**Annex A**

**Call-down Contract**

**Terms of Reference**

***Provision of Market Development Services to support climate smart investment in agribusiness in Northern Uganda***

**For the**

***Northern Uganda: Transforming the Economy through Climate smart agribusiness (NU-TEC) project***

## I. INTRODUCTION

1. The UK Department for International Development (DFID) will provide funds over 7.5 years (2014/15-2021/22) for the "Northern Uganda: Transforming the Economy through Climate Smart Agribusiness (NU-TEC)" project. Technical assistance and finance will be delivered through the project to agribusinesses to support investments which have a beneficial impact on the income and climate resilience of smallholders in Northern Uganda. These Terms of Reference describe a five year contract to deliver market systems analysis and technical assistance to agribusiness. Development and delivery of financing to agribusinesses will be delivered separately.

## II. OBJECTIVES AND PURPOSE

2. **The intended impact** of the NU-TEC project is:

   *Increased income and resilience to climate change of poor smallholders and agricultural labourers in Northern Uganda.*

3. **The objective** of the market development services described by these Terms of Reference is:

   *To increase agribusiness investments in Northern Uganda that increase the income and climate resilience of smallholders.*

4. **The purpose** of the contract is to identify and analyse market failures in the Northern Uganda agro-economy, and create partnerships with

relevant businesses that result in investments that address the identified market failures.

5. Indicative minimum impact level targets for the contract include:

   i. 125,000 poor households[1] with increased resilience to climate change (new or increased use of two or more practices from a menu to be designed by the project),
   ii. 75,000[2] poor households with increased income (15% over baseline, with only income derived from agriculture to be included) at the impact level.

   50% of the benefits of the project should accrue to women.

6. Indicative minimum outcome level targets include:

   i. £55m in new investment supported by the project (excluding loans),
   ii. £100m in additional turnover in businesses supported by the project, at the outcome level.

   These impact and outcome level targets represent a conservative minimum level. Service providers are invited to commit to the level of results that they feel can be achieved within the budget available.

## III. RECIPIENTS

7. The recipients of the services are the private sector companies with whom the project will directly partner, or will otherwise benefit from published market analyses.

## IV. SCOPE

8. The NU-TEC theory of change[3] assumes that the provision of Market Development Services to agribusiness will reveal attractive new business models and opportunities, and result in increased climate-smart investment by firms. The delivery will encompass four broad, sequential steps:

[1] Note: *households*, **NOT** *individuals* – assuming a typical household of 6 members the contract targets a minimum of approximately 750,000 people. This represents around half of the impact level targets for the project overall.
[2] These can overlap, or not, with the 125,000 households with increased resilience.
[3] See the full theory of change described in the Business Case p., attached at Annex 1.

i. A) Market analysis of the agribusiness sector in Northern Uganda, setting out key data and analysis relating to firms, institutions, products, subsectors, networks and demand/supply channels. B) Analysis of the impact of agribusiness on climate resilience and emissions, and the identification of avenues for positive change.
ii. Identification and analysis of market failures in selected sub-sectors of the agro-economy, which can be overcome by targeted investments or new partnerships, and are relevant to increased climate resilience or lower emissions.
iii. Partnerships with individual companies, to provide them with the technical support to make those investments attractive and feasible. The programme will conduct on-going market systems analysis to identify business partners who may benefit from technical assistance to encourage them to invest in pro-poor markets.If business partners require particularly specialist expertise to address a very specific need, it may be the case that technical assistance will need to be sourced via either their own or wider international networks. Such assistance may not lend itself to the STTA pool, in which case it will be mobilised through the TAF, in a flexible and transparent manner. i.e there is clear scope within the contract commercials as they stand to finance beneficiaries sourcing their own TA, if they prefer
iv. Activities to encourage the replication and uptake of successful business models across a wider range of businesses, consumers and geographies.

9. For detailed discussion of outputs to be delivered as part of steps 1-4, see section V. below. The scope of the project is also delineated through the definition of several key terms, described in background information section X below. The terms include 'Northern', 'Agribusiness', 'Climate smart', and 'Sub-markets'. These terms will be refined and agreed during the contract inception period.

## V. REQUIREMENTS: OUTPUTS AND TIMELINE

### INCEPTION PHASE

10. The first nine months of the project will represent an 'inception period' during which the supplier will undertake a series of analytical studies designed to identify potential intervention areas and partners, and to complete interventions plans. These will be based on rigorous and quantitative assessments of the target markets, firms, products, and potential interventions. Suppliers will be required to mobilise very

significant technical and operational capacity quickly into the field to undertake these studies. In addition to the studies, the supplier will also be required to identify partnerships and quick wins during this period[4].

