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விவசாய நவீனமயமாக்கல் திட்டம்
Agriculture Modernization Project



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Ministry of Agriculture
கமத்தொழில் அமைச்சு
THE WORLD BANK

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Agriculture Modernization Project

Democratic Socialist Republic of Sri Lanka
Ministry of Agriculture (MOA)
Agriculture Sector Modernization Project (ASMP)

TERMS OF REFERENCES (TOR)

Hiring of a Service Provider to establish and operate 21 farmer companies for a period of one year in 21 project clusters

Procurement Plan Reference No:

Programme Background

1. Sri Lanka is a lower-middle-income country with a Gross Domestic Production (GDP) of US\$ 80.71 billion in year 2020, GDP per capita of -3,681 in a total population of 20.5 million (2014). Growth of the GDP over the past decade was strong, shown a downward trend since year 2020, resulting in significant poverty escalation. The situation has aggravated due to the effects of COVID 19 pandemic and easter Sunday attack.
2. Agriculture has been an important driver of poverty reduction and accounted for about one third of the decline in poverty over the past decade. Poverty reduction in rural area was driven by higher agricultural wages which grew annually by an average 5.7 percent during 2006 to 2013 and caused rural poverty to fall more rapidly than in other sectors. Domestic food prices, international prices of tea and major export commodities and higher wages of the plantation sector have gradually increased. There is a risk that these income gains may not be sustainable, if the agriculture productivity and the agricultural sector do not improve and does not start to modernize through diversification, commercialization, and value addition.
3. [International Development Agency \(IDA\) of the World Bank Group \(WBG\)](#) has played an important role in assisting reconstruction and development in Sri Lanka. With regards to rural development and agriculture it has supported a number of national policy projects and programs. Through the Agriculture Sector Modernization Project, [the IDA](#) aims to increase agriculture productivity, improve market access, and enhance value addition of smallholder farmers and agribusiness in the project areas.

4. Brief Description of the ProJet

4. The World Bank has agreed to grant a Credit from the International Development Association (IDA) to achieve required modernizations through differentiated strategies by establishing the Agriculture Sector Modernization Project (ASMP). The ASMP has three components. The first **component**, Agriculture Value Chain Development seeks to promote commercial and export-oriented agriculture and this component is implemented by Ministry of Primary Industries (MOPI). The second component, Productivity Enhancement and Diversification Demonstration is implemented by Ministry of Agriculture (MOA). This component aims to support smallholder farmers to produce competitive and marketable commodities, improve their ability to respond to market requirements and move towards increase commercialization. The third component focuses on human resource development and capacity building as

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well as monitoring and evaluation, communication and coordination of the overall Project. The proposed assignment is concerned the Component 2 implemented by the MOA.

5. Project Management Unit of the MOA together with the Provincial Project Management Units assist implementing the project activities of the Component 2, coordinating between the MOA and the Agencies supported by the Project, the Provincial Ministries of Agriculture and Provincial Directors of Agriculture. MOA/PMU will work with five provinces namely Northern Province, North Central Province, Uva Province, Eastern Province and Central Province in the implementation of the component two. Seven districts have been selected to implement the Agriculture Technology Demonstration Park concept in the five provinces.
6. The listed below are the sub-components under MOA/PMU.
 - a. Farmer Training and Capacity Building
 - b. Agriculture Technology Demonstration Parks
 - c. Production and Market Infrastructure
 - d. Analytical and Policy Advisory Support

7. Farmer Producer Organizations and Agribusinesses

- a) Farmer Producer Organizations and Agribusiness SMEs (FPOs & A-SMEs) that seek fund from the project will have implementation responsibility for the investment activities agreed and approved in the business plans. They will organize group members, implement the activities approved in the investment and business plans, provide training to their members; facilitate linkages between organizations and agribusinesses; support the introduction of new technologies, and provide technical training, technical exchanges and advisory services to their members. The project seeks to ensure institutional sustainability and effectiveness through dedicated support to FPOs & A-SMEs to establish them as legally recognized independent economic entities and actors in the form of private companies. The project will also intend to provide extensive capacity building support in areas such as business management skill development, support to registration, and access to finance through the funding of the project.
8. The sub-component will initially support the establishment of 21 pilot clusters of Agriculture Technology Demonstration Parks (ATDPs) in eleven districts (Matale, Anuradhapura, Polonnaruwa, Jaffna, Mullaitivu, Vavuniya, Kilinochchi, Kandy Badulla, Ampara, Batticaloa & Monaragala). A cluster consist of group of farmers who cultivate same crops. Farmer Producer Organizations will be formed to ensure the substances of business activities (A-SME) of a cluster, An ATDP of a district consist of few clusters and intervening to provide capacity building, infrastructure development for value addition (processing and production) and dissemination of new agriculture technologies.
9. Once, the FPOs are given the support to become private companies, capacity building training for executive members of farmer producer companies, board members of the companies and staff of the companies must be given through a comprehensive training program (lectures, practical sessions, demonstrations, field tours etc.) through a selected national service provider.

