

HIGH MOUNTAIN AGRIBUSINESS AND LIVELIHOOD IMPROVEMENT PROJECT

**ANNUAL REPORT (MID FEBRUARY 2012 – MID FEBRUARY 2013)
(Package 1)**

**Executing Agency: Ministry of Agriculture Development, Republic of Nepal
Implementing Agency: Department of Livestock Services**



Consultant: Agrifood Consulting International

**CURRENCY EQUIVALENTS
(As of February 2013)**

Currency Unit	-	Nepali (NPR)
NPR 1.00	=	USD 0.0118
USD 1.00	=	NPR 85

ABBREVIATIONS

ACI	Agrifood Consulting International
ADB	Asian Development Bank
AEC	Agro Enterprise Center
AM	Aide Memoire
BOQ	Bill of Quantities
BP	Business Plan
CDO	Chief District Officer
CLDP	Cooperative Livestock Development Project
CQS	Consultants Qualification Selection
CV	Curriculum Vitae
DADO	District Agriculture Development Office
DAG	Disadvantaged Groups
DAO	District Administration Office
DCCI	District Chamber of Commerce and Industry
DDC	District Development Committee
DDR	Due Diligence Report
DFID	Department for International Development
DFO	District Forestry Office
DOFD	Directorate of Fisheries Development
DG	Director General
DLS	District Livestock Services
DLSO	District Livestock Services Office
DMF	Design and Monitoring Framework
DPC	District Project Coordinator
EIA	Environmental Impact Assessment
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
GAC	Grant Assessment Committee
GESI	Gender and Social Inclusion
HIMALI	High Mountain Agribusiness and Livelihood Improvement Project
HVAP	High Value Agriculture Project (IFAD Project)
IEE	Initial Environmental Examination
IFAD	International Fund for Agriculture Development
LDO	Local Development Officer
LRP	Local Resource Person
MAPs	Medicinal and Aromatic Products
MOAD	Ministry of Agriculture Development
M&E	Monitoring and Evaluation
NGO	Non-Government Organization
NRM	Nepal Resident Mission
NIBL	Nepal Investment Bank Limited
NTFPs	Non-Timber Forest Products
PACT	Project for Agriculture Commercialization and Trade (World Bank)
PAM	Project Administration Manual
PD	Project Director – HIMALI
PMU	Project Management Unit
PPMS	Project Performance Monitoring System
PPTA	Project Preparation for Technical Assistance
PSC	Project Steering Committee
QCBS	Quality and Cost Based Selection for Recruitment of Consultants
RAD	Regional Agriculture Directorates
RD	Regional Directorate
RISMFP	Raising Incomes of Small and Medium Farmers Project
TL	Team Leader
TOT	Training of Trainers
VDC	Village Development Committee
WUPAP	Western Upland Poverty Alleviation Project

TABLE OF CONTENTS

EXECUTIVE SUMMARY

1. ACTIVITIES

- 1.1 Start-Up Activities and Inception (through March 2012)
- 1.2 Technical
- 1.3 Management
- 1.4 Financial

2. CHALLENGES AND RESOLUTIONS

- 2.1 Technical
- 2.2 Management
- 2.3 Financial

3. PLANNED ACTIVITIES FOR NEXT YEAR

- 3.1 Technical
- 3.2 Management
- 3.3 Financial

4. PROJECT PERSONNEL

EXECUTIVE SUMMARY

The involvement of Package 1 consultants of the HIMALI Project got underway on 10 February 2012 when the contract between the Government of Nepal and ACI was signed. By mid-February, most of the Package 1 consultants started work on the Project. The Package 1 consultants set up their working space in the HIMALI PMU Main Office in Baluwatar, Kathmandu (later changed to Harihar Bhawan in Lalitpur). During the inception phase, HIMALI Project orientation and coordination meetings were held in February and March 2012 with leaders and professional staff of GoN, donors, donor projects, NGOs, and the private sector. To promote the Project, two District Orientation Workshops (in Sankhuwasabha and Mustang Districts) were conducted in late February – early March by the PMU with assistance from the Package 1 and 2 consultants to orient over 60 public and private sector stakeholders in each District to the objectives, activities, resources, and coordination needs of the HIMALI Project. Procurement plans and bidding documents were developed for the civil works at MOAD sites in the districts. The Inception Report was submitted to the PMU on 23 March 2012. On 26 March 2012, the HIMALI Project staff conducted the HIMALI Inception Workshop at the Annapurna Hotel with over 100 Government officials, HIMALI Project stakeholders, and others in attendance. The objective of the Workshop was to describe the HIMALI Project implementation plan, outcome, outputs, and the work accomplished.

The Package 1 consultants were involved in numerous HIMALI staff Training of Trainers Programs and District and Regional Workshops conducted throughout the year. DPCs, AEC/HIMALI staff, and heads of the DADO/DLSO from the 10 HIMALI Project Districts were trained on agribusiness and value chain development. Package 1 consultants provided guidance to the officials on various Project implementation requirements/policies, field level business planning expectations, and practical examples of business plans. The communication strategy at the district level included conducting District Orientation and Implementation and Feedback Workshops in each of the ten HIMALI districts. Over 600 public and private sector stakeholders participated in these Workshops. In addition, three Regional Orientation Workshops were conducted by the HIMALI project. To further promote the HIMALI Project, radio programs and meetings with stakeholders at the district and the regional levels and in Kathmandu have been ongoing.

The establishment of the HIMALI grant procedures and guidelines were developed consistent with the PAM. PAM amendments were made to accommodate more efficient implementation of the Project. The Package 1 consultants assisted the PMU in meeting and working with the NRM/ADB on various developments and issues in Project implementation. The Project Steering Committee met twice and provided the HIMALI Project important guidance and some decisions that assisted the Project implementation.

After an independent Grant Assessment Committee was recruited, trained, and fully informed on HIMALI policies and procedures, the evaluation of grants began in earnest. During the year, 173 grant applications were received, 57 evaluated by the GAC, 8 were approved and 40 sent back to the proponent for modification. The grant applications involved production and marketing of agricultural commodities that were on the HIMALI Project's priority commodity list. A roster of technical experts by type of agribusiness was recruited by the Package 1 consultants to assist the GAC in the verification and technical evaluation process of the grant applications.

An Environmental Safeguards Expert and a Social Development Expert were hired by Package 1 to assist in the integration of appropriate, GoN-approved, environmental safeguards into the environmental management plans and GESI mainstreaming plans of the subprojects of the HIMALI Project. The process of getting EIA waived for HIMALI subprojects was completed by the Package 1

consultants and the PMU in close consultation with the Environmental Expert at NRM/ADB and through preparation of many documents that met the requirements of the MOAD and MOSTE.

The Package 1 Social Development Expert worked with the GESI Expert at NRM/ADB in preparing the implementation plan for the GESI for the HIMALI Project. The Social Development Expert was involved in many training venues conducted by the HIMALI Project in which HIMALI staff and proponents were trained in the GESI plan implementation and in understanding how to work effectively with the given district profiles of the DAG and minority groups.

The Package 1 consultants conducted, in close coordination with the NRM/ADB, the recruitment of the NGO Service Providers for social mobilization services. After following through on the agreed upon (with ADB) procedures for the recruitment, 10 NGOs or Joint Ventures were selected and submitted to the PMU for approval from the ADB. However, in the process of gaining approval for the selected NGOs, a complaint by an NGO that was not selected arose. After various meetings with ADB to review the entire selection process, the ADB decide to cancel the recruitment of NGOs. Instead, the Package 1 consultants and the PMU proposed the direct hiring a social mobilization coordinator and social mobilize for each HIMALI district and a Finance and Administration Officer in Kathmandu to oversee the social mobilization budget coming from the Package 1 budget.

The Package 1 Procurement Expert prepared procurement plans and all bidding and recruitment documents for all procurement and recruitment activities of the PMU, respectively. Package 1 consultants provided assistance to the PMU in reviewing bids and/or CVs of these and many other PMU activities.

Package 1 consultants provided assistance to the in the preparation of Quarterly Portfolio Review information on contract awards and disbursements as well as assistance in preparing quarterly and annual reports. The HIMALI Project has been rated each quarter as “on track” by ADB.

I. ACTIVITIES

1.1 Start-Up Activities and Inception (through March 2012)

- 1.1.1 Consultants' Arrival and Office Set-Up** - The HIMALI Project got underway on 10 February 2012 when the contract between the Government of Nepal and ACI was signed. The first Package 1 consultants to start work on the HIMALI Project were Dr. Kenneth Neils, International Team Leader and Implementation Specialist, Mr. Dala Ram Pradhan, National Team Leader and Mountain Agribusiness Expert, Mr. Jalad Sundar Pradhan, Procurement Expert, and Mr. Damodar Ghimire, Grants Coordinator in mid-February 2012. The Package 1 consultants set up their working space in the HIMALI PMU Main Office in Baluwater, Kathmandu in front of Gate #1 of the Prime Minister's residence. The office was equipped with a diesel generator that is able to provide sufficient electricity to power all electrical equipment in the office, internet with sufficient bandwidth, photocopier, and office furniture and file cabinets to accommodate all HIMALI employees. Two bank accounts (one for Package 1 and another for Package 2) were established at Nabil Bank to support financial activities of the HIMALI consultants.
- 1.1.2 District Workshops** – two District Orientation Workshops (in Sankhuwasabha and Mustang Districts) were conducted in late February – early March by the PMU with assistance from the Package 1 and 2 consultants to orient over 60 public and private sector stakeholders in each District to the objectives, activities, resources, and coordination needs of the HIMALI Project. In addition, individual meetings were held with key District stakeholders (DADO, DLSO, and DFO) and farmer groups and cooperatives before and after the Workshops.
- 1.1.3 Procurement** - The bidding documents for the DADO and DLSO office buildings in Jumla and Sankhuwasabha Districts, respectively, were prepared by the Package 1 Procurement Expert using the models (cost estimates, drawings, and BOQ) of Government rural infrastructure works completed by the HIMALI PPTA Team. Procurement for the supply of four pick-up trucks (three for the field offices and one for the Katmandu office) was done through National Competitive Bidding. ADB guidelines were followed for the recruitment of the Grant Assessment Committee members, including a Business Development Expert, a Business Financial Management Expert, and an Environmental and Social Safeguards Expert. The GAC was established to provide independent and expert assessment and recommendations on Agribusiness Grant applications.
- 1.1.4 Inception Report** – The Inception Report was submitted to the PMU on 23 March 2012. The Report was prepared based on the consultations and review work that was conducted by the Package 1 consultants under the guidance of the Project Management Unit (PMU). The Report explained, among other things, that ADB approved the recruiting of district NGOs using the CQS procedures instead of recruiting a national NGO using the QCBS procedures. The CQS procedure allowed the PMU to select the NGOs in a shorter time frame. The Report also posed the problem the Project had in finding an Expert with both Social and Environmental Safeguards qualifications and experience.
- 1.1.5 Inception Workshop** - On 26 March 2012, the HIMALI Project staff conducted the HIMALI Inception Workshop at the Annapurna Hotel. The objective of the Workshop was to describe the HIMALI Project implementation plan, outcome, outputs, and the work accomplished so far. In attendance were 110 people, including

- many officials from the MOAC Central (Kathmandu) Office and line ministries, including, the Secretary of MOAC and the Director General of the Department of Livestock Services of MOAC
 - the heads of the DADO and DLDO offices in the ten HIMALI Project District
 - representatives from various donor Projects, including EIG, HVAP, PACT
 - representatives from various NGOs, including ICIMOD
 - representatives from various private agribusiness companies, including FNCCI
- Presentations were made by Dr. K. Sankhi, Dr. K. Neils, the Director General of the DLS, and the Secretary of MOAC. A question and answer session followed.

1.1.6 **Training Program** – At the HIMALI Training of Trainers (TOT) Program conducted on 27-29 March by Package 2 consultants at the Union House in Anamnagar, Kathmandu, 21 DPCs and heads of the DADO/DLDO from the 10 HIMALI Project Districts were trained on agribusiness and value chain development. Dr. K. Sankhi (the HIMALI PD), Dr. K. Neils, and Mr. Dala Ram Pradhan provided guidance to the officials on various Project implementation requirements/policies, field level business planning expectations, and practical examples of business plans.

1.1.7 **Meetings with Stakeholders** - HIMALI Project orientation and coordination meetings were held in February and March with leaders and professional staff of GoN, donors, donor projects, NGOs, and the private sector. The HIMALI Team (PMU and Package 1/2) met with the DLS (MoAC), ADB, WFP, WUPAP (Min of Local Government), CADP (ADB), RISMFP (ADB), HAVP (IFAD), PACT (World Bank), EIG (USAID), Hariyo Ban (USAID), MSFT (DFID), ICIMOD, Netherlands Development Organization, Practical Action, KIRDARC, AEC, SEAN Seed Service Center Ltd., and B.H. Enterprises Pvt. Ltd.

