

# **ARIAS SOCIETY**

**Assam Rural Infrastructure and Agricultural Services Society**

*(An Autonomous Body under Govt. of Assam)*

**Project Coordination Unit (PCU), Proposed World Bank aided Assam Agribusiness and Rural Transformation Project (APART)**

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## **Draft Terms of Reference (ToR) for “Conducting Diagnostic Study on Finance Opportunities for Producers and Micro Entrepreneurs in the Selected Agri Value Chains” in the districts of Assam prioritized for APART**

### **1. BACK GROUND**

- a. Government of Assam (GoA), through the Government of India has applied for a loan of US\$200 million from the World Bank (W.B.) for implementation of the proposed **Assam Agribusiness and Rural Transformation Project (APART)**, which is currently under preparatory stage. The proposed Project Development Objective (PDO) is to increase value-added and improve resilience in the production and processing of selected agricultural commodities, focusing on small farmers and agro-entrepreneurs in targeted districts.
- b. The proposed project would support, value addition in the production and post-harvest segments of selected agricultural value-chains; facilitate agribusiness investments through inclusive business models that provide opportunities to small farmers as well as stimulate the establishment of new small and medium agribusiness enterprises; and support resilience of agriculture production systems in order to better manage increasing production and commercial risks associated with climate change, in the targeted districts. The project would adopt a cluster strategy within the targeted districts to generate economies of scale; promote vertical and horizontal links between local agricultural enterprises; enable diffusion of innovations; leverage network externalities; and channel public support for services and infrastructure. By adopting a cluster approach, the project would enable all the value chain participants to develop competitive and innovative products that meet market demands rapidly and successfully.
- c. A key project thrust will be on enhancing agglomeration of producers to improve economies of scale in processing and marketing. The project will support enhancement of agriculture and livestock productivity (including value and incomes) through essential climate resilient technology transfer in production and improved post-harvest and marketing operations, and also explore and pilot possible financing modalities to support entrepreneurship and agri-business. APART will leverage the natural resource advantages of the state as well as improve the investment climate and in particular, focus will be on processed food, agribusiness, logistics and infrastructure improvement, and MSME financing and insurance. Project beneficiaries will include farmers and entrepreneurs especially in the MSME segment. Others beneficiaries would include Farmer Producer Organizations (FPOs), and other value chain participants. For more information please refer to the “Combined Project Information Documents/ Integrated Safeguards Data Sheet concept stage” at the URL given in the foot note<sup>1</sup>.
- d. APART would adopt a cluster strategy within the targeted districts, to generate economies of scale; promote vertical and horizontal links between local agricultural enterprises; enable diffusion of innovations; leverage network externalities; and channel public support for services and infrastructure. By adopting a cluster approach, the project would enable all the value chain participants to develop competitive and innovative products that meet market demands rapidly and successfully.
- e. One of the subcomponents in the project would be “promoting access to and responsible use of financial services”. Under this sub-component, the project will facilitate access to a broad set of financial services and their responsible use by farmers, farmer organizations and other value chain players. The project will undertake two

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<sup>1</sup> <http://documents.worldbank.org/curated/en/docsearch/projects/P155617>

activities: i) provide financial education and counseling; ii) facilitate access to savings, credit, and insurance services including introduction of Electronic Negotiable Warehouse Receipts (ENWRs).

The financial education and counseling activity will be tailored to the needs of the target agricultural households and particularities of the primary value chains around which they are organized. Information on credit reporting and guidance on building a good credit history will be part of the financial education. The financial counseling will be further tailored to the financial situation of the individual households based on information on the household's assets, liabilities, incomes and expenses, and the history of their use of financial services.

The second activity will also be undertaken within the framework of value chains supported by the project. The activity will support the development of new financial products or adaptation of existing financial products to suit the needs of target farmers, farmer organizations, other value chain players and facilitate their use. Facilitation support will be provided by service providers engaged by the project on the basis of MoUs with financial institutions focusing on select Value Chains in the identified districts.

## **2. OBJECTIVE:**

The purpose of the survey is to have a baseline that can help design project activities aimed at increasing access to financial services for farmers and other value chain players and measure the impact of the project's support activities in the identified commodity value chains<sup>2</sup> in 16 identified project districts<sup>3</sup> in Assam.

