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# Joint Programme Document:

## *Innovative Financial Solutions for Local Food Systems Transformation in Nepal*



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JOINT SDG FUND

# COVER PAGE

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| **MPTFO Project Reference Number** | *(Leave blank, for automatic population in Quantum)* |
| **Country** | Nepal |
| **Territorial/Geographic Focus** | *Select municipalities of Karnali Province (Jumla District), Sudurpashchim Province (Bajura District) (three each, and Provincial capitals for policy and strategy engagement), and Panchkhal Municipality of Bagmati Province (Kavrepalanchok District)* |
| **Joint programme title:** | *Innovative Financial Solutions for Local Food Systems Transformation in Nepal* |
| **Short description:** | *The JP aims to deploy, test and refine innovative, scalable financing solutions in support of local food systems transformation action plans. It will work in selected municipalities with demonstrated commitment and where PUNOs have established a wide range of partnerships with local stakeholders, to ensure a conducive environment for the deployment of the proposed financing mechanisms. These include i) supporting the government in developing costed and sustainable food systems transformation plans as part of the annual planning process; ii) local PPP model to support agro-processing women entrepreneurs; iii) agri-credit guarantee scheme to increase access to finance for small holders, cooperatives and SMEs. 9,000 farmers and MSMEs will benefit from better access to finance, livelihood opportunities and enhanced capacity for food systems transformation. Moreover, 9 municipalities will develop and implement food systems transformation action plans.* |
| **Joint Programme team:** | |
| Resident Coordinator | *Hanaa Fikry Ahmed Singer, hanaa.singer@un.org* |
| Joint Program RCO focal point | *Alvaro Nieto, alvaro.nieto@un.org, Partnerships Officer* |
| Lead PUNO JP Focal point | *Julien Chevillard, DRR, julien.chevillard@undp.org - UNDP* |
| PUNO 2 JP Focal point | *Niels Balzer, Deputy Country Director, niels.balzer@wfp.org - WFP* |
| PUNO 3 JP Focal point | *Deepak Tuladhar, Deepak.tuladhar@fao.org - FAO* |
| PUNO 4 JP Focal point | *Maria Perdomo, maria.perdomo@uncdf.org - UNCDF* |
| **Anticipated Total Budget** | *Total anticipated budget for both Phase I & II: USD 3 million* |
| **PHASE I :** | |
| **Duration:** | *18 months* |
| **Start and end dates:** | *09/2025 to 02/2027* |
| **Phase I budget:** | *Total Phase I sum from all sources of funds – USD 1,950,000* |
| **Source of funds:** | |
| UN Joint SDG Fund | *$ 1,800,000* (Maximum of 60% of the Total Contribution from JSDGF) |
| PUNO 1 co-funding | *$ 50,000 (UNDP)* |
| PUNO 2 co-funding | *$ 50,000 (WFP)* |
| PUNO 3 co-funding | *$50,000 (FAO)* |

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| PUNO 4 co-funding | *0 (UNCDF)* |
| Government co-funding | |
| International donor co-funding | *n/a* |
| Other sources co-funding | n/a |

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| **Legal context** | *The legal basis for the joint programme is the Legal Annex for the signed United Nations Sustainable Development Cooperation Framework (2023-2027). It refers to the cooperation or assistance agreements or other agreements that are the existing legal basis for the relationship between the Government of Nepal and each Participating UN Organization.* |

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JOINT SDG FUND

# DECLARATION OF COMMITMENT AND SIGNATURES

*By signing this Joint Programme document, all signatories commit to work together in a spirit of partnership to achieve the results identified in the results framework, work plan and budget.*

| **Co-Chairs of JP Steering Committee** | |
|---|---|
| **Government representative** | **UN Resident Coordinator** |
| *Ministry of Finance*<br>*Name of Representative – Dhaniram Ram Sharma, Joint Secretary*<br>*Signature*<br>*Date* 23 Aug 2025 | *Name Hanaa Singer-Hamdy*<br>*Signature*<br>*Date* 25 June 2025 |
| **Participating UN Organizations** | |
| *Name of Representative –Julien Chevillard, Officer in Charge*<br>*Signature* DocuSigned by: 2B6D826A661446B...<br>*UNDP*<br>*Date* 23-Jun-2025 | *Name of Representative: Robert Kasca*<br>*Signature* Signed by: 10CA4705EEF0465...<br>*WFP*<br>*Date* 23-Jun-2025 |
| *Name of Representative- Ken Shimizu*<br>*Signature* Signed by: FB117A273F6F433...<br>*FAO*<br>*Date* 23-Jun-2025 | *Name of Representative- Srilata Kammila, Chief Investment Officer*<br>*Signature* Signed by: B32BDC7FF27445B...<br>*UNCDF*<br>*Date* 24-Jun-2025 |
| **Non-UN Partners** *(as applicable)* | |
| *Name of Representative*<br>*Signature*<br>*Name of Organization*<br>*Date* | *Name of Representative*<br>*Signature*<br>*Name of Organization*<br>*Date* |

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JOINT SDG FUND

# JOINT PROGRAMME PROFILE

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| **Contribution to Cooperation Framework Outcome(s) and Output(s)** | *UNSDCF (2023 – 2027), OUTCOME 1: By 2027, more people, especially women, youth, the most marginalized and poor, increasingly benefit from, and contribute to, inclusive, resilient, and sustainable socio-economic transformation at federal, provincial, and local levels.*<br><br>*Output 1.1.1: Government and private sector have strengthened capacity to foster a sustainable, inclusive, green and climate resilient economic growth.* |
| **SDG Targets directly addressed by the Joint Programme** | *1.6 - Ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means to implement programmes and policies to reduce poverty in all its dimensions.*<br><br>*2.3 - By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.*<br><br>*2.4 - By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.*<br><br>*8.A - Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.* |
| **Expected key results of the Joint Programme (both Phase I & II)** | 1. Food systems and the Right to Food and Food Sovereignty Act localized in selected municipalities<br>2. Enhanced access to innovative financial solutions for farmers and MSME's<br>3. Post-harvest management capacities enhanced and facilities improved |
| **Anticipated direct beneficiaries (both Phase I & II)** | Direct beneficiaries: 9,000<br>Indirect beneficiaries: 110,000 |
| **Anticipated financial leverage (both Phase I & II)** | Total Amount of leverage in USD – 32.98m<br>Co-funding – $150k (UNDP 50k, FAO – 50k, WFP-50k)<br>Co-financing – 32.83m (government – 15.5m, private – 14.83m, UNDP/Norway – 1.5m, WFP – 0.5m, FAO – 0.5m<br>Total leverage - 11 times |
| **Localization marker score** | 3 (15/15) |

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| The primary focus on SDG Transitions in the JP<br>*Select all that are incorporated into the JP strategy and results.* | ☐ Digital Transformation<br>■ **Food Systems**<br>☐ Decent Jobs and Universal Social Protection<br>☐ Energy Access and Affordability<br>☐ Transforming Education<br>☐ Climate, Biodiversity, Pollution |
| Main enabling actions that the JP supports<br>*Select all that are incorporated into the JP strategy and results.* | ■ **Shifts across policy and regulatory frameworks**<br>■ **Capacity building at scale**<br>■ **Deal room (financing mix)**<br>■ **Pipeline of bankable and market-ready projects** |

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# JOINT PROGRAM DESCRIPTION

## 1. Baseline and Situation Analysis

Nepal aims to transform its food systems into equitable, resilient and sustainable based on the legal framework of the Right to Food and Food Sovereignty Act (2018). Over the past years, national pathways and actions have been identified accordingly, including key social protection programmes, such as the national Mid-day Meal programme (covering more than 3 million children daily), a national Home-Grown School Feeding Framework, and the Rice Fortification Programme with ambitious plans to scale up the availability of fortified rice at subsidized prices through Fair Price Shops in all 753 local governments in the coming years.

Nepal's pursuit of a net-zero emission economy by 2045 is closely tied to transforming its agri-food systems—an area responsible for over 60% of national employment and around 37% of total greenhouse gas (GHG) emissions, primarily from crop cultivation, livestock, and land use (Source: FAOSTAT, MoFE 2021). The government has committed to a 28% reduction in emissions from the agriculture sector as part of its Second Nationally Determined Contributions (NDCs) and aims to increase the share of renewable energy in the national mix to 50% by 2030 (Source: Nepal NDC 2020). In Nepal's federal governance structure, local governments are at the forefront of implementing these ambitions, in line with constitutional mandates.

However, access to finance remains one of the most persistent barriers to inclusive and sustainable development in Nepal, particularly in the agriculture sector, and at the sub-national levels. While agriculture is central to the country's food systems, rural livelihoods, and green economy transition, smallholder farmers, and agri-MSMEs continue to face high collateral requirements, elevated interest rates, and limited tailored financial products. As a result, formal credit to agriculture remains disproportionately low, accounting for only 8% of total bank lending (Farm subsidies: money down the drain). The overall financing gap for formal and informal MSMEs is estimated at USD 6.7 billion (SME Finance Forum, IFC), a large portion of which relates to agriculture and rural enterprises. This is further exacerbated by a 40% drop in lending to sustainable sectors by development banks nationally, and over 60% in semi-urban and rural municipalities between 2015 - 2021 (Source: Nepal Rastra Bank Green Finance Review, 2022)—which continues to slow progress at the local level. In response, the government, with technical assistance from WFP and FAO, piloted food systems localization in seven municipalities in 2023/2024 and is now planning to scale this up to additional municipalities.

