



Government of Maharashtra
Department of Agriculture
(World Bank Assisted)

Hon. Balasaheb Thackeray Agribusiness and Rural Transformation Project (SMART) CALL FOR PROPOSAL

- 1) SMART project intends to provide grants in the form of viability gap fund to community based organisations (CBOs) of farmers for developing agricultural commodity value chains. SMART invites applications from Chartered Accountant Firms for empanelling them. Empanelled CA firms will provide services to CBOs to develop Full Project Proposals (FPPs) of value chain development subprojects and for access to finance.

And

- 2) Also SMART project invites applications from farmer producer companies (FPCs) for empanelling them as Mother FPCs. These empanelled Mother FPCs build capacity of beneficiary FPCs of project.

Details regarding application forms, eligibility criteria for application (ToR), etc. are available on project website <https://www.smart-mh.org>. Applications should be submitted in hard copies in sealed envelope till 20th August 2021 before 5.00 pm at “SMART Office, Sheti Mahamandal Bhavan, 270, Bhamburda, Senapati Bapat Marg, Gokhalenagar, Pune- 411016”.

Sd/-
(Dheeraj Kumar, IAS)
Project Director,
SMART, Pune.

**HON.BALASAHEB THACKERAY AGRIBUSINESS AND
RURAL TRANSFORMATION PROJECT(SMART)**

Terms of Reference (ToR)

**Empaneling Chartered Accountant Firms for
Preparation of Full Project Proposals (FPP) of CBOs**

1. Project Background:

- 1.1 Small and marginal farmers dominate Maharashtra's agriculture (78.4%). Average land holding of farmers in the State is 1.34 ha. State's agriculture is diversified and relatively integrated with the global value chains. Commodities like soybean, cotton, sugar (covering 44 per cent of the cropped area in Maharashtra) are strongly influenced by global price movements. Commodities with little footprint outside India have been influenced by trade policies. For example, the price of pulses (pulses cover about 20 percent of the total cropped area in Maharashtra) over the past few years, while influenced by domestic consumption, are largely affected by the inconsistent trade policies. These factors have led to periodic farm distress. Broad shifts in the global prices of commodities such as pulses, soybean, sugar, and milk leading to farmers in many cases not even being able to cover the cost of production.
- 1.2 Agricultural transformation in Maharashtra faces many challenges. The area under cultivation for cereals has declined since 2000, reflecting a shift from food grains toward cash crops. Maharashtra is now one of the largest producer and exporter of fruits, vegetables, pulses, cotton, and soybean. These changes are prompting value addition and food processing activities. However, it is important to reduce distortions and strengthen the linkages in the existing value chains.
- 1.3 Maharashtra has a large pool of federated organizations of farmers and women's self-help groups (SHGs), with more than 21,000 Primary Agriculture Credit Cooperative Societies, 4500 Farmer Producer Organizations (FPOs), and 800 women's Community Level Federations (CLFs) and Community Managed Resource Centers (CMRCs). This calls for a more concerted effort to leverage these strengths and grab the opportunities in the domestic and global markets available to the farmers in the state.
- 1.4 The State has received financing from the World Bank through International Bank for Reconstruction and Development (IBRD) in the form of a loan for implementation of the SMART Project. This project is being implemented for 7 years during 2020-21 to 2026-27. Objective of the project is 'to support the development of inclusive and competitive agriculture value chains, focusing on small holder farmers and agri-entrepreneurs in Maharashtra'. This would be achieved by expanding access to new and organized markets for producers and enterprises with complementary investments in technical services and risk management capabilities.
- 1.5 Following are the three broad areas of intervention under the project.
- A. Enhancing Institutional Capacity to Support Agricultural Transformation** - to support capacity building of the Department of Agriculture (DoA) and Department of Marketing (DoM) and establishment of Commodity Stewardship Councils to act as a platform for engagement of members of value chains.

B. Supporting Enterprise Growth and Expanding Market Access - to integrate producers in priority value chains with strengthened and reliable linkages with buyers and markets, and to enhance the provision of relevant technical and Business Development Services (BDS) to support enterprise growth in the agribusiness sector.

C. Building Risk Mitigation Mechanism – to strengthen market information and intelligence services for farmers and government, strengthening warehouse receipt systems as a risk mitigation tool for farmers and price risk management support to the state.

1.6 Financial Arrangements: This project is proposed to be implemented in the state over next seven years, during 2020-21 to 2026-27 with financial support from the World Bank (International Bank for Reconstruction and Development). Total Project Cost is USD 300 Million (approx. Rs. 2100 Crores) which includes IBRD Loan of USD 210 Million (approx. Rs. 1470 Crores), State Contribution of USD 70 Million (approx. Rs. 560 Crores) and Private sector Contribution of USD 10 Million (approx. Rs. 70 Crores).

1.7 Implementation Arrangements: The project implementation structure is designed to promote the use of existing GoM structures at the state, region and districts level. Overall management and coordination will be the responsibility of the SMART Society. The SMART Society is anchored within the Department of Agriculture, GoM and is the coordinating agency for the agribusiness transformation in the state. Coordination of day-to-day project implementation, planning and scheduling, procurement management, financial control, as well as reporting and monitoring, will be the responsibility of the Project Coordination and Management Unit (PCMU) of the SMART Society. Eleven Project Implementing Units (PIUs) have been set up within the project implementing agencies participating in the project. These PIUs are housed in the Department of Agriculture, Department of Animal Husbandry, Directorate of Marketing, Maharashtra State Agriculture Marketing Board (MSAMB), Maharashtra State Warehousing Corporation (MSWC), Maharashtra Cooperative Development Cooperation (MCDC), Maharashtra State Cooperative Cotton Growers Marketing Federation (Maha Cot), Maharashtra State Rural Livelihood Mission (MSRLM), Village Social Transformation Foundation (VSTF), MahilaArthikVikasMahamandal (MAVIM), and Pune Municipal Corporation. For greater coordination and review of project implementation at the district level, Eight Regional Implementation Units (RIU) and thirty four District Implementation Units (DIU) will be established.

A. Background of the Assignment:

In aforementioned components of project, component B is important for developing agriculture commodity value chains with the involvement of Community Based Organizations (CBOs), primarily Farmer Producer Companies (FPCs). The CBOs are expected to submit application to project. The project then would select CBOs based on certain criterias. The selected CBOs then need to submit Full Project Proposal (FPP). For such FPPs, project would help CBOs by extending grant in the form of Viability Gap Fund (VGF) up to 60 % of the project cost. The project do not have inbuilt capacities or separate mechanism for developing FPP. Hence, project is looking at creating a pool of institutions, firms who could help CBOs and project to develop FPPs. Further, provide kind of handholding for actual

implementation of these FPPs. Such firms for this assignment would be CA firms and this assignment is for empanelling of such CA firms.

The project contemplated 05 different types of agricultural value chain development subprojects of which 04 would need preparation of FPPs. The different types of subprojects are as under:

- Productive Partnerships (PPs),
- Market Access Plans (MAPs),
- Complementary Innovation Investments (CIIs),
- Warehouse Business Investments (WBIs)
- SMART Cotton

Brief about aforesaid types of value chain development subproject is as under:

(a) Productive Partnership (Buyer and Seller-CBO Partnership Plan) Subprojects:-

A Productive Partnership involves three core partners, a group of producers (CBO), one or more buyers, and the project. These three stakeholders are connected through a business proposition, or business plan, which describes the capital and service needs of the producers and proposes improvements that would allow them to upgrade their production capacities and skills to expand access to new & organized buyers.

The project will support for developing and partially financing Productive Partnerships (PPs), between farmers represented by CBOs and buyers represented by corporate, Start Ups, Agri-SMEs-Lead Firm. The aim is to develop a long-term, voluntary and commercial relationship that will help the partners to improve their competitiveness in terms of price, cost, productivity, quality, and sales volume and provides holistic solutions to address market imperfections that inhibit smallholder producers' socio-economic progress.

The implementation of such a business plan through a sub-project is supported through core inputs and/or activities viz. productive investments (post-harvest, processing and marketing infrastructure), technical assistance (capacity building & value chain development schools). These core inputs are financed through public grants provided by the project, which are matched by the beneficiary producers and in some cases also by the buyer(s).

