



TERM OF REFERENCE FOR EXPRESSION OF INTEREST FOR THE CATALYTIC COMMERCIALISATION OF BLACK AGRO- ENTERPRISES

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1. DEFINITIONS AND INTERPRETATIONS

“BLACK” with respect to Black Agro-Enterprises, Black Farmers means Black people, including black women in terms of the Black Economic empowerment Act (act 53 of 2003)

“the Department” refers to the Department of Rural Development and Agrarian Reform.

“DRDAR” refers to the Department of Rural Development and Agrarian Reform

“AETS” refers to the Agricultural Economic Transformation Strategy of the Eastern Cape.

“POD” refers to proof of delivery with respect to targets, milestones and/or items specified in the respective implementation plans of contracted agro-enterprise developments.

2. PURPOSE OF THE CALL FOR EXPRESSIONS OF INTEREST

The purpose is to undertake an open and transparent process of identifying potential development partners, **to be added to the database** (entities already on the database need not apply) , from which the Department may select entities to be contracted to partner with the Department and the participating black farmers/participants for implementation of agro-enterprise development initiatives towards achieving the critical success factors of the Agricultural Economic Transformation Strategy of the Eastern Cape (Annexure 1). These critical success factors are:

- expand production,
- Increase market access and secure off-take agreements,
- Include the training and skills development of the smallholder farmers,
- Add value to the basic agricultural produce,
- Increase employment,
- Increase net farm income,
- increase opportunity and business for SMME's and local beneficiation,
- increase total investment in the industry and
- increase transformation within the industry

The support for the commercialization of black agro-enterprise development initiatives by the Department recognises that the support by Government is to

complement and enable additional investments made directly and/or leveraged by individual partners or the operating agro- enterprise business entity.

3. ELIGIBLE PROGRAMMES

Expressions of interest must support agricultural economic transformation through partnership initiatives between black smallholder farmers / black entrepreneurs and commercial and/or farmer based agricultural commodity organisations of their choice, for:

- the commercialization of agro-value-chain enterprise development initiatives in rural, urban and peri-urban communities
- agro-business development and economic transformation in the Eastern Cape,
- Leveraging additional investment for the respective agro-enterprise development through the incentive grant support allocated from government to black smallholder farmers / entrepreneurs.

Expressions of interest for development must fall within the following commodity value chains (inclusive of manufacture of inputs and value addition of product) with priority given to those enterprises that maximize economic growth and employment with reference to Chapter 6 of the National Development Plan:

. Priority enterprises:

The priority value chains include:

Field Crops:

Grain crops, Oilseed crops, Tuber crops, Industrial field crops and Fodder crops

Horticultural crops:

Citrus, Deciduous Fruit, Nut crops (Macadamia, Pecan etc.), Sub-Tropical fruit crops (Pineapples, Avocado, Banana etc.), Chicory and Vegetables.

Livestock:

Red Meat, Wool, Mohair, Dairy, Poultry, Pork, Aquaculture, Fisheries and Apiculture (bees).

Forestry:

Commercial forestry

Other agricultural activities or commodities may be considered based on economic impact in terms of job creation, geographic spread and niche markets e.g. indigenous, medicinal plants, essential oils, herbs and spices.

Commodity support industries and development services (not exhaustive):

- Fertilizer blending/manufacture

This integrated investment will collectively support activities and development required to achieve the critical success factors of the Agricultural Economic Transformation Strategy (AETS).

The support for black smallholder farmers/beneficiaries participating in partnership contracts with development partners and the Department shall be towards, amongst other, and not limited to, the following:

- (1) Crop establishment.
- (2) Purchase of machinery and equipment.
- (3) Development of infrastructure.
- (4) Development of agro-processing and packaging facilities.
- (5) Expansion of production capacity and efficiencies.
- (6) Increasing market access.
- (7) Training and skills development.
- (8) Manufacture of production inputs.
- (9) Value addition and agro-processing.

