



Scope of Work

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| Consultant: | Individual |
| Program: | ADF II - Bayer |
| Scope of Project: | Market Assessment and Value Chain Analysis |
| Country: | Kenya |
| From: | April 2023 |
| To: | May 2023 |
| Task Manager: | Program Director |
| Technical Manager | Program Director |

Mercy Corps Background

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action—helping people triumph over adversity and build stronger communities from within. Now, and for the future. As a global organization with programs in over 40 countries, we focus much of our advocacy on influencing governments, multi-lateral institutions as well as foundations and the private sector to improve relevant policies, practices and decisions in order to better help vulnerable communities lift themselves out of poverty.

Program Context

Nearly one and a half billion poor people live on less than US\$1.25 a day. One billion of them live in rural areas where agriculture is their main source of livelihoodⁱ. An estimated 70 million Small Holder Farmers (SHF) live in Sub Saharan Africa, over half of whom are womenⁱⁱ.

Smallholders, who typically farm two hectares or less, provide over 80% of the food consumed in a large part of the developing world, contributing significantly to poverty reduction and food securityⁱⁱⁱ. However, increasing fragmentation of landholdings, especially in infrastructure, coupled with reduced investment support, growing competition for land and water, rising input prices and climate change threaten this contribution, leaving many smallholders increasingly vulnerable.

Given increasing world populations and demand for food, SHFs occupy an important segment of the global agricultural value chain^{iv}. Multinational buyers will increasingly rely on smallholders to secure their supply of commodities and to help satisfy consumer sustainability preferences^v.

At an estimated \$450 billion, the global demand for smallholder agricultural finance is large—and largely unmet. Credit provided by informal and formal financial institutions, as well as value chain actors, currently only meets an estimated USD 50 billion of the more than USD 200 billion need for smallholder finance in the regions of sub-Saharan Africa, Latin America, and South and Southeast Asia^{vi}. Impact driven smallholder agricultural lenders, currently satisfy less than two percent of the demand.^{vii} The volume and value of savings, lending and payment transaction SHFs in most African countries is not specifically measured.

Mobile phones are a powerful tool to access the electronic national retail payments system and enable vast numbers of clients to use a range of financial and informational services at lower cost. In agriculture,



progressively more services are being delivered via mobile phone. Applications now deliver direct specific, timely information on agricultural production methods to farmers through their mobile phones. Moving beyond one-to-one communication, there are internet- and SMS-based services that allows farmers to access inputs; access price information on different crops and provides a platform for smallholders to collectively sell crops and buy inputs, thereby lowering costs and accessing new markets.^{viii}

We believe that digital innovation can revolutionize the way smallholders farmers feed the world, that's why, based on years of learning and iterating, we built the AgriFin model to facilitate that process.

Launched in 2012, AgriFin's primary target group is un-banked smallholder farmers living on less than USD 2 per day. Mobilizing a vast network of partners, AgriFin ensures that the needs of farmers inform the design of partner products and services. Our shared global context is challenging – climate variability and population growth present unprecedented challenges. Yet, our experience tells us that farmers are determined to beat the odds.

With access to the right tools, smallholder farmers can build the resilience they need against climate and emergency shocks and continue to feed their communities. We know that government and private sector partners are best suited to deliver those tools, and that technology is a critical accelerator. Our aim is to connect smallholder farmers to products and services that increase their productivity and income by 50%, with a 40% target population of Women and Youth.

Purpose of Engagement

Expression of Interest for research individuals and Firms of repute for conducting Value Chain analysis in the animal fodder and feed value chain in Kenya, with a specific focus on opportunities and challenges/barriers for small scale producers including pastoralists. This assessment will support the identification of appropriate market-linked productive activities to be undertaken. While the Market assessment will identify overall market dynamics, players, mechanisms, requirements, gaps and opportunities and products, the purpose of the Value Chain Analysis is to determine how the identified products and their associated value chain can be developed to ensure effective participation by small-scale producers and opportunities for digital innovation technologies to enhance production capacities, market linkages and better price realization.

Scope of Work

Under the direction of the AgriFin Program Director, the consultant will be responsible for the following key activities:

Market Assessment:

- Identification of major local, regional and, if applicable, distant markets.
- Assessment of size of markets, volume of sales, market integration/segmentation
- Local market structure and enabling environment (e.g. security issues or policies affecting market access)
- Market actors (consumers, sellers, traders, middle-men, employers, Government) and their roles/behavior. Need to elaborate how these market dynamics relate to/create barriers and opportunities for small scale producers.