The Deposit and Credit Guarantee Fund (DCGF) is Nepal's public credit guarantee institution with a national mandate to enhance access to finance for underserved segments, including SMEs and the agriculture sector. However, its current guarantee mechanism is constrained by structural and operational challenges. These include an overleveraged portfolio—DCGF has guaranteed over USD 2 billion in credit with only USD 27 million in equity—limited risk-sharing incentives for financial institutions, and a restrictive claims process. These constraints have rendered the guarantee scheme more of a compliance tool than a development-oriented financial instrument, resulting in minimal impact on actual lending conditions for rural borrowers. High collateral and interest rate requirements persist, particularly in underserved provinces, limiting financial inclusion and investment in productive, climate-resilient agriculture.

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[1] The role of agriculture in Nepal's economic development
[2] Farm subsidies: money down the drain

## 2. Programme strategy and theory of change

The project is designed to accelerate food systems transformation in line with national policies, climate commitments and local development strategies. The overarching goal is to support the Government of Nepal's vision of equitable, resilient and sustainable food systems by unlocking public and private finance through innovative financial solutions at all levels.

### 2.1. Impact Pathway

**End Results**

With support from the Joint SDG Fund, PUNOs will design scalable financing solutions for food systems localization and support implementation building on existing programmes and partnerships with federal and local governments, financial institutions, CSO's and to maximize impact and potential for future scaling up of tailored approaches across the country.

By the end of the Project, Nepal will have piloted and operationalized a new Agriculture Credit Guarantee Scheme (Agri-CGS) that strengthens DCGF's ability to de-risk lending to smallholder farmers and agri-MSMEs. The programme will unlock at least USD 16.6 million in agricultural loans during the pilot phase. This will directly benefit over 3,000 rural borrowers, with an emphasis on women, cooperatives, and first-time borrowers, and enable partner financial institutions (PFIs) to extend credit under improved terms.

Further, Nepal will have piloted and operationalized a subnational blended finance model that enables municipalities to attract private capital for agri-food system transformation, using Panchkhal Municipality as a pilot. This will directly benefit over 3,000 smallholder farmers, strengthen market linkages, reduce post-harvest losses by up to 25%, and generate green and inclusive jobs, with a focus on women and youth.

In addition, through dedicated capacity development and systems strengthening support, by the end of Phase I, local governments will begin institutionalising food systems planning, allocate budgets, and access additional public and private resources. This will establish preconditions for continued support during Phase II, with focus on integration of food systems transformation plans into annual development and budgeting processes and scaling up of existing government led interventions. In Phase II, the selected local governments will receive additional support to become resource centres for food systems planning and coordination, sharing guidance and experiences beyond the projects' geographical scope for further scaling and sustainability of long-term efforts.

The Joint Programme's three-pronged intervention strategy creates value across the full ecosystem of food systems transformation by targeting key leverage points at the macro, meso, and micro levels.

At the macro level, the localized public financing intervention strengthens the ability of local governments to integrate food system transformation actions into policies, budgets, and development planning processes. This systemic alignment enables more targeted public investment and better coordination across government departments, ensuring that local food systems are treated as a

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development priority rather than a fragmented set of interventions.

At the meso level, the sub-national PPP facility enables municipalities to attract private investment into agro-processing and value chain infrastructure—areas that are typically underfunded due to high upfront costs and risk perceptions. By facilitating public-private collaboration and providing technical assistance for project design and matchmaking, the initiative creates viable local pipelines that crowd in investment and reduce public sector burden.

At the micro level, the Agri-CGS unlocks financing for smallholder farmers, cooperatives, and agri-MSMEs through credit guarantees that reduce collateral requirements and encourage banks to lend to rural clients. This intervention addresses entrenched financial exclusion and introduces a scalable de-risking tool that could reshape how financial institutions engage with agricultural clients in underserved regions. The local food systems transformation plans prepared through a collaborative effort of multiple stakeholders enables the local governments allocate budgets annually to support food systems initiatives.

These interventions, taken together, address both the supply and demand side of rural investment, creating enabling conditions for systemic change that would likely not emerge in the absence of this integrated and territorially grounded programme.

**Causal Logic:**

The programme will begin with a diagnostic and design phase, including feasibility studies, portfolio risk assessment, stakeholder consultations, legal and structural reviews, and preliminary product development, in alignment with Nepal Green Finance Taxonomy. Based on this work, (i) a blended finance facility will be capitalized with catalytic support from the Joint SDG Fund, co-financing from local governments, and DCGF capital, and (ii) a blended finance structure will be capitalized through a first-loss contribution from public or donor sources, co-investment from Panchkhal Municipality, and commercial financing from banks and equity partners.

Technical assistance will be provided to DCGF and PFIs to implement the new guarantee product and monitor its uptake and impact, as well as to support the implementation of PPP agreements, securitization of revenue streams (such as leases and PPAs), and robust risk management protocols. Local governments will participate in governance and pipeline development, ensuring that the scheme is responsive to regional priorities. Learning and evaluation will feed into adjustments and recommendations for national scale-up.

**Alignment:**

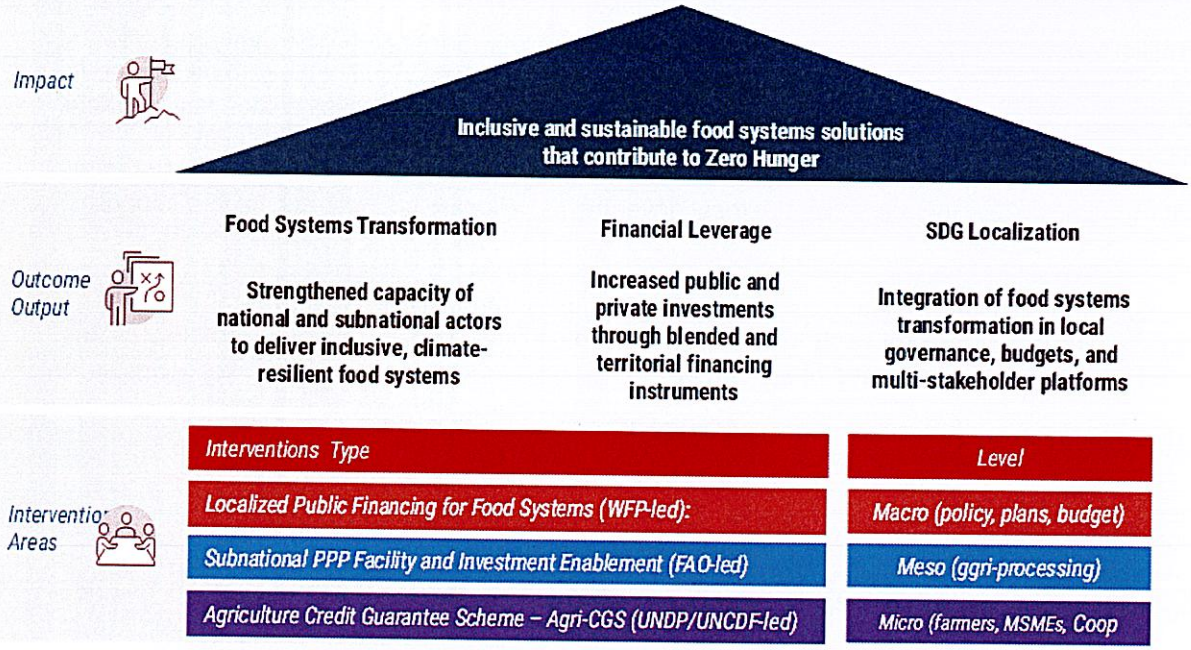
Localization and transformation of food systems is aligned with:

- The Constitution of Nepal: Right to Food adopted as a fundamental right;
- The Sixteenth Plan (2024/25-2028/29) which identifies food systems as a transformative strategy;
- The Right to Food and Food Sovereignty Act, 2018 & its Bylaws, 2024: Established to strengthen food and nutrition security;
- The Food Systems Transformation Strategic Plan- 2024: Formulated by NPC to guide systemic improvements;
- The UNSCDF for Nepal (2023-2027) focus areas related to food security and nutrition (2.1), green, inclusive, and diversified growth (1.1 and 1.2), and strengthened institutions and normative, legal, and policy frameworks (4.1);
- The Agriculture Development Strategy (2015-35): promotes eco-friendly and sustainable agri-

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food system at all levels;
- The Home-Grown School Mid-Day Meal Framework
- The Fair Price Shop Guidelines for food and nutrition security;
- Local development plans in target municipalities include a focus on food systems – one of the objectives of this proposal is to strengthen and operationalize these plans and budgets




## 2.2 Financial solution

The Joint Programme brings together three interconnected solutions designed to unlock and direct capital flows towards sustainable food systems transformation at the subnational level. These solutions collectively mobilize **USD 35.98 million**, of which **USD 3 million is catalytic** financing from the Joint SDG Fund. The programme achieves a leverage ratio of 1:11, channelling both public and private resources into territorially anchored mechanisms that address systemic gaps in rural financing, enterprise development, and public investment execution.

