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Terms of Reference

Swiss Agency for Development and Cooperation

Livelihoods Support Project

1. Background

1.1. Context

Since the Government of Nepal (GoN) declared a nationwide lockdown on March 23, 2020, civilian movements have been restricted to essential services only in order to prevent a further spread of COVID-19 within the country. Despite the absence of a major reported outbreak in Nepal, measures taken to contain the virus have caused significant economic fallout and threaten to throw hundreds of thousands of people back into poverty.

Disruptions in distribution of necessary inputs and challenges with getting harvests out to markets are some of the ways the agriculture sector is being impacted. COVID-19 is likely to affect the production of staple food crops such as maize and rice, as the lockdown continues into critical planting periods. Agricultural input insecurity has increased due to a combination of failure in effective demand and supply. Indeed, early diagnosis in Province 1 suggests that inputs are available, but farmers are unable to access them due to high prices, a reduction in their disposable incomes, and logistical barriers which have disrupted their linkages with wholesale suppliers and vendors. This market disruption is exacerbated by the low penetration of technologies and e-platforms outside of Kathmandu, which requires markets to rely on face-to-face interactions in order to function. Disruption to farmers' planting schedules or limited access to pesticides to protect maize crops against the fall army worm, would have devastating consequences on their livelihoods and would harm the nation's food security.

To mitigate the impact of COVID-19 on Nepal's food security, the Cabinet announced on March 29th a number of decisions aimed to support other tiers of government to distribute relief packages. To this end, local governments were assigned the responsibility to identify vulnerable households in their constituencies, using guidelines shared by the Ministry of Finance, and to provide those households with food relief packages. Immediate and conventional relief distributions of food items, or cash-transfers, are an effective mean of preventing immediate poverty backsliding and ensuring food security. However, in the medium-term, engagement with critical market actors to strengthen supply chain linkages in food production and delivery is essential to mitigate the crisis' secondary effects. Through this innovative initiative, SDC aims to address farmers' access to critical production inputs using existing supply chains, with the strong belief that **supporting business continuity will shorten the road to Nepal's economic recovery**.

1.2. SDC's Strategy and Focus

The proposed single-phase project is part of the Employment and Income component of the Support to Relief and Recovery from COVID-19 (SRRR) umbrella program. The SRRR proposes various interventions aiming at supporting the Government of Nepal in its efforts to contain the spread of COVID-19 and to address the socio-economic consequences caused by the lockdown, in particular for disadvantaged groups.

The following components are envisaged to respond to urgent healthcare and protection needs, to reduce harmful coping mechanisms, and to build resilience for economic recovery:

Federal State Building: This component will provide technical and financial assistance in order to increase the capacity of federal, provincial and local government to prepare for and respond to infectious diseases and pandemics (public health management).

Protection and Migration: Interventions under this component ensure that GBV services are extended across the country during the lockdown, and the needs and vulnerabilities of women and girls are considered in the preparation and implementation of COVID-19 responses. Other interventions aim to provide support to stranded migrants in destination countries by helping them with immediate needs, and by helping them to return safely to Nepal.

Employment and Income: Using a multi-pronged approach, this component will support continuity of operations along selected value chains to prevent poverty backsliding, ensure food security, and position Nepal for longer-term economic recovery. This is especially critical due to the absence of a functioning social security system and the lack of meaningful financial safety nets for enterprises.

The Livelihoods Support Project fits under the Employment and Income component of the SRRC. It aims to establish an agriculture inputs voucher mechanism in Province 1, to enable farmers to purchase inputs and maintain on-farm production levels, while revitalizing the input supply system and benefiting businesses along the way.

This project responds to the needs and areas of focus identified by the Ministry of Agriculture (MoALD) at Federal Level, which stated that “reinstating agriculture input supply system” is a national priority. This priority is shared with the Ministry of Land, Agriculture and Cooperatives (MoLMAC) in Province 1 – which is SDC’s province of focus under the Swiss Cooperation Strategy (SCS) for Nepal 2018-2021. MoLMAC contributed to the hereby-presented concept and in defining the proposed areas of interventions.