1.2 Technical

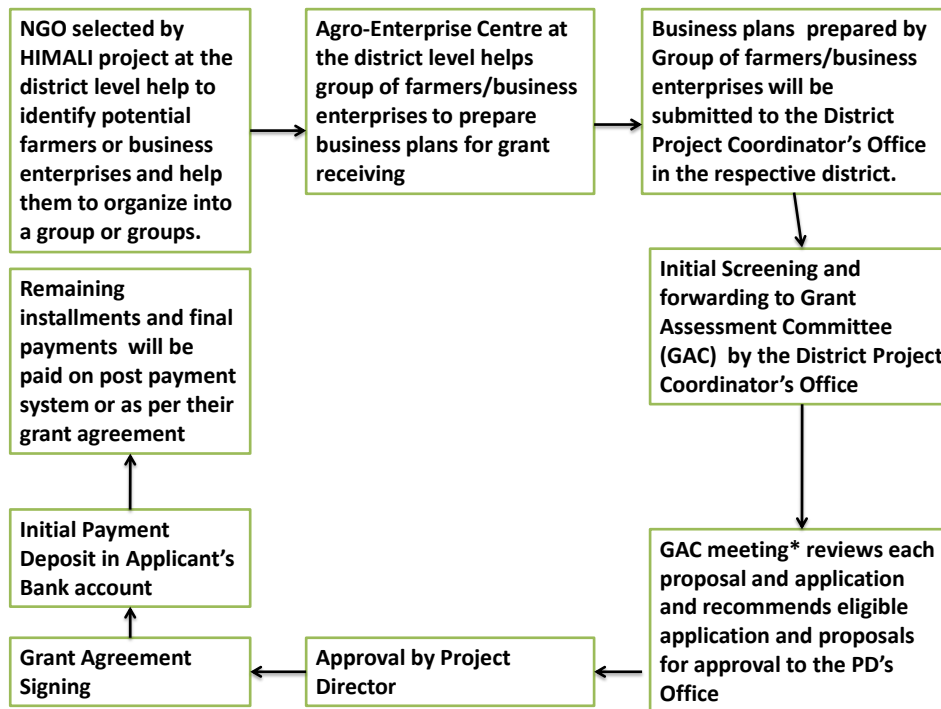
1.2.1 HIMALI Grant Procedures

The establishment of the HIMALI grant procedures and guidelines took some time to develop. The HIMALI grant guidelines as given in the PAM were considered necessary but not sufficient to give the proponents a clear idea of what was needed in the submitted business plans. Additional detail was derived from comments and suggestions made by the Project Director/PMU and the Package 1 and 2 Consultants. Some details that were added included that

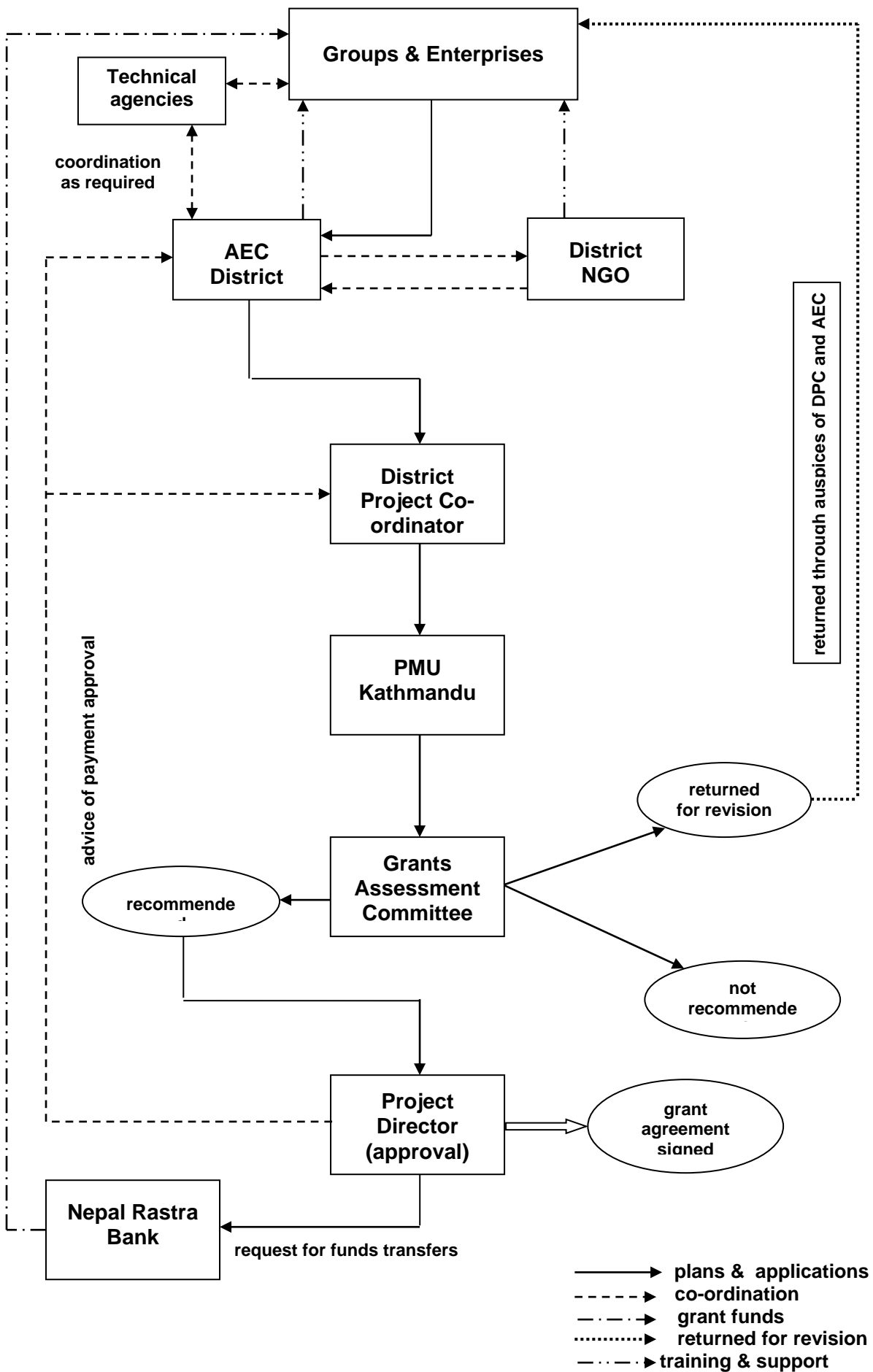
- NGOs are not eligible for grants
- Forest User Groups registered under the Forest Act are eligible for grants
- Entrepreneurs registered outside the Project districts are eligible for grants if they are procuring their product supply from producers in the HIMALI districts

After incorporating these and other details into the grant application requirements and business plan examples in the grant guidelines, the revised grant guidelines, which did not deviate from the PAM, were sent to the HIMALI professional staff involved in the business plan development process.

The preliminary grant processing procedures for a HIMALI Grant were designed as follows:



Following some further modifications, the following more detailed schematic of the business plan preparation and grant application and evaluation process was developed:



Grant Application Status – The package of documents that are submitted by the grant applicants includes

- a Cover Letter from Applicant to the HIMALI Project
- background description of the Project
- baseline information of the Project
- a grant application following the “Template for the Grant Applications” in the PAM with amendments (according to the PAM, HIMALI subprojects located in the National Parks or in the Conservation Areas, require an IEE).

An evaluation form for HIMALI grant applications was developed in close conjunction with the GAC Experts. On July 2, 2012, a draft Evaluation Form to be used by the GAC Experts when evaluating proposals was developed. The form was sent to the three Experts for comments and suggestions. On July 3, 2012, a meeting was held with the GAC’s Business Financial Management Expert, Mr. Ashish Moktan Lama, and the Environment and Social Safeguards Expert, Ms. Prativa Joshi. A copy of the Project Administration Manual (PAM) and a copy of the norms and directives in Nepali were made available to them.

In July 2013, the GAC Committee preliminarily reviewed (and discussed their review with HIMALI staff) the first three grant applications received from Mustang, including the Mustang Dairy, the Muktinath Tora Juice, and the Ghassa Rainbow Trout Fish Farming business plans. The GAC Experts are using the evaluation forms to approve, send back for revision, or reject the grant application. The three grant applications (trout, dairy, and tora juice) from Mustang that were modified were evaluated and were the first bunch of grant applications approved by the GAC under the condition that they would make final modifications as per the directive from the PMU.

On September 3, a meeting was held with HIMALI professional staff and the AEC/HIMALI Team Leader, Mr. Ram Mani Paudyal, to discuss the draft business plan screening checklist prepared by Mr. Paudyal. The checklist was considered comprehensive and sufficient and should be used by the DPC’s before they submit any grant applications in to the Grant Coordinator. Also, it was confirmed that benefits from the proposed project to women and DAG people would be listed in the checklist.

Of the 173 grant applications received through February 2013, a total of 57 grant applications were evaluated by the GAC, which meets on a weekly basis to review the evaluations of 5 grant applications. For example, on 8 February, the GAC evaluated one grant application (previously modified Sheep and Goat Farm) from Manang and 5 grant applications from Dolpa (milk production & processing, fruit juice processing, honey production, herbal tea, and seabuckthorn juice processing) were evaluated by the GAC Committee member. The GAC accepted the Manang applications, sent back for modification the honey, tea, and seabuckthorn applications, and rejected the milk and fruit processing applications. The GAC’s comments on the 5 proposals from Dolpa were

- The quality of the proposals is very poor, it seems AEC has not pre-screened. As per the PAM, the AEC is responsible to assess the quality of the proposals before dispatching to the PMU
- Unnecessarily, there is a tendency of increasing fixed cost.
- In some cases, the financial statements have not been prepared correctly and fail to show the true picture of performance of the business.

Because of the large number of grant applications received, it has taken over two months for an application to be evaluated after it has been received by the Grants Coordinator. Eight of the 57 grant applications reviewed were approved by the GAC. The status of the 173 business plans received was as follows.

District	Total BP Received	BP Reviewed	Directly Accepted	Modification Required	Rejected	Modification Received	Accepted After Modification
Sankhuwasabha	9	9		9		8	
Solukhumbu	18						
Dolakha	20	6		3		2	1
Rasuwa	10	3	3				
Manang	1	1		1		1	1
Mustang	5	5		5		3	3
Dolpa	12	12		8	4		
Mugu	20	5		3	2		
Jumla	43	5		5		4	
Humla	35	11		6	5	5	
Total	173	57	3	40	11	23	5

The number of (received) business plans by agribusiness activity is given below:

Agribusiness Activity	# BP Received	Agribusiness Activity	# BP Received
NTFP	34	Sheep & Goat	30
Fruits	20	Fruit Nursery	5
Vegetables	12	Poultry	11
Cow Farming	7	Cold Storage	18
Vegetable Seeds	2	Bee Keeping	4
Buffalo Farming	1	Yak Farming	6
Dairy	6	Piggery	3
Rainbow Trout	7	Horse/Mule	3
Hosiery	1	Meat	1
Bakery	2		

The average investment of the first 153 grant applications submitted was about \$26,623. This implied that the average grant from HIMALI would be about \$16,312 (~39%) and the average investment required of the proponent would be about \$10,311 (~61%).

Draft Grant Implementation Plans, Investment Shares, and Disbursement Plans were completed by the Package 1 HIMALI Team for the three Mustang approved subprojects (trout, dairy, and tora juice) and for the Buffalo Raising and Milk Processing subproject in Dolakha. These Plans were completed in order to serve as an example of what is needed for the grant applications in order to be completed and in anticipation of the proponents' contract negotiations with the PMU. The draft Plans for these subprojects provide a starting point for the negotiations once the PMU has prepared a draft contract.

Field Verification and Modification of Business Plans

The Package 1 consultants provided frequent technical assistance to proponents who had to modify their business plans after the GAC evaluation. For example, after the Ghasa Rainbow Trout Farm grant application was evaluated by the GAC and sent back for modification, Dr. K. Neils, Mr. Nirmal Chapagain (Package 2), and Mr. Shankar Shrestha, Regional Agribusiness Planning Specialist of AEC/HIMALI visited the site in Ghasa, Mustang and assisted the owners of the Ghasa Rainbow Trout Farm in surveying, assessing, and making the necessary modifications to their business plan in order to address the concerns and issues that the GAC had mentioned in their evaluation. These visits to sites were requested by the GAC to be made by technical experts from outside the proponent's district, if the technical expertise was not accessible in the district.

As a follow-up action and in order to obtain a technical appraisal of the wide array of business plans submitted to the HIMALI Project, a roster of technical specialists was prepared and approved by the Project Director. Specialists needed to have a Master's degree in a relevant field and 10 years field experience in the subject area. Priority in the recruitment was given to specialists with experience both in production and processing. Specialists are to work under the guidance of the Project Director and the Grants Coordinator. The funding for paying these technical specialists comes from the Package 1 unallocated, short-term consultants' budget.

1.2.2 Workshops

District Workshops - From April on, Package 1 consultants were actively involved in eight additional District Orientation, Feedback and Implementation Workshops in Jumla, Mugu, Dolpa, Rasuwa, Dolakha, Solukhumbu, Humla, and Manang. The objective of these Workshops was for the HIMALI Team, including DPC, AEC/Team Leader, AEC/Regional Agribusiness Planning Specialist, AEC/DAES, and PMU professional staff, including Package 1 and 2 consultants, to orient the stakeholders to the HIMALI Project, to get feedback from the stakeholders on the HIMALI implementation activities, and to provide the potential Project beneficiaries further training in business plan preparation. The total number of public and private sector stakeholders participating in the 10 Workshops was 763. A typical description of each Workshop's activities and outcomes is exemplified in the following report on the Workshop in Dolpa.

