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Swiss Agency for Development  
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# SAHAJ CHALLENGE FUND- ROUND 5 INFORMATION PACK



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## 1. INTRODUCTION

The Nepal Agricultural Market Development Program (NAMDP), also known as Sahaj (Nepali for ‘facilitate’ or ‘make easier’), is designed with three successive phases spanning across a 12-year horizon. Sahaj’s objectives are based on a vision of a thriving and inclusive agriculture sector, aiming to grow employment and income for Nepal’s rural population. NAMDP is a joint initiative of the Government of Nepal and Government of Switzerland. Funded by the Swiss Agency for Development and Cooperation (SDC), the program focuses on Koshi Province.

NAMDP follows a combination of Market Systems Development (MSD) and Inclusive Markets. While Phase I (March 2016-November 2020) had a clear mandate to bring about change at the level of smallholder farmers and Phase II (December 2020-November 2024) focusses more on investment, growth, and job creation along the entire agricultural value chain, including for exports. As a part of NAMPD’s program, this round of the Sahaj Challenge Fund (SCF) will focus on supporting service providers working in the thematic area of Climate Aspects of processed products in the maize, cardamom, dairy and vegetable value chains. With disruptive innovation being at the core of SCF, there will be a strong orientation towards trade and investment in increasing service provision with the overall objective of commercialization of the agricultural activities of the province.

The fund will provide financial and technical support towards increasing access to services and attracting/developing service providers that can help expand agricultural activities as well as market for agricultural products of Koshi- Province. Innovation, with disruptive potential, will be of prime importance for the challenge fund. NAMDP will, among others, connect with existing start-up support mechanisms to incentivize and launch disruptive innovation. The CF would look at proposals that address the following (covered in further detail under “guiding principle-section 1.2”):

- respond to market challenges.
- are innovative, and additional to what would have happened without Sahaj’s support.
- are inclusive, target women, marginalized groups, and other disadvantaged groups (DAGs).
- will be sustainable after Sahaj’s funding and have the potential to scale up.
- will contribute costs/funds to the proposed solution.

### 1.1 Challenge Fund Objectives

The objectives of the Sahaj Challenge Fund (SCF) align fully with the overall program objectives of NAMDP Phase II. As such, the fund intends to contribute to increasing employment and value-add in the agricultural sectors (maize, dairy, cardamom and vegetable) of Koshi Province in Nepal.

Specifically, this round of SCF will be used to solicit innovative ideas to reduce carbon emissions , lower carbon footprint and promote climate and environmentally sustainable practices in agri-businesses and agri-processors of the four priority sectors (please refer section 2 for further details). This round of the challenge fund aims to catalyze service providers within the four value chains to provide innovative and market driven solutions to improve the distribution channel of agricultural

products of Koshi province and to expand their reach on a country wide scale.

Importantly, the fund will aim to address those challenges where disruptive, ‘break-from-the-past’ type innovations are considered key to move the needle in service provision which can solve persistent bottlenecks in the private sector functioning in integration of climate aspects for agri-products in Koshi province and thereby contribute to a higher level of commercialization and economic value-add in the selected agri-sectors.

## 1.2 Guiding Principles

The SCF is guided by several principles. These are not specific procedures but present an approach that is adopted across the stages and phases of the fund and will also largely guide the assessment of applications.

