



## Democratic Socialist Republic of Sri Lanka

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கமத்தொழில் அமைச்சு  
Ministry of Agriculture

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### TERMS OF REFERENCES (TOR)

Hiring of a Service Provider to Develop 17 Business Plans for 17 farmer companies (Public Unlisted Companies) within six months for 17 project clusters from the date of awarding

**Procurement Plan Reference No: LK-MOA-PMU-365209-NC-RFB**

#### 1. 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 Project

**European Union through World Bank** has agreed to grant 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 well as monitoring and evaluation, communication and coordination of the overall Project.

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 EU clusters of Agriculture Technology Demonstration Parks (ATDPs) in five districts (Vavuniya, Kilinochchi, Kandy and Ampara). Out of which business Plans have been developed for 4 clusters under pilots. A cluster consists 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 and provide 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. 21,000,000 has been allocated for this assignment.**

### **Objectives of the services**

11. The objective of the assignment is to prepare 17 Business plans for 17 PUCs to be established under 17 project clusters. The business plans should include Business sustainability strategies in short term, medium term and long term.

### **12. Scope of the services**

A selected service provider will be entrusted to execute the assignment

Study period is 6 month from the date of awarding

- Study Cluster development plans and value chain analysis conducted by the project especially for EU Clusters. Studying cluster development plans prepared for Pilot & ISP clusters also recommended.
- Identify three businesses that the PUC will be able to implement before end of year 2024. **However, this activity is not mandatory for clusters those are ready to undertake viable business within six months of this assignment. In an event, if a cluster is found weak in the sense of economic viability or the cluster take more than six months to get into commercial operations, the service provider should identify two more business opportunities which are commercially viable and ready to venture.**

- Undertake value chain and supply chain analysis for those three businesses (you may refer cluster development plans prepared to gather information and also have to collect information if required)
  - Prepare business plan for three-year period from 2024 to 2027
  - The business plan should include Marketing plan, Production and Operation plan, Organization & management plan and Financial plan including, short, medium and long term goals to ensure sustainability of the business operation.
  - Undertake market studies and recommend marketing strategies, practical market linkages (buyers) and cost of implementation of them.
  - Identify training needs in order PUC s are able to execute the business plan
  - Identify Staff requirements, **recruitment of** PUC Manager, Marketing Manager and Assistant Accountant within two months of the contract awarding, pay them salaries for four months while assign responsibilities discharge of duties.
  - The service provider has to work closely with Secretarial service provider of the project so as to ensure PUC registration are done.
- The service provider shall undertake a study on the resource profiles available at Divisional Secretariats and business environment of the area in consultation with national business development service providers such as chambers of commerce, Industrial Development Board (IDB), Sri Lanka Export Development Board (EDB), National Enterprise Development Authority (NEDA) and provincial agencies and identify competitive business opportunities by discussing with member farmers, government and private business development organizations available in the area to finalize most promising three business opportunities (one should be the cluster crop, other two business opportunities are from the business environment in the area).
  - The service provider shall identify agribusiness partners who buy products of the company on short, medium and 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

### 13. Cluster details of EU Clusters.

Seventeen Business plans have to be prepared for EU clusters given in annexure 1. In the case of EU cluster need to be attached to existing PUC in the area, business plan may confine to a business diversification of the existing PUC.

### 14. Task of the Assignment

Preparation of Business Plan containing three businesses, training need analysis, staffing and establish a live market linkage per PUC

Business Plan should consist of followings;

#### Executive Summary

A brief overview of the Business Activities, business plan, including the business idea, objectives, Market strategy and expected outcomes.

14.1 Project Description: A detailed description of the project, including the business structure, ownership, location, and history.

14.2 Background: Section includes the history of the business identified, market demand, competitive landscape, regulatory environment, and opportunities and challenges

14.3 Selection of Three businesses including business based on the major crop

14.4 Study Cluster Development plans and summary of the value Chain Analysis for each business identified

14.5 Market Analysis: A market analysis that identifies target customers, competitor analysis and market trends, and assesses the potential demand for products.

a. Market Analysis: A description of the target market for products, including an analysis of customer preferences, demographics, and purchasing habits. It can also include details on the potential size of the market and the level of competition (Competitor analysis for each of the businesses identified).

b. Marketing strategy and cost

c. Supply Chain Analysis: The supply chain analysis is based on the market linkage established. A description of the supply chain for the products including the sources of inputs such as raw material and equipment, details on how inputs will be procured, transportation logistics, and supply chain risks and challenges.

d. Value Chain Analysis: A description of the value chain for the selected three businesses including the various stages of production, processing, and distribution of products and details on value addition at each stage, quality control, and the potential for partnerships (buyers) with other players in the value chain. Policy, technical, management etc. issues in the value chain and proposals to address the issues need to be included.

