



The European Union
for Georgia
ENPARD



Food and Agriculture
Organization of the
United Nations



**FAO Support to the Georgian agricultural sector
under the ENPARD III program
*Funded by the European Union***

GCP/GEO/011/EC

Grant Manual

July 2020

Third general grant cycle



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Acronyms used:

ARC - Application Review Committee
ARDA – Agricultural and Rural Development Agency
ENPARD - European Neighborhood Program for Agriculture and Rural Development
FAO – Food and Agricultural Organization of the United Nations
GoG – Government of Georgia
IP – Implementing partner
LAG – Local action group
MEPA – Ministry of Environmental Protection and Agriculture of Georgia
SMEs – Small and Medium Enterprises
UN – The United Nations

Definition of key terms used:

- Matching grant: Investment support provided by FAO to cover part of an investment in equipment.
- Matching contribution: Financial contribution provided by the grantee to cover part of an investment in equipment.
- Grant cycle: Defined period of time during which grant applications can be received by FAO.
- Grant application: Application for a matching grant from FAO comprising a personal questionnaire and a grant application form.
- Grant agreement: Agreement signed between the grantee and FAO outlining the extent of the investment support provided, the grantee’s obligations, and the general provisions of the contract.
- Program’s platform: Platform which serves as the main interface between the applicant and FAO. All grant applications will be directly uploaded on the platform.
- Personal file: Secured and individual file on the program’s platform where the applicant can upload his grant application and review its current status.



- Technical review: Technical review of the grant applications performed by FAO or its implementing partner analyzing the general vision and coherence of a proposed investment support.
- Verification Control Visit: Field visit to the applicant's premises by the Implementing partner to validate the main assumptions included in the grant application.
- Application Review Committee: An independent committee, comprising one representative from FAO, MEPA and from the European Union Delegation in charge of taking the final investment support decision.
- Investment Implementation Plan: Detailed timeframe outlining the different milestones to complete the investment support.
- Specifically promoted investment: Specific investments promoted by the program through specific incentives.



1. Introduction

This Grant Manual outlines the administrative, technical and financial processes to be used for matching grants under the Food and Agriculture Organization (“FAO”) support to Georgian agricultural sector under the European Neighborhood Program for Agriculture and Rural Development, phase 3 (“ENPARD III”).

FAO support to Georgian agricultural sector under ENPARD III aims at empowering women and men farmers and small-and-medium-sized agribusinesses (SMEs) with proper support measures that will allow them to have better access to improved agricultural practices and technologies, knowledge, finance and markets throughout various activities along the value chains they are involved in- from the production to the commercialisation of agricultural products.

In this regard, the program shall provide support to investments in agricultural value chains to be made by individual farmers, cooperatives, Small and Medium Enterprises (“SMEs”), rural entrepreneurs or municipalities in order to increase the competitiveness of the agriculture activities at municipal level. Whenever an investment support is considered, the support should first and foremost aim at facilitating and incentivizing private-sector actors (including farmers, cooperatives, rural entrepreneurs, agribusinesses, SMEs) to actively take on their market roles, and only when private-sector solutions cannot be found should public-sector solutions be considered. Under ENPARD III, FAO’s investment support through matching grants will be provided under a grant component.

It is expected that the Project’s activities will positively impact food production in Georgia and the parameters of rural poverty.

The Project is funded under the third phase of ENPARD III and builds on results delivered by FAO and other partners through the projects that were implemented under ENPARD I and ENPARD II.

2. Grant component scope, eligibility criteria, and eligible investments

2.1. Scope of the grant component

FAO support under ENPARD III program envisages the provision of matching grants to individual farmers, cooperatives, rural entrepreneurs, SMEs and municipalities to promote investments and to create new business opportunities along targeted agricultural value chains.

Six investment types are eligible for the grant component.

- Type 1: Investment in the 8 LEADER municipalities, where applicants will be allowed to propose investments without restrictions.



