

Section 4, Annex A. Terms of Reference

Terms of Reference for a Service Provider for the Establishment and Management of the Improving Market Systems for Agriculture in Rwanda (IMSAR) Programme

Introduction

1. These Terms of Reference (TORs) set out the scope of work for delivering the **market development services** and **short-medium term grant finance components** of the Improving Market Systems for Agriculture in Rwanda programme (IMSAR). The Development Partner financing the programme is the UK Department for International Development (DFID). The overall budget for the programme, including the fund is approximately £13.5 million over 4 years.
2. The programme will contribute to increasing the incomes of poor households in targeted agricultural market systems. IMSAR will help commercialise agriculture by improving the way agricultural market systems function, making them more effective, participatory (by including poor farmers and other disadvantaged groups) and, more competitive.
3. DFID would like the Supplier to design and implement two components of the IMSAR programme in Rwanda. IMSAR includes a design and implementation phase, meaning that many of the requirements set out in this ToR are indicative. The Supplier will be expected to reflect on the areas identified and provide further details on additional elements in their proposal.
4. IMSAR will adopt a market development approach to increase the income of poor households by supporting market actors (including the poor) to adopt new practices (business models, products, services, rules, behaviours and norms) that improve the way markets work for the poor. Market actors are: poor men and women; firms; government agencies, business associations, financial institutions, and NGOs that have a legitimate role in markets. IMSAR will facilitate change through the provision of a flexible package of technical assistance and access to finance.
5. DFID funds will be used to deliver the market development approach, including conducting market analysis, strategy development and support to market actors adopting new practices, and intermediaries/partners addressing constraints in the enabling environment. Support could take the form of 'non-financial' technical support and financial support through financing if deemed essential, and in accordance with DFID rules on provision of subsidy to the private sector.

Objective

6. IMSAR aims to increase the income of poor households in targeted agricultural systems by making selected market systems work more effectively for poor farmers and Medium, Small and Micro Enterprises (MSMEs). Key targets will be designed during the programme's inception phase, once activities have been identified. Intended results include: increased sales among farmers and agro-enterprises; increase in the percentage of agricultural produce that has value added; increase in export diversification.

The recipient

7. The ultimate recipient of support and benefits through this contract will be the poor of Rwanda participating in focus markets. This will be achieved through the provision of support and services to market actors with whom the project will directly partner, or who will benefit from the published market analysis.

The scope

9. The IMSAR theory of change (see annex 1) assumes that the provision of Market Development Services to farmers and agribusiness will reveal attractive opportunities to commercialise agriculture through increased investment by the private sector resulting in value being added to commercial produce. The main functions the Supplier will be expected to deliver to help achieve this are:
 - (i) **Market Analysis:** in-depth market analysis to identify the constraints facing the poor. This will include a) setting out key data and analysis related to firms, institutions, products, subsectors, networks and demand/supply channels and; b) identification and analysis of market failures which can be overcome by targeted investments or new partnerships;
 - (ii) **Strategy Development:** a set of market strategies based on the market analysis;
 - (iii) **Facilitation and advisory services to support market actors and interventions:** engaging with market actors to encourage the uptake of new practices; facilitate market linkages; provide on-going support to interventions and; provide much needed technical assistance to strengthen the capacity of the private sector and Government agencies to respond to opportunities as they emerge during the reform of the market system;
 - (iv) **Short/medium term grant finance:** that will increase the levels of affordable finance available in the agricultural sector. If possible, IMSAR will partner with specialist financiers and existing institutions (e.g. through a window for an existing Development Finance Institution or a credit line via existing banks).
10. These functions will be delivered through two main components. Component 1 (i to iii above) will provide **market development services** that will hire experts to identify market failures and design and establish interventions to overcome them. Funds from this component should be set aside for technical assistance to strengthen the capacity of the private sector, private sector associations and Government agencies. Component 2 will provide **short/medium term grant finance** to private sector companies. Grant labour, grant reimbursables and grants agreements are to be included within this component. Component 2 is referred to as “the Fund” in Sections 1, 4 and 5 within the Contract.
11. Services from the different components (1 and 2) may be provided to a given company. Whilst this may provide opportunities to overcome multiple constraints that an enterprise might face, it may also present risks including:
 - (i) support from more than one component could provide a level of subsidies that will excessively distort the market. In light of this, a principle of minimum subsidy should hold: if commercial forms of investment (or funding) can be made available to fund an investment developed under component 1, those should be used before appealing for finance under components 2;
 - (ii) Business may not be able to manage and fully utilise different services.
12. The Supplier has outlined in their proposal how they intend to maximise the benefits of multiple components whilst at the same time, minimising the costs and risks.