It is important to note that this initiative will be implemented in the context of Covid-19 restrictions. Attention will be paid to ensure that all actors involved in production and movement of goods are equipped to respect health and safety measures. This will be done in strong coordination with the Provincial and Local governments.

2. Purpose of the project

2.1 Project objectives

Input supply is a critical factor for inclusive agricultural and rural development. For agriculture to prosper, farming inputs need to be available, affordable, accessible, and of good quality. In Province 1, agricultural inputs security has been decreasing due the COVID-19 crisis. Common relief interventions to support seed and inputs security typically consist in distributing agricultural inputs (in kind) directly to the farming households in need. This approach is based on the assumption that during or in the aftermath of a crisis, inputs are not available in affected communities. In Nepal, however, the problem lies in access to inputs, rather than unavailability. As noted above, this is due to a lack of purchasing power among farming households, and the collapse of networks through which farmers traditionally obtain and exchange inputs.

This project aims to offer a markets-based solution to maintain food production levels and existing market linkages, and to ultimately position Province 1 for longer-term economic recovery. It specifically aims to contain the impact of COVID-19 on the production of commodities such as rice, soybeans and maize.

Farming households in Province 1 manage to sustain their livelihoods, is the goal of the project, which shall be achieved through two interlinked outcomes:

Outcome 1: Farming households access critical agricultural inputs to maintain on-farm production levels.

Outcome 2: Input suppliers and vendors sell agricultural inputs through the voucher scheme mechanism established by the intervention.

Acknowledging the role markets play in coping strategies, the program's strategy posits that if farmers have the ability to purchase agricultural inputs, they will be able to maintain agricultural production levels to sustain their livelihoods. Farmers' "ability" is understood as having both the **financial resources** and **physical access** to input suppliers or vendors. By addressing cash-flow and physical access bottlenecks, communities whose livelihoods are threatened will have the capacity to continue producing. Although this is not a long-term approach, it will improve the functioning of markets in the long run by stimulating local production and the economy, and by reestablishing market linkages that have been weakened by the crisis.

3. Intervention Strategy

3.1. Approach to support functioning of critical markets for production

The project will implement a voucher scheme (or input trade fairs if it is required), to provide input suppliers and vendors with the steady demand and incentives they need to restore sufficient supply of inputs and meet the needs of the catchment population. The agricultural inputs voucher scheme will be designed, established and monitored by an implementing partner, in collaboration and coordination with municipalities and MoLMAC Province 1, for which the roles are described in the next section.

- **Agriculture inputs voucher scheme:** According to the Food and Agriculture Organization (FAO) an agricultural-voucher scheme is a delivery mechanism that provides farmers with access to agricultural inputs and/or services. There are two kinds of vouchers: i) commodity vouchers (in kind) and ii) value vouchers. For the reasons mentioned above, in this particular case, beneficiaries shall be provided with a value voucher¹, which they can exchange for inputs at existing local selling points (i.e. vendors/agro-dealers). Each beneficiary household will receive one voucher that they can exchange for a certain amount of either seeds, fertilizers or pesticides. The advantage of a “value” voucher is that farmers can choose from a range of inputs based on priorities and needs.
- **Inputs trade fair:** Where access is difficult and there are no agro-dealers or vendors able to open their shops, the project would consider organizing input trade fairs. Inputs trade fairs are a specific type of voucher scheme in which a temporary market is organized to provide a targeted population with access to agricultural inputs through the exchange of vouchers. An input trade fair typically lasts a single day. Input fairs can support marginal groups in isolated areas, but they provide less flexibility compared to voucher schemes.
- **Market-based input supply:** The intervention is “market-based” because it facilitates the connections between input supply and demand. In the context of the lockdown due to COVID-10, high transaction costs, logistical bottlenecks, and poor sales have made input supply businesses unprofitable in Province 1. Subsidizing the sale of inputs allows existing suppliers and vendors to remain viable.

The voucher scheme serves as a bridge, to enable pre-COVID market linkages to remain functional by temporarily strengthening input distribution systems. This intervention strategy thus aims to relieve immediate constraints to production, but its effects will also be seen in the short to medium term. Furthermore, farming households selected to receive agricultural input vouchers are themselves considered active market participants. Inputs value vouchers allow farmers to choose from a range of pre-selected inputs, providing households with enough flexibility to buy the specific inputs they need – like a typical productive investment.