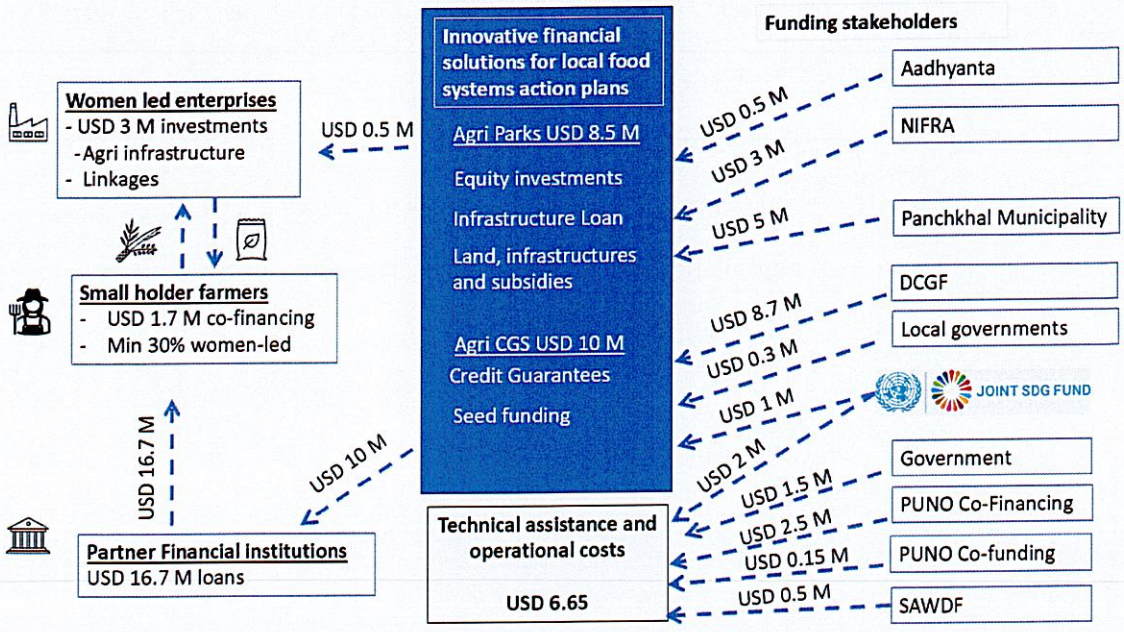
**Solution 1**, led by WFP, focuses on improving the efficiency and alignment of local public finance for food systems through strengthened intergovernmental fiscal planning processes at both the national and subnational levels. It supports municipalities and provinces to better plan, budget, and execute food systems investments, enabling local governments to allocate and utilize public resources more effectively. The intervention will be supported by USD 1.5 million in public co-financing from federal, provincial, and local governments, alongside USD 750,000 from the Joint SDG Fund to deliver technical assistance and capacity strengthening. While it does not deploy a standalone financial instrument, this solution establishes a foundation for developing a model for a cluster of local governments to promote investments in food systems through complementing solutions 2 and 3 by improving fiscal coordination and local development planning.

**Solution 2**, led by UNDP and UNCDF, establishes a de-risking mechanism through the design and

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piloting of an Agriculture Credit Guarantee Scheme (Agri-CGS). This blended finance facility will be hosted by the Deposit and Credit Guarantee Fund (DCGF) and structured to lower the credit risk of commercial banks lending to smallholder farmers, cooperatives, and agri-MSMEs. The Joint SDG Fund will provide USD 1 million in first-loss capitalization, supplemented by USD 500,000 for implementation support. Local governments will contribute USD 300,000 in first-loss co-financing, while DCGF will provide USD 700,000 in senior capital and commit an additional USD 8 million in unfunded guarantee coverage (based on a 5x leverage ratio on capital base). The Agri-CGS is designed to guarantee a total loan portfolio of USD 16.6 million, of which USD 6.6 million will come from partner financial institutions in unguaranteed capital. Beneficiary contributions totalling USD 1.66 million will further strengthen the scheme's sustainability and ownership. Loan guarantees will follow an individual registration model, enabling financial institutions to de-risk selected loans while adhering to clear eligibility and claims protocols. The revolving nature of the guarantee capital ensures that recovered funds and retained income can be reinvested in future lending to more smallholder farmers.

**Solution 3**, led by FAO, pilots a replicable Public-Private Partnership (PPP) model to support the development of agro-processing industries and women-led agri-enterprises at the subnational level. The Joint SDG Fund will provide USD 750,000 in technical assistance, challenge funding, and institutional support to Panchkhal Municipality, the Infrastructure Bank, private equity partners (Aadhyanta), and women entrepreneurs. Panchkhal Municipality will contribute USD 5 million in land, infrastructure, and subsidies, while NIFRA will provide USD 3 million in concessional loans to agro-industrial ventures. Additional funding includes USD 500,000 from SAWDF for matchmaking support, USD 500,000 in private equity from Aadhyanta, and USD 2.5 million from 25 women-led enterprises investing in the agro-processing park and related supply chains.




## Business model

The business model across these three interventions is mutually reinforcing. The Agri-CGS leverages

USD 1.3 million in concessional funding to mobilize commercial finance, with projected return on investment estimated at 4 percent over three years, depending on claims rates and fee income.

The PPP component presents a higher-risk, high-impact model with no guaranteed financial returns but potentially transformative developmental benefits, including women's economic empowerment, enterprise growth, and value chain strengthening.

The WFP-led public finance optimization initiative, while not generating direct financial returns, creates significant value through improved budget absorption (and public budget allocations to contribute to the other two solutions), program alignment, and readiness to scale results via public systems.

**Investment pipelines**

Investment pipelines are at varying levels of readiness. UNDP and DCGF have initiated structured dialogues with financial institutions, and preliminary consultations have identified viable borrower segments and product structures. The pipeline has been informed by UNDP's field assessments, DCGF's existing product outreach data, and PFI feedback. FAO and Aadhyanta have mapped potential municipalities and enterprise models for PPP deployment, with an initial pipeline of women entrepreneurs. WFP has engaged with the National Planning Commission (NPC) and pilot local governments on the fiscal planning process, and early pilots of food systems localization are underway.

**Territorial focus mechanisms**

The new municipalities to be selected in this project will be jointly identified by NPC, provincial and local government stakeholders with technical support from WFP and based on commonly agreed criteria. Through clustering local governments in Sudurpaschim and Karnali provinces, the project will ensure capitalization of existing investments by both WFP and UNDP, while also enhancing coordination and leveraging local financing mechanisms

For the credit guarantee scheme, mechanisms will also include:

- Local governments contributing concessional capital will have a formal seat in the Steering Committee.
- Subnational pipeline screening criteria will reflect local development strategies and food systems priorities.
- Guarantee reporting will include disaggregation by province and sector to support localized impact monitoring.

For the PPP model in Panchkal, mechanisms will also include:

- Local governments lead pipeline identification and land provision
- Public-private collaboration mechanisms embedded at local level
- Inclusion indicators tracked (women/youth participation, rural income growth)
- Infrastructure and equipment targeted based on community-led needs assessments

## 2.3. Partnerships and stakeholder engagement

The proposed Joint Programme will be implemented through a multi-level governance model that integrates national leadership, subnational government ownership, strong private sector

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engagement, and UN system support. Each stakeholder plays a critical role in building and operating the blended finance facility and in strengthening the enabling environment for inclusive agricultural finance in Nepal.

Ministry of Finance is the focal entity for the development of national and integrated economic and finance policies and strategies. MOF is working on Integrated National Financing Framework (INFF) and also tabled the bill on "innovative financing" with the objective to mobilize both public and private finance through new financing instruments to achieve SDGs. MOF is also the focal entity for international development cooperation and is responsible to coordinate with development partners and government entities. On behalf of the government of Nepal, MOF is also coordinating for the Financing for Development (FfD4) conference.

NPC serves as the national convenor for food systems initiatives in Nepal, coordinating with key stakeholders. All inter-ministerial and government-level coordination will be facilitated through NPC. The Ministry of Agriculture and Livestock Development (MoALD) oversees the Right to Food and Food Sovereignty Act-Bylaws, making it the primary agency for implementation at the subnational level.

**Subnational Government Leadership**

Subnational governments, particularly municipalities and provinces with strong agricultural potential, will be at the forefront of the Programme, across the proposed solutions. For the Agri-CGS initiative, selected local governments will:

- Co-invest in the first-loss tranche, contributing concessional capital (initially USD 300,000) to increase the fund's risk absorption capacity;
- Participate in the programme's governance structure, with formal seats in the Steering Committee to ensure alignment with local development priorities;
- Lead pipeline development by identifying eligible farmer groups, cooperatives, and MSMEs in their jurisdiction in collaboration with local chambers of commerce and civil society actors;
- Mobilize local institutional actors such as rural municipalities, agriculture extension services, and research institutions to support awareness, outreach, and monitoring.

Engagement with subnational governments will be coordinated through the Ministry of Federal Affairs and General Administration (MoFAGA) and builds on PUNOs' existing relationships under local governance and resilience programmes. Discussions are underway with selected provinces and municipalities, with early interest expressed in writing from local stakeholders in pilot locations.

The PPP model is grounded in Nepal's federal governance structure and leverages the institutional and fiscal authority of local governments, in this case, Panchkhal Municipality and other selected municipalities, to lead and sustain food systems transformation. This solution aligns with national priorities, while also being firmly rooted in Panchkhal's local development priorities, including its ambition to become a food and agri-processing hub. The model integrates local priorities by: Aligning with Panchkhal's SEZ strategy and leveraging the existing green industrial park. Ensuring that the project is led by the local government, with full stakeholder engagement, including cooperatives and local SMEs.

**Financial Institutions Partnerships**

Engagement with financial institutions is central to the programme's success. UNDP and DCGF are initiating discussions with commercial banks and microfinance institutions to assess demand, gather feedback on guarantee design features, and explore participation in the pilot phase.

Under the Agri-CGS model:

- PFIs will receive partial credit guarantees for eligible agriculture loans, with the average

guarantee coverage of 60%.

- PFIs will originate and manage loans, retain a portion of the credit risk, and pass on benefits to borrowers through improved terms (e.g., reduced collateral);
- PFIs will be required to report disaggregated data and comply with the Agri-CGS's impact and transparency framework.