e. Partnerships: A description of potential partnerships with other players in the three business areas, such as suppliers, distributors, and processors. It can also include details on the benefits of partnerships, such as access to new markets, shared expertise, and reduced costs.

f. Buyback Assessments: An assessment of the potential market demand for three products, including an analysis of customer preferences, pricing, and market trends. It can also include details on potential buyback arrangements with suppliers or distributors, such as purchase guarantees or preferential pricing.

g. SWOT Analysis: An analysis of the strengths, weaknesses, opportunities, and threats facing the three businesses in the market. This can help to identify potential challenges and opportunities and inform marketing and sales strategies.

h. Identify and introduce a buyer for each cluster and establish live business operation

14.6 Marketing and Sales Strategy: A detailed plan for marketing and selling of products, including pricing, promotion, distribution, and customer service.

14.7 Production & Service plan: A description of the products and services that will be offered.

14.8 Operations Plan: A detailed plan for the daily operations of business, including production processes, packaging, machineries and equipment, and staff requirements.

- i. Raw material
- ii. Processing method and process flow charts
- iii. Machineries and equipment
- iv. Potential and utilizing capacities
- v. Direct and indirect labour requirement
- vi. Staff requirement
- vii. Unit cost of production
- viii. Assets of the operational plan & Depreciation
- ix. Quality certification required and obtaining procedures
- x. Productivity enhancement

14.9 Organization & Management (O&M):

A description of the management and organizational structure of the Public Unlisted Companies, including key personnel, roles, capacity development, and responsibilities. Assets of the O&M plan and depreciation.

14.10 Financial Plan:

Includes a start-up budget, operating expenses, income statement, cash flow projections, revenue projections, profit and loss statements, and a financing plan (loans, grants, equity investments, repayment terms, and potential risks). Further the list of shareholders, shareholding amounts, profit distribution plan and investment plan need to be included. Indicate Financial ratio analysis Return On Investment (ROI), Pay back period, NPV, Break Even Analysis etc.

14.11 Risk Analysis and Management: Assessment of the potential risks to three business identified and risk mitigation strategies

14.12 Conclusion: A summary of the business plan including the expected outcomes, challenges, and opportunities.

14.13 Recommendations: This includes an action plan, financial projections, marketing strategy, and operational improvements to increase efficiency, reduce costs, and improve the quality of products and future opportunities.

14.14 Introducing of accounting package (Accounting package will procure by the project on the recommendation)

14.15 Operational manual including manual for accounting

15 Time Duration;

Duration of the assignment will be six months from the Date of Award

## **16 Qualification & Experience**

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

- a. with at least 10 years of experience in providing technical and managerial services in areas relating to agriculture technology, market linkages, Business planning and entrepreneurship development trainings with a good 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

## **17 Resource Person / Expert Qualifications Experience**

1. Project Coordinator cum Marketing / Value chain specialist (Full Time for six month)  
Post-Graduate Degree in Agriculture, Economics, Management, Marketing or related field for minimum of 10 years. Strong communication, negotiation skills and good interpersonal skills are required.
2. Expert of Business operations planning (Production) and organization & management (fulltime six months). Minimum of 10 years of experience in production planning, human resource and management planning, productivity etc. with Degree in engineering, agriculture or management
3. Financial analyst (full time six months). Minimum of 10-year experience as a financial analyst with degree in accountancy, CIMA or related qualifications.

## **18 Deliverables**

- Status report with respect to preparation of 17 business plans (indicate cluster information) and for farmer's companies -Within one month from the date of awarding with action plan.
- Awareness programs conducted for member farmers of farmer companies about the business plan preparation, get their maximum involvement (content of the awareness program has to be approved by PMU) - Within one months from the date of awarding.
- Brief note on resource profile in the area- Within two months from the date of awarding.
- List of Business ideas identified for each farmer company and brief description of selected three business ideas to be implemented by the farmer companies after preparation of business plans - within three months from the date of awarding
- Comprehensive business plan for each farmer company – within four months from the date of awarding.
  - Market linkages established and live business linkage established – Within six months from the date of awarding.
- List of Staff requirement & training needs
- Recruitment of PUC Manager, Marketing Manager and Assistant Accountant
- Receipt of monthly salary payment
- Monitoring and evaluation reports – to be sent to ASMP monthly from the date of awarding.
- Completion report including 17 business plans for each cluster together with established market linkage per PUCs together with training Manuel

### 19. Payment Plan

- First Payment (Instalment) – 10% of the contract amount as mobilization advance after submission of bank guarantee
- Second Payment– 10% of the contract sum will be paid after the successfully submit the, status reports and after conducting awareness programs.
- Third payment 50% of the contract sum will be paid after submission of the Business plans
- Final payment after establishing one live business linkage for each PUC, business happening and operational and accounting manual together with training manual
- Estimated total cost of the Assignment **Rs. 1.23 million** for a business plan and staff salaries for four months totaling to 21 million. Minimum salary for PUC Manager Rs. 35,000, Marketing Manager 35,000 per month and Assistant Accountant Rs. 30,000 per month