Mr. Kaushel Poudel (HIMALI Senior Program Officer), Dr. Kenneth E. Neils, Mr. Kalika Adhikari (Package 2 - HIMALI Regional Agribusiness Capacity Building Specialist), Mr. Padma Shakya, and Mr. Durga Chimariya (HIMALI Junior Technician) visited Dunai, Dolpa District from 27 April – 1 May 2012. A one-day workshop was organized in Dunai on 30 April 2012 to orient the District stakeholders to the HIMALI Project activities. The Workshop was moderated by Mr. Kaushel Poudel. Eighty-one people participated in the workshop, including officials from DLSO, DADO, other line agencies, NGOs, and 25 farmers. Mr. Poudel presented the powerpoint describing the HIMALI Project. Dr. Kenneth E. Neils gave a brief presentation on the business opportunities in the HIMALI Project. This was followed by a question and answer discussion by the participants on the HIMALI Project. The questions that were asked were as follows:

- The enterprises in Dolpa are involved in different value added activities, such as, apple and other fruit processing, including apple brandy. How would you enhance the capacity of such local enterprises?
- Several farmer groups in Dolpa are engaged in vegetable seed production. Actually the amount of seeds produced by the individual farmer is not that big. In such situation, who will assist them in locating and linking their produce to the markets?
- Will there be differences in the grant support (amount) between individual proponents and groups?
- You said there is a grant assessment committee (GAC), but how do you make their decision realistic or unbiased?

- How can you guarantee income and profit from investment?
- Monitoring of the program activities is very important including at the district level. How would you perform district level monitoring?
- You should use also the Monitoring sub-committee, an inbuilt structure in DDC, Dolpa? HIMALI should assist the farmers not only in collection of sea buckthorn but also in establishment of its nursery.
- The project should be careful while awarding projects so that not only rich people but also the poor entrepreneur or smaller farmers have access to the HIMALI grants.
- It seems to me that you are in favor of awarding project to new groups, leaving old groups behind.

Answers to these questions were provided by the HIMALI Team. After this discussion, the DADO Head, Mr. Vinod Kumar Shah, Mr. Chandra Lal Dharala, DLSO Livestock Officer, the Acting LDO, and the CDO addressed the participants in the Workshop.

While in Dolpa, the HIMALI Team (1) visited the MOAC's vegetable seed production farm in Juphal, where over 100 kilograms of broad-leafed mustard, carrot, cauliflower, and radish seeds were being produced from foundation seed; (2) met with the District Forestry Officer to obtain District production and relevant information on the NTFPs, MAPs, and yarsagumba in particular. In the case of yarsagumba, the DFO has charged a royalty of Rs 10,000 per kilogram from the collectors, and (3) met with various NGOs and/or potential Project stakeholders involved in tourism, NTFPs, saffron, apple brandy production, pashmina, nak/chauri milk/cheese, layer production, and other high-value, potential Project investment areas.

Regional Workshops

The HIMALI Project conducted Regional Value Chain Development Workshops in Pokhara (19-20 December 2012) and Nepalgunj (1-2 January 2013). The overall objective of the workshops was to develop the capacity of the district and regional value chain stakeholders, primarily, the farmers and agribusinesses, in recognizing opportunities in agribusiness, understanding the grant application procedures, and linking with buyers. At the Pokhara Regional Workshop, eight farmers (from HIMALI Districts) and three agribusiness persons (from Pokhara) participated in the Workshop. Other stakeholders were from the Chamber of Commerce, Regional Directorate, DADO, DLSO, ACAP and NGOs. Three women attended the Workshop. At the Nepalgunj Regional Workshop, 20 farmers, mostly from HIMALI Karnali districts, 6 Jaributi and other traders, and 2 other private business persons participated in the Workshop along with other public and private stakeholders. Six women attended the Workshop. The group sessions were particularly useful for the value chain stakeholders that are interested in developing business plans. Mr. Padma Shakya prepared the Proceedings of the Regional Value Chain Development Workshops in Pokhara and Nepalgunj.

The Regional Value Chain Development Workshop in Biratnagar was conducted by the HIMALI team on 16-17 January 2013. The Workshop was held to provide additional training in value chain development and business plan development to HIMALI proponents from Solukhumbu and Sankhuwasaba districts and the buyers of the targeted agricultural commodities that the District proponents are producing and adding value to. Over 60 HIMALI stakeholders, including 20 District proponents, participated in the Workshop. The proponents and other stakeholders worked in groups to develop and present the potential for value chain development of high value agricultural commodities well suited for production in the two HIMALI districts. In addition, various regional MOAD officials were given some orientation to the HIMALI Project.

1.2.3 HIMALI Staff Training

AEC District and Regional Agribusiness Training - The HIMALI Project conducted a Training Program (16-18 May) on “HIMALI Business Planning and Value Chain Analysis and its Applications” for the 10 District Agro Enterprise Specialists, newly hired by AEC, and the AEC’s four Regional Agribusiness Planning Specialists. In addition to the HIMALI trainers (Package 2 Agribusiness Capacity Building Specialists (Dr. J. Keddie, Mr. R Devkota, Mr. N. Chapagain, and Mr. K. Adhikary), Mr. Padma Shakya and Mr. Peter Mawson, and Mr. Damoda Ghimire, Ms. Jaya Sharma, Gender and Social Development Specialist of the ADB/Nepal Resident Mission, conducted training sessions.

DAES Training - The Package 1 M&E Expert organized an M&E training program for the DAES on 6-7 February 2013. The DAES were trained in the M&E reporting formats and Webpage based reporting software.

1.2.4 Meetings

ADB/NRM –

On May 2, Dr. Sankhi, Dr. Neils, Mr. Dala Ram Pradhan, and Mr. Jalad Sundar Pradhan met with Mr. Arun Rana, ADB/NRM, to discuss a number of Project developments, issues, and concerns, including

- Recruitment of GAC experts
- Civil Works
- In-city transportation costs of consultants
- Office space for consultants (incl. AEC district agri planning specialists)
- Social and Environmental Safeguards Expert under Package 1
- NGO selection
- Second Generation Imprest Fund
- Baseline survey
- Various logistical needs
- Potential PPP with commercial banks.

On 8 May, Dr. K. Neils, Mr. D. Ghimire, and Mr. P. Mawson met with Mr. Arun Rana, ADB/NRM, to discuss the grant process and the monitoring and evaluation activities of the Project. During the discussion, the first Project impact indicator, that is, to increase the 2011 gross production value per year by \$20 million by 2017, was viewed as too ambitious, since each of 660 contracts supported by the Project would need to be generating over \$30,000 of gross revenue/year by 2017. Mr. Rana stated that the impact indicators would be reviewed mid-term and the necessary changes made at that time.

A meeting with Mr Arun Rana and Mr. Bhakta Mani Sitaula of ADB/NRN was held at the ADB Office on 27 September 2012. The meeting was attended by Mr. Damodar Ghimire, Grants Coordinator, Dr. Bishwa Bandu Raj Singh, Business Development Expert, Mr. Ashish Moktan Lama, Financial Management Expert and Ms. Prativa Joshi, Environment, Social & Environmental Safeguards Expert. The purpose of the meeting was to introduce the GAC Experts to ADB professionals and share the experiences of the Experts with the ADB professionals. Discussion was focused on the Environment Management Plan in the business plans, the ADB Review Mission’s Aide Memoire, the amendments to the PAM, the development of business plan guidelines, the flow chart of the grant application process, and the GESI plan.

DFO – The HIMALI Teams conducting the Workshops also met with the DFO officials in each district to obtain more information about the opportunities in business development with NTFPs and MAPs. For example, in Solukhumbu, the team met with the District Forest Office (DFO) and met with Mr. Chandra Dev Lal Karna, Chief District Forest Officer. The Solukhumbu district has 34 Village Development Committees (VDC), out of this 3 VDCs,

namely, Namche, Khumjung, and Chaurikharka, are in the Sagarmatha National Park, and 2 VDCs, namely, Bung and Chheskam, are in the Makalu Barun Park. There is potentiality of allo products. Currently people of Chaurikharka, Bung, and Chheskam are producing allo products which are sold locally and are making allo products. There is potentiality of making Nepali Paper from lokta and argeli. The argeli is currently being used in the making of the Japanese yen (the Japanese Currency).

ICIMOD – In June, Dr. K. Sankhi and Dr. K. Neils met with Mr. Arun Rana, Mr. Neelina Nakarmi, and others of ADB and Mr. Rajan Kotru and Ms. Renate Fleiner of ICIMOD to discuss the progress made by ICIMOD on their climate change component under the HIMALI Project, They reported their progress based on field visits made to Mustang and Jumla. In subsequent meetings with ICIMOD, the Package 1 team discussed the proponents that ICIMOD conducted on-farm demonstrations with and the need for HIMALI to follow up with these proponents who have experienced the impact of climate change in agriculture in these two districts.

On December 7, ICIMOD conducted their HIMALI–PAR National Workshop. HIMALI–PAR worked on climate change as it affects five value chains, including, apple, beans, MAPS, forage crops, and goats. The Project sites where drip irrigation, mulching, black plastic composting, and other demonstrations were conducted were located in Kagbeni and Marpha Districts of Mustang District and in Jumla. The HIMALI-PAR Project also presented their watershed plan based on rangeland rehabilitation and forest conservation results. Various other Project partners, including DABUR, presented their insights the affect of climate change on value chain development, including MAPS.

ICIMOD's Green Solutions Fair – On December 8, the HIMALI Package 1 Team participated in the (open to the public) Fair at ICIMOD's Godovari field station displaying in a Fair booth the value chain development work of the HIMALI Project. Thousands of Nepalis and internationals visited the booth and inquired about the Project.

NARC – In August, the HIMALI Team met with Dr. Dil Bahadur Gurung, Executive Director of NARC, and other NARC officials, including Dr. Tek Bahadur Gurung, Director, Livestock and Fisheries, Nawal Kishore Yadav, Director, Finance, Dr. Doj Raj Khanal, Scientist, NASRI, Khumaltar, Megh Raj Tiwari, Scientist, NASRI, Khumaltar, to discuss the capacity building activities of HIMALI at the Sheep and Wool Center in Guthichaur and at the Seed Production Center in Rajikot of Jumla. The HIMALI Team described the HIMALI Project to Dr. Gurung. Dr. Gurung assured the HIMALI Team that he would discuss these capacity building activities with the appropriate NARC scientists and inform the HUMALI Team on what the NARC has discussed.

Department of Fisheries - Meetings were held with Mr. Rajendra Kumar K.C., Senior Aquaculture and Fish Disease Specialist, Mr. Rama Nanda Mishra, National Program Chief, Mr. Jay Kishore Mandal, Chief – Senior Fisheries Development Officer and other officials of the DoA, Fisheries Development Directorate. The purpose of the meetings was to discuss the activities of the Fisheries Development Directorate in the Project districts and the role of fish culture as a business in the ten HIMALI districts. Trout and other potential fish culture in the mountains was discussed in detail. The Fisheries Development Directorate has a functioning trout hatchery at Trisuli. Over 72 private trout farms are operating in the Himalayas. Trout has the greatest fish culture potential in these high mountain districts. A number of trout sub-projects that were submitted by HIMALI proponents were discussed with the Department of Fisheries to review technical coefficients.

DFTCCQ – The HIMALI Team met with the Director General of the DFTQC to discuss coordination with the DFTQC in assisting HIMALI subprojects with implementing quality control measures in food processing projects. The lack of food product quality control laboratories and especially inspectors in the DFTQC limit the assistance that the DFTQC can provide private processing companies.

Buyers - The Package 1 team met with various Katmandu buyers of high-value, agricultural products, for example, health and medicinal products, pashmina, fruits and vegetables, and vegetable seeds, that buy from producer/collectors in the HIMALI Project districts.

