

# Social Development Foundation

## Operational Manual Productive Investment Fund



**`Z' House, 6/6 Block – F, Lalmatia**

**Mohammadpur, Dhaka – 1207**

**July 2015**

## Operational Manual

### Productive Investment Fund

	Page #
1. Introduction	05
1.1 Country Context	05
1.2 Organizational Context	06
1.3 Project Background	07
2. The Productive Investment Fund	08
2.1 Objectives	08
2.2 Expected Outcomes	08
3. Eligibility of PIF Funding	09
3.1 Eligible Criteria of Receiving PIF	09
3.2 Eligible Investment Opportunities	10
3.3 Eligible Expenditure under PIF Support	11
3.4 Non-Eligible Expenditure under PIF Support	12
4. Announcement/Circulation of PIF	12
4.1 Proper dissemination of the Announcement	14
4.2 Preparation and Submission of Application/Project Proposal	14
5. Screening of proposals	15
5.1 Primary Screening of PIF Proposal	15
5.2 Appraisal of fund Proposal by AMT	16
5.3 Evaluation of Proposal by Review Panel	18
6. Publication of Results of PIF Proposal	20

7. Contract Agreement between SDF and Producer Group	20
8. Financial management of PIF	21
8.1 Release of fund against PG	21
8.2 Procurement	23
8.3 Accounting and auditing	24
8.4 Fund closing	25
8.5 Suspension and cancellation of PIF	26
9. Environmental and Social Consideration	26
9.1 Environmental	26
9.2 Social	28
 Annexes	
4.1: Draft Announcement for Submission of Project Proposals	30-33
4.2: Draft Format for Project Proposal – Application	34-42
5.1: Draft Format for Primary Screening of Proposal	43
5.2: Draft Format for Appraisal and Monitoring Team (AMT) Scoring/Evaluation of Proposal	44-46
5.3: Draft Format for Review Panel Scoring/Evaluation of Proposal	47-48
7.1: Draft Format for Umbrella Financing Agreement	49-58
 Appendix I: Details of the eligible criteria for selection of Producer Group	 59-61

## Operational Manual Productive Investment Fund

### Acronyms

AMT	Appraisal and Monitoring Teams
CO	Cluster Officer
COM	Community Operation Manual
CP	Community Professional
DM	District Manager
DOC	Day Old Chick
ELINJP	Empowerment and Livelihood Improvement Nuton Jibon Project
FGD	Focused Group Discussion
FY	Fiscal Year (July to June in Bangladesh)
GoB	Government of Bangladesh
GS	Gram Shamiti
HQ	Head Quarter
IDCOL	Infrastructure Development Company Limited (BD)
IGA	Income Generating Activity
MD	Managing Director MD
MGD	Millennium Development Goals
NGO	Non Government Organization
NJCS	Nuton Jibon Community Societies
NJG	Nuton Jibon Groups
NJLIP	Nuton Jibon Livelihood Improvement Project
PG	Producer Group
PIF	Productive Investment Fund
PP	Power Pump
RD	Regional Director
RJSC	Registrar of Joint Stock Company
SDF	Social Development Foundation
SIPP	Social Investment Program Project
STW	Shallow Tube Well
Tk	Taka (Bangladesh currency)
WFP	World Food Program

## Operational Manual Productive Investment Fund

### 1. Introduction

The Social Development Foundation (SDF) is operating Nuton Jibon Project to reduce poverty in vulnerable sector of rural poor through empowerment and livelihood improvement since 2003. The project empowered the selected poor and hardcore poor households through awareness and capacity building with a view to operate different income generation activities (IGA). By the course of project execution, numbers of community groups have improved their livelihoods through income generating activities like milk production through cow rearing, beef fattening, goat rearing, vegetable cultivation, fish culture and small trades etc. At this stage the selected community groups need support to transform their IGAs to small enterprises in order to shift their family business to community business in larger scale. The concept of producer group is initiated by organizing the potential producers of similar IGAs like dairy group (those who are rearing improved breed of cow for milking purpose), beef fattening group (households rearing male calf for fattening purpose), vegetable groups (producing same kind of vegetable like tomato or eggplant or bitter gourd etc), handicraft group (who are stitching garment products) etc. The producer organizations are being selected to help in scaling up of existing IGAs to small enterprises by value addition through improvement in quality of marketable products. A productive investment fund (PIF) is planned to be tuned to improve the commercial orientation and market integration of advanced producers groups to be used mostly in market facilitation, value addition of products and business development activities.

#### 1.1 Country Context

Bangladesh is situated in the north of the Bay of Bengal in South Asia and is predominantly low lying. The alluvial plains of the delta are formed by the Ganges, the Brahmaputra and the Meghna rivers. The economy of Bangladesh is primarily dependent on agriculture. About 71 percent (measured by World Bank using data of 2012<sup>1</sup>) of the total population live in rural areas and are directly or indirectly engaged in a wide range of agricultural activities. The agriculture sector comprises of crops, forests, fisheries & livestock and generates 47.5 percent<sup>2</sup> of total national employment, of which crop sectors shares nearly 55 percent. Between 2000 and 2003, agriculture provided work to about 52 percent of the labor force (BBS 2004). Agriculture sector contributes roughly 20 percent to gross domestic product (GDP), with crops representing 11.2 percent, livestock 2.7 percent, fisheries 4.5 percent, and forestry 1.8 percent (Bangladesh, Ministry of Finance 2011). As per Bangladesh Economic Survey 2012, contribution of agriculture to GDP growth declined to 19.29 per cent in FY 2011-2012 from 20.01 per cent in FY 2010-2011. The contribution of agriculture to GDP growth was 33.07 per cent in 1980-81, and has been declining almost every year. In 2000-2001 the sector's contribution was 25.03 per cent and in 2005-2006 21.29 per cent.<sup>3</sup>

1.

<sup>1</sup> <http://www.tradingeconomics.com/bangladesh/rural-population-percent-of-total-population-wb-data.html>

<sup>2</sup> DAE/AIS 2013, BBS 2006 & 2012

<sup>3</sup> New Age, The National daily Newspaper, 12 June 2012, published from Dhaka, Bangladesh

Still the importance of agricultural sector in the country's economy would have a large share in years to come.

Bangladesh is one of the densely (1142/sq km) populated country with 149.77 million people, so, cannot escape the fact of severity of poverty. However in recent days the situation of poverty alleviation has greatly been improved. The annual average rate of poverty reduction increased from 0.5 to 1.5 while human poverty index went down to 31.5 in 2010 from 41.6 in 2005. By analyzing the data in BBS's Household Income and Expenditure Surveys (HIES, 2005, 2010), it has been observed that the headcount poverty index (measured by Cost of Basic Needs (CBN) method) of the country is in decreasing trend since 1991-92 to 2010. By and large the poverty index OF THE COUNTRY was 58% in 1991-92; 51% in 1995-96; 49% in 2000; 40% in 2005 and 32% in 2010.

In 2009, the World Food Program (WFP) released maps that show clear correlations between poverty and regions that are at a high risk of climate-related shocks. WFP identified the northwest (Gaibanda), the northeast (Jamalpur), and the southern coast (Barisal) as extremely vulnerable.<sup>4</sup> These areas experience more frequent and damaging floods because of

**Hardcore Poor:** are landless households having only homestead without agriculture land. They are daily wage earners who sell labor advance and cannot take 3 times full meal/day. Household heads are mostly incapable as daily earner and put the family under constant burden of debt that leads to live them in thatched/leaf/tin shed house and cannot send their children to schools due to lack of money.

**Poor:** are not advance labor sellers, and this category of households possesses maximum 50 decimal land including homestead with per capita income of not more than Tk 1245/- per month. These families are mostly sharecroppers, small traders and they do per time works with others house/business. Household head is income earner, not loan taker from money lenders, and able to send children (above 6 years) to school. They lived in thatched or tin shed house

**Lower Middle Class:** are households possess minimum 100 decimal lands with per capita income of not more than Tk 1478/- per month. These families cultivate their own lands and also do sharecropping, work in their own land or business, purchase labor for cultivation and maintain livelihoods through self employment. Takes 3 times meal/day by their own, send children to school, use hygiene latrine and live in tin shed house.

the increased intensity of monsoon rains. The Poor and hardcore poor (elaborated in the box as defined by SDF 2012) are most vulnerable as they have less access to early warning systems and resources, and are least likely to be prepared. Women are especially adversely affected because they are less mobile than men, have more household responsibilities, and are more vulnerable to exploitation and sexual harassment in pre and post disaster situations

## 1.2 Organizational Context (SDF)

The Government of Bangladesh established SDF (Social Development Foundation) in 2000 as an autonomous organization 'not-for-profit' and it was registered under the Company Act – 1994 on July 28, 2001. SDF emphasized that the sustainable rural development should encompass enhancement of the livelihoods of the rural poor and hardcore poor by creating efficient and effective financial arrangements through building institutions at the village level, increasing their access to knowledge and resources and thereby empowering them. The organization has evolved and implemented innovative approaches to address hardcore poverty in partnership with

2.

<sup>4</sup>Updating Poverty Maps of Bangladesh, The World Bank, Bangladesh Bureau of Statistics, World Food Program, 2009

communities, NGOs, Government and private actors to emerge as a pioneering agency for social development in the country. SDF enriches and sustains the lives and livelihoods of country's excluded hardcore poor through an integrated program of empowerment, capacity building, finance, and social investment. It places communities in charge of their own development and facilitates that development according to community demands. The organization has been assisting the government in achieving the Millennium Development Goals (MGDs) set by the United Nations and thus helps build a poverty-free country by gradually reducing poverty in its area of operations with following objectives:

- Expanding the scope for pro-poor economic growth through expanding income and employment opportunities for the poor
- Fostering human development for the poor
- Providing social safety net for the poor against shocks and
- Favorably influencing participatory governance by enhancing voice of the poor and strengthening women's role in decision making in the development process

The SDF is responsible to operate the Nuton Jibon Livelihood Improvement Project (NJLIP) financed by World Bank. The project has the provision of Productive Investment Fund (PIF) to be used for promotion of business enterprises through producer groups in three regions (Khulna, Mymensingh and Barisal) of the country. The SDF has its regional and district offices at the rural areas in 21 districts of the country.

### **1.3 Project Background**

With support from World Bank, GoB initiated Social Investment Program (or Nuton Jibon) following a comprehensive model for the poor and hardcore poor through self-governed community institutions almost ten years ago. The Program was piloted in two districts and 120 villages in 2003. In 2008, the program was scaled-up under the Social Investment Program Project (SIPP-I), covering seven districts and 1,587 villages and introducing new opportunities for improving access to financial resources for poor and hard-core poor. A follow-up project (SIPP-II) expanded activities into 16 districts and around 3,200 villages. SIPP-III, which is now called Nuton Jibon Livelihood Improvement Project (NJLIP) is the next follow-up project being implemented by the Social Development Foundation (SDF) as of earlier programs. This NJLIP consists of three components: (a) Community Institutions and Livelihood Development; (b) Business Development and Institutional Strengthening; and (c) Project Management, Monitoring and Learning. The project is aimed to increase livelihood opportunities of poor and hardcore poor by facilitating their organization into producer groups, cooperatives and societies and by improving their market and business orientation and forward and backward linkages in the market systems. Specific objectives are (i) build and strengthen producer organizations as market partners and commercially oriented entities; (ii) facilitate interaction between producers and traders/processors of products in the down- and up-stream value chains; and (iii) support market/business oriented investment to solve

bottlenecks in the market chains and/or adding value to the products (e.g. poor and hardcore poor capturing a higher share in the value chain).

## 2. The Productive Investment Fund

The NJLIP aims to improve the business opportunities of producer groups through strengthening pre and post harvest processing and value addition of their marketable products. For this purpose, qualified producer groups can apply for a grant fund by the name of 'Productive Investment Fund' directly from the project. The producer group may use the fund to meet up the cost of business promotion for producer groups. The fund would be available based on application and would require a sound and viable business plan. Funding would be provided for investments in jointly used assets (e.g. storage facilities, product processing or pre-processing, packaging, grading, transportation equipment, fresh-keeping or cooling equipment, etc.) and for the procurement of services. Producer groups would receive a maximum funding of Tk 1600,000/- (sixteen lakhs) from the project per one investment proposal and would be required to provide a co-financing of at least ten percent (10%) of the investment costs. Investment proposals with the related business plans would be evaluated by the regional Appraisal and Monitoring Teams (AMTs) reviewing the technical and financial viability of the proposal. A national level selection body: Review Panel (RP) would select the proposals to be approved for funding by SDF management at the headquarter level.

