

Terms of Reference (ToR):

Southern Caucasus and Ukraine

Develop Baseline Study Methodology, implement the baseline study and perform Technical Needs Assessment among informal non-subsistence entrepreneurial households and formal micro / smallholder farmers in agriculture and food processing business in rural areas in the Southern Caucasus and Ukraine

Project: “Promotion of rural finance for sustainable MSE development in the Southern Caucasus and Ukraine”

1. Background Information

The German Federal Ministry for Economic Cooperation and Development (BMZ) has commissioned German Sparkassenstiftung for International Cooperation (German Sparkassenstiftung) with the implementation of the orientation phase of the project “Promotion of rural finance for sustainable MSE development in the Southern Caucasus and Ukraine”.

German Sparkassenstiftung aims to improve access to and use of financial services in rural areas for entrepreneurs and individuals and thus their resilience to exogenous shocks such as the effects of climate change and the COVID-19 pandemic.

The overall objective of the project is to strengthen the economic participation of the target group through improved access to and use of financial services in rural areas. In this way, the project contributes to the sustainable improvement of living conditions and the reduction of rural flight.

The project thus targets the following results:

1. Development and piloting of support measures to promote the entrepreneurial skills (e.g. corporate planning, financial management and accounting, risk management, emergency planning, etc.) of the target group in rural areas jointly with other donor institutions in the partner countries.
2. Identification of the partner structures and advisory approaches in the partner countries in order to raise awareness among the target group and selected partner institutions for the management of entrepreneurial risks (e.g. insurance, risk avoidance strategies, emergency plans and climate adaptation investments, etc.) against the background of the global COVID-19 pandemic and the implications of climate change.
3. Establishment of the prerequisites for strengthening the institutional capacities of financial service providers to provide a demand-oriented financing offer to the target group in the rural areas of the partner countries through the project's advisory processes on the individual (employees, experts), institutional (processes, departments, management) and technological levels (digitization and data-based risk assessment) and piloting corresponding measures with selected institutions.

Small farmers as well as service providers and processors along the agricultural value chains, commercially oriented micro and small farmers in rural regions, which constitute at least 50% of the entrepreneurially active rural population, have been defined as an **indirect target group** on the demand side. Young adults, as future change agents in the partner countries, were added to this target group. Female entrepreneurs as well as female heads of households in rural regions were also included in the target group as they are particularly vulnerable.

Relevant partner organizations on the demand side (state, civil society or private companies) and on the supply side (MFIs, PFIs, credit cooperatives), are defined as the direct target group as they are multipliers for the intended project measures and hence the part of achieving the project goal.

Scoping studies were conducted in all project countries in summer 2020, which identified main constraints that prevent growth of the rural SMEs in terms of access to finance and related to skills development (financial literacy and management skills). In so doing, the main stakeholders involved in supporting rural SMEs per country were identified and shortlisted.

A lack of financial and agro-business literacy knowledge has been identified as one of the main obstacles for a sustainable successful economic and social development in rural areas. For example, there is a lack of awareness and understanding of alternative financing options/tools, knowledge to fill loan applications, bookkeeping and financial reporting, effective cash flow management as well as of written business plans and strategic visions among the target group.

2. The Assignment

Within the above-mentioned project German Sparkassenstiftung plans to implement financial business literacy and entrepreneurial development seminars / coaching to enhance entrepreneurial acumen and risk management among the target group. In order to properly address the training as well as advisory support needs of the target group, a **Training Needs Assessment (TNA)** for subsequent capacity development measures to the target group shall be performed. Furthermore, the contract is expected to develop and test the **methodology for Baseline Studies** that need to be conducted at a later stage of the project progress.

This assignment shall apply **Technical Needs Assessment** to the target group of the project in Georgia. The task of the contractor shall be to define research methodology and sample sizes for the appropriate and efficient implementation of the Technical Needs Assessment (i.e. random sample among the pre-defined target groups and focus group discussions) as well as the methodology for future Baseline Studies in the countries (i.e. panel survey methodology for appropriate monitoring of project results).

The Baseline Studies will later serve the purpose to take snapshots of enterprises benefiting from the project at the beginning of interventions. This will allow the project to monitor progress, define development target with beneficiaries and to assess outcomes and impacts achieved by the project throughout future project phases to come (long-term perspective). Thus, the contractor is requested to elaborate **country-specific suggestions for MSE development indicators** derived from the TNA and the methodology of the baseline study that shall serve long-term impact measurement.