3.2. Key Stakeholders

Farming households: Though benefits of this program can be extended to input suppliers and vendors, the primary beneficiaries of this interventions are smallholder farmers of Province 1. Farming households will be selected on the basis of being smallholders (0.5 ha or less) without further selection criteria, in order to not exclude marginally less poor households which are at

¹ Value voucher: A value voucher has a denominated cash value and can be exchanged with participating vendors for goods or services of an equivalent monetary cost. Value vouchers tend to provide relatively greater flexibility and choice than commodity vouchers but are still inherently restricted as they can only be exchanged with designated vendors. (CaLP Glossary of Terms for Cash and Voucher Assistance CVA).

risks of poverty backsliding as well. The implementing partner will be entrusted with verifying and assuring that beneficiary registration and voucher distribution processes *Leave No One Behind*.

MoLMAC Province 1: Thus far MoLMAC has i) recommended areas of interventions to SDC; 2) has contributed to the design the composition of packages for each area; 3) has identified some input suppliers and their supply capacity. During implementation MoLMAC will 3) support coordination in the implementation of the scheme in light of current logistic disruptions

Local Governments in the areas of interventions: Municipalities will support with the identification and liaison between the implementing partner and the vendors/ agro-dealer shops which will be part of the scheme, in their constituency.

Selected implementing partner: SDC will be looking for an implementing partner that can work closely with MoLMAC and the local governments in Province 1, to establish the voucher mechanisms at local level, from design to distribution, to monitoring. The selection of the implementing partner will be done through a call for proposals process. It is expected that an (I) NGO with presence in Province 1 would be best suited to mobilize quickly and deliver this short-term intervention. The scope of work for the implementing partner is described in the next section.

Input suppliers: Participating input suppliers will commit to supply sufficient stock of the selected inputs to the implementing partner, of an agreed upon quality. The implementing partner shall buy agreed quantity from selected inputs suppliers part of the scheme. Prices charged will be listed in their contracts, and will be monitored by the implementing partner to ensure that they align with normal market prices.

Vendors/ agro-dealers: Vendors' shops will be registered with the scheme for the duration of the project. Participating vendors sell input supplies subsidized by the scheme and redeem collected vouchers from the project implementing partner, with an agreed margin to cover their expenses and agreed level of profit.

Here below is a brief visualization of the implementation scenario with stakeholders involved. Note that bidders shall use this as a reference with potential for changes based on experience.