### 2.1 Objectives of the Investment Fund

- a) To increase capacity of producer groups and strengthen producer organizations as market partners and commercially oriented entities
- b) To facilitate interaction between producers and traders/processors of products in the downand up-stream value chains
- c) To support market/business oriented investment to solve bottlenecks in the market chains and/or adding value to the products and
- d) To improve market access, move up productivity and earnings, and promote pro-poor growth of the producer groups

### 2.2 Expected outcomes of PIF

- Introduce value addition and commercial production of farm products and organize the popular income generating activities under potential rural enterprise development concept
- Ensuring product quality and product standards by uniformed production and group control
- Linkage and business relationships with different market operators/actors and actual producers
- Skill of rural organized producers are to be increased in the area of technology adoption and business development entities



- Increasing volumes of marketable products
- Ensure higher price of the products for the organized producers and thereby income of rural households expected to be increased

### **3. Eligibility of PIF Funding**

The PIF funding would be limited to those business proposals and Producer Groups aimed to develop certain small or medium enterprises in three regions (Mymensingh, Barisal and Khulna) of SDF where matured producer group are available. The programme would not aim widely to provide investment funds for large-scale businesses rather to develop small scale business entities for the rural producers. Support may provide to develop linkages between large scale business centres with the producer groups or smaller suppliers. The Eligibility of Producer Group (PG), applicants, project proposals is elaborated in the following sections.

#### **3.1 Eligible Criteria of Receiving PIF**

The PIF will be given to the Producer Groups based on their application/proposal explaining its prospects and viability in order to expand their business at the scale of small or medium enterprise. The screening of eligible PGs is a question of success of the fund utilization. The SDF staff at district level with assistance from the respective cluster offices will have to make an in-depth screening process to identify the eligible PGs who will qualify for receiving the fund. The district office of SDF will shoulder the responsibility of identifying the qualified PGs based on certain criteria. However, the field staff will also have to use their skill and experience about the potentialities of PGs during selecting the appropriate PGs for PIF funding. The selected staff of the district office would identify the eligible PGs based on the following set criteria.

The PG should have the following eligible criteria to receive the PIF:

1. 80% of the group members should be for one year or longer PG members.
2. 80% of group member should be women,
3. Most of the group members should have regular loan repayment record
4. The PG should have registration from legal authority (GoB)
5. The producer group size would be with minimum 15 members
6. The PG need to have bank account in local commercial bank
7. No instance of internal conflict between members in last one year
8. Agreed to invest the PIF in joint assets (common equipment and machinery for production and post production processing, grading, packaging and storing activities) and

building/hiring small scale infrastructure like collection point, marketing centre and cooling equipment

9. The group members largely to produce similar marketable products (single IGA based)

For further clarification of the criteria stated above **Appendix I** may be consulted.

### 3.2 Eligible Investment Opportunities of PIF

The PIF is a grant fund to be disbursed under certain fixed terms and conditions by SDF to the producer groups to promote the rural enterprises and thereby ensuring the capacity building of poor and hardcore poor families. This fund is restricted to be used for business items those are common in nature avoiding investment against personal interest. The important consideration is that in which items of selected rural enterprises to be supported by PIF and to what extent. A quick survey was done in Jamalpur region through FGD techniques with 7 producer groups in 3<sup>rd</sup> week of June 2015 and identified some of the opportunities as per IGA being popularly practiced in the region. Discussion was made with the NJCS, district and regional levels officers/staff of SDF to select the business opportunities. Based on the output of FGDs, discussion meeting at different tiers of Communities and SDF setups, and considering the outputs of workshops organized by SDF in all three regions the following investment areas have been preliminary identified where PIF could be used. However, these selections of investment items/areas are only for opening the variable options to the investors (Producer group members), which in no way limits the options of investment of PIF. Any innovative ideas of investment will equally be evaluated with importance. PGs are free to come forward with new ideas of investments too.

SI #	Name of Enterprise	Possible Investment Opportunities of PIF
1	Small scale dairy farm	<ul style="list-style-type: none"> <li>- Skill development training with refresher course (leadership, financial management, value addition and marketing etc)</li> <li>- Chilling center; Milk cane for group; Lactometer/Thermometer; Carrying van; First aid box</li> <li>- Fodder production for PG in leased land</li> <li>- Emergency treatment fund</li> <li>- Card, sweet, ponir, and other milk products to be prepared</li> <li>- Promote bio-gas plant</li> <li>- Setting AI center with necessary instruments</li> <li>- Promotion of vaccine guns</li> </ul>
2	Beef Fattening	<ul style="list-style-type: none"> <li>- Skill development training</li> <li>- Transportation cost for quality calf purchase under group approach</li> <li>- Transportation cost for distance marketing under group approach</li> <li>- Livestock medicine and feed store in local market under branding of PG</li> <li>- Fodder production under group farming in leased in land</li> <li>- Exploration of market opportunity</li> <li>- Promote bio-gas plant</li> <li>- Promotion of vaccine gun</li> </ul>
3	Vegetable Production	<ul style="list-style-type: none"> <li>- Power tiller; Carrying van; Power sprayer</li> <li>- Collection center cum store of implements</li> <li>- Tomato pulp and other processing of vegetables</li> <li>- Safe vegetable and spices production in group farming</li> <li>- Safe vegetable marketing in local market under branding of PG</li> </ul>

SI #	Name of Enterprise	Possible Investment Opportunities of PIF
4	Fish Culture	<ul style="list-style-type: none"> <li>- Skill development training</li> <li>- Collective purchase of fingerlings and fish meals</li> <li>- Feed producing machine: reduce price to Tk 25-26 from Tk 32-35 in market (low quality); Carrying van for marketing; Net supports (catching)</li> <li>- Collective harvesting of all ponds in same day to reduce cost</li> <li>- Collective sale of fish would increase price</li> <li>- Hatchery support: Power pump/STW, temporary shed, and other supports</li> <li>- Leasing of required numbers of ponds for brood fish</li> </ul>
5	Poultry	<ul style="list-style-type: none"> <li>- Medicine (vaccine) and feed store (godown) in local market</li> <li>- Local store with a dressing machine</li> <li>- Collective purchase of DOC: save time, reduce price</li> <li>- Contact common doctor for visiting their farms (single doctor will support)</li> <li>- Common sale of poultry drops or can use it for one bio-gas plant</li> <li>- Promotion of vaccine gun</li> <li>- Small scale hatchery support</li> <li>- Transport cost for group marketing</li> </ul>
6	Goat Rearing	<ul style="list-style-type: none"> <li>- Skill development training</li> <li>- Transportation cost for quality calf purchase under group approach</li> <li>- Transportation cost for distance marketing under group approach</li> <li>- Livestock medicine and feed store in local market under branding of PG</li> <li>- Fodder production under group farming in leased in land</li> <li>- Market opportunity exploration</li> </ul>
7	Handicraft	<ul style="list-style-type: none"> <li>- Skill development training</li> <li>- Exploration of market opportunity and linkage</li> <li>- Attending in Upazila, district and central level business/export fair</li> <li>- Production of sub-center for working of members in group</li> <li>- Print machine for designing the cloths; Block/batting machine for producing the handicrafts; Improved sewing machines for group members; supply of improved <b>frames</b> (carchupi/sewing) to facilitate members to work together</li> <li>- Show/display room in local markets for selling the products</li> <li>- Establishing marketing linkage (explore)</li> <li>- Exchange visit for widening the vision of the PG members</li> </ul>

### 3.3 Eligible Expenditure under PIF Support

Funding would be provided for investments in jointly used assets (e.g. storage facilities, product processing or pre-processing, packaging, grading, transportation equipment, fresh-keeping or cooling equipment, etc.) and in the procurement of services. The producer group may receive the fund through submitting appropriate details business proposals to upgrade their business enterprise through investing on common issues instead of personal interest. The PIF funding is also could be used for capacity building and hiring technical assistance/services to prepare business proposal and technical works of producer group members, purchase of common equipment and machinery for production and post production like product processing, grading, packaging and storing activities, improving product quality and standards, including introduction of production and processing technologies, best quality and food safety management practices/systems and product certification etc. None of the PG member could use the PIF fund for purchasing their own animal, store (showroom), renting land, or salaries of the staff (if any). The important considerations of PIF disbursement are:

- The PIF is allowed to purchase common equipment and machinery needed for production

- and post production like product processing, grading, packaging and storing activities
- Allowed to purchase/hiring transportation equipment for common input collection and products marketing as well
  - Building/hiring small scale infrastructure like collection point, marketing centre and cooling equipment
  - Allowed to use in providing capacity building training to producers in the area of technology adaption, value addition and business development entities
  - Improving product quality and standards, including introduction of production and processing technologies, best quality and food safety management practices/systems and product certification
  - The PG can use the fund for hiring technical assistance and services to prepare business proposal and technical works
  - To be used in development of contractual arrangements between producers, processors and traders
  - To creating market opportunities, information collection for better market
  - Establishment of showroom/display centre for product promotion; and
  - Diversification of products adding value at different stages
  - For each project proposal the fund limit would not exceed Tk 1600000/-

### 3.4 Non-Eligible Expenditure under PIF Support

None of the PG members are allowed to use the PIF for purchasing the personal business inputs or leasing lands for construction of personal store etc. The fund would be restricted to be used in the following items:

- Salary of staff of the PG or PG operated stores (business entities)
- Purchase of cow/bull, seeds, fertilizers, cloths, garment products etc for PG members to be used in their personal benefit; such expenditures are to be covered from on-going loan/credit systems
- Payment against the works or services done for the PG like preparing project proposals or other consultancies before approval of the business proposal
- Expenditure related to operating costs of the producer groups like office rent, entertainment costs etc
- Any expenditure incurred before signing the contract with SDF for establishing the business enterprise
- Purchase of land for establishing the business enterprise

### 4. Announcement/Circulation of PIF

Once the PIF Manual would be ready in hand of SDF (Social Development Foundation) the Managing Director will press an official decision/notice explaining the availability and general modality of PIF operations. The notice is to be circulated to all concerns especially for the region, district and cluster level officials of the organization. The concerned officials of SDF are to circulate

the official notice/decision to the NJCS/GS and to the producer groups in all regions seeking the application/business proposals from the interested producer groups. The circular would have time schedule to prepare and submit the proposals with required terms of references. All sorts of measures (meeting, seminar, symposium, stakeholder workshop, leaflets, booklets, posters etc) will be ensured, so that none of the interested party (s) missed the information. A draft announcement to be circulated for the eligible applicants is attached as **Annex 4.1.**

The announcement will not mention how many proposals are to be allowed from each of the regions by years, so that the eligible PGs will have opportunity to apply for numbers of project proposals as per their innovative ideas and demands. The numbers of best proposals received will be selected for funding but may not be offered all in single year rather would be done phase wise. In 1<sup>st</sup> year initiation of large numbers of project proposals will not be wise too. Offering of projects would be by years as per availability of funds and good proposal or business plans too. Based on project's budget a matrix is shown below for probable offer of the project proposals by year and by regions. However, if numbers of potential and viable proposals are available, SDF will adjust the numbers shown in the matrix below. Any innovative and sustainable project would be supported without consideration of regions or years mentioned in the matrix.

Region	PY 1 (2016)	PY 2 (2017)	PY 3 (2018)	PY 4 (2019)	PY 5 (2020)	PY 6 (2021)	Total
Mymensingh	20	20	30	30	20		120
Barisal	10	10	15	15	10		60
Khulna	20	20	30	30	20		120
Total	50	50	75	75	50		300

Total 300 business proposals will be supported by the NJLIP during the project tenure. It is assumed that out of the total 300 supported business plans 50 each would be given for years 2016, 2017 and 2020, while 75 each in 2018 and 2019. By and large the distribution of supported business plans by regions is shown in the matrix above. Irrespective of calendar years 120 business enterprises would be supported in Mymensingh region 60 in Barisal regions and 120 in Khulna region. It is an assumption but not rigid, the acceptance of project proposals would vary based on the availability of innovative and sustainable proposals by regions and years.

The announcement would generally include the following information:

- Objectives of the announcement
- Priorities and types of proposals to be accepted
- Eligibility criteria for producer groups
- Conditions of the applications like total cost (Tk) of the business proposal,
- Contribution (10% cash to be deposited to PG's bank account) of the PG to be needed
- Modalities of PIF and procedures of expenditures
- The offices where necessary documents (application forms and others) for proposal submission to be available
- Deadline and offices (with locations) where application to be submitted

- Selection procedures of the project proposals etc

The announcement would be made twice (one in July and another in January) in a calendar year (January to December). Once the announcement would be received from the local office of SDF by the representative of PG the time frame of submitting the proposal would be no more than one month (30 days). However, the deadline for submission of the proposal has to be clearly stated in the template of the fund proposal (to be collected by the PG for preparing fund proposal) and in the official register book/khata by the concerned staff of SDF and any applications submitted beyond the declared deadline will not be considered.

Primarily the 1<sup>st</sup> cycle of announcement would be made for the four districts which are being phased out in June 2015. The other districts will be covered gradually by subsequent announcement cycles.

#### **4.1 Proper dissemination of the Announcement**

In addition of using official channels to circulate the call/announcement up to the producer groups, SDF will arrange a one full day stakeholder workshop at the cluster level (cluster office) to explain the details of the PIF, its operation modality, eligible PG, procedures of application for the fund and all other limitations and scopes of the fund. SDF may also prepare a poster containing important aspects of the PIF and its client with elaborating the possible enterprises to be supported. All field offices of SDF including the GS and NJCS offices would have to display the poster for all members of the PG. Attempt to be taken in such a way that none of the interested PG could miss the information that these types of facilities are available for them who are interested to expand their family businesses in community businesses.

The information campaign would include the sharing workshop with PGs, Posters, leaflets, and personal contact. The members of the producer groups who will attend the workshop would be instructed to inform all of her/his associated about the PIF facilities in their locality. In addition of information campaign the SDF would have to organize day long training on how to fill up the application forms and to prepare the expected project proposal for the PIF. It would help the PGs to submit the proposal timely and with fewer mistakes even though they hire service providers for prepare the proposal.

#### **4.2 Preparation and Submission of Application/Project Proposal**

Preparation and submission of application would be the responsibility of the individual PG. The representative (s) of PGs is to collect the prescribed general format of project proposals from the cluster/district/regional offices of SDF. The PGs or their representatives or hired service providers will have to prepare the project proposals based on the prescribed format to be supplied by cluster/district/regional offices of the SDF. A detailed general format for preparing project proposal is attached as **Annex 4.2**. The application/project proposal is to be duly signed by the 3 member

functional committee of that particular PG, however, the convener would be the point of contact and all correspondences with SDF offices regarding the PIF to be maintained by her/him. The completed proposals of the PGs are to be submitted to the nearby cluster office of SDF. The Cluster Officer (CO) would forward the fund/project proposals to the district office for initial/primary screening. The District Manager (DM) would send the business proposals to the Regional Office of SDF. Any query of applicants regarding the application or PIF is to be made to the nearby cluster office of SDF. Project proposal is to be prepared following the prescribed format attached to this manual. All concerns are carefully followed the instructions or requirement of the proposal during preparation. Any PG if they feel need any support from hired service provider they are free to engage but with their own responsibilities and resource (if required). All available SDF staff would also facilitate to prepare the business proposal from their end.

The project proposal or applications submitted or received after the due date mentioned in the template of the proposal and in the register book/khata by SDF staff will not be taken into consideration. In order to ensure submission in due time, applicants are advised to deliver proposal/application files by hand. Applications should be typed or otherwise hand written by easily readable manner. Proposals are to be prepared either in Bengali or in English. Any proposal that is clumsy and not readable or contain substantial mistakes and/or erases and replacement of text and figures will be rejected and not considered for evaluation.

## 5. Screening of PIF Proposal

After submitting the project proposals by the PGs, the main screening of applications will be done in district level office of SDF. As the proposals are to be submitted to cluster offices the initial checking based on due date mentioned in the register book, qualification of PGs as per criteria, duration of proposed project etc. to be done at field level. Then the technical and policy level screening is to be done by district and region level offices of SDF. The pattern of screening at different tiers of SDF offices is elaborated in the following sections.

### 5.1 Primary Screening of PIF Proposal

The district office of the SDF in the regions will do the primary screening of the proposals submitted with the support from respective cluster office. The concerned staff of local district office of SDF will carry out a rigorous screening of fund proposals for compliance of mainly the eligibility of PGs, and with documentation, financial, and technical submission guidelines. If the district office identified proposals those do not meet the screening criteria, the district office then would advise PGs about the decisions, and reasons for rejection of their fund proposals. The PGs are allowed to re-submit the proposal after their correction, in subsequent announcement for project proposals/applications. The detailed criteria for screening of eligible PGs by the district office of SDF are shown in **Annex 5.1.**

The screening should reject proposed business plan for the following reasons:

- The proposal submitted after the declared date mentioned in the application form (template of proposal) and in the register book/khata during distribution
- The proposal(s) does not meet the eligibility criteria of PGs depicted in guideline

- The proposed proposal is not readable and understandable
- The proposed project duration is more than 1(one) year
- The PG is carrying out another on-going PIF enterprise
- The PG has track record of failure of any enterprise supported by PIF earlier
- The proposed PIF amount is more than Tk 1600000/-
- The PG's total contribution mentioned in the proposal is not within the required limits of 10% cash
- The description of the business/organization is not included
- The description of the methodology/organization of marketing of products is not included
- The detailed project budget is not included
- The project implementation plan is incomplete

If the proposal meets all the screening criteria, the district office of SDF will process the business plan towards regional office of SDF. The Regional Director (RD) will duly forward the fund proposals to the AMT (Appraisal and Monitoring Team) for detailed technical appraisal at the region level. The AMT is a regional level body for screening the project proposals in respect of their technical and financial prospects and sustainability concerns.

## **5.2 Appraisal of fund Proposal by AMT**

The district office of SDF will submit the primarily screened business proposals to the regional office and Regional Director forward the selected proposals to the Appraisal and Monitoring Team (AMT) to be formed and functioned at regional level offices of all regions of SDF. The composition of Appraisal and Monitoring Team is:

- 02 members from SDF officials who are concerned about PIF operation; one would act as convener for all sorts of upward and downward correspondence
- 01 or 02 Technical Expert (to be selected based on types of enterprises submitted by PGs)

For better appraisal of each proposal, AMT could hire one or two subject matter specialists at local level to include in the team for better assessment of the viability and need of the project. For example, during appraising dairy related proposal one/two dairy expert could be included in the appraisal team. During selection of technical staff it would have to be ensured that none of them have any interest to the business proposal submitted. In other words conflict of interest (experts are independent from applicants or service providers) for the hired technical members should be strictly followed. Immediately after recruitment of technical experts for evaluating the business proposals the regional office of the SDF is to be arranged an orientation session for the hired technical persons on PG, PIF and the scoring systems of the proposal to be evaluated. The AMT will submit the recommendation to the Managing Director of SDF for next step of screening the proposals towards releasing the PIF to applicants.

The AMT is to Judge the proposals based on their knowledge and experience. However the proposals are to be screened following the selected criteria and scoring provided below:

### **Criteria to be used for evaluation of proposals by the AMT**



Criteria		Maximum Points
<b>Priorities (maximum 10 points)</b>		
1	Does the project address the national and project priorities as defined in the Announcement/circulation?	5
2	Does the project address real problems and constraints to productivity, value added and market accessibility?	5
<b>Technology (maximum 20 points)</b>		
3	Is the proposed technology or initiative new/innovative based on existing national conditions?	10
4	Does the proposed proposal focus practical/economic solutions for the constraints identified for the targeted PG?	5
5	Are the proposed technical actions appropriate, practical and consistent with the objectives of the proposed project?	5
<b>Implementation (maximum 20 points)</b>		
6	Are the proposed technical actions appropriate and practical for the implementation of the proposed technology/ business initiative?	10
7	Does the PG have sufficient capacity and technical expertise to carry out the technical/business activities stated in the proposal?	10
<b>Transferability (maximum 15 points)</b>		
8	Is the proposed business enterprise/technology easily transferable to others in the project area (is it applicable and financially affordable by non-project beneficiaries)?	10
10	Is there a clear plan for diffusion and transfer of the enterprise/technology to others at the community level?	5
<b>Project results and sustainability (maximum 30 points)</b>		
11	Are the proposed results and financial/other impacts of the project clearly presented and are they feasible?	5
12	How large and rapid are the proposed financial results and impacts to smallholder farmers/producers and agribusinesses of the SDF districts and their contribution to the improvement to the technical and financial viability of business?	10
13	Will the project provide a positive impact and benefits on a significant number of direct participants and indirect beneficiaries within the poor and hardcore poor households and producers of the SDF districts?	5
14	Does the proposed project contribute to the development of effective and sustainable business linkages (including partnerships between the service providers and beneficiaries)?	5
15	Are there clear ideas how the project activities can be continued and developed in the future (sustainability)?	5
<b>Environmental impact (maximum 5 points)</b>		
16	What is the impact of the project on the environment (from -5 if very negative to +5 if very positive)?	5
<b>Total</b>		<b>100</b>

The proposals will be critically reviewed against a set of criteria designed to identify disciplinary competence, excellence in methodology, appropriateness of budget, and probability of success within the time frame proposed as summarized in above table. Names of the technical reviewers are to be kept confidential, and they would have to declare any conflict of interest with the proposals given for review and evaluation. The criteria are not a rigid matter may adjust after 1<sup>st</sup> round of evaluation in the national level in discussion with review panel.

Technical reviewers evaluate proposals and return their scorings to the convenor of AMT with their comments and reasons for recommendation or explaining the weakness of the proposals in written form. The scores of the technical reviewers are to be averaged by making their total points.

Applications receiving a score of 70 points or higher are collated and ranked by the AMT and submitted for further evaluation by review panel.

Proposals with scores less than 70 points will be set aside and the applicant(s) informed about the result of the AMT. In this case, upon the request of the applicant, the AMT may give them a copy of the scores of the two technical evaluations for the purpose of further improvement of the application in the future. However, the particular technical evaluators should be kept unknown to the applicant and their names should be erased from the page prior to the distribution of the evaluation form to the applicant.

In order to maintain a fair and unbiased technical evaluation and to avoid any conflict of interest, the technical reviewers should declare their interest. In case a technical reviewer has any direct or indirect interest (either declared or not) with any of the proposal or service provider, he/she should not participate in technical review process for any proposals of that particular round/year. It is advisable not to select any technical expert from same district of origin of proposals to eliminate potential subjectivity in the technical evaluation process. None of the SDF staff who would act as members of the AMT could be the part of service providers for preparing the proposals or other activities needed for implementing the business enterprise. A format for AMT appraisal is attached as **Annex 5.2**.

The convener of AMT would send the successful proposals to MD of SDF through Regional Director. The MD will form a review panel (5 member panel) and engage them to further evaluate the proposals for PIF funding.

### **5.3 Evaluation of Proposal by Review Panel**

The appraised proposals those are recommended by AMT would be reviewed technically by a review panel at head quarter level. The prepared proposals which are judged sound and viable by the AMTs would be forwarded to the national level and presented to a review panel for a final selection of proposals to receive project funding. The level and composition of the review panel will be formed by SDF at head quarter level. The composition of Review Panel would be:

- 03 members from SDF officials who are concerned about PIF operation; one would act as convener for all sorts of upward and downward correspondence
- 02 Technical Experts (to be selected based on types of enterprises submitted by PGs)

The panel would rigorously review the proposal considering all criteria in respect of strength of PGs including technical competences of the business plans and to be recommended to the Managing Director of SDF for fund release. Individual proposals will be examined by at least two reviewers, selected from the panel agreed by the SDF. The proposals will also be reviewed against a set of criteria designed to identify disciplinary competence, excellence in methodology, appropriateness of budget, and probability of success within the time frame proposed. Proposals will be evaluated

against agreed criteria using a weighted scoring system. Evaluation criteria and numbering systems is shown below:

#### Criteria to be used for evaluation of proposals by the Review Panel

Criteria				
1	How important is the proposed project for improving competitiveness, value added and market accessibility for small scale agribusinesses and poor households and producers in the SDF districts?			
	Not important at all	Minor importance	Average importance	Very important
	-1	1	2	3
2	How important is the constraint (problem) proposed to be addressed by the project, considering the local/district needs for improving competitiveness, value added and market accessibility?			
	Not important at all	A little	Average	Very much
	-1	1	2	3
3	How many points did the proposed project receive from the technical reviewers (AMT)?			
		From 70 to 80 points	From 80 to 90 points	Above 90 points
		1	2	3
4	How large do you think the impact of the demonstration of this business enterprise/technology will be, and how much will it help to relieve the constraints identified?			
		Not much (limited)	Average	Very large
		1	2	3
5	Give your impression on the overall potential value of the proposed project in improving viability of the business and providing long-term sustainable benefits for a wider range of beneficiaries?			
		Low	Average	High
		-1	1	3
6	Considering the project location, operation and products of the business, how you measure the environment and social safeguards have been duly addressed by the project proposal			
	Not at all	Not much (limited)	Average	Very large
	-1	1	2	3
<b>Total Points</b>				

The convener of the review panel will distribute the proposals to the members and the experts. Each of the selected panel members and technical experts are to be submitted their score sheet to the convener by 3 days of receiving the proposals. After receiving all scored proposal (distributed earlier) the convener of the review panel will call a meeting to make the final selection of the proposals. A format for Review Panel Scoring is attached as [Annex 5.3](#).

Detailed minutes of the panel meeting will be prepared that would fully reflect the decisions on selecting the recommended projects for funding. All panel members who have attended the meeting will sign the recommended proposals. The meeting would be as of traditional tender committee meeting of procuring the services in projects. The decisions of the panel meeting would immediately be submitted by the convener to the Managing Director (MD) of SDF for approval. The Managing Director would examine the review procedures and verify whether there is enough funding available for the recommended list of proposals. The Managing Director may reject the panel recommended funding proposals if she/he feels procedures have not been properly followed or there are insufficient funds to cover all the approved business proposals. In order to maintain the integrity of the review panel as a fair and unbiased decision-making body, as a rule, members of the panel should not serve as service providers or as technical reviewers to the PG (grand proposals).

## 6. Publication of Results of PIF Proposals

After completing all screening, evaluation processes and approval, the successful project proposals will be listed, and the Managing Director of SDF would send the finally selected (duly signed by review panel) project proposals to the Regional Director. The list will be displayed in the notice board of regional and district offices of the SDF. Steps will be taken to inform the individual PG about selection of their project proposals for funding under PIF through official letter from regional office of the SDF. The conveners of PGs whose proposals have won are to be invited to attend an orientation session on how to implement the projects at district level office of SDF. Before signing the contract agreement the representatives of winning PGs will have the opportunity to clarify their immediate activities and fund releasing systems during the orientation session. The date, venue and time will be communicated by issuing official letter to the respective PGs.

Letter is to be issued to the non-winning PGs explaining the reasons of failure of their proposed projects.

## 7. Contract Agreement between SDF and Producer Group

The Regional Director will invite the successful applicants for signing the agreement between SDF and Producer Group. Applicants would be called by the Regional Director for a meeting where it would be declared that their project proposals have been selected by considering technical and financial competency. The meeting will discuss contract-signing procedures, PIF management and implementation, disbursement and procurement regulations, monitoring and reporting requirements, and contractual obligations. The representative of the applicant and the service provider for each winning application/proposal would be asked to attend this meeting.

As per principle of disbursement procedures of Productive Investment Fund (PIF) the producer group will then be invited to sign a formal Financing Agreement **(attached as Annex 7.1)** between Producer Group (PG) and Social Development Foundation (SDF). The Financing Agreement is to be duly signed by all parties and the project proposal/application will be an annex of this Agreement. Key items of the Financing Agreement are as follows:

- Products, services and results should be delivered as per contract
- Agreed monetary milestones should be the basis for determination of the payment schedule. Milestones would also include implementation of technical aspects of the project
- Financial limit of business project and the trench of financing during project period. Cash contribution of the PIF recipient PG
- An implementation plan and a schedule for the release of PIF
- Rules for procurement, accounting, reporting, monitoring, and supervision
- Equipment ownership rights (during and after the completion of the project)
- Rules for publication/disclosure of results/information
- Cancellation or other measures to be taken in the event of an unacceptable level of project implementation or other causes of delay.

## 8. Financial Management of the PIF

After signing the contract agreement between SDF and the producer group the responsibility of fund release against each of the project proposals will lie/rest entirely upon the SDF especially on the regional office for the respective regions. Immediately after signing the contract agreement the SDF will release 40% of total budget to the PG. The fund recipient-Producer Group especially the convener of the PG who will receive the fund would have the liability to ensure that funds are handled in accordance with the agreed work plan and procedures depicted in the project proposals, and ensure that financial reporting is to the submitted as required.

### 8.1 Release of Fund against PGs

The Managing Director of SDF or his delegated authority would release the fund based on the review panel recommendation and duly signed Agreement. The convener of the review panel would make fund request to the MD, SDF against the proposal and accordingly fund will be released to the regional office for disbursement to the concerned PGs. As per principle of fund disbursement 40% fund will be released as 1<sup>st</sup> installment, 60% will be released as 2<sup>nd</sup> installment after evaluating the progress of fund released earlier. In case of high initial investment projects like chilling plant/cooling chamber etc. the 1<sup>st</sup> installment may increase up to 60% of the total project value.

The PIF against the project proposals would be disbursed only to bank accounts of the PGs that have been opened and are being operational by the PGs solely for the purpose of the PIF funding on terms and conditions satisfactory to the SDF. The recipient should specify by written notice the bank account number to which the disbursement would be credited. Preferably, all payments should be made through the specified bank account. Payments out of the bank account could be made exclusively for eligible expenditures of the project mentioned in the proposals. For each payment out of the bank account, the PG should provide evidence that the money has been used according to the contract. The funds maintained by PG in the bank for PIF operation should be a current account (non interest bearing) not saving accounts or other dividend/interest generating accounts.

The fund request of the PG or the representative (convener of the PG) to the SDF for PIF funding should be in local currency i.e. in Taka. The fund request for the proposed project by the PG should provide the detailed cost break up of expenditures against each of the milestones shown to the proposals. The amount of the first milestone-based payment would normally not exceed 40% of the amount of the fund being awarded. The first milestone-based payment will be made immediately after approval and signing of the Contract Agreement between SDF and the Contracting Party. The Second and subsequent milestone-based payments would be made on the basis of project progress measured against achievement of pre-determined milestones as set out in the project proposal,

supporting documentary evidence for the use of PIF and beneficiary contribution, fulfilment of the reporting requirements by the PG (convener) and the results of monitoring of the project activities by the concerned SDF staff. Before approving any milestone payment, besides reviewing the submitted documentation, the SDF would arrange field verification of the declared achievements in the previous reporting period through its cluster offices at the field. The expenditures related to this payment have to be completed with the beneficiaries' own resources and claimed for reimbursement after the review and approval by the SDF of the project's final report.

Prior to disbursement of the subsequent payment, the milestones for previous payment set forth in the proposals have to be met. The beneficiary submits to the SDF a request for disbursement of the subsequent milestone-based payment together with the technical and financial progress report on achievement of planned milestones and the use of the previous payment of PIF accompanied with all necessary justifications. The request and progress reports are to be reviewed by the concerned SDF staff to check the fulfilment of the milestones and conditions set forth in the agreement. Upon satisfactory fulfilment of the scheduled milestones and conditions, the district/cluster office of SDF will confirm the correct use of the previous payment and authorizes in written the disbursement of the next milestone-based payment to the region. Upon receipt of these documents, and based on availability of fund the next payment would be made by the regional office of SDF getting prior approval from the Managing Director of SDF. The instalment payment would be made through account payee check by the name of the party (PG or the representative).

The SDF authority may reject and withhold next payment if scheduled milestones do not conform to the requirements of the Agreement until the applicant rectifies the milestone report and proves achievement of these milestones. In addition, the next scheduled payments may be withheld or delayed in the event that the fund recipient's expenditure reports show a large cash balance from the use of the previous payment. Expenditure of PIF funds should adhere to the specific line items in the PG's approved budget and included in the Agreement. When transfers among the budget items of the approved fund amount become necessary and the estimated change is more than 10% of the total value of approved budget the fund recipient should request the approval of the SDF authority. The regional office of the SDF would have to be taken care all sorts of changes in the budget lines after proper verification in the field.

In certain cases, direct payments may be made to a vendor of goods or services selected by and on behalf of the PGs. In such cases, the fund recipient has to provide the necessary information and make a written request to the SDF (at region level) to make the payment on behalf of the recipient. Accordingly, the amount of this payment will be considered as part of the PIF and adjusted against the particular PG.

The district office of SDF with support from cluster offices will undertake monitoring and supervision of PIF activities to verify milestones and progress. This will entail both technical as well as financial supervision. Towards this, the SDF staff will make regular on-site visits in small groups

and such monitoring would be done on a random basis. Each of the business enterprises funded under PIF should be visited at least once in every month.

## 8.2 Procurement

All sorts of procurement (goods, works and services) under the PIF funding will be done following the general rules described in the Community Operation Manual (COM) # 8: Community Procurement, published by Empowerment and Livelihood Improvement Nuton Jibon Project (ELINJP) of SDF in 2012. Based on volume/size, the procurement would be in three tiers a) direct procurement for small scale purchase b) procurement through Quotation for medium scale purchase and c) procurement through Tender in national newspapers for large scale purchase. All procurement would be under three general heads a) Goods: all sorts of materials like contingencies (books, pen/pencil, paper etc), chair, tables, shelf, hand mallet, first aid boxes, types of plastic pipes etc b) Services: trainers, teacher, consultant, doctor, mechanics, office rent, leasing of land, rent of office equipment including vehicles etc and c) Work: development of roads, culvert, embankment, office building, repairing of building etc. by outsourcing through contract agreement with service providers.

Under the Productive Investment Fund (PIF) programs, the fund would be awarded to Producer Group (small associations of similar producers). The beneficiaries of any particular business group are not widely dispersed rather concentrated in a particular village but these villages are widely dispersed across the project area. The amounts of such fund may run from as small as Tk 500000/- to as large as Tk 1600000/- and have implementation duration of six months to one year. Under these small project proposals, usually a wide variety of items and very small amounts of the required items are needed to be procured to establish business entities. In this context, notwithstanding the principles of economy, efficiency and transparency, simplified procedures have to be applied for the procurement of the very small items. Although the regional/district office of SDF will maintain the overall responsibility for all the procurements under the PIF funding, the functional committee (one convener and two members) of the PG will have the responsibility for carrying out the procurement of all necessary items under the PIF funding in accordance with the SDF requirements.

If not otherwise agreed by the SDF, the procurement of small items (goods, works and services), under the PIF would be implemented and managed directly by beneficiary communities i.e. Producer Group Members where the following thresholds will be applicable:

- i. Goods and services estimated to cost up to Tk 25000/- equivalent per purchase, would be made under direct procurement norm from the selected party. In this case, the functional committee of PG would collect prices from different suppliers/shops/contractors in order to select the best supplier. When necessary, procurement may also be conducted through negotiations and in direct contracting. In

case of works procurement up to Tk 500000/- would be allowed to spend under direct procurement rule.

- ii. Procurement of goods estimated to cost up to Tk 500000/- equivalent per purchase, financed by PIF will be undertaken by quotation methods (based on a minimum of three quotations from domestic suppliers, in order to select the best supplier). In this case, the supplier will submit to the PG all procurement documentation for review and approval prior to issuing of any contract for the purchase of goods equivalent to Tk 500000/-. For service procurement the limit of the cost would be up to Tk 200000/- per purchase and in case of works the cost limit would be Tk 1000000/- per purchase. The procedure of procurement would be similar to that of goods procurement.
- iii. Once the limit of costs per purchase against goods, services and works described in the section ii would exceed by Tk one, the procurement is to be done following tendering process to be published in national news papers.

Certain flexibility is needed to allow for a prompt and simple procurement of goods, works and services under the PIF funding. However, the SDF through its district and regional offices will be responsible for monitoring procurement undertaken by the PGs and provide assistance to them to ensure that the basic principles underlying the COM's procurement procedures of economy and efficiency are followed, and that proper records are maintained. For procuring any materials/plant/hormone not available locally, in such case the functional committee of PG may get help from SDF through written request. SDF officials may suggest the convener of PG the possible suppliers, or connect them with the appropriate numbers of suppliers from which the PG may select the best one through quotation methods.

### **8.3 Accounting and Auditing**

All sorts of accounting and auditing under the PIF funding will be done following the general procedures described in the Community Operation Manual (COM): Financial Management, published by Empowerment and Livelihood Improvement Nuton Jibon Project (ELINJP) of SDF in 2012. The fund disbursement after approval from Managing Director of SDF, the processing of scheduled disbursements, and collection/review of financial reports of the concerned parties (PGs) are the liabilities of the regional and district offices of the SDF. However the SDF HQ holds overall responsibility for carry out the necessary accounting and audit procedures of the PIF under the accounting and audit system and procedures followed by SDF (internal and external).

The functional committee of the Producer Groups (PGs) are the primary recipients of PIF funds and it is their responsibility to ensure that funds are handled in accordance with the SDF's accounting and auditing systems that properly meets the requirements. The fund recipient PGs are required to maintain a simple financial management system, including records and accounts, and all supporting documents for expenditures financed by the PIF, in an adequate format included in the Agreement,



which would reflect the operations, resources and expenditures related to the PIF funding project. The PG's financial management system must record all receipts and expenditures of funds separately from other funds (if any). Such records shall include accurate, current and complete disclosure of the PIF funding project's income and expenditures and shall include documentation (including purchase orders, invoices, receipts, justifications for vendor selections, etc.) to substantiate all costs incurred by the project. Such maintenance of records will assist in periodic financial supervision as well as auditing. These records should include also clear registration of the quantity and value of the beneficiary's cash contribution engaged in the project during the reporting period.

The fund recipient PGs will maintain all expenditure reports duly signed by the convener. Expenditure reports shall be prepared in the same format as the approved budget. The financial reports submitted to the SDF should be supported by copies of documents expenditures (i.e. invoices, receipts, written declarations, etc.). The originals of such copies should be filed by the PGs and kept for at least 5 years. Expenses should be broken down as per items of the budget agreed and included in the Agreement. The recipient PGs should provide documentary evidence of their cash contribution to the project. The SDF may withhold scheduled payments or be suspended if financial reports are overdue or the documentary evidence on use is insufficient.

After completion of the project the recipient PGs are to prepare a final financial statement at the closure (end) of the project (business enterprise) in a format acceptable to the SDF authority, adequate to reflect the operations, resources and expenditures related to the PIF project. The recipient PGs shall furnish to the SDF a copy of the said final financial statement as soon as available, but in any case not later than 2 months (60 days) after closure of project (establishment).

The expenditures made under the PIF project will be audited as required within the overall SDF's financial auditing systems. The audit team of SDF would audit the PIF supported projects at least once in a financial year. The fund recipient PGs will co-operate fully with the auditor(s) of the SDF and will make available to the auditor(s) whatever records, documentation and other information is requested by the auditor(s) in connection with the PIF audit, including the financial books, records and financial statements of the grant beneficiary relating to the business project. The recipient PGs and any collaborating institution will be liable for repaying any funds found to have been misused and all steps will be taken for recovery according to the regulation in GoB systems.