Criteria for selection of CBOs under PP:

- a) CBO should be a legally registered entity, with audited books of Accounts (audited by a Chartered Accountant). If CBO is not a legal entity then it should apply for legal registration and should be legally registered at the time of Grant Agreement signing.
- b) Project will largely focus on FPCs / FPOs, CLFs, CMRCs, farmer groups registered with ATMA however project may consider grower associations, federations etc. Minimum membership base of CBOs is required to be: 250 shareholders for FPCs, 100 SHGs for CLFs/CMRCs, 10 institutional members for Federations, 250 members of Grower associations and

FPOs, In case of ATMA registered farmer groups minimum membership base should be 20 farmers or as prescribed by state government.

- c) CBO should not have any significant audit observations.
- d) CBO should not have been declared as Non-Performing Asset (NPA) by the Bank due to past loan default.
- e) CBO should have turnover of more than Rs. 5 lakh in at least one audited financial statement in last three years.

(b) Market Access Plan (MAP) Sub-projects:-

The Market Access Plan (MAP) will be developed when there is CBO or their federation wants to access new market for selling their produce which they are presently unable to access. In MAP subproject, there is no specific identified buyer but specific new market would be there. Such new market may be domestic preferably outside Maharashtra or overseas market for export. In such cases, CBOs or their federations will develop plan to access the new market. This will help in developing new value chain to maximize the returns for growers. MAPs may include a range of activities required across the value chain to access the new markets.

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Criteria for selection of CBOs under MAP:

Membership: Since MAP is targeting the markets rather than buyer, there is a need to aggregate sufficient quantity of produce to meet the requirements of identified markets. Hence minimum beneficiaries should be 750 for sub-project of fruits and vegetables and 2000 beneficiaries for sub-project of grains and pulses. MAP sub project will typically target the markets of outside the Maharashtra state. This can be either single or group of CBOs in federation, growers' association, federation having more than 10 institutional members. Different kinds of CBOs can come together and form association with common commodity, market requirements and understanding. The individual CBO should have submitted minutes of at least 2 Annual General Meetings (AGMs) held in two years immediately preceding the year in which proposal is submitted.

- a) At least 1 audited financial statement of showing record of turnover more than Rs.25 lakh, with no audit paragraph and no NPA should be submitted by the CBOs for the year preceding the year in which proposal is submitted
- b) Priority will be given to CBOs whose records should show growth in membership on a y-o-y basis for 2 years preceding the year in which proposal is submitted
- c) Priority will be given to CBOs which have previous experience in collective buying or selling
- d) If CBO is not a legal entity then, then it should apply for legal registration and should be legally registered at the time of Grant agreement signing.

- e) If CBOs going to export commodities to overseas markets themselves, at least one CBO of group/ association/ federation should have all necessary permissions, licenses to export the commodity in overseas markets.

(c) Complementary Innovation Investments (CII) Subprojects:

The project will support development and partial financing of subprojects that aim to pilot, disseminate and adopt innovative technologies. These technologies will have one or more of the characteristics of (i) adding value to the produce, and (ii) introduce new products, concepts and activities that can translate into better access to lucrative markets and higher economic benefits in the medium term. Partnerships supported under PPs and MAPs will be given preference for this type of support to expand the adoption of technologies. Potential beneficiaries for CII would be:

- i) CBOs supported under PPs and MAPs of SMART as beneficiaries of CII would preferably get additional grant for adoption of innovative technologies which are not supported under original grant agreement.
- ii) CBOs operating in matured value chains apart from PPs and MAPs of SMART will also be eligible for CII.

In both the cases, CII support should translate into better access to lucrative market and higher economic returns. The pattern of assistance and process for selection of beneficiaries of CII would be similar to selection of PPs and MAPs.