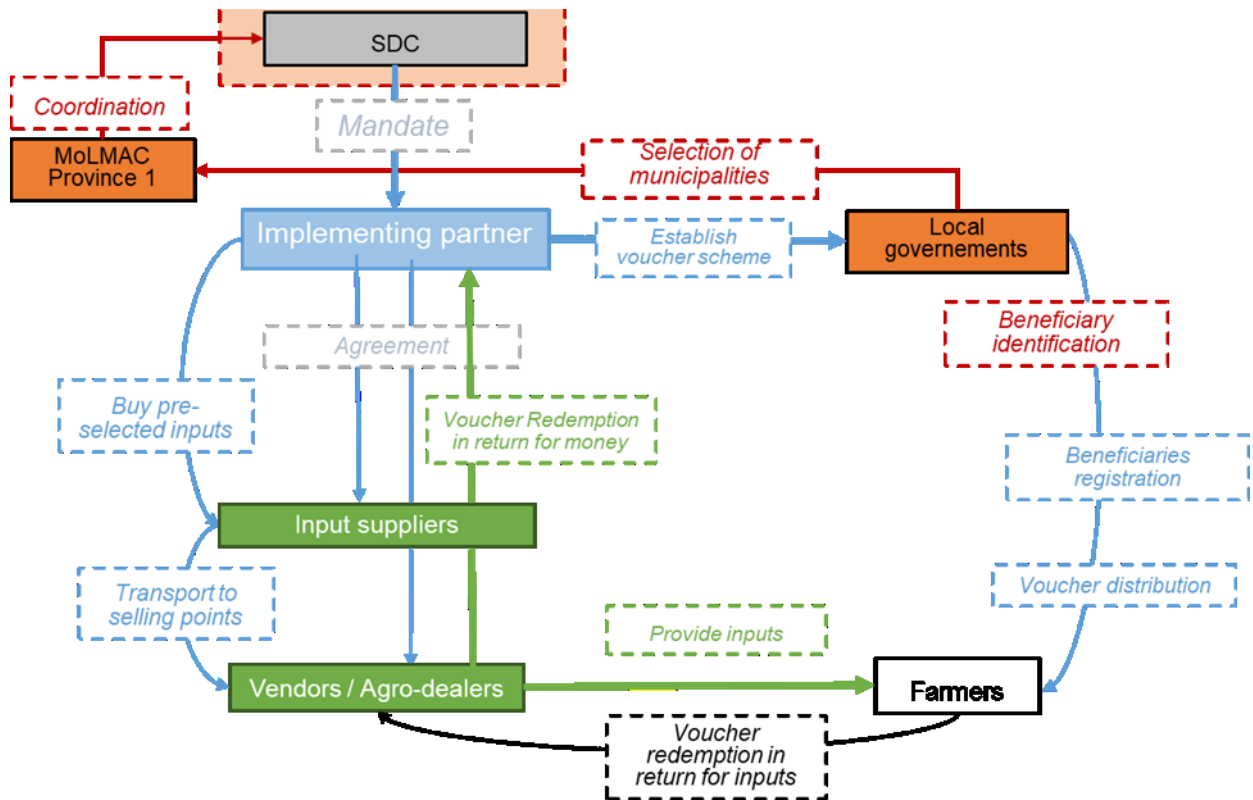


Figure 1 – Brief overview of the inputs voucher system

The implementing partner will have the mandate to design and implement the voucher scheme, source and transport the adequate quality and quantity of inputs from input suppliers. Farmers identified by municipalities (verified by the implementing partner) receive the voucher they can exchange at their local vendor, or during an input fair, for agricultural inputs that are pre-selected under this scheme. Vendors will redeem the vouchers they have collected for cash from the implementing partner within a designated timeframe

3.3. Scope of work for the implementing partner

SDC envisages that implementing partner will deliver the following (not exhaustive) list of activities:

i) Preparatory work

- Undertake a rapid analysis of the market with each of the municipalities (e.g. accessibility, responsiveness to demand); confirm information already received, and agree on the voucher scheme implementation framework with SDC, including areas of work.²
- Finalize mapping and selection of potential suppliers and vendors
 - This includes, in coordination with MoLMAC, inspecting warehouses and appraise stocks. Suppliers and vendors should be endorsed by MoLMAC and voucher schemes implemented in collaboration with the municipalities, to ensure trust from farmers

² Under normal circumstances a detailed analysis is suggested to choose the best response option/transfer modality (in-kind commodity vouchers or value vouchers) including a market analysis to assess functionality, accessibility, responsiveness to demand, risk analysis, possible delivery options, analysis of cost effectiveness and efficiency etc.. Due to the time constraint however, a detailed analysis cannot be undertaken beforehand. SDC recommends to use a pragmatic approach, where the implementing partner carries out a "light" rapid analysis complementary to the information shared by MoLMAC, Province 1.