- *Competitive process*- Given the limited amount of grant resources, grant applications will be assessed and compared to each other. Applications best meeting the pre-established selection criteria will be listed according to their contribution to the objectives of the funding cycle. The merits of each application will be graded, so that objective ranking is possible and eligible applications can be rank ordered.
- *Innovation*-Grants are often aimed at enabling new ideas and new concepts for which the risk linked to uncertainty makes it unattractive to the private sector. Three important considerations must be added:
  - What is considered innovative in Nepal may have been implemented in other countries (or even other regions of Nepal). The concept of innovation is defined as a product, business model, delivery model or service that has not yet been implemented in this form (in Koshi region) of Nepal.
  - The SCF targets innovation for direct, long-term impact. This is only possible if the innovation eventually becomes (financially and socially) self-sustaining. Innovation without realistic expectations of financial sustainability will not be considered by the SCF.
  - Given the expected nature of the SCF (largely unconditional grant funding), the fund targets disruptive innovation as a priority. This type of innovation has the highest potential from bringing step changes in productivity and value add in a sector, but it is also the hardest to implement and make into a success.
- *Cost sharing*-The SCF intends to leverage private sector funding, not to substitute it entirely. Therefore, the fund proposes co-financing or cost sharing of innovation initiatives. In general, the more established the company, the less ‘generous’ the support will be. For initiatives or business ideas that are at a very early stage of development, cost sharing by the applying partner may consist of time and/or resources invested in the idea.
- *Scalability*-Innovations will always be assessed on their potential to develop the entire market. Where innovations in products or services do not have any potential to scale up or be replicated, these will not be considered relevant to the SCF. In general, service businesses tend to have more limited scalability – a business plan with targets for scaling up is generally required to make the case for scalability.
- *Transparency*-The challenge fund must be completely clear and transparent about its rules and

procedures. The evaluation results of proposals will be communicated to the applicant.

- *Additionality*-The fund focuses in priority on development and innovation that would not have happened otherwise. It is almost impossible to provide evidence of additionality, but a case can usually be made based on the innovation level and risk factors.
- *Competition*-The SCF intends to limit its distortive effects by only investing where private sector financing is not available and focus on ideas and initiatives that realistically could not be financed commercially.
- *Reciprocity*-The expectation from the winning applicant is to contribute to social and economic impact in return for SCF's funding. This means that each funding recipient will be asked to provide information and data about this impact. Non-adherence to this requirement can be a reason to put collaboration on hold, or even abandon a funding project altogether.
- *Impact*-The SCF operates as an 'impact investor', placing funds where it expects to see positive social, environmental, and economic impact. The fund's decisions around impact will be driven by the NAMDP's result chain, log frame and impact targets at all times.
- *Gender Equality and Social Inclusion (GESI)*-GESI is an integral component for creating impact. Given the complexity of promoting or focusing on GESI aspects in private sector operations, SCF may include specific scoring criteria for GESI promotion. As a rule, the SCF will:
  - *Collect gender disaggregated data on recipient employment and impact of the funded initiatives.*
  - *Include the SCF in any gender reviews or assessments it undertakes as part of its operations.*
  - *Promote GESI-specific design of products or services with its recipients.*
  - *Include GESI criteria during the application process where this is relevant for the SCF topic or cycle.*

The SCF will pay special attention to reducing discrimination against traditionally marginalized communities including DAGs. Special emphasis will be given to an understanding of specific barriers faced by these groups, and ways of eliminating these.

- *Green growth, climate change*-The SCF considers the environmental and social impact of all its engagements. For the SCF, supporting solutions that actively contribute to green growth or fighting climate change will receive special attention. This may be either in the form of a separate funding round for relevant solutions, or preference during other rounds for solutions that include elements of green growth or fighting climate change.

## 2. IDENTIFIED CHALLENGE FOR THE THEME

Agriculture continues to be the mainstay of the Koshi province and provides livelihood to almost three fourth of the province's population. The province produces maize, dairy, cardamom, and vegetables in large quantities and has huge scope for businesses looking to further process these products. Production data from these value chains shows that 8 lakh metric tons of maize, 14 thousand metric tons of cardamom, 8 lakh metric tons of vegetables and 5 lakh liters of milk were

produced in the province in the year 2020-2021<sup>1</sup>. While production and processing of such products are being scaled up for the economic development of the province, the integration of climatic aspects continues to be neglected. With lack of awareness of low carbon practices and limited technical knowledge on usage of clean energy system and their adoption into agriculture value chains, most production and processing functions continue to depend on fossil fuels and firewood. This has resulted in high carbon emission and continuity of practices that are not sustainable. Besides dependence on fossil fuels, the use of plastics and non-biodegradable materials is also rampant in the agricultural sector. Another constraint that has been preventing the adoption of climate friendly practices is the management of agricultural and agro-industry waste with very limited focus on recycling of waste. This points to the need to integrate climate aspects into the processing functions within the four value chains. Any interventions in this regard will therefore need to focus on activities that minimize the carbon footprint and ensure environmental sustainability.