IMSAR Market Development Approach

13. The premise of the programme is that making selected market systems work more effectively for poor farmers and MSMEs will increase the income of poor households in targeted agricultural sectors.
14. The Supplier is responsible for identifying **interventions**¹ that support the commercialisation of agriculture and address constraints to poor people's participation across the market system, by developing interventions across three areas where markets function: the **core functions** (central set of exchanges between suppliers and consumers of goods and services); **supporting functions** (information or services that support the exchange), or **rules** (formal or informal) that shape how the market works. We expect supplier's proposals to show an understanding of both the desired market development approach and contextual knowledge.
15. The Supplier will need to make judgements on what to "offer" market actors (e.g. access to finance, technical assistance, business development support, networking opportunities, and facilitating market linkages) and when to enter and exit partnerships in line with IMSAR principles (see table 1) and the overall objective of increasing the income of poor households in targeted agricultural sectors. These principles are interdependent however, the Supplier may face trade-offs when applying these principles to intervention design and selection, which will need to be explained in the market strategies.

Table 1: Principles Underpinning IMSAR Interventions

Principle	Description
Benefits accrue to the poor	IMSAR interventions will have benefits to the poor at their core.
Additionality	IMSAR will support genuine market innovation based on sound analysis of how and why focus markets are excluding the poor. It will enable market actors to invest where and/or in ways that they would not have otherwise, e.g. via strategic public/private partnerships to facilitate design of a new product.
Scale	IMSAR will support interventions and market actors that enable outreach to the poor at scale.
Non-distortionary	IMSAR will support a package of interventions that aim to attenuate market inefficiencies with minimal market disruptions and distortions, ensuring the programme does not directly intervene in markets but rather facilitates change.
Replicability	IMSAR will work with pioneering market actors who are willing to innovate and take risks, but will also seek to encourage a market response by working with others in the market who might facilitate broader uptake (government, business association, media, other firms), e.g. profitable projects with good rates of return that will be replicated.
Responding to complexity	IMSAR will adopt a portfolio of sequenced interventions that address inefficiencies at multiple levels.
Sustainability	IMSAR will take a sustainable approach by supporting interventions that are durable and resilient to challenges, and also responsive to changes in the environment and market. IMSAR will respond to market system changes by adjusting or introducing new interventions are required, and reallocate resources if and when necessary.

¹ Interventions are essentially the ways that IMSAR incentivises change in markets.

Requirements

16. This section details the programme requirements and deliverables in line with the inception and implementation phase.

Inception phase

17. DFID requires the following specific outputs to be delivered by the Supplier during the inception period:

- Operational manual
- Market assessment and analysis
- Market strategies
- Inception report

(i) Operational manual will include:

- Criteria and process for market selection (from long list of potential markets to detailed market analysis of those markets with greatest relevance to the poor, feasibility of interventions, and complementarity with other initiatives in the country);
- Criteria and process for identification of beneficiaries;
- Criteria and process for identification and selection of interventions and potential market actors and financial intermediaries in line with IMSAR principles;
- structure of market strategies and criteria or performance measures to assess their quality;
- The approach to portfolio management at a programme level;
- The identification, monitoring and mitigation of risks, including triggers or measures of risks;
- The process for consultation, engagement and collaboration with DFID throughout the programme;
- The methodology set out in the proposal should provide detailed information on the supplier's proposed approach to all of these issues. The proposal will then form the basis of the Operational Manual delivered during the inception phase.