- Type 2: Investment in adjacent municipalities where all investments in the selected value chains can be proposed (including primary production).
- Type 3: Cooperatives, at national level (with a minimum legal existence of 12 month) where all investments in the selected value chains can be proposed (including primary production)
- Type 4: Other investments (not by cooperatives) at national level in value chain activities (processing, storage, marketing, branding, etc.), except for primary production) linked to the flow of produce from the LEADER municipalities (e.g. a processing plant out of the 8 LEADER municipalities can be financed if it will serve to process the produce coming from these municipalities).
- Type 5: Exceptional awards at national level and without necessarily working on a concrete value chain, as soon as they are considered by the Application Review Committee (“ARC”) as projects “of high interest” as per at least one of the following criteria:
 - ✓ *Innovative project that may be replicated in the future by the Government of Georgia (“GoG”) funds using the state support funds;*
 - ✓ *Projects with high impact in job creation and social sustainability in areas or sectors with high unemployment rate;*
 - ✓ *Projects with significant value added within the value chain(s) involved; and*
 - ✓ *Projects that adhere to internationally recognized good environmental practices*
- Type 6: Municipal investments in the 8 LEADER municipalities for either infrastructures or for investment of public interest in relation to agricultural activities. These investments are encouraged to follow the priorities identified by the Local Action Groups in the Local Development Strategies.

The scope of intervention for each investment type is summarized in the following table:

Type of investment	Primary production level	Value chain activities except for production (e.g. processing, storage, distribution)
1/ 8 LEADER municipalities (Farmers, SMEs, cooperatives), <u>in any value chain</u>	✓	✓
2/ In adjacent municipalities, and in selected value chains	✓	✓
3/ Cooperatives outside of the LEADER municipalities active in the selected value chains	✓	✓
4/ Value chain investment outside of the LEADER municipalities in the selected value chains		✓
5/ Exceptional awards <u>in any value chain</u>	✓	✓
6/ Municipal investments in 8 LEADER municipalities <u>in any value chain</u> (infrastructure and service provider)		✓



All investment activities financed by the program should create positive value for one or more of the 8 targeted municipalities, except for Type 3 and Type 5 investments which may not directly benefit the 8 targeted municipalities but will bring about positive impacts at national level (which will later spill over to the targeted municipalities). Therefore, all investment plans should directly or indirectly be related to targeted municipalities and all applicants should demonstrate positive impact of their investment plans for the municipalities. This is especially true for investment plans that will not be geographically located in targeted municipalities, but which will have indirect involvement/linkage with them. The **8 LEADER** and 14 adjacent municipalities are:

- **Lagodekhi, Kakheti**
- Kvareli, Kakheti
- Gurjaani, Kakheti
- **Dedoplistskaro, Kakheti**
- Signagi, Kakheti
- **Tetriskaro, Kvemo Kartli**
- Marneuli, Kvemo Kartli
- Bolnisi, Kvemo Kartli
- Tsalka, Kvemo Kartli
- Dmanisi, Kvemo Kartli
- Gardabani, Kvemo Kartli
- **Akhalkalaki, Samtske-Javakheti**
- Ninotsminda, Samtskhe-Javakheti
- **Borjomi, Samtske-Javakheti**
- Akhaltsikhe, Samtskhe- Javakheti
- Aspindza, Samtskhe-Javakethi
- **Kazbegi, Mtsketa-Mtianeti**
- Dusheti, Mtskheta- Mtianeti
- **Keda, Adjara**
- Khelvachauri, Adjara
- **Khulo, Adjara**
- Shuakhevi, Adjara

2.2. Value chain restrictions

The program limits applications to investments in selected value chains (except for investment type 1, 5 and 6 where there is no restriction to the value chain(s) in focus). The selected value chains which are targeted for investment types 2, 3 and 4 are as follows:

1. Beef value chain in all 8 LEADER municipalities.
2. Dairy value chain in all 8 LEADER municipalities.



3. Vegetables with an impact in Lagodekhi, Kakheti.
4. Wheat with an impact in Dedoplistskaro, Kakheti.
5. Potatoes with an impact in Akhalkalaki, Samtske-Javakheti.

The list of selected value chains may change or expand as the program is implemented.

