

## Call Down Contract, Annex A, Terms of Reference: Implementation of the Malawi Oil Sector Transformation Programme

---

A Technical Service Provider<sup>1</sup> (TSP) will be contracted by DFID Malawi to provide the services noted below on a review and implement basis.

### 1. Background

The UK's Department for International Development (DFID) manages Britain's development assistance to poor countries. DFID would like to consolidate its current four-year support of sustainable and pro-poor economic growth under the Malawi Oil seed Sector Transformation (MOST) programme in line with the market systems approach. These terms of reference set out the scope of work for a new 10 month successor programme to MOST. It also details requirements and reporting procedures for managing a budget of up to £1,389,300 for 10 months.

The MOST programme is one component of the wider Private Sector Development Programme (£17.39m) and has used a market systems approach to support the oil seed sector, identified in Malawi's National Export Strategy<sup>2</sup> as having potential to contribute to reducing Malawi's trade deficit, reducing reliance on tobacco exports and increasing access to safe, nutritious and affordable food domestically.

The MOST programme is planned to end in August 2017 but an additional year (inclusive of the 2 month bridging period 1<sup>st</sup> September to 31<sup>st</sup> October 2017, delivered by Kadale Consultants), equivalent to one growing season, is needed to allow for the acceleration and consolidation of results in the original areas of intervention: cotton, groundnut, and soybean. The additional year will further permit the achievement and capturing of results from recently introduced interventions in sesame and access to finance.

The TSP is required to deliver on these terms of reference diligently and to manage and overcome significant challenges associated with a predominantly rain fed agriculture system. They are also required to establish themselves as thought leaders on gender responsive market system<sup>3</sup> programming by ensuring that the models and systems the programme has developed and promoted are comprehensively gender responsive.

### 1.2 Progress and Results<sup>4</sup>

The following results have been achieved by MOST in the first three years:

- 71,000 male and female beneficiaries experiencing net positive income change – exceeding the logframe target for Year 3 by over 200% ;
- 37,000 women (52%) experiencing net positive income change – 216% of Year 3 logframe target;

---

<sup>1</sup> Used interchangeably here with Service Provider (SP).

<sup>2</sup> For details of the National Export Strategy, including the Oil Seed Products Strategy, refer to <http://www.imanidevelopment.com/component/content/article/1-latest-news/170-14122012-malawi-launches-national-export-strategy.html>

<sup>3</sup> An approach in aid and development also known as 'Making Markets Work for the Poor'. It seeks to change the way that markets operate so that poor people are included in the benefits of growth and economic development.

<sup>4</sup> The current log frame is at Appendix 1 for details.

- Over £5m net positive income change - over £3m additional income above the logframe;
- Through support to lobbying efforts, stayed proposals by the Ministry of Industry and Trade (MoIT) to impose a range of export restrictions on oilseed crops, leading to a transfer of a nitrogen fixing product (inoculant) from public to private production and distribution. This effort resulted in approval of the first three hybrid sunflower seed varieties in Malawi.

## 2. The Objective of this Call-Down

2.1. The programme **impact** is to increase economic opportunities for the poor. The **Outcome** is increased, pro-poor economic growth in the oil seeds sector, including increasing the contribution of the oil seeds sector to an overall reduction in Malawi's trade deficit.

2.2. The overall objective of the proposed task is to build on and sustain the achievements of MOST over the last three years.

The overall aims are to:

- sustain improvements in market access for poor producers (thus raising their incomes on a sustainable basis);
- continue to increase the oil seed products' contribution to export revenues through increased volumes and value added; and
- support the reduction of Malawi's dependence on imported oil seed products.

### 2.3 Main Results to be delivered:<sup>5</sup>

- an increase in the number of people benefiting from the programme by more than 60% from 71,000 to 115,000;
- a total increase in incomes across all beneficiaries from £6.38m to £8.1m (at least £1.7 million) equivalent to a 26% increase;
- an increase in the number of poor people with improvements in their business practices from 90,000 to 125,000 (a 39% increase); and
- improved agribusiness environment in at least 2 policy areas, through lobbying.

## 3. Outputs

3.1 The programme outputs to deliver the overall objective of implementing a market development programme includes;

- Oil Seed market system actors invest in pro-poor innovations that the programme helps to scale up/replicate;
- Regulatory changes, policy reforms or Government practice changes to better support pro-poor growth through support to the oil seeds sector working group initiatives;

---

<sup>5</sup> As is the case with most market systems programmes MOST has now done the 'ground breaking' work and a quantum leap in results for the next year of implementation is realistic.

- Sustained coordination of all stakeholders in the Oil Seeds sector leading to the effective implementation of the National Export Strategy Oil Seed Products Strategy; and finally
- Stakeholders in Malawi demonstrate increased awareness and understanding of good practice coming out of the programme and the market systems approach.

#### **4. The Recipients**

4.1 Direct beneficiaries of the programme are poor farmers and businesses operating in the oil seed sector, which includes, but is not limited to, groundnuts, sesame, soya and cotton seed and products derived from these crops. Poor farmers and businesses will continue to benefit from interventions that increase productivity, production and income. Indirect beneficiaries will include consumers through improved access to affordable, safe, and nutritious oilseed products.

4.2 It is expected that the programme will sustain market development outcomes through supporting stakeholders, including relevant government, private sector, financial institutions, research organisations not-for-profit organisations, development partners or partnerships thereof. This will include supporting 'intermediaries' who see the direct delivery of change as part of their core business, and 'change agents' who can enable intermediaries to sustainably deliver change to target groups.

#### **5 Scope of Work**

5.1 With a budget of up to £1,389,300 the proposed 10 months will provide intensive support to a range of market functions and value chains in the selected sectors, support entrepreneurship development and enterprise innovation, stimulate private sector provision of services and promote innovative and inclusive business models which have the potential to reach a large number of low-income women and men, using a suitable methodology to achieve that scale. The gender dimension will continue to constitute an important objective of the programme.

The budget includes all activities under the programme i.e. administrative and management costs and grant disbursements. The TSP will develop a detailed budget, 10 month implementation business plan, a logical framework and a risk matrix with mitigation strategies.

5.2 MOST has developed a robust and comprehensive results management system which is DCED audited. The TSP is required to build on this framework for effective capturing of programme outcomes and impacts.

5.3 The TSP is required to demonstrate strong value for money at each stage of the implementation process. They will demonstrate that administrative costs are efficient, that management processes are designed to maximise cost effectiveness; and that funds

can be allocated based on evidence of results to ensure the greatest possible impact is achieved. A clear process for measuring value for money will be included within the monitoring framework.

5.4 The TSP's employees will fall under the duty of care of the organisation that employs and deploys them. Details of DFID's assessment of Duty of Care are set out at Appendix 2.

## **6 Methodology**

6.1 The TSP will draw on the substantial work and analysis that has already been undertaken on the oilseeds sector in Malawi to understand the relevant market systems. In particular, MOST will use the Oil Seed Products Strategy developed as part of the National Export Strategy to inform strategy formulation and intervention design.

6.2 The TSP will take into account activities already undertaken by DFID<sup>6</sup> and those of other donors and the Government of Malawi<sup>7</sup> and identify where they can maximise impact. They are expected to cooperate closely with other DFID programmes aligned to the National Export Strategy, in particular, the Malawi Innovation Challenge Fund, AgDevCo and the Business Innovation Facility<sup>8</sup>. At a minimum, the TSP will need to regularly share information (areas of operation, results, partners, etc.) and attend joint forums organised either by Government of Malawi or partner programmes.

6.3 Where necessary, the TSP may re-define the range and variety of instruments it intends to deploy to reach its targets, for instance policy interventions, business facilitation, matched grants, technical assistance, challenge funds (including making use of existing sources of assistance for businesses) and other types of innovative instruments.

6.4 The interventions will integrate political economy analysis in order to ensure maximum change/impact and mitigate potential risks.

6.5 Gender analysis should be interwoven into the fabric of the project, with clear understanding of the current economic and social context for women and girls in Malawi and a focus on supporting the economic empowerment of women.

## **7. Implementation and Partnership**

7.1 The TSP will aim to contribute to the achievement of the goals set out in the National Export Strategy, and in particular, the Oil Seed Products Strategy, through 2 key components:

---

<sup>6</sup> To be provided by DFID

<sup>7</sup> To be identified by Supplier as part of the Business Plan.

<sup>8</sup> Refer to Appendix 3 for details about these programmes.

- The TSP will retain a long term Technical Assistant (TA) for the period of the contract. The TA reports to the Principal Secretary of the Ministry of Industry and Trade and is based in the Ministry of Industry and Trade. The TA's main objective is to ensure there is long term, 'cluster-wide' support for the Oil Seed Products TWG (as part of the NES) from government, businesses, smallholder farmers, and development partners. They help to convene stakeholders, advocate for the prioritisation of the Oil seeds sector, and help drive the development, resourcing and implementation of the sector strategy. The ToR for the TA is attached at Appendix 4.
- The TSP will maintain a "making markets work for the poor" approach and may provide financial and technical resources to and/or through a range of potential stakeholders to sustain systemic changes in the oilseeds sector. It is expected that the TSP will closely coordinate with programmes of other donors and with other DFID supported programmes, as described above.

