

Matching Fund Guidelines

for the

Competitive African Rice Initiative



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Section 1: Background

The Competitive African Rice Initiative – CARI – is a program commissioned by Germany's Federal Ministry for Economic Cooperation and Development (BMZ) and is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. CARI's technical and financial assistance is based on a value chain approach that addresses coordination failures; creates better linkages among rice value chain actors and as a result, increases the expected economic returns for all stakeholders.

CARI has the overall objective to significantly improve the livelihoods of rice farmers in selected countries in the sub-region by increasing the competitiveness of domestic rice supply to meet increasing regional demand. CARI started operations in October of 2013, the Matching Grant Fund (MGF) was launched as the backbone of the project. The MGF served as the key implementation instrument where public and private sector partners could apply for grants by submitting project proposals. Grants were then assessed and allocated based on a set of eligibility criteria including a strong cost-share requirement from the grant recipient.

In the first phase, the MGF was linked to the project outputs as summarized below:

1. improved *productivity* of the rice production systems;
2. strengthened *business relations* between producers, processors and traders;
3. improved access to *support services* (finance, inputs and/or consultancies);
4. improved formulation and implementation of *rice policies*.

During the first phase of CARI the MGF was predominantly focused on output 1, productivity of the rice production systems. Thus, the fund was mostly used as a cost-share to support Good Agricultural Practices (GAP) and Farmer Business School (FBS) trainings that were linked to targeted farmers.

The Second Phase of CARI

The CARI II project will build on of the lessons learned from the first phase of operations and where possible will build on existing structures. During the first phase of the project, the CARI team was able to build trust with the key actors in the rice value chain and form a foundation through building the capacity of targeted farmers through GAP and FBS trainings. While in the first phase trainings of smallholder farmers were in the center of attention, the second phase will place more emphasis on processing and mechanization services and the use of information and communication technologies (ICT). Under CARI II, focal interventions will be private-sector led and the support provided will be targeted to the specific needs of the rice mill operations.



CARI II will continue their implementation in four countries, three in the ECOWAS region (Nigeria, Ghana, and Burkina Faso) as well as Tanzania in the East Africa Community (EAC). Activities will be directly implemented by GIZ in cooperation with Kilimo Trust in East Africa and with J. A. Kufuor Foundation to address overarching policy matters.

CARI II has four major outputs under the second phase:

- **Output A: Knowledge Management and Cooperation;**
 - The exchange of experiences related to productivity, business models, use of production inputs, financial services and policy-making to foster the rice value chain has increased.
- **Output B: Inclusive Business Models and Improved Productivity;**
 - The viability of the business relationships has been sustainably improved
- **Output C: Improved Financial Services;**
 - Access to financing opportunities has improved for main stakeholders in the rice value chain.
- **Output D: Improved Framework Conditions and Policy Advice/Advocacy;**
 - Private sector interests are reflected in all project countries' national rice policies.

The Matching Fund for Phase Two

Phase two of the CARI project will continue to offer support via a Matching Fund (MF) where the principle of the initial facility will be maintained. However, the MF will be positioned as a flexible investment between the CARI project and the MF partner on addressing critical constraints in the rice value chain. Ideally, the MF partner should be a private sector entity or a consortium of private partners.¹ Only in reasonably justified exemptions, public sector institutions or non-governmental organizations heading a consortium of partners can be eligible as lead MF partners. If the lead partner is not a rice mill, one of the consortium partners need to be an off-taker with whom the lead partner has a proven relationship.

The MF will be closely linked to outputs B and C with the expectation that a properly designed and implemented fund will either foster a strengthened business model that will improve business efficiency/profitability or strengthen access to financing opportunities for key stakeholders (depending on the primary constraints facing the private-sector actor). The fund – regardless of the output being addressed – is expected to increase productivity in the rice value chain.

The specifics of this fund has been adapted based on the feedback received from the CARI partners, project donors, and the findings from the project evaluation that was conducted during the first quarter of 2017. Key findings include:

¹ A consortium could include complementary organizations (i.e. public agency; NGO; input supplier; agro-dealer, and/or a financial institution).



