

# REQUEST FOR PROPOSALS AGRICULTURAL TRANSFORMATION INITIATIVE

Round 2 of Grants Funding

<b>Issue date:</b>	October 15, 2018
<b>Question window ends:</b>	March 15, 2019
<b>Round 2 closing date:</b>	March 29, 2019
<b>Closing time:</b>	11:59 PM CAT
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<b>Submit questions to:</b>	<a href="mailto:AglApplications@Smokefreeworld.org">AglApplications@Smokefreeworld.org</a>
<b>Submit proposals to:</b>	<a href="#">Visit our online form</a>
<b>Financing instrument:</b>	Matching grant
<b>Financing amount:</b>	USD 100,000 – USD 1,000,000
<b>Financing duration:</b>	Disbursable over a maximum of 3 years

*“Growing tobacco has never lifted smallholder farmers out of poverty. High-quality data and rigorous analysis can shape and inform effective, evidence-based policy creation and resource deployment to diversify economies and lessen country dependence on tobacco—better preparing farmers for the future while strengthening their countries’ economies.”*

***Jim Lutzweiler, Vice President, Agriculture and Livelihoods  
Foundation for a Smoke-Free World***

## **REQUEST FOR PROPOSALS**

The Foundation for a Smoke-Free World invites eligible private sector firms, research institutions, other interested entities, and partnerships or consortia thereof to submit proposals that present viable market-led solutions aimed at solving current challenges for transforming smallholder agricultural livelihoods in Malawi. Proposers are encouraged to address any one or any combination of the following thematic areas as grant windows:

- 1. Technology-enabled smallholder extension models*
- 2. Access to markets for specific value chains*
- 3. Business models for improved nutrition*
- 4. Off-farm enterprises and support services*

A summary description of each theme is provided below. Individual entities, prospective consortia, or partnerships are welcome to apply to one theme or a combination of any of the four themes. Concepts will be evaluated on the ability to potentially have significant and sustainable impact in any or a combination of the identified areas. The overall objective of the funding is to co-invest and de-risk innovative ideas that have real potential to transform the agricultural sector and improve the welfare of smallholder farmer households in Malawi. The type of intervention can be (a) the testing of a new idea, whether it’s an approach, technology, and/or product, or (b) the scaling out of a proven approach, technology, and/or product. Ideas that have worked elsewhere are equally welcome.

## OVERVIEW

The Foundation for a Smoke-Free World (FSFW) was launched in September 2017 as an independent, nonprofit organization dedicated to accelerating global efforts to reduce deaths and harm from smoking, with the ultimate goal of eliminating smoking worldwide. Since the adoption of the World Health Organization Framework Convention on Tobacco Control (FCTC) in 2003, countries that comprise 90% of the world's population have resolved to achieve significant reductions in smoking rates by 2025. The Foundation's mandate, as well as global efforts in this field promise many positive health impacts. These efforts will invariably entail a reduction in demand for some types of raw tobacco products, such as those produced most prevalently by farmers in Malawi and several other regional economies. The reduction in demand for combustible tobacco products means predictably lower incomes for tobacco-producing farmers and tobacco-reliant economies. This creates a unique opportunity to (a) support smallholder tobacco farmers as they transition to alternative crops and livelihoods, and (b) catalyze that transition.

Through the [Agricultural Transformation Initiative \(ATI\) in Malawi](#), the Foundation is working to prepare smallholder tobacco farmers for an era of reduced demand for tobacco. The ATI will use this opportunity to facilitate the establishment of more secure income strategies for farmers and will seek to partner with a diverse set of stakeholders to ensure the success and sustainability of this strategy. Some of the activities of ATI will target the following outcomes:

- Avoidance of economic dislocation and more secure income streams for smallholder farmers
- Improved food security and nutrition for target populations in Malawi
- Increased non-tobacco export earnings for Malawi
- Application of technologies that enhance productivity, reduce costs, enable data-driven production decisions, and facilitate access to profitable and reliable markets

To enhance smallholder farmer incomes, the ATI will employ a systems approach to understanding local contexts and potential points of intervention, coupled with an investment-oriented model of action. A systems-thinking approach is well suited for tackling complex development problems because it incorporates multifactor analysis and feedback loops to foster better decision-making. Focusing on investment, meanwhile, will ensure that each dollar spent is contributing to building capacity and strengthening local and national economies in a sustainable way—contributing, that is, to a better future for smallholder farmers, their families, and their communities. This RFP is one mechanism the ATI will use to identify strong partners with great ideas who help us transform the lives of smallholders through the power of markets and investment.

## GUIDING PRINCIPLES

Under the four thematic areas to be considered for grant funding, whether it's testing a new concept or implementing or scaling an already proven idea, applicants must be able to show how the proposed interventions:

### **I. Will be commercially viable for smallholder farmers**

The proposals must have underlying business models that show a clear pathway to profitability. For example, entities applying for funding of new innovations through research and development (R&D) activities must be able to show potential for commercial viability and the favorable impacts on smallholder farmers. On the other hand, innovations that are market ready and/or in the scaling phase must be able to show evidence of commercial viability and profitability

along the entire value chain (if appropriate). Under any stream, the concepts must have potential for scalability in the Malawi context and, potentially, regionally. Wherever possible, a business plan can be included as an appendix; however, submission of a business plan is not mandatory. Concepts will be evaluated based on the information contained in the proposal itself. Any additional documentation is merely to support claims asserted in the proposal.

