



**TERMS OF REFERENCE DEVELOPMENT OF A COMPREHENSIVE  
AGRICULTURAL FINANCING SCHEME FOR AGRIBANK AND CONDITIONS  
FOR THE SUBMISSION OF OFFERS**

October 2011

## **1. INTRODUCTION AND BACKGROUND**

Agricultural Bank of Namibia (AgriBank), being an agricultural financial institution, is mandated by an Act of Parliament to advance money to persons or financial intermediaries to promote agriculture and activities related to agriculture.

Namibia's agricultural sector consists of two specific types of land ownership, namely the commercial farming sector which is based on freehold titles and the communal sector wherein the state is the owner of the land in non-title deed areas.

In an attempt to resolve the land issue, the Namibian Government embarked upon two land reform programmes, namely the Affirmative Action Loan Scheme that was started in 1992 through a Decision by Cabinet and the land acquisition and resettlement programmes. The main objective is to enable emerging farmers to commercially acquire their own land at annual interest rates ranging from 4% to 9%. The scheme is complimented by the North-South Incentive Scheme which is a vehicle for communal farmers to sell off their livestock north of the Veterinary Cordon Fence and purchase disease-free livestock south of the cordon fence for farming on their newly acquired farm.

Presently, AgriBank uses the mortgage collateral requirement as it reduces or transfers credit risk, and it may simultaneously introduce other risks to the bank such as legal, operational, liquidity and market risks. Fixed properties are valued by External Valuers at the expense of the customer during the origination of the loan process. This collateral requirement is restrictive as the communal farmers who are mostly in non-title areas are unable to access financing using their properties as security.

Besides that current financing products have not been reviewed since their inception, participation in the financing schemes does not meet expectations. Another short-coming is that the products mainly focus on agricultural production, while there is an absence of incentives to engage in the processing, marketing and other downstream value addition and products development activities.

The National Agricultural Credit Programme (NACP) which was introduced by Cabinet in the mid 1990s provides for short and medium term production loans aiming at especially communal crop producers. The NACP has never been assessed and there is need to review the program. Based on the above-mentioned short-comings, AgriBank is seeking the services of a consultant (s) with expertise in the development of a comprehensive financing scheme for agriculture and agriculture related sub-sectors.

## **2. OBJECTIVES OF THE CONSULTANCY**

The aim of the consultancy to develop a comprehensive agri-financing scheme is to identify and package wide spectrum funding opportunities in the entire value-chain of the agriculture sector. Therefore, AgriBank in co-operation with the Ministry of Agriculture, Water & Forestry would like to undertake the following activity:

- Develop with the Consultant (s) the Comprehensive Agri-Finance Scheme throughout the whole value chain of agriculture.
- Investigate and recommend ways and mechanisms to ensure that the most communal farmers without collateral are assisted to access financing.

### 3. SPECIFIC TASKS

The specific tasks of the consultancy include:

- 3.1 The identification and profiling of all AgriBank's financial products and those of MAWF and the Ministry of Lands & Resettlement (MLR) managed and implemented by AgriBank, and commercial banks' products;
- 3.2 consultations with :
  - Agricultural Bank of Namibia (AgriBank)
  - Ministry of Agriculture, Water & Forestry (MAWF) management
  - Directorate of Extension & Engineering (DEES), regional deputy directors
  - Namibia National Farmers' Union (NNFU)
  - Emerging Commercial Farmers' Union (ECFU)
  - Namibian Agricultural Union (NAU)
  - Ministry of Lands & Resettlement (MLR)
  - Ministry of Finance (MoF)
  - Namibia Manufacturers Association (NMA)
  - Namibian Agronomic Board (NAB)
  - Meat Board, Karakul Board
  - Meat Corporation of Namibia (Meatco)
  - Agricultural divisions of commercial banks
  - Charcoal producers and bush cutters
- 3.3 The identification of areas within the agriculture and agriculture related sectors for which products are need;
- 3.4 The identification and categorization of all potential clients in terms of their financial requirements and capacity to repay their loans;
- 3.5 The design of products addressing the specific requirements for each client category within the agricultural and agriculture related sectors;
- 3.6 The identification of the collateral for each product and quantification where the collateral is to be borne by the lender;
- 3.7 Each product should be specific in terms of:
  - name of product

- category of client/target group
- purpose of loan
- eligibility of borrower
- loan conditions
- loan duration
- interest rate (s), grace period
- cost to borrower
- cost to lender per applicant per year
- cumulative cost to lender per applicant per loan period
- collateral

3.8 The identification of the roles of AgriBank, MAWF and MLR with reference to promoting the financing products as well as mentoring and educating borrowers; and

3.9 The identification of the organization that will monitor and evaluate implementation of products, and assess the impact of the Comprehensive Agricultural Financing Scheme.

#### **4. EXPECTED OUTCOME**

The consultancy report should be concise and limited to significant issues. The main text should comprise of:

4.1 The description of existing agricultural financial products of AgriBank, and MAWF and MLR managed and implemented by AgriBank, including the short-comings of each existing product.

4.2 A range of tailor made agricultural financing products for seasonal, medium-term and long-term loans for:

- livestock production: inputs, livestock, breeding stock;
- crop production: inputs, operational capital;
- purchase of land;
- purchase of premises and infrastructure for agriculture related industries;
- purchase and hiring of machinery and equipment;
- marketing and branding;
- product development and value addition.

for entrepreneurs with and without collateral

4.3 a list of documents consulted

4.4 a list of institutions and persons consulted

4.5 the terms of reference

## **5. REPORTING**

- 5.1 The consultant (s) should report at least every second week on progress made with the consultancy to the AgriBank and Directorate of Planning of the MAWF.
- 5.2 The consultant (s) shall submit and present to Agribank and MAWF management the first draft of the final report for comments 45 calendar days after the date of commencement of the contract between the consultant (s) and AgriBank.
- 5.3 The consultant (s) shall consider the comments in writing from AgriBank and MAWF for incorporation within 14 calendar days after comments and submit the final draft report for final comments by AgriBank and MAWF.
- 5.4 The consultant (s) shall submit 6 hard copies and two electronic versions on CD-ROM of the final report of the consultancy to AgriBank.
- 5.5 The report shall be in the English language.
- 5.6 The consultant (s) may be requested to make presentations of the final draft and final reports.

## **6. COMPETENCY REQUIREMENTS**

The consultant (s) will be expected to have the following competencies:

- 6.1 appropriate academic qualifications in agricultural economics;
- 6.2 appropriate experience in the development, implementation and management of agricultural financing products, and
- 6.3 a good understanding and experience in developing financing products for resource-poor producers/entrepreneurs with and without collateral.

## **7. TIME SCHEDULE**

The report on the Comprehensive Agricultural Financing Scheme should be finalized within the timeframe as outlined in Section 5 “Reporting”, unless otherwise agreed upon in writing between the consultant (s) and AgriBank.

## **8. CONDITIONS AND TERMS**

- 8.1 Parties interested in the consultancy are expected to adhere to the following guidelines:
  - Applicants for the consultancy are required to submit a detailed written proposal;

- The offer must interpret the specific tasks thereby showing that the terms of reference have been understood by the consultant (s);
- The offer must include the methodology on how the study will be approached and conducted, including a plan of action;
- The offer must state that the study will be completed within the prescribed time unless otherwise mutually agreed upon;
- The offer must include the total cost including VAT based on detailed costs for all aspects of the consultancy including costs related to the printing and presentation of the study. Any expense not include in the proposal shall not be entertained, unless mutually agreed upon;
- The offer must include the consultant's expertise, experience and previous similar work completed as well as an elaboration of the consultant's competency as specified in Section 6. If it is a team of consultants, the offer must include this information per consultant and the team leader must be clearly indicated;

8.2 Failing to comply with the above terms and conditions will result in the disqualification of the offer.

## **9. SUBMISSION OF OFFERS**

Properly marked and sealed in envelope, offers must be submitted in 5 hard copies on or before 31 October 2011 and delivered to:

*Agribank of Namibia*

*Office of the Chief Executive Officer*

*Mutual Platz. 1<sup>st</sup> floor*

*Windhoek.*