



Department of Agriculture
UPLAND DEVELOPMENT PROGRAMME
IN SOUTHERN MINDANAO (UDP)
ALA/97/68



BUSINESS DEVELOPMENT SERVICES (BDS) TERMS OF REFERENCE

Trainers Manual

DEVELOPING A REPLICABLE AND SUSTAINABLE SYSTEM

July 2004



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Terms of Reference for the Provision of Business Development Services for the Establishment and Strengthening of Upland Village Enterprises

Introduction/Rationale

The Programme second objective “ to enable the upland communities address their subsistence and to produce new marketable surplus through sustainable market-led agricultural development” posed a tall order for the Marketing and Enterprise component of the program to strategize ways and means to hasten the growth of farm entrepreneurship in the uplands.

To achieve it, the MED component adopted two major strategies, first is on enterprise development and second on capacity building of farmer-producers and local government units. Trainings, exposures, market studies, product development and other capacity building assistance were provided to farmer-beneficiaries as well as to the LGU thru the Marketing Point Person (MPP).

The result of such interventions were the growth of tinagak making, banana trading, fruit and vegetable production and trading, bamboo crafts and handicraft making and others. Farm enterprises developed in some of 30 municipalities covered by the programme. Market linkage were forged with local industries particularly in the banana industry.

However, the Mid-Term Review Mission had noted the slow progress in implementation of marketing and enterprise activities, in particular to its low fund utilization. Despite on going enterprise activities, producers organizations were weak in managing their business. UBA’s engaging in enterprises activities were not yet able to maximize opportunities in the locality.

With barely two (2) more years left on program implementation, MED component finds it necessary to re-strategize approaches to maximize the market opportunities of agricultural products and to ensure the sustainability and profitability of enterprises. Producers group and UBA’s likewise needs to improve its capability to manage enterprises developed.

In view of these conditions and challenges, one of the strategies the UDP will pursue was the utilization of business development services (BDS) to assist UBA’s and producers group establish or expand existing enterprise/s.

Thus , this document provides Terms of Reference for the provision of BDS.

Objectives

- To fully operationalize selected UBA-based producer groups to conduct economic activities
- To develop sustainable market linkages between village enterprises and buyers
- To enhance the capability of LGUs in facilitating the provision of BDS to village enterprises

Scope of Activities

The contracting services will be conducted over the remaining 23 months of the Program which officially ends in January 2006. The scope of services will cover, but not be limited to, the following:

1. Enterprise Diagnosis of Existing Enterprises:

The BDS provider will assess the existing group enterprises in order to determine if they are or could be commercially viable and if so what type of assistance they require to become economically, socially and

environmentally sustainable. BDS providers should provide in their proposals a checklist of items that will be assessed during the diagnosis, but particular attention should be paid to the following issues:

- *Organizational Development*
Provide in-depth information and understanding of the strengths and weaknesses of the organizations in the area of business management.
- *Markets and marketing aspects*
Describe and assess the main products being marketed and marketing channels used, (if possible obtain volume and value percentages).
Review marketing issues such as marketing research, strategy, marketing planning, competition, market segment, pricing, promotion, marketing channels, product quality, etc.
What aids to marketing and market intelligence has the enterprise found to be significant?
What are the enterprise's main problems in marketing (e.g. selection/design/quality/prices of products, lack of market information, etc)?
- *Production/technical aspects*
Assess production efficiency (costing, process flow)
Assess the availability of technology and expertise of the enterprise.
Assess the raw materials situation (availability, quality, price, alternatives/substitutes)
- *Financial aspects*
Quantify the group's assets and liabilities.
Sources of capital/equity (own funds, external loans, supplier credit, etc)
Income statement, sales history, cost of production, operating expenses, etc.
- *Infrastructure support*
Evaluate and assess existing market infrastructures and facilities
Identify and assess any needs for farm-to-market road and post-harvest facilities that will facilitate the success of the enterprise.

