

Terms of Reference for a Short-Term Consultancy Assignment (Sept 30, 2020)

Business Feasibility study for Horticulture Product Processing and Value Addition Initiative

1. Background and rationale of the consultancy assignment

Amhara region is one of the largest regional states in Ethiopia with a population of over 20 million and 170,000 km². The majority (more than 80%) of its people resides in rural areas deriving their livelihood from smallscale oxen-driven agriculture, which is the backbone of the economy serving as a source of food stuffs for the population and supplying raw materials to food industry, thus contributing significantly to the national economy.

Various policies/ strategies have been adopted by the government to enhance the competitiveness of agriculture sector through improved effectiveness at farm level and value addition along the supply chains. Policy talks stress promotion of commercialization and private sector development, and agro industrial parks and rural transformation centres have been established.

Amhara region has immense potential in horticulture production, but only small portion of the potential has been tapped. The sector is constrained by several factors, including low level of technology, very limited local value additions/processing and weak market linkages.

The Amhara Region Chamber of Commerce and Sector Association (ARCCSA) is a regional private sector entity established to strengthen the capacity of its members, provide services, information and to represent the private sector in policy formulation. Currently it has a total of 176 member Chamber of Commerce and Sectoral Associations with more than 245,000 individual traders and manufacturers as member. ARCCSA has been working closely with AgroBIG Programme to provide capacity building to its members.

In the previous year, an experience sharing visit was carried out by a group of CCSA members and leaders in Oromia and SNNPR familiarising with horticulture processing industries in these regions. Encouraged by what was discovered during the tour, a committee was formed to facilitate establishment of food-processing plant in Amhara region relying on the supply potential of AgroBIG programme woredas in particular. This ToR is prepared to guide the preparation **of business feasibility study** to discover the business potential and explore applicable business models for the envisaged initiative. Provided that the identified prospects show adequate potential, a business plan will, later on, be prepared after the necessary decisions are concluded by the committed investors.

Background of AgroBIG Programme

Programme for Agro-Business Induced Growth in Amhara regional state (AgroBIG) is a bilateral agribusiness development programme funded by the Ethiopian and Finnish governments. The Bureau of Financial and Economic Cooperation (BOFEC) of Amhara region is the responsible government coordinating agency of the Programme.

AgroBIG phase I was implemented during 2013-2017 in two woredas, Fogera and Mecha, aiming at improved productivity and further value addition along onion, potato, maize and rice value chains. AgroBIG II (2017–2021) is designed to sustain the gains of Phase I, and further strengthen agribusiness development in eight woredas in the Tana sub-basin: N/Achefer, S/Achefer, N/Mecha, S/Mecha, Bahir Dar Zuria, Dera, Fogera and Libokemkem. In total 89 kebeles are targeted with the aim to reach 300,000 direct beneficiaries in total, including farmer household members.

The long-term goal of AgroBIG II is to contribute to development that enables agriculture to provide decent sustainable livelihood to people in rural Amhara regional state. The Programme aims at value addition within eight agricultural value chains to increase incomes and create jobs for farming households and other actors, with a particular emphasis on women and youth. AgroBIG supports producers', traders and processors' access to finance and financial services to strengthen the sustainability of their enterprises. Moreover, the Programme supports capacity building to value chain actors to improve their capability to seize market opportunities in a profitable and sustainable way. Gender equality, reduction of inequalities and climate sustainability are promoted as cross-cutting objectives.

The total support from the Finnish Government to AgroBIG implementation and technical support is EUR 9,399,550. Of this, EUR 5,399,920 is allocated for BOFEC channel as implementation budget, and EUR 3,806,630 for technical assistance (TA), and EUR 193,000 is kept as contingency.

2. Objectives and description of the assignment

The objective of the assignment to uncover the overall potential and risks of the proposed venture, and to help making informed decisions regarding further development of the planned initiative.

The study will consist of the following tasks:

- Investigate the initial ideas, expectations and potential of the investors interested in the venture, map out the business experience, financial capacity, risk tolerance.
- Review the status of horticulture processing industry in Ethiopia, its recent progress, future scenarios and competitiveness. Explore experiences from other horticulture/ fruit product processing industry in Ethiopia.
- Explore the market demand and supply of processed horticulture products at regional/ national/ local level. Analyse the main suppliers, market systems, volumes, competition, projected trends. Address, among others, institutional buyers such as universities, prisoners' departments, hospitals and defence located in Amhara region, and zonal and regional level consumer coops/unions.
- Analyse the supply potential and risks of preferred vegetables (and fruit when relevant) from the preferred woredas (N/Mecha, Bahir Dar Zuria, Dera, Fogera, Libokemkem). Assess the aptitudes and performances of respective irrigation cooperatives, farmer marketing groups (FMG), individual brokers/ traders. The value chain analysis on tomato, onion and potato that were conducted in 2018 for AgroBIG can be used as reference material, as found relevant.
- Explore the regional outlets and end markets for fruit and vegetables and respective actors in Bahir Dar, Gondar, Dessie and Debre Markos.
- Assess the potential (processed) products that can be considered in short and long-term perspective.
- Outline physical premises and technologies required, availability of machinery and equipment, and respective cost estimates.
- Prepare cost-benefit analysis on priority products /alternative scenarios.
- Explore and describe the main regulatory requirements.
- Assess the availability of preferred sites for the establishment.
- Explore and assess potential business models
- Explore and assess applicable company forms.
- Assess the financial and human resources necessary to enable establishment and management of the envisaged venture.
- Prepare reports and present the findings in validation workshop.