The allocation of grant funding support will be based on the best interest of achieving the objectives of the agro-enterprise development in line with government priorities. The allocation of grant funding support and the interpretation of the support areas within the agro-enterprise development will be at the discretion of DRDAR.

4. ELIGIBLE APPLICANTS:

Potential applicants eligible to submit proposals include:

Commercial agricultural entities

Partnerships, Co-operatives, joint ventures,

Other commercial entities that support farmer and agricultural value chain development including: Processors, Investors and Business,

Farmer-based agricultural commodity groups

Agricultural industry/commodity organisations, that are Non Profit Organisations (NPO's) whose objectives are to transform the agricultural sector through support for their members,

5. INELIGIBLE APPLICANTS

The following institutions are not eligible to submit proposals:

National and Provincial Departments
Municipalities
Public Education and Training Institutions
Public entities

6. FARMER PARTNERS/ PARTICIPANTS

Farmer partners/participants of the programme for Agricultural Economic Transformation must be South African Citizens falling into one or more of the following categories:

- Black smallholder and subsistence farmers.
- Under-employed and unemployed graduates
- Under-employed and unemployed persons
- Designated groups: youth, women and persons with disabilities.

7. ENGAGEMENT MODEL

The expression of interest is to enable, through an open and fair process, a database of development partners to be expanded for respective agro-enterprise commodities and categories. Inclusion on the database of development partners is to be determined through the application of the assessment process set out in section 8 below.

7.1 Inclusion in the database.

The data base will enable the Department of Rural Development and Agrarian Reform (DRDAR) to engage appropriate development partners towards achieving the stated critical success factors of the AETS. The evaluation of submissions for inclusion in the data base is to be applied independently within the groupings set out below. The DRDAR, will:

- select, in accordance with the evaluation criteria, those organisations/entities that meet or exceed the minimum qualifying criteria in the categories set out below for inclusion in the development partner database.
- Follow an open process, annually to enable application for inclusion on the database of development partners.

- Inform organisations/entities in writing of their inclusion on the database.

Duration of the term in the data base:

- The term on the database shall endure for a period of 5 years, from the date of inclusion, where-after the organization/entity shall be removed from the database.
- An organization/entity may, during the 5 year term, apply for extension of inclusion on the database by submitting application for evaluation as may be prescribed by DRDAR.
- Extension of inclusion will be for a term of 5 years that shall commence after completion of the current term.

7.2 TERMS OF ENGAGEMENT.

- DRDAR reserves the right to enter into a contractual engagement with more than one organisation/entity on the development partner database in each category and furthermore,
- DRDAR reserves the right not to proceed to enter into contractual engagements within each and every commodity value chain or category included in the database.
- The development partnership contractual engagements shall be for periods from one to three years.
- Contractual engagements, where principal compliance (8.1) i) is met but compliance in respect of financial allocation (8.1) ii) is not in place shall include an agreed time period wherein compliance in terms of 8.1 ii) is to be achieved to confirm the financial assistance allocation provided for the intervention.
- Annual continuation within multi- year contracts shall subject to annual evaluation against agreed milestones and deliverables.
- The development partner contractual engagements for farmer/agro-enterprise development shall be a tripartite engagement between the DRDAR, the development partner and the farmer partner/beneficiaries/agro-entrepreneur.
- Payments due to the development partner from DRDAR shall be subject to proof of delivery (POD) in terms of the agreed milestones/ deliverables.

8. ASSESSMENT OF EXPRESSIONS OF INTEREST

Expressions of Interest for accelerated agro-enterprise development through support from government incentive grants are to be assessed against meeting specified conditions and evaluated against evaluation criteria, the categories of which are summarized in Table 1 and the details are set out under sections 8.1 and 8.2 below for the conditions and the evaluation criteria respectively.

