



AGRI-CONNECT

Supporting Value Chains for Shared Prosperity with a focus on Coffee, Tea and Horticulture

SMALLHOLDER COFFEE DEVELOPMENT PROJECT (CODE-P) SEEKING A CONSULTANT TO ASSESS THE VIABILITY OF FINANCING COFFEE SMALLHOLDERS AND DESIGNING OF APPROPRIATE SERVICES

Terms of Reference

1. Summary

BRAC Tanzania Finance Limited (BTFL) seeks an experienced consulting firm to undertake in-depth research and product design exercise in the Southern Highlands of Tanzania using Human-Centered Design principles, to segment the market and develop key clients profiles, evaluate the business case for providing financial services to smallholder coffee farmers based on identified financial needs and market gaps, and design loan product prototypes for coffee smallholder farmers of Tanzania that are scalable, sustainable and impactful. This exercise is part of and will complement the Smallholder Coffee Development Project (CODE-P).

1.1 Background of the project

BRAC Tanzania is implementing a four years (2020-2024) project titled "Smallholder Coffee Development Project (CODE-P)" in a consortium of 5 organizations who are the Vi Agroforestry as the lead implementer, TaCRI, ANSAF and Cafe Africa. The project is part of the implementation of AGRI-CONNECT PROGRAM under the funding from European Union at eighty 80% through the National Authorizing Officer of the European Development Fund (EDF), at the Ministry of Finance and Planning, on behalf of the Government of the United Republic of Tanzania. Another part of the funding for the CODE-P of Twenty per cent (20%) is from Sida through Vi Agroforestry. The main objective of CODE-P is to contribute towards inclusive and sustainable development of the coffee value chain for enhanced incomes and improved nutrition status of smallholder farmers in six (6) districts of three regions namely Ruvuma (Mbinga and Nyasa), Mbeya (Mbeya and Rungwe) and Songwe (Ileje and Mbozi). Specifically, the project seeks to achieve the following objectives:

- Increased climate resilience, production, and productivity of quality coffee.
- Increased incomes from improved postharvest, processing capacities and linkages to market and financial services
- Enhanced competitiveness of coffee value chain with a supportive policy and regulatory framework.

BTFL contribute towards objective ii with mainly focus on facilitating access to inclusive financial service and Business development
Furthermore, the project envisages benefiting 24,000 smallholder farmers, comprising of 14,400 young women (60% women) farmers and 9,600 young men (40% men) farmers between the ages of 18 - 35 years.

2. About the organization

BTFL is focused on promoting financial inclusion especially among women living in poverty in rural and hard to reach areas. It is focused on women who have been left out by the mainstream financial institutions and aspired to contribute to their empowerment through entrepreneurship and employment. Together with its social development sister organization, BRAC Maendeleo Tanzania (BMT), it has been supporting women from all spheres of life.

BTFL started its microfinance operations in Tanzania in 2006 to provide access to finance to communities across the country. Fourteen years after its inception, BTFL is the largest microfinance institution in terms of the number of branches, serving more than 190,000 borrowers across 25 administrative regions, including both mainland Tanzania and Zanzibar.

3. About the project

In line with BTFL's mission to serve women in rural areas as well as to develop appropriate products for target segments, BTFL has decided to undertake in-depth financial market analysis and conduct a client-centric product development exercise in Tanzania.

Currently, BTFL has a generic agriculture loan product that provides microloan to smallholder farmers in a group setting with monthly repayments. Starting in 2014, this product portfolio currently has over 15,000 borrowers in 2020. This product does not focus on any value chains or account for the unique cash flow pattern and other needs of smallholder farmers. BTFL has also been piloting a loan product in partnership with One Acre Fund focusing on the maize value chain, which discontinued in 2019, following a product review and lessons learned exercise after 2 years of piloting. Major issues were:

- The maize value chain was not the farmers' priority and interest.
- Farmers did not get quality maize seeds hence low productivity that led to low returns and failure to repay their loans,
- Transportation problems: Farmers could not get the required farm inputs in time.
- Inadequate supervision of farmers since they just depended on a centralized demonstration farm for further learning and practices.

In 2020, BTFL has partnered with Vi Agroforestry, Tanzania Coffee Research Institute (TaCRI), Agricultural -Non-State Actors Forum (ANSAF), BRAC Maendeleo Tanzania (BMT) and Cafe Africa to implement the Smallholder Coffee Development Project (CODE-P) with the overall objective "To contribute to inclusive and sustainable development of the coffee value chain for enhanced incomes and improved nutrition status of smallholder farmers in Ruvuma, Mbeya and Songwe regions of Tanzania". As a part of this project BTFL aims to investigate the business case of offering agrifinance loan products to smallholder coffee farmers, especially focusing on women and youth engaged in the coffee value chain.