1. CARI provided a novel approach that relied on the off-taker to identify the production area and the farmers and farmer organizations where paddy was to be sourced as well as the recipients of capacity building interventions;
2. The MF was a strong tool to crowd in the private sector and farmer capacity building helped build a strong foundation for CARI's support and trust building;
3. For future phases, a MF should consider the diverse needs and constraints faced by the private-sector partner and build in flexibility to support each individual miller relevant to their business maturity, scale of operations, and management capacity;
 - a. CARI and the lead partner will need to select the relevant technical expertise in line with the identified intervention (either internal or external);
 - b. There will be a need to pre-qualify the service provider to ensure the service provider has the relevant expertise;
4. Initially, there were several MGF applicants that were led by public-sector partners. For future efforts, the MF applicant shall to be private-sector led in order to ensure a flexible facility addresses the needs and constraints of the off-taker;
5. During the first phase of CARI, all stakeholders were new to the implementation of a MGF for the rice value chain (GIZ has conducted similar interventions with other crops such as cashew), thus there were times that the understanding on the roles and responsibilities were not clear or they would be modified. For the next phase, stakeholders highlighted the need for clarity in the roles and requirements, of the off-taker and their partners;
6. The MF and the CARI project need to seek opportunities to crowd-in government interventions and other donors such as AfDB, IsDB, USAID, BMGF, AGRA, to further strengthen a collaborative approach that strengthens CARI's private sector approach;
7. With a more robust and flexible MF, CARI will need to ensure appropriate technical expertise is embedded in the project implementation team. Expertise which can not be covered by the CARI team will be brought on board via a short-term expert pool.

The purpose of the MF guidelines is to provide direction to CARI operational staff, recipient partners, donors, and key stakeholders on the steps in the MF process, the requirements of the operators and the beneficiaries, as well as how the participants will interact (as a complement to the individual agreements prepared after the proposal approval process). These guidelines will also provide insight and clarity to the changes made to the MF based on lessons learned from the first Matching Grant Facility.

Section 2: Objective and Scope of the Matching Fund

The objective of the MF is to leverage contributions from the MF partner/consortium in order to drive sustainable improvements in the rice sector and improve the livelihoods of rice farmers in the countries where CARI is operational.

The scope of the MF is related to Output B and C and should foster inclusive business models and improved productivity along the rice value chain. This includes optimizing backward and forward linkages in the rice value chain. The scope of the MF, in comparison to the MGF under phase 1, is deliberately broader allowing for customized investments that are particular to the



individual rice cluster and the constraints faced by each MF applicant that is hindering productivity in the rice value chain.

The MF will be complemented by a short-term expert pool. The expertise can be made available to grantees of specific subjects, tailor made for their business. Examples of potential expertise that the applicant could draw down on include business related advisory services, access to finance, (Output C), or technology solutions. The partners should identify which area they might need the short-term expertise and in consultation during the technical review process further define the scale and scope of these needs.

The MF is the backbone of the CARI project. It serves as vehicle to support partners to increase the productivity along the entire rice value chain. The MF partner/consortium is required to contribute at least 2/3 to the project budget, as the CARI contribution is limited to 1/3 (maximum). Depending on the farmer outreach and complexity of the proposed project, the CARI share shall be between 40,000 and 100,000 €. In addition, a short-term expert pool will be set up. This allows for tailor made business support to MF partners. The CARI team will support in identifying needs as well as in engaging suitable consultants. As under the MF arrangement a financial subsidy of up to 1/3 is possible depending on the service requested.

Crowding-In Rice Value Chain Investments

The MF as proposed by GIZ-CARI should be considered as a contribution to a multi-actor support to the partnerships. The CARI team will encourage various donors to harmonize their efforts in the countries where the CARI project is operating. The CARI approach is quite different from traditional donor interventions and sovereign financing compacts as the nucleus of the initiative is the MF between the donor and the private sector. During phase one of CARI, multiple donors showed an interest in identifying ways to link their interventions with the CARI activities. During the second phase of CARI, the project team will strive to formalize opportunities to harmonize rice investments that are being implemented by other donors.

With that in mind, the guidelines in the following section have been developed for the key stakeholders as well as providing a structured template so that other donors and on-going projects can identify synergies and/or design complementary activities.

Section 3: Matching Fund Guidelines

As highlighted in the previous section, the MF under the CARI Project is a contractual cost-share agreement between CARI and the private-sector rice mill. Partners that were deemed as strong performers during the first phase of CARI are expected to reapply for continued support in view of consolidating their experiences and leveraging off of the initial investments made.



The MF has been designed to allow for a high level of flexibility and take into account the size and business maturity/capacity of the lead partner as well as the complexity of the constraint that the fund will be addressing.

Matching Fund Limit

The minimum and maximum amount will vary by applicant. Based on the complexity and farmer outreach the CARI share shall be between 40,000 and 100,000 €. The CARI is limited to 1/3 of the total budget. The MF partner/consortium are required to contribute at 2/3.