### **3. PROPOSED SOLUTIONS**

SCF will support agribusinesses and service providers by co financing the costs involved in developing and piloting new green and climate friendly business models and solutions, reducing the commercial risk and ensuring projects from 'no' to 'go'. Such projects will stimulate enterprises with innovative ideas or models for scale up. There is a market opportunity for such agribusinesses and service providers to integrate climate aspects into the various processing functions four value chains that are the focus area of NAMDP II. SCF will not only ensure that these businesses and service providers have low carbon footprint or emission through climate friendly interventions but also will support them develop/direct strategies so that such interventions are sustainable for their business. Examples of companies that the CF will support are agribusinesses and service providers with new and innovative ideas to provide services to lower carbon footprint within the four targeted value chains. Some of these companies could include energy audit firms, clean energy companies, agri-waste recycling companies, by-product processors etc.

### **4. ELIGIBILITY CRITERIA**

The Sahaj Challenge Fund is intended for disruptive innovations with long-term commercial sustainability, either by new companies (start-ups), small young companies (SMEs) or companies that intend to develop an entirely new business line.

In principle, the fund is limited to private organizations. Government agencies cannot apply as a rule. Industry associations are also not the expected applicants unless a proposal can present a commercially sustainable business model in which they have a value-adding role to play.

#### **4.1 Applicants**

Eligible applicants are:

- Nepali Companies (agribusinesses, service providers, start-ups, young service providers or a separate team or division from an existing company) that intend to develop a new business line with innovative integration of climate aspects

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<sup>1</sup> Statistical information on Nepalese Agriculture 2077-78 (2020-21)

## 4.2 Criteria

Service Providers and Agribusinesses:

- Operating in the selected or related field for at least 1 year or have a credible business idea and plan to form a business.
- That have minimum viable product, and solid business model and are looking to accelerate.
- That are financially sustainable (i.e. cash flow positive) or demonstrate a credible business plan/projections towards financial sustainability over the next three to five years;
- In case of an existing business, be registered at the company register and tax office and up to date on their registrations and tax duties.
- Able to demonstrate internal procedures and systems to ensure that the grant can be used transparently and efficiently.
- Be able to demonstrate their capacity to provide the funds budgeted for their own contribution.

## 5. PRIVATE SECTOR INCENTIVES & CONTRIBUTION

Developing innovative climate friendly and green solutions and services implies risk. These risks include failure to gain traction in the market, lack of the required level of technical knowledge, financial risk, risk of saturation of the market and failure to fit into the existing system. Sahaj CF aims to reduce risk, encourage innovation push for climate sustainability in the market. The challenge fund will seek out service providers and companies that can integrate low carbon practices into the existing processing system. These should be companies and businesses that have reached a certain level and are trying to take their operations and businesses to the next level. Through a cost sharing model and technical assistance, the CF will fill the resource gap in making this happen.

The fund can provide technical assistance (TA) to support the applicant in the form of access to experts and consultants to develop and refine the product/service to pilot it. This support will be provided during the first year of partnership through business plan, proposal development and implementation and may include:

- Financial Planning
- Sales and Marketing
- Restructure Business Model
- Operation Management
- HR Management
- Strategic Management

The applicant can indicate the need for TA. To provide bespoke TA, due diligence shall be performed. Sahaj shall draw on national and international resources and expertise to provide TA support.

### 5.1 Budget, Funding & Duration

The largest single award is not expected to exceed NPR. 5 million, although exceptions may be approved by the SCF Committee. SCF's support for investment in machinery and equipment will be capped at 30% of the total amount. Beyond this amount investment in machinery and equipment will have to be done by the applicants themselves. Since SCF prioritizes service provision and technical support, this will cover a large proportion of the investment. Applicants with the lowest percentage of expected investment in machinery and equipments from SCF will be prioritized.