- Procurement mechanisms, market requirements (standards, conditions for delivery)
- and prices, wage rates and employment condition

Value Chain Analysis:

The Value Chain Analysis should necessarily contain the following:

- Given the market scenario, identify key products relating to animal feed and allied activities, that have potential for development of value chain and market linkages in the context of participants of the Program locations.
- Selecting and prioritizing value chain for promotion – and rationale.
- Mapping of value chains vis a vis demand & supply.
- Analyzing value chain technical capacities.
- Analyzing value chain competitiveness.

Based on the Market Assessment & Value Chain Analysis, the consultant should recommend the following:

- Recommendations for establishing linkages with profitable markets.
- Recommend a strategy towards supporting implementation of value chain development approaches/ models to enable project participants to succeed in specific value chains, in the given context.
- Recommendation for digital innovations that address key market failures and optimize value chain service delivery.
- Recommendation for partnerships development/linkages with key market Institutions, research institutions and technology institutions.
- Identification & recommendation on the areas of capacity building needs for the participants & field team/ coaches with respect to integration with rural agricultural value chains.
- Potential risks involved in each of the proposed value chains and mitigation strategies.

This project implementation shall be fully consultative with key stakeholders and in close coordination with AgriFin program.

Deliverables

The consultancy is a continuation of providing AgriFin Program with the following deliverables, with specific timelines to be agreed in the approved consultant workplan:

Deliverables and Implementation Schedule

| Deliverable # | Deliverable Description | Estimated deliverable due date: |
|-----------------------|---|---------------------------------|
| Inception Report | Minimum three slide power point presentation outlining the research methodology, workplan and data collection tools. | TBD |
| Final research report | Minimum twenty slide PowerPoint presentation outlining specified research questions including recommendations, bottlenecks, opportunities, value chain backward and forward linkages with all the actors. | TBD |

Required Qualifications

1. Demonstrated experience with socio-economic research on digital services solutions.
2. 10 years of experience in market assessments, local economic development, value chain analysis & development, strategic planning, and other related research projects.
3. Masters in economics and/or related social sciences required.
4. Strong written and oral communication and presentation skills in English, including report development, writing and editing.

Ownership/Control of Work Product/Publication

Matters relating to ownership and control of work product and publication of materials produced during course of this engagement are addressed in the main contract agreement entered into between Mercy Corps and the Consultant for performance of services for AgriFin Digital Farmer II.

Authorship and Acknowledgement

Matters relating to authorship and acknowledgment of any materials produced by the Consultant during the course of this engagement are addressed in the main contract agreement entered into between Mercy Corps and the Consultant/ consultancy firm for performance of services for AgriFin Digital Farmer II.

Task Manager/Coordination/Reporting

The Task Manager for this engagement is AgriFin’s Program Director. The consultant will direct all communications to the ADF Task Manager.

Endnotes

1. IFAD, Smallholders, food security, and the environment, 2013
2. Peck, Anderson, “Segmentation of Smallholder Households: Meeting the Range of Financial Needs in Agricultural Families”, 2013.
3. *New Partnership for Africa’s Development*, & <http://www.ipsnews.net/2012/12/the-industrialisation-of-africas-smallholder-agriculture/>
4. Peck, Anderson, CGAP 2013
5. AgriFin Facility Strategy. World Bank. 2010.
6. Agriculture sector strategy 2010–2014, African Development Bank; World development report 2008: Agriculture for development, World Bank
7. Dalberg, 2012
8. McKinsey, “Lions Go Digital; The Internet’s Transformative Potential in Africa”, 2013.
9. McKinsey, “Lions go digital: The internet’s transformative potential in Africa”, Nov 2013.
10. Schmidhuber, J., Bruinsma, J., and Boedeker, G, “Capital requirements for agriculture in developing countries to 2050,” Paper presented at the Expert Meeting on How to Feed the World in 2050 of the Food and Agriculture Organization of the United Nations, Rome, Italy. Retrieved from <ftp://ftp.fao.org/docrep/fao/012/ak974e/ak974e00.pdf>

ⁱ IFAD, Smallholders, food security, and the environment, 2013

ⁱⁱ IFAD, “Sub-Saharan Africa: The state of smallholders in agriculture”, Schonberger and Delaney 2011.

ⁱⁱⁱ Peck, Anderson, “Segmentation of Smallholder Households: Meeting the Range of Financial Needs in Agricultural Families”, CGAP Focus Note #85, April 2013.

^{iv} Dalberg, 2013

^v Dalberg, 2013

^{vi} MasterCard Foundation, “Inflection Point: Unlocking growth in the era of farmer finance”, April 2016

^{vii} Dalberg, 2013

^{viii} Peck, Anderson, “Segmentation of Smallholder Households: Meeting the Range of Financial Needs in Agricultural Families”, CGAP Focus Note #85, April 2013.