

# INVITATION FOR APPLICATIONS

## IMPROVING THE OUTPUT MARKETS FOR AGRICULTURAL CROPS

The [Project] is designed to catalyze market system changes that promote a diversified farm management approach oriented to intensified rice production and higher-value, nutrient-rich crops to increase incomes and improve food security and nutrition in the Khulna, Barisal, and southern Dhaka divisions of Bangladesh (PROJECT zone). PROJECT's goal is to increase rural incomes by catalyzing a process that leads to competitive and inclusive rice based market systems. PROJECT aims to facilitate strategic, market system-strengthening interventions to improve rice intensification and diversification. Rice intensification will allow farming households to secure greater quantities of affordable rice and transition to profitable and diversified rice-based cropping patterns as well as generate off-farm income opportunities. These outcomes will positively impact food security by increasing and diversifying incomes and improving availability and access to nutrient-rich crops.

As an initial focus, PROJECT is inviting companies that purchase ***rice and/or diversified crops grown in rotation with rice (maize, pulses, oilseeds, vegetables, etc.)*** to submit applications to develop or expand their capacity to procure these products (*and/or provide products/services for post-harvest handling that will increase producer sales*) in any of the following target districts:

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Technical and financial support agreements (with cost-share components ranging from \$5000 to \$25,000) will be negotiated with selected companies based on the criteria described below. This support must contribute to a significant investment that the companies will make. The PROJECT staff will also provide technical support as needed to build the capacity of successful applicants to implement their proposed initiatives.

Applications must be submitted in accordance with the format described and received no later than [insert date]

### **Background**

One of the primary objectives of the PROJECT activity is to promote greater access to markets for smallholder producers in the Target zone. PROJECT realizes the importance of private sector companies to drive change and provide market access to producers with whom they transact.

Recent assessments carried out in the TARGET zone showed that smallholder farmers lack: 1) information about, and access to markets; 2) access to agricultural inputs (and information about the correct use of those inputs) that can contribute to improved production, and; 3) appropriate tools, equipment, knowledge and services for post-harvest handling and transportation. This results in reduced opportunities for producers to sell their produce and increase income. Some of the challenges that buyers face in providing market-based solutions to these constraints include:

- Competition from imports at lower prices, reduces competitiveness of local production from TARGET zone
- Buyers' inability to source consistent quality and quantities of local production in TARGET zone, forces them to source elsewhere (domestic or imports) to meet demand
- Transportation from TARGET Zone to Dhaka is limited and relatively high cost
- Price fluctuation and volatility reduces net margin for buyers
- Some seed is adulterated which reduces germination and yield for smallholders
  
- Smallholder farmers produce products in small quantities and are widely scattered.
- Poor infrastructure and long distances to remote markets hinders procurement in those areas
- Lack of quality inputs (and knowledge to use them properly) at the producers' level reduces yield and quality.
- Extensive time and expense required to procure products from remote areas.
- Producers lack financing for adopting new technologies (plastic culture, drip irrigation etc.).
- Traders face difficulties in creating economies of scale for cost effective procurement and transportation of vegetables to end markets.
- Traders involved in "*informal trust contracting*" (contract farming, etc.) and who provide inputs on credit to contracted farmers face difficulties when farmers break agreements and sell to other buyers.

- Some vegetable traders are unable to access sufficient fertilizer (at affordable prices) and are compelled to pay high prices in order to procure and deliver fertilizer to their contract growers.
- Traders are confronted with road blockades and other impediments during transportation which results in the loss of perishable vegetables.
- Improper harvesting and post-harvest handling by producers results in low quality products that are difficult to sell.
- Poor road infrastructure and high cost of transportation reduces ability of buyers to purchase from farmers and deliver to end markets.

PROJECT is therefore seeking to collaborate with market actors (buyers, processors, exporters, transporters, vendors of post-harvest tools/equipment, etc.) to support initiatives that will address these challenges, improve their competitiveness, increase their procurement (direct or indirect) from small-holder farmers in the Target zone, provide needed inputs and support to producers and intermediaries they source from, and offer a greater variety of quality and affordable products to end market consumers.

#### *Illustrative Areas for Support*

Proposed activities/ initiatives should contribute to the company's ability to significantly improve or expand their procurement from small-scale farmers and producers in the Target zone. Proposed initiatives should address the challenges (listed above) that companies face in doing this.