## 5.2 Support Modalities

The majority of the SCF support is expected to be provided through grants. Where relevant, the Fund may consider providing technical assistance. In cases where established companies want to embark on a disruptive innovation, a conditional grant (risk-sharing)<sup>1</sup> or co-investment (matching grant) may be considered as well. Due to the nature of disruptive innovation, often done by new companies, no loan guarantees are expected to be provided, as these would imply repayment obligations soon after the disbursement (bank lending is generally considered less suitable for early-stage business initiatives).

## 5.3 Cost Sharing

While the nature of the SCF grant is primarily to support disruptive innovation, it is expected that partners (grantees) contribute to the projects and innovations they propose. The overall rate of cost sharing is variable, and a function of the stage of the company or partner SCF chooses to work with. In general, the more established (and cash-positive) a company is, the higher the expectation of cost sharing.

## 6. CHALLENGE FUND PROCESS AND TIMELINE

Please refer to the CF process and timeline figure which illustrates this section, in the next page, to enrich your understanding.

### 6.1 Call for Proposals & Application

A call for proposals will be issued through various media channels. The call for proposal window (publication until deadline for submission of applications) will be approximately four weeks.

Interested applicants can submit the application through website or submit the application documents physically at listed locations:

- **Practical Action Nepal, Lazimpat, Kathmandu**
- **NAMDP-Office, Biratnagar**

For any queries regarding the application form, you can contact Sahaj Challenge Fund team, contact details provided in this document below. Once the call is published, the program team will have an established process and time window in place for questions regarding the applications. The team will address and respond to each question received within 2 working days (48 hours).

### 6.2 Assessment of Proposals

After receiving the application, the assessment panel will review the application and bring to the surface any content questions or clarifications that the assessment panel may need to fully understand and evaluate received applications. Initial assessment of proposals is expected to be completed within two weeks. After the initial assessment the Sahaj Challenge Fund team will conduct due diligence on applications that pass the initial screening. The due diligence process will be carried out over a span of four weeks. During the assessment, the Sahaj Challenge Fund team will conduct physical visits to assess each applicant's business processes, interact with proposed business's stakeholders, conduct market reviews, and conduct an overall assessment of the fit of the application with the Challenge Fund's objectives. Alongside the due diligence assessment, the Challenge Fund team will also assist shortlisted applicants in filling their second stage applications. The scored proposals, with recommendations, will be forwarded to the SCF Committee who will make the final decision with regards to awards. The Committee will decide upon awards within ten days.

The criteria of assessment will follow the guiding principles of section 1.2 and the following:



- Applicant’s capabilities and resources.
- Main idea of the proposal (business model, product, delivery model), its sustainability and innovative elements;
- Potential impact of the proposal as compared to the fund’s targets and objectives.

Proposals that are considered not to have met the minimum (content) requirements for SCF awards will be notified by the project. Selected applicants will then be asked to give a presentation to the Sahaj Challenge Fund team regarding their proposed business plans.

### 6.3 Formalizing Partnership

When the SCF Committee has made a funding or no funding decision, the project will contact the applicant to formalize the partnership with their organization that may include negotiation on cost-sharing, an induction orientation, formulation of workplan, compliance and reporting requirement, and finally the Grant Agreement Signing. This is expected to take two to three weeks.

Figure below illustrates the CF process:

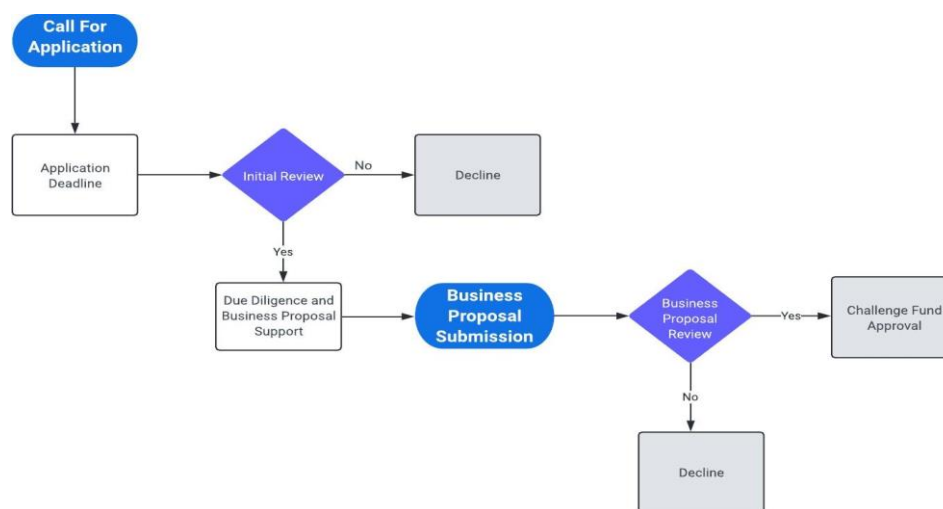


Figure 1: SCF Process and Timeline

Induction orientation: This should cover reporting requirements (including monitoring and results management (MRM), process to claim awards, commitment to GESI Strategy, code of conduct, operational guidelines etc.

### 6.4 Monitoring

Each proposal/project funded will have customized stipulations and conditions included in the legal agreements. Partners are required to submit monitoring reports throughout the project implementation period to assess progress, project impact and achievement of objectives. Partners must submit reports on a regular basis and are expected to assist evaluators where applicable. Based on the stipulations in the legal agreement, the project team will monitor the partner’s financial status and performance. The project will engage an independent financial auditor to carry out a financial audit for the contribution made by the project as and when deemed fit. The payments for the independent financial auditor will be borne by the project and is not part of the award.

## 7. FREQUENTLY ASKED QUESTIONS

### 7.1. What is the Sahaj Challenge Fund?

It is a mechanism by which NAMDP can engage with private sector organizations to solve persistent

bottlenecks which hamper their functioning in the agri-sector. Using various support modalities, the CF allows NAMDP to assist the organizations to overcome identified systemic challenges or address issues around systemic challenges.

### **7.2. How can I check if my application is aligned with the SCF funding criteria?**

Organizations are requested to read and understand the information pack before submitting their application. The information pack gives guidelines on how proposals would meet the funding criteria. Also, the applicants can submit their queries regarding the challenge fund at [info@sahacf.com](mailto:info@sahacf.com) or contact us at: +977-9802346067, 9802346066. Also, details of focal points are shared at the end of this section.

### **7.3. What kind of projects will be funded?**

This round of the challenge fund will be directed at private service providers and agribusiness for services related to climate aspects in the four value chains. Solutions/projects should support the long-term, sustainable solutions in the respective theme. Projects will have to be implemented in the Koshi province and should have an impact and GESI component.

### **7.4. When can I submit the application?**

Applications can be submitted from the day the SCF publishes the call for proposals. Tentative last date of application is 23<sup>rd</sup> July 2023.

### **7.5. Where can I submit the application form?**

The application form is available at the official website: [sahajcf.com](http://sahajcf.com). You may also download the form and have it filled and submitted physically at our assigned locations. You can also get them from the project focal points on request. You are requested to follow the template of the application strictly and if there is any confusion, the focal points will help you. Not following the template may result in disqualification.

### **7.6. Who can submit applications?**

- Organizations operating and registered in Nepal can submit the application to work in the Koshi Province.
- Operate in the selected or related field/theme for at least 1 year or have a credible business idea and plan to form a business.
- Start-ups that have minimum viable product, and solid business model and are looking to accelerate.
- Be financially sustainable (i.e., cash flow positive) or demonstrate a credible business plan/projection towards financial sustainability over the next three to five years.
- Be registered at the company register and tax office and up to date on their registrations and tax duties.
- Be able to demonstrate internal procedures and systems to ensure that the grant can be used transparently and efficiently.
- Be able to demonstrate their capacity to provide the funds budgeted for their own contribution.