2.3. Eligibility criteria for applicants

Program target beneficiaries are farmers registered as individual entrepreneurs, cooperatives (with a minimum of 12 month legal existence), SMEs (with a shareholding structure owned in majority by citizens of Georgia), rural entrepreneurs, or municipalities who have the intention and financial capability to make investments as described in section 2.1 of this document.

In order to be eligible to apply for co-investment (i.e. matching grant) from the program, applicants must meet the criteria listed below:

- Natural persons applying to the program must be citizens of Georgia. All applicants must provide appropriate supporting documentation as detailed in the application form.
- Farmers have to be registered as individual entrepreneurs to be eligible for a grant. Farmers who are not registered as individual entrepreneurs can still apply for a grant. If they are approved to receive a matching grant, they will have to register as individual entrepreneurs before the signature of the grant agreement.
- Legal entities applying to the program must be majority owned by citizens of Georgia
- In order to be eligible to apply under type 3 investments ('Cooperatives outside of the LEADER municipalities active in the selected value chains'), a cooperative must have a minimum of one year of legal existence.
- Applicants, including government based organizations, must not be bankrupted or, be liquidated or have their affairs administered by the courts;
- Applicants must demonstrate proof of their ability to match co-investment funds for successful project implementation;
- Applicants must show proof of their ability (*physical, legal*) to use capital and/or other assets that are involved in their investment plans, e.g. agricultural land, building, machinery, labor, skills, etc.
- All applicants requesting a grant amount above 50,000 USD (or equivalent in other currencies) shall be registered as SME or cooperative.
- All applicants active in milk production, and requesting a grant amount above 50,000 USD (or equivalent in other currencies), shall demonstrate the use of an adequate manure management system to limit their impact on the environment.
- All future grantees will be asked to have a legal registration, either in the form of individual entrepreneur, SME, Cooperative, or any other legal status related to their commercial activity.



- All SMEs requesting a matching grant will be asked to be registered at the Revenue Services and to hold a tax number before signing the grant agreement.
- Applicants should not have any ongoing dispute with the Revenue Service, National Bureau of Enforcement or other respective government bodies.
- Applicants must be committed to adherence to high ethical business standards, including transparency in business dealings, disclosing any actual or perceived conflicts of interest, record and book keeping;
- Applicants cannot be involved in UN prohibited activities; have existing defaults on other assistance programs; or be a direct relative (spouse, child, parent or brother/sister) or business associate of FAO or FAO implementing partner organization's staff.
- The applicant shall take all reasonable precautions to avoid any conflict of interest and shall inform FAO without delay of any situation constituting or likely to entail a conflict of interest including any FAO personnel, any individual or entity involved in the grants process, whether in relation to application, technical review, selection, monitoring, payment or any other component, or any person from a contracted partner of FAO, having an interest of any kind in the applicant's activities.

2.4. Eligible investments

The grant application budget should differentiate between investments to be financed by the **matching grant** (with FAO support) and the ones to be financed by the **matching contribution** (to be directly paid by the grantees).

2.4.1 Capital expenditures¹:

Only certain capital expenditures are considered as eligible investments for matching grants calculation within the program.

Below are some types of capital expenditures that are however not eligible for the matching grant calculations, but may be included in the matching contribution part of the application:

- Construction costs (except for type 6 investments, 'municipal investments'). Construction work shall be conducted by a registered construction company. The finalization of the construction works will have to be approved by an independent third party before the work can be considered as complete.
- Purchase of live animals (limited to reproducing mothers of improved breeds, in line with the commercial activity, and only from authorized legal resellers)
- Purchase of equipment and machinery shall be made from official resellers.

¹ Capital expenditures: An investment made to buy fixed assets. It is considered a capital expenditure when the asset is newly purchased or when the money is used towards extending the useful life of an existing asset, such as repairing the roof.



Below is a list of capital expenditures that are not eligible in the matching grant calculation nor in the matching contribution part of the application:

- Partial investments such as a stage of construction of a facility constructed before the grant application is submitted
- Any type of used equipment.
- Alcohol production equipment, with the exception of winemaking
- Transportation vehicle which are not specifically designed for a professional usage (including adapted pick-ups)

2.4.2 Operating expenditures²

Operating expenditures are not eligible for the matching grant calculation, nor for the matching contribution part of the application.