## **3. SCOPE OF WORK**

### **A. *Financial Instruments-Supply Side***

- a. To understand the financial instruments available for agro MSMEs, and including financial products available for start-ups, women led enterprises, youth-led enterprises, and other enterprises perceived as more risky. The size, maturity and other relevant parameters of this portfolio should also be indicated.
- b. To document various value chain financing instruments available with financial institutions, and the further training needs for Value Chain financing instruments across different commodities. The size, maturity and other relevant parameters of this portfolio should also be indicated
- c. To outlay the different financial players-Nationalized Banks/Private banks/CBOs/MFIs/Small banks in the rural space provisioning the financial instruments, for example – MSME financing and value chain financing instruments, in terms of penetration, outreach and quantity of portfolio disbursed.
- d. To enumerate the access to such rural areas based financial instrument service mechanism/channels inclusive of the Branch/BC Models.
- e. To present an analysis of the information on different schemes by central and state government for promotion of agriculture and agribusiness enterprises and different financial products devised to complement the schemes, either by government or by financial institutions.
- f. To list the type of Credit Guarantee Funds available for the groups through center and state financial bodies and what are the gaps in using these funds. It would be analyzed through responses from some financial institutions and get real issues from the ground.
- g. To map and understand the role of different financial / nonfinancial stakeholders and value chain players like, SIDBI, KVIC, District Industry and Commerce Centers, Private sector players, NABARD, Banks, MFIs, Small Banks, and others in promoting the financial instruments.
- h. To validate the unmet demands of the borrowers from the bankers' perspective.

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<sup>2</sup> APART focus commodities: cereals (rice, maize), pulses, spices and condiments (ginger, turmeric, mustard), fruits (banana), vegetables, livestock (pork, milk), fish and silk

<sup>3</sup> APART Districts: Undivided Nagaon, Undivided Sonitpur, Barpeta, Undivided Karbianglong, Undivided Kamrup, Undivided Dhubri, Golaghat, Kokrajhar, Lakhimpur, Darrang, Cachar, Undivided Sivsagar, Undivided Jorhat, Goalpara, Morigaon and Nalbari; Note undivided districts are as 1<sup>st</sup> April, 2016

- i. To map the different insurance instruments – (especially crop insurance, cattle insurance, life insurance, health insurance and asset insurance) available with the sector catering the needs of the rural enterprises.

**B. Financial Instruments-Demand Side**

- a. Types of financial products demanded by the small and medium enterprise owners; the availability of the products and the challenges faced by entrepreneurs.
- b. Any specific support measures required by the start-ups, women led enterprises, youth-led enterprises, and other enterprises perceived as more risky (these could include additional training needs, measures to resolve lack of collateral, etc)
- c. To quantify the demand/readiness of financial instruments for enterprise promotion, especially with the borrowers in the Project blocks.
- d. To characterize the population –producers, entrepreneurs, others who demand for different financial instruments and the reasons for the demand.
- e. To enumerate the unmet demands from the perspective of the future borrowers.
- f. To understand the insurance penetration (especially crop insurance, cattle insurance, life insurance, health insurance and asset insurance) among the community members.
- g. To study the penetration of Warehouse Receipt financing in specified value chains, reasons for existing status and recommendation thereof.

**C. Financial Education**

To chart the current level of basic knowledge on how banks work, exposure to bank branches, ATMs, cash agents etc, awareness of simple financial instruments like bank accounts, savings, insurance, loan, Kisan Credit Card (KCC) etc and their benefits. Awareness on pre-requisites to avail these financial services. Variation in financial literacy levels due to differences in gender headship of households. Current level of financial literacy and credit counseling services being provided by public and private service providers and possible reasons thereof; Aspiration levels to avail financial services. Basic financial training, capacity building and counseling needs will be studied.

**4. METHODOLOGY**

The diagnostic study would be carried out in all 16 project districts as listed above and cover the value chains of cereals (rice, maize), pulses, spices and condiments (ginger, mustard), fruits (banana) and vegetables, livestock (pork and milk), fishery and silk. All the value chain players in each value chain will be studied. The sample size in each category of value chain players, along with support institutions to be covered will be shared by the consulting firm with client in the inception report which will be vetted by client. The draft questionnaires for each category of respondents will also be shared by the consulting firm with the client and will be finalised after client’s concurrence.