Initial outreach to commercial banks, development-oriented financial institutions, and microfinance providers is planned as part of the programme's stakeholder engagement process. The programme will seek to engage these institutions through targeted consultations, co-design of guarantee instruments, and technical briefings. Coordination with sector associations such as the Nepal Bankers' Association and the Nepal Microfinance Bankers Association will be explored to facilitate broader sectoral participation.

Under the PPP solution in Panchkal, in principle co-financing commitments have already been secured from a partner financial institution (NIFRA) and an equity investor.

**Other Strategic Partnerships**

In addition to government and financial institutions, the programme will actively continue to build on already existing partnerships with the following actors:

- **Farmer cooperatives** and **producer organizations** will play a key role in demand aggregation and outreach to first-time borrowers benefitting from the Joint Programme.
- **Chambers of Commerce** at provincial and district levels will assist in awareness campaigns and beneficiary pipeline development at the local level.
- **Academic and research institutions**, such as the Nepal Agricultural Research Council (NARC) and local universities, will contribute to learning, data analysis, and impact measurement.
- **Civil society organizations**, particularly those working on rural development, women's empowerment, and sustainable agriculture, will be engaged to ensure inclusion and support for capacity building.
- **Development partners**: UNDP is in dialogue with the ADB in Nepal to explore alignment, technical inputs, and co-financing opportunities, including in green and climate-linked agriculture finance. The joint programme will build on significant prior engagement from all 4 PUNOs with the concerned local governments and local actors, with various sources of financing.

**UN Agency Roles**

The Joint Programme will be led by UNDP Nepal, in collaboration with FAO, WFP, and UNCDF. Responsibilities are as follows:

- UNDP Nepal will lead overall coordination, manage the PIU, support DCGF in operationalizing the Agri-CGS scheme, and ensure integration with national policies and local partners. It will also lead stakeholder engagement, pipeline development, and implementation oversight. UNDP Bangkok Regional Hub will offer thematic advisory support on credit guarantee best practices, impact measurement, and risk assessment modelling.
- FAO Nepal will design and operationalize the Blended Finance Model: In Panchkhal, FAO leads the co-creation of a localized blended finance structure—conducting feasibility assessments, structuring PPP agreements, and mobilizing concessional capital to unlock private investment for food system infrastructure. FAO supports Panchkhal in establishing a project implementation unit (PIU), building municipal capacity to manage blended investments, ensure environmental and social safeguards, and deliver measurable impact aligned with SDG and NDC targets. FAO will also work closely with Panchkhal Municipality to identify 25 promising entrepreneurs and cooperatives, providing technical support to prepare investment-

ready business cases and facilitate their entry into formal PPP arrangements.

- WFP Nepal will provide technical assistance to national, provincial and local governments and support the design and implementation of annual food systems localization plans to ensure equitable, sustainable, and resilient food systems in selected municipalities. WFP's technical assistance includes enhancing market linkages for smallholder farmers, particularly women, through promoting localized agricultural value chains and creating linkages with the Home-Grown School Feeding (HGSF) approach, to create a stable and reliable demand for their products. Priority will be given to women smallholder farmers benefiting from the CGS to create synergies and maximise impact from the Joint Programme.
- UNCDF will be engaged in providing technical expertise on partner finance intermediaries and on structuring the Agri CGS.

All agencies will collaborate on capacity-building for sub-national institutions to enhance their capacity to develop, implement, and monitor evidence-based policies, strategies, programmes, and investments, contributing to agricultural productivity and food systems transformation and knowledge dissemination.

| **Stakeholder type (National Gov, Local Gov, Private sector)** | **Stakeholder name** | **Role of stakeholder in the Joint Programme (e.g. implementing partner, co-financing partner, technical support)** | **Status of secured engagement and note on plans to enhance collaboration** |
|---|---|---|---|
| National Gov | Ministry of Finance (MoF) | Strategic oversight, co-signatory to fund structure | Confirmed, active co-design role |
| National Gov | Deposit and Credit Guarantee Fund (DCGF) | Fund host, implementing partner, second-loss capital provider | Confirmed, leading role |
| National Gov | MoALD | Strategic overshight | Confirmed, active participation |
| Local Gov | Selected Municipalities (in Bagmati, Karnali and , Sudurpaschim Provinces) | Co-financing partner (first-loss), pipeline development, governance, PPP's | Interest confirmed; partnership under formalization building on existing partnership through already ongoing projects |
| Local Gov | Panchkhal Municipality | PPP's, Infrastructure Investments | Confirmed, active partnership |
| Financial Sector | Commercial Banks (e.g., NMB, Laxmi Sunrise) | Loan origination, co-financing, PFI | EOIs received; discussions ongoing |
| Financial Sector | NIFRA | Loan (PPP - Framework), | Confirmed |
| Financial Sector | Aadhyanta PE | Equity Investment | Confirmed - active participation |
| Financial Sector | Nepal Bankers' Association, Microfinance Bankers' Association | Stakeholder coordination, technical feedback | Ongoing dialogue |
| UN Agency | UNDP Nepal | Lead agency, PIU management, coordination | Confirmed |
| UN Agency | FAO - Hand in Hand Initiative (HQ- Rome) | Technical structuring, PPP Model | Confirmed |
| UN Agency | FAO- Rural Finance Department (HQ- Rome) | Technical structuring, FInancial Management | Confirmed |
| UN Agency | UNCDF | Investment structuring, first-loss mechanism, TA | Confirmed |
| UN Agency | UNDP Bangkok Regional Hub | Technical advisory and quality assurance | Confirmed |
| Development Partner | ADB, IFAD, World Bank, EU | Potential co-financing or TA partners | Discussions ongoing |
| CSO | South Asian Women Development Forum | TA Partner | Confirmed |
| Civil Society | National and local CSOs | Outreach, inclusion, capacity-building | To be engaged in Phase 1 |

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| | | | |
|---|---|---|---|
| Private Sector | Chambers of Commerce, Agri-Coops | Pipeline development, outreach | Engagement initiated |

### 2.4. Leverage

The Joint Programme mobilizes substantial resources beyond the USD 3 million requested from the Joint SDG Fund, bringing the total financing envelope to approximately USD 35.98 million. This reflects a verified leverage ratio of **1:11**, significantly exceeding the Joint SDG Fund's benchmark of 1:8 and highlighting the programme's strong catalytic effect in attracting aligned public and private co-investment.

This leverage is derived from clearly defined financing streams. First, within the Joint Programme structure, direct co-funding amounts to USD 150,000 from UNDP, WFP, and FAO. These funds are managed within the programme's fiduciary and implementation framework. Second, USD 32.98 million in co-financing is mobilized through structured financial instruments and partner contributions. PUNO agencies co-finance USD 2.5 million. Under Solution 2 (Agri-CGS), this includes USD 700,000 in funded capital and USD 8 million in unfunded guarantees from DCGF, USD 300,000 from local governments, USD 6.67 million in lending from financial institutions, and USD 1.67 million in borrower own-participation in investments. Under Solution 3 (the PPP model), an additional USD 11.5 million is mobilized from Panchkhal Municipality (USD 5 million in land, infrastructure, and subsidies), NIFRA (USD 3 million in concessional loans), and private sector partners such as SAWDF, Aadhyanta, and women-led enterprises (USD 3.5 million total).

The programme's leverage structure adheres to the Joint SDG Fund definition by capturing directly mobilized resources resulting from its interventions. Through its integrated design, the programme positions Nepal to demonstrate how subnational public finance, blended finance instruments, and territorial partnerships can converge to accelerate SDG-aligned investment.

## 3. Gender Equality and LNOB framework

The Programme is designed to improve access to finance for rural populations historically excluded from formal financing and credit systems, with a strong focus on women, smallholder farmers, and marginalized beneficiaries.

**Target Beneficiaries**

The Programme targets **rural and underserved borrowers** across Nepal's agriculture sector, including:

- **Women-led and women-owned agricultural enterprises**, which remain largely excluded from formal credit due to systemic biases, collateral constraints, and limited financial literacy.
- **Smallholder farmers** in remote and climate-vulnerable provinces, including Dalit, Janajati, and Indigenous groups who lack access to affordable finance and formal land ownership.
- **Youth entrepreneurs** in agriculture and agri-processing, a growing but undercapitalized segment in rural value chains.
- **Agricultural cooperatives** and community-based organizations that serve as intermediaries for excluded populations.

The Programme will explicitly prioritize these groups through eligibility criteria, impact targets, and partnerships with inclusive financial institutions and cooperatives. This will further benefit from the already existing strong partnerships with select local governments, who will be closely engaged in

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beneficiary selection.

**Gender Focus**

Gender equality is a core pillar of the design. The Programme contributes to women's empowerment by:

- Requiring PFIs to track and report on gender-disaggregated lending data.
- Prioritizing women borrowers and women-led cooperatives during guarantee registration.
- Working with PFIs to adjust collateral policies, offer flexible repayment terms, and develop women-friendly loan products.
- Partnering with local women's groups and civil society organizations, including through engagement with UN Women (where relevant) for outreach and training.
- Gender impact will be tracked through specific indicators (e.g. % of loans to women borrowers, % of guarantee coverage benefiting women-owned businesses).

**Participation and Voice**

The Programme ensures the meaningful participation of rightsholders throughout implementation by:

- Engaging local women's groups, Indigenous associations, youth organizations, and cooperatives during the pipeline development phase, helping identify eligible borrowers and build trust with target communities.
- Including local CSOs and subnational government representatives in the governance structure (Steering Committee and PIU engagement), providing channels for feedback, complaint resolution, and co-decision-making.
- Designing and rolling out financial literacy and credit-readiness training, incubation, and acceleration programmes, tailored to women, first-time borrowers, and disadvantaged groups. These capacity development initiatives will be implemented in close partnership with local academic institutions, civil society organizations, and financial institutes in the selected project municipalities, building on already existing partnerships.
- Ensuring all communications and training materials are available in local languages, culturally appropriate, and accessible to persons with disabilities.