The following expenditures are also considered ineligible activities under this program:

- Procurement of equipment not related to project activity;
- Previous obligations and/or bad debts;
- Fines and/or penalties;
- Any expenditures that would present an environmental or social risk
- Any expenditure that would not comply with FAO and/or EU environmental standards
- Procurement of genetically modified organisms;
- Procurement of seeds
- Purchase of invasive species.

The eligibility review of investments will be performed on a case-by-case basis by the implementing partner with the overall technical review from FAO. All documentation, including provided quotations, will be checked. During these prior checks, in case of discrepancy (for example unrealistic costs or other unaccepted costs), the applicant will be asked to modify the budget and FAO's financial contribution will be reduced accordingly. Consequently, the applicant has to be focused on the realistic and rentable budget provision.

3. General principles and investment support ceilings

Matching contribution requirements helps to ensure that beneficiaries are committed to the project and are financially capable to implement it. The program requires beneficiaries to co-invest a minimum of 60% of the total investment requirement.

² An operating expense is an expense a business incurs through its normal business operations.



Proposed investment plans must be related to the agricultural sector, fall within one of the 6 type of investments, and have positive impact on the LEADER municipalities. Type 3 and Type 5 investments, however, do not need to demonstrate potential direct or indirect benefits for the 8 targeted municipalities, but they need to demonstrate potential positive impacts at the national level.

For specifically promoted investments that are targeted by the program, additional financial or technical incentives can be made available to beneficiaries. The maximum contribution to the investment provided by FAO can be increased to 60%. These additional incentives, however, generate an additional number of restrictions and obligations from the beneficiaries. For example, the specifically promoted investments might be required to be purchased from a list of priority suppliers or related to promoted technologies. For further details, please refer to the list of specifically promoted investments and related suppliers on the program’s website.

The required contribution that can be provided by FAO should not be below **1,000 USD or above 150,000 USD** for the application to be considered eligible. Cooperatives applying under Type 3 are entitled to a maximum grant amount of 50,000 USD. Shall an application fall within several investment types, the investment type most beneficial to the applicant shall be considered.

The required support should not exceed the investment support ceilings and maximum contribution that can be provided by FAO as established in the following table:

Beneficiaries	Maximum contribution to investment provided by FAO (in %)		Investment support ceiling (USD)
	Normal investment	Specifically promoted investments (as described on program’s website)	
All types of beneficiaries	40%	60%	Minimum (1.000 USD) Maximum: 150.000 USD

The program considers only cash or financial guarantees from financial institutions made available specifically and directly for the investment plans as eligible forms of matching contribution. No in-kind contribution (such as labor, donated land, equipment, etc.) or donor funding (single funding rule) can be considered as part of matching contribution. The only exception to this matching contribution’s single-funding requirement relates to the „preferential agro-credit“ program from ARDA with reduces the related loan’s interest rates. Beneficiaries are encouraged to find alternative financial sources to cover expenditure types that do not fall in eligible investment category.

All matching grants should be implemented at least three months before the end of the program.



Important Notice: All applicants will be responsible for payment of all relevant taxes/fees according to the Georgian legislation.

4. Application process:

All applications should be submitted through the program's dedicated website: www.faogrants.ge

Calls for grant applications will be launched several times a year on a periodic basis. Deadlines for the different call for applications will be announced independently from this grant manual and advertised on the program's website, together with guidelines for preparation and submission of applications.

Call for Applications will be developed and issued by FAO in collaboration with the implementing partner. The Calls for Applications will specify:

- Where to obtain information on the project (webpage, leaflets, etc.)
- The list of eligibility criteria in order to apply to the program
- The priority value chains, as well as the Specifically promoted investments, as required;
- The maximum amount of support available per beneficiary if applicable
- The deadline and how to submit applications;
- How and where to request support in formulating applications.

Calls for Application will be circulated with the engagement of the Implementing Partners following an information dissemination strategy previously agreed upon with FAO.

