



Terms of Reference

Consultancy to offer training in Price Risk Management to coffee Farmer Based Organisations (FBOs) in Uganda.

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1.0 Background/ Introduction to the Innovative Finance for Livelihoods Project.

Most people living in poverty are found in rural areas, globally. In Africa, around 80 percent of the agricultural production comes from smallholder farmers, who are mostly rural women. The farmers in Kenya and Uganda are faced with specific challenges. Acknowledging the diversity of challenges faced by Farmer Based Organisations (FBOs) in Kenya and Uganda, We Effect, Church of Sweden and Oikocredit are implementing this pilot project focusing on addressing the capacity weaknesses, and potentials of the organizations with an aim of improving the livelihoods of smallholder farmers through FBOs. This Pilot-project will focus on addressing the capacity weaknesses and potentials of FBOs, recognizing the diversity of challenges faced by Farmer Based Organisations (FBOs) in Kenya and Uganda. The proposed pilot- project combines a Loan Guarantee Facility with Capacity Building Initiatives in a unique way. The intention of the pilot project is to address the lack of access to financial services through a set of interventions, involving different types of actors bringing together different funding modalities, development agencies, technical assistance providers, and investors. The target group in the pilot project will be narrowed down to a mix of FBOs that fulfil a set of established criteria and that have not had access to commercial type of loans previously, but that have the potential of reaching sufficient maturity to access a loan over the project period. To address the reluctance of financial institutions to extend lending to the agriculture sector and Farmer Based Organisations, the pilot will serve as a demonstration and an inspiration to other financial providers and to Swedish Framework Organisations on how to effectively support these organizations. The new knowledge gained in the pilot will also serve to influence policymakers in East Africa so that there is potential for increased lending to FBOs. The Church of Sweden (CoS) plays the overall global coordination, monitoring, and evaluation role of the project. The CoS has an extensive background and history of working with agricultural development and sustainable livelihoods since the start of the Church of Sweden Aid in 1947. The CoS works in several countries to increase access to finance for micro, small and medium-sized agricultural businesses. We Effect which plays the actual coordination of implementation in the two countries is a development organization working in 25 countries in the world facilitating sustainable development through partnerships with member-owned-member-managed organizations. We Effect has vast experience in organizational development with emphasis on human rights-based approach, promoting inclusivity, gender equality and youth participation in development. We Effect has its regional office based at Nairobi and country offices in Uganda and Tanzania. In its development cooperation, We Effect uses a variety of strategies and methods. They all aim at achieving the mission to, through a mutual partnership, strengthen local and democratic civil society organizations so that their members can improve their living conditions, enforce accountability of duty-bearers, defend their rights, and contribute to a more just world. Stitching Oikocredit International Support Foundation (Oikocredit) is responsible for conducting a technical

assessment of the farmer-based organizations as well as in the capacity-building efforts of the FBOs. Oikocredit will work closely with We Effect in jointly rolling out the project in Kenya and Uganda. In acknowledging the multiplicity of challenges faced by FBOs in Kenya and Uganda, the IFIL project will focus on addressing their capacity weaknesses and opportunities. The project combines a Loan Guarantee Facility with Capacity Building Initiatives in a unique way to address the lack of access to financial services through a set of interventions, involving different types of actors bringing together different funding modalities, development agencies, technical assistance providers, and investors.

1.1 Summary of the main challenges

- The pilot project will focus on addressing the capacity weaknesses and potentials of the FBOs.
- Limited financing to agricultural value chains, the financial institutions indicate that this sector is too risky to lend to.
- Limited capacity to enable FBOs to borrow, utilize commercial loans for growth, and be able to repay the loan from their successful businesses.
- Reluctance in lending to the agriculture sector and FBOs by financial institutions.
- Non-availability of appropriate financial products.

1.2 Project period: 2021-2026

Project Objective Improved livelihoods of members of strengthened Farmer Based Organisations (FBOs) in Kenya and Uganda

1.3 Expected Outcomes

1. **Outcome 1:** Improved access to loans by 30 mature FBOs to invest in their value chains within 5 years.
2. **Outcome 2:** Improved policies that support the commercialization of FBOs businesses.
3. **Outcome 3:** Financial Service providers (FSPs) develop more responsive products to FBOs.
4. **Outcome 4:** Other Civil Society Organisations (CSOs) that show interest to participate in similar interventions.

2.0 Why training on price risk management for coffee FBOs

In Africa, around 80 percent of the agricultural production comes from smallholder farmers, who are mostly rural women. The farmers in Kenya and Uganda are faced with specific challenges. Acknowledging the diversity of challenges faced by Farmer Based Organisations (FBOs) in Kenya and Uganda, We Effect, Church of Sweden, and Oikocredit is implementing this pilot project

focusing on addressing the capacity weaknesses, and potential of the organizations with an aim of improving the livelihoods of smallholder farmers through FBOs. Farmer Based Organizations such as cooperatives play a key role in supporting coffee farmers to access international markets, improve their quality and provide for their families. However, coffee is a risky business for both farmers and cooperatives with farm gate prices dictated by international markets.