11. DFID require the following specific outputs to be delivered during the inception period:

i. ***Within 4 months*. Mapping of the agribusiness sector for Northern Uganda[5]**, setting out key data on firms and subsectors. This will include:

- A map of key firms, and groups of firms, in terms of their positions in the agribusiness sector and their relationships to each other, and to smallholders. This will include firms that provide essential services that support the value chain at various stages.
- Estimates of the size of market subsectors (eg processing, seed supply, etc)
- Estimates of the numbers of firms, and their sizes (in turnover and employees) by subsector.
- Detailed descriptions of the top 30 firms who directly impact smallholders either through demand for produce, or supply of inputs or services. Include the business operations, size, and location(s), and clients/suppliers.
- 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.

ii. ***Within 4 months.* Institutional and legislative mapping, and business environment analysis[6].** A mapping of public sector agencies and institutions relevant to the firms and subsectors identified in 1 above, at National and Local Government level. This will include:

- List relevant government agencies, including regulatory role and services provided (both in principle and in fact);

[4] See background section below for further details of the context.
[5] Intelligent use of existing literature will improve the speed and quality of this assessment. Dozens of value chain studies exist
[6] As above: The USAID agriculture business environment project in particular will be a key source of information. It will be the suppliers' responsibility, however, to ensure their analysis is brought down to the level of relevant subsectors and firms. This analysis is undertaken less to identify potential business environment interventions, as to ensure that selected interventions are feasible within the existing business environment.

- 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. ***Within 4 months*. Product analysis**[7]. An analysis of around eight[8] main produce/products within the value chain. This will include:

- Assessment of scale and value of the product through the northern agro economy.
- Presentation of the cost structures[9] including costs of raw material, inputs, labour, intermediate goods and services, finance, logistics and distribution, land/rent etc.;
- Presentation of the prices and margins of main products, measured for each benchmark transaction through the value chain;
- Using the information above, develop an approximate cost function for each of the main products.
- A gender analysis of the main products, setting out the roles and benefits that relate to women and men working in the value chains

iv. ***Within 5 months:*** **Analysis of the key relationships between Northern Uganda agribusiness and climate resilience, emissions**, **and climate smart practice**, and the identification of opportunities for improvement and key risks. This will include:

- Comprehensive secondary literature review relating to assessment of the climate vulnerability of Northern Uganda (at economy and small holder level).
- A review[10] of relevant good/best climate smart agricultural practices
- Proposed, detailed measure(s) of climate resilience.

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[7] As above: a number of existing value chain studies will provide a starting point

[8] Suggested: Two primary common agricultural products as purchased by traders or processors; Two agricultural inputs such as common seed, or fertilizer; storage; two processed goods such as vegetable oil or maize cake; grain transport.

[9] Where applicable, benchmarked cost structures based on one lead firm are acceptable.

[10] The review of best practice and the secondary literature review should clearly inform all the analysis requirements under this section.

- Identification of key products, services and markets to which smallholder access can feasibly be increased, which have the most impact on climate resilience, as measured by the proposed indicators.
- Identification and description of investment types which could be made by the identified universe of firms (see 1 above) to address resilience and emissions.
- Identification of concrete example investments and proposed partners.
- Identification and analysis of key trade-offs between income/resilience; resilience/emissions; profit/emissions and profit/resilience implied by the identified investments.
- Presentation of project practices, policies and guidelines to ensure resilience and 'climate smart' goals will be met, and risks mitigated.
- Plan outlining further research required for programme development, and wider lesson learning.

v. ***Within 5 months:*** **Identification of quick win interventions and interim summary report.** A small portfolio of pilot interventions can be identified and started. After five months, suggested intervention plans will be presented to DFID for approval, appended to a short overall progress report, which will support NU-TEC's first overall annual review[11]. The five month plan will also include a data collection plan agreed in conjunction with the M and E service provider.

vi. ***Within 6 months*****: Proposal for stakeholder advisory arrangements** agreed with DFID. This will include recommendations of members who are able and willing to provide periodic advisory services to all service providers[12] across the project, and to DFID (members to be drawn from relevant government, private sector or civil society organisations), and a draft ToR.

vii. ***Within 8 months*****: Draft inception report. This will bring together the analysis of the preceding studies and in addition present:**

- **Market assessment**: Identify and quantify areas of growing or potential demand for goods or services within the sector.
- **Agribusiness skills assessment:** based on existing projects, and focus groups discussions

[11] The interim report may be brought forward depending on mobilisation timelines vis a vis the deadline for the first Annual Review.
[12] The Market Development service provider will act as secretariat.