## **II. Will showcase innovation**

Ideas in the proposals must have an innovative way of solving the challenges within the thematic areas, with the potential to significantly impact the agricultural sector's or support services sectors' income growth and smallholder welfare in Malawi.

## **III. Will improve the lives of smallholder farmers**

Smallholders must benefit and ideally have a productive role to play in the solutions tested or proposed across all three themes. This impact can include economic, health, or social improvements in the lives of large numbers of farmers.

## **IV. Could not be funded by private sector investments alone at the present time**

The applicants must clearly demonstrate that the funding could not all be sourced from private sector investors because of either too-high startup costs or investment risks (perceived or real) associated with the intervention. Examples of activities that may fit these criteria include bringing new products or business models to the market, establishing new (foreign) markets, or testing new partnerships that have potential for high growth.

## **V. Will leverage partnerships**

Although applicants who wish to submit a standalone proposal are welcome to do so, ATI encourages applicants to consider a consortium of partners to maximize multidisciplinary capacities and skills (wherever it makes sense to do so). Partnerships or consortia may include private sector firms, academia or research institutions, and other entities. All partners in the proposals must have a multiyear proven track record for their specific roles, whether for undertaking research or for implementation. For example, private entities will be expected to have viable financial and management capacities. Due diligence on all partners will be performed by ATI, and, among other aspects, financial and management capacity will be reviewed before proceeding to the disbursement stage.

## **VI. Will have measurable results**

Whether a proposal is testing a new innovation or scaling or implementing a proven and market-ready idea, an appropriate and robust monitoring and evaluation (M&E) plan must be clearly laid out for the life of the project. To ensure sufficient rigor for M&E and evidence generation of impact, applicants are encouraged to partner with an academic or research entity from the outset. The ATI reserves the option to request a more rigorous impact evaluation or impact assessment study of an applicant's proposal if deemed necessary. Further guidance on the monitoring and evaluation to determine impact will be provided to the winning proposals.

## THEMATIC AREAS OF FOCUS

### 1. Technology-enhanced smallholder extension models

Under this category, the ATI will support firms that propose to test or scale up commercially driven, technologically enhanced smallholder extension models to improve farmer productivity and profitability. The ideas presented will ultimately be evaluated based on their ability to solve some of the challenges facing smallholder farmers in accessing extension services and market information. For example, a proposed solution for scaling must clearly show evidence of previous pilot tests, experiments, or examples, as well as how implementers will build relationships with farmers in the long run and sustain a “trusted partner” status with the farmers. For either type of proposal (whether testing a new idea or implementing a proven idea), the proposed concept must clearly demonstrate why farmers would choose to adopt or participate in the solution. Business concepts that include technology in irrigation, provision of agronomy services, and facilitation of access to inputs are some of the ideas that may receive funding, provided they meet the other criteria as explained in the previous section. It is critical to demonstrate that the business model is demand driven as opposed to having a top-down approach.

### 2. Access to markets for specific value chains

Under this window, the ATI will fund proposals that have potential to secure significant and committed markets for specific value chains. Applicants under this category may include standalone entities or any combination of the following: supply chain entities, consulting firms with a mandate to secure buyer commitments, or potential buyers looking to establish committed relationships with supply chain entities. Ultimately, the proposals should have a clear path leading to significant, committed relationships between buyers and supply chain entities such that farmers can increase productivity, knowing that the market uptake is assured and farmer incomes and export earnings will increase.

At a minimum, the expectations are that:

- The value chain must be one that has developed or is positioned to develop a strong market potential to ensure long-term sustainability of all stakeholders’ involvement.
- Prospective entities should be aiming to establish significant (minimum of USD 1 million per annum) buyer agreements for the selected value chains.
- The ideal partnerships should be long term and based on a demonstrable benefit to each stakeholder, including the farmer. They should show how the producer–buyer relationship will be cultivated through transparent agreements on expectations of product quality, access to inputs and services, quantities produced, pricing negotiations, and transaction modes (on credit, via mobile technologies, etc.). Additionally, the methods of garnering the trust of producers (or farmers) over time should be clearly convincing to help transform the agricultural sector.

### 3. Business models for improved nutrition

Under this window, successful proposals are expected to contribute to market-based solutions that not only help improve nutritional outcomes but can serve as a catalyst for generating increased incomes and growth in the broader economy. These contributions may either be furthering research on innovative science and technology solutions for product development and branding, developing and testing innovative business models around locally sourced products, or taking to scale market-ready products with a proven business model or with innovative value chain approaches. Some examples of products include:

- a. Approaches that improve general food production in a sustainable manner
- b. Technologies to prevent post-harvest losses and/or food waste, or reduce aflatoxins and other contaminants in the food supply chain
- c. High nutrition–density packaged foods using locally sourced inputs
- d. Novel nutritious product formulations and processing using locally available ingredients (either for the general population or for food aid)
- e. Biofortification of crops to address micronutrient deficiencies, including product development

Applicants may also consider applying research methods to assess consumer preferences and demand for nutrient-dense food products in Malawi, identifying resilience-building strategies to safeguard food security and nutrition (especially among tobacco farmers), and assessing the nutritional impacts of greater diversification from tobacco to other high-value commodities (crop or livestock-based).

