



DRAFT OPERATIONAL
GUIDELINES ON INNOVATION
FUND



Draft Operational Guidelines on Innovation Fund

Section – I: Rationale, objectives, criteria

1. Rationale

Project beneficiaries, small and marginal farmers, and landless, depend on a number of local enterprises such as producers' associations, bazar associations, commodity based registered cooperative societies, input suppliers, financiers, technology providers, processing units and traders, to support their agriculture and allied activities, which are offering unique services to local producers. However, limited awareness and exposure, low economies of scale, and financial constraints make it difficult for these institutions to access business development services and grow. Some of these local enterprises mission met, such as Entrepreneurs Associates, Green Caravan and Reiek spice processing units, face technological, marketing and financial constraints to upscale their operations to support large number of small producers. Also, some local young entrepreneurs have business ideas to start small scale businesses but lack technical and managerial skills. Therefore, for supporting potential local enterprises financially to meet FOCUS goal and objectives, is important for long term sustainability of agribusiness enterprises of project target communities. Also, project states being hilly regions, face high transportation costs for movement of agriculture commodities due to access difficulties on account of longer rainy periods, landslides, and land sinking. Limited entrepreneurship and marketing opportunities coupled with low volume high cost of transport and limited risk-taking ability constrain agri-business development. The Innovation fund is envisaged to overcome these constraints by supporting potential agencies who can offer innovative solutions to project target communities.

2. Objectives

i. An innovation Fund (IF) is a funding mechanism through which agencies from the public, private or social sectors would work with FOCUS to implement specific sub-projects involving innovative approaches that support the overall objectives of the project. Such sub-projects should, ideally, have potential to be scaled up, either by FOCUS or other actors, so as to reach a larger number of households.

ii. The innovation fund fits with the overall goal and objectives of FOCUS which is "to increase the income of farm households and enhance their resilience to climate change in hill areas of Mizoram and Nagaland by increasing the environment sustainability and profitability of farming systems practiced by high land farmers.

3. Criteria

FOCUS shall support all innovative initiatives that enable meeting its objectives by:

i. improving existing Jhum practices through improved Jhum management and conservation works leading to strengthening of immediate and long-term household food security, and surplus marketable agriculture produce.

ii. promoting settled agriculture by facilitating improved production and increased income from high value cash crops.

iii. adopting value chain approach to encourage appropriate practices and technologies leading to value addition, building profitable market linkages, for better incomes and promoting youth entrepreneurship and skill building.

iv. Animal Husbandry & Veterinary approach on promoting production, management, marketing on livestock based.

Section – II: Potential activities, who can apply, location and target group

1. Potential activities to be funded

Activities that shall be supported by the innovation fund include (but not limited to) the following:

i. Testing and dissemination of innovative technologies and approaches resulting in improved productivity and efficiency of jhum cultivation, settled agriculture, livestock, value chain commodities, and marketing.

- ii. Setting up grassroots level aggregation systems by supporting new and existing common facility centers in project locations for promoting marketing of agriculture produce, establishing market linkages, storage techniques, aggregation of farm produce, primary processing such as cleaning, sorting and grading, and marketing.
- iii. Establishing processing units (including higher order processing such as extraction of oleoresins and capsanoids), packaging, branding, brand promotion and establishment of market linkages for value addition of farm produce.
- iv. Establishing profitable marketing linkages with contract farming arrangements including trainings in improved package of practices.
- v. Market linkage on feeds and other innovative approach based on livestock.
- vi. Promoting new technologies or processes such as Geographical Indications (GI), E-marketing, solar drier technologies, energy solutions of enterprises, improved storage and farm mechanization.
- vii. Promote entrepreneurship and vocational skills amongst youth related to pre-production, production and post-harvest technologies including provision of funding support for establishing enterprise related to agriculture and allied activities.
- viii. Supporting producer and business community associations, commodity based cooperative societies, and agri-processing units to improve logistical, financial and technical capabilities to expand their businesses.
- ix. Supporting youth and women associations willing to undertake and promote innovation fund related activities in project locations.