(ii) Market assessment and analysis that will identify the constraints facing the poor and include:

- a) Identification and analysis of market failures which can be overcome by targeted investments or new partnerships;
- b) Key data and analysis related to firms, institutions, products, subsectors, networks and demand/supply channels. This should include:
 - **Mapping of the agribusiness sector in Rwanda** setting out key data on firms and subcontractors will include:
 - A map of key firms, and groups of firms, including firms that provide essential services that support the value chain at various stages;
 - Estimates of the size of market subsectors (e.g. processing, seed supply, etc.) including an assessment on the amount of 'value-addition' and agricultural manufacturing taking place;
 - Estimates of the numbers of firms, and their sizes (in turnover and employees) by subsector;

- A market segment assessment for major products in the value chain, estimating the market share (as either buyers or suppliers) of leading companies;
- A comprehensive assessment and mapping of other relevant donor, impact investor, NGO and government funded interventions.
- **Mapping of the finance sector in Rwanda** in relation to the provision of grants. This will include:
 - A comprehensive assessment and mapping of other relevant Development Finance Institutions, commercial banks;
 - A comprehensive assessment and mapping of GoR and other donors support to the finance sector.
- **Institutional and legislative mapping and business environment analysis.** A mapping of public sector agencies and institutions relevant to the firms and subsectors, at National and Local Government level. This will include:
 - List relevant government agencies, including regulatory role and services provided;
 - Relevant regulation and legislation pertaining to the sector, covering: tax, tariffs, pricing controls, standards, registration/entry criteria and permitting processes etc.;
 - Description of business membership organizations and their roles in principle and in fact;
 - Analyze the key institutional and regulatory constraints to effective markets.

(iii) Market strategies on the basis of the above analysis, the Supplier will develop targeted investments or new partnerships that will overcome market failures. This should include:

- Overall logic of the market strategy across all components of the programme (interventions supporting market actors including technical and financing needs and those that address rules and the enabling environment);
- Intervention action plan and timeline;
- Approach to promote uptake and scale up of interventions;
- Approach to ensure alignment (strategic and operational);
- Results measurement in accordance with the OECD standards;
- Risk management (monitoring and mitigation);
- Value for money including equity and marginal benefits for changes among the most excluded or poorest (e.g. women).

(iv) Draft inception report. As part of the proposal the Supplier has submitted an annual work plan including man-days (detailed for year one and indicative for the remaining years), list of outputs, proposed revisions to the logframe (see annex 3), and detailed risk register with appropriate mitigation strategies. Therefore, the Inception report will then provide any amendments to these based on the market analysis and an overview of the portfolio as a whole. The inception report should bring together the analysis of the preceding studies (listed above) and in addition present:

- Annual work-plan and project budget including the financial forecast;
- Revised logframe including making recommendations on changes to logframe outputs and indicators. This will include populating baselines and establishing annual milestones and targets, and developing the approach to risk management;
- Monitoring Framework and system, including credible data collection methodology and budgeting for each indicator, agreed roles and responsibilities with regard to the M and E service provider, knowledge management strategy, and explicit attention to how data will be used to shape, monitor and either close/scale up interventions. Measurable

intervention milestones in addition to the annual milestones in the logframe will be required.² Agreed definitions of key terms will also be included in this section;

- Risk Register with appropriate mitigation strategies and approach to monitoring (data sources, frequency of monitoring, sharing between different components of the programme;
- Aggregated picture of interventions and market strategies across the programme, including rationale for decisions made;
- Proposal for Governance structure of the programme including stakeholder advisory committee;
- Detail of payments that are linked directly to delivery of high quality results at different levels, that support programme outcomes.

Implementation Phase

18. Outputs to be delivered during the implementation phase will be agreed by the end of the inception. The Supplier is responsible for managing and delivering the interventions and results agreed in the market strategies and across the programme overall. Indicatively the Supplier is required to provide a portfolio of interventions that should include:

- Timely delivery of interventions that promote new practices (business models, products; or services) that enable the poor to engage in supply chains and markets;
- Delivery of replication of new practices and crowding in of other market actors;
- Timely delivery of interventions that promote changes in formal and informal rules;
- Timely delivery of agreed results for interventions and market strategies.

Monitoring and Evaluation and Logframe Arrangements

19. The M and E requirements of the Supplier of these Terms of Reference are:

- (i) Contribute, in consultation with the M and E contractor, to the design of the baseline and evaluation of the overall project;
- (ii) Design and implement intervention level M and E frameworks which should, as a minimum, identify groups of comparable firms and smallholders to those expected to benefit from pilot interventions for comparative purposes. Further elaboration of these systems is expected in the bid documentation;
- (iii) Ensure an effective and efficient VFM measurement system is in place.