TABLE 1:

Criterion	Notes/explanation	Weighting
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1. Compliance with rules of the expression of interest processes	Adherence to the expression of Interest framework & supply of all required documentation	Included in the Qualifying conditions
2. Secure access to natural resources and Regulatory compliance with respect to Natural Resource access and use.	Proposals must strictly comply with regulations governing access to and use of Natural resources and show unequivocally that the access to land and water resources are secure.	Included in the Qualifying conditions
3 Strategic fit with the objectives of agricultural economic transformation through the programme for commercialization of black agro-enterprise development	Proposals must demonstrate relevance to the critical success factors of the principles of the agricultural economic transformation and commercialisation of black agro-enterprise development set out herein.	40%
4. Coherent, appropriate and viable implementation methodology.	Expressions of interest must detail implementation steps that clearly indicate how envisaged outcomes will be achieved	24%
5. Capacity to manage and implement projects on a local or provincial scale including appropriate governance and financial management structures and processes	The expression of interest should provide/demonstrate evidence of capacity, capability and relevant experience to manage the proposed project on a provincial/regional or local basis. This should include appropriate governance and financial management structures and processes and evidence of existing networks or associate organisations that form part of the technical and implementation capacity.	36%
	TOTAL	100

8.1 Conditions

The expressions of interest for the commercialization of black agro-enterprises must comply with the following conditions:

i. Conditions with respect to principal compliance

No.	Condition	Compliant	No-Compliant
1	Adherence to the expression of Interest framework & supply of all required documentation		
2.	Clear governance structures and processes (inclusive of oversight board or equivalent, Financial manager and reporting and accountability (monthly, quarterly and annual financial statements , annual independent auditing)		
3	The Submission must support development of black agro-enterprises where the fixed assets, inclusive of land are at least 60% black owned.		
4	The individual agro-enterprises must have a shareholding of at least 51% black - owned.		
5	The agro-enterprise must be profitable (Net Present Value (NPV) of the agro-enterprise(s) must be positive, based on a discount rate of 5%).		
6	The agro-enterprise(s) must show the creation of sustainable employment.		
7	Commercial agro-enterprise partners (section 2 refers) must show financial investment into the enterprise development.		

ii. Conditions with respect to compliance for allocation of financial assistance.

Following principal compliance (8.1) i. above) the successful submissions in terms of the evaluation process must, within reasonable time if not compliant at time of submission, comply with the following conditions prior to the allocation of financial assistance beyond that required for EIA processes (condition 11 below), the cost of which may be included in an inception phase.

No.	Condition	Compliant	No-Compliant
8	Secure land use for the full duration of the projected economic lifespan must be supported by secure documented legal tenure and maps		
9	The land must be suitable for the agro-enterprise, as supported by appropriate documentation of the natural resource base for the extent and nature of the agro-enterprise		
10	Access to and the right to use the required quantities of water must be shown in terms of legal tenure (water rights allocation)		
11	The proposed land use must comply with all Government land use regulations, both Environmental, Natural Agricultural and water resources . (e.g, record of decision		

	(ROD) from the outcome of an Environmental Impact Assessment (EIA) for the use as planned, should this be a requirement. – with appropriately informative maps).		
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- iii Grounds for elimination of applications from further consideration.

Notwithstanding non-compliance to the conditions of principal compliance (i) above, the following will constitute grounds for elimination from further consideration:

- Failure to provide information in the Expression of Interest submission form that enable direct assessment of conditions 1 to 7 above.

8.2 Evaluation Criteria

Conditions applicable to the application of the evaluation criteria:

The evaluation criteria are to be used across different types of agro-enterprise related organisations and types of agro-enterprise commodities that differ in their nature with respect to addressing the objectives / outcomes of the call for expressions of interest with respect to the Agricultural Economic Transformation Strategy.

Therefore, to enable the Department of Rural Development and Agrarian Reform (DRDAR) to achieve the stated critical success factors of the AETS the evaluation of submissions is to be applied independently within the groupings set out below.

