

# ***Smallholder Agribusiness Partnerships Program***

## **Terms of Reference (TOR)**

### **Consultant (Business Development)**

#### **1. Background of the Programme**

The SAPP is designed to contribute Sri Lanka's smallholders' poverty reduction and competitiveness. Its primary objective is to sustainably increase household income and quality of family diet by establishing confirmed market for rural producers under Public Private Producer Partnership (4P) mechanism.

#### **2. Programme area and target group.**

The programme will have national coverage, though special attention and preference will be given to low income districts and areas where agri-production potential is high. The programme is demand-driven and the willingness and the equal commitment of programme partners (Rural farmers, Agribusiness companies, Banks, Insurance providers etc) are essential in reaching programme objectives. More emphasis will put forward in developing Producer/Farmer Organizations (POs /FOs) under SAPP to be in line with Government's policy and development agenda, and to ensure sustainability of supported Producer/Farmer Organizations within 4P mechanism. The target group of 57,500 poor rural households with the potential to become active economic players under commercially-oriented production and marketing systems with diverse array of value chains will be assisted under the programme.

#### **3. Programme Components**

##### *Component 01- Access to commercial partnerships*

This component includes two sub-components: (1.1) Establishing 4Ps (new 4Ps, NADeP scale ups, 4Ps with POs/FOs); and (1.2) Institutional strengthening and capacity building of Producer/ Farmer groups (within a market-driven model). A total of 35,000 households will be directly reached through 4P schemes and institutional strengthening interventions. Rural youth will also be considered (no. of 2500) under this component to become entrepreneurs and to respond the demand for services generated along value chain complements in 4Ps.

##### *Component 02 – Access to rural finance*

This component consists of two sub components: (2.1) Financing of 4Ps; and (2.2) Institutional strengthening for the financial services sector. The component follows the strategies, modes of intervention and investment opportunities that emerge under component 1 (to satisfy the credit requirements of 4Ps and youth entrepreneurs) and aims at facilitating access to rural financial services in a sustainable manner mostly through training and technical assistance.

##### *Component 03 - Programme management and policy dialogue*

This component comprises two sub-components: (3.1) Programme and knowledge management; and (3.2) Policy dialogue.

#### **4. Rationale and the objectives of the consultancy**

SAPP is promoting Private-Public-Partnerships as essential tool in marketing and 4Pdevelopment with the programme design building on the strengths of the various institutional channels involved in implementation and past experience in implementing out-grower model. Since a substantial proportion of the marketing margins accrue to the marketing and processing companies and much less to the producers, it is important to secure, as far as possible, some of these marketing margins for the beneficiaries to improve their income. In this context, the programme attempt to promote the ownership of the beneficiaries in partnership with the private sector in primary level processing, and where agreed upon, even secondary level processing. However, that the process should be gradual. Certain amount of commitment is required by all parties to secure their continued interest in the marketing chain. The programme seeks this assurance either in a form of capital contribution or through management support

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from the lead companies in the 4P arrangements. The preferred private sector partner would be experienced and financially secure and established companies.

Sustainability of the 4P model will largely depend on the technical, financial and institutional capacity of producer groups/organizations involved in implementing the programme; the commitment of the private sector partners and participating financial institutions to sustain the system; and the policy environment for equitable and sustainable smallholder-sourced agribusiness development. The attention to and provision of capacity building and institutional strengthening support across the components, matched by the support for policy dialogue, are the main approaches to instill a foundation for sustainability of the programme interventions.

The process of developing viable 4P business proposals requires strong negotiation and clarity, to ensure that all actors are aware of the 'rules of engagement' and responsibilities; this refers to the co-financing arrangements and expectations of the commitment and value added of each partner in the 4P; as well, the business model and the final expected income to farmers are important elements of the final proposal. The actual process of finalizing a business proposal has been demonstrated to be relatively fast, requiring six months on average.

It is essential to appraise the proposals submitted by the promoters and Appraising the 4P business plans requires specialists who are familiar with the language of business on the one hand, as well as agronomists (with technical and field knowledge of farm production, etc.), in order to ensure that the underlying assumptions and cost-benefit analysis undertaken by the appraisal/ evaluation team is sound. The broker team should have direct interest and committed to establishing 4Ps; the team also should have demonstrated technical capacity.