## **8 Monitoring and Reporting**

8.1 The TSP will closely monitor progress on implementation of individual interventions and will be required to produce impact assessment reports at the end of the one year. They will resolve any issues encountered by beneficiaries and/or TSP in the first instance and escalate to DFID when required.

8.2 On a monthly basis the TSP will meet with DFID to discuss progress and the following month's activities. They will provide quarterly progress and VfM reports on the status of ongoing projects, the former will highlight any projects considered to be at risk of failing to deliver their expected outputs. The TSP will also produce a project completion report at the end of the programme. Reporting formats will be agreed as part of the of the programme's business plan.

8.3 DFID has agreed an independent ex post evaluation with a separate service provider that will be carried out in February 2022. From the start, the TSP will liaise with the evaluation team to ensure that as far as possible the data captured during implementation is able to feed into this evaluation.

8.4 The TSP will provide a 10 month's financial projection to DFID which will be updated on a monthly basis. Audited statements will be produced and submitted to DFID at the end of programme implementation.

8.5 The TSP is required to implement the programme in line with its implementation plan and DFID Supplier Priorities and Expectations.

**9 Contract Management arrangements:** DFID will monitor the TSP against, the business plan, work plan, logframe, and budget and milestone payment plan. The Governance Arrangements for the contract will be:

- **Project working group:** there will be monthly meetings between the supplier Project/Team lead and DFID Programme team to discuss key achievements to date, status, risks, issues and finance updates. The final monthly meeting of the quarter will review the quarterly report findings/ recommendations to include high level progress and risks. The Supplier will manage its supply chain and provide Contract Governance arrangements for its supply chain as part of its contract management process.

**10 Break Points** - DFID reserves the right to terminate the contract if performance is unsatisfactory. The key review points for the programme and contract will be at the delivery of the first and second quarterly reports. If DFID decides not to proceed, the contract will be terminated at no further cost to DFID, with the design and associated work including business plan being the property of DFID.

## **11 Budget**

- 11.1 The total budget for MOST is £1,389,300 over 10 months, which the TSP will be required to pre-finance. A minimum of 30% of the budget should be allocated to the flexible facility (grants, TA).
- 11.2 A limit to the disbursement rate of the overall budget will not immediately be set. However if this rate becomes too high given the length of the programme, this will be revisited.

## **12 Timeframe**

- 12.1 The contract is expected to seamlessly transition from the current programme and mobilise on or before 1<sup>st</sup> November 2017 and continue until August 2018 with a possibility for an up to 6 month no-costed extension phase, subject to need and cost.
- 12.2 DFID encourages collaboration with local organisations to maximise positive multiplier effects across the Malawian economy and to increase the pool of local expertise. The TSP is expected to build positive relationships with government counterparts, local consultancies, NGOs or academic organisations.

## **13 Duty of Care**

- 13.1 The SP will be responsible for their own safety and well-being and Third Parties affected by the consultants' activities under this contract, including appropriate security arrangements. The TSP will also be responsible for the provision of suitable security arrangements for their domestic and business property.
- 13.2 DFID will share available information with the consultants on security status and developments in-country where appropriate. DFID will provide the following:
- The consultants will be offered a security briefing by the British Embassy on arrival. They must register with their respective Embassies to ensure that they are included in emergency procedures.
  - A copy of the DFID visitor notes (and a further copy each time these are updated).

- The consultants are responsible for ensuring appropriate safety and security briefings for all of their Personnel and ensuring that their personnel register and receive briefings as outlined above. Travel advice is also available on the FCO website and the consultant must ensure that he/she (and their Personnel) is up to date with the latest position.

#### **16. Key Lessons (existing programme)**

- Malawi is vulnerable to severe weather patterns with negative consequences for the delivery of programme outputs.
- The agribusiness sector is still in its infancy due to a heavy public sector involvement in the sector, especially in the main food crop, maize. This appears to have skewed incentives for the private sector. For example, seed companies have continued to focus on the government led Farm Input Subsidy Programme despite not being paid for seed sold.
- 'Rule' changes that undermine the efficient operation of markets in the interests of the poor are a continued challenge. An informed political economy analysis is critical to operating in the environment.
- Smallholders are often unable to understand instructions on how to handle and effectively use new technologies and safely which, in the case of agrochemicals, may result in unsafe and/or poor application and high waste.
- Political connections of market actors lead to distortions that undermine the market system e.g. import of sub-standard seed & chemicals.
- Agriculture finance is central to functioning agriculture markets. As an illustration, because smallholders are unable to access loans provided by banks, whose requirements are prohibitive, the majority have continued to grow using over-recycled seeds.