiaries' contribution
II. Technical Assistance	550 000	550 000	100% net of other donors' contribution
III. Studies, Surveys, Training and Workshops	3 420 000	3 420 000	100% net of other donors' contribution
IV. Goods and services (including vehicles)	3 720 000	3 720 000	100% net of beneficiaries and donors' contributions
V. Operating Costs	1 590 000	1 590 000	100% net of government's contribution
Unallocated	1 250 000	1 250 000	
TOTAL	12 850 000	12 850 000	

(b) *Apportionment of Expenditures.* All expenditures shall be apportioned between the Loan and the Grant at the ratio of 1:1