Upon completion of the Enterprise Diagnosis, it is important for the BDS to provide recommendation to UDP as to the future direction of the enterprise evaluated. Should conditions not favorable for it to continue, or its viability/profitability as an enterprise BDS provider shall recommend measures for UDP management actions.

2. Preparation of Business Plan or Enterprise Plans.
With participation of the existing and potential enterprises prepare a Business Plan for each enterprise. The plans will identify, describe and quantify the potential opportunities for developing, improving and expanding the enterprise. It will set clear and specific objectives and will provide a detailed and practical road map for achieving those objectives.
3. Identify relevant issues and constraints to development of the enterprise (e.g. post-harvest needs, start-up capital, etc).
4. Make recommendations regarding incorporation of the considerations of other UDP components into the development of the enterprises.
5. Specify the amount and type of technical and financial resources required to develop the enterprises and identify resources to develop the provision of start-up assistance for farm enterprises, for example in the form of loan packages to be delivered by PFIs/FSCs.
6. Identify and assess means to increased LGU's equity on enterprise development.
7. Based on the results and recommendation of the diagnosis the BDS provider should undertake the actual training, coaching and other necessary interventions required by the enterprises in order to successfully implement their business plans.

Need for Additional Technical Assistance

Please note that UDP recognizes that the BDS provider appointed to provide the above BDS may not be capable of providing all of the necessary expertise required by the enterprises. Therefore, the BDS provider should spell out in their proposal what assistance they believe will be required but which is beyond their capacity to provide and then make suggestions as to which organizations might be appointed separately by UDP to provide that assistance.

In some cases, the needs for additional assistance may only be identified during execution of the TOR, in which case as soon they are identified the BDS provider should make appropriate recommendations to UDP. However, it is very important that the main BDS provider should coordinate and where appropriate supervise any additional assistance provided by other parties. It is important not to create any confusion among the beneficiaries over the assistance provided and to ensure that the total package of assistance is comprehensive and well integrated without duplication and without sending conflicting messages. The BDS provider will also be the sole party ultimately responsible for the success or failure of the assistance provided regardless of whether other BDS providers were called in to provide part of this assistance. This assigning of responsibility is intended to avoid creating opportunities for the main BDS provider to blame other BDS providers for any failure in implementing any part of the TOR.

Expected Output

With this scheme, it is expected that the following can be achieved:

1. A comprehensive report on the status of existing enterprises. A) Should findings be unfavorable or not viable to continue the enterprise, a recommendation on responsible exit strategy shall be presented without prejudice to the programme objectives. B) Should an enterprise is viable and promising , an intervention plan will be prepared that will lay out specific activities to be undertaken by the programme in to support these enterprises and enhancing the capability of the UBA/Producer groups in managing the enterprise
2. A written business operation manual of the association (business plan) that will guide the group in their subsequent enterprise activities as well as UDP.

Specifically, tangible outputs will be gleaned on:

- at least 60 functioning producers group/UBA undertaking collective marketing
- at least 6 market linkages (formal/Informal)per producer group/UBA established
- 9,600 farmers trained, mobilized & engaged in market led agricultural production
- at least 30 post harvest technology and infrastructure developed & established
- 30 support packages (studies, business plans) prepared & disseminated

Reportorial Requirement

In order to assist UDP to monitor the performance of the BDS provider, the following reports are required:

1. Report of the Enterprise Diagnosis Results and Recommendations for each existing enterprise assisted by the BDS provider to be submitted within 2 months of starting work: Specifically, for those enterprises that are not viable, an exit plan will be submitted by the BDS provider.
2. For enterprises worth expanding & developing , a Business Plan (existing and potential) will prepared together with the community and to be submitted by the BDS provider.
3. Upon completion of each report on Enterprise Diagnosis and the Business Plan, the BDS provider should provide a detailed work plan explaining what inputs the BDS provider will provide during the next stage of assistance (i.e. the training/coaching phase during which the enterprise will be assisted to implement its Business Plan). This work plan should be approved by UDP before starting implementation.

