**CHALLENGE FUND**

Annex A. APFP Challenge Fund Guidelines

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| Total Challenge Fund | US$ 260,000.00 for ECSA and US $100,000 for SEA which is targeted to be disbursed in 1 year. |
| Source | APFP |
| Qualification of Potential Proponent | All FOs (NFOs and SNFOs) within the national APFP Platform in Asia.  The Cooperatives/FOs, which express its interests to receive support from (NIA) and its partners, must submit their business proposal for expanding their businesses, and should meet the following requirements:   * Must be a member of country farmers platform and have strong (Growth Chart not less than level 3) members based Coops/FOs in the country/region * They should be registered entity in their country (e.g. Coop, FO, etc.) * Having a membership of at least150 for small countries like Mongolia and 300 for other countries; * Capable of co-finance the project of at least 30% of total project cost with its own funds; * Have a simple financial system (computerized system is preferred); and * Have qualified finance person in the organization. |
| Nature of Fund | Grant fund will be given to respective country NIA to finance business plans for eligible projects. |
| Priority type of projects that can be funded | All related initiatives on improving livelihood of farmer members through improved economic services of Farmer Organization (APFP Component 1) which may fall under two types:  Type 1: Innovative pilot projects that have proven to be successful within a limited scope, but require minimum additional capital to become demonstrative models and have a potential to be scaled up.  Type 2: Scaling up initiatives that are proven models and best practices in the fields of agricultural cooperative enterprise development. This may refer to proven successful initiatives that (i) can be extended to larger geographic areas or target groups; (ii) may result in a larger scope of products; or (iii) can become part of public development agendas as policies or country/regional programmes.  Additionally, the projects should be able to show the following:   * Ensure an incremental increase in income of farmers by at least USD 600 per annum. * Have at least 150 direct beneficiaries for small countries like Mongolia and at least 300 for other countries. * Have at least 40% female and 10% youth as part of the direct and indirect beneficiaries. |
| Maximum Project cost for each project | $20,000  \*with possibility to be increased if there are limited entries/submitted proposals which meets the requirements |
| Terms of Financing | Project proposals (business plans) covering one production cycle or a maximum of 18 months. |
| Tranches / Fund release | 3 tranches  - 85% upon approval and signing of project contract  - 12% can be released upon 50% of budget of the 1st tranche used and first progress report submitted (the progress report will be at least 5 pages inclusive narrative and financial report)  -3% after submission of project completion report |
| Minimum financial requirement of the project proponent | Separate Bank Account  Simple financial system (computerized system is preferred)  Presence of qualified finance person in the organization  With audited financial report (2019)  \*Board Resolution endorsing the proposal and designating authorized representative is a requirement |
| Maximum Project that can be financed in one country | Maximum 2 projects (no limit on number of submission of proposals per country but maximum 2 projects will be prioritized/approved to allow opportunities for other FOs from other countries; however if there are limited entries/submissions, they might be chance to increase the number of approved proposals per country) |
| Eligible cost that can be financed by the project | Recurring cost (production and training cost) with clear and visible result within 6-8 months leading to increase in income of the individual member and the group  Below are list of possible cost that can be covered within the proposed project among others (this is not an exhaustive list with the intention to give idea on type of possible cost items)  - costs directly attributable to the process of production/cost or raw materials  -small equipment for packaging, processing, labelling  -construction of small green houses with counterpart funding (labor, local materials)  -farming tools like small irrigation pump / water well / hose pipe  -small refrigeration /cooling facility /freezer for vegetable, fish, medicine, vaccine  -small vehicle for marketing (motorcycle, small tricycle van etc) |
| Non-eligible cost | Purchase of land, construction of buildings exceeding USD 5000 |
| Required Documents to be Submitted | * Simple Project Proposal Format (at least 5 pages maximum of 10 pages plus annexes if needed) with required attachments. |