Though only the ARC has the authority to grant any financial support, please note that an application may be rejected at any stage by FAO if the application is incomplete, technically inadequate, or ineligible. If so:

- The applicant will get a written explanation to inform him about the refusal.
- The information notice will include explanations about the underlying reasons that motivated the refusal and the link to the corresponding paragraph in the grant manual.
- The applicant will be free to re-submit his application during the next call.

The technical adequacy of an application will be assessed by internal FAO experts.

In case of a rejection of a grant application with a requested grant amount above 50,000 USD, an external reviewer from FAO headquarter or FAO Regional office may be requested to provide a simplified peer review of the application. In that case, the external reviewer will have the possibility to either endorse the rejection, or to ask for a second assessment by an external reviewer. In the first case, an endorsement letter would confirm the rejection and be shared with the applicants.

Below is a description of the different stages of the grant process.

Phase I: Registration

- All applicants should register on the program's website and create their unique account.
- To register, applicants will be required to upload their profile information, including their credentials, and contact information.



- Upon submission of their registration request, the applicants will receive unique identification credentials in order to access their personal file on the platform.

Outcome: The applicant has created a secured access to the platform with personal access codes.

Phase II: Formulation of applications

- In order to file a grant application, all applicants should log into their personal file on the platform.
- Applications should be prepared directly on the program's website and all necessary supporting documentation should be uploaded electronically. All applications with a total matching grant amount (FAO contribution) above 50.000 USD should be done in English only. All proposals for matching grants below 50.000 USD can be in Georgian or English.
- To file a grant application, all applicants will have to fill the personal questionnaire form first, where questions relate to the applicant's experience and profile.
- After submitting the personal questionnaire, the applicant will be asked to prepare the grant application itself. The application form contains a narrative part where the strategy and the reasoning for the investment should be clearly explained. The application also consists of the detailed budget, including the technical specifications of the equipment to be purchased, the names of the suppliers, and the proposed investment timeframe.
- Finally, in order to validate their application submission, the applicants will be asked to upload supporting documents. The list of supporting documents to be provided can be found on the program's website.
- The applicants may request assistance from the IP in formulating their applications. To get details of the regional coordinators in charge per municipality, please refer to the program's website.
- Any application received after the call for application deadline will not be considered.
- Only one application may be submitted by each applicant for each call for application, whether the applicant is submitting as an individual or as a jointly-submitting registered group. Moreover, only one matching grant can be implemented by one grantee at any given time.
- If more than one application is submitted by the same applicant, whether individually or as a jointly-submitting group, all the applications associated with the applicant will be rejected.
- Once submitted, each application will be given a unique serial number and will be logged in the applicant's personal file on the program's platform. Each applicant will receive an official confirmation receipt including the unique serial number of their application. The receipt will be electronic (e.g. confirmation email).
- Once submitted, an application cannot be recalled or amended in any way, except if required by FAO or the ARC.
- Applications that do not include all the items and supporting documents required on the application platform may be rejected.



- As the program is focusing on agricultural activities, applications implying more than 25% of non-agriculture activities/equipment with a corresponding budget of at least 10 000 USD will be automatically rejected.
- Applications from companies, cooperatives or municipalities must be signed by the legal representative of the organization.

Outcome: The applicant has uploaded his grant application and all related supporting document to the platform.

Phase III: Pre-screening of applications

- Immediately after the application submission, FAO will make a review of the budget comprised in the application form. Shall any modification be needed, FAO will propose modifications to the applicant to ensure the application is in line with the program requirements. This verification is limited to the budget only and does not represent, under any circumstances, a commitment by FAO to financially support the applicant for his project.
- Following the budget pre-validation, the Implementing Partner (“IP”) will perform a pre-screening of the supporting documentation received and review the eligibility of the applicant itself. In order to further enhance the transparency of the program, the implementing partner will not have access to the personal information of the application and will handle the applications in an anonymous manner.
- Shall the applicant be eligible for the program, a first technical review of the application will then be performed. This first technical review aims to ensure the compliance of the application with the scope of the call and the grant manual requirements, as well as the completeness of the grant applications received.
- Shall the application require adjustments, the Implementing Partner will provide support to the applicants to draft and modify their applications in compliance with the grant manual.
- Shall the application raise doubts on its feasibility, the Implementing Partner can propose the rejection of the application to FAO, who will have to validate the decision.
- The correctness and validity of all information provided remains the responsibility of the applicant. In order to ensure fairness and transparency, the IP will ensure that it provides technical support to all eligible applicants.
- Matching grant applications below 10,000 USD will go through the pre-screening stage and, if successful, will reach directly the decision stage without the need for Business plan design (Phase IV).
-