- Alternative Herbal Products (Pvt) Ltd. – On 8 May, Dr. K. Neils, Dr. J. Keddie, Mr. Nirmal Chapagain, and Mr. Kalika Adhikari met with Mr. Govinda Ghimire, Chairman of Alternative Herbal Products and President of the Nepal Herbs and Herbal Products Association (NHHPA), to discuss the HIMALI Project and the potential market linkages between the Herb/NTFP/MAP producers in the ten Project Districts and the 32 members of the NHHPA and buyers of these products.
- Dabur Nepal Pvt. Ltd. - On 9 May, Dr. Neils, Mr. Nirmal Chapagain, and Mr. Kalika Adhikari met with Dr. Pankaj Prasad Raturi, Head, Agro Projects of Medicinal Plant, MAPS Division, Dabur and Mr. Sanjay Giri, Sr. Officer, Nursery Operation, MAPS Division, Dabur) to discuss possible business linkages with MAPS producers in the Project's ten districts.
- Chaudhary Group – Package 1 consultants met with Mr. Varun Chaudhary, Executive Director, S.M. Agrawal, Commercial Operations Director, and Ms. Jabish Gomylan, Business Development Director to discuss business opportunities with them. They expressed interest in developing a business plan on buying NTFPs/MAPS from suppliers in the ten HIMALI districts and manufacturing ayurvedic and products.
- JABAN - The HIMALI Team met with Mr. Madhak Thapa Kshetri, President of JABAN (Jadibuti Association of Nepal) to discuss their business of buying raw herbal products (NTFPs, MAPs) and processing these products into high value products. The members of JABAN have 279 distillation units in or around Nepalgunj with an average of 5 metric tons processed per year. Over 7000 metric tons (worth about NRs 3 billion) of jadibuti were bought by Indian traders and passed through the Nepalgunj customs last year. Two years ago, only 4000 metric tons of jadibuti passed through the Nepalgunj customs.
- Pashmina manufacturers – Representatives from Nepal Pashmina Association visited the project. They were briefed about the project and grant procedures. Representatives were Mr. Bishnu Prasad Dhakal, Mr. Shree Dhar Khanal, and Mr. Vivekananda Mishra. As a follow-up, Dr. James Keddie, Rudra Devkota, Damodar Ghimire and Dala Ram Pradhan visited Gayatri Pashmina Inc. in Kathmandu. They manufacture and export pashmina. Now they are also interested in Chyangra (pashmina goats in the high mountains) development initially in Manang and Mustang. They are interested to develop business plan in pashmina production and marketing. They have developed a simple portable dehairing machine which could help local producers/entrepreneurs to clean raw pashmina in those districts.
- Fruit and Vegetable National Association in Pokhara. The HIMALI Team, including Mr. Kashal Poudel, Dr. Kenneth Neils, Mr. Ram Mani Paudyel, Mr. Shankar Ghimire, and Mr. Nirmal Chapagain, a DADO Representative, and the District Engineer met with 12 members of the Fruit and Vegetable National Association in Pokhara, the largest group of fruit and vegetable traders in Pokhara. The Association members and the HIMALI Team discussed the linkages with the Mustang vegetable and fruit producers. Shankar Ghimire and Nirmal Chapagain discussed the objectives and working modality of the HIMALI Project and the business planning/grant application process. The Chairman of the Association stated that the Association would like to expand their market center. The Association members also need to be able to maintain the quality of their fruits and

vegetables after buying the products. The Association members were very interested in developing business plans, including a business plan for developing cold storage for the fruits and vegetables bought from Mustang and other districts, and applying for a HIMALI grant.

- Vegetable Seed Buyers – Package 1 consultants met with Mr. Adhikari, Director of SEAN Seed Service Center to discuss the potential for his company to buy vegetable seed from HIMALI producers. Dr. Neils met Mr. Adhikari in Jumla District and facilitated a discussion between the leader of a Women's Vegetable Seed Producers' Cooperative and Mr. Adhikari.

Potential Proponents and Potential Business Opportunities

Proponents that visited the Main Office in Kathmandu to get assistance in developing business plans were provided some assistance and then directed to the AEC/HIMALI regional and/or district staff and DPCs.

Agro-Tourism - The HIMALI Team met with potential agribusiness entrepreneurs from Solukhumbu: Mr. Durga Bahadur Bk of Deusa VDC, Mr. J.P. Sherpa of Junbesi, Beni VDC, Mr. Him Bahadur Rai of Sotang VDC, and Mr. A.D. Sherpa of Salleri VDC from Solukhumbu visited HIMALI Project. They are all members of the Dhudha Koshi Tourism Cooperative Society of Salleri and through cooperative they are interested to do some project work. The purpose of their visit to the HIMALI Project office was to get acquainted with the working of the Project and the possibilities of involving themselves and their colleagues of district participating in the projects that HIMALI will be supporting. We had a brief discussion on the related points, mainly on the niche commodities in Solukhumbu district. They informed us that milk, meat, fruits, MAPs and tourism are the potential commodities of the district. Milk and meat producing activities can be developed, in the VDCs around Salleri. Deusa VDC is growing very good mandarin crop and it gets easy market in Salleri and Okhaldhunga Market and now even in Kathmandu. This can be developed by constructing cellar stores. They were also interested to learn about the Allo cultivation, and tourism. They have been advised to talk to the DADO (regarding the fruits), the DLSO (on milk and meat production) and the DFO (on MAPs and Allo) to learn about the exploitation of the commodities they have put forward, as per the project has envisaged. They have also been advised to contact the DPC and the AEC person of the districts for getting more support from the Project. The visiting team showed its major concern on support of the HIMALI Project on tourism. They were briefed about the Salleri-Rata Nanga Agro-tourism Plan.

Other Donor Projects – The Package 1 consultants met with other donor projects.

- HVAP/IFAD – Discussed, with the Project Director of HVAP, details of the Project's components and HVAP's implementation activities
- DFID - A HIMALI Team met with Dr. Sabita Thapa, Climate Change and Natural Resource Advisor, DFID, to discuss linking DFID infrastructure (irrigation, power, roads) development with the agribusiness and livelihood development of the HIMALI Project, especially in the Karnali Districts. DFID is interested in knowing the specific locations of the HIMALI agribusiness projects to determine how they can help with infrastructure development in these locations.
- Finland/DFID – Allo Development Project - the HIMALI Team met with Mr. Tshedar Bhutia, Program Manager and professional staff of the Himalaya Natural Fibre Foundation, of Katmandu along with Matti Vaananen, Program Coordinator, Embassy of Finland, to discuss the all allo project details and potential in Sankhuwasabha and Solukhumbu districts

Other Service Providers – At the Marpha Horticultural Farm, the HIMALI Team met with Dharma Prasad Devkota, Senior Horticulturist at the Temperate Horticulture Center at Marpha, Mustang and Mahendra Man Shrestha, Chief of National Citrus Development Program at Kirtipur. The capacity development activities at the Marpha Farm that are being planned by the HIMALI Project were discussed.

1.2.5 Monitoring and Evaluation

- In April 2012, Mr. Padma Shakya, Monitoring and Evaluation Expert, and Mr. Peter Mawson, International Monitoring and Evaluation Specialist, joined the Package 1 staff and worked on developing the project performance monitoring, evaluation and reporting system (PPMS) aligned to the Design and Monitoring Framework in the PAM. The M & E Team developed monitoring data requirements as part of a matrix with the monitoring and reporting responsibilities divided among the HIMALI service providers and AEC.
- To facilitate the monitoring data entry by the Project's District staff and to make access most efficient for HIMALI Project administrators, the PPMS was established on webpage-based software. While preparing the M&E information to be placed on a webpage, the M&E team met with EIG, IFAD-HVAP, and WB-PACT to discuss other Projects' monitoring and evaluations systems and their software M&E programs.
- Refined data collection formats for collection of monitoring data at district level and drafted supporting explanations as part of a M&E manual.
- Prepared district profiles using secondary data
- Translated M & E reporting formats into Nepali and sent them to DPCs and District Agro-enterprise Specialists in the ten districts.
- In September 2012, the M&E Team visited Charikot (Dolakha District) from August 28-30 to discuss the M&E reporting system with the DPC, DLSO, DADO, and the District AEC/HIMALI Agro-Enterprise Specialist. From these meetings, additional information was gathered on making the M&E system more effective. As a result, some modifications were made to the M&E formats and to the M&E manual.
- Incorporated HIMALI M&E reporting system into the web-based M&E reporting software with Mr. Diwaker Baral, the Systems Analyst from Mount Digit Technology, who was hired by the HIMALI Project.

1.2.6 Social Development

Mr. Thakur Bhatta, the HIMALI Social Development Expert, completed the following:

- Reviewed the gender and social inclusion aspects of the three grant applications from Mustang district that were initially assessed by the GAC. Feedback on the GESI aspects of the proposals was given to the Grant Coordinator.
- Met with Jaya Sharma, Gender and Social Development Consultant, ADB on Sept 13 at the ADB Office. The meeting was very useful in getting the perspective of ADB on understanding, implementing, and monitoring the GESI Plan of the HIMALI project. Jaya Sharma suggested that a GESI action plan be prepared for the Project districts in order to, among other things, identify the DAGs in each of the project districts.
- Prepared and delivered a draft outline of GESI awareness sessions at the October training program for the HIMALI District Project staff (AEC, DPC, and NGO Service Providers).
- Prepared and delivered a power point of GESI information to be included in business plan proposals for the presentation in district-level feedback workshops and other similar programs
- Collected secondary information on the disadvantaged groups in the HIMALI districts from the Central Bureau of Statistics of the Government of Nepal. For each of the

districts, the population of each ethnic group was quantified. The information was distributed to HIMALI staff.

- Prepared a concept note on the DAG identification process of marginal families of ethnic groups other than the Dalit in HIMALI districts; the concept note was shared with Ms. Jaya Sharma, Gender and Social Development Consultant of NRM/ADB
- Reviewed the GESI plans in the GAC's evaluations of grant applications from various districts; provided feedback on the GESI plans in these applications to the Grant Coordinator.
- Searched for and collected district-level, poverty data from the Nepal Human Development Reports of UNDP and from the Living Standard Survey of the Central Bureau of Statistics
- Collected documents on remote VDCs of mountain districts from Remote Area Development Committee, Ministry of Local Development (MLD).
- With information from the MLD, prepared a concept note on identification of marginal households from ethnic groups other than the Dalit and into the DAG of HIMALI target groups and shared it with Jaya Sharma, Gender and Social Development Consultant, ADB
- Prepared a concept note on the DAG identification process of marginal families of ethnic groups other than the Dalit in HIMALI districts; the concept note was shared with Ms. Jaya Sharma, Gender and Social Development Consultant of NRM/ADB
- Reviewed the GESI plans in the GAC's evaluations of grant applications from various districts; provided feedback on the GESI plans in these applications to the Grant Coordinator.
- Sampled the first 105 business proposals received by the PMU, 27% involved women. The table below shows the gender details for the business proposals.

Project District	Proposals' ownership by gender		
	Total	Male	Female
Snakhushabha	9	8	1
Solukhumbu	0	0	0
Dolakha	6	6	0
Rasuwa	0	0	0
Manang	1	1	0
Mustang	5	5	0
Dolpa	10	9	1
Jumla	26	22	4
Mugu	20	12	8
Humla	28	14	14
Total	105	77	28
in %		73.3	26.7

- Searched for and collected district-level, poverty data from the Nepal Human Development Reports of UNDP and from the Living Standard Survey of the Central Bureau of Statistics
- Collected documents on remote VDCs of mountain districts from Remote Area Development Committee, Ministry of Local Development (MLD).
- Prepared the Gender Action Plan (GAP) update report for the HIMALI quarterly progress reports submitted to ADB
- Visited Rasuwa district to participate as a facilitator at the HIMALI District Implementation and Feedback Workshop; conducted a session on the basic GESI information that needs to be included in the proposed business plans; facilitated the

[HIMALI Project Annual Report for mid-Feb 2012 to mid Feb 2013](#)

groups that were developing their business plans at the Workshop, and prepared a field mission report on the trip.

- Reviewed GESI plans of grant proposals (Dolpa – herbal tea and seabuckthorn juice, Mustang – Ghassa Rainbow Trout Farm, Dolakha – yak cheese and pig farming, Mugu – sheep farm, Humla – yak farm and Khachhadpala Byabasayik Yojana) submitted to the PMU. The herbal tea proposal included a high percentage Dalit employees. The seabuckthorn juice proposal only included two of 13 Dalits employees. The trout proposal included 3 of 8 employees as women and 4 Dalits and 4 Janijatis. The Dolakha, Mugu, and Humla proposals did not include the GESI plans.
- Reviewed the social development policy of the PACT Project
- Participated on 6 February in the orientation workshop of AEC district and regional staff on the HIMALI Project performance monitoring system. Explained the social information that is needed on the grant applications prepared by the proponents with the help of the DAES.

1.2.7 Environmental Safeguards

Dr. Mahendra Nath Subedi, the Environmental Safeguards Expert, completed the following:

- Discussed the environmental requirements for subprojects located in the Conservation Areas in the HIMALI Project areas with Mr. Deepak Singh of ADB/NRM
- While discussing the environmental management plans of HIMALI subprojects with Mr. Deepak Singh of ADB/NRM, Mr. Singh provided Dr. Subedi and Dr. Neils an example of an ADB roads project that got an EIA exemption to build a road in the ACAP with only having to do an IEE. The experience of that ADB Project was useful in that it provided a possible set of procedures that the HIMALI Project could follow in order to also receive an exemption from having to do EIAs in the HIMALI District Conservation Areas. Mr. Deepak Singh of ADB/NRM also provided the HIMALI Team copies of the letters sent from the Ministry of Local Development (the executing agency for the roads project) to the Ministry of Environment requesting their approval for EIA exemption.
- Reviewed a model IEE (prepared for a roads project in the ACAP) and prepared a draft IEE for the Ghassa rainbow trout subproject in Mustang and an IEE for the Mustang Dairy Udyog. The draft IEE was sent to Mr. Deepak Singh of ADB and to the MOAD for their comments. Mr. Singh stated that the MOAD would need to comment on the draft IEE as MOAD is the Ministry that needs to officially communicate with MOSTE about the EIA exemption.
- Reviewed the environmental aspects of the grant applications of the Mustang Dairy Udyog and the Shree Muktinath Tora Juice Udyog
- Reviewed EPA (1997) and EPR (1999) guidelines of agricultural sectors
- Drafted a Memo (in English) to be sent to MOAD to provide justification for EIA waiving on HIMALI subprojects in Conservation Areas, National Parks, etc. The Memo included environmental issues addressed by the HIMALI Project, the GoN's and ADB's environmental safeguard regulations, EARF requirements for environmental safeguards report preparation, environmental criteria for agribusiness subproject selection, rationale for environmental category (B or C) for HIMALI subprojects, the process to be followed by HIMALI for preparing the IEE and DDR for subprojects, the institutional arrangements and responsibilities for monitoring and evaluating the implementation of the subprojects, and the types of subprojects of the HIMALI Project. Draft Memo sent to HIMALI staff and ADB for comments.
- Sent revised Memo to the HIMALI Project Director for official letter to be written to MOAD
- Requested Dr. Lal Gurung, Project Director of the ACAP Office in Pokhara, to write a supporting letter from ACAP to the MOAD to be forwarded to MOSTE indicating ACAP's permission to waive EIA on HIMALI subprojects in the ACAP area.