Source of Funding

10. Democratic Socialist Republic of Sri Lanka has received a Credit from the International Development Association (IDA) in various currencies equivalent to US\$ 58.630 Million towards the cost of the Agriculture Sector Modernization Project (ASMP) of the Ministry of Agriculture and intends to apply portion of the proceeds of this credit to eligible payments under this Contract. Rs. 94,260,000 has been allocated for this assignment.

Objectives of the Consultancy

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11. To support the establishment of farmer companies in the legal form of Public Un-listed Companies (PUCs) to help ensure the sustainability and economic viability of FPOs & A-SMEs that are involved with selected ATDPs/clusters assisted by ASMP Component 2 on build, operate and transfer (BOT) basis. There are 20 pilot project clusters in eleven project districts located in five provinces. Duration of the consultancy is one year and it is required to maintain a positive cash flow and an operating profit at least during the last 2 months of the consultancy period.

Scope of the Consultancy

12. ASMP of Ministry of Agriculture seeks the services of qualified technical and managerial service providers to establish and operate individual companies for 21 pilot project clusters in eleven districts (five provinces) out of 44 pilot clusters promoted by the ASMP.

12.13.

- A selected service provider will be entrusted to execute the assignment
- The preferred company model should be Public Un-listed Company (PUC). If the cluster is not found matured enough to register as a PUC, it can be registered as a society to start with and the prospect for finally be transformed into a PUC depending on the developmt. In this connection, the service provider will have to work in close consultation with another service provider contracted for offering secretarial services to farmer companies selected through a separate call for assignment.
- The service provider shall facilitate members of farmer companies to identify their staff requirement subject to maximum of 3 staff members (Manager, Asst, Manager & Accountant) and facilitate recruitment of them. Service providers should pay the salaries of the above staff for one year period. Recruitments can be done depending on the requirement time to time not all at once. The Staff will be recruited by the management of the farmer company guided by the service provider after accessing the requirement. Additionally, the farmer companies will be supplied with capital items required for the office, rent and utility expenditure by ASMP.

The service provided shall educate beneficiary farmers about the concept of farmer companies (PUC) and motivate them to be shareholders of the company. The farmer company will be managed by a Board of Management. The service provider should identify, with the consent of the shareholders, entrepreneurial members of the farmer group to represent at the Executive Committee and members of the Board of Management.

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- The farmer company will be managed by a Board of Management. The service provider should identify, with the consent of the shareholders, entrepreneurial members of the farmer group to represent at the Executive Committee and members of the Board of Management.
- The service provider shall evaluate training needs of members and staff, prepare training manuals and decide specific training requirements with consultation with International Service Provider (ISP)
- The service provider shall undertake a study on the resource profiles and business environment of the area in consultation with national (e.g., business development service providers such as chambers of commerce, Industrial Development Board (IDB), Sri Lanka Export Development Board) and provincial agencies and identify competitive business opportunities by discussing with member farmers, government and private business development organizations available in the area.
- The service provider shall identify agribusiness partners who buy products of the company on the long-term basis and make necessary arrangements to establish healthy relationship with agri-business partners
- The service provider shall prepare comprehensive business plan with three-year forecast and ensure establishing good governance practices within the company

The project districts, crops and number of beneficiaries identified for pilot projects are given below

Pilot Projects selected for establishing farmer companies

Province/District	Description	No of Beneficiaries
Central Province 1. Matale	1 Passion fruit	100
	2 Onion seed	50
	3 Chili seed	20
	4 Chili	44
Northern Province <u>3.</u> Mutative	5. Passion	50
	6 Groundnut	350
	7 Dry Chili	50
Uva Province 4 Monaragala <u>3-4.</u> Badulla (Rideemaliyadda & Haldummulla)	8. Passion	175
	9. Pineapple	200
	10 Murunga	100
	11 Passion fruit	100
	12 Soursop	100
	Eastern Province <u>4-5.</u> Batticaloa Karadiyanaru <u>K</u> kadiraveli <u>Kaluthavalai</u> Vaharei 7, Ampara	13 -Groundnut
14 Groundnut		100
15 Green Chili		100
16 Cucumber		500
17 Ground Nut		100
North Central Province 8 Anuradhapura		18 Mushroom
		100

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Polonnaruwa	19 Allovera	100
	20 Moringa	
	21 <u>Allovera</u>	100
Total		2,639