The auditors from WB would also audit the PIF funded projects to be selected through random process once in a year. The hired external auditors may audit the fund if SDF engaged them for the purpose.

#### **8.4 Fund Closing**

Following the completion of physical works of the project and upon receipt of final financial and progress reports from the recipient PGs, the SDF shall initiate procedures to close-out the PIF

finding to that particular PG. Close-out procedures include obtaining and approving all required financial and progress reports, disbursing/reimbursing any outstanding PIF payments (including the last payment, consisting of not less than 5% of the amount), and ensuring that any unexpended funds are refunded to the SDF. All financial requirements remain in full force and effect until the recipient PGs receives a close-out letter from the Regional office of SDF indicating that all obligations have been satisfied.

### **8.5 Suspension and Cancellation of PIF**

The SDF reserves the right to terminate the PIF fund at any time, if:

- i) The PIF recipient does not follow provisions of the Agreement
- ii) The recipient has significant delays in the implementation of the project and if SDF staff believes that the project cannot achieve its objectives
- iii) The recipient PG fails to submit a complete financial report
- iv) The recipient PG fails to submit copies of financial documents to complete financial reporting
- v) The recipient PG does not maintain appropriate accounting and financial records
- vi) The fund recipient PG submits false documents or information
- vii) The PIF is used to finance expenses not approved by the SDF, and conducting activities other than approved
- viii) The recipient PG terminates participation in the project

In the case of cancellation of the PIF funding, all funds received under the project that have not been used, shall be returned to the designated SDF account through cheque. All amounts which have not been paid shall be cancelled by the SDF and may repossess all equipment purchased using the fund. In the case of misuse of PIF, the recipient PGs will be liable for repaying any funds found to have been misused and all steps will be taken for recovery according to the GoB rules.

## **9. Environmental and Social Consideration**

### **9.1 Environmental**

During preparing the business/enterprise development proposal and its implementation care should be paid to protect natural environment of the locality. Any business proposal should be complied the environmental measures so that human and animal health in no way will be under threat. All incoming business proposal for PIF would be evaluated following the considerations listed below:

Project Type	Impact on Environment	Mitigation Measures	Responsibility
Livestock based (Dairy/ Poultry/ and Goat Rearing)	<ul style="list-style-type: none"> <li>• Land/Vegetation degradation due to overgrazing</li> <li>• Pollution from poor manure management</li> <li>• Health risk (zoonotic diseases) from poor housekeeping and handling.</li> <li>• Promotion of only exotic breeds may lead to gradual extinction of indigenous breeds</li> <li>• Introduction of exotic/ alien species of grasses and fodder crops to meet the demand of fodder that dominate the local species</li> </ul>	<ul style="list-style-type: none"> <li>• Fodder management incorporating fodder cultivation, stall feeding, rotational grazing, supplementary feeds etc.</li> <li>• Improved composting methods – pit composting.</li> <li>• Maintenance of safe distance between manure pit and water sources.</li> <li>•</li> <li>• Construction of shed location and design as per technical recommendations.</li> <li>• Maintenance of shed sanitation and hygienic handling.</li> <li>• Promotion of improved indigenous breeds.</li> </ul>	Producer Group (PG), SDF: Cluster Office, District Office and regional office
Agriculture Based (Crops/ Fruits/ Vegetables)	<ul style="list-style-type: none"> <li>• Chemical fertilizer, pesticide and insecticide pollution</li> <li>• Drainage congestion</li> <li>• Excess use of ground water for intensive cropping depleting the ground water resource</li> <li>• Contamination of soil and water bodies nearby due to runoff.</li> <li>• Open disposal of pesticide containers is hazardous to cattle, children.</li> <li>• Excess use of chemical without following the recommendations leads to algal blooms in water bodies leading to loss of aquatic biodiversity</li> <li>• Use of chemicals is harmful to surroundings and health of consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Use of bio-compost, organic mulch/ Green Manure and vermin compost and Suitable organic / biotic control of insects</li> <li>• Selection of low water demanding crops</li> <li>• High water consumption crops like sugarcane, cotton, etc., should be discouraged</li> <li>• Selection of crops should be based on local water budget and traditional practices</li> <li>• Leveling of crop field and maintenance of terraces/ bund to check water runoff and soil loss</li> <li>• Organic manure (sheep manure) application to enhance yield</li> <li>• Follow organic methods to the extent possible.</li> </ul>	Producer Group (PG), SDF: Cluster Office, District Office and regional office
Fisheries based	<ul style="list-style-type: none"> <li>• Fish like Tilapia (invasive spp) due to omnivorous nature can predate on small fish of native species.</li> <li>• Tilapia fish multiplies fast and may suppress aquatic diversity. Excessive manuring leads to eutrophication and acidification. Chances of death of fishes due to diseases.</li> <li>• Conflict among the users over common resources</li> <li>• More demand for water for many IGA activities.</li> <li>• Generation of waste from livelihood activities may cause nuisance, sanitation problems and diseases.</li> </ul>	<ul style="list-style-type: none"> <li>• Species selection in poly-culture should be as per recommendation of the DOF to avoid competition with other species and aquatic life. Use manure in recommended doses. Awareness among the users and proper training</li> <li>• Avoid washing pesticide cans of spraying equipment in fish ponds</li> <li>• Proper upkeep of premises to avoid fly and mosquito menace</li> <li>• Strengthening of village resource management institutions to reduce conflicts among the users over common resources.</li> <li>• Proper upkeep of premises to avoid fly and mosquito menace.</li> </ul>	Producer Group (PG), SDF: Cluster Office, District Office and regional office
Handicrafts	<ul style="list-style-type: none"> <li>• The chemicals that are used to bleach and color the fabrics</li> </ul>	<ul style="list-style-type: none"> <li>• During preparing handicrafts with</li> </ul>	Producer

Project Type	Impact on Environment	Mitigation Measures	Responsibility
	used in handicrafts can damage the environment and peoples. Some dyes and chemicals, such as alum and copper sulfate, can irritate skin and cause rashes, allergies, or breathing problems. Others are more dangerous, such as potassium dichromate and tanning acid, and can cause cancer as well as other health problems	fabrics, protection measures (use of hand gloves, safe distance etc) are to be taken in such a way that workers are not get direct contact with injurious chemicals or dye	Group (PG), SDF: Cluster Office, District Office and regional office
	<ul style="list-style-type: none"> <li>• Most of the textile machineries cause noise, sound and air pollution</li> </ul>	<ul style="list-style-type: none"> <li>• Modern low sound producing machineries are to be used for reducing the hazard for the workers.</li> </ul>	
	<ul style="list-style-type: none"> <li>• Dust is created when workers cut, trim, and sew fabric. Fabric dust is dangerous by itself, and if treated with chemicals is more dangerous. Inhaling dust from cotton and other fabrics can cause breathing problems such as:dry, itchy nose, cough, mucus, trouble breathing</li> </ul>	<ul style="list-style-type: none"> <li>• Most dusts produced during cutting of the fabrics. So cutting and sewing spaces should be in separate rooms. To reduce the inhalation of dusts by the workers proper masks are to be used when they work under the situation</li> </ul>	
	<ul style="list-style-type: none"> <li>• Nylon and polyester are fabrics made from petrochemicals, these synthetics are also non-biodegradable, and so they are inherently unsustainable.</li> </ul>	<ul style="list-style-type: none"> <li>• As much as possible cotton made fabrics are to be used in the handicrafts to avoid non-biodegradability products. Use Polyesters are to be reduced a much as possible</li> </ul>	
	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	

## 9.2 Social Safeguard

During formation of producer group care should be taken that all sectors of people especially the disadvantaged ones could have equal opportunity to become a member of the society. Any project planned to be implemented should have social benefits for the common households of the locality, the children can also be benefited if it addressed the supply of milk or milk products. All business plans to be submitted for PIF funding should have the following social safeguards:

Indicator	Impact on Society	Mitigation Measures	Responsibility
Indigenous People (PI)	<ul style="list-style-type: none"> <li>• Indigenous people (IP) are generally poor due to their inaccessibility to resources and Government facilities</li> <li>• They lived in remote areas with minimum facilities and with traditional food habit</li> </ul>	<ul style="list-style-type: none"> <li>• Where ever possible IP should be may be employed suitably in the project works/services.</li> <li>• Equal facility to be created for the IPs under the project</li> </ul>	Producer Group (PG), SDF: Cluster Office, District Office and regional office
Physically handicraft People (disabled)	<ul style="list-style-type: none"> <li>• The physically disabled people are most deprived section of the society and still considered as burden of the family</li> </ul>	<ul style="list-style-type: none"> <li>• Where ever possible the disabled people are to be employed in the project works/services</li> </ul>	Producer Group (PG), SDF: Cluster Office, District Office and regional office

<b>Indicator</b>	<b>Impact on Society</b>	<b>Mitigation Measures</b>	<b>Responsibility</b>
Transgender (hijra) population	<ul style="list-style-type: none"> <li>The transgender population are still neglected in the society, however in recent days many of them are being educated and employed in different jobs</li> </ul>	<ul style="list-style-type: none"> <li>The project is to make equal facility for employing the transgender population</li> </ul>	Producer Group (PG), SDF: Cluster Office, District Office and regional office
Children	<ul style="list-style-type: none"> <li>Child labor is a growing concern of present world. The situation is worse in the country due heavy population pressure</li> </ul>	<ul style="list-style-type: none"> <li>In no way the project will employ any child labor in any of the project works/services</li> </ul>	Producer Group (PG), SDF: Cluster Office, District Office and regional office
Sex parity (Gender)	<ul style="list-style-type: none"> <li>Male female disparity is still common in the society</li> </ul>	<ul style="list-style-type: none"> <li>In case of employing people male female disparity should strongly be protected</li> </ul>	Producer Group (PG), SDF: Cluster Office, District Office and regional office
Religious minority	<ul style="list-style-type: none"> <li>Minorities are the deprived groups of the society</li> </ul>	<ul style="list-style-type: none"> <li>During implementation of the project the rights of the religious minority should be protected and equal facilities would be ensured for all communities especially for minorities</li> </ul>	Producer Group (PG), SDF: Cluster Office, District Office and regional office

## Draft Announcement for Submission of Project Proposals

### NUTON JIBON LIVELIHOOD IMPROVEMENT PROJECT (NJLIP) SOCIAL DEVELOPMENT FOUNDATION (SDF)

#### Announcement for Project Proposals

**Introduction:** With support from World Bank, GoB initiated Social Investment Program (or Nuton Jibon) following a comprehensive model for the poor and hardcore poor through self-governed community institutions in almost ten years ago. The Social Investment Program Project (SIPP-III) is the follow-up project of SIPP I & SIPP II being implemented by the Social Development Foundation (SDF) as of earlier programs. This Nuton Jibon Livelihood Improvement Project (NJLIP) is aimed to increase livelihood opportunities of poor and hardcore poor by facilitating their organization into producer groups, cooperatives and societies and by improving their market and business orientation and forward and backward linkages in the market systems. The producer organizations are assumed to help scaling up of existing IGAs to small enterprises by value addition through improvement in quality of marketable products. A productive investment fund (PIF) is planned to be tuned to improve the commercial orientation and market integration of advanced producers groups to be used mostly in market facilitation, value addition of products and business development activities.

**Objective:** The specific objectives of the project are (i) build and strengthen producer organizations as market partners and commercially oriented entities; (ii) facilitate interaction between producers and traders/processors of products in the down- and up-stream value chains; and (iii) support market/business oriented investment to solve bottlenecks in the market chains and/or adding value to the products (e.g. poor and hardcore poor capturing a higher share in the value chain).

**Acceptable technologies:** The NJLIP of SDF is now seeking project proposals in the fields of a) Improvement of dairy value chain b) Beef fattening value chain c) Fish culture through establishing small scale hatchery d) Poultry improvement project e) Vegetable value chain f) Goat rearing value chain improvement and g) Handicrafts on processing and marketing of products that will support promotion of rural business linkages.

**Eligible Producer Groups (PG):** The eligible PGs who are allowed to submit project proposals to the NJLIP of SDF, should have the following general criteria:

1. 80% of the group members should be for one year or longer NJG members.

