



RE-ADVERTISEMENT - TERMS OF REFERENCE FOR SEED SECTOR STUDY

To review AECF's strategy that seeks to facilitate access to improved seed varieties to smallholder farmers by investing in private seed production companies

1.0 The AECF

The AECF is a development institution which supports businesses to innovate, create jobs, leverage investments and markets in an effort to create resilience and sustainable incomes in rural and marginalized communities in Africa. Launched in 2008, the AECF has mobilized over US \$310 million to date, leveraging more than US \$580 million in matching capital and improving the lives of more than 13 million people in 2016 alone through jobs and increased household incomes. AECF has so far supported 257 companies in 24 countries in sub-Saharan Africa across 40 value chains in our focal sectors of agribusiness and renewable energy.

In the new 2018-2020 strategy, our goal is to “double our impact in half the time”. To achieve this, we will continue to focus on the agribusiness and renewable energy sectors, increase support to climate smart technologies, refine our challenge model, expand regional presence, deepen focus on gender, youth and employment by expanding our products and partnership approach to better meet our investees' current needs; and ensure they rapidly scale and transition to external financing and sustainability thereby attaining our vision of 'A Prosperous and Enterprising Rural Africa'. More information can be found at www.aecfafrica.org

2.0 AECF investing in the seed sector

The promotion of seeds and planting material is a core thematic focus of the AECF, with funds provided in every investment Window since the inception of the Fund in 2008. AECF has invested in 26 companies in ten countries that directly target the development or delivery of improved seed varieties or propagating material to smallholder farmers – it additionally funds projects that indirectly provide improved varieties of mangoes, oil palm, cocoa, macadamia and avocado as well as a range of field crops within the scope of investments in improving agricultural value chains.

This funding helps companies producing seed and planting material better reach the rural poor by financing some of the additional costs of doing business with low income people – including provision of advisory support, establishment of marketing structures, development of varieties used in marginal agriculture, selling in smaller packages and bundling seed with other inputs. Projects range from large scale distribution of improved cereal crop seed to development of very specific new types of planting material, such as rose rootstock and banana tissue culture. Business models include seed multiplication by outgrowers, production of seed for sale to smallholders and bundling with other inputs (including financial products) for smallholder outgrowers.

At US \$15M in both loans and grants, this direct investment in the seed production sector represents only 12% by value of the AECF agribusiness portfolio but, at 640,000 households benefiting, it contributes almost 40% of the total reported reach in 2016. The total reported benefit of US\$60m in 2016 represents 31% of the US \$194M improvement in household income for the overall agribusiness portfolio. Funding is broadly split between established seed companies looking to expand to the BoP and new businesses seeking to develop novel approaches to the production and sale of planting material. The benefit generated for smallholders is modelled on the anticipated (or actual, where this is recorded) improvement in yield multiplied by the amount of seed sold divided by the planting rate. In general, these investments provide limited improvements in income to very large numbers of smallholders. This is likely to under report benefit as it does not include those farmers who save seed from earlier plantings of improved varieties and still gain a small improvement in yield.



Although AECF funds companies of varying sizes, in the global context they are all either small or medium sized actors. With multinational seed producers moving into the African market, survival for AECF investees in the longer term is likely to involve some form of collaboration or sale to these operators, especially in the production of cereal seeds. AECF offers companies the opportunity to develop products and methods of successfully reaching large numbers of small scale farmers and opening up a potential market for the future. This in itself may make the companies more attractive and some AECF investees who deal with smallholders have already merged with multinational companies.

AECF is in the process of finalising the design of a specific investment instrument for the seed sector with proposed funding of US \$10M from AGRA and Syngenta Foundation for Sustainable Agriculture (SFSA). It will focus on supporting medium sized seed companies scale and will be initially targeted at existing beneficiaries of AGRA's PASS before being opened to the market more broadly once subsequent funding has been secured. Lessons from this study will contribute to the implementation of this investment effort.

2.1 Information on investee performance

As part of its portfolio management function, AECF requires its investees to report high level financial performance data as well as how they reach end beneficiaries and the costs and benefits for smallholders of using their products. This information will be made available to the successful contractor along with any other necessary information collected as part of the pre-contracting due diligence. Further specific information can be sought from investee companies as part of this study although they are in no obligation to collaborate and may choose not to do so. AECF portfolio, country and MEL managers also remain available to the consultant to provide further information and to facilitate communication and collaboration with investees.