- Reviewed the Rapid Environmental Assessment (REA) checklist for the inclusion of some of the additional criteria to encompass important environmental aspects.
- Contacted MOAD as a follow up action and inquired about the response from the Ministry of Environment and Forests about the IEE report. It was learned that the authorities are studying this matter and will send the response as soon as possible.
- Prepared the DDR report for the Buffalo Raising Farm and Milk Production Center in Dolakha District
- Evaluated the environmental aspects of the Chiraito farming proposals of Matsya Pokhari, Hururu Alaichi (Big Cardamon) Farm and Nissan Allo (Nettle) Clothing Farm from Sankhuwasabha District. Provided expert opinion on the various questions such as demand, prevention of disease, adverse impacts upon the local environment, cultivation method, appropriateness of the proposal for receiving grant, etc., of these commercial commodities in written form to the PMU
- Evaluated the Mude Chiraito Production Farm business plan on technical aspects
- Prepared training materials for the participants of the LRP training program that mainly focused on the importance of environmental issues in business plan preparation and sustainability of the subproject.

1.3 Management

1.3.1 HIMALI Main Office

In July 2013, the PMU moved from Baluwatar (Kathmandu) to the DLS Complex at Harihar Bhawan (Lalitpur). The HIMALI staff were accommodated in two different buildings, the CLDP building and the Animal Production Directorate.

1.3.2 District Office Locations

On 18 May, Mr. Pradip Maharjan (CEO, AEC), Ms. Shila Thapa (Deputy Director, AEC), Mr. Kaushel Poudel, Dr. Kenneth Neils, Mr. Dala Ram Pradhan, Dr. James Keddie, and Mr. Ram Mani Paudyel (AEC's HIMALI Team Leader) met to discuss and agree on the office location of the District Agro Enterprise Specialists and the Regional Agribusiness Planning Specialists. The agreed upon District Agro Enterprise Specialists' office location was the DCCI Office in five districts and the DPC office in the five other locations (see below).

District	Office Location of District Agro Enterprise Specialists
Humla	DCCI
Mugu	DCCI
Dolpa	DADO
Jumla	DCCI
Mustang	DLSO
Manang	DCCI
Dolakha	DCCI
Rasuwa	DLSO
Solukhumbu	DADO
Sankhuwasabha	DLSO

The office location for the AEC's Regional Agribusiness Planning Specialists was as follows:

Region	Office Location of Regional Agribusiness Specialists (AEC and Pkg 2)
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HIMALI Project Annual Report for mid-Feb 2012 to mid Feb 2013

1.3.3 Procurement

Civil Works and Vehicles - With the input from the Package 1 Procurement Expert, six civil works construction projects were advertised for national competitive bidding in May-June and contracts were awarded between 31 May and 14 June. A significant percentage of the civil works was completed by November. After which, wintry weather conditions in November 2012 prevented any further work. Four 4WD pick-up trucks, a 4-door sedan, and 10 125-cc motorbikes were awarded in June. The pick-up trucks and the sedan arrived to the HIMALI Project office the first week of July 2012.

Procurement	Publish date	Award Date
Construction of District Livestock Services Office Building at Jumla (HIMALI/SHOP/05-DLS_Jumla)	May 4	June 13
Construction of Irrigation Canal at Radjikut, Jumla (HIMALI/SHOP/09a_IRR_Radjikut)	May 25	June 14
Construction of District Agriculture Office Building at Sankhuwasabha (HIMALI/SHOP/01DADO_Sankhuwashabha)	May 4	June 4
Construction of Veterinary Dispensary Building at Sankhuwasabha (HIMALI/SHOP/02a-Vet_Sankhuwashabha)	May 4	June 4
Construction of Yak Breed Improvement Station Office Building at Syangboche (HIMALI/SHOP/02-YBIS_Syangbochhe)	May 4	May 31
Construction of Boundary Wall for Yak Breed Improvement Station Office Building at Syangboche (HIMALI/SHOP/04-BW_YBIS_Syangbochhe)	May 4	May 31
Supply & delivery of Four numbers of Cross Country vehicles (Double cab pickup) (HIMALI/VEH/NCB/01-Supply & Delivery of Vehicles)	May 19	June 6
Supply & delivery of Ten numbers of 125 CC Two Wheelers (Motorbikes) (HIMALI/SHOP/13_Motorbike)	May 4	June 5
Supply & delivery of One number of Sedan Car (HIMALI/SHOP/12_Car)	June 7	June 29

The four vehicles (all pick-ups) were supplied to the HIMALI Project in Katmandu and were allocated as follows:

- One of the pick-ups was sent to Rasuwa District to be used in that District for HIMALI activities
- One of the pick-ups was sent to Mustang District to be used in that District for HIMALI activities
- One of the pick-ups was kept at the HIMALI office in Katmandu to be used by the HIMALI Project Director.
- One of the pick-ups was kept at the HIMALI office in Katmandu to be available for use by the professional and administrative staff of the HIMALI Project.

Nak/Yak Procurement - After a number of coordination meetings with the DLS, Dr. Lok Nath Poudel and Dr. Chandra Dhakal of the DLS and Mr. Dala Ram Pradhan from the HIMALI Project drafted (and clarified all queries from the Chinese Government) the official request from the Nepali Government for the 45 yak/nak from Tibet to be imported. The official request for the yan/nak was approved by the Secretary of MOAD. A team of Nepali Government officials, including the HIMALI DPC from Mustang, visited Tibet and the Chinese authorities to advance the coordination needed to have the yak/nak imported into

Nepal. In the trip report that the DLS Team sent to the HIMALI Project, the report (on the 12-19 May 2012 trip sponsored by USAID) indicated that the purpose of the observation visit was

- To understand the livestock system in Tibet
- To understand goat and sheep husbandry practices being adopted and the farming system in Tibet
- To observe the current livestock research being undertaken and the technology generated/adopted for improvement of the sheep and goat productivity in Tibet
- To observe the fiber and wool production and harvesting system, the processing methods, and the marketing networks
- To observe the carpet and pashmina industries.
- To observe the yak/nak availability in Tibet

The DLS staff met Tibetan (Chinese) authorities in Lhasa and outside Lhasa and had a chance to visit the Government livestock farms and also private farms that had yak/nak. In different prefectures, nucleus breeding stocks of different livestock species, including yak/nak, having high genetic merit were being maintained in the government farm. The farm, located at the altitude of 4000 masl, has 600 animals, 468 nak and 132 yak. The farm provides breeding animals to farmers. A description of the nak includes the following average: 360 kg adult weight, 4 years of age at first service, calving interval of 2 years, milk production/lactation of 220 kg. The average price of the mature yak/nak was 8000-10000 Yuan. Up until now, no logistical arrangements have been made for the yaks/naks to be brought to Nepal. However, the Tibetan (Chinese) authorities were positive on supplying yaks/naks to Nepal and suggested that the provision of yaks/naks come through the bilateral process.

The HIMALI Team met with Dr. Nar Bahadur Rajwar, Director General of the Department of Livestock Services, to discuss the letter received by the HIMALI Project on August 27, 2012 from the Nepali Consular General in Lhasa. The major points of the letter were as follows:

- Each yak/nak will cost Yuan 10000, including transportation and other costs from the Tibet Autonomous Region of PRC.
- According to the Customs and Quarantine Agreement between Nepal and China, the import/export of these animals can only be done from Jhangmu/Khasa, Tatopani and Purang/Hilsa, and in Humla. There is no provision to export to Solukhumbu. The Chinese authorities need to know what Nepal wants to do about this.
- There needs to be a separate agreement on the yak import/export
- There are quarantine requirements for the Nepali Government which need to be agreed upon with the Quarantine and Inspection Administration Department in Beijing.

Dr. Lok Nath Poudel and Dr. Chandra Dhakal of the DLS and Mr. Dala Ram Pradhan from the HIMALI Project drafted (and clarified all queries from the Chinese Government) the official request from the Nepali Government for the 45 yak/nak from Tibet to be imported. The letter was sent to the Secretary of MOAD.

1.3.4 Project Steering Committee Meetings

Second Project Steering Committee Meeting (19 September 2012) - The second HIMALI PSC meeting was held at the Summit Hotel. The PSC meeting was chaired by the Secretary of MOAD and attended by 16 PSC members and 12 invited guests (see participant list in Annex 1). The HIMALI Project Director reported on Project implementation progress, procurement of goods, works and services, workshops and training programs held, recruitment of the GAC and HIMALI professional staff, and progress in preparation and

submission of HIMALI grant applications. The PD also mentioned that the ADB Review Mission in August 2012 reported that the status of the HIMALI Project was “on track” and “progressing well”. Delays in some implementation activities, including delay in recruiting AEC Agro-Enterprise Specialists and in recruiting the NGO Service Providers were also reported. The PSC made the following decisions:

- Farmers groups are eligible to apply for HIMALI Project grants
- Hire Environmental Safeguards Expert
- A Technical Coordination Committee to be formed at the Departmental Level
- A District Coordinating and Monitoring Committee to be formed
- Request the Department of Forestry to instruct DFO to make available technical assistance and expertise services for implementation of business plans related to NTFPs/Medicinal and Aromatic plants (MAPs) in the Project districts
- Request an increase in the current Government norm (Rps 50/day) for government employees attending training and workshops in the HIMALI targeted districts
- Endorse proposed amendments to PAM.

After receiving the additions and modifications to the PAM as discussed in the PSC Meeting and recommended by the Secretary of MOAD, the ADB/NRM made an amendment to the PAM in Section XII. The Record of PAM Changes is given in Annex 1.

Third Project Steering Committee Meeting (January 23) – The Third Project Steering Committee Meeting was chaired by the MOAD. After an update on the progress of the HIMALI Project from Dr. Shah, Project Director, a discussion of the Project’s modalities followed. Some of the discussion points included:

- The Secretary of MOAD stated that each District needs to have an equal effort from HIMALI. The HIMALI Team explained how HIMALI was treating the districts equitably and assured the Secretary that the efforts would continue to be equitable.
- The Director of CADP, Tek Bahadur Bam, stated that CADP simplified their business plans three times before they finally felt it was at the right level of sophistication for the proponents.
- The HIMALI Team was advised to get the lessons learned from the PACT and CADP projects. Note: The HIMALI Team visited the Head of the CADP office in Biratnagar and discussed CADP’s lessons learned with him.
- The Project Director of PACT stated that it may be necessary to close the application process on a particular future date in order to assess the volume of proposals and catch up on the evaluation of all the proposals
- Other comments included that the proponents may not be able to come up with the 20% up from investment share; that there may be duplicate business plans for jadibuti (NFPs), especially since there are other projects working in the HIMALI districts in promoting NTFPs
- The NARC Director stated that NARC professionals would be willing to help out on technical issues pertaining to the business plans that are submitted to the HIMALI Project
- The Dairy Development Company (DDC) Director stated that HIMALI should work closely with the DDC in promoting yak cheese production in the HIMALI districts.

1.3.5 Aide Memoire

An ADB Review Mission was fielded from 9 to 16 August 2012 to (i) review overall implementation of the project and update, in consultation with the Project Management Unit (PMU), the project implementation schedule; (ii) assess progress on procurement and disbursement vis-à-vis the projected contract award and disbursement targets; (iii) examine implementation problems that the project is encountering, or is likely to encounter, and work

out measures to resolve them; (iv) review status of actions to fulfill the safeguard requirements under the project; and (v) undertake a field visit to Dolakha district to review and discuss project implementation issues at the district level. A wrap up meeting, chaired by the Secretary, Ministry of Agriculture Development (MOAD) was held on 16 August 2012.

The HIMALI Project worked with the ADB Review Mission to go over the progress and problems in Project implementation, procurement, disbursement, and incorporating safeguard requirements and to work out measures to resolve the Project's problems. Some of the issues discussed and decided on included scheduling monthly Project coordination meetings, focusing and concentrating Project activities in geographical areas above 2000 meters, accommodating unregistered Farmer Groups in Project activities, and including the Department of Agriculture Regional Directorates in the Project monitoring activities.

A wrap-up meeting, chaired by the Secretary of MOAD, of the ADB Review Mission was held on August 16, 2012 at MOAD. The Review Mission's Team Leader and the Mission's members presented the Mission's findings. Discussion was held after that. The Review Mission reported that the progress of the Project was satisfactory. A draft Aide Memoire was prepared by Mr. Arun Rana of ADB/NRM and distributed to the HIMALI staff for review. HIMALI's additions and modifications to the Aide Memoire were discussed and submitted to the PD who submitted them to the Secretary of the MOAD. The Secretary of MOAD decided which additions and modifications to recommend to the ADB to be included in the Aide Memoire. A list of priority actions was given in the Aide Memoire, including,

Activity	Responsibility	Deadline
Replacement of Social Development Specialist under Package 1	ACI/PMU	30-Aug-2012
NGO selection	ACI/PMU	30-Aug-2012
Recruitment of environment expert	ACI/PMU	07-Sep-2012
Update procurement plan	PMU	15-Oct-2012
Prepare priority list for each district	PMU/AEC	30-Sep-2012
PMU to send letter for establishment of District Coordination Committee along with their TOR	PMU	31-Aug-2012
Prepare grant application form and instructions and post on website	PMU	14-Sep-2012
Prepare template for GAC checklist	PMU	14-Sep-2012
Inform Regional Directorates on inclusion of Regional Agriculture Development Office under HIMALI implementation responsibility	EA	7-Sep-2012
Project steering committee	PMU	10-Sep-2012

Activity	Responsibility	Deadline
meeting		
Operationalize the partnership with NIBL	PMU/AEC/ADB	30-Sep-2012
Prepare procedural guidelines	PMU	30-Sep-2012
Orientation workshops to be held in high mountain areas	PMU	Q3 and Q4 2012

These activities were completed in a timely manner. Monthly PMU meetings, which include all Kathmandu-based HIMALI staff, are being held in the Harihar Bhawan HIMALI office.