Target Recipients

Main target group of the MF are private sector organizations. In reasonably justified exemptions, public sector institutions or non-governmental organizations heading a consortium of partners can be eligible as lead mf partners. If the lead partner is not a rice mill, one of the consortium partners need to be an off-taker. Requirements for consortia include a MoU/Letter of Intent that is signed by all parties (Annex 2: Letter of Intent). If a consortium is created, the lead applicant will be responsible for the overall performance. Evidence will also need to be provided that the consortia members had pre-existing business linkages prior to the MF request for proposals. If additional actors are officially engaged as part of the MF, there will need to be evidence to showcase the relevance that the individual partners play in strengthening the value chain. All partners must be legally recognized and empowered to enter into binding agreements.

Gender

The integration of women and youth should be mainstreamed throughout the whole MF process. CARI intends to make the contribution of women to the rice value chain visible and to integrate at least 30% women as participants in the trainings as well as recipients of financial support from banks and/or MFI (access to credit).

MF partners shall nominate one person within the MF team as responsible for gender-related issues. The gender focal person within CARI will contact those gender officers from time to time in order to be able to evaluate systematically involvement of women (and youth) into the rice value chain and possible constraints.

Target Activities and Key Performance Indicators

The activities are broadly defined as supporting inclusive business models and improved productivity along the rice value chain. Thus, key performance indicators that will be used to gage the success or failure of the MF. Example indicators could include the following but will be finalized and agreed upon during the proposal review and determination stage:

- Increased productivity and quality of paddy rice;
- Improved capacity utilization of the rice mill;



- Improved access to financing of value chain operations by the applicants
- Improved coordination and inclusion among key stakeholders in the local rice value chain;
- Increased adoption of sustainable rice production techniques (www.sustainableice.org)
- Improved contractual relations (between producer and processor as well as processor and trader/consumer)

Technical Support for Full Proposal

During the final stage of the partner selection process, the applicants will receive technical support. Together with the business owner and managers, operations will be reviewed and key constraints identified. Based on that, the approach as well as expected results from the MF investment will be agreed on. The criteria assessment will take place during the final stage of the engagement process after the expression of interest has been received and the applicant has been invited to submit a full proposal.

The criteria for this assessment includes the following:

- 1) Business Maturity
 - a. Stage of growth
 - b. Years of operation
 - c. Financial strength (revenue, GP, Ebit, Inventory, liabilities)
- 2) Scale of Operations
 - a. Operational Capacity (MT/Hr)
 - b. Operational Efficiency (% of Capacity)
 - c. Staff size and structure
- 3) Procurement Strategy
 - a. Number of farmers
 - b. Farmer engagement models
- 4) Distribution and Sales
 - a. Number of Market Buyers (volume through each);
 - b. Distribution structure (wholesale versus retail)
 - c. Marketing Strategy;
 - d. Product Quality and packaging;
- 5) Governance
 - a. Staffing
 - b. Reporting Expertise
 - c. Financial reporting
 - d. Business Plan
- 6) Market conditions
 - a. Farmer relations;
 - b. Production constraints;
 - c. Cost of production



To be able to assess the importance and relevance of the MF in the context of the business operations of the partner/consortia and to earmark additional resources through provision of advisory services supported by the short-term expert pool it is required to provide an overview information of expected financial needs outside the MF. This can comprise e.g. credits by banks or other financial service providers during the project implementation for operations related to the production of paddy, provision of inputs, purchasing of paddy, aggregation, processing and storage, investments in infrastructure and/or marketing of the final product to consumers or traders.

The categorization process will allow CARI to co-develop a MF that fits the capacity of the operational staff (reporting and complexity), the financial ability (level of cost-share), and the complexity of the MF intervention that is appropriate to the needs of the MF partner/consortium.

External Service Providers

It is mandatory for activities/interventions funded through the MF to be implemented by a prior accredited service provider. Depending on the complexity of the activity, the service provider can be selected by CARI or the applicant partner. However, the accreditation shall be done by the implementing partner in the respective country and shall be guided by 'accreditation schemes' adopted in the country for such types of service providers. Where such accreditation schemes do not exist, the following general eligibility criteria shall apply:

- Evidence of being a legally registered entity or recognized government institution (e.g. farmer extension department of a government) in case of corporate bodies;
- Demonstrated knowledge of the rice value chain or the area of expertise required for the services required;
- Evidence of possessing technical expertise and delivery methodology in an intervention area relevant to the MF. Capacity in terms of human resources to provide the desired services must be evident;
- Prior experience in effective implementation and management of development projects
- Evidence of possessing local knowledge of the intervention area or target group.