- **Competition analysis**: Assess pricing strategies across the value chain, influences on pricing strategies, and barriers to new entrants in key sub-sectors, using established methodologies[13].
- **Investment analysis:** Identify main sources of investment in the sector, investment trends, and main constraints to investment growth.
- **Conflict advisory and political economy update report,** building on the political economy report commissioned for business case development, and including and assessment of relevant land markets.
- **Gender and vulnerable groups' assessment: ALL** the preceding reports listed will take into consideration the role of women, the impact on women, and the impact of women in relation to the markets, firms, and products. The gender assessment will bring together these strands, and set out how the project will ensure that 50% of the benefits of the project will accrue to women. This will include clauses in job descriptions, ToRs, MoUs that will incentivise staff, consultants and partners, as well as details of intervention methodology. The assessment will also set out proposed targets, implementation methods and measurements in relation to other vulnerable groups including the poorest, youth and the disabled[14].
- **Partnerships, proposals and/or agreed positions** in relation to a) other components of the NU-TEC project and b) other relevant donor funded agri projects in Uganda.
- **Description and evaluation of opening portfolio of interventions that could credibly achieve 25% of impact targets**: including market failure assessment, a clear vision of the systemic change motivating the intervention, quantified benefits (income and resilience) and costs, gender impacts and action plan, political economy, partner description and capacities, scale up plan and potential, intervention action plan and timeline, and budget, and intervention monitoring and evaluation plan, including explicit attention to milestones relating to the logframe, the data required to close or scale up an intervention. It should also contain a reasoned ranking of intervention options, including risk. Intervention methodologies should make explicit reference to how the intervention will maximize climate related benefits, and maximize benefits to vulnerable groups.
- **Description and evaluation of a pipeline portfolio that could credibly achieve a further 25% of impact targets:** including likely benefit/cost, approach and feasibility, and milestones linked to logframe.
- **Report on the progress of quick wins**
- **A refined, revised budget and intervention plan** for the implementation project, including staffing structure and key individuals and VFM strategy and measurement plan.
- **Updated logframe**

[13] Such as the ODI/DFID Competition Assessment Framework
[14] See 'Poverty and vulnerable groups' section below for further guidance

- **Detailed M and E plan** 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.[15] Agreed definitions of key terms will also be included in this section.

- **Risk assessment matrix**

*viii.* ***Within 8 months:*** **Stakeholder advisory arrangements in place and operational.** This may include a formal or semi-formal group of business representatives, officials or members of civil society. The output should include a clear Terms of Reference, and a membership committed to fulfilling them.

12. At the end of the Inception phase there will be a Break Point to review Inception Outputs. Progress to the Implementation Phase will be subject to the satisfactory performance of the SP, delivery of Inception outputs and the continuing needs of the programme. The draft inception report will be reviewed and feedback provided within 2 weeks of receipt. A final inception report will be due within two weeks of receiving feedback from DFID (ie, at the end of Month 9 on the contract)

13. With regard to any commodity purchases, the Supplier is authorised to procure goods and equipment up to £111k, providing they are able to demonstrate procurement capability and good value for money. Any procurement by the Supplier must be carried out in accordance with DFID Procurement Group guidance and in liaison with the local Divisional Procurement Officer. The budget for goods and equipment must be calculated on an aggregated figure, the allowance for a budget of £111k does not mean that Supplier can spend the first £111k and then revert to the Procurement Agent. Any goods and equipment purchased must be reported to DFID and will be managed by separated invoices.

**IMPLEMENTATION PERIOD**

14. Indicatively[16] DFID require the following outputs to be delivered during the implementation period:

[15] Note the other relevant M and requirements and issues para 56-59 below. .
[16] Final composition and detail of our implementation period outputs will be agreed by the end of inception.

15. ***Within 12 months*: Portfolio of interventions** established and operating with plausible theories of change that would lead to the achievement of at least 25% of the outcome and impacts, with a pipeline of additional interventions expanded to include plans that would credibly lead to achievement of at least a further 35% with milestones linked to the logframe

16. ***Within 30 months*: Portfolio of intervention** established and operating with plausible theories of change that suggest the achievement of 100% of impact targets by the end of the project.

17. **Break points will be considered following Annual and Mid Term Reviews.**

## REPORTING REQUIREMENTS

18. **Periodic narrative and financial reports (quarterly and annual), and final report.** Periodic reports (delivered within 30 days of the end of the period) will include:
    - Narrative on activities and progress, constraints
    - Activity plan for subsequent period
    - Systematic update on progress towards logframe targets
    - Financial report, invoices and expenditure projections

19. The following table presents a summary of the deliverables described above, and assumes the service provider will be in place by April 2015.

| **Deliverable**<br>**INCEPTION PHASE** | **Due By** | **Format/ evidence** | **Recipient** |
|---|---|---|---|
| Agribusiness sector mapping | Aug 2015 | Report | DFID |
| Institutional, legislative and business environment mapping | Aug 2015 | Report | DFID |
| Product analysis | Aug 2015 | Report | DFID |
| Agribusiness and climate report | Sept 2015 | Report | DFID |
| Quick win intervention proposals and Interim Report to support Annual Review 1. | Sept 2015 | Report/ proposals | DFID |
| Stakeholder advisory arrangements proposed | October 2015 | Proposal | DFID |
| Draft Inception Report | December | Report | DFID |

| | | | |
|---|---|---|---|
| | 2015 | | |
| Stakeholder arrangements in place | December 2015 | Arrangements operational | Stakeholders |
| Final Inception Report | January 2015 | Report | DFID |
| **IMPLEMENTATION PHASE (starting February 2016)** | | | |
| Initial portfolio of interventions operational, meeting targets stipulated in para 14 | April 2016 | Intervention proposals and progress reports | Private Sector agribusiness |
| Annual Report 2[17] | August 2016 | Report | DFID |
| Annual Report 3 (will support a Mid-term evaluation) | August 2017 | Report | DFID |
| Full portfolio of interventions operational, meeting targets stipulated in para 14 | April 2018 | Intervention proposals and progress reports | Private sector agribusiness |
| Annual Report 4 | August 2018 | Report | DFID |
| Annual Report 5 | August 2019 | Report | DFID |
| Final report[18] | February 2020 | Report | DFID |