1.3.6 Portfolio Review Meetings

The PD and Dr. Neils met on a quarterly basis with ABD/NRM officials to discuss quarterly progress. The Project's progress in amount of contracts awarded and the total amount of disbursement were discussed at each of these meetings. Mr. Padma Shakya was particularly helpful in preparing the presentation materials for the Quarterly Portfolio Review Meetings at ADB.

The Package 1 consultants prepared draft presentation materials, including the 2011-2017 completed and projected Contract Awards and Disbursements, of the HIMALI Project (see table below) for the ADB Country Portfolio Review Meeting in October-December 2012. Based on the reported progress of the HIMALI Project, ADB considers the HIMALI Project "on track".

2012 Projection Performance (\$ million)

	Quarter	IV (2011)	I	II	III	IV	Total
Contract Award	Target	0.5	0.203	0.092	2.239	0.727	3.261
	Achieved	0.004		3.385		1.531	4.916
	Balance						(1.655)
Disbursement	Target	0.5	0.099	0.099	0.611	0.449	1.258
	Achieved	2.000			0.775	0.408	1.183
	Balance	(1.100)					0.075

1.3.7 Project Coordination & Technical Committee Meeting

On 24 November, the HIMALI Project Coordination and Technical Committee Meeting (PCTC) was chaired by the Director General Dr. Nara Bahadur Rajawar of the Department of Livestock Services. The meeting was attended by 31 persons from the Ministry of Agriculture, Department of Agriculture, and Department of Livestock Services. At the meeting, the Terms of Reference of the PCTC and the District Project Implementation, Monitoring and Coordination Committee were discussed. Preparing and using a roster of technical experts to assist the GAC was discussed. The meeting also discussed the prioritization of the commodities for the HIMALI Project Districts

1.3.8 Recruitment

New Project Director – On 3 October 2012, Dr. Amar Shah began his work as the new Project Director, replacing Dr. Krishna Sankhi.

GAC - The HIMALI Selection Committee (including the Team Leaders of Package 1) for the GAC members selected Purushottam Mainali as the Business Development Expert, Prativa Joshi as the Environment and Social Safeguards Expert, and Ashish Moktan Lama as the Business Financial Management Expert. On 22 April 2012, the three selected candidates submitted their Non-Committal Inquiry Letters. These Letters coupled with other hiring documents were submitted to ADB/NRM for approval. On 11 May, the Country Director of ADB/NRM sent a letter to Dr. Sankhi informing HIMALI that the ADB has approved two (P. Joshi and A. Lama) Experts and rejected one (P. Mainali). Upon receipt of the letter, HIMALI prepared a Non-Committal Inquiry Letter for Biswa Bandhu Raj Singha, the second ranked candidate for the Business Financial Management Expert position, who was eventually approved by the ADB. The GAC began work in critically evaluating the HIMALI business plans in June 2012.

NGO Service Providers

On 3 May, the Package 1 consultants proceeded with the recruitment of the NGO Service Providers by following a competitive recruitment procedure supervised by the PMU. ADB treated this as a sub-contract by a consultant recruited by the EA. After the HIMALI Package 1 Team prepared the draft advertisement, the draft was sent to ACI and to the PD of the PMU for comments and revisions. After all comments were considered and revisions made, a Short Notice (announcing the recruitment) was published on May 20 in the Kantipur newspaper. The full details of the recruitment notice, including the Terms of Reference for the NGO Service Providers, were placed on the HIMALI website. June 7 was the initial deadline for proposals. The deadline date was later extended to July 15 and a short notice published in the Kantipur newspaper to that affect. The advertisement also was put on the ADB CSRN website. The advertisement along with the TOR was sent to each of the DPCs in the ten Project Districts. The DPCs posted the advertisement and/or placed the ad in the District newspaper.

Seventy-one proposals were submitted by NGOs for the District NGO Service Providers in the ten HIMALI districts. The evaluation process was discussed with Mr. J.S. Pradhan, Procurement Expert of Package 1. The evaluation sheet for the technical proposals was prepared following the guidelines of the ADB. The evaluation of the proposals followed the ADB guidelines as much as possible. The technical evaluation of the proposals was made by the Evaluation Committee composed of Mr. Kaushal Poudel (Senior Program Officer of the PMU), Mr. Dala Ram Pradhan, and Dr. Kenneth Neils. The financial evaluation of the proposals was made by the same Committee plus Mr. Jalad Pradhan. Ten NGOs were selected by the Committee based on a 80% and 20% weighting of the technical and financial proposals.

One NGO that was not selected complained to the ADB that Joint Ventures were selected. The NGO questioned a technicality in the advertisement for the recruitment of the NGOs. ADB asked the PMU and Package 1 consultants to re-examine the NGOs selected and provide justification for all selections. The PMU and the HIMALI Team (Package 1) provided reasonable justification to ADB for selecting the submitted list of NGO Service Providers. On 18 November, ACI was officially notified by the PD of the HIMALI Project of ADB/NRM's decision to "terminate the entire NGO selection process in progress and the whole process needs to be started again".

On December 7, the HIMALI Team met with the NRM/ADB to discuss, primarily, the recruitment of social mobilizers. It was discussed that the HIMALI Team propose an

alternative to the recruitment of NGOs for social mobilization. The Team Leader of Package 1 drafted a proposal and a budget for ACI directly recruiting a Social Mobilization Coordinator, a Social Mobilizer, and Office Helper for each district and a Finance and Administration Officer in Kathmandu to administer the social mobilization program for all 10 districts.

Social Mobilization Teams – On the recruitment of social mobilization teams directly by Package 1, the ADB/NRM officially responded back on 28 December to the PMU and concurred with the PMU's proposal. The PMU was given the go ahead for Package 1, in close coordination with the PMU and the NRM/ADB, to recruit directly the social mobilization coordinators and the social mobilizers in three districts (Jumla, Mustang, and Dolakha) and the Finance and Administration Officer in Kathmandu. The ADB prescribed the recruitment procedures that Package 1 followed. Approval for recruitment of the social mobilization teams in the other seven districts was subject to ADB's evaluation of the recruitment results from the recruitment of the SMTs for the three districts, Jumla, Mustang, and Dolakha.

The Package 1 consultants prepared the draft TOR and evaluation templates for the positions (Social Mobilization Coordinator, Social Mobilizers, and Finance and Administration Officer). The draft TOR and Evaluation templates were sent to the HIMALI Project Director and to the ADB on January 25 for comments. The revised version of the TOR, evaluation templates, and advertisement was sent to the Project Director on February 2. The Project Director approved all recruitment documents on February 17. The final version was sent to ACI and ACI received approval from ADB.

The proposal for the social mobilization teams was as follows: The proposed social mobilization team in each district would consist of one social mobilization coordinator and one local social mobilizer (preferably female). There would be one finance and administration officer based in Kathmandu responsible for all districts' finance and administration. The recruitment of the positions in each district would be done by ACI. An office for the social mobilization team and the HIMALI District staff (AEC/DAES and the DPC) would be rented. All utilities, internet, phone and phone recharge cards, utilities, and other office expenses are part of the ACI budget for the social mobilization. An office helper would also be included in each district office. For the social mobilization team, one computer, one printer/photocopier/scanner, GPS unit, altimeter, desks, chairs, and other office furniture would be provided.

Each Social Mobilization Coordinator in each district would coordinate all activities of the social mobilization team and would be supervised and guided by the DPC and the National Team Leader of Package 1. The Social Mobilization Coordinator would supervise the work of the Social Mobilizer. He/she would be responsible for sending all administrative documents to the HIMALI main office for further processing. He/she would be expected to submit monthly, quarterly, and annual reports.

Social and Environment Safeguards Expert - The HIMALI team prepared and submitted for approval a broadened terms of reference (as compared to the TOR given in the PAM) for this position. However, ADB responded by requesting that only a Social Development Specialist be hired. Mr. Thakur Prasad Bhatta, was recruited as the Social Development Specialist. He has a 12-month employment contract, and started work at the HIMALI main office in Harihar Bhawan in Kathmandu on 30 August 2012.

Environmental Safeguards Expert – In August 2012, the draft TOR for the Environmental Safeguards Specialist was circulated to the PD and to NRM/ADB. The Project Steering Committee approved the hiring of an Environmental Safeguards Specialist for 12 person

months with the budget coming from the Package 1 unallocated 144 person months for short-term consultants. Dr. Mahendra Subedi was hired and started work in December 2012.

1.3.9 Reporting

Monthly reports submitted to the PMU were prepared by the Team Leaders of Package 1 with inputs from the other Package 1 consultants. The PMU, with inputs from all professional staff of Package 1 and the special assistance of Mr. Padma Shakya, made a concerted effort in assisting the PMU in preparing Quarterly Reports (January-March 2012, April-June 2012, July-September 2012, October-December 2012) and the Annual Report (ending 10 July 2012) submitted to the ADB.

1.4 Financial

1.4.1 Budget Proposal for the Social Mobilization Team

After the NGO recruitment was cancelled and the direct hiring of social mobilization teams was approved, the budget that had been included in the Package 1 consulting contract for NGO Service Providers was available to be used for the social mobilization teams and Finance and Administration Officer. After a number of drafts had been prepared and discussed with the PMU, Package 1 consultants prepared a proposal on 10 December for supporting a Social Mobilization Team (one Social Mobilization Coordinator, one Social Mobilizer, and an Office Assistant) in each of the ten HIMALI Districts and a Finance and Administration Officer in Kathmandu. The proposal was circulated in December 2012 and in January 2013, a final budget proposal was approved. The budget in the final proposal was for \$1,025,075. including

- \$483,889 for remuneration of the SMT and Finance and Administration Officer
- \$250,000 for the operating budget for the HIMALI District Offices
- \$7,635 for the operations budget for the HIMALI Office in Kathmandu
- \$236,111 for contingency
- \$23,125 for office equipment, furniture, etc., for HIMALI Offices in the Districts
- \$24,315 for office equipment, furniture, etc., for HIMALI office in Kathmandu.

1.4.2 Contract Variation - A contract variation in the amount of \$10,000 will be proposed for ADB's approval for "local transportation/vehicle hire" under consulting package 1. This will be utilized by the PMU consultants to cover their local travel costs both in-city as well as in the field. The understanding is that the PMU will provide the project vehicles to the extent possible and consultants will rent vehicles only when this is not feasible

2. CHALLENGES AND RESOLUTIONS

2.1 Technical

2.1.1 Evaluation of Grant Applications - With 118 applications already submitted to the GAC, and 17 evaluated, there will undoubtedly be significant lag time in getting the remaining applications (and new ones coming in) evaluated by the GAC. Resolution: A second GAC is needed to complete the evaluation of the proposals in a timely manner.

2.1.2 Linkages with Buyers - The HIMALI Team has met many agricultural commodity buyers/processors and agricultural and NTFP/MAPS commodity association members in various venues where the HIMALI Project orientation and business planning has been discussed. However, most of the 118 grant applications that have been received by the Grants Coordinator do not have market plans that include buy-

back guarantees from the commodity buyers. Resolution: Many of the potential buyers of priority commodities in the HIMALI ten districts need to be provided not only full business plan information but also need some training on how to fill out the HIMALI grant applications. Besides the training of the buyers in regional venues (such as Pokhara, Nepalgunj, Biratnagar, and Kathmandu), these buyers need to be invited by the Project to the HIMALI districts where they can meet potential suppliers of the commodity and establish buy-back guarantees.

2.1.3 EIA Exemption –The HIMALI Project is trying to get an exemption from having to do EIAs for subprojects within the Conservation Areas. Resolution: To get this exemption, two things have to happen. First, a letter needs to be written from ACAP (in the case of subprojects in Manang and Mustang) to the MOAD approving the exemption. Second, the MOAD needs to write a letter to the Ministry of Environment requesting the exemption in any Conservation Areas or National Parks in the HIMALI targeted (10) districts.

2.2 Management

2.2.1 Status of Farmers' Groups - The HIMALI Team and AEC (CEO, Deputy Director, and HIMALI Team Leader) met to discuss the Project's progress, activities, problems, and issues. One issue that was discussed was the status of the Farmer Groups and whether they are eligible to apply for grants, since they are not Cooperatives. Resolution: The answer to the issue is that the Farmer Groups, with the assistance of the DPC, will have to register as Cooperatives with the District Cooperative or with the DADO in each district. Once registered as a Cooperative, the Cooperative will be eligible for Project grants

2.2.2 Recruitment of Environmental and Social Safeguards Expert – There were no candidates with the required qualifications and experience that have expressed interest in this position. Of the candidates that sent their CVs, either the candidate had a background and experience in only environment or the candidate had a background in only gender and social inclusion. Resolution: Since the GAC position for Environmental and Social Safeguards Expert position was filled by a person with a Gender and Social Inclusion background, the full-time Environmental and Social Safeguards Expert position would be filled with an Expert with more of an environmental background.