20. Responsibility for the delivery of the outcomes and impact indicators will be shared between components 1-3.

<h3>Constraints and dependencies</h3>
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21. The Supplier is expected to be in commence the programme by January 2018. The Supplier needs to be willing to work in full co-operation with the steering committee (SC) and the Ministerial Advisory Group (MAG) including taking into consideration cultural and other differences that may shape these working relationships (see governance arrangements).

22. The IMSAR programme has 2 further components that will be contracted separately. Component 3 is the provision of **long-term debt/equity investments and business support**. Investments will be made over a medium to long-term payback period. Investments will be preceded by a scoping study (expected to be completed by August 2016) that will identify debt/equity investment opportunities. A **monitoring and evaluation**

² Note the other relevant M and E requirements and issues below.

contract, under component 4 will be let to manage overall IMSAR evaluation design, annual reviews, mid-term reviews and a final evaluation. They will also be charged with periodically assessing the M and E framework established by the Supplier of Components 1 and 2 and ensuring a minimum level of coherence between components 1-3. It will be their responsibility to design and undertake project wide baseline, midline and endline studies to support evaluation.

23. During both phases, the Supplier will be required to work closely with DFID through the programme and cooperate and coordinate activities with suppliers of components 3 and 4.

Reporting

24. The Supplier is required to provide periodic narrative and financial reports, which will be designed to meet the requirements of DFID. The reports include:

- Narrative on activities and progress, constraints;
- Activity plan for the subsequent period;
- Systematic update on progress towards logframe targets;
- Financial report, invoices and expenditure projections which should include quarterly financial forecast of expenditures (the budget) disaggregated monthly for the financial year April to March. Six monthly comparison of budget with expenditure. Invoices submitted to DFID and their values, quarterly progress and financial reports, external audit reports on the annual financial statements, and mandatory financial reports according to a format to be agreed with DFID during the inception phase;
- The Supplier is required to document and disseminate through a variety of media useful results and lessons learned, acting as a conduit for information and best practice between partners, and to key stakeholders.

25. Table 2 is a summary of the deliverables described above.

Table 2: IMSAR Deliverables

Deliverable
INCEPTION PHASE (March 2018 – August 2018)
Operational manual
Market assessment report including mapping of the agribusiness and finance sector in Rwanda
Institutional and legislative mapping and business environment analysis
Market strategies report
Draft Inception report
Final inception report
IMPLEMENTATION PHASE (September 2018 – February 2022)
Initial portfolio of interventions
Full portfolio of interventions

Duty of care

26. The Supplier has set out how they will respond to Duty of Care and Security requirements. DFID Rwanda has assessed country and project risks and includes a summary assessment against the various risk factors

27. The Supplier is responsible for the safety and well-being of their Personnel (as defined in Section 2 of the Contract) and Third Parties affected by their activities under the contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.
28. DFID will share available information with the Supplier on security status and developments in-country where appropriate.
29. The Supplier is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract. Travel advice is available on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.
30. The Supplier has confirmed that:
- They fully accept responsibility for Security and Duty of Care;
 - They understand the potential risks and have the knowledge and experience to develop an effective risk plan;
 - They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.
31. Acceptance of responsibility must be supported with evidence of Duty of Care capability and DFID reserves the right to clarify any aspect of this evidence, which the Supplier has provided.

Performance Requirements and Management

Oversight and accountability

32. DFID will be the lead donor and will be the direct counterpart to the Supplier. The Supplier will report to the TWG. The DFID Rwanda Livelihoods Advisor is the Senior Responsible Owner (SRO) for the programme and will also be working on a day-to-day basis with the Supplier on behalf of the TWG. The DFID Deputy Programme Manager will monitor financial management, corporate compliance and reporting aspects of the programme.