**SCALE-UP/DOWN**

20. As this Tender has the potential to attract a significant increase in donor funding the Supplier shall commit to being fully prepared in the event any decision is made to scale up (increase) or scale down (decrease) the scope of the Programme (i.e. in relation to the Programme's inputs, outputs, deliverables and outcomes) during the course of the contract. Furthermore, DFID reserves the right to scale back or discontinue this programme at any point, (in line with our Terms & Conditions), if it is not achieving the results anticipated.

## VI. METHODS and INTERVENTION DESIGN ISSUES

21. The project draws heavily on the experience of past and current M4P[19] projects. By subsidising only the cost of discovering and developing business models, rather than the cost of their implementation, successful pilot initiatives should lead to both the sustainability of products and services rolled out, and to their wide-scale replication.

[17] Subsequent annual reports to be delivered by end August each year, to facilitate the annual review process which will take place through September each year.
[18] Assumes no project extension
[19] Making Markets work for the Poor: see *

However, M4P projects can be challenged by weak analysis, the difficulty of establishing effective partnerships with the private sector, using 'intervention funds' appropriately, weak M and E and Value for Money measurement systems, a superficial understanding of women and the poor within markets, a tendency to extend pilots and interventions beyond the point at which they should be closed, and underestimating the importance of political economy.

22. This particular project will also be complicated by the presence of other related components, a crowded 'donor space', and an independent supplier of M and E services. Further discussion of these points is provided in the background information section X.

## VII. DUTY OF CARE and SECURITY

23. Please refer to Annex 1 and 2 for information regarding Duty of Care and Security requirements. Suppliers must set out how they will respond to these requirements in their bid documentation.

## VIII. PERFORMANCE REQUIREMENTS and MANAGEMENT

**Oversight and accountability**

24. The supplier will report to DFID Uganda Private Sector Development Adviser (PSDA), who will approve key project outputs and reports as described in Section V above; and to the Growth and Resilience Team Deputy Programme Manager (DPM), who will approve invoices, payments and other financial arrangements and reports. The project will be subject to annual reviews, mid-term review (after 3 years of the contract, or 3.5 years following project approval) and a final evaluation.

25. Financial reports and plans required include:
    a. Annual work plans and budgets (disaggregated monthly) including annual procurement plan detailing the technical assistance, equipment and other requirements for goods and services.

    b. Annual financial forecasts to be updated quarterly.

    c. Six monthly comparison of budget with expenditure.

    d. Statements of expenditure are to be submitted by output and sub output, and variances from plans highlighted and justified.

    e. Annual, independent verification of project accounts by certified auditors, including an assessment of fraud risk through downstream activities and partners.

**Payment by Results and Key Performance Indicators**

26. DFID will agree Key Performance Indicators (KPIs) with the service provider and are likely to include: quality and delivery; management, financial; personnel; and innovation indicators. You should propose a suite of KPIs for review during the inception period as part of your bid. The KPIs for the implementation period will be agreed by the end of inception. You should note that 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 and is expected to be a minimum of 5%.

**Contractual period, break points and contract extensions.**

27. NU-TEC project is expected to run for 7.5 years from October 2014 to March 2022. This contract will run for five years commencing in April 2015 until March 2020[20]. There will be an Inception phase of nine months followed by a 51 month Implementation phase.

28. **Extension of contracts:** DFID reserve the right to extend the contract at DFID's entire discretion for 2 individual periods of up to a further 12 months. In doing so, it should be noted that our default position is that the extension would be on existing terms. For the avoidance of any doubt, this optional extension is not an opportunity to add or increase cost / tendered rates or for the Contractor to propose terms and conditions that are alternative to the existing contract.

## IX. SKILLS AND EXPERIENCE REQUIRED

29. Given the requirements set out above, the capacities of the team should meet the following requirements:

    i. A team leader with seniority demonstrated by strong leadership ability, excellent technical skills in systemic market development, and significant senior management experience of similar projects; a proven track record in the capacity to oversee the measurement and communication of robust results and impact; and in ensuring strong and effective gender and social development approaches;

    ii. Technical expertise drawn from team members with leadership level, multi-country experience in areas of:

        - Climate change, climate resilience of agricultural systems,

[20] The remaining project period will focus on the investments made through other components of the project.

mitigation, climate smart agricultural practices, and the relationship between agricultural investment and the climate in developing agro-economies.