Following are examples of some specific sub-projects that IF may decide to fund:

- i) Aggregation, processing, packaging, branding, and marketing of select crops
- ii) Expansion and technology upgradation of existing processing units and establishment of new processing units.
- iii) Technical support, training, bank loan access, and handholding support to youth for establishing agribusinesses.
- iv) Establishing contract farming arrangement with reputed agencies from outside including facilitating farmers with training and improved package of practices to establish a system of market oriented production.

2. Who can apply

Following is a list of potential institutions, but preference will be given to local institutions. Other potential agencies can also apply subject to approval from FOCUS.

- i. Local producers' and bazar associations
- ii. Local agribusiness and spice processing units
- iii. Local youth associations
- iv. Local commodity based cooperative societies
- v. Specialized business and marketing agencies
- vi. Specialized technology service providers
- vii. SHG Federation/ Voluntary Organization, FPOs, NGOs and Corporations, research institutions
- viii. CAHW/ VFA and Local youth promoted partnership and private agencies/business entities
- ix. Registered Farmer Interest Groups (FIGs) under IFAD-FOCUS Mizoram (FIG registration form to be countersigned by concerned DPM)
- x. Agro-related business covering veterinary supply, feed supply, meat processing, private nursery & agro processors.

*** Women entrepreneur fulfilling the criteria's of FOCUS Innovation Fund will be given preference in the final selection of the sub-projects.

3. Geographical location and target group

i. FOCUS will cover 6 districts i.e. Champhai, Kolasib, Serchhip, Mamit, Saitual and Khawzawl of Mizoram state.

The project target group includes Jhum and settled farmers, supported landless farmers and value chain commodity farmers.

ii. Sub-projects funded by the Innovation Fund (IF) will be established in strategic locations of Mizoram. Preference will be given to agencies/individuals planning to establish facilities within the project locations.

Section – III: Selection process

1. Basic requirements

Agencies/business entities registered under the in the state of Mizoram will be preferred. The method of procurement shall be Quality Cost Based Selection (QCBS) as per IFAD Procurement Guidelines (call for proposal, evaluation, contract award, contract monitoring).

The requirements for seeking IF funding are as follows:

- i. Registered body, conforming to all the obligations under the law of the land.
- ii. Availability of land, building, electricity connection for setting up new processing unit.
- iii. Demonstrated financial management capacity.
- iv. Availability of staff to supervise and implement the proposed project.
- v. Ability to monitor and evaluate the project.
- vi. No agency/business entity which has been blacklisted by the respective state government or Government of India, and also those with non-performing assets with commercial/cooperative banks, will be eligible.
- vii. Agency/ business entity should have potential ability to market the finished products to Local/ State/ outside the state.

** Positive/Favorable consideration will be given to applicants having high proportions of women/youth participation.*

*** Proposals having crops/ livestock in line with FOCUS Activities may be given priority provided they have at least 50% linkage with existing FIGs under FOCUS.*

**** Favorable consideration would be given to applicants contributing greater than the specified percentage of their own contribution.*

2. Call for proposal (Request for Expression of Interests)

The selection process commences with an annual call for proposals. The call for proposals shall be disseminated through local newspaper by advertising a summary with a request to download the details from project's website. A system of distributing detailed call for proposals through e-mail distribution, social media platforms, and brochures will also be followed. The call for proposal advertisement/announcement may contain following points:

- i. Scope of activities, sub sectors, and sub-projects to be funded – agencies can submit potential sub-projects from amongst the list mentioned under previous section.
- ii. Location of sub-projects – agencies need to mention specific village, block/circle, and project districts where it plans to operate.
- iii. Target group: agency needs to specify its target groups (landless, jhum farmers, small and marginal farmers, youth and women), number of project beneficiaries targeted, gender, land holding requirement if any etc.
- iv. Who can apply: list of agencies who can apply as mentioned in previous section.
- v. Two-page concept note outlining the proposed sub-project (template annexed)
- vi. Duration of sub-project – maximum three years
- vii. Mode of funding – Primarily grant from SCRAM.
- viii. Proposed scale of the sub-project - in terms of size of the grant and numbers of households to be covered.
- ix. Language of proposal: English

