



## **TERMS OF REFERENCE AND SELECTION CRITERIA FOR BENEFICIARIES**

**Project Reference:** “Enhancing the Capacity of Intermediary Business Organizations in Nepal” (ECIBON) Project funded by the European Union and Implemented by European Economic Chamber (EEC) - Nepal under Asia-Invest Program

**Duration of the project:** 1 September 2007 – 28 February 2010 (30 Months)

### **Project Summary:**

- a) Aim: to make Nepalese IBOs better equipped to service local SMEs and European intermediary counterparts to facilitate trade between Europe and Asia (Nepal).
- b) Target group: at least 15 Nepalese business IBOs whose capacity can be strengthened through training, information provision and a strengthened and broadened network. 80 indirect beneficiaries whose capacity will be developed in mainly two areas through regional seminars.
- c) Activities: courses / seminars on different subjects related to trade between Nepal and Europe of which 14 in Nepal and one in London; an assessment of opportunities for potential trade and trade-related procedures and requirements with reference to trade between Nepal and the EU. The establishment of a Nepalese and international IBO-network.

### **The Partnership Composition:**

- European Economic Chamber of Trade, Commerce and Industry (EEC)-Nepal
- Federation of National Cottage and Small Industries Nepal (FNCSIN), Nepal
- Chamber of Commerce and Industry of Southern Sweden (CCISS), Sweden
- London Chamber of Commerce and Industry (LCCI), Great Britain
- The Danish Federation of Small and Medium-Sized Enterprises (DFSME), Denmark

### **Overall objectives:**

In Nepal, the business development services provided by the government institutions are found to be supply-driven. Even government service providers are not aware about the present business needs and reality. They follow traditional approaches and methods and their services are more theoretical than practical. Furthermore, lengthy procedure and bureaucratic hassles create a negative impression of their business development services. Therefore, recently some of the IBOs started to provide business development services, which found to be effective compared to services provided by the government institutions. However, this is a new role for IBOs and their capacity needs to be developed in this respect. They need to be furnished with additional expertise on trade with foreign markets, exposure within and outside Nepal, strengthened networks within and outside Nepal and information provision.

This has resulted in the following overall objectives: ‘Enhancing the capacity of Intermediary Business Organisations within the private sector of Nepal and reinforce new business development opportunities between Nepal and Europe’

## **Project Purpose:**

To make Nepalese Intermediary Business Organisations better equipped to service local businesses as well as their European intermediary counterparts in order to facilitate trade between Europe and Asia by:

- 1.) Capacity-building
- 2.) Policy analyses & information provision
- 3.) The development of new business opportunities through networking.

- ***Capacity-building:***

SMEs in LDCs, producing products and services with applying -to great extent- outdated technologies, have been facing tough competition due to imported products. The situation may further be worsened in the days to come because they have to compete with international competitors due to further globalization, the widening free trade and phasing out of tariff barriers. The changes that have been taking place in the international economic scenario have definitely brought challenges for the SMEs in LDCs. The problems faced by these SMEs are more or less similar in nature. The major constraints faced by them are in the fields of trade promotion / marketing services; opportunities and legislation as well as procedures related to foreign markets; international networking & match-making, management & administration and technology.

However, the changes that have taken place, have also opened up tremendous business and market opportunities for the SME-sector of LDCs. Therefore, institutional capacity building is key to the sustainable development of SMEs. To meet the challenges of the contemporary global economy SMEs should be strengthened in the fields as mentioned above. IBOs play a crucial role in facilitating a sustainable manner of capacity building of these SMEs.

- ***Policy analyses & information provision:***

Situated in between the world's two largest growing economies of India and China, Nepal offers good economic prospects especially in the field of manufacturing and export, mining, tourism, IT and service industries. Hence, Nepal offers an attractive economy with favourable conditions for the global trade arena. However, due to the rather limited information flow to Nepal over the decades as well as the lack of financial resources to promote Nepal's market opportunities on a global scale, Nepal has not been able to take advantage of its strategic location and its available resources. Due to the developments in IT over the last decade, such as the availability of internet and e-mail, these two restrictions have clearly become opportunities for Nepal. Through the use of e-mail and internet information between Nepal and other countries in the world can be exchanged easily, rapidly and without major financial impacts. It has now become important to use new technologies to make existing knowledge on foreign trade easily available in Nepal and to make Europe aware of the trade opportunities that Nepal offers and vice versa. This task is one of the major current challenges of Nepalese IBOs.

- ***The development of new business opportunities through networking:***

Over the past decade the economies of South Asia, particularly, India and China, have been opening up their markets and in the process have achieved significant gains in exports and economic growth. In conjunction with this increased economic integration there has been increased recognition by regional governments of the potential for a substantial increase in the participation of SMEs in the generation of regional income, employment, exports, investment and economic growth. In addition, developing economies are especially seeing SMEs as potential instruments for the alleviation of poverty.

## **Scope of Activities:**

(Each participant will contribute NRS. 500.00 as a participation fee and all other necessary logistics will be provided by the project)

### ***1.1.1) Seminar on 'Doing Business with the EU and particularly Great Britain'***

This seminar is given by LCCI in Kathmandu. The seminar takes 2 days and will be given twice. Participants of this seminar are 30 representatives of Nepalese 15 beneficiaries IBOs (two each).

### ***1.1.2) Seminar on 'Chamber management and Administration' and 'Membership Recruitment'***

This seminar is given by the CCISS in Kathmandu. The seminar takes 3 days and will be given twice. Participants of this seminar are 30 representatives of Nepalese 15 beneficiaries IBOs (two each).

### ***1.1.4) Seminar on International Documents and Payments' and 'Regional policy in Economy and Infrastructure'***

This seminar is given by the CCISS in Kathmandu. The seminar takes 2 days and will be given twice. Participants of this seminar are 30 representatives of Nepalese 15 beneficiaries IBOs (two each).

### ***1.1.5) Training on relevant EU/WTO quality and social standards issues applicable***

The aim of this training is to impart knowledge on EU/WTO quality and social standard issues applicable to Nepalese entrepreneurs in relation to EU standards. This training will be provided by 2 sub-contracted Nepalese experts. This training of 2 days will be implemented in 4 different locations (Kathmandu, Biratnagar, Nepalgunj, Narayangargh) in Nepal.

### ***1.1.6) Marketing / international business training for Nepalese IBOs.***

The aim of this training is to impart knowledge on marketing and international business for Nepalese IBOs. Nepalese entrepreneurs are quite competent in production but lack behind in marketing and international business transaction. This training will be provided by Nepalese local experts. This training of 4 days will be implemented in 4 different locations (Kathmandu, Biratnagar, Nepalgunj, and Narayangargh) in Nepal.

### ***1.1.7) Transfer of Technology course on trade promotion services aimed at the EU market.***

This training is given by LCCI in Great Britain. The training takes 5 days. Participants of this seminar are 4 representatives of the Nepalese partner organisations of the consortium (EEC-Nepal and FNCSIN). After the Nepalese participants have returned to Nepal, they will convert their knowledge to other Nepalese IBOs through a one day seminar. This seminar will be a one day extension of activity 1.1.4. Transfer of Technology (TOT) by British experts to EEC-Nepal and FNCSIN on trade promotion services aimed at EU market.

### ***2.1.1) Assessment of opportunities in -three- sub-sectors for potential trade***

The aim of this assessment is to produce, a study on three target sub-sectors of trade between Nepal and the EU. This assessment will be carried out in Nepal, Scandinavia and the United Kingdom. The assessment will be a useful reference during the implementation of the project as well as a part of the annual trade report (activity 2.2.3).

### ***2.1.2) General assessment of trade related procedures and requirements***

This assessment aims to determine all trade related policies, systems and step by step procedures for smooth trade between EU and Nepal. This assessment will be carried out in Nepal, Scandinavia and the United Kingdom.

### **2.2.2) Direct mailing campaign to raise awareness among Nepalese SMEs**

This activity envisages addressing a direct mailing campaign directed at 80 Nepalese IBOs to raise awareness and build the capacity among them as well as Nepalese SMEs of business opportunities in Europe, related technicalities and the available knowledge among existing Nepalese IBOs.

### **2.2.3) Preparation of first annual EU Trade Report by EEC-Nepal**

The importance of trade as a factor for development and growth is becoming more and more evident. If accompanied by the proper flanking policies and if used correctly, trade policies can provide opportunities for promoting economic development and tackling poverty alleviation. However, issues such as tariff, non tariff barriers, quality, and standard issues always come in the way of facilitating trade.

### **3.1.1) Organise a meeting for Nepalese IBOs**

- to establish an IBO- network.
- to determine an Advisory Committee for the project:
- to determine a schedule for meetings of the Advisory Committee once every 4 months:
- to determine the way of cooperation within the Nepalese intermediary network:
- to make a further detailed inventory among the Nepalese intermediary network of expectations / requirements:

### **3.1. 2) Sign cooperation agreements within the Nepalese intermediary network**

Based on the inventory of expectations / requirements collected from the benefiting IBOs of the IBO-network at the IBO-meeting, EEC-Nepal and FNCSIN will prepare the different cooperation agreements of each IBO and send them for their comments. When benefiting IBOs give their agreement the cooperation agreement will be finalised and signed by EEC-Nepal and the specific IBO for both administrations.

## **Expected impact on target groups:**

The overall expected outcome would be that the professional capacity of the beneficiaries / target groups: Nepalese IBOs has been improved. The expected impact on the target groups can be broadly divided in five categories. After the intervention of the project the following is the expected impact on target groups:

- 1) Networking skill
- 2) Proper planning and vision development
- 3) Impact on input
- 4) Board members
- 5) IBO Secretariat

### **1) Networking skill:**

IBOs will realize the importance of networking and give special focus to effective networking with other IBOs, local authorities as well as international organisations. They would realize that effective networking proves to be a key success factor, which contributes directly or indirectly to the success of any IBO in this competitive world. This would help them in providing protection and/or promotion of the business of their members. Effective networking is also a crucial device to promote the product of members in national as well as international market.

One of the important factors of the project is to build a network with European IBOs which would in turn enlighten the Nepalese IBOs about the potential of European markets. This information could be relayed to the member SMEs that would help to enhance the business activities between Nepal and Europe. Even after the completion of the project the network will remain for the long term and for the mutual benefit of both economies.

**Major Trading Partners from EU region****F.Y. 2005/06**

S.N.	Countries	Exports Value	Imports Value
1	Germany	Rs 2,843,770,085 € 30,578,172.96	Rs 2,761,788,078 € 29,696,646
2	France	Rs 1,297,492,679 € 13,951,534.18	Rs 909,860,487 € 9,783,446.10
3	U.K.	Rs 1,184,078,971 € 12,732,031.95	Rs 961,421,407 € 10,337,864.59
4	Italy	Rs 712,327,378 € 7,659,434.17	Rs 394,799,165 € 4,245,152.31
5	Belgium	Rs 308,860,984 € 3,321,085.85	Rs 240,225,094 € 2,583,065.53
6	Netherlands	Rs 228,987,808 € 2,462,234.49	Rs 304,372,420 € 3,272,821.72
7	Denmark	Rs 81,473,222 € 876,056.15	Rs 306,370,340 € 3,294,304.73
8	Spain	Rs 282,625,509 € 3,038,983.97	Rs 79,612,833 € 856,051.97
9	Sweden	Rs 97,564,701 € 1,049,082.81	Rs 85,525,489 € 919,628.91
10	Austria	Rs 100,076,991 € 1,076,096.68	Rs 58,902,615 € 633,361.45

**2) Proper planning and vision development:**

Benefiting IBOs would realise the importance of planning and vision development of their organisation from the proposed project. IBOs will participate in chamber management and planning seminars to deal with vision building and other relevant strategic issues, which would enhance a more solid foundation for organisational development.

**3) Impact on Input:**

By the intervention of the project, the following expected outcomes on the input of IBOs will be achieved:

- Possible re-election of experienced Board Members for effective IBO management:
- Inclusion of secretariat staff in exposure visits:
- Become innovative about the revenue generation from other sources:
- Use organisational development inputs from external consultants

#### **4) Board members:**

The capacity building program will create the changes amongst the Board Members of Nepalese IBOs in their attitude and working patterns.

- Clarity in roles and responsibility of Board Members and secretariat:
- Secretariat staff is the vital resources for the organisational development:
- Ensure pro-activeness in the organisation:
- Positive leadership
- Stress on high accountability and transparency

#### **5) IBO Secretariat**

The intervention of the proposed project will also enable the secretariat to be more effective and efficient to professionally manage the secretariat and promote the business activities of its member organisations. The following changes are expected from the proposed project::

- Recruitment and retention of qualified, dedicated and experienced staff:
- Job description for each staff and effective delegation of power:
- Information dissemination:
- Basic physical facility for the secretariat:
- Public relation:
- To be able to maintain sound financial health of the institution:

### **Publications and other outputs**

The following publications and outputs will be produced during the 30 month period of the project:

- International MoU / partnership agreement,
- Nepalese agreement of cooperation of the IBO-network,
- Attendance lists from every seminar / course,
- Training reports and hand-outs of every seminar / course
- Assessment of 3 sub-sectors on CD-Rom,
- Supporting reports on 3 sub-sectors by each partner,
- Report on procedures and requirements,
- Supporting reports on procedures and requirements by each partner,
- Mailing on capacity building including hard-copy and CD-Rom,
- Annual Trade Report,
- Articles in European Chambers' / Federation's magazines,
- Report / Inventory of partner IBO expectation/ requirement,
- Detailed organisational profile of 15 partner IBOs,
- 2 training completion reports with evaluation of local Nepalese sub-contractor,
- 7 Advisory Committee minutes,
- 7 Progress on project finances Reports,
- Minutes of Kick-off meeting in Europe,
- Minutes of Evaluation / Wind-up meeting in Europe,
- 2 Annual Progress Reports EC,
- Annual Monitoring and Evaluation Report,
- Audit Report,
- Website,
- D-base.

## EU-Nepal trade

Nepal's total trade with 27 member states of the EU in the fiscal year 2005/06 was about €148.26 million, accounting for just six per cent of the country's total foreign trade. Accounting for close to six per cent of the country's total foreign trade and nearly six per cent of its trade with countries other than India, the biggest trade partner (63.6 per cent) of Nepal. It made up 80.5 per cent of Nepal's total trade with the whole of Europe.

In 2005/06, Nepal's exports and imports to EU stood at approximately €79.34 million and €68.47 million respectively, yielding a trade surplus of just over €10 million vis-à-vis the regional bloc. Nepal registered deficits with nine EU member states and surpluses with 16.

The trade surplus with EU, however, was more than offset by a trade deficit of €20 million vis-à-vis the rest of Europe, which means a net deficit with Europe as a whole.

In contrast, EU-India bilateral trade stood at €33.2 billion in 2004, constituting a quarter of India's total trade, while EU investment is around 14% of India's total foreign direct investment inflows received during the period 1991 to 2002. The European Union remains India's largest trading partner, accounting for 21.77% of India's exports and 18.33 per cent of total Indian imports in the year 2003-04. Total trade between EU and India was €33.2 billion in 2004. EU exports to India in were €17 billion in 2004, with EU imports from India at €16.2 billion. During the same period (2004), textiles and clothing made up a lion's share of EU imports from India (29.2%); agriculture and allied products made up 9%. At the Business Summit of the third EU-India Summit held in Copenhagen in October 2002, it was decided to set a bilateral trade target between EU and India of Euro 50 billion by 2008.

Nepal's top export commodities to the world in general are readymade garments, woollen carpets and pashmina, in that order. Germany, Nepal's biggest trade partner in EU, absorbed a third of total woollen carpet exports, down from as much as 80 per cent several years ago. In 2005/06, Germany accounted for over 41 per cent of Nepal's total trade with EU and was also both the biggest importer and exporter vis-à-vis Nepal in the EU. The top three trading partners in the EU are Germany, the United Kingdom and France, followed by Italy, Portugal, Belgium, Netherlands, Spain and Austria. These nine countries make up over 90 per cent of total Nepal-EU trade.

### **Major exports to EU**

- Carpet, knotted of wool or fine animal hair
- Woollen shawls, scarves, mufflers, mantillas, veils and the like
- Sacks and bags
- Hats and headgears, knitted or crocheted
- Articles of silver jewellery, whether or not plated or clad with other precious metal.

### **Other exports to EU:**

- M&B cotton jacket, not knitted
- Original sculptures and statuary in any material
- String musical instrument

### **Imports from EU**

- Engineering goods, telecommunication equipments, chemical and minerals, metals and steels and agricultural products.

### **Direct Beneficiary selection criteria:**

- Establishment: at least 5 years
- Permanent office setup
- Telephone line for communication
- Computer ( with e-mail internet facility)
- Secretarial staff (at least graduate or read and write fluent English)
- Associations having members (whose products are export potentials with European market)
- Geographical coverage (at least one from five development region)
- At least one each from preferably from economically vibrant cities for e.g. Biratnagar, Nepalgunj, Narayanghar, Jhapa, Butwal, Pokhara & Bhirawa
- Airstrip or bus facility to reach Kathmandu.
- FNCSIN, FNCCI, other independent Association or export based commodity Associations
- Eager or willingness to learn and develop and cooperate with project office.
- Associations having potential to grow (Well advanced or developed Associations like Bhaktapur, Narayanghar, who already have ISO certification, will not be the partner of the project).
- Work performance / program over last three years must be provided
- Working relationship with EU organizations / companies in Europe / Nepal
- Financial capability (Balance sheet of last three years must be provided)

**Note: the above selection criteria is a draft proposal which can be modified in consultation with two APEX business organizations in particular FNCCI and FNCSIN**