### 4. Off-farm enterprises and support services

To transform the agricultural sector in a significant and sustainable way, it is critical to invest in an ecosystem comprising off-farm support services that allow for the stakeholders within the primary sector to focus on their specialized businesses. Under this theme, the ATI will consider funding business models that aim to provide support services such as information technology, smallholder financing, farm mechanization, infrastructure, processing, sustainable energy, logistics, transportation and storage, among others. Here, the onus is on the proposers to clearly demonstrate how their receiving funding will result in benefits (such as cost reduction, convenience, improvement in margins, etc.) to smallholder farmers and other primary agricultural actors. Examples of proposals that will be considered under this thematic area are listed below. Note that these are merely examples; innovativeness, potential for significant usage or uptake, and scale are some of the factors that will determine the success of proposals.

- a. Information technology: novel IT business models that link farmers to individual or institutional financiers (e.g., crowdfunding) in a cost-effective manner through mobile applications
- b. Logistics: entities that provide enhanced logistical solutions for getting high-value produce from farmers to buyers, including those in export markets, in a quality-controlled and timely manner
- c. Processing: entities with business models that are effective in processing raw produce into high-value mid- to end-products such that value chains that were previously yielding low margins can be optimized

- d. Energy: entities that have large-scale capacity to provide alternative energy sources for the agricultural sector to optimize productivity; the ATI will support solutions that have the capacity to reach a significant portion of the sector, are sustainable, and are clean
- e. Mechanization: entities that can provide affordable and accessible farm mechanization tools, with a convincing approach to ensuring high levels of uptake; business models can be rental, lease, or some other novel approach thereof; however, the proposers need to have a strong proven case for ensuring farmer uptake

## **YOUTH, GENDER, AND OWNERSHIP CONSIDERATION**

Entities owned or led by youth (under 35 years of age), women, and Malawians are highly encouraged to apply. Where objective scores are equalized, preference may be given to such entities. Proposals that can demonstrate significant incremental benefits to youth and women as suppliers or consumers along the value chain will also be given preference. The latter will be examined more rigorously prior to grant making, at the monitoring and evaluation framework stage when indicators will be defined.

## **GUIDANCE ON MATCHING FUNDS**

Matching funds can be a combination of cash and in-kind contributions. The entities with more provable cash contributions will be scored higher, and at least 25% of the applicants' contribution must be in cash.

## **ELIGIBILITY CRITERIA**

### **1. Experience**

- i. Each entity, whether applying alone or as part of a partnership or consortium, must have at least 5 years of experience in the relevant sector.
- ii. Start-up/greenfield ventures will be considered only if each of the partners (individuals or entities) has at least 10 years' experience in the proposed role gained within a recognizable entity, and the consortium must have 50% provable cash contribution— instead of the minimum 25% criteria set for non-start-up entities.

### **2. Smallholder impact**

Concepts must clearly demonstrate benefits to smallholder farmers. The more significant and convincing the benefits, the better the score the concepts will receive.

### 3. Types of entities

Fully registered, MRA-compliant, private sector firms may apply for funding. All other types of entities may apply only as part of a partnership or consortia in which the lead entity is a private sector entity.

### 4. Financial records

Entities applying for more than \$250,000 must have audited financial records for the past 3 years as well as financial systems that are auditable.

## PROPOSALS SHOULD INCLUDE:

- **The concept** (maximum 2 pages)  
Provide a succinct description of the concept and the role of each partner where applicable.
- **Business model** (maximum 2 pages)  
Provide a clear demonstration of the business model as it applies to each partner, including the farmers, and the ensuing value proposition to each participating entity.
- **Impact**  
State the number of farmers that will participate and estimate the incremental incomes that will be generated by individual farmers over 3 years.
- **Preliminary high-level budget** (maximum 1 page)  
The budget must delineate costs to be covered by the applicants and those costs being proposed for funding from ATI. Note: the ATI will **not** fund purchase of land; however, applicants may use their own contributions for land purchases.

## PROCESS AND IMPORTANT DATES

Entities are encouraged to ask questions for clarification before the submission date. Proposals received before the closing date will be reviewed on a rolling basis as they come in. Reviews will be conducted by the core Foundation team and one external reviewer; successful proposals will be funded.

- i. Request for proposals issue date: October 15, 2018
- ii. Question window ends: March 15, 2019
- iii. Round 1 closing date: March 29, 2019 at 11:59 PM CAT

*Note that proposals will be reviewed, and responses will be provided on an ongoing basis during the period in which the round is open.*