## 4. Challenges and Risks

| | Milestone | Significant Risk/Challenge |
|---|---|---|
| 1 | Training/workshop at local level to prepare food systems localization plans | Low attendance or limited engagement due to lack of awareness or competing local priorities. Delays in initiation, poor quality of planning inputs. |
| 2 | Local food systems plans prepared through participatory planning processes | Limited stakeholder participation, especially from marginalized groups and women. Plans may not reflect community needs, reduced ownership. |
| 3 | Local governments begin allocating annual budget to support food systems initiatives | Budget constraints or shifting local priorities. Delayed or partial implementation of plans. |
| 4 | Local governments access funding from federal/provincial levels and other sources | Frequent political transitions and complex approval processes. Disruption in resource flow and plan execution. |

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| | | |
|---|---|---|
| 5 | Integration of food systems plans into annual planning and budgeting processes | Competing policy priorities; limited understanding among planners. Fragmentation and underfunding of food systems actions. |
| 6 | Conduct reviews and scale up successful food systems plans | Weak monitoring and learning systems. |
| 7 | Local governments are established as resource centers for food systems planning | High turnover of trained officials and limited institutional memory. Weak technical continuity, loss of knowledge and leadership. |
| 8 | Timely establishment and operationalisation of Agris-CGS | Slow bureaucratic processes to formalize agreements and reach full operationalisation of Agri-CGS. Delays in completion of due diligence process |
| 9 | Sufficient capacity of key institutions (public and private) to ensure timely implementation of initiatives, including disbursement of loans. | Limited capacity among public and private institutions to effectively establish and operationalize innovative local financial solutions. |
| 10 | Timely finalization of partnerships for Public-Private Partnership component | Delays in formalization of partnerships for PPP-component with Aadhyanta and NIFRA. |

Project implementation may face a range of external and internal challenges that could affect timelines, resource mobilization, and stakeholder coordination. While the Project is intended to incorporate flexibility to adapt to evolving conditions, specific risk mitigation measures will be developed during the inception phase, in collaboration with national and subnational stakeholders. Several key risks have already been identified to inform early planning.

**External Factors**

- **Political transitions and turnover at national and subnational levels** could delay decision-making, reduce momentum, or lead to deprioritization of investment in food systems, particularly in formalizing local government contributions and participation in the programme governance structure. To mitigate this, the programme builds on DCGF's mandate under national law and ensures broad institutional buy-in across ministries, provinces, and financial sector regulators.
- **Macroeconomic volatility and inflationary pressures** may reduce financial institutions' willingness to lend to perceived high-risk segments, such as smallholder farmers. Additionally, banks may redirect their lending toward more secure sectors. The partial risk coverage provided by the Agri-CGS is specifically designed to counter this trend by improving loan viability and confidence among lenders.
- **Climate-related events and natural disasters**, including floods and droughts, could divert resources, disrupt both planning and implementation, and agricultural productivity, and increase default rates, especially in climate-vulnerable provinces. This would strain the guarantee fund and challenge the sustainability of the model. The programme's targeting of climate-resilient agriculture practices, and eventual integration with climate risk insurance tools, will help mitigate these risks.
- **Shifts in regulatory frameworks or monetary policy**, such as changes to central bank directives on priority sector lending or capital adequacy requirements, may affect how PFIs engage with the scheme. PUNO's will engage early and regularly with the Nepal Rastra Bank (NRB) to ensure regulatory alignment.

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**Internal Constraints**

- **Institutional capacity limitations within DCGF** remains a significant constraint. While the institution is committed to reform, it currently lacks the systems, personnel, and experience to operate a modern blended finance guarantee facility. This is a critical challenge—without meaningful capacity strengthening, successful implementation may not be feasible. To address this, the programme includes a dedicated Project Implementation Unit (PIU), embedded technical assistance, and targeted operational systems development.
- **Limited pipeline readiness and borrower capacity** at the local level could result in low initial uptake of guaranteed loans, reducing the facility's impact. The programme will work closely with cooperatives, local governments, and PFIs to develop the pipeline and offer financial literacy support to potential borrowers.
- **Stakeholder coordination challenges**, particularly between central agencies, local governments, and PFIs, may delay implementation or create parallel efforts. The programme's governance structure—including a national Steering Committee and subnational engagement mechanisms—is designed to ensure regular coordination and alignment.

**Deal-Breaker Risks and Contingencies**

The most critical risks relate to DCGF's institutional readiness and confirmed co-investment from local governments. Failure to establish a functioning guarantee structure with clear governance and capital contributions would require a redesign of the programme. To mitigate this, UNDP is conducting early readiness assessments, engaging key provincial governments, and preparing fallback options for managing and channeling funds (e.g., through UNCDF financing instruments if needed).

## 5. Sustainability plan and exit strategy

The innovative financial solutions are designed to be permanent, self-sustaining financial mechanisms embedded within Nepal's national and local financial architecture. From inception, the project emphasizes institutional ownership, financial continuity, and local co-investment, ensuring that the scheme remains operational and impactful beyond the programme's lifecycle.

**Financial Mechanism Continuity**

The Agri-CGS will operate as a ring-fenced blended finance facility within the DCGF, with its own capital structure, operational manual, and governance. After the Joint SDG Fund-supported pilot phase, the guarantee fund will continue under DCGF's management using its existing mandate and regulatory framework. Capital not drawn down during the pilot will remain available for new guarantees, and recovered funds from expired or settled loans will be recycled to support new lending cycles, ensuring continuity. In addition, the scheme will create a proof-of-concept for future co-financing from development partners, DFIs, and domestic public budgets. Local governments that contribute in the pilot phase are expected to institutionalize their participation through budgetary planning and integrate the Agri-CGS into their broader economic development strategies.

The Panchkhal subnational blended finance model is designed as a replicable and self-sustaining financing structure that enables municipalities to crowd in private investment for inclusive, climate-resilient food systems. Rather than relying on short-term grants or subsidy-driven approaches, the model embeds financing through structured **PPP contracts**, municipal budget commitments, and **revenue-backed investment projects** (e.g., lease agreements, service fees, and product

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margins). The catalytic technical assistance and structuring support from the **Joint SDG Fund** is front-loaded to design, de-risk, and launch the model, but all financing flows and operations are designed to be **fully managed by local and private actors post-programme**. In parallel, FAO will support the development of a **replication toolkit and investment playbook**, enabling other municipalities to adopt the model with limited external support.

**Exit Strategy and Scale-Up Potential**

For the credit guarantee, the project is built on a phased approach, with capacity building, institutional reform, and governance support concentrated in the early phases. Over the 24-month implementation period, the PIU will gradually transfer knowledge, systems, and responsibilities to DCGF and participating stakeholders. By the end of the programme, DCGF will have full operational ownership of the guarantee scheme, supported by a trained team, established digital infrastructure, and an expanded partnership network with PFIs and subnational governments.

FAO's exit strategy follows a phased transition approach over the 3-year period. In Year 1, FAO will lead technical assistance, PPP design, and capacity development. In Years 2–3, the PIU, embedded in Panchkhal Municipality, will take over day-to-day management, supported by institutionalized systems and local ownership. By the end of Year 3, Panchkhal Municipality will fully manage project governance, contract oversight, and pipeline development, while participating financial institutions will independently extend financing using their own risk assessment protocols. Private sector partners—including 25 entrepreneurs—will assume responsibility for operational delivery and reinvestment decisions.

Across, the project will document lessons learned and develop scale-up recommendations for MoF and other national actors.

**Partner Roles in Ensuring Sustainability**

- **DCGF** will manage the guarantee fund, maintain capital reserves, process claims, and lead stakeholder coordination. Its mandate and institutional reforms will support long-term operation and replication.
- **Local Governments** will continue to contribute to the facility, lead subnational pipeline development, and integrate schemes into their local development plans.
- **Panchkhal Municipality** will lead infrastructure investment, PPP oversight, local pipeline development, and integration of the model into local development planning and budget frameworks.
- **PFIs, including NIFRA,** will maintain borrower relationships, originate and manage loans, and continue using the guarantee structure, with incentives aligned through the new risk-sharing model.
- **PUNOs (UNDP, UNCDF, FAO, WFP)** will support institutional transition, provide final policy guidance, and facilitate resource mobilization discussions, advisory and knowledge sharing for future scale-up.
- **MoF, MoALD, and other national partners** will ensure policy alignment and may support mainstreaming the model across other public financing strategies or national guarantee windows.
- **Private Sector Partners** will operate commercially viable agri-businesses under PPP contracts and reinvest through retained earnings and scale-up capital.

## 6. Management arrangements

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The governance framework of the Joint Programme ensures fiduciary integrity, strategic alignment, and localized ownership. An overarching Joint Programme Steering Committee (JPSC) will provide overall guidance and oversight. Co-chaired by the Ministry of Finance (MoF) and the UN Resident Coordinator, and comprising MoFAGA, the National Planning Commission (NPC), local government representatives, and the four participating UN agencies (UNDP, UNCDF, FAO, WFP), the JPSC will set strategic priorities, approve work plans, and monitor programme-level progress. Representatives from the Joint SDG Fund, financial institutions, and private sector stakeholders may also be invited in an advisory capacity.

Each of the three solutions will be implemented by respective UN agencies in partnership with designated national counterparts. For the Agriculture Credit Guarantee Scheme (Agri-CGS), UNDP will work closely with the Deposit and Credit Guarantee Fund (DCGF), which will serve as the operational host of the Agri-CGS. A dedicated Project Implementation Unit (PIU) will provide technical support on product design, operationalization, and M&E. Guarantee decisions will be made by a multi-stakeholder Investment Committee housed within DCGF, ensuring transparency and financial accountability.

For the Public-Private Partnership (PPP) model, FAO will coordinate with Aadhyanta Investment, municipalities such as Panchkhal, and national institutions including the Nepal Infrastructure Bank (NIFRA) to structure project-level governance arrangements. These include investment brokering mechanisms, pipeline validation procedures, and Viability Gap Funding management.

For support to food transformation action plans, NPC serves as the national convenor for food systems initiatives in Nepal, coordinating interministerial efforts and stakeholder engagement. The MoALD leads on matters related to the Right to Food and Food Sovereignty Act-By Laws. To support implementation, NPC has established a Food Systems Steering Committee with representatives from key ministries, UN agencies and development partners. At the local level, municipalities will form Food Coordination Committees, chaired by the Mayor or chairperson, to address food rights, food security and oversee the localization of food systems, in line with the Act-bylaws. Potential private sector partners include rice mills, cooperatives and farmers' groups, particularly for initiatives such as the home-grown school feeding.

A Joint Technical Team, composed of focal points from each agency and technical specialists across all three solutions, will facilitate cross-component learning, ensure programmatic coherence, and support integration at the subnational level. This structure allows each solution to retain technical depth while promoting coordination, avoiding duplication, and ensuring territorial alignment through joint monitoring and feedback loops.

The governance framework is designed to channel public and private capital effectively to the local level while reinforcing institutional capacity, transparency, and long-term sustainability. It is fully aligned with Nepal's federal governance system and strategic priorities for local economic development, SME financing, and food system transformation. Through this multi-level and multi-actor governance model, the Joint Programme demonstrates a scalable approach to managing complex, blended development finance across multiple solutions and stakeholders.

## 7. Monitoring, accountability, financial management, and public disclosure

Reporting on the Joint SDG Fund will be focused on concrete results and grounded in evidence. The

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RCO focal point and lead PUNO is responsible for coordinating and drafting a concise annual report (using the Fund Secretariat template/guidance), which is submitted to the Joint SDG Fund Secretariat through the RC by January 31st of the following year. Additionally, a final narrative report must be prepared and submitted to the Joint SDG Fund Secretariat through the RC no later than two (2) months after the operational closure of the Joint Programme activities.

The JP Steering Committee, co-chaired by the RC, is mandated to oversee and monitor the implementation of the joint programme, with the involvement of Joint SDG Fund Secretariat to which it must submit data and information upon request. Additionally, the Joint SDG Fund Secretariat may request additional insights, such as policy papers, value-for-money analysis, case studies, infographics, or blogs/articles, as needed.

PUNOs will be required to include information on complementary funding received from other sources (both UN cost sharing, and external sources of funding/financing) for the activities supported by the Fund, including in kind contributions and/or South-South Cooperation initiatives, in the report.

PUNOs at Headquarters level shall provide the Administrative Agent with the following statements and reports prepared in accordance with its accounting and reporting procedures, consolidate the financial reports, as follows:

Annual financial reports as of 31st December each year with respect to the funds disbursed to it from the Joint SDG Fund Account, to be provided no later than four months after the end of the applicable reporting period; and
A final financial report, after the completion of the activities financed by the Joint SDG Fund and including the final year of the activities, to be provided no later than 30 April of the year following the operational closing of the project activities.

The JP will be using a pass-through fund management modality where UNDP Multi-Partner Trust Fund Office will act as the Administrative Agent. The programmatic UN entity of the Facility shall assume full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent of the Joint SDG Fund (Multi-Partner Trust Fund Office). Such funds will be administered by each UN Agency, Fund, and Project in accordance with its own regulations, rules, directives and procedures. The entity shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.

A minimum of 5% of the JP budget is allocated for monitoring, reporting, evaluation, audit and communications. Indirect costs of the Participating Organizations recovered through project support costs will be 7%, with exception of WFP and UNHCR which should be 6,5%. All other costs incurred by each PUNO in carrying out the activities for which it is responsible under the Fund will be recovered as direct costs. Procedures on financial transfers, extensions, financial and operational closure, and related administrative issues are stipulated in the Operational Guidance of the Joint SDG Fund. PUNOs and partners must comply with Joint SDG Fund brand guidelines, which includes information on donor visibility requirements.

## ANNEX 1: Integrated results framework, work plan and budget

### Joint Programme Results Framework *(FOR BOTH PHASE I AND PHASE II)*

| **Joint Program Outcomes** | | | | |
|---|---|---|---|---|
| **CF Outcome statement - *By 2027, more people, especially women, youth, the most marginalized and poor, increasingly benefit from, and contribute to, inclusive, resilient, and sustainable socio-economic transformation at federal, provincial, and local levels.*** | | | | |
| Outcome indicator 1.1. - % improvement in agricultural productivity in the programme intervention areas | **Baseline**: TBC for target districts/municipalities | **Target phase I**: TBC during inception | **Target phase II**: TBC during inception | **Means of verification**<br>- **Ministry of Agriculture and Livestock Development (MoALD), annual agricultural statistics** |
| **Outcome Indicator 1.2.:** % of small-scale food producers (disaggregated by women, youth, and marginalized groups) reporting increased income or revenue due to improved access to sustainable food systems services, markets, or opportunities supported by project interventions | **Baseline**: TBC (inception phase) | **Target Phase I**: 50% of total target beneficiaries (disaggregation by women, youth, and marginalized groups – TBC) | **Target Phase II**: 50% of total target beneficiaries (disaggregation by women, youth, and marginalized groups – TBC) | **Means of verification**<br>Beneficiary surveys |
| **Outcome 2 (Financial Leverage) – Increased public and private finance through blended finance solutions, local public finance reforms, and PPP co-investments for food systems transformation** | | | | |
| **Outcome Indicator 2.1.:** Number of local governments (LGs) that commit financial contributions to food systems investments (through guarantee co-financing, PPPs, or budget allocations) | **Baseline:** 0 (pilots engaged during scoping) | **Target Phase II: 7** LGs demonstrating sustained co-financing and integrated budget commitments (cumulative) | **Target Phase II: 7** LGs demonstrating sustained co-financing and integrated budget commitments (cumulative) | **Means of verification**<br>• Letters of commitment<br>• Municipal investment records<br>• Stakeholder interviews with LGs reps and MoFAGA |
| **IO Indicator 2.2.:** Value of | **Baseline:** USD 0 | **Target Phase I:** | **Target Phase II:** USD | **Means of verification** |

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| | | | | |
|---|---|---|---|---|
| financial resources mobilized into financial instruments supported by the Joint Programme (PPP co-investment, Agri-CGS, others) | | USD 9.89 million mobilized (public + private) | 32.98 million cumulative mobilization (cumulative) | • Agri-CGS fund and guarantee data (DCGF)<br>• PPP agreements (FAO, NIFRA, Municipalities)<br>• Private sector contribution records |
| **Outcome 3 (SDG localization) -** Strengthened capacity of subnational governments and stakeholders to implement and scale sustainable food systems aligned with national priorities and SDG 2 | | | | |
| **Outcome Indicator 3.1.:** Number of sub-national policies, strategies, programmes, and other system components contributing to Zero Hunger and other SDGs enhanced with joint SDG fund | **Baseline:** 0 | **Target Phase I:** 7 (1 per local government) | **Target Phase II:** 7 (1 per local government) | **Means of verification:**<br>• Programme implementation records<br>• Documents review<br>• Stakeholder feedback (KII with relevant local government officials/ elected representatives) |
| **Outcome Indicator 3.2.:** Percentage improvement in municipal capacity scores for evidence-based food systems planning and budget execution | **Baseline:** Not applicable | **Target Phase I:**<br>Pilot: 40%<br>New: 30% | **Target Phase II:**<br>Pilot: 80%<br>New: 60% | **Means of verification:**<br>• Municipal capacity assessment<br>• Programme monitoring reports<br>• Stakeholder feedback (KII with relevant local government officials/ elected representatives) |
| **Outcome Indicator 3.3.:** Percentage increase in total budget allocated for zero hunger (SDG 2) by supported local governments | **Baseline:** TBC | **Target Phase I:** 10% (TBC) | **Target Phase II:** TBD | **Means of verification:**<br>• Local-level budget allocation coded by SDGs obtained through SUTRA or other LG budget allocation records |
| **Outcome Indicator 3.4:** Percentage improvement in provision of employment opportunities in target municipalities | **Baseline:** TBC | **Target Phase I:** 10% (TBC) | **Target Phase II:** TBD | **Means of verification:**<br>• Employment records or beneficiary interviews |

***Joint Program Outputs***

| ***Output Indicators suggested for JP-Specific Financing results*** | | | | |
|---|---|---|---|---|
| ***Output Indicator:*** *# of municipalities where financing mechanisms are piloted/ implemented* | ***Baseline:*** *0* | ***Target Phase I:*** *6* | ***Target Phase II:*** *9(cumulative)* | ***Means of verification*** *NPC* |
| *Output indicator: # of farmers/households receiving loan for food system interventions* | ***Baseline:0*** | ***Target phase I: 500*** | ***Target phase II: 1,600 (cumulative)*** | ***Means of verification*** |
| *# of entrepreneurs participated in agri-industrial park* | ***Baseline:0*** | ***Target phase 1: 10*** | ***Target phase II: 25 (cumulative)*** | |
| ***Output indicators suggested for JP- specific localization result*** | | | | |
| ***Output Indicator:*** *# of municipalities with developed local food systems plans* | ***Baseline:*** *7 Pilot LGs* | ***Target Phase I:*** *6* | ***Target Phase II:*** *9* | ***Means of verification:*** • *Project implementation records* • *Municipal records* |
| ***Output Indicator:*** *# of municipalities in* | ***Baseline:*** *1* | ***Target Phase I:*** *6* | ***Target Phase II:*** *9* | |