Coffee farmers and producer organizations in Eastern Africa have minimal information on pricing strategies often making uninformed decisions on pricing strategies as they are far away from these markets, this increases the risk to their businesses and livelihoods. Coffee can provide a significant income for smallholder farmers and support thriving producer organizations when prices are high but can leave farmers unable to earn a decent income and cooperatives on the verge of bankruptcy when prices are low. If price shocks are severe, farmers cannot cover the cost of production and may default on loans, making it difficult for both farmers, producer organizations, and lenders to return to a productive state.

3.0 Purpose of the assignment.

As described in the introduction, with support from Sida, We Effect is implementing the Innovative Finance for Improved Livelihood- IFIL Project in partnership with the Church of Sweden and OIKOCREDIT international to support farmer organizations' access to finance. By participating in the price risk management training, FBOs will improve their price risk management capacities which will make it easier for them to pass the due diligence process for loans and access working capital to support their further expansion and growth.

The training is intended to help cooperatives (unions and primaries) in Uganda better understand pricing in the global coffee industry for them to position themselves effectively as they process and secure markets for their products to maximize their prices and mitigate against major market-related risks that can adversely affect their operations and more so their business viability. It will provide tools and strategies to mitigate their exposure to volatile price fluctuation and manage their businesses to the benefit of farmers. The assignment will deliver training to leaders and managers of FBOs in price risk management to at least 60 representatives from 9 coffee cooperatives societies in Uganda, between August and September 2022.

4.0 The specific objectives of the training coverage

- 1) Among other capacity building components and tools expected to be shared with participants, the consultant is expected to deliver the following
- 2) Build general capacity building of through lecture, demonstrations and practice for individuals representing various FBOs
- 3) Describe and demonstrate of use of pricing construction tools – understanding the components of coffee pricing

- 4) Build capacity of participants on contract pricing strategies and structuring of clauses – maximizing pricing and challenging contract clauses that may increase the risk to coffee producers
- 5) Build the capacity of participants on harvest forecasting and monitoring tools – to allow cooperatives to plan and track their inventory in real-time and suggest any practical platforms for the same. Describe the use of hedging tools and demonstrate how they can be used to minimize risks in marketing coffee – to manage future contracts and price risk.

5.0 Scope of work

Working closely with We-effect IFIL Project Coordinator, the scope of the consultancy will focus on carrying out price risk management training to 60 leaders in Uganda. Two training will be undertaken (1 in Kasese and another Kampala) each taking not more than 3 days and each having approximately 30 participants. The training will adopt both lecture and demonstration to ensure that participants internalize the various concepts and tools. Simplified tools and delivery approaches will be most appropriate to the FBO representatives

6.0 Outputs /Deliverables

- i. Training curricula/content developed alongside proposed delivery methods including an assessment session on coffee pricing risks among represented FBOs
- ii. Templates of tools to be shared/applied during the training
- iii. Training report including topics covered, tools shared, list of participants, and recommendations for each FBO/ actions for follow-up (these are among other standard components of a training report).
General actions recommended for the present FBOs to mitigate coffee price risk management

7.0 Duration

The assignment is expected to start immediately, and the actual training will take a maximum of three days.

8.0 Competence of the Consultant

The Consultant must demonstrate:

- i) Experience in coffee price fluctuations (volatility) and risk management.
- ii) Experience in risk identification and management.
- iii) Experience in offering Coffee Price risk management to Coffee FBOs in East Africa. this assignment.
- iv) Having Organizational development expertise and experience.

- v) Experience in working with Agri-business enterprises and Market access.
- vi) Excellent report writing skills.

Academic qualifications

A consultant with a background in the following is encouraged to apply.

- Strong Background in Agribusiness/Coffee business/Agriculture
- A training in risk management in market access
- An additional qualification in accounting/ finance is an added advantage.

9.0 How to apply

Interested and suitably qualified consultants shall send their bids by e-mail (a narrative proposal responding to the TOR objectives and deliverables and a finance quote) to easternafrika@weeffect.org copying paul.gumisiriza@weeffect.org and geoffrey.ssempala@weeffect.org; and Quote “Price Risk Management Uganda” as the subject in your e-mail by 5th August 2021 0800hrs. The proposal shall include the following:

- i. Consultants/Company profile – Current CV detailing recent / past similar assignments
- ii. Understanding of the assignment by the consultant
- iii. Proposed methodology and approach including work plan
- iv. Financial quote well detailed including daily rate and number of days
- v. Annexes: Any other information, which will assist the review team in evaluating the proposal

We Effect explicitly prohibit their staff and consultants that make applications and/or are financed under this contract that, for themselves or others, accept or be promised, request or give, promise, or offer a bribe or other undue reward, remuneration, compensation, undue advantage, or benefit of any kind which may constitute illegal or inappropriate behaviours.