2.2 Key issues in seed sector investing

AECF has tended to fund established seed companies with developed genetics looking to expand either their geographical reach or their volume of production to enable them to better reach smallholder farmers. Some of these companies already specifically target smallholders whilst others are more focused on the commercial farmer market and looking for soft funds to bring them into the smallholder space. Some seek to develop or introduce hybrid seed, others open pollinated varieties or a combination of the two. Most are seeking funding for a particular crop but others in less competitive areas will be growing a range of crops for smallholders. It is normal to offer an extension or advisory service but some companies propose a more comprehensive solution of inputs either directly or in partnership with other suppliers or agro dealers.

Smallholder farmers face a range of issues different to commercial producers including limited infrastructure, access to land, fragmented parcels, degraded soils and minimal mechanisation. Defunct state extension services in most countries leaves farmers without information on appropriate farming techniques and access to technical analysis of their soil. They frequently cannot afford additional inputs and being at the end of the supply chain means that even if they can afford them, basic inputs are often not available in a timely manner for their cropping cycle. They lack physical access to markets or the capacity to efficiently store what they produce, leaving them vulnerable to traders who extract most of the value from the crop. Smallholders are often targeted by interventions from government or donors providing subsidised inputs at irregular time intervals which provides short term benefit but distorts both the market and the farmer production system. They almost exclusively rely on rain for watering crops and lack irrigation.

Improved variety seeds carry the potential to fundamentally improve the yields of key crops and with this the incomes and welfare of millions of low income African farmers. Studies undertaken by the AECF of some of its projects, as well as information regularly reported by investees, indicate that improved variety seeds are making a significant contribution to improving yields. However, the impact at the farmer level is often not as high as seed producers claim and the uptake of improved variety seed remains stubbornly low despite



the substantial efforts from a range of actors across the continent, coupled with sector reform and liberalisation.

Numerous studies have been undertaken by governments, donors and international research organisations on the challenges of bringing companies involved in the production of improved variety seeds into the smallholder context. The purpose of this study is to link current thinking on what works and what doesn't with the approach taken by AECF to critically assess how the investment approach can be revised to lead to greater impact in the future.

3.0 Scope of work

Overall objective

- Improve the AECF's evidence based investment strategy and project selection guidance for recruiting private sector seed companies working with smallholder farmers

Immediate Objectives

- Identify the key lessons learned from the various models funded by the AECF for reaching smallholder farmers by private seed companies in sub Saharan Africa;
- Identify key success factors from secondary research on investing in private sector seed companies working with smallholder farmers

In addition to funds already committed from historical financial support, the AECF has recently established a specific investment window for private companies in the seed sector with initial funding from AGRA and SFSA. This is intended to target investments in field crops other than staples, seeking to bring improved climate smart but frequently overlooked varieties of grains and legumes to smallholder farming systems.

The AECF has financed a range of business models in the seed sector, many of which have come to scale and offer important opportunities for learning in support of the implementation of this new funding. Analysis of the AECF's investment in the seed sector, coupled with a broader review of success factors when investing in the private sector to stimulate the use of improved variety seed by smallholders will contribute to improving the investment approach for the future.

It is clear that there is no single approach to investing in private sector seed companies. The needs of these companies vary by crop type, by country and by company size and they also change over time. However, it should be possible to develop a series of broad findings on the projects that have been funded by the AECF and how future selection in the context of the new seed window can be improved.

Activities

The assignment consists of a desk based study reviewing primary information from AECF as well as secondary information from other sources. Further interviews or requests for information from investees can be undertaken as necessary and field visits can be included if the consultant considers these essential for the successful completion of the work. Consultants are expected to use a wide range of published or unpublished secondary sources to support the development of opinions as they deem necessary and should provide an overview of the sources that they expect to utilise in their proposal. The consultant will be expected to work closely with AECF technical and MEL teams in the collection and analysis of data.