- x. Size of grant: Maximum up to INR. 50 lakh (75 lakh total project cost) and minimum INR 3.5 Lakh (5 lakh total project cost)
- xi. Funding pattern: maximum 70% grant from FOCUS and minimum 30% contribution from applicant or beneficiary. Applicants bringing higher contribution would be preferred.
- xii. Number of agencies to be shortlisted: based on screening of concept note at the state level shortlisted agencies to be called for making presentation and submitting full proposal.
- xiii. Sub-project approval: the detailed proposals will be appraised by an appraisal committee consisting of PMU staff nominated by the State Project Director. The proposals seeking up to INR 50 lakh support from the project and shortlisted by the appraisal committee for sanction will be reviewed and approved by the Project Management Committee (PMC). Thereafter, the approved proposals will be reviewed by the reviewed by the Project Management Committee and placed before the Project Steering Committee for sanction.
- xiv. Final date for submission of proposal by agencies - one month from the call for proposal announcement.

3. Submission of proposal

- i. The following are the basic submission requirements for the IF application:
- ii. The project/client shall call for Request for Expression of Interests (REOI) which shall be open for all interested parties (agencies/business entity).
- iii. The interested parties shall submit a concept note of their proposal and letter expression intent to apply for the IF funding based on the REOI documents.
- iv. Interested applicants may submit their IF EOI within 20 days from the date of announcement to the State Project Director, FOCUS-Mizoram.
- v. The project/client shall evaluate the Expression of Interests (EOI) documents and shortlist the candidate
- vi. The shortlisted candidates shall be called for Request for Proposals (RFP) where the candidates shall have to submit a full technical and financial proposal for the IF. The proposal shall be submitted within 20 days from issue.
- vii. Interested applicants may submit their IF proposal's to the Office of the State Project Director within One month from the date of announcement.
- viii. The duration (dates) for each stages may be changed/updated as per necessary.

4. Short-listing agencies and concept notes

FOCUS-Mizoram (SCRAM) would form a Screening Committee at PMU, headed by a senior staff, consisting of technical and marketing staffs, to screen proposals and draw up a shortlist. In case, a subject matter specialist is not available within PMU for any particular proposal, the same can be hired from pool of local experts or open market. Shortlisting concept note would involve:

- i. Assessment of the qualifications of agencies/business entities. This would include: (i) an examination of documents and other information as mentioned in the announcement; and (ii) an assessment of the experience, resources and qualifications to implement the proposed sub-project. The latter point will vary according to the type and scale of the sub-project.
- ii. Evaluation of the concept note against a number of criteria to determine how well it meets the objectives of the FOCUS Innovation Fund, and cost effectiveness.
- iii. The shortlisting of agencies and concept papers to be completed within one month and shortlisted agencies are intimated.

In case, the project receives concept papers from a large number of agencies, project may restrict number of agencies based on fund availability by developing suitable screening and selection criteria.

5. Invitation for presentation

Shortlisted agencies/business entities will be invited within two weeks from the announcement of the shortlisted agencies/business entities to make a Power point presentation to the Screening Committee for final screening. The presentation could cover the following aspects of the proposal:

- i. The objectives of the proposed intervention and what problem is to be addressed?
- ii. What is the proposed innovation? Where has this been tried before? What are success factors? What are the risks involved?
- iii. Proposed outputs
- iv. Implementation modalities: sub-project implementation, management and monitoring, timeline, responsible staffs, number of staffs, institutions to be involved in implementation
- v. How would innovation be made sustainable? What would be the exit strategy for sub-project activities?
- vi. What resources are needed to implement the sub-project? What resources would come from sources other than FOCUS-Mizoram?
- vii. What is the potential for scaling up? How might scaling up be done?