Every business plan prepared should include undermentioned content adequately explained  
**Contents Of the business plan**

### Business Plan Format

Description
Agri-business profile of the products; Global and local market situation, trends and issues
<b>1 Executive Summary</b>
a. Company details
b. Products and services
c. Current trend of the industry
d. Strategic position in the market
e. Marketing plan
f. Financial statements
<b>2 Vision and Mission statements</b>
<b>3 Business goals and objectives</b>
<b>4 Marketing Feasibility</b>
1. Value chain and supply chain information
2. Competitor Analysis for each business (3 businesses)



	2. Description of the products and services
	3. Target Market and risks
	5. Market segmentation and positioning strategies
	7. Market share
	8. Marketing strategies (Price, Place, promotion & product)
	9. Sales plan
	10. Break even analysis
	12. Marketing promotional methods
	13. Marketing budget (Direct cost, indirect cost)
	14. Capital investment for Marketing
5	Production/ Operational Feasibility
	1. Production/Operation process
	2. Expected Capacities and Capacity Utilization plan
	3. Raw material requirements
	4. Production targets
	5. Factory layout
	6. Machineries and equipment
	7. Skill and unskilled labour requirement
	7. Production overhead cost
	8. Cost per Unit
	9. Direct and Indirect cost
	10. Total Production cost
	11. Capital investment for Production
	12. Break even production

6	Management & Organizational Feasibility
	1.Ownership & Organization Structure/ Legal Structure
	2. Organization Structure and Management Roles
	3. Capacity Building
	4. Company SWOT Analysis
	5. Action Plan
	6. Capital investment
7	Financial Feasibility
	1. Start-up/ Existing capital/Proposed capital
	2. Working capital requirement
	3. Manufacturing Trading Profit and Loss Account
	4. Balance sheet
	5. Cash Flow Statement
	6. Ratio Analysis
	Gross Profit Ratio
	Net Profit Ratio
	ROI
	Payback
	Current Ratio
	NPV
	Investment Plan (30% investment contri.) Contribution from Farmers
	Shareholding Structure
	Shareholder name list
	Profit distribution arrangement

8	Special Remarks
	1 Environmental Protection (Safe Guard)
	2 Job Opportunities
	3 Export Opportunities
	4 Entrepreneurship Qualities
	5 Gender balancing
	7. Quality Assurance

Special Delivery- Must Include Following

1. Selection of Viable Three businesses including business based on the major crop
2. Future Partnerships and Strategic Analysis
3. Market Research based Demand Analysis, Market Linkages
4. Assumptions and Recommendations

**Annexure 1: Cluster List EU district**

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Agriculture Sector Modernization project

Province	District	Cluster	Cluster type	Number of cluster beneficiaries	Number of none cluster beneficiaries	EU pilot beneficiaries	
Central	Kandy	1. Dry Chili Production (2021)	Pilot +EU	300	452	44	
		2. Hass Avocado production Cluster	EU	300	452		
		3. Vegetable seed production	EU	95	452		
		4.Hass Avocado	EU	300	452		
				<b>995</b>	<b>1808</b>	<b>44</b>	
Northern	Kilinochchi	5. Jumbo peanut seeds + production cluster	EU	500	452	130	
		6. Passionfruit production cluster	Pilot +EU	300	452	100	
		7. Chili Production cluster	EU	300	452		
		8. Pomegranate production	EU	300			
					<b>1400</b>	<b>1356</b>	<b>230</b>
	Vavuniya	9. Dried Chili Production	EU	300	452		
		10. Maize seed production	EU	300	452		
		11. TJC Mango	EU	300	452		
12. Papaya Production		EU + pilot	450	452	50		
				<b>1350</b>	<b>1808</b>	<b>50</b>	
Uva	Badulla	13. Maize seed production Cluster	EU	300	452		
		14. Hass Avacado Cluster	EU	300	452		
		15. Dry Chili Production Cluster	EU	300	452		
		16. Seed Potato Cultivation- Stage1, 2&3	EU	400	452	180	
		17. Vegetable production cluster	EU	150	452		
				<b>1450</b>	<b>2260</b>	<b>180</b>	
Eastern	Ampara	18. Dry Chili Production Cluster	EU	300			
		19. Jumbo peanut Production	EU + pilot	600	452	100	
		20. Maize seed production Cluster	EU	300	452		
		21. Soursop Production Cluster	EU+pilot	300	452	100	
				<b>1500</b>	<b>1356</b>	<b>200</b>	
				<b>6695</b>	<b>8588</b>	<b>704</b>	