Duration

The duration of the project can be up to 24 months in Nigeria and Burkina Faso, while contracts in Tanzania are limited to 21 months and in Ghana to 16 months. The implementation periods are:

- Nigeria and Burkina Faso → September 2018 to March 2021 (max contract duration 24 months)
- Tanzania → September 2018 to June 2020 (max contract duration 21 months)
- Ghana → September 2018 to December 2019 (max contract duration 16 months)



Final determination on the length of the MF will be agreed between the two parties during the proposal review stage.

Reporting

The reporting consists of several compulsory elements, which are aligned with the key performance indicators and expected outputs. Customized requirements related to the specific conditions and set up of the partners/consortia might be considered and agreed on during the contracting phase.

Eligible Costs

Please see Annex 1: Guidelines on costs eligible for reimbursement in contracts within the CARI Matching Fund.

Section 4: Matching Fund Process and Partner Selection

The process will begin through a publicized call for expression of interest & short concept. After the submission of an expression of interest has been received from the lead partner to the CARI Team, a short-listing of applicants will be conducted. Short-listed applicants will be invited to develop a full proposal. At this stage, a technical review team will work closely to support the MF lead partner in refining the concept and creating a MF investment that is customized to the needs of the rice milling operations.

Application and Implementation Process

- 1. Expression of Interest & Short Concept:** The expression of interest & short concept shall be an official announcement of the availability of funds and shall state, among others, the purpose of the MF, the eligibility criteria, and the location where application forms can be obtained. The general outline for elaborating the concept/idea and the deadline for submission of the application will also be indicated in the initial call.
Interested parties need to send a formal response to the public call using the provided application template (Annex 3: Short Concept). This officially confirms the interest to participate in the second phase of the CARI project. The expression of interest & short concept will provide details on the MF partner/consortium along with the proposed intervention and rationale.
- 2. Review of Short Concepts:** The Board of Matching Funds will review all expressions of interest & short concepts. The main criteria for the selection will be a competitive technical evaluation. It will be assessed how well each project covers the challenges along the rice value chain. Only concepts, which reach a minimum technical score, will be invited to hand in a full proposal. Furthermore, all applicants will undergo a sanction-list screening.



The lead applicant of short-listed applications will be contacted and provided with information on the next stages of the process.

3. **Technical Review and Full Proposal Development:** Shortlisted applicants will be requested to submit a full proposal using a standard application form. To support them, a team of technical experts will be engaged to conduct a technical review of the existing operations. Together with the business owner and managers potential MF interventions that can significantly improve existing operations will be identified. Based on that, the approach as well as expected results from the MF investment will be agreed on. During this stage a commercial suitability and due diligence assessment will take place. This will determine whether the payments will be paid in advance or on reimbursable basis.
4. **Submission of Proposal:** The technical proposal shall be prepared using specifications in the application form and submitted to the project unit of the MF, for review and recommendation to the Board of the Matching Fund. The submission of the detailed proposal as well as decision making on the proposal shall not exceed eight (8) weeks.
5. **Proposal Review and Decision Making:** The Board of the Matching Fund shall meet on set dates to take decisions on the submitted proposals. The decision of the Board shall be communicated in writing to the applicants.
6. **Contracting:** Following approval by the Board, a project implementation contract shall be prepared between the CARI project and the lead applicant. The lead applicant shall be legally responsible for the project implementation. In case of difficulties and for information exchange, they will consult regularly with the project unit of the MF.
7. **Funding and Implementation:** The agreed funding shall subsequently be released to the lead applicant to implement the approved activities, according to the agreed schedule of disbursement. The duration of the project can be up to 24 months in Nigeria and Burkina Faso, while contracts in Tanzania are limited to 21 months and in Ghana to 16 months.
8. **Monitoring:** The lead applicant will be required to provide semi-annual technical reports that will be focused on the key interventions tied to the constraints that the MF investment is addressing. An external audit will be performed once per year linked to disbursements.
9. **Closure:** Based on the monitoring reports, final report and external final audit, GIZ will close the project formally. Joint publications may follow.

Management

The MF shall **be managed by GIZ**. There will be a 3-member Board of Matching Funds with the Programme Director of CARI chairing the Board. The decision of the Board shall be made by consensus, where no consensus is possible the decision will be made by majority vote. The Board can be expanded in case of additional donor contributions to the fund.

The Board shall be responsible for overall management of the Fund, the development of policies and regulations related to the Fund, and decision making on proposals submitted for funding. The Board shall report to the Advisory Board of CARI.



Clause on Confidentiality

Information will only be used internally and for the process of partner selection and assessment of proposals and not shared without prior consent of the applicant(s).

Annexes:

Annex 1: Guidelines on costs eligible for reimbursement in contracts within the CARI Matching Fund

Annex 2: Letter of Intent

Annex 3: Short Concept

“Increasing productivity along the entire rice value chain”