After the presentation, there could be a question-and-answer session to clarify issues and to provide the Screening Committee with a better information on the proposal. Following presentations, the Screening Committee will make a final selection of sub-project implementing agencies and intimate them to submit the full proposal within one month of the official communication.

6. Selection of final full proposal and approval

Once the full proposals are received from the shortlisted agencies, PMU would list out all proposals received. Shortlisted agencies have 30 calendar days to submit final proposal (refer attached template) from the date of intimation. Proposals received after the deadline set by the PMU will no longer be accepted for that round. The Screening Committee shall review the full proposals, select them, and then go for final approval by the Project Management Committee. The sub project approval process is detailed in section 3.2. Once final approval has been given, a grant agreement shall be signed between the agency and PMU for implementation of the sub-project. The selected agency shall commence implementation within 30 days of receipt of the first instalment of funds.

7. Selection points

- i. Relevance of the proposed project to the goals and objectives of the FOCUS Project and its strategic contribution towards achievement of project outcomes.
- ii. Logic and clarity of the design (identification of clear and detailed activities, inputs, outputs and results; assessment of risks and mitigation; anticipated quantifiable improvements).
- iii. Technical, market and financial feasibility of the proposed project.
- iv. Use of strategic partnerships and collaborations to undertake the project in consultation with key stakeholders and project beneficiaries.
- v. Willingness to commit own finances, human resources and equipment needed for project implementation.
- vi. Value for money and cost effectiveness

8. Funding disbursement procedures

The following shall guide the utilization and releases of funds for the IF:

- i. Fund release for activities under the IF shall be done only after a grant agreement has been signed by the PMU and the selected agency/business entity.
- ii. Joint Account will be opened which is to be operated by Deputy Director (AH & Vety.) and one (1) member from the agency/ business entity. Any interest borne from the Joint Account will be given to the agency/ business at the final installment.
- iii. The release of the grant monies shall be guided by the schedule of payment and milestones to be achieved as indicated in the final activity proposal and grant agreement.

Grant funds shall be released in up to three (3) instalments:

- 1st instalment - 40% upon signing of grant agreement
- 2nd instalment - 30% upon acceptance of first report and milestone
- 3rd instalment - 30% upon acceptance of second report and milestones

Installment Utilization time frame:

- i) The agencies/ business entity should submit their utilization certificate within 2 months from the date of released of each installment.
- ii) Upon failing to produce the said utilization certificate within the stipulated time, the agency/ business entity should submit in written, the reason for failure to the State Project Director.
- iii) In case civil construction works is involved in the project, 3 months may be allotted for utilization of funds.

If procurement of machineries and equipment are involved then instalment terms may be revised suitably. Before any succeeding instalment of money is released the organization must submit an utilization report for previously released money. In case sub project face techno-managerial issue, PMU will have to provide professional support. The method of grant fund release shall differ depending on each project and as per the discretion of the Steering Committee.

9. Monitoring and Evaluation

The monitoring team created under the project at state and district level shall be responsible for monitoring and evaluating implementation of IF subprojects in the state. The marketing and technical team at state and district level shall review the performance of subprojects, discuss ways to improve their efficiencies, and provide overall guidance and support for their growth. Specific subprojects specialists can also be hired to provide need based techno-managerial support to subprojects.

Monitoring, Evaluation & Appraisal Committee:

Sl. No.	Members	Designation	Management Unit
1	State Project Director	Chairman	PMU
2	Deputy Director, AH& Vety.	Member Secretary	PMU
3	District Project Manager (from each concern district)	Member	DMU
4	Manager (F&A)	Member	PMU
5	Manager (M&E)	Member	PMU
6	Marketing cell (Managers)	Member	PMU
7	Assistant Manager- Finance/ Planning (from each concern districts)	Member	DMU
8	Technical Officers	Member	DMU
9	Junior Engineer (from each concern district)	Member	DMU
10	Technical Assistant	Member	PMU

FOCUS Innovation Fund (IF) Proposal Selection Process:

