

**GUIDELINES FOR  
CSF Grant APPLICATIONS  
of Micro, Small and Medium  
Size Enterprise  
(MSME)**



**CSFU**

Department of Cottage and Small Industry – Ministry of Economic Affairs – Bhutan – P.O. Box 141– Thimphu

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## **1 Historical Background**

Bhutan is increasingly facing the challenges of globalization and at the same time the disadvantages of its natural and economic environment. Important economic imbalances continue to be observed; some of these translate into a high cost environment for Bhutanese businesses, increased competitiveness and the relative isolation of MSMEs when addressing the need for large-scale modernization of management and production processes.

To enable an overall economic growth combined with the provision of sufficient attractive employment possibilities also in rural areas, Bhutan actively seeks to position itself into world markets to avoid slightness marginalization and dependence on only one sector's (Hydro Power) impact. Therefore the Royal Government of Bhutan (RGoB) signed in 2008 a Grant Agreement with the Asian Development Bank (ADB) to strengthening the MSME sector and among other activities to establish a Cost Sharing Facility (CSF).

To address these challenges, Bhutan recognizes the vital contribution of MSMEs to economic growth, stability and provision of interesting employment possibilities for all Bhutanese job-seekers, mainly youth and women. The RGoB therefore seeks to develop a more conducive environment where businesses can grow and develop competitive advantages. For this purpose, an ADB-funded MSME Support Program has been initiated to pursue the overall objective of supporting Bhutan in linking policy formulation with a CSF-delivery for existing MSMEs, acting in the below listed MSME sectors.

One of the components of the agreement is to support the Ministry of Economic Affairs (MoEA) (acting as the Contracting Authority) in successfully hosting and adopting international best practice in managing the Cost Sharing Facility Unit – CSFU.

CSFU will apply a two-phase process, a Brief Business Assessment (BBA) followed by an Implementation of agreed Actions in areas identified at the BBA stage and executed by Bhutanese Business Development Service Providers (BDS – Providers).

Beneficiary MSMEs will belong to Agro Processing, Construction, Handicraft, IT, Tourism and Manufacturing Industries as well as Service Industries. CSFU will seek to assist them in upgrading their hard and soft skills and moreover identify group and cluster activities, in order to enhance the ability of MSMEs to compete on the domestic market as well as on niche markets abroad.

We are providing, herewith, “Guidelines for Applicants” for successful application to CSFU, enabling Applicants to benefit from our services and expertise as well as the CSF grant support from ADB.

## 2 Objectives of the provision of Business Development Services (BDS) to MSME

CSFU provides to Applicants of the Agro Processing, Construction, Handicraft, IT, Tourism and Manufacturing Industries as well as Service Industries’ sectors financial assistance tailored to the Enterprises’ business strategy for competitiveness, growth, and export in form of Seminars, Trainings, Workshops and individual Coaching, provided through private Bhutanese BDS Providers. CSFU is designed to become the unique Bhutanese facilitator of Cost Sharing Facilities (CSFs), provided by national and international sources, to strengthen the hard and soft skills and market approach possibilities of MSMEs.

### 2.1 CSFU’s Offer of BDS through private Bhutanese BDS Providers to MSMEs

Business Development Services in our understanding revolve around two main pillars, Group- and individual Seminars, Training and Workshops as well as individual coaching, co-financed by the Grant Facility, donated by ADB. The BDS include the following:

Table 1

Action Categories	Sample Actions
Co-financing of seminars and group or individual trainings for Improvement in Production	Optimization of production processes; Costing and cost reduction; Management of resources; Provision of technical know-how; Upgrade of maintenance operation.
Co-financing of seminars and group or individual trainings for Marketing Support	Development of marketing strategy; Provision of market information; Upgrading of Bhutanese brand image.
Co-financing of seminars and group trainings to improve financial basic knowledge	Basic Accounting; Upgrading of Financial Statements; Balance Sheet; Profit and Loss Statement and Cost Accounting. Cash Flow Analysis; Elaboration of Business Plans and Feasibility Studies
Strengthening the Bhutanese BDS Providers	To increase the number of Bhutanese BDS Providers the CSFU allocates cost sharing grants for improving the knowledge basis of the applicants in context with the prior mentioned trainings / seminars / workshops and coaching
Support to Cluster activities	Assistance in forming a cluster activity and financial contribution to envisaged cluster investments

## **2.2. Priority will be given to applicants who best satisfy the following criteria:**

### **2.2.1 Relevance**

Relevance of MSME's requested Action to improve competitiveness and sales MSME's commitment to implement Action for improvement of its business Applied Action projects long-term strategic impacts to the MSME

Proposed Action is in the frame of the MSME's and CSFU's financial capacities and ceiling regulations

### **2.2.2 Methodology**

Appropriateness of planned Action to expected results following the implementation Practicality of Action reflecting MSME's human and managerial resources Extent to which the proposal contains tangible indicators of achievement

### **2.2.3 Sustainability**

Extent to which the implemented Action is likely to have a tangible effect on the growth and development of the MSME

Extent to which the MSME can capitalize on the results of the Action

Extent to which the MSME is able to design for replication of activities to improve its performance

## **3. Criteria for eligibility of the Applicant**

Following are listed three sets of eligibility criteria

The type of MSMEs which may apply

The type of projects / activities

The type of eligible cost: (project services and enterprise in-kind contribution\*)

\* In-kind contribution is considered as travel and accommodation cost of the applicant related to the implementation of the Action.

### **3.1 Eligible Firms**

The eligibility criteria for MSMEs are as follows:

Bhutanese owned private MSMEs or BDS Providers with paid-in investment below Nu 100 Million from the following sectors:

Agro Processing  
Construction  
Handicraft  
IT  
Manufacturing Industry  
Tourism  
Service Industries

Recognized groups of MSMEs (Associations and/or Syndicates, etc)  
Private Bhutanese Business Development Service Providers (Individual Consultants, Consulting Firms and Consulting Institutes)  
Recognized groups of Service Providers

### **3.2 Eligible Actions**

All services mentioned in Table 1 above

The duration may not exceed four weeks

The Action under this Grant Facility must be completed by mid of December 2011

The total amount for requested services per MSME must not exceed USD \$ 25,000.00 (Counter value in ngultrum according to daily exchange rate)

The following Actions/Sectors are ineligible:

Agricultural projects and / or Actions  
Trading Sector  
Public Sector

All activities ineligible for ADB funding

### **3.3 Eligible and Ineligible Costs**

Only eligible costs can be taken into account for the support of Actions. These costs are:

The estimated cost agreed between CSFU and the MSME include travelling and accommodation if the action is out of their business place.

Cost of Actions implemented through BDS Providers.

The following are ineligible costs:

Any kind of supply

Debts and provisions for possible future losses or debts

Interest owed

Actions already (co-) financed under other programs

Purchase of land or buildings

Currency exchange losses

Taxes, including VAT

### **3.4 Cost Contribution of Applicants**

The Enterprise has to contribute 50% of the total cost of financial and / or technical business services, as described in the section titled “A-Cost Applied through CSFU”, in Annex 4 below.

## **4 How should an application be made and the procedures to be followed?**

### **4.1 Application Form and Supporting Documents**

Application Forms are available at the Help Desk of CSFU in the MSME Division at the Ministry of Economic Affairs (MoEA). Application Forms can also be obtained through RTIOs or can be downloaded from MoEA’s website: [www.moea.gov.bt](http://www.moea.gov.bt)

The Application Forms should be completed carefully and clearly in order to facilitate their evaluation, particularly concerning the services expected from CSFU.

The Application Forms are available in English.

The following supporting documents will be requested from the Enterprise together with the application form

- Copy of the License
- Copy of Authorized Signature Letter (In case the application is signed by different person than the owner)
- Copy of Citizenship Identity Card
- Brief Business Profile of the MSME, duly filled and signed by the Applicant
- Financial/Technical Specification per Action

### **4.2 Where and How to Send Applications**

A duly filled and signed Application Form must be received in a sealed envelope by registered mail, by courier service, by Fax, as a duly signed and filled PDF attachment to an email or by hand-delivery, to the contact addresses indicated below:

**Postal address:**

MSME Division

Department of Cottage and Small Industry

Ministry of Economic Affairs

c/o Mr Tandin Wangdi,

CSFU Manager

P.O. Box 141, Thimphu, Bhutan

**CSFU - Help Desk**

Tel. 02 / 322 406

Fax: 02 / 324 470

Email: csfu-info@moea.gov.bt

**Address for hand delivery:**

Cost Sharing Facility Unit – CSFU

MSME Division, Department of Cottage and Small Industry at the Ministry of Economic Affairs,  
Thimphu, Bhutan

**Deadlines**

Bhutanese expertise to be provided to enterprises will have to be tendered in accordance to the Single Source Selection (SSS) of the Asian Development Bank’s Guidelines on “The Use of Consultants”. As soon as a number of Actions / Financial Specifications / Technical Specifications of MSMEs are approved the tender will be launched. Incoming applications will be served on a first-come first-served basis.

For this purpose, CSFU has set the following deadlines for applications under this Grant Facility:

31 July, 2011

31 August, 2011

30 September, 2011

15 October, 2011

30 November, 2011

Any Applicant should take into consideration the time constraint to develop an acceptable application and the limited budget available for CSFU.

Enterprise applications submitted after the above mentioned deadline will have to be approved separately by the Appraisal Panel of CSFU.

The implementation of approved Actions can last until mid December 2011.

**4.4 Further Information**

Questions may be sent by e-mail or fax to the address below:

e-mail: csfu-info@moea.gov.bt

Fax: 02 / 324 470

Written inquiries will be responded to no later than 5 days after CSFU receives them.

**5 Evaluation and selection of Applications**

Applications will be examined and evaluated by CSFU. Final approval is granted by the Appraisal Panel of CSFU. All applications will be evaluated according to the following criteria:

**5.1 Administrative Compliance**

Verification that Application Form is complete

Verification of eligibility of the Applicant (see Section 3.1)

## **5.2 Brief Business Assessment**

The Business Assessment will only take place when the administrative compliance is verified and approved. The Business Assessment report will be used by CSFU to identify the Enterprise's needs and as a basis for the final approval of the application by the Appraisal Panel. The outcome of the Business Assessment will be:

### **Diagnosis report**

Proposed Action (maximum 2 per Enterprise in case one of them is a Group- or Cluster Action) Technical Specification or Financial Specification for proposed Action (separately for each Action);

This will include:

Qualification of required experts

Tentative time schedule for implementation of Action

## **5.3 Evaluation of Final Application**

Once the Business Assessment has been completed and the final decision of the Appraisal Panel will be informed to the applicants by CSFU.

Afterwards CSFU will contact BDS Providers to gather their offers, based on which the following documents are filled and provided to the Applicants for their approval and signature.

- Confirmed budget (see Annex 4: Cost Breakdown for Implementation of the Action)
- Signed Letter of Commitment (see Annex 5) for each Action

## **5.4 Approval of Requested Action**

The Appraisal Panel will represent entrepreneurial knowledge and give final agreement on the proposed applications. It may also provide some advice on the application.

The proposed Action will be evaluated according to the following criteria:

Financial and managerial capacity of Applicant

Relevance to business development

Chosen methodology for the implementation of the Action

Expected sustainability

Once the Final Application has been approved, CSFU will invoice the Enterprise for the MSMEs proportional amount, equalling 50 % of the overall cost of the Action.

## **6. Notification of CSFU's decision**

The Enterprise will be informed by CSFU about the decision of the Appraisal Panel not later than one week after the concerned Appraisal Panel's meeting.

CSFU's decision to reject an application or not to award a requested Action is final.

CSFU is not obliged to provide any justification for any decision taken.

## **7. Implementation**

1. The approved Action will be tendered to Bhutanese Business Development Service Providers.
2. Once the BDS Provider has been selected following the ADB tendering procedure, the time Schedule of implementation will be confirmed with the Enterprise.
3. Kick off briefing between CSFU and the BDS Provider; the Expert will be organised before the Implementation of the Action.
4. CSFU will monitor the implementation.

## **8. List of Annexes**

- Annex 1: Application Form
- Annex 2: Guideline for Brief Business Profile
- Annex 3: Financial/Technical Specification per Action.
- Annex 4: Cost Breakdown for Implementation of the Activity.
- Annex 5: Letter of Commitment





## **Annex 2: Brief Business Profile** *Guidelines*

In this topic enter the following details:

### **Personal Data**

Full Name, permanent address, House no., Thram no., CID No, Education and experience of the proprietor, etc

#### **1. Business Project Profile**

Business Name, Legal status, Business Activities, Description of main products and Services, Location of business etc

#### **2. Market Information**

Main Customers, suppliers, competitors, strategy to cope with competition etc.

#### **3. Human Resources / Head Count**

Availability and employment of skilled, semi-skilled and unskilled employees in the enterprise, Management structure (General Manager, Financial Manager, Accountant /Cashier etc)

#### **4. Financial Information**

- **In case enterprises started its operation within one year from now** (Initial fixed capital Investment, cash available for doing business, )
- **In case enterprise operating more than one year** (Turnover of last two financial years and initial fixed capital Investment)

#### **5. Action Required**

Description of the areas of training/seminar/workshop for the enterprise to overcome the applicant's constraints. In addition the applicant has to describe how the action will turn his weaknesses in strengths. Moreover the applicant has to describe the kind of training, category of trainer required and his /her qualification to assure the expected improvement of hard/soft skills after finalization of the action.

#### **6. Action's estimated Cost**

Indicate an estimate (he/she should seek help where available to determine an estimate) the action will cost and whether he/she can afford to meet her contribution.

#### **7. Documents required**

Copy of valid Trade licence and copy of Proprietor's CID as well as other relevant certificates and documents.

**Signature with date on the Brief Business Profile**



**Annex 3: FINANCIAL/TECHNICAL SPECIFICATION -per Action**

**1. Identification Data**

<b>Reference No</b>	
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**2. Description of the Assignment**

<b>Specific Objectives</b>	
<b>Action Description,</b> including suggested methodology(Seminar, Training, Workshop and/or Coaching)	
<b>Required Outputs</b>	

**3. Experts Profile/Qualification\***

<b>Qualification</b> (category )	
Working Language	

\*= As far as the action is provided not by an individual Expert but by a BDS Provider the above mentioned Profile criteria are content of the contract between CSFU and BDS Provider

The above description of the action reflects in detail my/our requirements.

Place / Date / Signature



**Annex 4: COST SHEET FOR IMPLEMENTATION OF THE ACTION**

<b>Date</b>	
<b>Enterprise Name</b>	

<b>Activity</b>	
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<b>Reference Number</b>	
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**A-Costs applied through CSF**

Item No.	Type of cost	Unit	Total Units	Unit Price in Nu	Total in Nu
1	International STE*	day			
2	National STE	day			
3	Travel International STE	flight			
4	Travel STE (intercity)	no.			
5	Daily Allowance International STE	night			
6	Daily Allowance National STE	night			
7	Training / Workshop including all Training expenses				
8	Daily allowance applicant Travel cost applicant				
	<b>Total Sum*</b>				

\* STE = Short term Expert

\*\* the Enterprise covers 50% of the Total Sum, which is equivalent to:

Nu	
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**Annex 5: LETTER OF COMMITMENT<sup>1</sup>**

License Number .....  
Reference Number .....

Activity .....  
.....  
.....

We, the undersigned enterprise, .....represented by Mr./Ms. ...., declare that we read the Cost Sheet carefully and understand its content, based on the prior filled Financial or Technical Specification.

We, hereby commit ourselves to pay the amount of Nu ....., upon receipt of an invoice from MoEA, covering our cash contribution to the implementation of the above mentioned activity.

The above amount represents 50% of the estimated cost incurred by CSF on the activity, as per attached cost sheet.

Place .....  
Date .....  
Authorized Signature  
& Seal .....  
Position .....  
Enterprise Name .....

Enclosed:  
Financial/Technical Specification  
Enterprise's Action Cost Sheet

<sup>1</sup> This Letter of Commitment is a pre-requisite of any implementation co-financed by CSF  
Guidelines for Applicants