(d) Warehouse Business Investments (WBIs) Sub-projects

The project will support small and marginal farmers to access warehouse services and avail warehouse receipt financing facility from FIs (Banks and FIs) with the help of partnering professional Collateral Management Agency/ies (CMAs). It is proposed to support CBOs to set up or operationalize existing warehouses, near production centres, so that small and marginal farmers benefit from scientific storage and avoid distress sale by availing credit against crops stored, by partnering with professional CMAs in the initial years. The sub-component activities include: 1) setting up of new warehouses and operationalization of existing warehouses owned by CBOs, 2) partnering with professional CMA for day to day operations who also issue warehouse receipts for availing credit against Warehouse Receipts (WR) from FIs (Banks and NBFCs).

2. Arrangement for implementation of subprojects

There are eleven Project Implementation Units (PIUs) in the project. The CBOs usually owe/associate to one of the PIUs of the project in terms of their initial mobilization. Some of the CBOs get mobilized on their own and may not owe to any of the PIUs. Based on organic relations of CBOs with PIUs the propose subproject will be allotted to one of the PIUs of the project. PCMU, PIUs and CBOs have limited strengths and capacities to develop and rollout subprojects. Hence, services of empanelled CA firm are required for project. Applicant CBO with the help of empanelled CA firm will be

responsible for preparation of subprojects & concerned PIU will be responsible for evaluation of sub-projects & its submission to project. PCMU will also evaluate & accordingly sanction to sub-projects.

3. Beneficiaries of Sub-projects: -

The beneficiaries of subprojects would be community-based organizations (CBOs). The categories of CBOs would be (not limited to) Farmer Producer Organizations (FPOs), Cluster Level Federations (CLFs), Community Managed Resource Centres (CMRCs), Farmers' Federations, Grower Associations, and other Farmer Groups in the State of Maharashtra.

4. Jurisdiction of Empanelled CA firms: -Entire State of Maharashtra

B. Objectives of the Assignment:

Selected CA firm will work on following objectives:

- a. To prepare bankable Full Project Proposals (FPPs).
- b. To assist CBOs in accessing the finance from the financial institutes.

C. Scope of Services:

The scope of services for CA firm is as under:

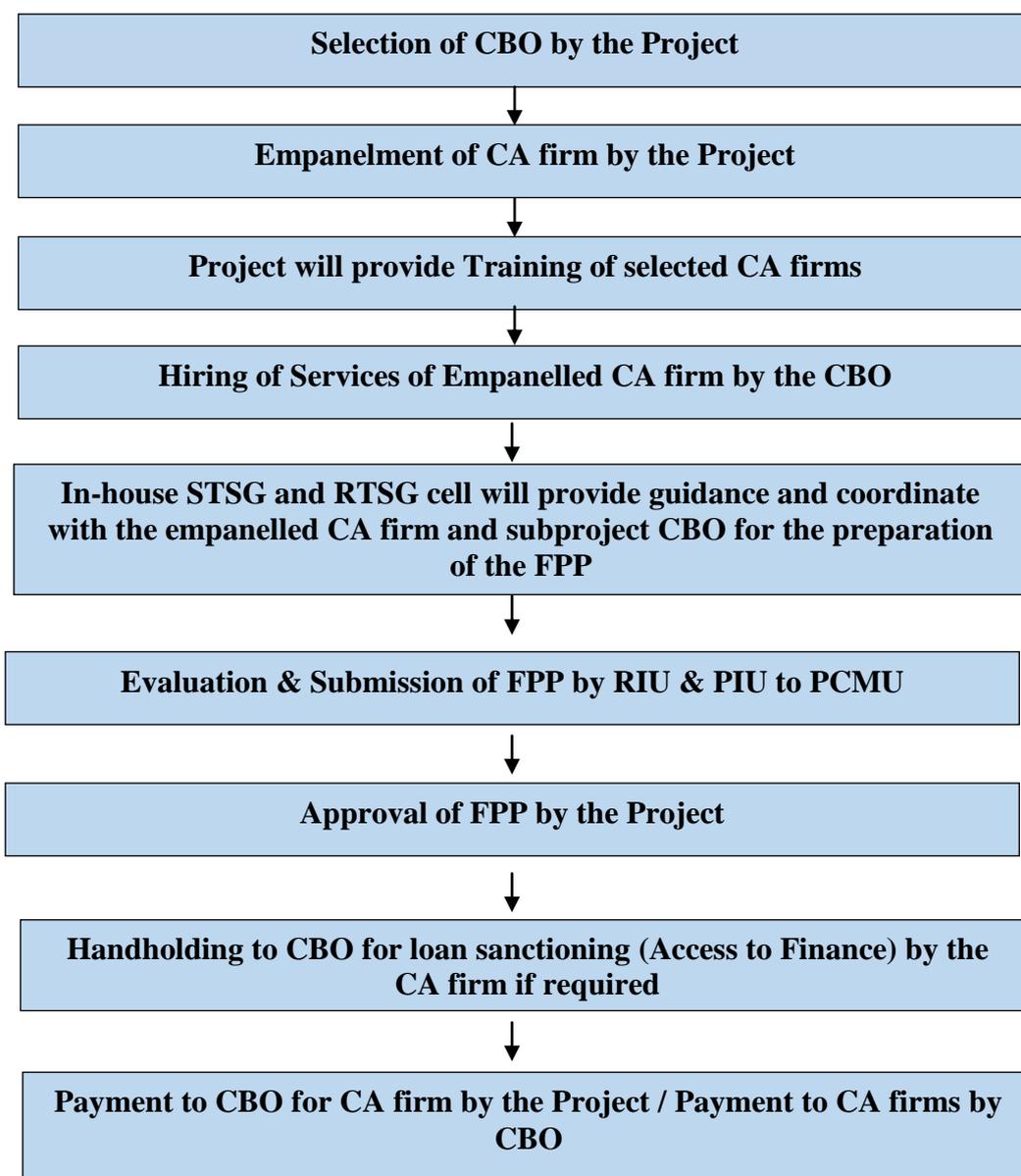
- a. **Full Project Proposal (FPP):** The detailed FPP should be prepared as per project strategy and shall include amongst others, technical feasibility, bankability, checklist regarding social & gender inclusion, environmental safeguards, economical & financial feasibility, packages for Procurement along with related Technical Specifications, sustainability, replicability, viability gap analysis, market linkages, technical linkages, implementation strategy and timeline, draft grant agreement, etc. FPP shall include eligible convergence with other schemes like RKVY, NFSM, Group Farming Scheme (Gat Sheti), POCRA, MIDH and resources from any other funding agency. The CA firm will develop the bankable FPP considering the abovementioned points. The project will provide guiding template for the FPP, however; mere filling the blanks in template won't be a FPP.
- b. **To assist CBOs in accessing the finance from the financial institutes (if required) :-** Once FPP is approved, the project will enter into grant agreement with CBO. This will involve different commitments from beneficiary CBO and the project. The project's financial assistance to CBOs for their subproject would be in the form of VGF of up to 60 % of subproject cost, remaining 40 % of subproject cost need to be raised by CBO through different sources including their own contribution and finance from financial institutions. Although loan from the financial institutions is not compulsory, many CBOs would opt for loan. Economic and financial assessment is part of FPP and it needs to be accepted by financial institutes with agreement to finance the subproject initially in the form of Letter of Intent (LoI) followed by final sanction of loan.
- c. One shortlisted CA firm can cater to maximum of 25 CBOs for above services under SMART project.

D. Data, Services and Facilities to be provided by the Client:-

Project will empanel the CA firms. However, client of empanelled CA firms would be CBOs. Project will publish necessary manuals, templates, etc. on the website of the project and CBOs are expected to provide necessary data required for preparation of FPP to CA firms.

E. Process Flow Diagram of the CBO Subproject:-

Process Flow Diagram of the CBO Subproject (FPP) Development
by Availing Services of the CA Firm



F. Final Output/Deliverables that will be required from Service Provider for Lump sum Contract

Sr. No.	Deliverable	Timeline
1.	Preparation and submission of bankable FPPs. Also CA firm will modify and update the FPP till approval.	Within 02 months from date of work order received from CBO.
2.	To assist CBOs in accessing the finance from the financial institutes. (if necessary)	Within 02 months from date of sanction of FPP.

