   

 Democratic Socialist Republic of Sri Lanka

**Ministry of Agriculture and Plantation Industries**

Agriculture Sector Modernization Project (ASMP)

**TERMS OF REFERENCE (TOR)**

**Hiring of a research company / team of consultants to undertake a policy research to Identify Appropriate financial support system(s) for Farmer Producer Organizations/Farmer Companies of the smallholder sector**

**Procurement No LK-MOA-PMU-397462-CS-CQS**

# Brief Description of the Project:

# The Agriculture Sector Modernization Project (ASMP) is implemented in Sri Lanka with the following Project Development Objectives:

* To support increasing agriculture productivity,
* Improving market access and
* Enhancing value addition of smallholder farmers and agribusinesses in the project areas.

The Project is comprised of three components.

The Component-1, Agriculture Value Chain Development, seeks to promote commercial and export-oriented agriculture.

The Component-2 aims at supporting smallholder farmers to produce competitive and marketable commodities, improve their ability to respond to market requirements and move towards increased commercialization.

The Component-3 focuses on human resource management, and capacity building, logistic requirements, monitoring and evaluation, communication and coordination of the overall Project.

Implementation of the component 2 undertaken by the Ministry of Agriculture, started in the year 2017 with the funding of WB, USD 64.23 mn to implement the project in 7 districts (Jaffna, Mullative, Anuradhapura, Polonnaruwa, Batticaloa, Monaragala and Matale) of five provinces namely Northern, North Central, Eastern, Uva and Central. In the year 2021, the component 2 further supported with co-financing from the European Union, USD 23.3 mn, to implement the same project concept in 5 additional districts (Kilinochchi, Vavuniya, Ampara, Badulla and Kandy) in the same provinces selected before.

Listed below are the sub-components of the Component-2 of the ASMP:

* 1. **Farmer Training and Capacity Building:** Under this Sub-component, institutional development and related capacity building activities are carried out in order to establish and empower Farmer Companies (FC) in each crop cluster established by the project.
	2. **Agriculture Technology Demonstration Parks (ATDPs):** This is the main sub-component of the Component-2 of ASMP. Selection of all crop clusters (minimum of 3 clusters per each district), design, establishment and continuity of crop clusters is ensured under this sub-component. Each individual member farmer of the crop clusters will be a member of the FC there, will receive a technology package as a grant under this Sub-component. In addition, farming related collective assets, certain technical exposure visits, technical training and awareness, specific technical consultancies will be delivered under this Sub-component.

* 1. **Production and Market Infrastructure:** Under this Sub-component, Cluster / ATDP specific market infrastructures such as cluster specific common Agro Processing /collection centers identified market access roads and Compost Making Units, required irrigation infrastructures, any other specific supportive infrastructures will be established.
	2. **Analytical and Policy Advisory Support:** Related policy studies as well as required analytical studies are to be carried out under this particular sub-component. In addition, conducting certain related assessments / evaluations, organizing of Techno Forums, Policy Forums, formulation Policy / Strategy briefs / guidelines will be carried out.

This particular consultancy assignment instigates under the sub-component (d) of the Component-2.

1. **Project Management:**

Ministry of Agriculture and Plantation Industries implement and manage the project[[1]](#footnote-1) activities through the Project Management Unit (PMU) of the ASMP in Colombo together with the Provincial Project Management Units (PPMUs) with the support and guidance of the Provincial Ministries of Agriculture and other relevant stakeholders.

The Project is technically steered, and monitored by the National Project Steering Committee headed by the Secretary to the Ministry of Agriculture and Plantation Industries. Respective Provincial Steering Committees are headed by the Chief Secretary of each Province.

1. **Background** **for** **the proposed Assignment:**

Financing is a critical barrier for smallholder farmers in Sri Lanka to access new technology and other inputs that they need to increase crop yields and income. Smallholder farmers themselves are largely outside the formal economic sector as they frequently do not have the means—e.g., collateral—to secure loans or other financial support.

In order to overcome these limitations with smallholder farmers and to empower them, ASMP has trained project beneficiary farmers to establish and operate Farmer Producer Organizations/ Farmer Companies that can have better access to capital through the formal sources.

Lack of access to finance is one of the main constraints still faced by the Farmer Producer Organizations (FPOs) /Farmer Companies (FCs) when providing economic services for their members as there is a reluctance by financial institutions to extend lending to the agriculture sector and farmer-based organizations (FBOs). In depth analysis is proposed to identify appropriate financial support system(s) that local financial institutes can offer to the Smallholder farmers, Farmer Producer Organization /Farmer Companies.

1. **Objectives of the Assignment**

Objective of this assignment is to analyses the different types of financial support systems implement by the financial institutions in Sri Lanka and other countries in the region to support smallholder farmers, farmer producer organizations/farmer companies and to identify most appropriate model(s) under the Sri Lankan context. Such financial support systems should be targeted to meet the investment needs of smallholder farmers, Farmer Producer organizations/Farmer Companies for improvement of the agriculture production system and the crop value chain development specifically for the crop value chains in fruits, vegetables, pulses, and spices, which are perishables and climate sensitive.

1. **Scope of the consultancy**

Policy research in Financial support systems should focus on identifying appropriate financing model(s) to ensure primary investment needs of smallholder farmers, primary and medium term financing of economic services by FPOs/FCs for beneficiary shareholder farmers to improve the income and profitability of smallholder farmers and to support integrated business models of FPOs/FCs to ensure profitability and sustainability of FPOs/FCs by financing value chains of identified crop sectors such as fruits, vegetable and other crop sectors.

1. **Tasks of the Assignment**

**•** A detail analysis of different financial support systems implement by different financial institutions in Sri Lanka and in the regional countries targeting for Small holder farmers, Farmer Groups/ Farmer Producer Organizations / Farmer Companies of smallholder farmers.

• Detail analysis of specific requirements / conditions included in such financing systems, and advantages and disadvantages of such financing systems.

• Recommend appropriate financial support system(s) for smallholder farmers, farmer groups/ Farmer Producer Organizations / Farmer Companies, could be implemented by the local financial Institutions.

• Detail analysis of Policy/Legal and Institutional requirements to facilitate such financing systems and identify any knowledge gaps, policy /regulatory changes required to implement such financing systems in the Sri Lankan context.

• Recommend appropriate policy instruments that the Government could be used to implement proposed changes.

1. **Total due payment for the assignment:**

The total value of the proposed consultancy assignment is Rs.2.5 million (Rupees two and half million).

1. **Duration of the assignment:**

The total duration of the assignment is 3 months commencing from the date of signing the contract.

1. **Qualification & Experience of the Consultants:**

The team of consultants should consist of appropriate combination of consultants essentially with

1. Agriculture Economist/ Agriculture Business Management Expert
2. Financial Management Expert.

Table-(1): Expected qualifications and experience of consultants

|  |  |
| --- | --- |
| **Area of qualification / experience** | **Expected level of qualification / experience** |
| 1. **Agriculture Business Management Expert / Agriculture Marketing Management Expert / Agriculture Economist**
 |
| **Education:** |
|  Degree | BSc. Agriculture or BA. Specialized in Agriculture Economics or Agriculture Marketing |
| Postgraduate qualification. | PhD or Master’s Degree qualification in Agribusiness Management / Agriculture Marketing / Agriculture Economics or any other related field |
| Other Qualifications | Any Professional Qualifications or training received in Farmer organizations, Institutional development, Agriculture Entrepreneurship development or any other related fields. |
| **Working experience:** |
| In Agriculture Business Management/ Agriculture Marketing Management E / Agriculture Economist related working experience. | At least 10 years of post-qualifying experience related to the specialized areas, as a Consultant, a Researcher or Manager of a research team, a university academic with research experience. |
| Specific Research Experience  | Minimum of 5 research projects / similar assignments undertaken over the last 5 years  |
| Working experience in a research team | She / He needs to have provable experience as a team player in a research team or managing a team of researchers. |
| 1. **Financial Management Expert**
 |  |
| **Education:** |
|  Degree | BA., B Com or any other degree. |
| Postgraduate qualification. | Master Degree qualification. in Business Administration / Charted Accountant-CFA / ACCA or any other relevant qualification |
| Other Qualifications | Any Professional Qualifications in finance or any other related fields |
| **Working experience:** |
| In Financial Management | At least 10 years of post-qualifying experience related to the areas mentioned here, as Consultant, Researcher or Manager of a research team. |
| Specific Research Experience  | Minimum of 5 research projects / related assignments undertaken over the last 5 years  |
| Working experience in a research team | She / He needs to have provable experience as a team player in a research team or managing a team of researchers. |

Including any other relevant consultants in the research team will be positively considered in the evaluation of the research team.

1. **Working involvement & payment:**

This is a performance-based assignments. Payment will be based on the submission of the deliverables as given in the Table 2

Key deliverables, the respective deadlines and the payment schedule related to these three (3) months assignment are included in the Table- (2) below:

Table-(2): Expected deliverables, deadlines, and payment schedule.

|  |  |  |
| --- | --- | --- |
| **Deliverable (Result)** | **Deadline** | **Payment schedule** |
| 1. Inception Report - A presentation has to be made with the details of the work plan and the methodology of the study.
 | Within 10 working days after signing the contract Agreement. | 20% of the contract value will be paid after submitting the Deliverable 1. |
| 1. Progress report with a presentation
 | End of the 1 st month after signing the contract Agreement. | 25% of the contract value will be paid after submitting the Deliverable 2. |
| 1. Submit the Draft final report & presentation.
 | End of the 2nd month after signing the contract Agreement. | 20% of the contract value will be paid after submitting the Deliverable 3. |
| 1. Final Report (03 Copies) with a presentation, Research Article (s) and a Policy Note for submission to the Ministry /National Policies.
2. Soft copies of data collected, data analysis undertaken and final results of the analysis.
3. Soft/hard copies of the key literature reviewed for the study.
 | End of the 3rd month after signing the contract Agreement. | 35% of the contract value will be paid after submitting the Deliverables 4, 5 & 6 |

1. **Expected contribution from ASMP:**

ASMP will provide technical feedback and directions on time.

1. **Method of selection:**

Procurement method of **Selection of Consultant’s Qualification** (**CQS**) is applied for choosing the qualified Consultants.

1. **Review Committee:**

The key deliverables especially the Inception Report, Progress Reports and the Final Report will be reviewed by Review Committee appointed by the MOA.

1. **Contract Management:**

The Contract Management will be done by the Policy Specialist of Project Management Unit (PMU) of ASMP with the guidance and supervision of the Project Director, ASMP.

1. Since October 2023, the project is implement and managed by the Ministry of Agriculture and Plantation Industries. [↑](#footnote-ref-1)