As part of this project, the Bureau of Agricultural Consultancy and Advisory Services of Sokoine University of Agriculture, Morogoro, has conducted a Baseline Survey and Stakeholders Mapping to inform project implementation interventions. The baseline study highlights coffee production practices, potentials, challenges, and current market actors. The baseline study identified a few market players providing financing to coffee farmers.

Given this background, the consultancy opportunity has the following goal:

- Assessment of Business-Case for Financing Smallholder Coffee farmers:** Leveraging the baseline study for the project, further evaluate the coffee value chain in the southern highlands of Tanzania in the designated regions under the CODE-P, analyze the demand for

and challenges to financing smallholder farmers, especially women and youth, conduct detailed competition analysis (coverage, offers, pricing, gaps etc.). Recommend whether there exists a business case for BTFL to finance coffee smallholder farmers (women and youth) in a sustainable and scalable way.

- Design financial Product Prototypes: If there is a business case for financing coffee smallholders, using a client-centric design approach, the consultant will develop at least two prototypes of the financial product(s) and service(s) that address the specific needs of coffee smallholder farmers, especially female farmer. The prototypes must also consider BTFL's internal capacity and processes, and resources.

4. Scope

4.1 Area to be covered:

The assessment and following HCD design will be conducted in Mbozi & Ileje Districts of Songwe region, Mbeya & Rungwe Districts of Mbeya region, Mbinga & Nyasa Districts of Ruvuma region for coffee smallholder farmers.

4.2 Methodology:

The design will be conducted by the selected consultant(s) who will lead the study team and will work under the supervision and support of the BTFL Product Development Manager with support from the CODE-P team where needed. The consultant is expected to come up with a detailed methodology for conducting market research and product design, taking into consideration the local context of the project area. The consultant will develop appropriate tools and will also propose an appropriate sampling size and methodology that is statistically valid and cost-effective. The sample size and proposed tools will be discussed and approved by BTFL management before the commencement of the project.

The study should employ both quantitative and qualitative methods. Data collection and research methodology may include

- Secondary data collection that will involve a review of specific project start-up documents, baseline studies, monitoring and evaluation framework, other literature, documents and studies from BTFL and project partners, any other publicly available data about demography, market, infrastructure, competition, etc.
- Primary data collection of both qualitative and quantitative data.
- Focus group discussions with women (at least 80%) and men within the target communities
- Key informant interviews with farmers cooperatives (AMCOS), Ministry of Agriculture, Tanzania Coffee Board, NGOs, Input suppliers, Financial institutions, transporting companies, coffee processors, local governments (Districts and Regional authorities), communities' cultural leaders and partners

4.3 The expected outputs/Deliverables:

- Deliverable #1: An inception report** (Completed 1 week after hiring Consultant)
 - Desk research. Identify gaps in available information (from the project baseline study and other secondary sources)
 - Research plan
 - Research tools/ questionnaire
- Deliverable #2: Identify Viability and Business Case of Financing Coffee Smallholders** (within 4 weeks after approval of 1st deliverable)
 - Map client segments across demography, economic activities, land size, technology use, etc. Identify priority segments/sectors (crops, locations, demographics, etc.) for developing financial products with BTFL.
 - Assess the coffee cycle so that the financial product matches the cash flow of coffee and assess the farmer economics (cost-benefit analysis of added yield/quality, given the average plot size), quantity demand for loans (loan size) and income per farmer per land size (repayment capacity)
 - Investigate in details the current finance providers' products, prices, performance etc. Identify market gaps and opportunity for BTFL in this sector.
 - Quantify long term costs and benefits from the project with different scenario analysis. Recommend whether developing and providing new loan products for coffee smallholders will be a viable, sustainable, and scalable opportunity for BTFL, based on the number of women involved in the coffee value chain, the demand and supply gap, risks and return of financing coffee farmers. Recommend whether BTFL's current products, services, and processes can be sufficient to support coffee farmers.