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14 Tasks of the Assignment

- Assess the present status of the 21 farmer organizations with respect to readiness for formation of farmer companies and submit a detailed evaluation report
- Determine appropriate business model and functions of the business (either to form a PUC directly -or after a period of transition)
- Build awareness of the concept of farmer company model among farmers involved in FPOs (1521 clusters)
- Identify and select appropriate members to represent Executive Committees
- Form the Board of Management of 3 – 11 members in consultation with the Executive Committee
- Liaise with company secretarial service provider contracted by the PMU to register the company
- Recruitment of company staff
- Capacity building of the staff, members of Executive Committee and members of the Board of Management
- Generate business ideas, undertake -screening of them and select at least three viable business opportunities to operate by farmer company. In selecting business ideas year-round business for the company should be ensured
- Introduce market linkages with an agribusiness partner who buy the main crops/products which are supported by the project (agreement is required)
- Develop a business plan
- Undertake sensitivity analysis and calculate break even sales
- Implementation of the business plan
- Introduce account package and train the staff to use it
- Raise funds from sources other than the project funds
- Continue the implementation of business operations for one year according to the business plan
- A positive cash flow needs to be maintained by the farmer company at least during the last two months the assignment
- Introduce staff incentive scheme and dividend procedure
- Assist the Board of Management to conduct Board meetings and maintain meeting minutes
- Assist the management to appoint Auditors for annual audit of accounts

15 Time Duration

Duration of the assignment will be One Year from the Date of Award

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Qualification & Experience

The Service Provider should be a well-established Firm /Institute

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- a. with at least 10 years of experience in providing technical and managerial services in areas relating to agriculture technology, market linkages and entrepreneurship development trainings with a good training management record
- b. with experience in wide spectrum of technology transfer programs and establishing market linkages in agriculture
- c. with experience in the formation of companies and managing them
- d. The Service Provider should be in a position to employ a team of well experienced professionals in the following areas of expertise

Resource Person / Expert	Qualifications	Experience
1. Project Manager (Full Time Basis)	Post-Graduate Degree in Agricultural development, Extension, Social Science, Economics, Management, Science, or any related field	10 years' post qualification experience, of which preferably 5 years in senior management level in the implementation of Agriculture related project activities in development projects financed by the own organization, foreign financing agencies and/or Government Departments. Strong communication, negotiation skills and good interpersonal relation High Level of Proficiency in written and spoken English
2. Expert for each crop and related technologies already identified by pilot projects (Part Time Basis)	Post Graduate Degree in crops and technologies identified by pilot projects.	At least 07 years' experience in the relevant field
3. Expert in agriculture technology (Part Time Basis)	Post Graduate Degree in new technologies identified by the service provider.	At least 07 years' experiences in the relevant field
4. Expert in Post-harvest, value addition and value chain management (Part Time Basis)	Post Graduate degree in postharvest, value addition and value chain management	At least 07 years' experiences in the relevant field

5.Expert in finance, business management and company law (Part time basis)	A member of a professional Accountancy body with a post graduate qualification	At least 07 years of experience in the relevant field.
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Reference Documents and Facilities

20. The following information is available at the Project Office.

- a. Project Appraisal Document
- b. List of technologies already identified by the PMU for pilot projects

17 Deliverables

- Status report with respect formation of farmers companies -Within one month from the date of awarding
- Awareness programs conducted for member farmers of farmer company (content of the awareness program has to be approved by PMU) - Within two months from the date of awarding.
- Brief note on resource profile in the area- Within two months from the date of awarding)
- Consultation out comes with stakeholders mentioned above – Within three months form the date of awarding
- List of Business ideas identified for each farmer company, and brief description of selected business ideas to be implemented by the farmer companies – within three months from the date of awarding.
- Comprehensive business plan for each company – within four months from the date of awarding.
- Market linkages established and agreements signed with a sustainability plan – Within seven months from the date of awarding.
- Recruitment of Staff – Manager should be recruited within two months from the date of awarding. rest of the staff as need arises.
- Content of capacity building programs, Capacity building of executive committee, Board Members and staff – within five months from the date of awarding.
- Registration of Farmer Companies as PUC – Within six months from the date of awarding
- Monitoring and evaluation reports – to be sent to ASMP monthly from the date of awarding.
- Completion report including monthly cash flow – monthly cash flow from the formation of the PUC. Completion report within thirteen months from the date of awarding.

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18. Payment Plan

- First Payment (Instalment) – 10 % of the contract amount as mobilization advance after submission of bank guarantee
- Second Payment– 20% of the contract sum will be paid after the successfully submit the, status reports, -Business Plans
- Third payment 20% of the contract sum will be paid after Implementation of the business plan, with Market linkages and agreement sign between buyers, sustainability aspects of market linkages, and 21 farmer companies
- Fourth
- Payment – 20% of the contract sum will be paid after the successfully completion of the Capacity Building Trainings
- Fifth Payment – 10% of the contract sum will be paid after registering of 21 PUCs

Sixth

- Payment – 30% of the contract sum will be paid after the successfully submit the completion report after one year of operation with a positive cash flow during last two months