2.2.3 Taxi Expenses – A fund was needed to be used for taxi expenses when a Project vehicle is not available for Project related trips. Resolution: A contract variation in the amount of \$10,000 was proposed for ADB's approval for "local transportation/vehicle hire" under Package 1. These funds were to be utilized by the PMU consultants to cover their local travel costs both in-city as well as in the field. The understanding is that the PMU will provide the project vehicles to the extent possible and consultants will rent vehicles only when this is not feasible. ADB had no objection to the request made in the contract variation.

2.2.4 Office Space - The crowded office accommodations in the new HIMALI office at Harihar Bhawan are not adequate. The Package 1 professional staff are divided in two buildings that are an inconvenient distance apart. Package 1 will need to find additional space to divide up its professionals in crowded office rooms Resolution: The DLS officials and CLDP have assured HIMALI of their cooperation in making the office accommodations adequate.

2.2.5 Facilities at New Office - When the PMU moved to a new location, the telephone and internet connection as well as the installation of the Project generator were immediate problems. Also, electric power was not continuous and there was a need to hook-up the Project generator. Resolution: The telephone and internet company was called and after a

short delay, facilities were available. The Project generator was eventually moved and hooked up near the HIMALI office.

2.2.6 Field Visits during the Monsoon - Field visits are not feasible during the peak monsoon period. For example, a Project Team had to walk from Solukhumbu to Jiri (three and half days walk) due to the cancellation of their return flight from Solukhumbu. Another Project team was held in Dolpa due to their flight cancellation. Resolution: Plan field trips after the monsoon season.

2.2.7 Employees Made Redundant. In September, six PMU employees were made redundant by the GoN. Mr. Kiran Sankhi (Agribusiness Grant Officer), Ms. Pratibha Subedi (Officer), and the two M&E Officers were among the six. These vacant positions left the HIMALI Project shorthanded. The vacant Grant Officer position left the process of Grant coordination to Mr. Damodar Ghimire. Since September 1, the vacant M&E Officer positions have left the M&E work to Mr. Padma Shakya. Resolution: After many months, the PD was able to get clearance from the MOAD to recruit replacements.

2.3 Financial

2.3.1 Government Per Diem - The Government Staff that work on the HIMALI Project have a relatively meager per diem when they travel to and inside the Project districts. In order for the HIMALI staff from the central office at Harihar Bhawan, the DPCs, and other Government of Nepal officials that may work on or for the HIMALI Project to be reasonably compensated for their field lodging, food, and miscellaneous incidentals when travelling. Resolution: The request for the increased per diem must go through official channels. Any resolution to this issue will probably not come until after the Government solves its budget issue.

2.3.2 GPS Units – Since location and elevation of potential projects needs to be documented since the HIMALI is expected to provide grants to projects throughout the Project districts and in the high mountains, GPS (and altimeter) instruments are needed in each of the districts. To be able to use the GOS coordinates appropriately, GIS software is also needed. Resolution: The GPS units and GIS software should be procured through the Package 1 budget.

2.3.3 MOAD Budget – The Government of Nepal delayed approval of the budget for the Nepali year which started in July. As a result, the PMU is not able to spend what had been submitted to the GoN. Resolution: HIMALI Project is not able to address this problem.

3. Planned Activities for Next Year

3.1 Technical

- Over 116 grant applications that have been received but not reviewed yet will be reviewed at a rate of 5 per week by the GAC unless another GAC team is hired. Hiring another GAC team will be proposed. Any additional grant applications received will also be evaluated by the GAC as soon as possible
- The approved subprojects will be monitored by the district HIMALI staff (DPCs, SMTs, DAES) and implementation plans evaluated
- The grant applications that are to be modified will also be monitored for progress and measures taken to speed the return of the modified grant applications
- Technical experts on the roster will be hired whenever necessary to make field verifications and to evaluate and provide technical assistance to the proponent and the grant application under review by the GAC
- The SMTs will be trained in all aspects of the business planning process, the GESI plan and EMP plan development, and other responsibilities that they are assuming

- By June, the SMTs in Jumla, Mustang, and Dolakha districts will set up their office in the DAD, DLSO, DCCI, or in a separate place and equip and furnish their office. After the other SMTs from the other seven districts are recruited, the other SMTs will do the same in their respective districts
- The SMTs will develop workplans and coordinate their plans with other HIMALI staff and district officials in their respective districts
- District Project Implementation and Feedback Workshops are planned to be held in April in Salleri, Solukhumbu District and Chame, Manang District. Other such Workshops will be held throughout the year in the other districts. These Workshops will provide a venue for identifying interested proponents, meeting with proponents that are implementing approved subprojects, and understanding the proponents constraints in developing or modifying their business plans and in implementing their subprojects
- Package 1 consultants will work together with the AEC/HIMALI agribusiness specialists in meeting with potential buyers of agricultural commodities that are produced in the HIMALI districts. More emphasis will be put on promote these linkages with the proponents in the HIMALI districts in order to foster buy-back guarantees for HIMALI-produced products
- The Monitoring and Evaluation Expert will work with the M&E Assistant(s) in implementing the monitoring activities at the central and field levels by maintaining close communication with HIMALI district staff and by making periodic field visits to the districts
- The Package 1 Environmental Safeguards Expert will finalize and submit to the PD the draft Memo giving justification for the waiving of the EIA in the Conservation Areas and National Parks in the HIMALI districts. The PD is expected to send the letter to the MOAD. Once the MOAD receives it, the MOAD is expected to officially communicate with the MOSTE, the Ministry with the responsibility for allowing for the IEE to be done instead of EIA.
- The Environmental Safeguard Expert will shepherd the process of EIA waiver and developing the TOR for the IEE for the HIMALI Project or subprojects. He will visit the HIMALI districts to further train the HIMALI district staff on developing the necessary environmental management plans and DDR
- The Package 1 Social Development Expert will prepare a presentation and participate in the ADB workshop on “GESI Mainstreaming in ADB Supported Projects” on March 11, 2013. The workshop objective is to share progress, experience and issues. The participants from other ADB-supported projects will also present their Projects’ GESI implementation plans.
- The Social Development Expert will continue training the HIMALI staff in all aspects of the GESI plan and implementation measures. He will provide assistance to the SMTs in all social development aspects of their workplans.
- An Engineer to assist in the Project’s civil works (both public and that of private subprojects) will be proposed to be recruited by Package 1 using the unallocated short-term consulting funds. If approved by the PMU, the engineer will be hired
- The Package 1 Procurement Expert will develop the periodic procurement plans and develop the bidding documents and evaluation process for all procurement
- Assistance will be provided in advancing the yak/nak procurement from Tibet (China)
- The Package 1 consultants will continue to assist the PMU in preparing quarterly and annual reports, preparing and presenting portfolio reviews with contract award and disbursement updates and projections, participating in the Project Steering Committee and Technical Coordinating Committee meetings
- The Package 1 consultants will provide advice and assistance to the PMU whenever called upon
- Monthly reports and an annual report will be submitted to the PMU

3.2 Management

The recruitment of the social mobilization coordinators, social mobilizers, and finance and administration officer will be completed. Initially, the recruitment of the SMTs for Jumla, Mustang, and Dolakha will be completed by the Package 1 consultants by advertising the positions in the newspaper and on ADB's CSRN website. After ADB approves of the recruitment process that was followed for these first three SMTs, then the other seven SMTs will be recruited. d the TOR, evaluation templates, and the advertisement.

4. PROJECT PERSONNEL (PACKAGE 1 AND 2)

Consultant Name	Position	Date Joined Project
Package 1		
- Dr. Kenneth E. Neils	International Team Leader/Implementation Specialist	15 February 2012
- Mr. Dala Ram Pradhan	National Team Leader/Mountain Agribusiness Expert	10 February 2012
- Mr. Jalad Sundar Pradhan	Procurement Expert	16 February 2012
- Mr. Damodar Ghimire	Grants Coordinator	10 February 2012
- Mr. Peter Mawson	International Monitoring & Evaluation Specialist	16 April 2012
- Mr. Padma Shakya	Monitoring and Evaluation Expert	5 April 2012
- Mr. Thakur Prasad Bhatta	Social Development Specialist	30 August 2012
- Dr. Mahendra Subedi	Environmental Safeguards Expert	December 2012
- Mr. Khem Raj Paneru	Administrative Assistant/ACI	4 March 2012
- Mr. Nirdosh Sharma	Program Administrator/ACI	1 June 2012
Package 2		
- Dr. James Keddie/Ms. Genevieve Cahill	Team Leader/Agribusiness Capacity Development Expert	17 February 2012/December 2012
- Mr. Kalika Adhikari	Capacity Development District Specialist, Mid-West	1 March 2012
- Mr. Nirmal Chapagain	Capacity Development District Specialist, Western	10 February 2011
- Mr. Rudra Devkota	Capacity Development District Specialist, Central and Eastern	1 March 2012

Annex 1

Record of PAM changes

1. All revisions/updates during course of implementation should be retained in this Section to provide a chronological history of changes to implementation arrangements recorded in the PAM.

PAM Amendment #1 (September 2012)

[Note: these changes are applicable throughout the PAM, wherever they occur.]

1. The name of the executing agency changed to Ministry of Agriculture Development (MOAD) from Ministry of Agriculture and Cooperatives (MOAC) as per the government decision on restructuring of ministries.
2. In order to strengthen the linkages within the MOAD structure for the implementation of the Project, the Regional Agriculture Directorate will be provided the same responsibilities as currently vested upon the Regional Livestock Services Directorate. All references to the Regional Livestock Services Directorate in the PAM shall be expanded to include the Regional Agriculture Directorate as well. The PMU will provide sufficient budgetary allocations to these regional offices to carry out their duties under the Project.
3. Part III: Project Management Arrangements; Section A: Project Stakeholders – Roles and Responsibilities: para. 19 to read as follows:

The PMU will be responsible for overall implementation of both components 1 and 2, and coordination, monitoring and evaluation of the Project. For each of the 10 districts, the MOAD will assign the DPC, from DLSO or DADO, depending on the predominant value chains and program profile. DLS and DOA will assign limited responsibilities to its four Regional Directorates (Mid-western, Western, Central, and Eastern) for coordination of training and technical services, monitoring and evaluation, reporting, in addition to line agency functions between center and district, but Regional Directorates will not otherwise be directly involved in implementation.

4. Part III: Project Management Arrangements; Section C Outputs, Para 11:

Three main outputs are envisaged: ... Applicants must be (i)...(v) with the following exception, Grant applicants will not be required to provide evidence of business registration prior to making grant applications. For applicants who have submitted grant applications without registration, the GAC may review and make recommendations on the grant applications, on a conditional basis, requiring the proponent to complete necessary registrations prior to being eligible to receive HIMALI grants. Depending on the marketable product that the proponent is producing, DLSO or DADO and the AEC/HIMALI District Agro-Enterprise Specialist should assist the grant applicants in the business registration process once the proponent has received the conditional award.

5. Part III: Project Management Arrangements; Section D Project Staffing: PD responsibilities to read as follows:

Overall management and supervision of the project implementation; all report submission; managing and directing PMU staff; coordination with the project steering committee, the ADB, and other project participating agencies.

6. To improve coordination among the HIMALI stakeholders, the following regular coordination meetings are to be organized and conducted: (i) Project Director to organize monthly coordination meetings among Package 1, Package 2, AEC, and ADB to review

progress of the past month and plan for the forthcoming month; (ii) DPC to organize monthly district coordination meetings with the District Coordinating Committee. A Technical Coordination Committee with Co-chairmanship of DG DLS and DG DOA will be established for central level coordination to facilitate the implementation of project activities. DDGs from DLS, DG planning from DOA, representative from MOAD, NARC, DOF, DFTQC, AEC and HIMALI PD will be the Committee Members. The respective specialists will be invited as need.

7. The District Coordination Committee (DCC), chaired by the District Project Coordinator (DPC) and represented by the DADO/DLSO, the AEC/HIMALI District Agro-enterprise Specialist, District NGO Service Provider, DCCI, District Forest Office, District Cottage and Small Industries Office, Women Development Office and invitees as needed, will be established. The terms of reference of the DCC will be decided by the Technical Coordination Committee. One of the TOR of the DCC is (i) to meet on an “as required” basis, to provide further advice to the GAC, when requested by GAC and (ii) the DCC will assign the respective member/members to certify the completion of works prior to the release of payments. The assigned Committee members will be reimbursed by the Project at NRs 1,000 per person, per grant application reviewed or certification of works.¹ Members of the Committee will also be reimbursed for justifiable travel costs, including per diems, when overnight travel is required. Additional members may be invited, “as required”, depending on the issue to be clarified to the GAC.² However, the final determination of grant eligibility will be done by the GAC.