- Deliverable #3: Develop financial product prototypes for coffee farmers** (Completed after 6 weeks from 2nd deliverable approval)

IF found viable in Deliverable#2:

- Using client-centric methodologies (such as the human-centered design approach), design two financial product prototypes with potential clients
 - For each prototype, assess the need for and the appropriateness of any added services such as insurance or savings
 - Identify appropriate channels, and/or alternative credit assessment models for each prototype, including digital delivery channels
- With clients, identify, refine, and recommend at least two prototypes that BTFL can pilot in each area. In making the recommendations:
 - consider the internal capacity of the BTFL (IT system, staff skills, the financial resource needed, etc.)
 - consider the level of the country's infrastructure around connectivity, financial regulations, human resource availability, etc.
 - Include a recommendation for partner organizations and private sector actors as needed (Mobile Network Operators

(MNOs), fintech, banking agents, agriculture extension service providers, etc.).

- Provide a business case for each recommended prototype. Define parameters under which the products will succeed or fail. Identify major risks under each prototype and recommend ways to minimize risks.

IF found NO viability in Deliverable#2:

- Recommend alternatives to support smallholders with financing
- Develop an exit plan for a responsible handover to alternative financial service providers (FSPs) who could support in closing the gap on financing smallholder coffee farmers for the CODE-P.

- Deliverable #4: Final report and pilot plan** (Completed 2 weeks after producing the product prototypes)

- A final report compiling all recommendations with justifications and provide a detailed modality for each prototype. The final report will be submitted to BTFL in English
- With BTFL management, develop M&E tools, training modules, and product performance indicators for product pilot success.
- Final Validation workshop with BTFL, BMT and all CODE-P stakeholders on the findings of the exercise and planning next steps

Each deliverable must be submitted in a report format and a summary PowerPoint Slide (5-15 slides) for management consumption. Each deliverable must be reviewed by project stakeholders and approved by BTFL management, before proceeding to the next one.

1.4 Duration of the Consultancy & Reporting

This is a time-sensitive initiative and the probable start date for the product development exercise is expected to commence at the latest end of March, 2021, up to latest May 30th, 2021. The consultant should design the study to deliver the assignment in the shortest time possible without compromising the quality of the study. The consultant will provide an online database and data collection tools that will be accessible by BTFL authority for monitoring the progress.

5. Qualification of Consultant(s) / firm

The consultant(s)/Firm should have the following qualifications/expertise:

- Postgraduate degree in Agriculture, Economics, Agribusiness, International trade, Natural Resource management, Environment or others as may be relevant
- At least 5 years' experience of carrying out product design/development and research
- Experience in working with financial institutions, non-governmental organizations, and government in areas of agriculture production and value chain
- Experience in conducting client-centred research/market assessments in financial services for the bottom of the pyramid. Previous experience in similar work in Tanzania is preferred but not required.
- Deep understanding of issues around smallholder farmers' financial inclusion, especially that of female farmers, as well as broader issues that specifically affect women and youth living in poverty and rural areas in the country.
- Preferably have experience in human-centred design (HCD) approach (or other client-centric methodologies) to understand the needs, behaviours, and motivations of the target client, and to iteratively design product prototypes across the complete client's journey and product experience
- Knowledge of digital financial services/digital payment solutions and the supporting infrastructure in target markets
- Strong analytical, research, and writing skills with expertise in survey and qualitative research in the form of interviews and focus groups with low-income communities. Field research must be conducted in the local language (Kiswahili)
- Proactive project management skills with strong attention to detail. Experience working under tight deadlines with a multilateral team across time zones and managing a rigorous schedule of data collection
- Fluency in English

6. Consultancy fees and modalities of remuneration

The consultant and BTFL will agree on the remuneration. As part of this negotiation process, the consultant should propose the fees s/he wishes to charge on each deliverable as the payment will be done based on satisfactory performance of each deliverable before proceeding to the next deliverable

7. How To Apply

The offer should contain:

- A letter of interest addressed to the Chief Executive Officer for BTFL
- A Technical offer showing the interpretation of the ToR and indicating a detailed proposed methodology. The technical proposal should be no more than six pages (excluding budget and CVs)
- CV(s) of the consultant(s) or consultancy firm showing previous relevant experience
- A detailed financial offer indicating the cost required for the undertaking of the work required (this should include consultancy fee and reimbursable costs)

Submissions should include: 'Expression of Interest to Design a Financial Product for BTFL' in the subject box.

Send proposals to "mohamed.madati@brac.net" and should be received no later than **12th March 2021**. Any questions can be submitted to "mohamed.madati@brac.net" and salome.kisenge@brac.net prior to the submission deadline.