Payment by Results and Key Performance Indicators

33. The Supplier has outlined the approach to payment by results (PbR) in the programme, detailing how payments can be linked directly to delivery of high quality results at different levels that support programme outcomes. Suppliers are expected to submit a detailed pricing work plan including payment structure. The deliverables are up to the tenderer to form but it should be noted these deliverables will be evaluated for practicality, efficiency and contribution to impact.
34. The Supplier has proposed a milestone schedule for delivery of the inception requirements. Milestones for the implementation phase will be agreed by the end of inception;
35. DFID will agree Key Performance Indicators (KPIs) with the Supplier which are likely to include: Quality of delivery, management, financial, personnel, and innovation indicators. The Supplier should propose a suite of KPIs for the implementation period, to be agreed by the end of inception. These KPI's will be linked to a percentage of the fees payable under this contract. The percentage will be agreed by the end of the inception.

Background

The need for IMSAR

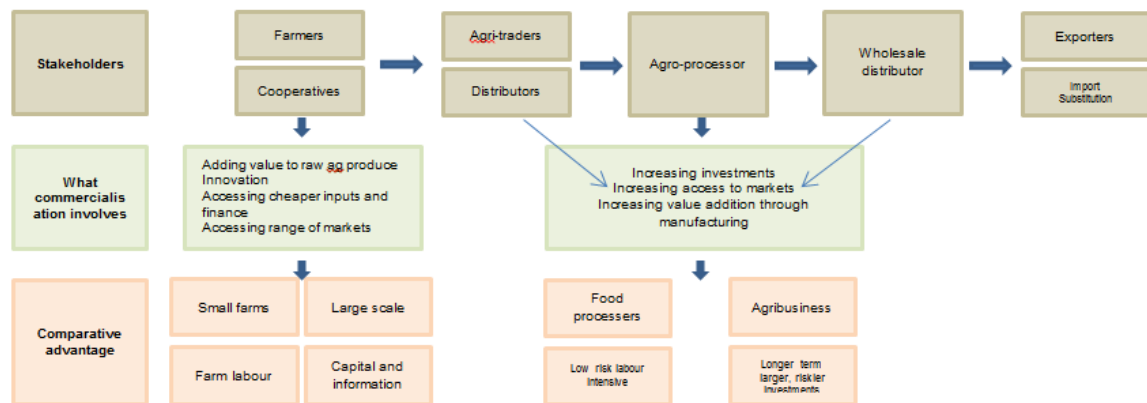
36. Despite growth consistently averaging 8% over the last decade, Rwanda is still a very poor country with 63% of the population living on less than \$1.25 a day. The country has, however made great strides in lowering poverty rates with agriculture the largest contributor to the fall. Agriculture is likely to remain the main driver of poverty reduction given that over 80% of the population depend on it for their livelihoods.
37. Commercialising agriculture provides the greatest opportunity to transform the economy, create jobs, increase incomes, reduce poverty and deliver more inclusive economic growth. The Government of Rwanda (GoR) recognise that Rwanda's growing trade deficit can only be addressed by increasing agricultural contribution to the economy through commercialisation.

Commercialising agriculture

38. A range of stakeholders are expected to be involved in commercialising agriculture including: farmers and members of cooperatives; agricultural traders and distributors; wholesale distributors and exporters (see figure 1). For farmers, commercialisation involves selling more goods in the domestic market, adding-value to agricultural produce (often in its primary state), being innovative and having access to more affordable inputs (such as seeds and fertiliser). For agro-processors and those involved in distribution, commercialisation involves adding further value to agricultural products, improving their marketing in domestic markets and increasing their access to regional and international markets.
39. However, a number of constraints in the market system in Rwanda, such as poor access to finance and technology, lack of access to inputs such as seeds or fertilisers, and difficult logistical systems, currently limit or prevent the effective commercialisation of agriculture and prevent the poor from benefiting from agricultural opportunities. Rwanda's agri-business firms are few in numbers and small in size. As a result, only 20% of agricultural produce has any value added to it.³ DFID support will help to commercialise agriculture by improving the way these market systems function.
40. Full background to the assignment can be found in the extracts from the final approved Business Case, attached as Annex 2.