District wise following commodity value chains will be studied

Sl.	District	Value chains to be studied
1	Undivided Nagoan	Vegetables, Milk, Maize, Banana, Fish
2	Undivided Sonitpur	Vegetables, Milk, Pork, Mustard, Ginger, Pulses (Blackgram & Lentil), Silk, Fish, Banana
3	Barpeta	Rice, Vegetables, Pork, Milk, Fish, Pulses (Lentil)
4	Undivided Karbianglong	Rice, Pork, Milk, Vegetables, Ginger, Maize
5	Undivided Kamrup	Rice, Milk, Fish, Banana, Pork, Silk, Vegetables,
6	Undivided Dhubri	Rice, Maize, Mustard, Fish, Pulses (Blackgram, Lentil), Milk, Ginger, Pork, Milk, Vegetables

7	Golaghat	Rice, Mustard, Pulses (Blackgram, Pea), Vegetables, Milk, Silk, Pork, Ginger, Fish
8	Kokrajhar	Pork, Milk, Vegetables, Fish
9	Lakhimpur	Vegetables, Milk, Silk, Pork, Banana, Fish
10	Darrang	Rice, Vegetables, Mustard, Maize, Milk, Fish, Banana, Pork, Pulses (Blackgram)
11	Cachar	Rice, Milk, Fish, Vegetables, Silk
12	Undivided Sivsagar	Rice, Milk, Banana, Vegetables, Pork, Silk,
13	Undivided Jorhat	Rice, Milk, Silk, Pulses (Blackgram, Pea), Vegetables, Pork, Fish, Mustard
14	Goalpara	Rice, Pork, Milk, Silk, Vegetables, Fish, Banana
15	Morigaon	Vegetables, Pork, Milk, Pulses (Lentil), Mustard, Maize, Banana, Fish,
16	Nalbari	Rice, Vegetables, Pulses (Lentil), Maize, Fish, Milk

## 5. DELIVERABLES & TIMELINES

**Deliverable 1:** A preliminary report on the immediately available secondary information across the financial sector pertaining to the above said objective.

**Deliverable 2:** A clear consolidated report on the above said objectives with narration and analytical methods.

### *Timelines*

Activity	No of days from giving assignment	Payment
Inception Report – with clear explanation of methodology, sampling and sample size for primary data gathering.	7	10%
Preliminary report based on secondary and sample primary data gathering	40	40%
Report presentation and submission	80	40%
Final report submission based on inputs from team	90	10%

## 6. KEY PROFESSIONALS WHOSE CVs WILL BE EVALUATED

Sl.	Designation	Qualifications and Experience
1	Team Leader	A Post graduate in Economics/ Business Administration/ Finance/ Banking or a closely related field At least 15 years of relevant professional experience in banking/ microfinance/ enterprise financing/ rural financing. Should have experience in managing public sector projects in Agriculture/Agribusiness/Rural Infrastructure/Finance or closely related fields. Experience of working in World Bank projects is desirable.
2	Financial Inclusion Specialist	A Post graduate in Commerce, Finance, Micro-finance, Banking, Rural Economics, Development Economics, Rural Management, Development Finance or a closely related field At least 10 years professional experience in developing/ emerging markets on financial inclusion/ micro-finance/ rural finance development including five years in programs that included multiple financial sub-sectors either in a program management function or as technical expert.
3	Banking Specialist	A Post graduate in Banking/ Finance/ Economics/ Business Administration or a closely related field At least 10 years of relevant professional experience in the field of financial

Sl.	Designation	Qualifications and Experience
		inclusion, retail banking, financial product design, rural credit, agri lending, microfinance or closely related fields.
4	Associate-Rural Finance/Enterprise Finance (2 nos.)	<p>A Post graduate in Business Management/ Rural Development/ Rural Management/ Entrepreneurship/ Agribusiness/ Commerce/ Finance/ Microfinance/ Economics/ Agricultural Economics/ Rural Economics or a closely related field.</p> <p>At least 5 years of relevant professional experience of working in banks, micro finance institutions, rural financing, enterprise financing, financial assessments or closely related disciplines especially in rural context in agri value chains and micro enterprises. Proficiency in the local language would be an advantage.</p>

**8. SERVICES AND FACILITIES TO BE PROVIDED BY THE CLIENT**

- a. Access to existing relevant documents/reports/data/background information etc about the project;
- b. No other services and/or facilities whatsoever will be provided by the client.

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