From a review of the project documentation and discussions with AECF staff, the consultant is required to review the projects funded by AECF included in the annexed list below (excluding Stokman Rozen) and make a short assessment on the relevance, effectiveness and impact of each. The specific questions that should be answered for each of these elements include:

| | |
|-----------|------------------------------------------------------------------|
| Relevance | Was the size of funding appropriate to the needs of the project? |
| | Was the balance between grants and loans appropriate? |

| | |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Was the business plan as proposed appropriate to the crop? |
| Effectiveness | Was the project successful or is it likely to be successful? |
| | What were/are they key reasons for either success or lower than expected success for each project? |
| Impact | Have poor farmers benefited from increased availability of quality seed? |
| | What were/are they key reasons for either success or lower than expected success for each project? |
| | In what ways did small holder farmers, and others in the chain mostly benefit? <i>(Increased incomes from yields, growing & selling new and more marketable varieties, reduced distance to points of seed access, lower costs of acquisition due to bulk orders by small holders, starting seed multiplication as an additional business line by farmers, etc...)</i> |

Based on the review of secondary information as well as the findings on the AECF funded projects, the consultant is expected to answer the following questions:

- Has the AECF targeted the right part of the seed supply chain?
- Have AECF projects provided the right level of funding to achieve the objectives of the applicants' business plans?
- Are AECF projects targeting the right seed companies by size, maturity and the stage of seed production (breeder, foundation/basic or multiplying certified seed)?
- Are the projects funded by the AECF sufficiently mature at the time of financing?
- What business models have worked and what have not worked, and why?
- Have the AECF projects taken sufficient consideration of other necessary actors in the value chains where they have sought to work? (agro dealers, input supply companies, post-harvest processing/storage, market for seed/grain, regulatory authorities etc)
- What are the most effective ways that AECF and its investees should partner with sufficient and necessary partners to drive impact from investments in the seed sector
- What level of understanding of seed market dynamics does the AECF need to make effective investments?
- How should the AECF change its investment selection processes to improve the targeting of seed companies? What specific issues need to be taken into consideration?
- Are there any countries, crops, business models or types of seed company that the AECF should particularly focus on in the coming three years of its investment process?

Whilst the study is designed to review individual companies to generate a wider perspective on the seed industry ecosystem for smallholders, it is not intended to assess or target specific companies in the context of the forthcoming Seed Company Window.

4.0 Output and Reporting Requirements.

The consultant will be expected to deliver the following outputs:

- i. A short inception report submitted within 30 calendar days of the start of this assignment with methodology and approach, including timings and any initial observations or issues that will affect implementation;
- ii. Two technical reports – a confidential analytical report on the performance of AECF projects answering the questions on relevance, effectiveness and impact and a broader report covering the consolidated analysis.
- iii. A presentation of the findings and discussion of them with the AECF should be made in Nairobi, either in person or by virtual means.



5.0 Duration of Service

The assignment should be undertaken within four calendar months, including three weeks for commenting on the draft and submitting the final version of the report. The consultancy is expected to commence end of May 2018.

6.0 Proposal submission.

Interested and qualified consultants (individual or institutional) are invited to submit the proposal which include the following:

- a) Qualification and experience of the individual/institutional consultant.
- b) Approach and methodology to undertake this assignment.
- c) Previous experience in similar assignment(s).
- d) Detailed financial proposal (in USD) and realistic work plan. The financial proposal should include cost breakdown such as daily fee rate, daily allowances, direct costs/reimbursable expenses and any applicable taxes

AECF will require submission of documents such as a registration and other relevant statutory/tax documents from the successful bidder prior to contracting therefore they should not be submitted at this stage.

AECF is a Kenyan registered organisation and subject to Kenyan withholding tax and VAT rules. Tenderers are advised to ensure that they are fully acquainted with Kenyan tax legislation when compiling their offers.

7.0 Qualifications.

The tenderer can propose an individual or a team of consultants as they see fit to offer the most appropriate solution. Different experts can provide different skills but the minimum competencies to be provided by the team together must include:

- Significant (at least 10 years') experience in the seed sector in the sub Saharan Africa context, with demonstrable competence in improving access for smallholder farmers to improved varieties;
- Clear understanding and experience in private sector development and the role of the private sector in the development of improved variety seeds for smallholders across Sub Saharan Africa.
- Fluency in written and spoken English. Preferably a strong academic background in seed sector research

Applications must be received at procurement@aecfafrica.org by **17th May 2018**.

E-mail Subject Reference should be: [AECF Seed Sector Study](#)

| Window | Grantee | Crop | Business model | Country | Year started | AECF funding (US\$) |
|--------|-----------------------|-----------------------|------------------------------------------------------|--------------|--------------|---------------------|
| GW | Western Seed | Maize | Outgrower multiplication plus sales through agents | Kenya | 2009 | 1,500,000 |
| | Agrobiotec | Bananas | Banana tissue culture for disease resistance | Burundi | 2009 | 440,000 |
| | Progene Seed | Cow Peas | Outgrower multiplication and sale of high yield seed | Zimbabwe | 2009 | 500,000 |
| ZIM | Kencor Management | Maize | Establishment of smallholder outgrowers for OPV | Zimbabwe | 2010 | 621,605 |
| RIB | Leldet | Sorghum & pigeon peas | Small packet seed of orphan crops suited to ASAL | Kenya | 2010 | 360,000 |
| | FAIM Africa | Banana | Banana tissue culture | Rwanda | 2011 | 750,000 |
| | Phoenix Limitada | Maize | Seed sold through NGOs | Mozambique | 2011 | 800,000 |
| | Klein Karoo | Maize | Multiply and marketing seed | South Africa | 2011 | 700,000 |
| | Cross Frontier | Bananas | Banana tissue culture | Kenya | 2013 | 580,000 |
| | Stockman Rozen | Roses | Development of new rootstock | Kenya | 2013 | 600,000 |
| TZAW | Mtanga Farms | Potatoes | Multiply and marketing seed | Tanzania | 2011 | 1,000,000 |
| | Kilimo Markets | Pigeon peas | Outgrower multiplication of pigeon pea seed | Tanzania | 2012 | 365,222 |
| | SeedCo | Maize | Multiply and marketing seed | Tanzania | 2013 | 820,000 |
| | Agriseed | Soya | Multiply and marketing seed | Tanzania | 2015 | 200,000 |
| | Meru Agro-Tours | Maize | Multiply and marketing seed | Tanzania | 2015 | 700,000 |
| | Aminata Quality Seeds | Maize | Multiply and marketing seed | Tanzania | 2016 | 450,000 |
| | Africasia Seed | Vegetable seed | Multiply and marketing seed | Tanzania | 2016 | 500,000 |
| | Regina Seeds Ltd | Vegetable Seed | Multiply and marketing seed | Tanzania | 2016 | 400,000 |
| | Alpha Seed Company | Vegetable Seed | Multiply and marketing seed | Tanzania | 2016 | 100,000 |
| AAW | Kisima Farm | Potatoes | Multiply and marketing seed | Kenya | 2013 | 550,000 |
| | Kenya Highland Seed | Tomato | Multiply and marketing seed | Kenya | 2012 | 600,000 |
| | Dryland Seed | Maize | Sale of seed via one stop shop | Kenya | 2013 | 508,000 |
| | Naseco | Maize and legumes | Multiply and marketing seed | DRC/Burundi | 2016 | 700,000 |
| | Peacock Seeds | Maize and legumes | Multiply and marketing seed | Malawi | 2016 | 400,000 |
| | Stewards Globe | Legumes | Outgrower multiplication plus sales | Zambia | 2016 | 800,000 |
| SSW | Century Seed | Maize | Outgrower multiplication plus sales | South Sudan | 2013 | 500,000 |

EVALUATION CRITERIA

| No. | Criteria for Assessment | Marks | Score |
|---------------------------|-----------------------------------------------------------------------------|-----------|-------|
| 1. | Understanding of the terms of reference | 15 | |
| | - Explanation of the background to the sector | 5 | |
| | - Description of the problem to be solved | 5 | |
| | - Understanding of what AECF is expecting from the work | 5 | |
| 2. | Methodology and work plan | 20 | |
| | - Relevance of the methodology proposed to the needs of the assignment | 15 | |
| | - Adequacy of the work plan, including key deliverables and timing | 5 | |
| 3. | Technical experience of staff offered | 15 | |
| | - Relevant tertiary level qualification | 2 | |
| | - Years of professional experience | 3 | |
| | - Evidence of similar scale research based background (academic/consulting) | 10 | |
| Total Score | | 50 | |
| Any other Comments | | | |