2. 80% of group member should be women,
3. None of the group members should have failed to pay back a loan
4. The PG should have registration from legal authority (GoB)
5. The producer group size would be with minimum 15 members
6. The PG need to have bank account in local commercial bank
7. No instance of internal conflict between members in last one year
8. Agreed to invest the PIF in joint assets (common equipment and machinery for production and post production processing, grading, packaging and storing activities) and building/hiring small scale infrastructure like collection point, marketing centre and cooling equipment
9. The group members largely to produce similar marketable products (single IGA based)

**Priority of PIF Support:** A wide range of innovative business initiatives and technologies and in quality production, processing and marketing, production of value added agricultural products, food safety promotion and improvement, business management, income-generating activities, new product development, and provision of services would be supported under PIF funding. As such, the potential topics of activities could include a wide range of potential project ideas that may fall into the following broad categories as follows:

- Improvement of collection, storage and processing of agricultural products including livestock and fisheries;
- Improvement of grading/sorting, packaging, labelling, branding, presentation and promotion of products including handicrafts;
- Improvement of product quality and standards, including introduction of production and processing technologies, best quality and food safety management practices/systems and product certification;
- Marketing of agricultural products, including introduction of higher value-added products;
- Improvement of post-harvest handling practices/technologies and reduction of post-harvest losses;
- Introduction of best agribusiness management practices, including development of contractual arrangements between producers, processors and traders;
- Marketing information, test marketing and studies when associated with concrete actions for specific products;
- Improvement of accessibility by Producers to various services such as input supply, veterinary and artificial inseminations services, etc.;

**Contribution for Participation:** Applicants should contribute a minimum of 10 percent of the total cost of the proposed project by cash. After approval of the project the PG would have to deposit their contribution to bank account to be operated for PIF funding.

### Eligible Expenditure

The PIF fund is mainly to be used for capacity building to producers, producer federation/ producer group under NJCS in the area of technology adaption, value addition and business development entities, hiring technical assistance/services to prepare business proposal and technical works of producer group members, purchase of common equipment and machinery for production and post production like product processing, grading, packaging and storing activities, improving product quality and standards, including introduction of production and processing technologies, best quality and food safety management practices/systems and product certification etc. The fund is allowed to use in building/hiring small scale infrastructure like collection point, marketing centre and cooling equipment, to lease in land for fixed tenure to establishing the enterprise. The PG can use the fund to use in development of contractual arrangements between producers, processors and traders, creating market opportunities, information collection for better market, establishment of showroom/display centre for product promotion; and diversification of products for value addition at different stages.

### Non-eligible expenditure

None of the PG members are allowed to use the PIF for purchasing the personal business inputs or leasing lands for construction of personal store etc. It is restricted to use for staff salary of PG or PG operated stores (business entities), purchase of cow/bull, seeds, fertilizers, cloths, garment products etc for PG members to be used in their personal benefit; payment against the works or services done for the PG like preparing project proposals or other consultancies before approval of the business proposal, expenditure related to operating costs of the societies like office rent, entertainment costs etc and any expenditure incurred before signing the contract with SDF for establishing the business enterprise. Not allowed to purchase of land for establishing the business enterprise

**Rules of Operation:** The proposed project should comply with the following rules:

- The proposed project should be completed within a specified time frame (up to one year)
- The request for fund support would be within a range of Tk 500000/- up to a maximum of Tk 1600000/- per project, which should not be more than 90% of the total budget of the proposal project;
- Of the PIF amount, the financial support can be provided only for three indicative types of as follows:

**Submission and Evaluation of the Proposals/Applications:** The deadline for submission of the applications should be at least 30 days after receiving date of the draft format for submitting the project proposal by the PG or its representative ---- [insert day, month, year]. Applications should



be submitted in three copies (one original plus two copies). Applications submitted after deadline will not be considered.

All project proposals received within the deadline will be screening primarily by the local cluster/district office for compliance with the above rules. The successful proposals will then be technically reviewed and evaluated on merit by Appraisal and Monitoring Team (AMT) and scored from 0-100 points. Project proposals receiving more than 70 points will then be passed to the Review Panel (RP) at HQ level of SDF for final evaluation and selection.

**Notification:** Both successful and unsuccessful applicants will be informed, and their original project documents will be returned to them on their request.

**Application Documentation:** The official application forms and other necessary documents (operational guidelines for PIF funding) on drawing up the project proposal may be obtained free of charge at the local district office of the SDF.

**Property Right:** The SDF reserves right to cancel any of the application of PIF funding from any of PGs without explaining the reasons

**Draft Format for Project Proposal – Application  
APPLICATION FORM**

**For Office Use**

Date of Submission: _____
Code Number: _____

**1. Project title:**

\_\_\_\_\_

**2. Project duration and costs:**

Planned duration: \_\_\_\_\_ (months); Bank Account # \_\_\_\_\_

Proposed start: \_\_\_\_\_ (month, year); Proposed completion: \_\_\_\_\_ (month, year)

Total Project cost: Tk \_\_\_\_\_ Requested PIFund amount: Tk \_\_\_\_\_

Percentage of PIF funding to the Total Project Budget \_\_\_\_\_ %

Amount of PG's/Beneficiary Contribution Tk \_\_\_\_\_ PG's contribution (%) to total budget \_\_\_\_\_

**3. Statement of the applicant:**

This project application is submitted by ---- [*insert name of the PG*], and has been made in full agreement of all the participating producers/members of Producer group. The principal applicant and the Producer Group agree to provide timely and adequate staffing, physical infrastructure logistic and administrative and technical support, and all other support that the project foresees. Accounts will be maintained, funds utilized, and project implementation supervised and monitored in accordance with instructions from the SDF's PIF funding Authority.

**4. Responsibilities:**

The following person ----- [*insert name of the person*] is nominated as project applicants on behalf of ----- (insert name of the PG) and will be directly responsible for the project implementation, devote necessary time and effort to its effective and efficient implementation, and be the principal contact person for SDF in respect of Productive Investment Fund (PIF).

Name of Principal Applicant:

\_\_\_\_\_

Name of Producer Group (PG):

\_\_\_\_\_

Contact Details:

\_\_\_\_\_

Signature of the Principal Applicant: \_\_\_\_\_

Date: \_\_\_\_\_

## I. DESCRIPTION OF THE PROJECT

[Maximum 3-4 pages]

### 1. Problem statement

[What is/are the problem(s) the project will address?]  
[About 10 lines]

### 2. Statement of goals and objectives

[Objectives should be: specific, measurable, attainable, realistic and time-bound]  
[About 5-8 lines]

### 3. Description of the new business innovation to be adopted and demonstrated

[Describe what new business is in technical and practical terms and how it differs from business/technologies currently being used by the PGs]  
[About 20 lines]

### 4. Description of the project implementation methodology/approach

[Which are the key components and proposed activities of the project? What and how are you going to do in practice to implement the project? Who will be responsible for the implementation of specific activities?]  
[About 10-15 lines]

### 5. The relation of the project with other ongoing activities

[What has already been/is being done; what have you already done; who else is working in this issue the project is going to address, and; how is this proposal different from the work already been/being done by you and/or the others]. [About 5-10 lines]

### 7. Methodology and detailed plan of business development activities

[How are you going to demonstrate the business to other non-direct beneficiary? Which are the activities planned to be implement for demonstrating the business? Who is responsible for these activities? Who are the beneficiaries of these business activities? What is the concrete plan of implementation of these activities?]  
(About 10-15 lines)

### 8. Methodology and organization of the output marketing

[How do you plan to market the increased quantity and/or new type of product coming out of the project?]  
[About 5-10 lines]

### 9. Facilities and resources available for the project

[What are necessary for the completion of the project; detailed facilities/resources that the applicant and participating organizations provide in cash and/or in-kind for the project]  
[About 5-10 lines]

## II. EXPECTED OUTPUTS AND IMPACT

[Maximum ½ -1 page]

*[Describe which are the expected outputs and results of the project and what will be their socio-economic impact. Consider how the project will improve the current situation in the given sector of the agriculture]*

### III. GROWTH AND BENEFICIARIES OF THE PROJECT

*[Maximum ½ -1 page]*

*State immediate and long term prospects of the planned business in the locality. [Who will benefit directly and indirectly from those outputs and how do they benefit (number of persons)? How this business will grow with time and who will be benefited?]*

### IV. THE PROJECT COST

*[Maximum ½ page]*

*[Fill in the table below synthesizing the project cost presented in the detailed project cost table in the Table 2 of this draft application format]*

Source of the funds	Amount (in Tk)	Description
1. PIF funds requested from SDF		
2. Applicant contribution		
a. Cost share (financial)		
b. In-kind (estimate value in Tk)		
<b>Total Project Cost</b>		

**V. CAPACITY STATEMENT**

*[Maximum 1 - 1 and ½ pages]*

**1. Description of the association/group**

[Background and experience of the Producer Group (PG) in the respective project field of activities experience in implementing projects; describe the capacity of the applicant to manage financial resources];  
[About 8-10 lines]

**VI. RISKS OF THE PROJECT**

*[Maximum ½ page]*

*[Describe the major risks to successful implementation and completion of the project as well as the remedial actions to be undertaken by the PGs]*

**VII. SUSTAINABILITY OF THE PROJECT**

*[Maximum ½ page]*

*[Describe how you will ensure the sustainability of the proposed projects, in technical and financial terms? what will you do in the future after the completion of the project for further development/growing of these businesses]*

**TABLE 1: SUMMARY OF PROJECT DESCRIPTION**

Objectives [take objectives one by one as set forth in the narrative proposal]	Describe Outputs [what are the outputs that you will produce in order to achieve the before mentioned objective]	Targets/Indicators [what is the level of outputs that you are intending to achieve –quantitatively and qualitatively]	Activities [what are the activities you will implement to produce the outputs]	Growth of business and Beneficiaries [how it grow and who will benefit from businesses and outputs of project]	Implementation Responsibility [who is responsible for implementation of these activities]	Monitoring Responsibilities [who is responsible for monitoring of proposed activities, outputs and objectives]

**TABLE 2: BUDGET COSTING TABLE BY CATEGORY (inTK)**

	Detailed Cost Items	Unit	Cost/ Unit	Total Cost	Sources of Financing (in Tk)			PIF/ Total Fund (%)
					Producer Group (PG)	PIF Funding	Others	
<b>I)</b>	<b>For the establishment of the Business</b>							
<b>A</b>	<b>Equipment, supplies, materials</b>							
<b>B</b>	<b>Inputs</b>							
<b>C</b>	<b>Labor</b>							
<b>D</b>	<b>Transport (for materials)</b>							
<b>E</b>	<b>Travel for applicants</b>							

<b>F</b>	<b>Others</b>							
<b>II)</b>	<b>For the service provider (technical assistance)</b>							
<b>A</b>	<b>Staff costs</b>							
<b>B</b>	<b>Local travel and DSA</b>							
<b>C</b>	<b>Overheads</b>							
<b>III)</b>	<b>Cost of business promotional activities</b>							
	<b>Total</b>							

Additional rows may add as per requirement



**TABLE 3: PROFIT AND LOSS (Income statement – inTK)**

		YEAR 1	YEAR 2	YEAR 3
<b>A</b>	<b>Quantity of production (unit XXX)</b>			
<b>B</b>	<b>Price (expected to be reached when you will sell)</b>			
<b>C</b>	<b>VALUE OF PRODUCTION (IN TK)</b>	<b>[ C = A x B ]</b>		
<b>D</b>	<b>Variable costs</b>			
<b>E</b>	<b>GROSS MARGIN</b>	<b>[ E = C - D ]</b>		
<b>F</b>	<b>GROSS MARGIN %</b>	<b>[ F = (E/C) x 100 ]</b>		
<b>G</b>	<b>Fixed costs</b>			
<b>H</b>	<b>TOTAL EXPENSES</b>	<b>[ H = D + G ]</b>		
<b>J</b>	<b>PROFIT BEFORE INTEREST/TAXES</b>	<b>[ J = E - H ]</b>		
<b>K</b>	<b>Interest, Taxes</b>			
<b>L</b>	<b>NET PROFIT</b>	<b>[ L = J - K ]</b>		

[Note: Although the project duration should not be more than one year (12 months) the income statement (Profit and Loss) should be filled at least for three years]

**TABLE 4: PROJECT IMPLEMENTATION PLAN (Quarterly periods)**

Sl #	Activities	Quarter 1 of Year 1	Quarter 2 of Year 1	Quarter 3 of Year 1	Quarter 4 of Year 1
1	[Description of the activity ]	[mm. yy]			
2			[mm. yy]		
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					

### Draft Format for Primary Screening of Proposals by the Cluster/district Office of SDF

1. **Project Code Number:** \_\_\_\_\_

2. **District Name:** \_\_\_\_\_

3. **Name of the PG/Proposal:** \_\_\_\_\_

4. **Project budget:**

Total Project Cost: Tk \_\_\_\_\_ PG's Contribution: Tk \_\_\_\_\_

5. **Criteria for assessment of compliance with acceptance rules:**

- |   |                              |                             |
|---|------------------------------|-----------------------------|
| (1) The applicant(s) does meet the eligibility criteria;    | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (2) The application is readable and understandable;         | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (3) Project duration is not more than 01 year:              | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (4) Applicant has not any on-going PIF project:             | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (5) Applicant has not failed with other PIF project:        | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (6) Requested PIF funding is within limits:                 | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (7) Applicant's total contribution (cash) is within limits: | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (8) Disbursement criteria in the budget is followed:        | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (9) Description of the business/organization is included:   | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (10) Description of the marketing of products is included:  | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (11) Technology transfer plan is included;                  | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (12) Detailed project budget is included:                   | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (13) Complete project implementation plan is included:      | <input type="checkbox"/> yes | <input type="checkbox"/> no |
| (14) Complete support documentation is provided:            | <input type="checkbox"/> yes | <input type="checkbox"/> no |

[NOTE: If the application does not meet all of these criteria of compliance with acceptance rules, the application should be rejected and not proceeded for AMT review]

6. **Screening result:**

The project is accepted for AMT Review:  yes  no

7. **Comments (if any):** \_\_\_\_\_

Signature of the CO/DM: \_\_\_\_\_

Date: \_\_\_\_\_

### Draft Format for Appraisal and Monitoring Team (AMT) Scoring/Evaluation of Proposal

#### Part A: Detailed AMT Evaluation Section

1. Project Code Number: \_\_\_\_\_ 2. Cluster Name: \_\_\_\_\_

3. Name of the PG/Proposal: \_\_\_\_\_

#### 4. Evaluation of the project according to each specific criterion:

Criteria		Maximum Points	Point given
Priorities (maximum 10 points)			
1	Does the project address the project priorities as defined in the Announcement/circulation?	5	
2	Does the project address real problems and constraints to productivity, value added and market accessibility?	5	
Technology (maximum 20 points)			
3	Is the proposed technology or initiative new/innovative based on existing national conditions?	10	
4	Does the proposed proposal focus practical/economic solutions for the constraints identified for the targeted PG?	5	
5	Are the proposed technical actions appropriate, practical and consistent with the objectives of the proposed project?	5	
Implementation (maximum 20 points)			
6	Are the proposed technical actions appropriate and practical for the implementation of the proposed technology/ business initiative?	10	
7	Does the PG have sufficient capacity and technical expertise to carry out the technical/business activities stated in the proposal?	10	
Transferability (maximum 15 points)			
8	Is the proposed business enterprise/technology easily transferable to other working areas of the project (is it applicable and financially affordable by non-project beneficiaries)?	10	
10	Is there a clear plan for diffusion and transfer of the enterprise/technology to others at the community level?	5	
Project results and sustainability (maximum 30 points)			
11	Are the proposed results and financial/other impacts of the project clearly presented and are they feasible?	5	
12	How large and rapid are the proposed financial results and impacts to smallholder farmers/producers and agribusinesses of the SDF districts and their contribution to the improvement to the technical and financial viability of business?	10	

Criteria		Maximum Points	Point given
13	Will the project provide a positive impact and benefits on a significant number of direct participants and indirect beneficiaries within the poor and hardcore poor households and producers of the SDF districts?	5	
14	Does the proposed project contribute to the development of effective and sustainable business linkages (including partnerships between the service providers and beneficiaries)?	5	
15	Are there clear ideas how the project activities can be continued and developed in the future (sustainability)?	5	
	Environmental impact (maximum 5 points)		
16	What is the impact of the project on the environment (from -5 if very negative to +5 if very positive)?	5	
Total		100	

**5. The strengths of the project application related to the subject of intervention regarding:**

Technical aspects	Financial aspects

**6. The weaknesses of the project application related to the subject of intervention regarding:**

Technical aspects	Financial aspects

**7. Recommendations to the applicants for necessary improvement of the proposal:**

---



---



---

**8. Additional comments/suggestions:**

---



---



---

**PART B: APPRAISAL AND MONITORING TEAM (AMT) FINAL REVIEW CONCLUSION**

**1. Project Code Number:** \_\_\_\_\_ **2. Cluster Name:** \_\_\_\_\_

**3. Name of the PG/Proposal:** \_\_\_\_\_

I undersigned, and declare that:

1. Whereas, I have no direct or indirect interests or benefits from the project;
2. Whereas, I have made a professional and good quality evaluation of this applications to the best of my knowledge;
3. Whereas, I have been impartial and not influenced by external opinions or pressure;
4. To the best of my expertise, funding of this project by SDF is:

*(Check the appropriate box corresponding to the level of points received).*

- |                         |                              |                          |
|-------------------------|------------------------------|--------------------------|
| (a) From 0 – 69 points  | Not recommended              | <input type="checkbox"/> |
| (b) From 70 – 80 points | Recommended with reservation | <input type="checkbox"/> |
| (c) From 81 – 90 points | Recommended                  | <input type="checkbox"/> |
| (d) More than 90 points | Strongly recommended         | <input type="checkbox"/> |

**Name of the AMT Reviewer:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Draft Format for Review Panel Scoring/Evaluation of Proposal**

**A. DETAILED REVIEW PANEL (RP) EVALUATION SECTION**

1. Project Code Number: \_\_\_\_\_ 2. Cluster Name: \_\_\_\_\_

3. Name of the Applicant: \_\_\_\_\_

**Evaluation of the project according to each specific criterion:**

Criteria					Points given
1	How important is the proposed project for improving competitiveness, value added and market accessibility for small scale agribusinesses and poor households and producers in the SDF districts?				
	Not important at all	Minor importance	Average importance	Very important	
	-1	1	2	3	
2	How important is the constraint (problem) proposed to be addressed by the project, considering the local/district needs for improving competitiveness, value added and market accessibility?				
	Not important at all	A little	Average	Very much	
	-1	1	2	3	
3	How many points did the proposed project receive from the technical reviewers (AMT)?				
		From 70 to 80 points	From 80 to 90 points	Above 90 points	
		1	2	3	
4	How large do you think the impact of the demonstration of this business enterprise/technology will be, and how much will it help to relieve the constraints identified?				
		Not much (limited)	Average	Very large	
		1	2	3	
5	Give your impression on the overall potential value of the proposed project in improving viability of the business and providing long-term sustainable benefits for a wider range of beneficiaries?				
		Low	Average	High	
		-1	1	3	
<b>Total Points given</b>					

**B. REVIEW PANEL (RP) FINAL CONCLUSION**

[NOTE: This part of the report should always be in a separate page, in order to be easy taken off from the report when the applicant requests the report]

**1. Project Code Number:** \_\_\_\_\_ **2. Cluster Name:** \_\_\_\_\_

**3. Name of the PG/Proposal:** \_\_\_\_\_

I undersigned, and declare that:

1. Whereas, I have no direct or indirect interests or benefits from the project;
2. Whereas, I have made a professional and good quality evaluation of this applications to the best of my knowledge;
3. Whereas, I have been impartial and not influenced by external opinions or pressure;
4. To the best of my expertise, funding of this project by SDF is:

*(Check the appropriate box corresponding to the level of points received).*

- |                         |                              |                          |
|-------------------------|------------------------------|--------------------------|
| (a) Up to 5 points      | Not recommended              | <input type="checkbox"/> |
| (b) From 6 – 8 points   | Recommended with reservation | <input type="checkbox"/> |
| (c) From 9 - 12 points  | Recommended                  | <input type="checkbox"/> |
| (d) More than 12 points | Strongly recommended         | <input type="checkbox"/> |

**Name of Review Panel member:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_



### Financing Agreement of PIF Funding for Producer Group (PG)

1. This Financing Agreement signed on this \_\_\_\_\_ (date) at \_\_\_\_\_ (place) between:

a) **Social Development Foundation** b) \_\_\_\_\_ **Producer Group (PG)**  
(hereinafter called the first party) and (hereinafter called the second party)

Represented by

Represented by

Name: \_\_\_\_\_

1.Mr./Mrs. \_\_\_\_\_

\_\_\_\_\_  
Designation: District Manager

\_\_\_\_\_  
Convener [include address]

District: \_\_\_\_\_

2.Mr./Mrs. \_\_\_\_\_

\_\_\_\_\_  
Social Development Foundation (SDF)

\_\_\_\_\_  
Member [include address]

3.Mr./Mrs. \_\_\_\_\_

\_\_\_\_\_  
Member [include address]

2. The Government of Bangladesh, through Social Development Foundation (SDF), is implementing Nuton Jibon Livelihood Improvement Project (hereinafter called the NJLIP) with the objective of promotion of business enterprise in the rural areas for empowering the poor and hardcore poor to facilitate establishment of Small and Medium Enterprise (SME) in the rural in Bangladesh. The Second Party has certified that it has complied with all the prerequisite steps needed signing the Financing Agreement. This certification is given in Appendix-I of this agreement.

3. The first party -SDF- is an autonomous body created by GoB and entrusted with the responsibility of implementing the Nuton Jibon Livelihood Improvement Project (hereinafter called the NJLIP).

4. The second party is the Executive Committee (one convener and two member) of Producer Group (PG) represents the \_\_\_\_\_ (insert name of village), in \_\_\_\_\_ (insert name of union), \_\_\_\_\_(insert name of Upazilla) and \_\_\_\_\_ (insert name of District).

**THEREFORE**, this Financing Agreement is entered into between the representatives of the parties specified above.

#### 5. **Scope and Extension of this agreement**

The 1<sup>st</sup> party disbursed Tk \_\_\_\_\_ to the Producer Group for implementing activities of market facilitation and value addition of the product. The 1<sup>st</sup> party has decided to disburse Productive Investment Fund (PIF) on the basis of aggregating investment and achievement. Producer Group will use the fund for livelihood development of the producers.

The second party is eligible to receive a fixed budget envelope up to a maximum of TK. ----- (Taka --- -----) as Productive Investment Fund (hereinafter called the PIF) for implementing activities mainly for market facilitation and value addition purposes of business products

The producer group will accomplish the following activities:

- to purchase common equipment and machinery needed for production and post production like product processing, grading, packaging and storing activities
- to purchase/hiring transportation equipment for common input collection and products marketing as well
- Building/hiring small scale infrastructure like collection point, marketing centre and cooling equipment
- to use in providing capacity building training to producers, and producer federation in the area of technology adaption, value addition and business development entities
- Improving product quality and standards, including introduction of production and processing technologies, best quality and food safety management practices/systems and product certification
- to use in preparing the project proposal for establishing the business enterprises
- to lease in the land for fixed tenure to establishing the enterprise
- for hiring technical assistance and services to prepare business proposal and technical works

- in development of contractual arrangements between producers, processors and traders
  - to creating market opportunities, information collection for better market
  - establishment of showroom/display centre for product promotion; and
  - diversification of products adding value at different stages
6. All activities as agreed in this Financing Agreement and subsequent addenda, without exception shall be performed as under:
- In accordance with the NJLIP rules and guidelines as contained in PIF Operational Manual dated ----- and subsequent revisions agreed with the First Party
  - All activities under the project shall be undertaken without violating the principles of “Dash Neeti”.
7. The General obligations of all parties are outlined in Appendix- III
8. Misuse or unused of Productive Investment Fund by Producer Group members, members of executive committee, target beneficiaries or anyone in the village shall result in cancellation of subsequent installments of Productive Investment Fund and withdraw the funds provided earlier by the first party.
9. Any disputes arising out of this agreement shall be settled through mutual discussion between the parties. Those disputes, which could not be settled through discussions, will be referred to the sole arbitration of the Chairman, Board of Directors of SDF. The decision of arbitrator shall be final and binding on both the parties.
10. The following documents are attached to this Agreement and shall be deemed as part of this Agreement:

- Appendix I: The certification of 2<sup>nd</sup> party for achieving milestone for signing financial agreement
- Appendix II: Key Information on Second Party
- Appendix III: General Obligations of all parties
- Appendix IV: Draft Procurement Plan of Project
- Appendix V: Project Implementation Plan with Milestones

Signature \_\_\_\_\_

Name: \_\_\_\_\_

Designation: District Manager

District: \_\_\_\_\_

Social Development Foundation (SDF)

Signature \_\_\_\_\_

1. Mr./Mrs. \_\_\_\_\_

\_\_\_\_\_ Convener [include address]

2. Signature \_\_\_\_\_

Mr./Mrs. \_\_\_\_\_

\_\_\_\_\_ Member [ include address]

3. Signature \_\_\_\_\_

Mr. /Mrs. \_\_\_\_\_

\_\_\_\_\_ Member[include address]

Witness:

1. \_\_\_\_\_

2. \_\_\_\_\_

Witness:

1. \_\_\_\_\_

2. \_\_\_\_\_

At least one of the witnesses of the second party shall be a woman.

**Appendix-I: The Financing Agreement****Key Information on Second Party**

- i. Name of the village \_\_\_\_\_
- ii. Name of Union \_\_\_\_\_
- iii. Name of Upazila \_\_\_\_\_
- iv. Name of District \_\_\_\_\_
- v. Names of the PG members \_\_\_\_\_

Sl #	Name	Designation
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		

- vi. Total population of the village \_\_\_\_\_
- vii. Total number of households \_\_\_\_\_
- viii. Total number of hardcore poor \_\_\_\_\_
- ix. Total number of poor \_\_\_\_\_

**Appendix II: The Financing Agreement**

**Certification by 2<sup>nd</sup> party for achieving milestone for signing financial agreement**

- 1) The Producer Group (PG) is comparatively older (at least one year old), formed by at least 15 potential members of the NJG with regular savings and loan repayment record.
- 2) The PG contains at least 80% female members
- 3) All PG members received training on financial management and livelihood improvement
- 4) The PG has started the current business with a sound plan and linked up with commercial institution for upgrading the business
- 5) Majority members are advance producers and have started IGAs with modern technologies
- 6) The PG has registration or under process of registration from legal authority preferably from local cooperative society
- 7) The PG has joint bank account operated by 3 functional committee members in local commercial bank
- 8) The PG members adopted collective purchase of services and inputs and started value addition of marketable products
- 9) The PG members started group approach in marketing of products (handicrafts, vegetables, animals, fishes, poultry etc) to the whole seller or retailers
- 10) No record of internal conflict between members during last one year (either during group meeting or other occasions)

The above particulars and the decision to sign the financing agreement have been discussed, agreed and minutes recorded in the meeting of Producer Group working committee dated \_\_\_\_\_ (insert date).

Date

Certification by:

Signature : \_\_\_\_\_

Signature : \_\_\_\_\_

Name : \_\_\_\_\_

Name : \_\_\_\_\_

Convener of PG

Member of PG

## Appendix III: The Financing Agreement

### General Obligation of the Parties and Other Obligations

#### 1. General Obligations of the Second Party

- 1.1 Prepare the PIF application through a consultative participatory process by involving all the beneficiaries. The convener of the PG would be responsible for submitting the application and follow up project proposal. If necessary the PG may hire service providers for preparing the project proposal
- 1.2 Comply with all requirement mentioned in the PIF Manual in implementing all activities of Productive Investment Fund
- 1.3 Open and maintain separate bank account exclusively to be used for project related financial transactions which shall be operated jointly by the convener and members of Producer Groups. Current A/C # \_\_\_\_\_ Name of Bank \_\_\_\_\_ Branch \_\_\_\_\_
- 1.4 The PG need registration or under the process of registration from the legal authority of the country to apply for the PIF funding. Registration # \_\_\_\_\_ and Name of Registration organization \_\_\_\_\_ Place of registration \_\_\_\_\_
- 1.5 Capacity building of concerned beneficiaries are to be done for financial management, accounts keeping, procurement, social accountability and all sorts of record keeping
- 1.6 The Producer Group shall take appropriate corrective actions proposed by the any Audit party
- 1.7 Apply for release of each installment of the PIF along with details of completed milestones as certified by the SDF
- 1.8 Submit monthly reports of progress of project implementation and details of financial transactions to the First Party including final receipts and payments account of the PIF funding within three months of release of final installment.
- 1.9 Maintain all books and records including books of accounts, other financial records and minutes of the meetings of second party and all other committees as outlined in the COM.
- 1.10 Procure all goods, materials, labor, transport and other inputs required for the implementation of the PIF as per the procurement guidelines given in the PIF Manual
- 1.11 Immediately after completion of all activities under this agreement submit, a completion report, along with to the First Party

#### 2. General Obligations of the First Party

- 2.1 Make available PIF Operational Manuals and its various updates for Project implementation to the second party
- 2.2 Provide facilitation support to the Second Party and other committees
- 2.3 Monitor the progress of project implementation by the Second Party including visiting fields to offer guidance and advice

- 2.4 Appraise and suggest improvements for the Productive Investment Fund with competent experts and concerned officials of SDF
- 2.5 Verify each of the milestones for release of 2<sup>nd</sup> installment of Productive Investment Fund.
- 2.6 Release funds as per the agreed payment terms and service standards.

### **3. Other General Obligations**

- 3.1 All payments under this Agreement will be in pre-defined installments linked to attainment of milestones of verifiable physical achievements and are subject to actual expenditure
- 3.2 Acceptance of the activities at the time of completion of each milestone will be affected on a Certification of completion prepared by the second party and counter signed by the Social Audit committee of the second party. However, the second party shall produce a PG's resolution indicating successful completion of the activities before release of the final Instalment of funds by the first party. The first party may verify the completion of the milestones by an independent team, which will be carried in consultation and in the presence of the representatives of the second party
- 3.3 No cost overruns will be normally permitted under this Agreement
- 3.4 Any disputes between the parties arising out of this Agreement shall first attempt to be settled through mutual and amicable consultation. If the dispute is not settled through such consultations the matter will be referred to the sole arbitration of a committee constituted for the purpose by the Chairperson, Board of Directors of the First Party
- 3.5 The First Party can stop and suspend the activities under this agreement if it is convinced that the Second Party is not performing its duties and obligations satisfactorily as per this Agreement or in the event of financial irregularities, misappropriation of funds, delay in physical progress without genuine reasons, or in the event of serious environmental concerns. Any unutilized amount of the Productive Investment Fund shall be refunded to the First Party
- 3.6 This Agreement may be amended or cancelled by the mutual consent of the two parties in writing
- 3.7 This Agreement shall be governed by the law of Government of Bangladesh



**Annex IV: The Financing Agreement**

**Tentative Procurement Plan of the Project**

Description of Activity	Estimated Cost (Tk)	Procurement Method (Quotation/Tender)	Remarks
Goods			
Works			
Services			
Total			

## Appendix V: The Financing Agreement

### Project Implementation Plan with Milestones

#### Milestone payment – I: (From [mm. yy] to [mm. yy])

Sl #	Milestone	Performance indicators for expected Outputs	Expected Expenditure
1	- Producer groups have been formed with suitable members	- PG formed by at least 10 members and conducting regular meeting	40% of total budget of the project  [mm. yy]
2	- Executive committee has formed and got registration	- 03 members functioning committee of PG established, started processing of registration with appropriate authority	
3	- Joint Bank account has been opened and proposal is prepared through proper channel	- Bank account opened by the name of PG and deposited necessary contribution	
4	- Linkage/partnership have been established to ensure service, inputs and product marketing	- Partnership established with at least one service provider	
5	- Producers have started to get benefit from service providers and market operators	- Service providers started vaccination and de-worming programs	

#### MILESTONE PAYMENT – II: (From [mm. yy] to [mm. yy])

Sl #	Milestone	Performance indicators for expected Outputs	Expected Expenditure
1	- Successfully implemented 70% activities of the 1 <sup>st</sup> installment and preserved all bill vouchers properly	- The PG spent the PIF properly following procedures of COM booklets and preserved necessary cash vouchers etc	60% of the total budget of the project
2	- No miss use of fund (1st installment) and no conflict at PG level	- Maintained regular group meeting and savings activities. No financial irregularities identified	
3	- At least 50% producer group members benefited from the operation and added value in the production	- Input supply and product marketing brought under group approach. Higher product prices ensured through common sell practices	
4	- At least one partnership has developed with market operators	- Agreement made with other operators for value addition and marketing of products	
5	- At least one collection point/display center has been established for collective product marketing	- Established or under process of establishing show room/display center in local market for promotion of marketable products	

### Appendix I: Details of the eligible criteria for selection of Producer Group

- I. 80% of the PG members should be for one year or longer members: Nuton Jibon Group is the on-going credit worthy groups being supported by the Nuton Jibon Project of SDF. If the members of PGs are from those groups it would ensure their targeting i.e. from poor and hardcore poor households. Only the potential members (those who have courage and intelligence to become entrepreneurs) are to be selected for Producer Groups, as they would need more hard works and sacrifice to success the business enterprise in near future. A minimum age of the group (work together) is important to measure the integrity of the members to become united together for further development of the society. For integrity among the members of any group seating together by regular interval and sharing their ideas and views for good planning is important. Once the PGs satisfy all these criteria, then only it could be selected as eligible group for PIF funding.
  
- II. None of the PG members should have failed to pay back a loan: The regularity in any activity proves the commitment of a woman/man towards the profession or organization. The irregular presence of a member in monthly meeting of her/his society or incapability of depositing monthly savings indirectly shows otherwise engagement of the person. Once he/she starts practicing irregularity in the scheduled activity it tends to drop regular payment of loan cycles that ultimately leads to drop out of that member from the group/society. So a sustainable producer group could only possible if it forms by the sincere and committed persons of the village/locality. As such in producer group majority members would have commendable character in respect of business promotional activities. Sizeable amount of savings of a group is also act as collateral for having higher amount of credit in favor of them from NGO or banking sectors, it also increase the bonding of the members to become united together. Groups with minimum amount of savings would certainly carry fewer points than groups with larger savings. So eligibility to PIF funding would need sizeable group savings and most of the members without default records of loan repayment.
  
- III. The PG needs at least 15 regular members with good collaboration and cooperation among them: From business point of view small group is easy to handle and less chances to have internal conflict with growing of their business and assets. So larger groups will not be advocated during selecting PGs for PIF funding. The group may start with 10 members and increase numbers with time so that the PG would have opportunity to include the best performing members in the expected IGAs or business enterprise. The ideal group size would be 15, however may reach up to 20 or more if potential and interested similar IGA practitioners are available in the vicinity. As the members of PGs are from the similar levels of socio-economic conditions and resource base it is expected that there would be less chance of internal conflict between members. Emergence of numbers of natural leadership among the

group members is another threat for dismantling of the society, and in smaller group chances would be less.

IV. Majority members should be advanced producers who started IGAs with modern technologies:

It indicates that the PG if formed by the senior members of NJG who are running their IGA profitably for quite a long time (2-3 years), it would have additional advantage for getting the PIF funding. Advanced producer or IGA practitioners are experienced in marketing of their products and may have developed linkage with wholesale market in nearby growth centers or township by this time. The PG with these categories of members would have more chances of sustainability in their business enterprise and can expand the business within shortest possible time. The SDF staff will select those PGs with experienced members who will also carry more points during evaluation of their existing business entities and its opportunities of expansion by the PIF funding.

V. The PG should have registration from legal authority preferably from local cooperative society:

Without registration under any legal (mostly Government) authority the group or society has less chance of stability and in no way can be brought under country's law and order when necessary (any misuse of fund or total failure of enterprise due to misappropriation of Government money). Without having registration, Government will also not allow or protect the convener or any member of the PGs if they need it during crisis. During discussion with the beneficiaries and other stakeholders who are practicing similar business promotion activities in the rural area through group approach, it has been informed that the best option for registration in the country is from Department of Cooperatives (GoB). The other option is from Social Welfare Department (GoB), as informed, which is time consuming, takes comparatively longer time, sometimes more than a year even and clumsy (complex process and non-cooperative to the clients). On the other hand cooperative is less time consuming (up to three months) and have their branch offices at district level. Society may get registration from Registrar of Joint Stock Company (RJSC) of Bangladesh which is more laborious, more costly and almost beyond the reach of rural people who are member of the PGs. They will possibly need to appoint advocate to get registration from Registrar of Joint Stock Companies (RJSC).

Considering the existing socio-economic conditions of the PG members and their accessibility to different Government agencies, registration document or its processing document may accept as eligibility criteria for the PGs.

VI. The PG bears joint bank account operated by 3 functional committee members in local commercial bank with sizable deposit (10% contribution and sizeable group savings; this will be treated as strength of the PG):

To maintain transparency, the SDF would make all financial transaction through bank account with account payee cheque. To fulfill this demand all PGs will

have to open mandatory bank account (current account) and to operate it by the name of PGs. It would be a joint account by the name of functional committee of the PGs. Cash withdrawn will be done only by joint signature (at least two members of the committee). The account to be maintained by the names of three members of the functional committee but either of the two would be powered (signatory) for cash withdraw. The PG advised to open current account in any commercial bank of the locality (suitable for them) by submitting the resolution of the meeting of functional committee. During financial monitoring and auditing the convener of the PG will have to produce the current bank statement.

- VII. No record of internal conflict between members during last one year (either during group meeting or other occasions): The number one enemy of the group approach activity is the internal conflict (for different interests) of members for leadership or getting facilities on common assets. The tendency of conflict increased with time and asset building of the society, so this conflict issue would be treated as one of the important indicator to identify the group for applicant of PIF. `Patience and loyal to others' characteristics to be adopted by the PG members to improve their business for long run and to be united together to emerge as important entity of the locality. As such the characteristics of the members of the applicant PG to be reviewed before selecting them as qualified PGs for PIF funding
- VIII. The PG would have at least 80% female members: The females are still weaker part of the society in the country, so they deserve more facility from the society too. From this consideration SDF forms NJG mostly by disadvantaged women of the locality. It is expected that the members of the producer groups will also be majority females. However for getting facilities, male may become interested to be the members of PG for PIF funding. To resist any bypassing of male over female members, restriction is to be put to reserve 80% membership of qualified PGs for female members. The PG who has female members less than 80% would not be treated as eligible for application of PIF funding. As observed in the field PG members are mostly female, so female would get preference for PIF funding also.
- IX. The PG needs initativeness to start business and linked up with commercial institution for upgrading the business: Primary initiative of the PGs towards development of business enterprises is to be reviewed before selecting them as potential applicants for PIF. Those PGs would get preference to apply for the PIF funding who started business of their products in local markets or in nearby towns, so that they need external support to improve or develop it in relatively larger fashions. Linkage with different agencies or organizations facilitates not only marketing of finished products but also to getting supply of inputs or raw materials for business products. Interaction and linkage with other organizations would add value for the PGs to get preference in getting PIF. The interest of the group is to be reviewed by the SDF staff to select them as eligible for submitting the project proposals for external assistance (PIF funding).