**7.7. My project is already in operation, can I apply for upgrading this project or does it have to be a new and innovative idea?**

Yes, you can. You can apply to upscale and expand your operation to different areas. In this case, you need to justify that there is evidence that the project is worthy of up-scaling. What is considered innovative in Nepal may have been implemented in other countries (or even other regions of Nepal). The concept of innovation is defined as a product, business model, delivery model or service that has not yet been implemented in this form in the Koshi Province. Please refer to the guiding principles of the information pack for further information.

**7.8. How much is the maximum available fund to support my project?**

The largest fund awards are not expected to exceed NPR 5 million, although exceptions are possible if approved by the SCF Committee. No fund award shall be less than NPR 500K to manage the administrative workload involved in each individual engagement. If technical assistance is required, the fund awards will also include the cost of technical assistance.

**7.9. Can I use the funds to buy fixed assets such as equipment and machineries?**

30% of the support received from SCF can be used for investment in equipment and machineries. Beyond this amount investment in machinery and equipment will have to be done by the applicants themselves. Since SCF prioritizes service provision and technical support, this will cover a large proportion of the investment. Applicants with the lowest percentage of expected investment in machinery and equipments from SCF will be prioritized.

**7.10. How long does it take to make an investment decision on my application and how will I be notified about it?**

The assessment panel will generally take 3-4 weeks after the initial screening to recommend awards to the SCF Committee and the latter would take an additional week to make the final decision on awards. Then the project team will inform the applicant, regardless of the decision, via email or telephone.

**7.11. Do I need to contribute at least 50% of the project cost?**

No, but the CF is a competitive process and partners ought to contribute. The overall rate of cost sharing is variable, and a function of the stage of the company or partner SCF chooses to work with. In general, the more established (and cash-positive) a company is, the higher the expectation of cost sharing.

**7.12. How long should the project duration be? Can I have funding over two years?**

The project will be funded initially for one year (i.e., August 2023- August 2024). Depending on the proposal and the effectiveness of the partnership, Sahaj and the winning applicant can mutually agree on further support after the first year.

**7.13. What are the parameters the project will be looking at to reach the final investment decision?**

The criteria of assessment will follow the guiding principles of section 1.2 and the following:

- Applicant's capabilities and resources.
- Main idea of the proposal (business model, product, delivery model), its sustainability and innovative elements.

- Potential impact of the proposal as compared to the fund's targets and objectives.

#### **7.14. What are the reporting requirements? How often do I need to report the progress?**

Partners are required to submit monitoring reports throughout the project implementation period to assess progress, project impact and achievement of objectives. Partners must submit reports on a regular basis and are expected to assist evaluators where applicable. These will be detailed in the Grant Signing Agreement.

#### **7.15. Where can I get further assistance if needed?**

The following focal points are available to assist you if you need any further help:

- Ms. Anisha Shrestha  
Challenge Fund Support Staff  
Practical Action Consulting  
Email: anisha.shrestha2@practicalaction.org.np  
Phone: +977-9802346066
- Ms. Raashi Shrestha  
Challenge Fund Support Staff  
Practical Action Consulting  
Email: raashi.shrestha@practicalaction.org.np  
Phone: +977-9802346067
- Mr. Mohan Gautam  
Challenge Fund Implementing and Monitoring Officer  
Practical Action Consulting  
Email: mohan.gautam@practicalaction.org.np  
Phone: +977 9852028932
- Mr. Naveen Khanal  
Challenge Fund Implementing and Monitoring Officer  
Practical Action Consulting  
Email: naveen.khanal@practicalaction.org.np  
Phone: +977 9844707855
- Mr. Adhish Karki  
Team Leader- Sahaj Challenge Fund  
Practical Action Consulting  
Email: adhish.karki@practicalaction.org.np  
Phone: +977-9851345630
- Mr. Brajesh Malla  
Manager- Non-Agricultural Services, Swisscontact  
Email: brajesh.malla@swisscontact.org  
Phone: 01- 5528508 / 5548830
- Ms. Subhechchha Shrestha  
Manager- Agricultural Services, Swisscontact  
Email: Subhechchha.shrestha@swisscontact.org  
Phone: +(977) 21 417427/417428