### **4.1 Objectives of the consultancy**

Consultants are required to promote the following approaches which could be considered in building 4P partnerships;

- a) Private Agribusiness companies/FOs/POs and farmer groups who are already working with smallholder farmers or willing to work with them under contract farming in near future.
- b) The existing promoters who are performing well under established partnerships under NADeP are also considered to scale up their contract farming network through geographical outreach expansion or further value addition including process modernization.
- c) Private Agribusiness companies/FOs/POs and farmer groups who are willing to work with smallholder farmers under shareholding basis under equity share model with investment in post-harvest, collection and processing facilities. Established partnerships under NADeP are also considered to scale up under equity share model.
- d) Private Agribusiness companies/FOs/POs and farmer groups with preference in working with smallholders directly without investing in the post-harvest, collection or processing facilities but willing to undertake organizing them to do primary collection, post-harvest handling and processing. In this case it would be a requirement that the promoters should organize the smallholders in to legal entities, provide technical assistance to improve farm productivity, coordinate input supply, and procure all the output through such established facilities. Further they would also have to undertake management of those facilities until such time the formed entities are matured enough to carry the business operation on their own.
- e) Or, the combination of above stated models deriving benefits to smallholders by investment in process modernization and value addition of an agricultural commodity and contract farming at the same time with the motive of on farm development (Hybrid models).

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To ensure the overall, sustainability of the programme the expectation is that at the end of the programme period, there is a very strong likelihood that the private sector and banking sector are able to continue to develop their relationships with farmers groups, and without the need for government or external development partner interventions. Effectively, SAPP is facilitating the solid foundation and transition to sustainable 4Ps.

### **5. Roles and responsibilities**

Under the direct supervision of the programme Director, the consultant will perform activities under following parameters to mainstream Business development aspects of the programme.

#### **5.1 Business plan development responsibilities**

- Support on Early sensitization, consultation and provision of guidance on SAPP principles, objectives, and specific (targeted) interests amongst all the potential project stakeholders (farmer/ producers, FOs/POs and farmer groups, youth, agribusiness companies, PFIs, public sector agencies, social mobilisers, other service providers)
- Conducts preliminary feasibility assessment and short-listing, and undertakes site-visits to meet with farmer groups and the promoter company
- Facilitates and conducts BP development sessions with the company in order to finalize a feasible BP that benefits all parties (with emphasis on financial and economic benefits to the smallholder producer)
- Facilitate the promoter to provide duly approved specifications endorsed by respective experts/line agencies for agreed machinery/equipment, and also drawings and BOQs of infrastructure etc
- Facilitates PMU to complete final appraisal on the BP and to submit to the Business Proposal Evaluation Committee (BPEC) with provision of analysis such as Promoter Company due diligence, farmer beneficiary analysis, profit and loss analysis, product analysis, Risk analysis, Investment plan analysis, IRR etc.
- Ensures to validate the appraisal and comments on/ proposed further adjustment, with economic, social and environmental feasibility and pro-poor strategy of the proposal.

#### **5.2 Capacity building responsibilities**

- Involve in regular capacity buildings trainings for COOP Societies/ FOs/POs / Producer and youth Groups in the areas of group dynamics, good governance, financial management, leadership development, agribusiness proposal development; to strengthen them to become an economic / business oriented organization and/or to develop their business ideas to prepare and submit business proposals /or will entertain the proposal submitted to proceed.

#### **5.3 Communication responsibilities**

- Continued liaising with IFAD business development specialists through programme director on issues regarding business development, knowledge sharing and other aspects and new developments.
- Serve as a channel of communication between the programme and others working on 4P in government, implementing agencies, other development projects and IFAD.
- Help programme colleagues to access the information they may need on 4 P issues and share good practices and learned lessons.

#### **5.5 Advocacy and networking responsibilities**

- Be familiar with 4P development and the institutions linked to the programme, including national policies and those of ministries, implementing institutions and financing agencies, including IFAD.
- Establish linkages with other livelihood development programme implemented by national, international and intergovernmental agencies.

### **6. Qualifications and experience**

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- (i) Master Degree from a recognized university in Agriculture, Agri- Economics, Business Management, Development Studies, Marketing Management with minimum 10 years of professional experience in the area of agri-business and project development.
- (ii) Experience in implementing agricultural and rural development projects
- (iii) Experience in developing business proposals, designing and delivering trainings on business development and capacity development of producer organizations and farmer organizations
- (iv) Highly motivated, committed and prepared to travel extensively.
- (v) Experience in similar assignments in donor funded projects will have an advantage
- (vi) Working knowledge of spoken and written English and ability to work independently in Microsoft Office Packages
- (vii) Ability to work in other local languages would also be considered as an added qualification.
- (viii) High degree of independence, flexibility and ability to meet strict deadlines.

### **7. Process of selection**

- ***Method of Selection:*** Relevant Experience: 50%, Qualifications: 30%, Interview and Presentation Performance: 20%.
- Applicants those who obtain more than 55 marks out of 80 for their relevant Experience and Qualifications will be shortlisted.
- Conducting interview and presentation for the short listed applicants to select the most suitable applicant for the contract.

### **8. Consultancy Fee**

Negotiable