A. Assignment Target Group

The **target group** for this project activity consists of non-subsistence (commercially oriented) rural households, **micro and smallholder farmers and MSE entrepreneurs along the lower ends of agricultural value chains in rural areas.** This may encompass producers of agricultural products (i.e., field crops, fruits), collectors and transporters,

processors in rural and semi-urban contexts, service providers that incorporate those agricultural products into in-bound agro-tourism services (export of services), under certain circumstances domestic retail trade for locally produced agro-products. **Especially young and female start-up entrepreneurs**, as well as the immediate family members involved into the MSE business shall be considered as target group. However, the target group's lower limits are being defined by the financial services providers that shall extend financial services to the target group to facilitate their business.

The target group for Georgia carries the above-stated structure and has been defined as follows:

Note: in case if micro farmers'/entrepreneurs' turnover exceeds 30,000 GEL, it is considered a smallholder regardless of arable land size and number of employees

| | Category | Annual Turnover/Income | Arable Land Size | Employees |
|----------------|---|------------------------------------|------------------|-----------|
| GEORGIA | Informal - micro and smallholder farmers and MSE entrepreneurs | ≤ 7.500 EUR (ca. 30.000 GEL) | ≤5ha | ≈ 10 |
| | Formal - micro and smallholder farmers and MSE entrepreneurs | ≤ 7.500 EUR (ca. 30.000 GEL) | ≤5ha | ≈ 10 |
| | | ≤ 125.000 EUR (ca. 500.000 GEL) | ≤20ha | ≈ 50 |

B. Assessment of Training and Support Needs of the target group overcoming challenges related to COVID-19 pandemic, impacts of climate change and overall economic situation

Within the present research assignment German Sparkassenstiftung aims to get an overview on and deeper understanding of major challenges faced by micro and smallholder farmers as well as rural MSEs along the agricultural value chains in the long run. A particular attention is expected to be paid to climate change induced weather risks and short-term perspectives related to the outbreak of COVID-19 pandemic. The research should focus on the general economic and financial situation as well as how this situation has been impacted by COVID-19 outbreak.

The data gathering process shall be based on an appropriate methodology (i.e. survey and/or focus group discussions) with a sufficient sample in a given country.

In general, country-specific sets of recommendations and key findings for the demand side shall be provided, taken into respect – but **NOT being exclusively limited to** – the following technical parameters:

1. General personal data of MSE respondent, like a) male/female; b) age c) location d) qualification e) number of years in agricultural business; f) educational background.
2. Employment and Income situation: a) number of family members active in the business; b) number of employees active in the business; c) Sources of income (business/any additional business activity or employment relation).

3. Entrepreneurial activity: a) type and sector of business b) exposure to target crops (see Annex 1). C) what are the business numbers, in terms of size (number of hectares served etc.) balance sheet value/ profit per month/ c) Is the business formally registered or informal; d) sales and access to markets.
4. Entrepreneurial mindset and motivational factors: which personality does our target group have; to what extent is this contributing to entrepreneurial behaviour?
5. Business Challenges: a) What are the challenges running the agricultural business (business knowledge / entrepreneurial and financial literacy / knowledge of legislation/taxation/ access to financial products or investment capital/ finding customers and marketing products / findings suppliers/ finding employees and managing them/ knowing the financial system / impacts from natural disasters / any awareness on Climate Change related impacts on the business /which are the most significant ones? etc.). b) How did COVID-19 pandemic impact business performance? (Health issues / income situation / sales and access to markets / relation to financial institutions (arrears/restructured loans). If the business was shut down, what is the main reason (possibly the same issues as above).
6. Risk assessment and management practice – how target group identifies risks, from where they get the information regarding risks; how they rank the importance of given risk.
7. Previous loss and damage from weather events: When and which calamity exactly did you experience affecting your business or your household (hail, frost, storm, drought, landslide, mudflow, flooding, avalanche etc)? What was the loss and damage induced to assets, livestock, harvest etc?
8. Support needs: Where do you see the most urgent support and training needs (governmental support / support from financial sector / NGO or Business Development Services-support) in general and specifically, when dealing with the impacts of COVID-19 and climate change.
9. Financing needs: start-up capital or working capital, leasing of assets, insurance solutions, etc.
10. Training Needs: How do agricultural MSEs access necessary information and training? What are the most urgent Training needs a) accounting/business management skills; b) knowledge on registration/legislation/taxation; c) marketing and sales skills (Market research/E-Commerce); d) networking opportunities (fairs for presentation of services and products; networking events with potential suppliers/customers); e) knowledge of financial system and accessible financial products; f) access to capital/funds; g) Increase of Climate Change awareness (adaptation measures for increasing resilience against CC-Risks, h) computer literacy skills and ability to join online trainings/seminars. In addition, based on the results of the research, the consultant shall develop an appropriate instrument (i.e. questionnaires) to measure learning progress and capacity development effectively i.e. via pre-tests, post-tests and ex-ante tests for project beneficiaries / participants of training measure in the project context.

