

TERMS OF REFERENCE

CONSULTANCY SERVICES TO DEVELOP A SUSTAINABILITY PLAN INCLUSIVE OF A SITUATIONAL ANALYSIS AND A STRATEGIC PLAN OUTLINING THE BUSINESS CASE AND THE FINANCIAL AND OPERATIONAL MODEL FOR THE ESTABLISHMENT OF AN AGRO-PROCESSING FACILITY CONCEPT

1. BACKGROUND

1.01 In 2019, the Commonwealth of Dominica was one of the fastest growing island economies of the Caribbean^{1/}, fuelled by a resurgent tourism sector after the devastation caused by Hurricane Maria in 2017. However, with the onset of the COVID-19 pandemic, the tourism sector experienced a drastic decline moving from 334,816 visitors in 2019 to 145,877 in 2020 representing a decline of over 50%. The year 2021 registered an even more dismal performance with a total of 66,164 visitors for the year. Cruise Ship tourism, in particular, was impacted more than land-based tourism and accounts for around 65–70% of tourist arrivals in Dominica and contributed to the drastic fall in tourist arrivals. Although there has been some recovery due to the introduction of vaccinations, tourism figures for the quarter ending March 2022 were still below that of 2019 by well over 50%. Stay-over arrivals, which would normally account for greatest spend, were just over a quarter of 2019 expenditures.

1.02 The agricultural sector, on the other hand, remained resilient during the onset of the COVID-19 pandemic due in part to direct fiscal support to the sector by way of supplemental income and raw material inputs to farmers. Agricultural economic output grew by 3.1% in 2020 and then by 26.4% in 2021^{2/}. Crop production during this period accounted for the increase in output particularly as the Government of the Commonwealth of Dominica (GOCD) pursued a deliberate policy aimed at enhancing the production capacity of small-scale farmers while simultaneously improving their social and economic resilience^{3/}. Over the last three years the agricultural sector, as a share of total real Gross Domestic Product, has grown from 8% in 2019 to 11% in 2021^{4/}. Notwithstanding these developments, the country is particularly dependent on food imports. This makes the country highly vulnerable to international food prices and increases the island's risks to food insecurity, though compared to the rest of the Caribbean region, the incidence of the prevalence of food insecurity is much lower^{5/}. This issue is particularly resonant as the global food sector continues to experience successive and cumulative supply disruptions as a result of the COVID-19 pandemic, and which is now being exacerbated due to the Russian-Ukraine conflict.

1.03 Situated in the hurricane belt, Dominica is vulnerable to severe weather events, which in the past have destroyed farmlands and supporting infrastructure. During the years 2014–2018, Dominica experienced ten tropical storms as well as two hurricanes which resulted in significant loss of lives, livelihood and economic progress^{6/}. Such weather events, as well as events which inflict exogenous shocks

^{13/} The Economic Commission for Latin America and the Caribbean (ECLAC) 2020

^{2/} <https://www.eccb-centralbank.org/statistics/gdp-datas/country-report/4>

^{3/} Over the fiscal year, 2020/21 GOCD facilitated access to affordable inputs, quality seeds and planting material. This effort resulted in an overall increase in agricultural production with 4,409 acres being cultivated, compared to 3,320 during FY 2019/20. The National Budget of The Commonwealth of Dominica Fiscal Year 2020-2021.

^{4/} <https://www.eccb-centralbank.org/statistics/dashboard-datas/>

^{5/} According to the FAO Food Security Index Dominica is the second highest country in the Region with a record of 5.6% prevalence in undernourishment in the total population during the review period 2018-2020 this represents a relatively low incidence, but it has somewhat edge upwards by .2 percentage points from its previous estimate for the period 2004–2006.

^{6/} Dominica was ranked as the fourth highest country in regards to disaster risk worldwide (World Risk Index, 2021).

to the economy as exemplified by the pandemic and ongoing Russia-Ukraine conflict, have the propensity to accelerate the pace of vulnerable groups slipping further into impoverished conditions and exaggerates existing inequalities, particularly access to employment, food, and other basic needs.

Current state of the agro-processing industry in Dominica

1.04 The agro-processing industry comprises over 40 small cottage processors. The sole remaining large processor is the Dominica Coconut Products Successors Limited which manufactures soap products. Bello Products which ceased operations in 2017 due to the destruction of its facility by Hurricane Maria^{7/} was one of the country's large private sector agro-processors specialising in a range of products including tropical fruit juices, drink concentrates and related preserves as well as various spices, coffee, chocolate, and food condiment sauces.

1.05 Over the years, agro-processors have formed a number of groups which serve as focal points of efforts for market penetration and business development. These processing agencies, while diverse in nature, pointed to the fact that various fresh produce were sufficiently in surplus supply and hence complimented the agricultural sector by adding value through downstream industries in the agro-food value chain.

1.06 The Ministry of Agriculture (MoA) also, in the past, operated a multi-purpose packing house and an agro-processing facility which served to benefit both upstream and downstream^{8/} operators within the agro-food value chain. For upstream operators, the facility played the role of absorbing supply gluts in the market especially in root and tuber crops. This helped to: (1) eliminate the problem of food waste by further transforming fresh produce to finished processed goods such as flour and mash; and (2) provide opportunities to generate foreign exchange through downstream market retailers and processors including those in international markets. In 2020, Dominica exported around USD25,600 (approximately just over 36,000 tonnes) of cassava making it the 109th largest exporter of cassava. In the same year cassava was the 91st most exported product in Dominica.

1.07 The government facility also assisted small agro-processors by providing access to equipment and machinery capable of producing products by volume thereby enabling entrepreneurs to leverage market opportunities available within the economy. Notwithstanding the role played by the government-owned facility, it lacked the appropriate quality infrastructure and therefore fell short of meeting international best practices. There is therefore now an opportunity to establish an agro-processing facility which encompasses internationally recognised quality standards.

1.08 Currently GCOD through the Dominica Export Import Agency (DEXIA) plays the role of a 'clearing house' between cultivators and retailers in overseas markets for a number of food products including bananas and, root and tuber crops. Additionally, DEXIA undertakes fruit pulping for passionfruit. There is scope for the pulping of other fruits utilising the same machinery as it can be adapted for use on other fruits of similar characteristics. While there is an evident gap left due to the destruction of the government facility, the current developmental thrust in passionfruit pulp production allows for greater consideration for the design of a comprehensive planning and operational framework to fill all gaps relating to the processing of fresh fruits, along with strengthening existing capacity, not only around the root and tubers but for the agro-food value chain in general.

^{7/} While Hurricane Maria destroyed the Bello facility in 2017, the process towards its reconstruction was also fraught with challenges leading to protracted state of abeyance for three years leading to permanent cessation of reconstruction activity.

^{8/} Upstream value chain operators refers to cultivators of fresh produce and downstream operators refers to agencies involved with adding value/ transforming fresh produce to produce another product.

Weaknesses within the Agro-food Value Chain

1.09 The local agro-food value chain surrounding roots, tubers and fruit products and other fresh produce exhibits weaknesses which negatively impact its competitiveness, productivity, and ability to access export markets. Some of the more notable challenges associated with the agri-food value chain include the following:

- (a) Insufficient value chain coordination mechanisms between cultivators, supply of goods to markets and supply to agro-processors. This gave rise to inefficient transactional relationships resulting in either insufficient or over supply of produce from farmers. Supplies tend to be siphoned off to hucksters, who are more likely to meet the farmers' demand of immediate payments at higher prices.
- (b) Underinvestment in infrastructure for improved production quantity and quality, upskilling of employees, limited packaging and labelling enhancements and inadequate business plans to meet international best practises are a few of the circumstances facing the agro-processing industry.
- (c) Inability to provide consistent supplies to regional and international markets due to their small-scale operations.
- (d) Limited research and development in exploring advances in manufacturing processes particularly in non-established products, for both food and non-foods, in the local industry.

Current and needed interventions in the Agro-Food Value Chain

1.10 Despite the challenges highlighted above, the agro-processing industry, is recognised as an important vehicle for development by GOCD. GOCD is currently pursuing interventions with international development partners such as the World Bank and the Food and Agriculture Organisation of the United Nations (FAO) to bring greater resilience to the sector through climate mitigation interventions and initiatives geared towards supporting farmer livelihood. GOCD is also embarking on a national plan through which the agricultural sector can contribute more meaningfully to macroeconomic stability while safeguarding rural livelihood, quality competitiveness. There is however a need to ensure effective development coordination between the agricultural sector, the agro-processing industry and produce retailers in Dominica. The Ministry of Trade, Commerce, Entrepreneurship, Innovation, Business and Export Development and DEXIA, together in their roles which aim to enhance overall trade performance in agro-food products, are critical to fostering a streamlined approach across all stakeholders and has the propensity to make strategic linkages across other sectors such as tourism and manufacturing. Additionally, GOCD is also endeavouring to take concrete steps towards diversifying its economy into tourism services. This would mean an increase in hotels and room stock as well as investments in connectivity and water and road networks. Such initiatives can potentially strengthen the linkage between the agricultural and agro-processing value chain. It would also signal a potential increase in agricultural and agro-process products and hence would generate foreign exchange while supporting livelihoods in these areas. However, it would also place increased pressure on suppliers and hence would need a well-structured framework to coordinate producer and supplier relationship across Dominica's agro-food supply network.

2. OBJECTIVE OF THE CONSULTANCY

2.01. The objective of this consultancy is to develop a sustainability plan for the establishment of an agro-processing facility in Dominica.

3. SCOPE OF SERVICES

3.01. The Consulting Firm will be required to develop a sustainability plan as proof of concept of an agro-processing facility designed for larger national production of agro-products, with improved cost-effectiveness for local processors and which increases farmers' supply to the industry and to build out a business model that is suited to the operating environment in Dominica, the Sustainability Plan shall have the following components:

- (a) Situation Analysis
- (b) Business Model
- (c) Financial and Operational Model
- (d) Resource Mobilisation Plan.

3.02. The tasks of the consulting firm will include, but not be limited to:

- (a) **Task 1 - Desk review, reporting and operational workplan.** The assignment is both field and home-based (virtual). The general tasks to be completed will include, but not be limited to:
 - (i) Participate in a briefing meeting with the relevant government departments, development agencies, and private sector entities to clarify issues relating to the assignment.
 - (ii) Review existing data available for the project intervention to establish a sustainable agro-processing facility, including studies and reports produced to understand the composition of the agriculture value chain in Dominica, assessments and prospects for particular crops.
 - (iii) Identify existing and planned initiatives to improve the productivity and competitiveness of the agriculture sector in Dominica.
 - (iv) Review regional initiatives to improve the performance of the agriculture sector, in particular plans to increase intra-regional trade and food security.
- (b) **Task 2 - Development of a Situational Analysis;** this is to identify the current state of the industry inclusive of market opportunities, challenges and hindrances, necessary resources, institutional strategies and frameworks; estimate potential socio-economic impact on local actors, particularly farmers and agro-processors. The situation analysis will also map government and non-governmental interventions for the agriculture and agro-processing industries and assess their respective potential impact on the national facility.
 - (i) Review the macro and meso policy framework for the agri-food value chain and making recommendations for closing any gaps identified.
 - (ii) Review and assess reports related to the export of agricultural products from Dominica, with particular enquiry to assess the prospects for the export of value-added products to existing and new markets, in particular the value chain analyses conducted by the Ministry of Agriculture.

- (iii) Develop a detailed stakeholder map of the actors in potential agri-food value chain.
- (iv) Conduct stakeholder consultations to assess the social impact of the proposed facility, paying particular attention to the impact on vulnerable or disadvantaged communities, women and young people, persons with disabilities, and indigenous groups.
- (v) Identify gaps that need to be closed among farmers and processors and develop an initial programme to close those gaps to ensure effective contribution to the sustainable operation of the facility.
- (vi) Provide an assessment of capacity of supporting institutions with recommendations to close any gaps that may be identified
- (vii) Characterise and evaluating the targeted products using criteria such as market accessibility and availability of infrastructures needed to support value addition or transformation of fresh agricultural produce.
- (viii) Recommend appropriate value chains/sectors/commodities with higher potential to be quickly put into operations and to deliver results within a short period of time.
- (ix) Identify entry points under an institutional development framework for partnering institutions in the establishment of the facility, creating an enabling environment for its growth and providing continued direct support in its development.
- (x) Identify the barriers and challenges – if any - that could determine the feasibility the project.
- (xi) Conduct community consultation to assess the social impact of the proposed interventions

(c) **Task 3 - Development of a Strategic Plan and Business Case for the establishment of the agro-processing facility by:**

- (i) Identify and analysing any governance and capacity issues that will be critical during the implementation of the project as well as to ensure sustainability of the project.
- (ii) For each of the value chains/sectors commodities identified, suggesting potential key stakeholders and partners (cooperatives, service providers and operationally active projects by other parties' active in related interventions) in the target production zones with which partnership and synergies could be established.

- (iii) Design business model which shall include:
 - (aa) A customer value proposition (for farmers and agro-processors).
 - (bb) A value chain actor relationship matrix (the consultant shall recommend with justification whether the relationship matrix shall be hierarchical or networked).
 - (cc) A governance structure.
 - (dd) A legal framework.
 - (ee) Key resources for the effective and efficient operations of the facility.
 - (ff) Identification and articulation of required business processes, which should be broken-down as far as feasible.

- (d) **Task 4 – Preparation of a Financial and Operational Plan** – this will incorporate the principles of gender mainstreaming and social inclusion.
 - (i) Following outputs of tasks 3 design the layout and structure with the view of identifying all cost elements for the operationalising the facility.
 - (ii) Constructing a five-year Financial plan based on three scenarios – best case, mid-range and worst case, projecting:
 - (aa) Market conditions
 - (bb) Sales forecasting
 - (cc) Revenue
 - (dd) Operating costs
 - (ee) Cash flow projections and management
 - (ff) Break-even analysis
 - (gg) Risk register
 - (iii) Preparing a five-year rolling Operational Plan which shall include:
 - (aa) Preparation
 - (bb) Quality
 - (cc) Marketing
 - (dd) Logistics
 - (ee) Human Resources
 - (iv) Preparing a one-year business plan to guide the operations of the facility from “Day-One” of operations

- (e) **Task 5 – Preparing a Resource Mobilisation Plan by:**
 - (i) Conducting consultations with officials of the CDB to identify potential resources, conditions for access, methods of application and other relevant information.

- (ii) Conducting internet and other research to identify potential resources from governmental, inter-governmental and non-governmental development partners development partners, including conditions for access, methods of application and other relevant information.
- (iii) Conducting consultations with developmental partners already operating in Dominica to identify synergies and opportunities for collaboration in the establishment of the facility.
- (iv) Conducting consultations with officials of GCOD to resources, which could be allocated to establishing the facility.
- (v) Using the information gathered from the activities identified in 3.02 (e) i-iv above, prepare a comprehensive resource mobilisation strategy and action plan.

4. DELIVERABLES AND REPORTING REQUIREMENTS

4.01 The Consulting firm will report to the Project Coordinator under this Project, and will be required to submit/deliver the following:

Deliverables	When
Inception report and Work plan	Within two weeks after commencement of assignment
A draft report with a detailed context and situation analysis	Within six weeks after commencement of assignment
An interim report which regarding the proposed business model to include: a customer value proposition, a value chain actor relationship matrix, governance structure legal framework, key resources for the effective and efficient operations of the facility.	Within eight weeks after commencement of assignment
A second draft interim report on the proposed business model including the cost elements for the operationalisation of the facility, five-year financial scenario-based plan, operational plan	Within ten weeks after commencement of assignment
A draft Financial and Operational Plan	Within 12 weeks after commencement of assignment
A draft Resource Mobilisation proposal and Plan	Within 14 weeks after commencement of assignment
Report on the capacity building programme among the proposed cohorts recommended to take part in the agro-processing operations	Within 16 weeks after commencement of assignment
Project close out reports	Within 17 weeks after commencement of assignment

5. QUALIFICATIONS AND EXPERIENCE

5.01 The consulting firm should appoint personnel with a designated lead expert and supported by a team comprising of an Agriculture/Agribusiness Development Specialist and Gender Specialist to undertake tasks 1 to 3 with the following attributes.

Key Expert 1 (Business and Value Chain Development Specialists)

5.02 The consulting firm shall arrange a team with the combination of the minimum requirements below:

- (a) At least one person with post-graduate qualifications in Project Management, Business, Economics, Agricultural Economics or a relevant discipline.
- (b) The team leader should have at least ten years' experience developing business strategies, performing feasibility studies and needs assessments.
- (c) Experience in Value Chain analysis/development.
- (d) Demonstrated familiarity with value chain analyses.
- (e) Experience in multistakeholder engagement and management.
- (f) Fluency in English

5.03 The following knowledge and skills will be an advantage:

- (a) Familiarity with trade in agricultural products
- (b) Experience in trade development and export promotion
- (c) Some understanding of issues related to quality standards for export of food products
- (d) Conducting similar work in the CARICOM region, countries of the OECS, or Small Island Development States (SIDS) would be an asset.

Key Expert 2 (Financial Analyst)

5.04 The Consulting firm should appoint a financial expert to lead in the delivery of tasks 4 – 5 with the following attributes:

- (a) Postgraduate qualifications in Finance and Economics or Professional designation in the area of Finance
- (b) Demonstrated ability to assess business viability
- (c) Experience in preparing research reports and building forecast models
- (d) Ability to perform financial modelling and valuation work
- (e) Experience in development finance operations
- (f) Fluency in English

6. IMPLEMENTATION ARRANGEMENTS

6.01 The Consulting firm will report to the Project Coordinator. The implementation agency with the support of DEXIA will facilitate the work of the consulting team and make available all studies, reports, and data relevant to the Project.

6.02 This assignment shall be implemented within 130 workdays over a period of nine calendar months.