See appendix 1 (below) for more information. Please note that the *company will be responsible for organizing and managing these activities with technical and/or financial support from PROJECT.*

#### **PROJECT cost share funds cannot be used for:**

- Working capital (day to day company operations for salaries, rent, purchases, etc.)
- Direct payment or subsidy to producers
- Common fixed assets (computers, vehicles, tools, equipment, etc.).
- Physical assets (buildings, warehouses, etc.)

#### **General Criteria:**

Eligible applicants for this program must:

- Have existing commercial procurement activities with at least 500 farmers/ producers with land holdings less than 5 hectares) either directly or through their intermediaries).
- Have been in operation for at least the past two years.
- Have commercial interest and incentives to invest in the producers in the Target zone that they currently (or expect to) purchase from through the provision of inputs, technical support, procurement systems, etc.
- Be buying and selling products of acceptable quality to end market consumers.
- Make an investment of at least 30% of the cost of the initiative (*not including their staff costs which if included would bring the cost share to at least 1:1*)
- Propose initiatives that support one or more of the following: i) new and innovative business models, ii) new and innovative technologies, iii) expansion into new geographic markets, iv) expansion to new suppliers in rural areas, such as women, youth or small-scale producers, and iv) solutions to systemic market system constraints.

**Note:** Program is not eligible for NGOs, consulting firms, or associations

After review of the proposed applications, PROJECT may determine that some of the proposed initiatives (such as exposure visits) might be best pursued as "cross-company" activities, with several companies participating. This could have the effect of reducing costs and promoting lateral learning among the participating companies. This assessment (as well as discussions with the Applicants) will take place once companies have submitted their applications.

**Expected Results:** While it is expected that participating companies will benefit from these activities, it is also expected that the activities will benefit the producers the companies are buying from in terms of improved access to markets, better information, skills upgrading, improved productivity, and/or enhanced revenues. Additionally, and most importantly, the proposed activity should demonstrate the viability and impact of a new / expanded commercial practice or behavior within the market systems such as: i) new and innovative business models, ii) new and innovative technologies, iii) expansion

into new geographic markets, iv) expansion to new suppliers in rural areas, such as women, youth, or small-scale producers and iv) solutions to systemic market system constraints.

**Preparation and Review of Applications:** PROJECT will review all applications based on the criteria above and in the table below. All applicants that meet the criteria will be considered for technical and financial support. Applicants are invited to discuss their ideas and request advice from PROJECT staff in the preparation of their applications.

## INSTRUCTIONS AND FORMAT

<p><b>Cover Page</b>  <i>Name and Address of Applicant (address, phone, fax, email)</i>  <i>Date of Submission</i>  <i>Lead Person to Contact</i>  <i>Reference: PROJECT Market Accelerator Fund Application</i></p>
<p><b>Proposed Initiatives and Impact (up to 2 pages):</b>  <i>Clear description of proposed initiatives including how they will contribute to improved competitiveness of the company and how they will expand procurement of agricultural products from farmers in the TARGET zone. A summary work plan that includes proposed tasks the company will undertake should be included.</i></p>
<p><b>Justification for PROJECT Support (up to ½ page):</b>  <i>Brief justification for why the applicant needs PROJECT support to move forward with the proposed initiative. What is preventing the applicant from moving forward on their own?</i></p>
<p><b>Personnel (up to ½ page):</b>  <i>Name and qualifications of the company staff who will be responsible for implementing the activities.</i></p>
<p><b>Experience (up to ½ page):</b>  <i>Brief description of past or current initiatives that company has conducted similar to those proposed or why the company feels it is qualified to successfully conduct the proposed activities. Describe any support that the company: a) is currently receiving from donor programs; b) has received in the past for similar initiatives.</i></p>
<p><b>Continuity of Business Model (up to ½ page):</b>  <i>A clear description of how the proposed initiatives will result in increased and sustainable commercial relationships between the company, the participants in their procurement networks and farmers/producers, and how the company will be able to continue their business model in the targeted areas once the activities end.</i></p>

Applications must be submitted in English and be no more than four pages in length (not including the budget or budget notes) by [insert date]. After a review of applications, more detailed activity planning will take place between the PROJECT and qualified applicants. This planning will include:

- A business plan and/or strategic planning exercise related to the proposed initiatives
- Detailed discussions and agreement on strategy, budget and timing for different activities
- Discussions on how technical support from PROJECT staff can be provided to support the agreed upon activities
- Discussions on how combined technical support or “cross-company activities” might be organized with several companies.

Company initiatives must be completed within four to nine months of signing an agreement with PROJECT. Additional initiatives can be considered after the first one is completed.

Please submit an electronic copy of your application by [insert date] to the PROJECT application email: [insert email address] Please include the name, title, phone number, and email of the lead contact person who will be involved with the application process.

**Conditions:** Issuance of this Invitation for Application in no way constitutes a commitment by PROJECT to execute any agreement or to pay any costs incurred by any applicant in submitting an application.

Please note that PROJECT **will fully respect the confidentiality** of all companies involved in the program.

If applicants are selected, PROJECT will establish a "Market Actor Agreement" with the company. This document will describe the objective of collaboration and clearly define each party's respective responsibilities, roles, and obligations. Successful applicants must be willing to share information with PROJECT regarding the increased purchases and impact that result from their initiatives. PROJECT program staff (on a sample basis) will conduct interviews with participants in the company's procurement networks as well as farmers/producers to gather information on impact and to monitor progress.

**Instructions for Completing the Budget**

Each applicant will prepare a budget using the format below. If possible (though not mandatory) the applicant should prepare and send this budget as an additional file in Microsoft Excel format. **Applicant must contribute to at least 30% to the direct costs\*\* of the initiative (this does not include the staff and indirect costs of the applicant).**

	Line Item	Budget Notes (describes line item in more detail)	Cost/ Unit	Days/ Unit	People/ Number	Total Cost	Company Investment	PROJECT Cost Share
1								
2								
3								
5								
6								
7								
8								
9								
10								
	<b>Total PROJECT cost share (up to 70% of direct costs of initiative)</b>							
	<b>Total Company investment (at least 30% of direct costs of the initiative)</b>							
	<b>Company staff and indirect costs related to the initiative</b>							

**\*\* Direct costs include all costs that can be directly attributed to the implementation of the proposed activity/initiative. Costs such as depreciation, administrative expenses are considered indirect costs.**

## APPENDIX 1: ILLUSTRATIVE BUYER INITIATIVES FOR AGRICULTURAL OUTPUT MARKETS

(to develop/improve capacity of their procurement network of farmers and intermediaries thereby creating greater market access for farmers, improved knowledge and inputs to produce to market specifications, etc.)

- **Procurement**
  - Development of new/innovative aggregation/procurement models in rural areas.
  - Development, improvement, or expansion of outgrowing (contract farming) operations.
  - Investigation into new areas where products can be produced and sourced from farmers/producers.
  - Develop seed multiplication programs to provide/sell high yielding varieties to growers the private sector LF is sourcing from.
  - Develop quality control / quality assurance / traceability systems to increase efficiencies and meet market demands.
  
- **Technology**
  - Introduction of new or improved tools/equipment for producers the company is sourcing from.
  - Technical support in developing post-harvest techniques that will benefit producers the company is sourcing from.
  - Technical support for company to develop or improve its final products (quality, packaging, labeling, product diversification, etc.)
  - Introduction of new methods for post-harvest storage, and/or methods to preserve product freshness and value.
  
- **Exposure Visits / Business to Business meetings***(domestic or international)*
  - Exposure/ learning/ B to B visits for buyers to identify:
    - sources of tools or equipment.
    - sources of raw materials.
    - new production technologies.
    - innovative ways of organizing procurement between producers and buyers.
    - new techniques for achieving high productivity/quality/lower costs from farm gate through to retail.
    - Techniques to identify and eliminate plant pest and diseases, etc.
  
- **Market access**
  - Technical support to meet requirements of new markets.
  - “Buyer-Seller Meets” *(meetings (national/international), where companies meet with potential buyers in person)*
  - Gain certifications (organic, ISO, HACCP, Global gap, etc.) to increase sales/exports (and subsequent procurement from farmers)
  - Company conducts meetings to inform producers about the products they are interested in buying from them.
  - Development of promotional materials, catalogues, web pages, etc.
  - Trade show participation
  
- **Finance**
  - Develop business plans for new products/ equipment.
  - Identify sources of finance for new equipment that will enhance sales.
  - Develop tripartite financing arrangements between private sector buyer, banks and producers the private sector buyer is sourcing from.
  - Develop crop insurance schemes with insurance companies.

This list is non-exhaustive, and additional or better ideas are highly encouraged. The purpose of this list is to provide illustrative examples of company initiatives that could be supported by the PROJECT program. Any combination of these activities is also encouraged. However, ***all supported activities must contribute to one or more of the following: i) new and innovative business models, ii) new and innovative technologies, iii) expansion into new geographic markets, iv) expansion to new suppliers in rural areas, such as women or youth and, iv) provide solutions to systemic market system constraints that are supportive to a greater number of smallholder farmers in the TARGET zone.***