Category of agro-enterprise organisations

Commercial agro-enterprise value chain entities:

Entities that pursue profit, for the entity (e.g. partnership, joint venture, co-operative, company, business, commercial farming business, processors) through enterprise ventures within the agricultural value chain.

Farmer based agricultural commodity groups:

Entities that seek to support members of the group (partners) comprising commercial agro-enterprises (see a. above) to progress in their commercial venture.

This is done through support comprising services, training, business and market development assistance, facilitating access to grants and subsidies, amongst other support. These farmer based agricultural commodity groups are generally non-profit organisations.

Categories of agro-enterprise commodities and minimum qualifying score ().

Field Crops:

Dryland production : (50) Grain crops, Oilseed crops, Tuber crops, Industrial field crops and Fodder crops

Irrigated production: (52) Grain crops, Oilseed crops, Tuber crops, Industrial field crops and Fodder crops

Horticultural crops:

High value (Irrigated): Citrus (59), Deciduous Fruit (61), Nut crops (Macadamia, Pecan etc.) (61), Sub-Tropical fruit crops (Avocado, Banana, papaya etc.) (59), Chicory and Vegetables (57).

Moderate value (Dryland): Sub-Tropical fruit crops (Pineapples, Avocado, Banana etc.) (55), Chicory and Vegetables (55).

Niche Crops: (53) Medicinal plants, essential oils, herbs and spices.

Forestry: (59) Commercial forestry

Livestock:

Extensive livestock: (49) Red Meat, Wool, Mohair,

Intensive livestock: (55) Dairy, Poultry, Pork, feedlotting, Aquaculture, Fisheries and Apiculture (bees).

Agro-processing: (61)

Processing and value addition of agricultural produce (downstream processing)

Manufacture of Agricultural Inputs: (61)

Manufacture of agro-enterprise inputs and equipment (upstream manufacture)

Evaluation score sheet: Strategic fit with the objectives of agricultural economic transformation through the programme for commercialization of black agro-enterprise development

Criterion		Scoring (mark score with an "x" & and enter score)								Weighting		TALLY
									Enter score	%	X factor	
1	Proposed leverage of investment: Portion (%) of total investment that is not from that stated as required from DRDAR.	criteria	Absence of data/information for scoring	=<30%	>30% & <43%	>43% & <56%	>56% & <69%	=>69%				
		score	0	1	2	3	4	5		7.0%	0.070	
2	Average Gross Value of Product marketed per annum (R million)	criteria	Absence of data/information for scoring	=< 5 M	>5 M &=<27 M	>27 M &=<49 M	>49 M &=<71 M	>71 M				
		score	0	1	2	3	4	5		12.5%	0.125	

Criterion		Scoring (mark score with an "x" & and enter score								Weighting		TALLY
									Enter score	%	X factor	
3	Market Assurance	criteria	Absence of data/information for scoring	spot sales	spot sales and signed conditional intention to purchase	conditional intention to purchase and contracted off-take agreements	contracted off-take agreements	signed forward contracts at agreed prices with hedging in place				
		score	0	1	2	3	4	5		7.5%	0.075	
4	Targeted Expansion of SMME's measured by % of procurements from BEE compliant entities	criteria	Absence of data/information for scoring	=<30%	>30% & <43%	>43% & <56%	>56% & <69%	=>69%				
		score	0	1	2	3	4	5		2.5%	0.025	
5	Project employment creation (Sustainable jobs /R mil invested)	criteria	Absence/Unclear data/information for scoring	<1	>=1 & <2	>=2 & <3	>=3 & <4	>=4				
		score	0	1	2	3	4	5		8.0%	0.080	

Criterion		Scoring (mark score with an "x" & and enter score								Weighting		TALLY
									Enter score	%	X factor	
6	Targeting of designated groups: portion of farmer partners/participants (women, youth, disabled)	criteria	Absence/Unclear data/information for scoring	<40%	>=40% & <50%	>=50% & <60%	>=60% & <70%	>=70%				
		score	0	1	2	3	4	5		2.5%	0.025	
										40%		
										TOTAL SCORE		