Outcome: The eligibility of the applicant has been reviewed, and a first technical review of the application has been performed, leading to acceptance, modification, or rejection of the application.



Phase IV: Business plan design:

- Under certain circumstances listed below, the applicant will be required to provide a business plan in addition to the application form. This business plan will require more detailed financial information to better understand the economic feasibility of the application received. A business plan will be required in the following cases:
 - For a grant amount comprised between 10,000 and 50,000 USD, and after successfully completing the initial technical review from the IP, the IP will support the applicant to design a simplified business plan.
 - For a grant amount above 50,000 USD, and upon request from FAO, an external service provider will support the applicant to design a comprehensive business plan. All costs related to the business plan design will be covered by FAO. Following the submission of the business plan by the external service provider, Before submission of a business plan, the applicants will be asked to sign an acceptance form confirming the accuracy and ownership of the business plan.

Please refer to the programme's website for additional information.

Outcome: For all applications above 10.000 USD, a business plan has been developed, including an improved narrative section and financial indicators.

Phase V: Scoring of applications

- Following the pre-screening and business plan design stage, successful applications will be screened and scored by FAO based on pre-defined criteria. The scoring process is composed of an initial review by FAO's experts and then of a peer review by a team of reviewers (either internal or external to FAO). This double procedures ensures a transparent and independent scoring process.

The applicant will be required to earn a minimum score of 70 out of 100 points. Applications that do not pass the 70 points threshold will not be further evaluated. A provisional ranked list of all applications that meet the minimum scores will then be submitted by FAO for review and approval to the ARC. **The final granting decision will be taken at a later stage by the Application Review Committee.**

Outcome: Applications have been scored and passed a peer review. Applications with a score below 70 are rejected. All applications with a score at or above 70 and requesting a grant amount above 1,000 USD are to be presented to the Application Review Committee for the final granting decision.

Phase VI: Selection of applications

- The final investment support decision will then be made by the ARC. An independent committee comprised of one representative from FAO, one representative from MEPA and one representative from the European Union Delegation. Each committee member will own one vote to make a decision



on grant award. Representatives from implementing partner and Local Action Group (“LAGs”), or other relevant organizations can be invited upon FAO request to attend the committee with observer status.

- For large applications with a requested grant amount above 50,000 USD, the applicant will be requested to attend a private hearing with the Application Review Committee to provide any information deemed necessary to come to a fully informed decision. At the discretion of the ARC, if deemed necessary, the ARC can also request a field visit to the applicant project’s site.
- The ARC can approve, reject, require additional supporting documentation, propose modifications, or add conditions to the approval. The final decision of approving an investment should be taken in a collegial manner with the agreement of the three members of the ARC (MEPA, EUD and FAO representatives).
- Meeting minutes from the ARC sessions shall be prepared. The selection will be documented in writing with a clear justification for selection or non-selection for each application. Applicants will be provided with written recommendations in case of such request.
- The committee decision on grant applications’ approval is final and irreversible, however applicants are encouraged to reapply for following calls with improved investment proposals. There is no appeal process against the decisions of the ARC for current call. In case of rejection or non-selection, no further correspondence or discussion shall be entered into following written confirmation of this outcome.
- Upon selection of an application, FAO may require additional information from the beneficiary in order to collect comprehensive baseline information.
- Applications submitted and any attached documentation will not be returned to the applicants, but will not be shared with any other institution without formal approval from the applicant.

Outcome: The Application Review Committee has issued investment support decisions. A minute of the meeting is prepared.

Phase VII: Preparation and signature of the grant agreement

- For all granted applications requesting a grant amount of more than 10,000 USD, the IP shall organize and conduct a field Verification Control Visit/inspection visit. The visit aims to verify the validity and reliability of information given in the application and supporting documentation:
 - Shall minor discrepancies between the application and the findings of the Verification Control Visit be found, the applicant will be requested to modify the application to reflect the findings of the visit.
 - Shall major discrepancies between the applications and the findings of the Verification Control Visit be found, FAO might decide to reject the grant application.



1. Investment Implementation Plan:

- Together with the future beneficiary, FAO will review the investment timeframe proposed in the application and will define an Investment Implementation Plan that includes:
 - a. *the scheme of works and activities to be implemented, including specific milestones to be achieved by the beneficiaries if deemed necessary;*
 - b. *the modality of support (whether matching grants, technical assistance or a combination of the two), based on feasibility, efficiency and effectiveness considerations;*
 - c. *the approved budget of the matching grant award, including the detailed listing of equipment to be purchased, the details of the financing of the investments (matching grant, matching contribution, and specifically promoted investments, and the related suppliers).*
 - d. *the payment schedule, with payments conditioned to the achievement of defined milestones if required. The payment schedule will be tailored for each investment based on the implementation requirements.*

The beneficiary is fully responsible for the proper implementation of the approved investments.

2. Loan acquisition:

In the case where the matching contribution is to be financed through a loan, and if this loan is not yet approved, a copy of the ARC minutes stipulating the approved grant amount and containing the detail listing of equipment to be purchased is given to the beneficiary to serve as a supporting document for the loan application. The loan confirmation letter from the bank will serve as a supporting document to the matching contribution payment capacity of the beneficiary and will be a pre-requisite to the signature of the investment support agreement.

3. Grant agreement:

The Grant agreement, duly prepared and comprising the general conditions, the approved budget, the detailed listing of equipment to be purchased, and the investment implementation plan, will have FAO and the Beneficiary as main signatories.

Investment support will be managed by FAO in compliance with the FAO Manual, the Grant Agreement, and all other applicable FAO rules and regulations.

Outcome: The grant agreement has been prepared in collaboration with the future grantee, including a detailed investment implementation plan, the approved budget, and the detailed listings of equipment to be purchased. In the case of matching contribution paid through a loan to be acquired, a copy of the minute of the ARC meeting may be issued to the applicant. Once payment capacity confirmation is received, the grant agreement is signed by the grantee and FAO. Following the signature of the



agreement, the grantee will have to fulfill his/her obligations detailed in the grant agreement within a period of 2 months. Shall the obligations not be fulfilled by the grantee within that period of time, FAO reserves the right to terminate the grant agreement unilaterally as expressed in the provisions of the grant agreement.

Phase VIII: Grant payment

The matching grant payment will be made directly to the suppliers after the matching contribution has been paid to the supplier by the grantee and the effective delivery of the equipment has taken place. The delivery note should be signed by the grantee and the supplier, witnessed by the IP or a representative of FAO, and uploaded to the platform. Following the successful delivery of the equipment and receipt of signed delivery note, FAO will proceed with the payment to the supplier within a reasonable delay. The delivery monitoring visit by the IP will also be used to collect baseline information that will be uploaded to the platform.

Except under exceptional circumstances, the payments will never be made to the beneficiary but instead to the suppliers directly.

Under exceptional circumstances (long import delays for example), a matching contribution paid after the grant application submission (provided the costs that occurred were initially included in the grant budget) but before the grant approval may be accepted as matching contribution. Such early payment shall however be discussed and approved by FAO prior to the payment to be considered eligible as a matching contribution. Relevant invoices and delivery forms will be requested as supporting documents before any FAO payment to the supplier or to the grantee as a reimbursement of the costs incurred.

As per FAO regulations, payments in currency other than USD will be processed at the official United Nations Operational Rates of Exchange applicable when the payment is issued³.

In the case of multiple tranche payments, the payment of subsequent tranches will be subject to the validation of preceding milestone by the IP during the investment implementation visits, as detailed in the following section.

Outcome: Upon reception of the matching contribution payment confirmation and signed equipment delivery note, FAO releases the first payment directly to the supplier.

Phase IX: Milestones achievements and Investment Implementation visits

In addition to phase VIII, and in the case of milestones, the IP will perform investment implementation monitoring visits to verify beneficiaries' compliance with the Grant Agreement and achievement of milestones objectives before each due payment (which can be combined with the impact evaluation visit). The first visit should take place during the delivery of the equipment related to the first payment.

³ United Nations Operational Rates of Exchange are published at <https://treasury.un.org/operationalrates/OperationalRates.php#>



In the case of multiple instalments, the IP will perform one visit after each milestone objective is achieved. Achievement of milestones should be certified in writing by the IP in the “Milestone Certification Report” before the release of each payment scheduled in the Grant Agreement. FAO might verify and perform spot checks on progress and milestone achievements.

The Implementing Partner will report to FAO any possible deviation or anticipated delay relative to the schedule and conditions set out in the Grant Agreement. Any request for modifications from the grantee after the signature of the grant agreement should be formally approved by FAO in written as stated in the provision of the grant agreement.

These visits are to be used to gain a better understanding as to whether the investments are properly implemented.

Outcome: In the case of multiple payments, milestone achievements are certified through a field visit from the IP before each additional payment.

Phase X: Monitoring and impact evaluation visits:

For impact evaluation purposes, the grants will be broken down into two different categories and different procedures will apply to each of them for the duration of the program. If applicable, these evaluation visits can be combined with the investment implementation visits detailed in the previous section.

Site visits		Initial Visit	Monitoring visit	Impact Evaluation Visit
Category 1				
	VA projects > \$50,000	1 visit	1 visit once equipment delivered	2 visits per year
	VA projects \$1,000-\$10,000		1 visit once equipment delivered	2 visits per year
	VA projects \$10,000-\$50,000	1 visit	1 visit once equipment delivered	2 visits per year
Category 2				
	PP projects \$1,000 - \$10,000		1 visit once equipment delivered	1 visit per year
	PP projects \$10,000 - \$150,000	1 visit	1 visit once equipment delivered	1 visit per year

Category 1 Grants: For grants not linked to primary production or totalling more than \$50,000, the IP will carry out the first monitoring visit to these grantees after the first payment is made to them, with a minimum of two evaluation follow-up visits per year.

These visits will be used by IP as an opportunity to provide support and advice to the grantees to improve their performance and ensure efficient business operations and to collect updated baseline information. The grantees will also be informed about other existing and expected development program activities, both state-supported and international.



Category 2 Grants: For primary production grants below \$50,000, the IP will carry out the first monitoring visit to these grantees after the first payment is made to them, with a minimum of one evaluation follow-up visits per year.

These visits will be used by IP as an opportunity to provide support and advice to the grantees to improve their performance and ensure efficient business operations and to collect updated baseline information. The grantees will also be informed about other existing and expected development program activities, both state-supported and international.

To follow-up on the investment activities and monitoring visits, the IP will produce and store information and data gathered on the status of each investment individually. All of this information, along with general information about FAO implementation, impediments faced and solutions found, achievements and the challenges, will be summarized in the “Reporting Template of the Co-investment Agreement” and stored in the grantee’s individual file on the program’s platform. This data will include information on the condition of the beneficiary’s business both before and after disbursement of the grant.

The implementing partner team will be responsible for data collection and monitoring each beneficiary’s progress and comparing actual accomplishments, with the goals and objectives established for the period. If the implementing partner identifies that a beneficiary has become “high risk”, due to poor performance towards the targets, financial problems, inadequate management control systems, or does not conform to the terms and conditions of the award, the implementing partner shall inform FAO and seek advice on the necessary measures, which can include agreement modification, suspension or termination in whole or in part.

Outcome: Regular follow-up visits are performed by the IP to support FAO in data collection in order for FAO to assess the effectiveness of the program and identify new potential needs or challenges at beneficiary level.