- Assess the potential to enter into partnerships with input suppliers and vendors based on a pre-established selection checklist (e.g. certified and properly labeled inputs; proper handling practices that meet health safety requirements etc...)
 - Ensure that implementation can be done without putting individuals at risks of contracting COVID-19; coordinate with SDC and MoLMAC on ensuring that health and safety measures can be applied by suppliers.
 - Confirm the size (value)³ and content of packages with SDC.
 - Verify municipalities' beneficiaries list and ensure that *No One is Left Behind*; finalize beneficiary selection, registration and enrolment (including the establishment of a beneficiary database).
 - Design the (value) vouchers⁴, minimizing the risk of counterfeiting and maximizing readability and use for the beneficiaries. The value of the voucher should be denominated in the local currency and the text on the voucher should be written in the local language.
- ii) Implementation** (*note: In this concept note the implementation procedures have not to be too detailed, but the technical proposal submitted by the implementing partner should present a detailed step-by-step implementation table*).
- Establish and sign contracts with input suppliers. The contracts should mention technical specifications and quality standards of inputs provided, timeframe for payment, and stipulate participation in agricultural input fairs if applicable.
 - Establish the voucher redemption process with vendors, ensuring every stakeholder part of the process understands the redemption mechanism; and the terms and conditions of the voucher scheme.
 - Openly disclose information about the value of the vouchers, the list of approved inputs from which farmers can choose and the timeframe during which vouchers can be exchanged, in working municipalities.
 - Support the understanding of the beneficiary selection mechanism within the community (sensitization) by leading community sensitization sessions in collaboration with the local governments.
 - Assist municipalities' distribution of the vouchers to households.
 - Ensure that vendors/ agro-dealers keep track of the information on lot number, species, and varieties.
 - Liaise with MoLMAC as necessary in managing the logistics and effective working arrangements for transporting the inputs from the suppliers to the selling points.
 - Ensure that all businesses and individuals involved in inputs transportation and distribution are able to respect health and safety measures recommended to not spread the COVID19 virus. The implementing partner should flag any risk to SDC throughout implementation.
 - Collaborate with WFP VAM section who is already undertaking the market monitoring regularly to ensure market monitoring of local market prices and supply quantities are appropriate.
 - Establish a complaints and response mechanism. It should be a formal mechanism that provides a safe, accessible and effective channel for beneficiaries to raise complaints.

³ The packages are defined for different types of farming systems depending on the agro-ecological zone

⁴ Vouchers can be collected in booklets containing various vouchers of different denominations. Voucher booklets resemble a cheque book, where the first part of the voucher given to suppliers is separated from the stub by a perforated line; the second part of the voucher stub remains in the book, together with the hard cover. The second part is for the beneficiaries.

4. Areas of intervention

4.1. Issues to be addressed with a geographical focus

MoLMAC and SDC recommend that this intervention shall cover several municipalities in Province 1, where MoLMAC has identified the following pressing issues pertaining to production:

A) The Hills:

- ✓ The maize sowing is in progress. MoLMAC reported Fall Army Worm infestation in newly germinated maize crop, amongst all in Khotang, Bhojpur, Terathum, Udayapur and Dhankuta. Access to seed treatment, insecticides and fungicides will determine whether or not farmers can save the crops.
- ✓ Some farmers have integrated soya bean farming to mitigate risks of failure in solo maize cropping, for which they lack access to seeds and nutrients.

B) The Terai:

- ✓ The wheat harvesting is completed and the rice cropping season is starting, for which farmers' access to seeds, seeds treatment and fertilizers is currently under severe constraints.

4.2. Identification of critical inputs per geographical area

The selection of inputs that will be made available through this intervention shall reflect agro-ecological conditions, farmers' needs and preferences. To this end, SDC recommends the tentative composition of three possible packages of agri-inputs for a maximum size of 0.5 ha cultivated land, to address the challenges identified above.

The tables below provide an idea of the value size needed per voucher and the types of inputs that farmers should be enabled to purchase with one voucher, depending on their location and preference. As per this early diagnosis, the value of one vouchers would be Rs 5'500, to be used to purchase the proposed selection of inputs.

PACKAGE 1 - Cost of production for maize farming (solo crop) focusing on crop protection from the Fall Armyworm in the hills, per farmer.

	Inputs	Quantity	Cost (Rs)	Total Cost(Rs)
1	Local maize seeds	10kg	100	1000
2	Seed Treatment (Imidachloroprid 48%FS+ Carbendazim 50% WP)	40ml + 20gm	500	500
3	Fertilizers + micronutrients		1500	1500
4	Insecticides+ Fungicides		2500	2500
	Total			5500

PACKAGE 2 - Cost of production for integrated maize and soybean farming, per farmer