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| | | | | |
|---|---|---|---|---|
| *target districts integrating food systems transformation into annual budgets* | | | | |

# PHASE I Joint Programme Workplan

| Outcome/Output | Geographic focus | Phase I Start | Phase I End | PUNO | SDG Targets | Gender Equality Marker | QCPR function | Phase I Budget (US$) |
|---|---|---|---|---|---|---|---|---|
| Outcome 1. UNSDCF *OUTCOME 1: By 2027, more people, especially women, youth, the most marginalized and poor, increasingly benefit from, and contribute to, inclusive, resilient, and sustainable socio-economic transformation at federal, provincial, and local levels.* More specifically for this JP: Smallholder farmers and climate vulnerable populations in targeted municipalities benefit from climate-resilient, sustainable and equitable food systems at the local level through improved food security, nutrition and economic benefits". | | | | | | | | |
| Output 1.1 Food systems action plans developed and piloted in selected local governments to unlock public finance for food system transformation | Two Districts (Jumla and Bajura) | September 2025 | February 2027 | WFP (lead) | 1.6, 2.3, 2.4 8.A | 1 | | 0.4 million |
| Output 1.2 Agriculture Credit Guarantee Scheme designed and implemented | Local governments of Bajura and Jumla plus Surkhet and Dhangadhi | September 2025 | February 2027 | UNDP, UNCDF (lead) | 1.6, 2.3, 2.4 8.A | 2 | | 1 million |
| Output 1.3 Development and piloting of a replicable Public-Private Partnership (PPP) model with Viability Gap Funding | Panchkhal Municipality | September 2025 | February 2027 | FAO (lead) | 1.6, 2.3, 2.4 8.A | 2 | | 0.4 million |

**Note: the three outputs contribute to all three outcomes and results will be reported accordingly, however for budgeting and work planning purposes they are grouped under outcome one.**

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## ANNEX 2: PHASE I Budget per UNSDG Categories

| UNSDG BUDGET CATEGORIES | PUNO 1 UNDP | | PUNO 2 FAO | | PUNO 3 WFP | | PUNO 4 UNCDF | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Joint SDG Fund (USD) | PUNO Contribution (USD) | Joint SDG Fund (USD) | PUNO Contribution (USD) | Joint SDG Fund (USD) | PUNO Contribution (USD) | Joint SDG Fund (USD) | PUNO Contribution (USD) | **Joint SDG Fund (USD)** | **PUNO Contribution (USD)** |
| 1. Staff and other personnel | 50000 | 50,000 | 52,500 | 50,000 | 303,714 | 50,000 | 30000 | | 413,320 | 150,000 |
| 2. Supplies, Commodities, Materials | 21916 | | 18,000 | | 0 | | 5000 | | 44,916 | |
| 3. Equipment, Vehicles, and Furniture (including Depreciation) | 5000 | | 0 | | 0 | | 5000 | | 10,000 | |
| 4. Contractual services | 70000 | | 273,332 | | 31,373 | | 15000 | | 393,294 | |
| 5.Travel | 30000 | | 30,000 | | 25,000 | | 32664 | | 126,989 | |
| 6. Transfers and Grants to Counterparts | 0 | | 0 | | 0 | | 650000 | | 650,000 | |
| 7. General Operating and other Direct Costs | 10000 | | 0 | | 15,500 | | 10000 | | 45,480 | |
| **Total Direct Costs** | **186,916** | | **373,832** | | **375,587** | | **747,664** | | **1,683,999** | |
| 8. Indirect Support Costs (7% of total direct costs – except for WFP and UNHCR which should apply 6.5% of total direct costs) | *13,084* | | *26,168* | | *24, 413* | | *52,336* | | 116,001 | |
| **TOTAL Costs** | **200,000** | **50,000** | **400,000** | **50,000** | **400,000** | **50,000** | **800,000** | **0** | **1,800,000** | **150,000** |

## ANNEX 3: Localization and Gender Equality Markers

### SDG Localisation Marker

*Please see refer to the updated and detailed guidance on applying the marker before completing the table below.*

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| Dimensions | Criteria or eligibility | Responses | Explanation | Means of verification |
|---|---|---|---|---|
| Programme Design | • Does your programme explicitly contribute to SDG localization by delivering measurable results aligned with local SDG priorities expressed in local sustainable development strategies or similar documents, promoting equitable development in specific territories, and embedding results in local systems? | **Yes** (Mandatory for Local marker 3) | The programme explicitly contributes to SDG localization through its strong emphasis on innovative financial solutions and food systems transformation, particularly targeting local governments. The project will also be closely aligned with local sustainable development strategies and plans related to agricultural development, food systems, and financing, as well as annual local government budgets, through close engagement with target local governments. Ownership of the project will be a key priority through co-design and co-creation of activities jointly with local governments and participating communities. | Government (all three tiers) reports, Project reports |
| | • Were subnational-level governments and other key local development stakeholders (including, whenever possible and relevant, local service providers, civil society, academia, private sector, and youth) actively engaged from the programme design phase, ensuring that the programme directly responds to their priorities formally expressed in local strategies? Are roles and responsibilities of each local stakeholder clearly defined with appropriate resources allocated for both implementation and monitoring of activities? | **Yes** (Mandatory for Local marker 3) | Subnational government and other key local development stakeholders, including farmers groups, cooperatives, and CSOs, have been closely involved in the preparation for, and design of the Project. They will also be further closely engaged during the Inception Phase, to ensure that the programme directly responds to local needs. For example, in 2023/2024, the government, with technical assistance from WFP and FAO, piloted food systems localization in seven municipalities | Government letters |

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| | | | across seven Provinces. Experiences from these initiatives have directly informed the design of project components for further scaling. FAO has also engaged closely with Panchkal Municipality in the design of the local initiative. UNDP and WFP are directly engaging with selected local governments and other local stakeholders (farmers groups, CSOs, and cooperatives) through the ongoing Renewable Energy for Resilient Agri-Food Systems (RERAS) Project. The emphasis of innovative financial solutions, primarily aimed at access to finance at the local level will ensure resource allocations at the local level. The participating PUNOs have strong existing partnerships with local academic and financial institutions through several ongoing initiatives, and these will be closely engaged in the inception phase. Final roles and responsibilities of local stakeholders will be finalized prior to the Inception Phase, with strong emphasis on responsibility and ownership of local governments. | |
| • Does the programme or initiative include a multi-level governance approach to address the SDG challenges through collaboration between different levels of government, and/or with international organizations and local communities? This approach should recognize that effective action requires coordinated efforts at various | **Yes** (Mandatory for Local marker 3) | The joint programme (JP) will engage at all three tiers of Nepal's governance structure - federal, provincial, and local levels. The support at the National level will focus on creating an enabling | Project Steering Committee minutes, Project reports | |

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scales, from local and regional to national and global.

environment through supporting policy development for financing for food systems and creating an overall supportive context for food systems transformation. The JP will promote multisectorality through engaging with the right entities at the right level to ensure a coordinated approach through involving relevant stakeholders, including by drawing lessons from regional and global experience.

At the federal level, through the JP Steering Committee meetings, the program will engage with the Ministry of Finance, National Planning Commission and DCGF in facilitating the formulation of food system localization plans, designing the Agri-Credit Guarantee Scheme and ensuring necessary approvals of the contribution of the local governments in the scheme.

Select sub-national governments will also participate in the programme's governance structure, with formal seats in the Steering Committee to ensure alignment of the initiative with local development priorities. Their co-investment in the first-loss tranches and lead role in local pipeline development will also ensure ownership.

Engagement with sub-national governments will be coordinated

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| | | | through the Ministry of Federal Affairs and General Administration (MoFAGA) and build on PUNOs' existing relationships under local governance and resilience programmes. This approach will promote coordinated action, both within the JP, and in alignment with other ongoing initiatives supported by PUNO's and other development partners.<br><br>The program will organize a series of consultations with the Province and local governments in formulation of local Food Systems Action Plans. In addition, a series of stakeholder consultations will be held with the PFIs, farmers, cooperatives, entrepreneurs at different stages of program implementation. | |
| Advocacy | • Has the programme or initiative planned to develop new knowledge material, research, publication or relevant resources related to SDG localization, specifically mobilizing territorial knowledge from all sources (e.g. academic, formal and informal)? | **Yes** | Experiences, lessons learned, and good practices from planned Project initiatives, including capacity development components, support to development of local Food Systems Action Plan, and piloting of innovative local financial solutions will be summarized and synthesized in knowledge material and publications, as relevant. Similarly, new capacity development components will be made available for further scaling, beyond the selected local | Project knowledge products, Project report |

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| | | governments. | |
| | | The JP will aim to generate evidence on the type of support provided to local farmers and businesses through credit guarantee schemes, creating additional jobs, promoting food security, etc., and the level of transformation of food systems at the local level. The JP will aim to produce a proof of concept that can be used for scaling up similar programmes in the future. The evidence and think pieces will be jointly published by PUNOs and the respective government agencies including research institutions for advocacy and resource mobilization. | |
| • Has the programme or initiative planned to develop specific activities to enhance local populations' ownership and inclusion in sustainable development processes at the subnational level, led by local development stakeholders? | **Yes** | The emphasis on innovative financial solutions, primarily targeting smallholder farmers and agri-MSMEs across components will contribute to enhanced local ownership and inclusion in sustainable development processes. Local stakeholders will also be represented in governance arrangements for the Project. The programme includes targeted activities to enhance local ownership and inclusion by establishing a Project Implementation Unit (PIU) within Panchkhal Municipality, co-developing PPP agreements with local entrepreneurs, and involving | Government (all three tiers) reports, Project reports |