G. Professional Staff to be engaged by CA Firm:

The CA firms should have the following key professional positions whose CV and experience would be evaluated for selection of CA firm.

Sr. No.	Position	Nos	Qualification and Experience
01.	Team Leader	01	CA/CFA with 05 years of experience of similar assignment
02.	Agri-business Expert (Associate Consultant)	02	B.Sc (Agri.) with 05 years of experience or M.Sc. (Agri.) with 03 years of experience in agri-business, value chain promotion & agriculture marketing
03.	Access to Finance Expert (Associate Consultant)	01	Graduate with MBA (Finance) or Post Graduate in Commerce with a minimum of 5 years' experience in Agri-business Finance and Agricultural Credit
04.	Economic Analyst (Associate Consultant)	01	Graduate with MBA (Finance) or Post Graduate in Economics with a minimum of 5 years' experience in economic evaluation of Agri-business projects

H. Qualifying Criteria for CA firm:

1. The CA firms should have minimum 05 years of experience in similar assignments.
2. The firm should have minimum 02 full time CA's (As partner/employee)
3. The firm should have minimum turnover of Rs. 1 Crore for the year 2020-21
4. The firm should have registered office in Maharashtra
5. The CA firm selected for Internal Audit & External Audit for SMART project will not be eligible for empanelment.

I. Composition of Review Committee to Monitor:- The constitution of the Review Committee is as follows:

- | | |
|---|------------------|
| 1. Project Director, ATMA | Chairperson |
| 2. Deputy Project Director, ATMA/Nodal Officer, DIU | Member |
| 3. District Representative of respective PIU | Member |
| 4. Economic cum Access to Finance Advisor, SMART | Member Secretary |

J. Duration:

The duration of empanelment of CA firm will be for 03 years. In case of unsatisfactory performance and or breach of terms in MoU with PCMU the project may terminate the empanelment of CA firm. The duration of the empanelment if required may be extended.

Annexure- Role of the Subproject Partners

a) Role of Project:

1. The project will publish the Call for Proposal (CFP) for empanelment of CA firm. The project will evaluate the technical proposals with predefined criterias to shortlist the CA firms. Thereafter, project will enter into MoU with shortlisted firms and publish list of such empanelled CA firms on the website of the project.
2. CBOs selected under project can avail services of any of empanelled CA firms.
3. The project will issue guidelines and documents for procurement of services of empanelled CA firms by CBOs.
4. The project will provide three day training to selected CA firms so that they will be familiar with SMART project objectives and requirements.

b) Role of CBO:

1. The selected CBOs will take financial quotes from minimum 03 empanelled CA firms for preparation of FPP and for assistance in access to finance.
2. The CBOs will evaluate the financial quotes and will issue the work order to the lowest quoted firm with fixed schedule of activities and payment of fees. The copy of the work order should be given to the DIU, RIU, PIU & PCMU.
3. CBOs will provide required information for the preparation of FPP.
4. The draft FPP will be evaluated by District Implementing Unit (DIU), Regional Implementing Unit (RIU) and respective Project Implementing Unit (PIU) and will be submitted to PCMU for the approval of State Proposal Approval Committee (SPAC).
5. The CBO will submit all required documents to CA firm for application of bank loan sanction.

c) Role of Chartered Accountant (CA) firm:

1. The shortlisted CA firms will sign the MoU with the project.
2. The CA firms will provide financial quotes as per the request from CBOs.
3. Once CBO shortlists CA firms, as per information provided by CBOs; CA firm will initiate the process of preparation of FPP.
4. The draft FPP will be evaluated by DIU, RIU and respective PIU. Based on evaluation of these units, CA firm will modify and update the FPP till approval.
5. The CA firm will assist in finalization of grant agreement between CBO & PIU.
6. The CA firm will assist CBO in accessing finance from financial institutions/banks. This would be the most important role of CA firm and will be determined by allocating major amount of fees to be paid by CBO to CA firm.
7. The CA firm should note that CA firm can cater to maximum of 50 CBOs for above services under SMART project, which is indicative.

7) In which district of Maharashtra the Applicant Chartered Accountant Firms is willing to work for SMART Project?

(Stamp and Signature)