Figure 1: The commercialisation of agriculture: stakeholder types, needs and advantages

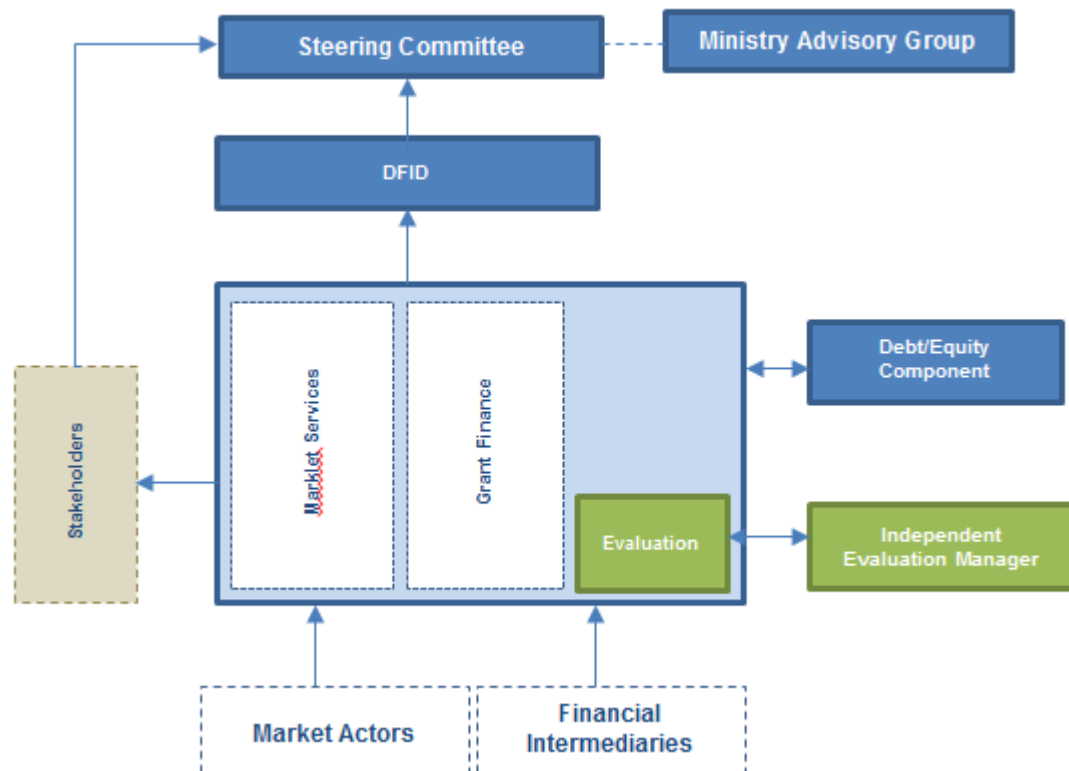
³ Gathani & Stoelinga (2013) Understanding Rwanda's Agribusiness and Manufacturing sectors. International Growth Centre



Governance Arrangements

47. To ensure effective delivery and coordination of the programme a Steering Committee will be established to ensure coordination and that IMSAR is aligned with the priorities and programmes of the Government of Rwanda (GoR) and other relevant stakeholders.
48. **Steering Committee (SC):** non-decision making body, meeting on a quarterly ensuring coordination with other relevant programmes and input from other stakeholders. The Supplier will convene meetings and act as the secretariat. The Supplier will present progress reports to the SC and highlight issues that need to resolve at this forum or issues that have to be escalated to the Ministerial Advisory Group. Progress and key recommendations will be fed back to the relevant Sector Working Groups (SWG) and private sector representative groups. SC members should include: (i) Service providers of all 4 of the IMSAR components; (ii) permanent secretaries from Ministry of Trade and Industry (MINICOM); Ministry of Agriculture and Animal Resources (MINAGRI) and the Rwanda Development Board (RDB) iii) other donor agencies supporting agriculture and private sector development and iv) relevant members of the private sector.
49. **Ministerial Advisory Group:** forum for key ministries to engage with the programme on a biannual basis to ensure effective policy and programmatic coordination. Meetings would update Ministries on progress made and provide a forum to escalate issues that need ministerial oversight. Recommended ministries for inclusion are Ministry of Trade and Industry (MINICOM); Ministry of Agriculture and Animal Resources (MINAGRI) and the Rwanda Development Board (RDB).
50. **Independent Evaluation Manager:** Responsibility to design and implement the independent evaluation and support and quality assure the development of the results management system.

Figure 2: Governance Arrangements



Annexes

Annex 1: IMSAR Theory of Change