8. Part III: Project Management Arrangements; Section D: Project Staffing: in the list of National Consultants, replace* the Social and Environmental Safeguards Expert with a Social Development Expert and an Environmental Safeguards Expert, as follows:

<i>National Consultants</i>	<i>No.</i>	<i>Responsibilities</i>
<i>Social Development Expert</i>	<i>1</i>	<i>Responsible for ensuring all project staff are aware of and capable of implementing the social safeguards; assisting the M&E experts in establishing the MIS.</i>
<i>Environmental Safeguards Expert</i>	<i>1</i>	<i>Responsible for ensuring all project staff are aware of and capable of implementing the environmental safeguards; assisting the M&E experts in establishing the MIS.</i>

**Justification: Because a qualified and experienced person in both gender and social inclusion and environmental safeguards was not found, the HIMALI Project will hire both a Social Development Expert (hired August 31, 2012) and an Environmental Safeguards Expert. Given the complex environmental issues and requirements coming up in the project areas, many of which contain protected areas in the high mountain areas, there is a need for an Environmental Safeguards Expert on the HIMALI team. The Expert will provide 12 person months of inputs. The budget is to be allocated*

¹ See paragraph 24. For the purpose of certification of completion of works, any one member may suffice rather than the entire team.

² The requirement for additional member(s) to represent the DCC for a particular grant proposal to be reviewed will be communicated to the Committee by the GAC. Only such recommended member(s) shall be included in the Committee for the review purpose.

from the 144 person months of short-term national experts (unallocated) that is already under the Package 1 consultant.

9. Part V. Section A. Financial Management Assessment. 2. Financial Risks and Mitigation Actions, para 37 to read as follows

To mitigate misuse of Agribusiness Grants, the project will finance only capital items and limited working capital to cover material inputs which are required to bring the business in operation and generate the first cycle of revenue....

10. Part V. Section B. Disbursement. para 44 to read as follows

Disbursement of Agribusiness Grants ... Disbursement will be based on the expense schedule detailed in the applicants' business plan. In order to reduce the fiduciary risks associated with HIMALI grants, the following grant payment procedures will be applied: (i) For businesses that are over \$50,000, the first 10% of expenditures incurred as per the business plan cash flow shall be financed from the grant recipient's own share of the business financing; (ii) For businesses less than \$50,000, the first 20% of expenditures incurred as per the business plan cash flow shall be financed from the grant recipient's own share of the business financing; (iii) Subsequent payments will be based on a reimbursement basis upon submission of original receipts of payment and verification of completion of works by District Coordination Committee; and (iv) payments for single item procurements over NRs 400,000 will be made directly to the vendor by the PMU. Failure by the grant recipient to provide valid receipts for purchases made as part of business development for which the HIMALI grant has been approved for will result in subsequent disbursements being withheld until the shortcoming is rectified. Instalments and final payments will be made after previous payments have been accounted for to the PMU, and either post-payment or vendor payment will be used. Vendor payment will be preferred for procurement of equipment and works over \$5,000 (or equivalent in NRs). Exceptions to post-payment may be granted by the PD for amounts under \$10,000 if the applicant demonstrates evidence of severe hardship or inability in accessing transitional finance between expense and grant payment. Each Agribusiness Grant, and its disbursement schedule, will be covered by a legally binding Agribusiness Grant Agreement (details in [Appendix I](#)).

11. Appendix E: Outline of Terms of Reference for PMU and NGO Management Consultant's (Package 1): The Table shall read as follows:

<i>Technical Staff</i>	<i>Input - Person months</i>
<i>International</i>	
<i>Team Leader/Implementation Specialist</i>	<i>27</i>
<i>M&E Specialist</i>	<i>4</i>
<i>Total International Consultants</i>	<i>31</i>
<i>National</i>	
<i>National Team Leader/Mountain Agribusiness Expert</i>	<i>70</i>
<i>Procurement Officer</i>	<i>24</i>
<i>Grants Manager</i>	<i>60</i>
<i>M&E Specialist</i>	<i>70</i>
<i>Social Development Expert</i>	<i>24</i>
<i>Total National Consultants</i>	<i>248</i>
<i>Short-term National Experts</i>	

<i>Environmental Safeguards Expert</i>	12
<i>Other Short-term National Experts</i>	132
<i>Total Short-term National Experts</i>	144
GRAND TOTAL	423

12. Appendix E: Section C. National Consultants

g. Environmental Safeguards Expert (12 p-m)

81. The Environmental Safeguards Expert will:

- i) Review the initial environmental examination (IEE) and environmental assessment and review framework (EARF) of the Project
- ii) Screen each proposal by using REA checklist and by reviewing the subproject selection criteria
- iii) Provide technical assistance in developing a manual on preparing initial environmental examination
- iv) Provide consultation during preparation of IEE and approve IEE / DDR at sub-project appraisal prior to HIMALI grant approval stage examination / environmental due diligence report format and Environmental Management Plans (EMP) for agribusiness grant agreements
- v) Establish strong linkage and coordination with the gender equity and environmental division (GEED) of MOAD
- vi) Conduct environmental awareness training / workshop in each project district to the NGO Service Providers, AEC, DPC and Project MOAD staff. The training will focus on environment related impacts and risks envisaged in the project EARF, and may include, in addition to others, improving capacity for climate change adaptation, establishing nursery and demonstration plots, ecological degradation due to wild MAPs collection or overgrazing, public health risks from wastes and plant emissions, occupational health and safety risks, which needs to be considered during HIMALI grant applications and civil works for upgrading of MOAD facilities
- vii) Assist to form grievance redress committee (GRC) in project districts
- viii) Develop capacity of the Project's lead implementers, NGO Service Providers, AEC, and DPCs, to ensure that the environmental issues concerning high mountains of Nepal are understood and reflected in the EMPs of the Grant Agreements and the civil works of the MOAD facilities
- ix) Orient Project M&E staff on data collection, compilation and reporting of environmental impacts, mitigation measures, required corrective measures and their compliance
- x) Ensure that the project civil works shall follow labor based, environment friendly and participatory approach (LEP) as envisaged in the EARF
- xi) Assist the M&E Experts in establishing and implementing an environmental MIS and ensure regular updating of information on EMP compliance
- xii) Review and finalize periodic reporting format for environmental safeguards in the project, and train PMU staff to include environmental safeguards in the progress reports
- xiii) Undertake any other duties as may be reasonably assigned by the Team Leader – Implementation Specialist (Package 1).

82. The Environmental Safeguards Expert will have:

- i) Minimum Masters Degree in environment science
- ii) At least 10 years general and 7 years of relevant experience in preparation of EIA/IEE and EMPS, preparation of compliance monitoring checklist, conducting compliance monitoring, reporting and providing capacity building training; at least 3 years experience in environmental monitoring during project implementation; a good understanding of ADB and GON environmental safeguard requirements.

13. Appendix B: Section A. Project Districts 1. The following paragraph is inserted after Table 1: The Project will focus its interventions in high mountain areas.³ A two-pronged approach is recommended: (i) strengthening project awareness campaigns in high mountain areas in the project districts, and (ii) prioritizing grant resources to businesses utilizing raw materials/commodities from high mountain areas. In this regard, a priority list of high mountain area raw materials and commodities is to be prepared for each project district. The priority list of high mountain area raw materials and commodities should be initially based on, but not limited to, the findings of the Project Preparatory Technical Assistance, and supplemented by suggestions already made at inception workshops at district and Ilaka/VDC levels. It should be drafted by a committee convened by the DPC and represented by the DCCI, AEC district staff, DADO, DLSO, and district forest office, and sent to the PMU for final approval.

14. Appendix B: Section B. part iv. Agribusiness Grant proposals. In Para. 13, v) Proponents need proof of origin from the project districts. For proponents who are not registered in the respective project district, copies of contract agreements with suppliers/primary producers from the project districts need to be submitted along with the grant application. These records will be shared with the concerned DADO/DLSO or District Forest Office in the respective districts in order to obtain the concerned District Office's recommendation.

15. Appendix B: Section B. part iv. Agribusiness Grant proposals. In Para. 14, viii) should read as follows:

viii) trading capital

16. Appendix B: Section B. part iv. Agribusiness Grant proposals. Footnote 36 (bottom page 54) should read as follows:

Details in Appendix 2, Draft Agribusiness Grant Agreement. Disbursement schedules will be based on the timing of expenditure in the applicant's business plan: (i) For businesses that are over \$50,000, the first 10% of expenditures incurred as per the business plan cash flow shall be financed from the grant recipient's own share of the business financing; (ii) For businesses less than \$50,000, the first 20% of expenditures incurred as per the business plan cash flow shall be financed from the grant recipient's own share of the business financing; (iii) Subsequent payments will be based on a reimbursement basis upon submission of original receipts of payment and verification of completion of works by District Coordination Committee; and (iv) payments for single item procurements over NRs 400,000 will be made directly to the vendor by the PMU. Instalments and final payments will be made after previous payments have been accounted for to the PMU, and either post-payment or vendor payment will be used. Exceptions will be granted if the applicant cannot provide transitional finance between expense and grant payment.

17. Appendix H: Section A. 1. Purpose of HIMALI Agribusiness Grants: para. 2 to read:

A Grant is available for up to 80% of the costs of planned business development. The Applicant must contribute at least 20% of the costs as in cash, materials, or labor. The Project will not consider micro-business plans with costs less than \$3,125. The following principles will be applied for the HIMALI grant share: (i) For business proposals originating from proponents registered in the respective project district and based on the priority list of raw material/commodity, the grant share will be as defined

³ Taking into consideration the agricultural focus of the Project, 'high mountain' is defined as areas above 2,000 meters above sea level. The raw material and commodities need to be based on the suitability to such ecological zone.

in the Project Administration Manual (PAM);⁴ (ii) For business proposals originating from proponents registered in the project district but not based on the priority list of raw material/commodities, the grant share will be 50%; and (iii) For business proposals originating from proponents not registered in the project district but based on the priority list of raw material/commodity, the grant share will be 50%. The maximum grant share will be \$250,000 in all cases.

18. Appendix H: Section A. part 2. Grant Applications: para. 4. should read

Applications must be sent to: HIMALI District Project Coordinator, DLSO or DADO, or HIMALI Project Director, DLS, Harihar Bhawan, Lalitpur

19. Appendix H: Section B. Selection Criteria, 1. Eligible Applicants: insert vi) Business registration requirement and support. Grant applicants will not be required to provide evidence of business registration prior to making grant applications. For applicants who have submitted grant applications without registration, the GAC may review and make recommendations on the grant applications, on a conditional basis, requiring the proponent to complete necessary registrations prior to being eligible to receive HIMALI grants. Depending on the marketable product that the proponent is producing, DLSO or DADO and the AEC/HIMALI District Agro-Enterprise Specialist should assist the grant applicants in the business registration process once the proponent has received the conditional award.

20. Appendix H: Section B. Selection Criteria, 2. Eligible Agribusiness Activities and Facilities: para. 6 part ix) to read as follows

ix) walking tracks, culverts, short road connections, swing bridges, and collection centers that are essential for agribusiness development and that are co-funded by the concerned farmer groups or agribusiness (i.e., not general public tracks and roads);

21. Appendix H: Section B. Selection Criteria, 2. Eligible Agribusiness Activities and Facilities: para. 6, insert xii) limited “working capital” to cover material inputs which are required to bring the business in operation and generate the first cycle of revenue. However, the eligibility for working capital shall be limited to a maximum of two years.⁵

22. Appendix H: Section B. Selection Criteria, 2. Eligible Agribusiness Activities and Facilities: para. 6 part x) to read as follows:

x) small-scale irrigation (defined as per the Irrigation Policy 2060, small-scale irrigation schemes in the hills are defined as those irrigating less than 25 hectares of land.)⁶ and water harvesting works that are owned, managed and maintained by registered farmer groups.

23. Appendix H: Section B. Selection Criteria, 3. Not Eligible for Grants: part ii) to read as follows:

ii) Trading capital

⁴ 80% grant share for businesses up to \$50,000 and 50% grant share for businesses above \$50,000, with a grant ceiling of \$250,000.

⁵ Businesses that require more than two years of working capital to realize the first cycle of revenue shall not be entitled to this provision.

⁶ However, HIMALI funding may be granted for medium schemes (up to 200 ha) within the HIMALI grant ceiling.

24. Appendix H, Section C. Assessment Process. Para. 7 to read as follows:

The Business Plan and Grant Application will be considered by an independent Grant Assessment Committee with expertise in agribusiness development, financial analysis, environmental protection, social and gender improvement, and corporate governance. The GAC may request technical specialists to provide the GAC with specialist advice to assist with grant assessment should such expertise be required. It is recommended that a roster of specialists be maintained whose services can be utilized for short term consultancy needs, as and when required, to assist the GAC in their appraisal of grant applications”.

25. Appendix I: Section C. Amount of Agribusiness Grant and payment. Art. 6 to read as follows:

Grant payment procedures to be applied. In order to reduce the fiduciary risks associated with HIMALI grants, the following grant payment procedures will be applied: (i) For businesses that are over \$50,000, the first 10% of expenditures incurred as per the business plan cash flow shall be financed from the grant recipient’s own share of the business financing; (ii) For businesses less than \$50,000, the first 20% of expenditures incurred as per the business plan cash flow shall be financed from the grant recipient’s own share of the business financing; (iii) Subsequent payments will be based on a reimbursement basis upon submission of original receipts of payment and verification of completion of works by District Coordination Committee; and (iv) payments for single item procurements over NRs 400,000 will be made directly to the vendor by the PMU. Failure by the grant recipient to provide valid receipts for purchases made as part of business development for which the HIMALI grant has been approved for will result in subsequent disbursements being withheld until the shortcoming is rectified.