

## Section 4, Annex A

### Call-down Contract

### Terms of Reference

## Sector Analysis Studies for the Commercial Agriculture

### 1. Introduction

Agriculture is the main form of economic activity in most of Africa and South Asia and is dominated by subsistence farming which offers little opportunity for men and women to escape from poverty or withstand shocks – less than 10% of smallholders are considered to be involved in organised, formal supply chains, with women less likely than men. There is a need to address this by increasing economic opportunities for smallholders by attracting more investment into agribusinesses which trade with smallholders and by bringing more, poorer smallholders into commercial supply chains

DFID is in the process of finalising a Commercial Agriculture for Smallholders and Agribusiness programme (CASA) to address these issues. It is envisaged that the programme will have four components:

1. **Country-level interventions** in 2 countries in Africa and 1 in Asia to:
  - Bring more smallholders into formal commercial value chains by supporting the formation of producer organisations, outgrower schemes and other approaches. These value chains may be new or well established. This is expected to increase farmer incomes by increasing sales and boosting productivity and/or market linkages through the use of improved inputs such as seeds, fertilisers and capacity building;
  - Grow demand for smallholder produce by helping agribusinesses which work with smallholders to attract third party investment;
  - Support organisations advocating for changes to the enabling environment to ensure that regulations support the participation of farmers in commercial value chains and to make the sector more attractive to Commercial Agriculture for Smallholders and Agribusiness stabilisation.
2. **Global knowledge and policy influencing activities** to improve the global evidence base supporting commercial agriculture approaches to development and influence for change in policy and practice. This component will synthesise and communicate new evidence, research and lessons from the intervention for investors and donors in order to influence how and where they invest.
3. **A Smallholder Development Facility** that will support businesses in Africa and Asia that have received financing from impact investors and Development Finance Institutions to deepen and expand their smallholder supply chains.
4. **Community engagement activities** that will develop tools, conduct research and engage in two of the countries identified in Component 1 to bring local

communities into investment decision making and support rural people to shape their own future.

These terms of reference relate to the country-level activities of Component 1 of the programme.

## **2. Objectives of the sector analysis studies**

The primary objective of the study is to enable DFID to identify the value chains, sub-national regions and stakeholders to form the basis for CASA's country level interventions and to enable DFID to use this information to develop the terms of reference for the implementation of this component of the CASA programme. The studies are expected to:

- Identify two value chains in each country which offer the best potential to increase economic opportunities for smallholder farmers, using the selection criteria described in paragraph 3 below;
- Identify potential interventions within the recommended value chains which the programme could make to develop commercial agriculture in line with the CASA objectives and approach. The studies will identify opportunities to:
  - Establish, support or expand smallholder aggregation and access to markets, particularly for poorer farmers, women and those not currently engaged in commercial agriculture.
  - Support SME agribusinesses with significant smallholder supply chains to prepare for and attract early stage investment;
  - Support organisations which bring together stakeholders to advocate for regulatory reform and identify possible reforms which would boost growth in the value chain and increase the ability of smallholders to participate in it.

## **3. Scope of the services to be provided**

The contractor is expected to conduct sector analysis studies in 7 countries (***Sierra Leone, Mozambique, Uganda, Tanzania, Malawi, Nepal and Burma but these may change***) using a consistent methodology and approach and to synthesise the findings of the studies into a recommended programme of action for DFID in 3 countries, of which one must be in Asia.

### **3.1 Value chain selection**

The sector analysis studies are expected to identify two value chains per country which offer the maximum potential to positively impact smallholders. The selection criteria are expected to include the following factors which may be given different weightings:

#### **Social criteria**

- Number of smallholders engaged in the value chain and potential for expansion
- Opportunity to engage more remote and/or poorer smallholders in the value chain
- Potential income impact on smallholders
- Potential to benefit women smallholders as an important criteria

#### **Economic criteria**

- Existing scale and intensity of the value chain
- Existing and likely commercial interest in investing in the value chain

- Expected growth rate of the value chain/sector
- Existence of anchor buyers within the value chain that are looking to expand
- Existence of aggregation models in the value chain and potential for expansion
- Number of jobs that could be created in anchor buying agribusinesses
- Competitive advantages (cost, product characteristics) of smallholders versus larger-scale producers or imported products of equal quality in the value chain

#### **Environmental criteria**

- Climate change risks (current and future) that impact the value chain
- Capacities, access to infrastructure/services and inputs needed
- Natural resource endowments – land, soil quality, water (rainfall or irrigation).