	Inputs	Quantity	Cost (Rs)	Total Cost(Rs)
1	Local maize seeds	7kg	100	1000
2	Local soyabean seed	10 kg	150	1500
3	Seed Treatment		400	400
4	Fertilizers + micronutrients		1400	1400
5	Pesticides+ Fungicides		1200	1200
	Total			5500

PACKAGE 3 - Cost of production of rice farming (solo crop) in the Terai, per farmer

	Inputs	Quantity	Cost (Rs)	Total Cost(RS)
1	Rice seeds	30	65	1950
2	Seed Treatment		200	200
3	Fertilizers + micronutrients		1850	1850
4	Pesticides+ Fungicides		1500	1500
	Total			5500

4.3. Number of beneficiaries

The number of beneficiaries to be reached are **20'000 farming households**. The implementing partner will be responsible to carry-out a quick market assessment and confirm the number of municipalities to be covered as well as the farming households (HH) with 0.5 ha and below in each consistency.

List of potential locations where above mentioned issues have been identified:

- **KHOTANG**
- **BHOJPUR**
- **DHANKUTA**
- **THERAHTHUM**
- **KATARI**
- **SUNSARI**
- **MORANG**
- **JHAPA**

5. Selection of beneficiaries and Conflict Sensitive Program Management (CSPM)

The main objective of this project is to provide access to agricultural inputs to farmers whose productions are at risks. The program will target farming households. As there is a risk in this kind of programming to create divisions between beneficiaries and non-beneficiaries. The exclusion and inclusion criteria (maximum land holding) will be clearly explained and discussed with the communities before the start of the program. Furthermore, the implementing partner

should commit to fostering gender equity and social inclusion. It should integrate these considerations into all aspects of the program cycle and through monitoring, ensuring that disparities are not exacerbated during the course of the response and that disaggregated data is provided to show contribution.

6. Monitoring and Evaluation Plan

The implementing partner will be responsible to provide monitoring data to assess the project's progress and ensure that beneficiaries are reached. The implementing partner will put a monitoring system in place to produce real-time evidence that the vouchers mechanism is functioning in all areas of implementation. This includes post-distribution monitoring (PDM) to give an overview of what goods beneficiaries have been purchasing, as well disaggregated information using the beneficiary database, to be able to assess how many women-headed households benefited from the scheme. This evidence will be aggregated and shared with SDC, outlining achievements and discrepancies as well as challenges encountered, as part of the joint review conducted at the end of the project with SDC. The final review should support conclusions about results and integration of best practices in similar initiatives in the future.

7. Timeframe and budget for bidders

This project shall be implemented quickly to respond to the COVID19 crisis, for max two months planned for **01.07.2020 – 01.09.2020**. The budget is CHF 1'500'000.

As part of the call for proposal the bidders shall submit a technical and commercial proposal, detailing budget allocation based on the information shared in the terms of reference.

• Submission of a Technical Proposal

For the technical proposal, the offeror must submit:

- (a) Cover page with organization's contact info and signed by an authorized representative of the company
- (b) Background on organization and relevant expertise, including description of relevant previous projects (max 2 pages)
- (c) Proposed work plan showing how the organization would execute this project including narrative on detailed activities and proposed number of staff to conduct the assignment (max 6 pages)

• Submission of a Cost Proposal

Offers must submit a cost proposal. The cost proposal should not exceed USD 1'500'000. This budget must be inclusive of all activities in the Scope of Work (Annex A). Cost proposal consists of:

- (a) Budget in Microsoft Excel with all formulas visible (unlocked)
- (b) Accompanying Word Document with all cost assumptions and explanations.

The deadline for submitting these proposals is the 9th of July 2020. Please send your proposal to coralie.blunier@eda.admin.ch (9851053402 for any queries)

The required expertise and skills for the implementing partner are expected to be the following:

- ✓ Strong and proven experience in designing and implementing Cash and Voucher (CVA) projects with a special focus on agricultural inputs assistance initiatives/voucher schemes;
- ✓ Excellent understanding of the agricultural sector, including seeds value chain, in Nepal;



- ✓ Good understanding of the existing market structure in Province 1;
- ✓ Strong and proven experience in working with local governments and municipalities to implement such initiatives;
- ✓ Physical presence (office) in Province 1 would be an asset.