The field analysis will mainly be done in the five selected high horticulture potential woredas (Fogera, North Mecha, Bahir Dar Zuria, Dera and Libokemkem). Visits to major zonal towns and other areas within the region will also be included.

The objectives and respective tasks of the assignment will jointly be elaborated with the consultant(s), ARCCSA and AgroBIG representatives before starting the work, and justified adjustments agreed upon.

The consultant must ensure that both genders are equally represented and participating in the work and various events carried out during the consultancy.

The draft feasibility study will be validated by the pertinent stakeholders.

3. Expected outcomes

- a. **Resources** for potential income generation activities identified.
- b. **Potential new products** and services and respective prospects identified and prioritised.
- c. **Potential new business ventures** identified and described, and three most promising business models prioritised in terms of feasibility and profitability.
- d. **A feasibility study prepared**, including outlines for an investment plan for the required infrastructure and facilities of the three most promising ventures.

4. Expected deliverables

- a. **Inception report** (in English) will be presented within 5 days from the onset of the assignment, describing the planned approach, methodology, draft schedules for the field visits and review meetings with the client during the assignment. The inception report will also describe how the consultant will transfer the knowledge and lessons gained from similar experiences into the current undertaking. In addition, the outline for the final report shall be included in the inception report. The report will be reviewed jointly with the client, and adjustments will be made as found necessary.
- b. **Draft Feasibility study report** (in English), including (but not limited to) the information and analysis as described above under sections 2 and 3. The outline of the final report will be jointly concluded at the time when the inception report is reviewed together with CCSA and AgroBIG representatives.
- c. **Presentation of the findings and recommendations in validation workshop** (in Bahir Dar)
- d. **Final report**, including the outcomes from the validation workshop. The report will be in English including an executive summary (2-3 pages) written in Amharic language.

3. Organizational setting

The assignment requires a Lead Consultant that is fully responsible of the outcome of the consultancy, and one or two Assistant Consultants, who work under close supervision of the Lead Consultant.

The Consultant team will perform its tasks independently, as scheduled and agreed upon in frequent (weekly) consultation with regional CCSA staff and AgroBIG PSU. The Lead Consultant reports to AgroBIG CTA.

AgroBIG office provides work premises for the Consultant team during the assignment, as well as transport within the AgroBIG operational area according to the agreed travel plan.

4. Duration of the assignment

Allocation of chargeable days for the team members:

- Maximum 42 fee days for Lead Consultant
- Maximum 30 fee days for Assistant Consultants in total (2 x 15 days or 1 x 30 days)

The team is expected to schedule the tasks ensuring that the defined areas of the assignment will be fully covered. The assignment is expected to be completed within eight weeks after approval of the Inception report.

5. Required qualifications and skills

Lead Consultant

- a. Minimum Master's degree in economics, business management /agribusiness development / food science and technology, or other relevant field of science.
- b. Ten years or more of relevant work experience is required. Experience of expert assignments undertaken outside Ethiopia and having relevance to the one described in this ToR will be valued
- c. Proven expertise in preparation of feasibility studies, business plans, market analysis etc. for food industry. Experience in preparation of value chain analysis for horticulture products is an asset. Practical experience of responsible positions in food industry (business development, technical solutions, marketing, financial management) will be valued.
- d. Sound understanding of the business environment and respective potential and challenges in Amhara region will be an advantage.
- e. Relevant professional networks.
- f. Professional in analysing quantitative and qualitative data.
- g. Proven ability to produce concise, informative reports in Amharic and in English languages.
- h. Excellent communication and facilitation skills and ability to work as part of a multi-cultural team.
- i. Proficiency in English and Amharic languages (written, spoken).

Assistant consultant(s)

- a. Minimum bachelor's degree in economics, business/ agricultural economics, market system development, business administration or other relevant discipline,
- b. Five years or more of relevant work experience in designing and conducting market surveys and analysis, or other surveys requiring variety of data collection and analysis methods.
- c. Proven skills in systematic documentation and analysis of interviews and other collected data
- d. Experienced in dealing with smallholder farmers, producer and consumer cooperatives, wholesalers, retailers, food industry representatives, government and other institutional entities
- e. Excellent communication skills and ability to work as part of a multi-cultural team.
- f. Proficiency in Amharic and English languages (written, spoken).

10. Budget and cost sharing

AgroBIG (TA channel budget) will cover the following costs related to the assignment:

- a. Fees for effective working days (preparation, field work, reporting)
- b. Transport cost to/from Bahir Dar when the consultant comes from outside the area (max 2 round trips for lead consultant, max 1 round trip for assistant consultants)
- c. Transport within the region and targeted woredas
- d. Per diem according to the MFA travel regulations
- e. Accommodation in Amhara region and on transit as due
- f. Stationeries, photocopying of materials.

The Consultant is expected to cover the following costs:

- a. Use own computer
- b. Insurance and tax obligations
- c. Any other costs not covered by AgroBIG.

Upon signing the contract, the Consultants are requested to give a statement of availability indicating the desired timeframe for the assignment.