- Market System Development, rural livelihoods and private sector development
- Agriculture, agribusiness (globally and in Uganda)
- Monitoring and evaluation of market systems development projects, and climate resilience projects
- Mainstreaming of gender and social development through economic development programs

iii. In addition, the inception period requires world class expertise in quantitative economics as applied to markets, products and firms.

iv. Excellent knowledge of, and networks within, relevant circles of interest in Uganda and the region, and understanding of, and influence over, the relevant political economy.

## X. BACKGROUND

30. Northern Uganda is one of the poorest regions of the world, and its agro-economy is almost entirely rain fed, resulting in low yields and high exposure to changes in rainfall and temperature. Market failures are massive, complex and numerous, but recently agribusinesses have begun to progress, and appear to represent the most plausible 'agents of change'. The growth of businesses supplying agro-inputs, and creating demand for agricultural produce should have a direct impact on poor smallholders, especially given the likely continued dominance of out-grower, rather than plantation models. Major constraints and risks still stand in the way of agribusiness development, however, in particular: poor access to finance, weakly enforced regulations, a lack of necessary infrastructure, poor land governance, conflict, and a complex and limiting political economy. Ensuring women and other disadvantaged groups benefit from any intervention will be a particular challenge, given the deeply entrenched and disadvantaged roles they play in the smallholder economy, and the difficulties of shaping those relationships through an agri-business led project.

31. Full background to the assignment can be found in the extracts from the final approved Business Case, attached at Annex 3.

***Key terms and definitions***

32. Several **key terms require definition and discussion** to clarify the scope of the project. These terms are discussed below.

33. ***'Agribusiness'*** is defined as a commercial business engaged in agricultural production, supply of agricultural services (including financial services, logistics and consultancy, for example) or supply of inputs, or businesses which directly affect demand for agricultural products such as refiners, traders and processors. Subsistence farming is excluded from the definition of agribusiness, (although subsistence farmers fall within the scope of beneficiaries and consultation processes), while commercial farms are included. Farmer cooperatives are included, but only those with a genuine and proven business orientation, and preferably with no dependence on existing donor interventions. Formality is not a criterion.

34. The definition is designed to focus attention away from small holder farmers and farmer groups *as agents of change*, despite their ultimate position as project beneficiaries, and their crucial consultative role in guiding the project to the right types of investment. As the Business Case sets out, it is likely that agribusinesses are far more likely to affect the necessary changes within markets than farmers, given their greater capacities.

35. ***Sub-markets within the scope of the project*** include anything from which a direct line can be plausibly traced from agribusiness investment to northern Ugandan farmer/smallholders benefit. Thus, markets for micro-insurance, market information, transport, distribution, private extension systems etc are all included.

36. DFID is prevented from partnering tobacco companies, and permission from the Secretary of State is required before working with breweries and distillers. Pesticides must be avoided, unless agreed by the DFID Uganda Climate and Environment Adviser[21].

37. ***'Northern'*** is widely defined. It not only includes businesses operating in the provinces of West Nile, Acholi, Lango and Karamoja, but businesses supplying into those areas, and businesses creating demand for agricultural produce from those areas. A geographically diverse portfolio of interventions could balance economic potential and dynamism (eg Lira district of Lango province) and poverty targeting (Acholi, West Nile). Karamoja is included, but DFID accepts that it

[21] The UK is a signatory to the Stockholm Convention that seeks to eliminate 12 persistent organic pollutants: aldrin, chlordane, DDT, dieldrin, endrin, heptachlor, hexachlorobenzene, mirex, toxaphene, PCBs, dioxins and furans

would be difficult to achieve results cost effectively and at scale, using this project methodology in this region (though DFID would welcome being corrected).

38. ***'Climate smart'*** is defined more widely than in other cases. It is the hypothesis of the project that Northern Uganda is highly vulnerable to climate change primarily because of a) its reliance on rain fed agriculture; b) the lack of access to climate resilient inputs such as drought resistant seeds or storage; c) a generalised and severe lack of access to markets (both input and output) which limits the adaptability of farmers and the choices they can make in response to changes in their environment; d) the prevalence of subsistence farming and low cash incomes; as well as e) the prevalence of environmentally degrading practices such as land clearance and deep tillage f) knowledge of and incentives to adopt climate smart practices

39. As a result, a 'climate smart investment' is one which addresses climate vulnerability, as defined in the paragraph above; that is, one which reduces the dependence of a farmer or agro-economy on the weather and climate. A more modern and developed agro-economy is typically more climate resilient than a subsistence economy. Interventions to increase the usage of appropriate inputs and storage, or that produce increases in sales and crop value, are all potentially legitimate 'climate smart investments', as well as those from a more current, narrow definition, such as investments in drought resistant seeds, or irrigation[22]. Within this framework, 'Climate resilience/vulnerability' can be considered at an individual, community, institutional, business or economy-wide level.