4. Not later than 2 months after starting implementation of the training/coaching phase, every month the BDS provider should submit a copy of the enterprise's Balance Sheet and Profit and Loss Account. These documents will indicate if the enterprise has been properly trained in book-keeping and the contents will indicate the health and performance of the enterprise.
5. Documentary evidence that marketing linkages have been developed; this may include contracts, MOAs, sales receipts, etc.
6. A completion report (Final Report) stating what work has been done, the achievements, problems, the status of the enterprise and recommendations for any further assistance that may be required later.

Time Frame

Activities/Milestones	April 2004	May 2004	June 2004	July-Sept. 2004	Oct-Dec 2004	Jan-March 2005	Expected Output
I BDS Selection, Contracting							Contracts signed schedules set
II BDS Implementation a Immersion b. Enterprise Diagnosis							BDS Installed at the community, 30 UBA assessed/ evaluated
III. Assessment & Evaluation (Mid Project)							No. of UBA & enterprises to be assisted determined
IV. Interventions a. Enterprise/Business Planning b. Training & Coaching							30 Business Plan prepared, 30 UBA strengthened, at least 30 enterprises established or expanded
V. BDS Intervention Evaluation							Further enterprise assistance determined, plans& recommendation for subsequent interventions

Consultancy Arrangements

BDS providers minimum requirements are:

- a. Expertise in organizational/ enterprise diagnosis and business development plan preparation
- b. Previous experience in handling enterprise development assistance on a micro level
- c. Core competence in entrepreneurial development

BDS providers or its designated personnel is required to be on project site (immersed in the community) for at least 90 % of the duration of this engagement.

Upon submission of proposal, BDS provider shall provide UDP specific activities, time frame and corresponding outputs.

Financial Requirements

BDS providers will be the first to submit the cost of their services. UDP will evaluate cost proposals submitted on the basis of work to be done by the BDS. Any cost will be agreed both by the UDP and the BDS provider.

Strengthening of the Extension System

It is important to note that UDP has already appointed an organization (ICRAF) to implement a special project to strengthen the upland extension system in UDP areas. The project will include training of the Agricultural Technicians (ATs) that are based in the LGUs, and the Barangay Extension Workers (BEWs) and Farmer Training Groups (FTGs) based in the UBAs. The proposed extension project will have the following objectives:

1. Increase the knowledge of BEWs, FTGs and ATs on appropriate land management, appropriate upland farming technologies and farm business management strategies; and enhance their skills in adopting and disseminating them.
2. Strengthen the capability of UBAs to engage in organized production, NRM, extension and marketing activities.
3. Develop and document working models of upland farming systems that can respond to both income generation and natural resources management.

ICRAF expects to begin implementation early March 2004. The contact person is Mr Alexander U. Tabbada, Natural Resource Management Research Officer and Site Coordinator of the World Agroforestry Center; telephone 917-7070878 or after the start of the project he may be contactable via UDP's Project Management Office in Davao City. The BDS provider for enterprise development should coordinate closely with ICRAF.

ENTREFARM Training

Another development activity being funded by UDP is the provision of ENTREFARM¹ training for farmers. This training is intended to enable farmers to operate and manage a farm as a profitable business; the syllabus includes:

- Planning and budgeting money and time
- Land use, investment and crop options
- Planning use of capital
- Maintaining a positive cash flow
- Keeping records
- Managing finances
- Negotiating (marketing) with buyers, suppliers and neighbors
- Depending on middlemen
- Taking initiative in life

At the time of writing this document, BDS providers to provide the above training have yet to be appointed. Again it is important that the BDS provider of these TOR should coordinate closely with the BDS providers providing ENTREFARM training.

¹ ENTREFARM training was developed by the German NGO CEFÉ and is provided in the Philippines by the NGO CEFENET Philippines; see www.cefephil.com