C. Development of the methodology for Baseline Studies among the project target group

To ensure a representative overview, the contractor will compose adequate research cohorts reflecting a representative qualitative and quantitative overview of the target group in Georgia. The following aspects shall be evaluated by applying **quantitative** and **qualitative** (research methods: for registered and non-registered businesses in case of quantitative research the questionnaires and face-to-face interviews shall be applied; in case of qualitative research in-depth interviews and focus groups shall be applied).

1. Entrepreneurial Status Quo
 - Key business information
 - Business sector (Type of crops, production scale, land size etc.)
 - Registration of business
 - Ownership and shareholders
 - Employees
 - Strategy and business development
 - Key financial indicators
 - Assets / liabilities
 - Financial sources (equity, shareholder capital, loans)
 - Beneficiary of Gov. Support programs
 - Profit / loss
 - Turnover

2. Financial Literacy
 - Knowledge of financial sector / institutions and products in Southern Caucasus and Ukraine
 - Accounts/Transfer/Payments
 - Savings
 - Loans/Funding
 - Knowledge on personal household budgeting
 - Income
 - Expenses
 - Savings

3. Entrepreneurial Literacy (for Microentrepreneurs)
 - Business Planning
 - Business Organisation & Management
 - Accounting and financial record keeping
 - Crop Selection Criteria, Possible cropping systems, Maintains soil fertility
 - Agricultural Business Model, Agricultural Investments / Costs
 - Marketing
 - Sales and customer management
 - E-commerce and IT Literacy
 - Contract Farming
 - Savings
 - Investments
 - Loans, eligibility for loans

4. Risk Management Practice
 - Business Perils; Climate-Induced Risks, and Covid 19
 - Risk assessment practices
 - Coping Mechanisms Applied
 - Access to and usage of insurance policies

This list is not an exclusive one and shall be amended/completed according to the recommendations of the contractor.

Please consider, that German Sparkassenstiftung aims to conduct similar research in other countries of the region including Armenia, Azerbaijan, and Ukraine. Therefore, the consultant is expected to assist with the interpretation of results in terms of the comparability with other countries.

5. Deliverables

Contracted/Selected organization is expected to:

- Conduct the Research and Perform Training Needs Assessment based on the data acquired;
- Produce Country-Specific Report on the results in English. The report shall contain detailed information regarding the methods and instruments applied, an overview of target group members contracted and involved, and specific conclusions and recommendations/lessons learned.
- Suggest a Detailed Methodology for Future Baselines Studies in English
- Produce Corresponding Communication materials (i.e. brochures, executive summaries, PPTs etc) for the public communication and validation of findings
- Assist with the interpretation of research results in Georgia while comparing them with the results of other project countries.

Altogether, the report and other outcomes of the assignment shall be used as a base for the design and organisation of a needs-oriented training and support plan.

6. Proposal Submission, Participation and Evaluation Criteria

All interested and qualified research/consulting organizations are invited to submit technical and financial proposals. The proposal should contain (at least):

- List of relevant reference assignments
- Description of work methodology to be applied
- Work Plan
- List of staff to be assigned (professional description, CV)
- A financial offer with breakdown of expenses (main categories – travel costs, working days for different activities, etc.)

Bidders are requested to send in both technical and financial proposals with outlined budget details.

The following selection criteria will be considered:

1. Professional know-how and experience of the company. (20%)
2. Professional qualification and experiences of staff conducting TNA. (60%)
3. Gross price for the services. (20%)

The proposal should be delivered until **16 July 2021** in electronic form to info.georgia@dsik.org

7. Reporting officer and primary contact

For additional questions or queries regarding this proposal please refer to Country Representative Georgia at info.georgia@dsik.org

Annex 1

Definition of target group enterprise sizes:

| | Category | Annual Turnover/Income | Arable Land Size | Employees |
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Selection of Crops / Value Chains:

| | Georgia |
|-----|--|
| 1. | Maize |
| 2. | Wheat |
| 3. | Potatoes |
| 4. | Grapes |
| 5. | Apples |
| 6. | Hazelnuts |
| 7. | Field Vegetables (Tomatoes, Cucumber, Cabbage) |
| 8. | Watermelons |
| 9. | Citrus (Tengerine) |
| 10. | Beans |