40. Some investments may increase both emissions and resilience (for example, a new processing plant, providing cash incomes to outgrowers). In this case, resilience benefits may outweigh related emissions increases, given that emissions resulting from this project are likely to be relatively small. As reflected in the project logframe target, the project expects to have a greater influence over resilience outcomes than on emissions. However, the consideration and adoption of appropriate mitigation measures, is an important part of the project. An analysis of the project's potential impact on emissions, and a consideration of possible mitigation measures, should form a key component in the project's definition of whether an investment is

[22] The arguments for such a wide definition of climate resilience would be much weaker in a more developed agro-economy, even others in Sub-Saharan Africa. It is because of the startling scale of subsistence and lack of access to almost any inputs and markets in Northern Uganda, which make this generalised definition of vulnerability (and thus 'climate smart') compelling.

'climate smart'. Intervention selection and design will be affected in the following ways by consideration of emissions:

i. ***Intervention criteria should support lower emission investments***, particularly where added analysis from the project can be brought to bear on project partners to encourage them to follow a low emission path. Low emission options for powering new plant, reduced land clearance, usage of low tillage methodologies, the adoption of agro-forestry practices, or energy saving investments should be exploited where feasible.
ii. ***In those cases where the trade-off between higher emissions and resilience is not clearly beneficial***, (for example, a project with high levels of virgin land clearance for a plantation with a high risk of failure) safeguards and analysis should aim to inform the decision making process on whether to reject or move forward with the proposal.
iii. A programme targeting ***the spread of low emission technology or practice*** in the northern agro-economy, would be a legitimate inclusion in the project (though measured only at outcome level as a 'climate smart investment'), even where resilience benefits (at impact level) were not clear.

41. '***Off-farm income'*** is also a means to increase resilience to climate change. In order to maintain a meaningful and manageable scope of the project, the project will not target off-farm income, except in cases where off-farm income is related to an agribusiness investment.

42. Further detail on the definitions above can be agreed during the project inception period, along with the implications for monitoring and measurement of results.

***Working with other components of the project***

43. NU-TEC comprises three main components, plus an M and E component, making four in total. The Market Development Services component is Component 1. Components 2 and 3 both involve the provision of finance (credit or equity) to private sector companies, often in parallel with technical assistance. In some cases it may make sense for two components to collaborate in providing a joint offer to a given company. However, there are four main risks to manage, associated with a) over-collaboration between components or b) competition between components. Two main risks are associated with 'over-collaboration:

i. Target businesses may be overwhelmed with multiple offers of support that take time to assess and engage, and prove a distraction.
ii. If support from more than one component is accepted (a loan and substantial TA, for example) markets may be unnecessarily distorted by the use of excessive subsidy.

44. Two further risks are associated with excessive competition between components:

i. Businesses may drive competition between components to the point where components are increasing the level of subsidy in their service offer, to secure the partnership of the company.
ii. A company may not choose the most appropriate offer of support available through the project because of lack of information, or even anti-collaborative behaviour by one of the components.

45. Finally, there are a finite number of firms with whom to partner, and those with the most capacity to make transformational investments will attract interest from other projects and initiative beyond NU-TEC.

46. An initial framework to maximise the benefits of the multiple components, and to minimise the costs and risks, includes the following:
    i. Clear operating guidelines that delimit, especially, the nature, the objective, and the circumstances under which TA is provided under each component. These should be reflected in communications materials used with potential clients.
    ii. Principle of minimum subsidy should hold: if commercial forms of investment (or internal funding) can be made available to fund an investment developed by the MSD Component 1, those should be used before appealing to Components 2 and 3 for support. Equally, potential borrowers or investees approaching Components 2 or 3 for finance should not be sent automatically to Component 1 for technical support.
    iii. Regular (likely quarterly) cross-project meetings between components will establish further guidelines, monitor implementation, share information, and provide a forum for discussing specific cases.
    iv. The framework ***may*** include the requirement that information about proposed partnerships (TA, loan or equity) should be routinely shared by components using a simple format. Issues around excessive bureaucracy and the point in the engagement cycle when it is appropriate to share information would need to be resolved.

v. The independent M and E contractor will include consideration of effective collaboration in its routine work (including through interviews with beneficiary companies).

***Poverty and vulnerable groups***

47. The NU-TEC Business Case is explicit about the challenges facing women, the poor, youth, and the disabled in the Northern Ugandan agro economy. Virtually all the analyses described in the outputs above will require high quality analytical and evidence disaggregation in relation to these vulnerable groups. The project requires 50% of impact benefits to accrue to women, which will require substantial dedicated effort during intervention identification, design, implementation and monitoring. Targets for disabled and the poor are to be developed, partly through the bidding process, and finalised during inception. The logframe currently indicates a definition of poor/non poor by plot size (+/- 5ha). This should be revisited and revised during inception (or bid preparation), with a credible justification for change.

48. It should be noted that the logframe targets imply an innovative approach to measurement of gendered targets. The target unit is the 'household', not individual people, as this is the most meaningful way to express the flow of benefits expected from the project to the beneficiaries. Superficially, therefore, we might expect as many women to benefit as men. Realistically, however, we are very aware that a gender blind project would lead to disproportionate benefits to men, and may even further entrench their privileged position within the household. Monitoring and evaluation of impact on women, therefore, will require considerable effort to understand and then track how benefits disaggregate at the household level. Even more challenging is designing interventions (where the 'agent of change' is the agribusiness – not farmer groups) that can overcome the likely obstacles to equality of benefit.

49. Required deliverables in regard to these issues will fall into three categories:
    i. Project processes and documentation to ensure women and other vulnerable groups are mainstreamed and prioritised by staff, partners and performance incentives (such as TORs, job descriptions, MoU templates);
    ii. Gendered intervention design (depending significantly on understanding of the current, concrete situation of female household members in Northern Uganda). Attention can be paid to both intervention selection (to ensure *some* interventions are selected especially for their benefits to women) and

mainstreaming, whereby *all* interventions are designed to maximise positive impacts on women.

iii. Methodology of monitoring disaggregated impacts.

50. For all vulnerable groups under consideration, an initial first step is a clear understanding of which markets they engage in, and how. This should be part of the final inception report and as well as in intervention design documentation.

***Lesson learning***

51. Implementation and approaches to M4P, Women in Economic Development, and the monitoring and evaluation of market development projects are far from being perfected. Three forms of lesson learning should be reflected throughout the project:
    i. Project, intervention and M and E design that reflects the success ***and*** the failures of market system development projects over the last decade, whether in relation to overall success, or women's economic empowerment, or measurement.
    ii. A design that appreciates the role of failure within M4P interventions, and the need to ensure speedy and cost efficient closure of interventions and lesson learning processes.
    iii. A communication strategy that generates compelling and rigorous evidence to a wide audience regarding both successes and failures within NU-TEC.

***Political economy***

52. It is probable that the biggest threats to the success of technically sound interventions will be the interference of vested and political interests, and the number of potential 'political' blockages that will face a given intervention (whether such blockages are created by vested interest or corruption, low capacity of institutions or individuals, or the sheer complexity of removing a given blockage). The need for sound political economy analysis and reflective design is therefore elevated above the ordinary in this project. In addition, the supplier will need to utilise strong networks relevant to project areas.

***Management and design of special funds***

**a) Intervention Funds**

53. Market system development projects focus on facilitating investment through the delivery of market and investment research and analysis. It is assumed that this will enable the revelation of new attractive business models and partnership, drawing financial investment from partnering businesses to solve targeted market failures. Subsidy to initial investments itself is seen to undermine the reliability and sustainability of pilot investments, as the donor subsidy cannot be maintained by the initial investor, or replicated by competitors. However, it is the

experience of some MSD projects that it is hard to convince a private sector partner to invest, if the project is perceived as unwilling to invest in more than technical assistance. Intervention funds are therefore established to provide some flexibility to the project manager, to invest in minor capital or recurring expenses that can be used to ensure a pilot takes place. Guidance governing this fund, drawn from previous global experience, can be further developed through bid documents, and during the inception period.

**b) Technical assistance funds**

54. This is a relatively minor innovation in response to the perception that private sector companies can be frustrated by their lack of agency in determining the type, objective and personnel of a technical assistance package that is driven by a donor project. As a result, the outputs are underused, or inappropriate to needs. As an experiment, it is proposed that in certain cases, the supplier provide a more flexible form of TA, in which only broad objectives are agreed, and the design of the TA and the selection of personnel is down to the company (with the supplier providing recruitment/procurement services where necessary). Guidance governing this fund can be further developed through bid documents, and during the inception period.

***M and E – overall arrangements***

55. Given the historical difficulties of measurement within market system development projects, significant effort and resources are dedicated to NU-TEC M and E. Past experience has shown that traditional methods of measuring M4P projects - based on intervention level frameworks for each separate initiative - can provide a sense of scale of change and can be plausibly attributed to a project, but because there are no 'control' groups available, there is only a weak understanding of displacement effects and the 'value added' of the project. The pre-intervention uncertainty relating to which people out of a sample may or may not engage in the target market (and the self-selection of those that do) undermine attempts to establish controls. In addition, the typically widespread but shallow impact of successful interventions as they are scaled up make attribution very difficult, as there are an almost infinite set of complex factors determining changes in income increase. Formal independent evaluations of market system development projects are rare, and when they have occurred they typically present a weaker assessment of impact than that presented by the project themselves.

56. A separate M and E contract (Component 4) will be let to manage overall NU-TEC 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 each of the suppliers of Components 1 to 3, and ensuring a minimum level of coherence

between them. It will be their responsibility to design and undertake project wide baseline, midline and endline studies to support evaluation. It is DFID's initial assessment that new cost effective data sources and methodologies exist in Uganda to increase the quality and certainty of measures to track overall progress.