#### **Institutional criteria**

- Ongoing interventions by DFID and other donors in the value chain
- Level of engagement and interest from DFID country office
- Government priority level of the value chain
- Political economy issues associated with intervening in the value chain

The selection process will draw on existing value chain selection methodologies<sup>1</sup> and existing value chain analysis reports for each country. Contractors are expected to propose a set of criteria for the selection of value chains in their response to these terms of reference and to illustrate how these criteria would be applied using a case study. The final selection criteria will be agreed with DFID during the inception phase.

The contractor is expected to provide data and evidence to support the scoring and decisions made for each criteria. This must include estimates relating to the number of smallholder farmers that could benefit from the proposed i) aggregation activities and ii) SME investment support activities and an estimate of the possible net income increase that might be achieved from each type of intervention.

The contractor is expected to provide a mapping of the existing donor and government interventions within the selected value chains which describes each of the interventions already underway and their relevance to the commercial agriculture objectives of this programme. In support of this, the contractor is expected to make use of agricultural investment data provided by the Open Agriculture Initiative which will be facilitated through DFID.

For each of the value chains selected the contractor is expected to identify the sub-national geographic areas of most interest for intervention and the key stakeholders (specific farmer groups, companies, NGOs, government bodies, donors etc) with whom the programme should engage.

### **3.2 Intervention selection**

The contractor is expected to identify specific interventions that the programme could undertake at each of the three levels of intervention identified in the programme business case, namely:

- Linking smallholders with markets and agribusinesses;
- Supporting agribusinesses to prepare for and attract external financing from banks, impact investors and others;

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<sup>1</sup> For example, IFAD (How to do Commodity Value Chain Development Projects) and GIZ (Chain-Wide Learning for Inclusive Agrifood Market Development and Guidelines on Value Chain Selection).

- Promoting reforms to the enabling environment that will have a positive impact on smallholders and agribusinesses operating in the value chain and supporting multi-stakeholder organisations operating in this area.

The scope of work and outputs that are expected from the contractor under each of these levels of intervention are described below.

### **Linking smallholders with markets and agribusinesses**

For each value chain selected, the contractor is expected to identify at least three specific examples of opportunities to aggregate smallholders and link them with off takers or anchor buyers. The forms of aggregation are likely to include producer organisations, cooperatives, marketing groups, out-grower schemes, contracting arrangements, hub and spoke farms and other approaches. Preference should be given to new opportunities for aggregation of smallholders, although the expansion of existing schemes will also be considered.

The contractor is expected to provide the following information about each potential intervention:

- Locations
- Estimated number of smallholders to be aggregated by the intervention
- Estimated current income levels and estimated future income uplift
- Description of the proposed aggregation approach,
- Target off-taker(s)/anchor buyer(s) and estimated certainty of off-take
- Information on other key stakeholders
- Indicative costs and timeframes for programme intervention

### **Supporting agribusinesses to prepare for investment**

For each value chain selected, the contractor is expected to identify at least three specific examples of opportunities to support agribusinesses to prepare for investment. These agribusinesses should:

- Be, or have the potential to become, off takers or anchor buyers of smallholder produce including processors, traders, storage providers, wholesalers and supermarkets.
- Preferably supply fast growing domestic and regional value chains, with a secondary preference for export value chains.
- Have demonstrated an interest in expanding and attracting investment.

The contractor is expected to provide the following information about each potential intervention:

- Description of business
- Current sources of finance, appetite for further investment and estimated capital required
- Number of smallholders involved in existing supply chain and potential for expansion; potential to positively impact women smallholders
- Number of jobs in the business that could be created by future investment
- Type of service to be provided to the business to help it prepare for investment, estimated costs and duration of the services to be provided. Funding for key new positions in the business may be considered.
- Initial indication of potential investors with an interest in the business

### **Enabling environment reforms**

For each value chain selected the contractor is expected to identify any multi-stakeholder groups advocating for reforms that would benefit inclusive growth in the value chain. The types of reforms that the group should address may include:

- Fiscal reforms – taxes, tariffs, subsidies and fees affecting the value chain product and others that are related to it.
- Regulatory reforms – regulations affecting the production, harvesting and marketing of the product such as seed and input standards and output product/retail standards
- Legal reforms – laws affecting the equitable operation of the value chain such as recognition of smallholder contract rights and producer cooperatives, contract resolution procedures etc.
- Investment in public goods– opportunities for governments and public bodies to invest in the central public goods such as roads, irrigation and infrastructure that would support the development of the value chain

For each relevant multi-stakeholder group the contractor should specify:

- Objectives of the organisation
- Examples enabling environment reform objectives
- Membership of the organisation

### **3.3 Synthesis of Findings**

In addition to conducting sector analysis studies the contractor is expected to draw together the findings from the studies in to an overall recommended scope of activity for CASA in three countries of which 1 must be defined as a fragile or conflict affected state by DFID and 1 must be in Asia.

The synthesis report should address the following:

- Proposed countries and value chains for intervention, including example interventions to be made by the programme (using the assumptions above)
- Recommendations for the approach to contracting the global programme of interventions, e.g. by country, by intervention type, as a whole unit and the provision of a draft terms of reference for the procurement of the programme in line with the contracting approach agreed with DFID.

## **4 Approach**

The assignment is expected to include the following stages.

### **Inception Stage – 1 week**

During this stage the contractor will mobilise their team and engage with key DFID counterparts for this assignment. The contractor will engage with DFID staff in each country to identify existing value chain studies, resources and development activities and will engage with the lead DFID adviser for this contract in order to finalise the criteria to be applied for the selection of value chains in each country with DFID.

At the end of this stage the contractor will submit a brief inception report describing the finalised value chain selection criteria and workplan for conducting the sector analysis studies in each of the 7 countries.

### **Desk review – 3 weeks**

During this stage the contractor will review the existing literature relating to the agriculture sector in each country, existing value chain studies for each country and other information that will facilitate the selection of value chains for the programme. This phase may also include initial interviews with key stakeholders, donors and DFID staff.

At week 2 the contractor will submit a shortlist of 4-5 value chains for consideration as the priority 2 value chains for each country based on desk-based analysis and initial interviews with stakeholders. The shortlist will be discussed during the fieldwork stage and finalised based on initial in country research. The final week of this phase will be spent finalising interviews and field work.

### **Field work – 3 weeks**

The contractor is expected to conduct fieldwork in each country in order to confirm the initial shortlist of value chains and identify opportunities for the programme to intervene. Field work is expected to include the following:

Consultations with key stakeholders include:

- Private sector investors, banks, private equity funds, impact investors, DFIs (e.g. CDC), AgdevCo, multinational companies;
- Agribusinesses that are active in the value chain, small and large
- Producer organisations, cooperatives and other organisations representing smallholders in the value chain;
- Key government officials from the Ministry of Agriculture, Ministry of Trade and other relevant ministries
- NGOs and civil society organisations active in the value chain and in supporting smallholder's access markets
- DFID country office advisers and staff from relevant commercial agriculture programmes
- Other donors are active in commercial agriculture and the proposed value chains

During the fieldwork the contractor is expected to identify example opportunities for aggregating smallholders, supporting agribusinesses and reforming the enabling environment.

### **Reporting and synthesis – 4 weeks**

The contractor is expected to synthesise the findings from the fieldwork into individual reports for each country and into a summary report identifying priorities for the implementation of the full CASA programme. The contractor is expected to present their draft reports two weeks after the completion of the fieldwork and to finalise their report based on feedback from DFID within one week of the receipt of feedback on the draft reports from DFID.

## **5 Outputs**

The key outputs of the assignment as follows:

- Within 1 week: Inception report describing the finalised value chain selection criteria and workplan for conducting the sector analysis studies in each of the 7 countries
- Within 3 weeks: An initial shortlist of 3-4 value chains per country for consideration as the priority 2 value chains for each country based on desk-based analysis and initial interviews with stakeholders

- Within 9 weeks:
  - Draft Country Sector Analysis Reports - for each country the contractor is expected to submit a report for each country in accordance with Section 3 above describing:
    - Selected value chains and detailed rationale for their selection;
    - Examples of specific opportunities for intervention at the level of smallholder aggregation, supporting agribusinesses to prepare for investment and advancing enabling environment reforms. Each intervention description must address the issues and information described in Section 3 above.
    - Description of the existing donor landscape of activities within the value chain;
  - Synthesis Report - a synthesis report covering:
    - Recommended prioritisation of interventions across the sector analyses and recommended approach to implementation as described in Section 3 above.
  - Presentations and meetings with DFID to present the key findings of the reports.
- Within 11 weeks: Final Country Sector Reports and Synthesis Report

## 6 Timeframe

The timetable for the delivery of the services is provided below. There is some limited flexibility in the proposed timings but preference will be given to contractors that are able to substantially meet the overall timeframe of all deliverables by 30 September 2017.

Working Day 5	Inception Report
Working Day 15	Shortlist of value chains per country
Working Day 45	Draft Sector Analysis Reports and Draft Synthesis Report
Working Day 55	Final Sector Analysis Report and Final Synthesis Report

## 7 DFID Coordination

The contractor will report to Simon Calvert, Senior Commercial Agriculture Adviser in the Growth and Resilience Department, who will sign off all outputs following consultation within DFID. The contractor is expected to work closely with the named DFID advisers in each country on the planning, implementation and reporting for the work relevant to each country.

The contractor will be responsible for making all practical transport and logistic arrangements.

A peer review group will be established comprising the Senior Commercial Agriculture Adviser, lead advisers from DFID country offices and a senior representative from DFID invested investment programmes such as CDC. The peer review group will review the draft and final Sector Analysis Reports and Synthesis Report.

## 8 Required Expertise

The consulting teams provided by the contractor to conduct country level sector analyses are expected to have deep expertise and understanding of the agriculture sector within the relevant country. Preference will be given to contractors based in each country and it is therefore expected that there will be different, predominantly country based, consulting teams for each sector analysis. The teams should have:

- Deep understanding of agricultural development and agribusiness development;
- Strong market system analysis and value chain development skills;
- Practical experience of approaches to aggregation of smallholders;
- Experience of commercial and impact investing in agriculture,
- Experience of business development services and accelerator/incubator approaches to investment development;
- Understanding of gender and climate resilience aspects of commercial agriculture;

## **9 Responding to the ToR**

In responding to these terms of reference, interested contractors should outline:

- Questions on the terms of reference
- Proposed weighting of criteria for value chain selection and illustration of this approach
- Brief methodology for the assignment
- Proposed team structure and CVs of individuals to be involved in each country and at a programme level
- Organisational experience summaries
- Budget analysed by country, programme level, type of staff, daily rates, expenses

## **Duty of Care**

The TA Provider is responsible for the safety and well-being of their Personnel and Third Parties affected by their activities under this Contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.

DFID will share available information with the TA Provider on security status and developments in-country where appropriate. In case of a situation where new security information, which is not in the public domain or would not be easily obtained by the Contractor, is made known to DFID, a named person from the contracted organisation should be responsible for being in contact with DFID to ensure information updates are obtained. There should be a process of regular updates so that information can be passed on (if necessary). This named individual should be responsible for monitoring the situation in conjunction with DFID.

The TA Provider is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this Contract and ensuring that their Personnel register and receive briefing as outlined above. Travel advice is also available on the FCO website and the TA Provider must ensure they (and their Personnel) are up to date with the latest position.

The TA Provider is responsible for ensuring that appropriate arrangements, processes and procedures are in place for their Personnel, taking into account the environment they will be working in and the level of risk involved in delivery of the Contract (such as working in dangerous, fragile and hostile environments etc.). The



TA Provider must ensure their Personnel receive the required level of training and safety in the field training prior to deployment.

Tenderers must develop their Tender on the basis of being fully responsible for Duty of Care in line with the details provided above. They must confirm in their Tender that:

- a. They fully accept responsibility for Security and Duty of Care.
- b. They understand the potential risks and have the knowledge and experience to develop an effective risk plan.
- c. They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.
- d. They will give responsibility to a named person in their organisation to liaise with DFID and work with DFID to monitor the security context for the evaluation.

If you are unwilling or unable to accept responsibility for Security and Duty of Care as detailed above, your Tender will be viewed as non-compliant and excluded from further evaluation.

Acceptance of responsibility must be supported with evidence of capability (no more than 3 A4 pages) and DFID reserves the right to clarify any aspect of this evidence. In providing evidence Tenderers should consider and answer yes or no (with supporting evidence) to the following questions:

- a. Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by DFID)?
- b. Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?
- c. Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?
- d. Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?
- e. Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis?
- f. Have you appropriate systems in place to manage an emergency / incident if one arises?