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| | | | farmer groups and cooperatives in investment planning and benefit-sharing. These actions ensure that local stakeholders lead implementation, governance, and long-term sustainability of food system investments. | |
| | • Does the programme or initiative explicitly include capacity building of local stakeholders to design, implement, and monitor innovative solutions with a potential to accelerate sustainable development processes at local level? | **Yes** | The Project includes a dedicated component emphasising capacity building of local stakeholders for enhanced access to finance in support of food systems transformation. This will include support to enhance sub-national governments capacity to develop, implement, and monitor evidence-based policies, strategies, programmes, and investments, contributing to agricultural productivity and food systems transformation. The capacity strengthening support from PUNOs will also include strengthening agricultural extension services, financial literacy and capacitating community-based organizations to better serve farmers, their cooperatives and the communities at large with a view to facilitating the achievement of sustainable development through transforming food systems. | Government (all three tiers) reports, Project reports |
| Actions | • Does the programme or initiative bolster new or enhanced coherent policies, regulations, plans, or service-delivery approaches by local and regional governments, communities and/or local service providers, facilitating their meaningful contributions to | **Yes** | The Project will provide dedicated support to development and implementation of local level Food Systems Action Plans, ensuring inclusion and the principle of | Government (all three tiers) reports, |

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| the SDGs and addressing the principle of leaving no one behind? | | leaving no one behind. In addition, lessons learned from implementation will contribute to further development of relevant policies and plans related to access to finance and innovative financial solutions, primarily benefitting local stakeholders. | policies, regulation, plans, Project reports |
| • Does the programme or initiative have a multi-stakeholder approach, involving local and regional Governments, civil society, academia, the private sector, youth, and/or others to jointly implement transformative initiatives toward localizing the SDGs? This could include, for example, mobilizing and sharing knowledge, expertise, technologies, and financial resources to support the achievement of the SDGs at the local level. | **Yes** | The programme will engage all three tiers of Nepal's governance structure - federal, provincial, and local level. In addition, the private sector, cooperatives, and CSOs will be closely engaged during finalization and implementation. It builds on existing partnerships established at the local level by PUNOs through pre-existing interventions.<br><br>Engagement with the federal government including the Ministry of Finance, National Planning Commission, Ministry of Agriculture and Livestock Development will ensure their inputs and expertise are utilized to finalize the Agri-CGS and contribute to the development of localized Food System Action Plans. The programme will substantively engage with local governments to mobilize resources to support implementation of the Agri-CGS. Additionally, the program will engage with PFIs, cooperatives, and farmers groups to determine suitable products and distribution channels with the use of | Government (all three tiers) reports, Project reports |

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| | | | appropriate technologies. | |
| | • Is the programme connected with broader interventions from other local development stakeholders to meaningfully contribute to large-scale initiatives with the potential to transform local development systems and processes, within a shared vision of the city's/region's future? | **Yes** | The Project is closely linked to key priorities and programmes of the Government of Nepal. Throughout implementation, PUNOs will coordinate with the Government of Nepal, at federal, provincial, and local levels, to explore potential for further scaling of successful initiatives. PUNOs are also in dialogue with development partners and IFIs, including World Bank, ADB, IFAD, and EU, to ensure alignment with similar initiatives and explore potential for further scaling. Through its already ongoing initiatives in the selected municipalities, the PUNOs have strong existing partnerships with the local governments, CSOs, farmers groups, cooperatives, and local academic and financial institutions, as well as with other development partners implementing similar initiatives. These existing partnerships will be utilized to ensure alignment, and explore potential for further scaling up of the proposed initiatives. | Project reports |
| Financing | • Is at least 70% of the programme or initiative budget allocated specifically to activities that directly impact local sustainable development processes and systems (e.g. food systems value chains, local health or education systems, energy and water management, local economic development, local climate action, multilevel governance) embedded in local SDG-related priorities which are expressed in local strategies? | **Yes** | Apart from the standard Indirect Support Costs, all of the Project budget is specifically allocated to support food systems transformation. While some support will be provided at the national level, all end-beneficiaries are at the local level. | Project reports |
| | • Does the budget include funding channelled directly to | **Yes** | Local actors such as farmers and | |

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| | local actors and/or the creation of mechanisms to ensure their participation in implementation? | | cooperatives will benefit directly from loans guaranteed by the programme. | |
| | • Does the programme or initiative support expanding local fiscal space through public and/or private sources to sustain and scale SDG actions at the local/territorial level (e.g. own source revenues, intergovernmental fiscal transfers, public private collaboration, enabling environment for Foreign Direct Investment or Official Development Aid)? | **Yes** | The primary objective of the Project is to support food systems transformation through introduction of innovative financial solutions for enhanced access to finance at local level. | Government (all three tiers) reports, Project reports |
| | • Does the programme or initiative strengthen local/regional governments' capacities and systems to better identify, allocate, and monitor local financing for the SDGs? | **Yes** | The Project will directly work with local governments to enhance capacities and systems for food systems transformation, including in relation to identification of needs, budget allocations, and monitoring. This will include support to enhance sub-national governments capacity to develop, implement, and monitor evidence-based policies, strategies, programmes, and investments, contributing to agricultural productivity and food systems transformation.<br><br>In addition, the program will enhance the capacity of local governments on financial literacy, Agri-CGS, and Public-Private Partnerships. | Government (all three tiers) reports, Project reports |
| Accountability & Sustainability | • Does the programme include a clear monitoring system, connecting to (a) local and national monitoring system(s), to measure impact on local systems and people's lives, and to contribute to the local component of SDG monitoring at city/region and country level? | **Yes** | Aligned with food systems monitoring at national level (under NPC leadership). The programme will also benefit from existing monitoring systems operated by the Ministry of Agriculture and Livestock Development (MoALD), | Government (all three tiers) reports, Project reports |

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| | | | including annual agricultural statistics at the local level. Further, the programme monitoring will be closely linked to local level monitoring of already ongoing PUNO projects in all participating project municipalities. | |
| | • Does the programme include clearly identified partnerships with local, national, and international stakeholders to leverage complementary interventions channelling technical and financial resources to scale up the initiative towards transformative, systemic change, either locally and/or in other cities/regions, within a clearly defined exit strategy? | **Yes** | Localizing food systems and the Right to Food and Food Sovereignty Act in target municipalities requires maintaining existing and establishing new partnerships at the three tiers of government to create synergies and complementarity. The Project includes clearly defined partnerships with national and local stakeholders, as well as strategies to leverage complementary initiatives. The Project is also designed to directly align with already ongoing PUNO initiatives in related thematic and geographical areas. Partnerships with additional international stakeholders will be further explored during the inception and implementation phases. | Government (all three tiers), PUNOs Project reports |
| *Criteria for Scoring*<br>• Marker 3: Between 13 and 15 criteria marked as Yes, including the 2 criteria under de design dimension .<br>• Marker 2: Between 8 and 12 criteria marked as Yes.<br>• Marker 1: Between 3 and 7 criteria marked as Yes.<br>• Marker 0: Less than 3 of the criteria marked as Yes. | | Total # of Yes | 15 | |

## Gender Equality Marker

Please copy the output as per in the workplan and add the Gender Equality marker score and justify the scoring. Please refer to the UNSDG guidance here: https://help.uninfo.org/un-info/results-framework/results-framework-structure/suboutput-level/guidance-on-applying-tags-and-markers/guidance-on-applying-the-gender-equality-human-rights-and-sustaining-peace-markers

| Joint Programme Outputs | GEM Score | Justification |
|---|---|---|
| Output 1.1 Food systems action plans developed and piloted in selected local governments to unlock public finance for food system transformation | 2 | Food system action plans will follow the government's gender and social inclusion guidelines. WFP (in collaboration with other PUNOs) will provide technical assistance to local governments including capacity-strengthening on gender analysis and Gender Responsive Budgeting (GRB) and its integration into the Sub-National Treasury Regulatory Application (SuTRA), and alignment with gender-responsive food system localization and transformation initiatives. WFP's engagement will focus on enabling gender-sensitive and climate-resilient agricultural investments, promoting financial inclusion, supporting women-led cooperatives and smallholder farmers support. WFP will assist in mainstreaming GRB into local food security plans to ensure that budget allocations reflect the specific needs of women and disadvantaged groups. Training will also be provided to municipal officials and women leaders on designing and monitoring gender-responsive food system activities. |
| Output 1.2 Agriculture Credit Guarantee Scheme designed and implemented | 2 | Under this output, the project will give special attention to women farmers and provide necessary training on financial literacy, pipeline development for bankable projects, capacity building of the partner bank on special needs for the women farmers, target of partners banks, with a minimum 30% portfolio of women farmers. |
| Output 1.3 Development and piloting of a replicable Public-Private Partnership (PPP) model with Viability Gap Funding | 3 | All technical assistance and Viability Gap Funding under this PPP model will exclusively target women-led agro-processing enterprises. The intervention aims to address gender-specific barriers in access to finance, markets, and infrastructure, and promote women's leadership in agri-business. By placing women at the center of design, implementation, and benefit-sharing, the activity directly contributes to transformative change, making gender equality its principal objective. |