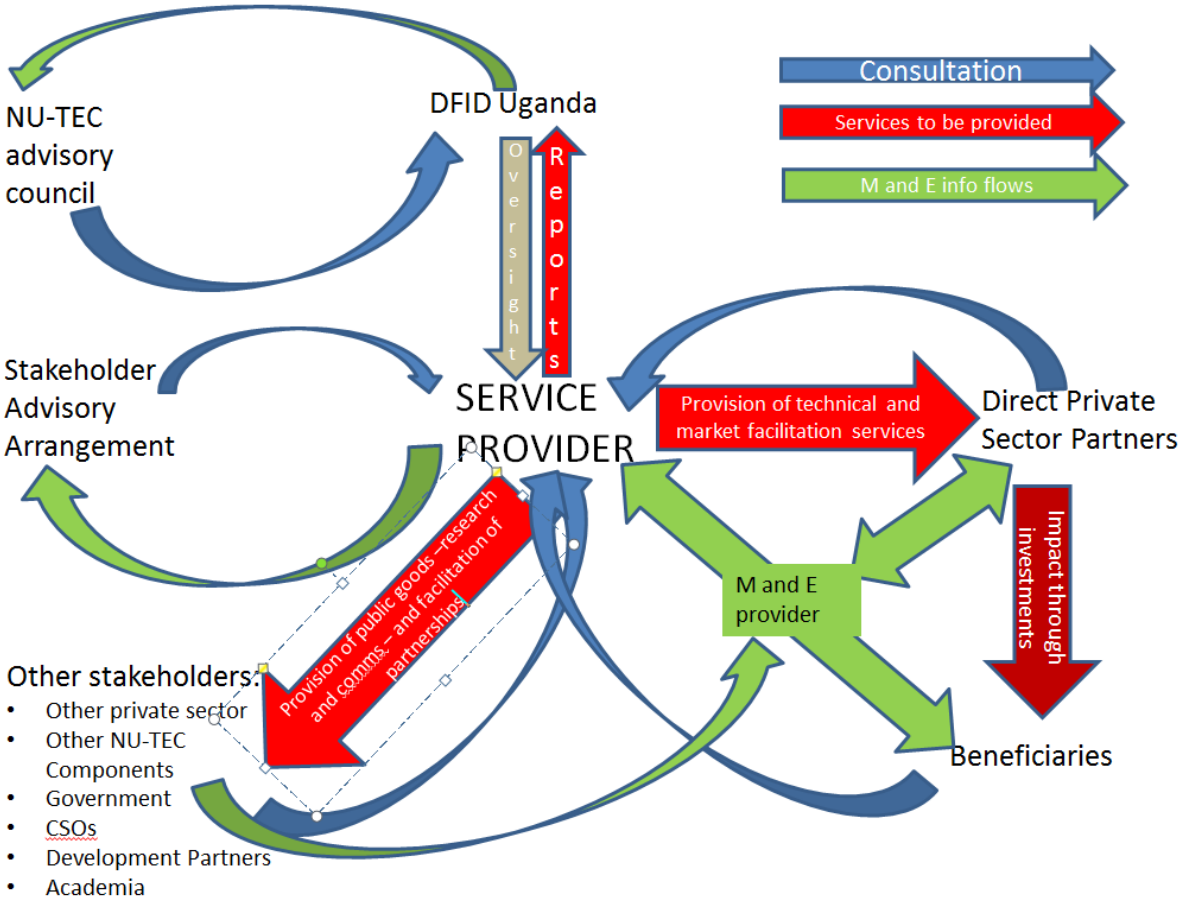
57. The M and E requirements of the Supplier of these Terms of Reference are:
    i. Contribute, in consultation with the M and E contractor, to the design of the baseline and evaluation of the overall project.
    ii. Design and implement intervention level M and E frameworks which should, as a minimum, 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.

58. ***A note on the logframe and component arrangements***: A draft logframe (Attached at Annex 4) has been developed which describes the overall project logic. Component 1, described by these ToRs, will have no direct responsibility for the delivery of Output 2. Some elements of Output 1 will be delivered by Component 3, AgDevCo. Responsibility for the delivery of the outcome and impact indicators will be shared between Components. Service Providers will quantify their commitments, *including annual milestones,* to these targets within their bids, and the targets revised accordingly after the bid has been awarded.

***Relationship to other projects***

59. Risks and opportunities exist as a result of multiple donor and NGO funded projects and government schemes. While NU-TEC's approach, geography, and objectives may differ from other projects, agriculture in Northern Uganda is generally a crowded donor space. Current or forthcoming major operations include those funded by EU, World Bank, IFAD, USAID. Additional bi-lateral donors have relevant operations, and there are as yet uncounted NGO projects. One of the first tasks of the inception period is therefore a comprehensive mapping of other projects. The framework for collaboration with other projects should be comparable in principle, but much lighter touch, to that used between NU-TEC components. DFID sits on the agricultural donor working group with other donor partners. A similar arrangement at implementation level could be considered during inception.

60. The following figure provides a summary of key relationships within the NU-TEC project, from the Component 1 Service Provider perspective.




**ANNEXES**

1. Duty of care information and service provider requirements
2. Uganda risk matrix
3. Extracts from the final approved business case
4. Draft Logframe
5. Political economy analysis
6. Economic appraisal
7. Northern Uganda Economic Recovery Analysis (draft)

* text redacted under the exemptions set out by the Freedom of Information Act

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