Evaluation score sheet: Implementation methodology and capacity for local and provincial scale implementation

Criterion		Scoring (mark score with an "x")								Weighting		TALLY
									Enter score	%	X factor	
7	Clarity of implementation methodology and milestones	criteria	Absence of data/information for scoring	Information provides poor insight and detail of implementation	Moderately clear implementation methodology where further clarification is required	adequately clear, minor clarification may be required	Very clear, no uncertainties	Extremely clear, thorough and detailed implementation methodology				
		score	0	1	2	3	4	5		12.0%	0.12	
8	Has the implementation methodology been applied successfully previously/else where by the partnering entity.	criteria	Absence of data/information for scoring	Supporting documentation provided for 1 or more previous successes	Supporting documentation provided for 2 or more previous successes	Supporting documentation provided for 3 or more previous successes	Supporting documentation provided for 4 or more previous successes	Supporting documentation provided for 5 or more previous successes				
		score	0	1	2	3	4	5		12.0%	0.12	

Criterion		Scoring (mark score with an "x"								Weighting		TALLY
										Enter score	%	
9	Presence of a clear and credible bus: Oversight management including financial management and controls	criteria	Absence of data/infor mation for scoring	Information provides poor insight and detail.	Moderately clear: where further clarification is required	adequately clear, minor clarification may be required	Very clear, no uncertainties	Extremely clear, thorough and detailed				
		score	0	1	2	3	4	5		24.0%	0.24	
10	Credibility of risk factors	criteria	Absence of data/infor mation for scoring	Information provides poor insight and detail.	Moderately clear: where further clarification is required	adequately clear, minor clarification may be required	Very clear, no uncertainties	Extremely clear, thorough and detailed				
		score	0	1	2	3	4	5		6.0%	0.06	
5	Mitigation measures to address identified risks.	criteria	Absence of data/infor mation for scoring	Information provides poor insight and detail.	Moderately clear: where further clarification is required	adequately clear, minor clarification may be required	Very clear, no uncertainties	Extremely clear, thorough and detailed				
		score	0	1	2	3	4	5		6.0%	0.06	
										60%		0
										TOTAL SCORE		

9. NON COMPULSORY BRIEFING

A virtual non-compulsory briefing session will be held on 3 November at 10:00 am using Microsoft Teams (Link to be obtained by contacting the administrative contact person shown below in respect of enquiries).

10. APPLICATION DOCUMENTS

Proposals must be submitted on the application template annexed to these guidelines (Annexure 1).

11. TIMELINE FOR APPLICATIONS

Application Submission due date: before 11:00 am on 13 November 2020

The opening and registration of all proposals received will take place at 11:00 am on 13 November 2020 at :

Head Office: Bisho

Department of Rural Development and Agrarian Reform, Office D04, UIF Building, Rharhabe Road.

The opening and registration of proposals will be open to the public.

10. WHERE AND HOW TO SUBMIT AN APPLICATION

Please submit a signed original and one copy of the proposal in a sealed envelope to at least one of the addresses in the table below:

Further information and enquiries on the application process can be obtained from the following:

Enquiries

Administrative Supply Chain contact	Technical Enquiries Contact
Head Office: Bisho Mrs. R Bester, tel. (040) 602-5205/67/8/9, e-mail ronel.bester@drdar.gov.za	Mr. F Hobson Cell: 0828575809 Tel: 0406025164 / 0406025152 Felix.hobson@drdar.gov.za Hobson.felix@gmail.com

Mrs. R. Bester Tel: 040 602 5205/6/7/8/9/19/ 5363 Fax: 086 540 1720 Email:
ronel.bester@drdar.gov.za

Mr F Hobson
CHIEF DIRECTOR: ENTREPRENEURIAL DEVELOPMENT
DEPARTMENT OF RURAL DEVELOPMENT AND AGRARIAN REFORM

DATE: