



Stimulating early-stage private investment in the Chilli agricultural value chain market development in Zambia

Request for Concept Notes

BACKGROUND

Musika is a Zambian non-profit company supported by the Swedish Embassy in Zambia, which stimulates private investment in the agricultural market, focusing on the smallholder and emerging farmer sectors.

Musika works across the country and in all aspects of the agricultural sector, providing advisory services and business support to agribusinesses committed to engaging smallholder and emergent farmers in strong and mutually beneficial commercial relationships as their clients, suppliers, and customers.

Musika's approach to reducing poverty and creating wealth in rural Zambia involves stimulating business relationships between the corporate sector and smallholder farmers that provide both market opportunities and the knowledge and confidence for men and women farmers to invest in growing their businesses.

As Musika embarks on implementing its new strategy, it seeks partnerships with reputable and innovative companies in the agri-food sector that share its ambitious agenda of supporting innovation and inclusive growth in the agricultural market.

Further information on Musika's work and methodology can be found at www.musika.org.zm.

Intervention Objectives

As part of its market systems approach, Musika aims to foster private investments in initiatives that can positively influence the entire market structure within which they operate. This positive influence can come in multiple ways, including increased physical access to markets combined with the delivery of information and extension, price information, and greater transparency and security of trade, all of which have the potential to greatly enhance the participation of the lower end of the market, which typically suffers from information asymmetry and lower levels of "power" in its business transactions.

In this instance, Musika is seeking to build off the work it started in high value crops in 2016 so as to develop the horticultural value chain through investing in climate resilient crops by seeking and supporting a commercial partner who has the ability to invest in and develop the industry for the benefit of the smallholder farmers and the agri-business processing and production market in Zambia. It aims to support the private sector to develop a large-scale and robust chilli industry in Zambia that delivers long-term commercial benefits to the market players in the chilli value chain that will have systemic and sustainable income gains for large numbers of chilli farmers and the high-value industry at large.

Intervention Scope

Through this challenge fund window, Musika is willing to catalyze and stimulate investments by one or more private Zambian companies in the Horticultural industry dealing with processing of chilli in Zambia and is seeking submissions from interested parties in partnering with Musika on this initiative.

Musika will offer the successful bidder the following equipment on a 'no cost loan' basis considering the fact that this is a grant facility:

Quantity	Specification	Details	Location
1	Powder fully automatic packing machine	The automatic packaging machine is composed of: - 1. 10g Chilli Powder fully automatic packing machine 2. 40g Chilli Powder fully automatic packing machine 3. 10g – 50g semi auto packing machine	Lusaka
1	Chilli Powder Production line	The processing line capacity is 200kg/H with roller grinder capacity is 40-50kg/H per set with processing powder size of 45-60mesh	Lusaka

Musika will offer the successful bidder technical assistance in developing a business model around the Chilli value chain, developing robust and productive supply chains, and brokering partnerships with other commercial and public entities that can support the 'anchor' investment.

Musika will also provide some financial assistance that will be agreeable with the successful bidder. Any other costs such as the Human resources, installation costs and operational costs will be borne by the bidder.

Musika's interest is in the establishment of commercial relationships between the corporate and smallholder sectors in which there is some form of 'value addition' to the relationship such as the provision of embedded extension, access to inputs and finance, technology transfer, forward pricing, assured off-take, supply contracts, etc. It is these market services that give smallholder farmers not only the market opportunity but also the technical knowledge and confidence to invest in and improve their farming businesses.

While Musika's investments are not restricted to specific commodity value chains, it does place an emphasis on supporting the Government of the Republic of Zambia's strategy to diversify the smallholder economy away from its current maize-centric nature by facilitating the development of market opportunities in commodity sectors currently characterized by informal, low-level trade that does little to incentivize farmers to invest in and upgrade their production.

Key Criteria

As with all its interventions, Musika places an emphasis on the following criteria:

1. Sustainability – Any investment support from Musika must be seen as catalytic to the long-term development of the commercial market opportunity that will be sustained beyond the life of the 'subsidy'. Any financial support in addition to the assets and infrastructure outlined above requested from Musika must be seen as mitigating a proportion of the commercial risk of establishing the business model, not as necessary to sustain the business operation.

Proposals that are driven by corporate social responsibility rather than commercial opportunity will be unsuccessful.

2. Ownership – Any successful grantee remains the full and sole 'owner' of its investment. Musika is very clear that its partner companies design, develop and execute their own business strategies and manage all risks associated with their investment. Musika is not in any way contracting companies to deliver services on its behalf.

3. Co-investment – Related to the above two points, Musika wishes to see its support bringing down a portion of the initial risk for a company making its own investment in developing the Chilli value chain and as such is interested in the 'cost share' ratio between the company and Musika. In any successful submission, Musika will base its own limits for financial support on the value of the company's own investment.

4. Scale– Musika will prioritise supporting an investment that involves or can potentially involve large numbers of farmers to create scale.

5. Added Value – The offering to the market needs to 'add value' to women and men farmers participating in that market opportunity and not simply involve buying chilli from farmers. Such elements of added value can include but are not limited to the provision of extension and training, assured off-take/contracted production, facilitation of access to finance and other market services that provide chilli farmers with the technical knowledge, confidence and support to be able to maximise the market opportunity provided by the successful bidder or bidders.

6. Innovation – The development of new business models and technologies that can benefit the smallholder chilli markets is strongly encouraged, as is the innovative use of any financial support requested.

7. Traceability – For its purposes and ensuring ongoing improvements in agricultural supply chain traceability and management, Musika requires that its partner companies can track the number of farmers – including women farmers - that they engage. Musika, therefore, requests potential partners to outline their intended measurement processes.

8. Gender and Environmental Awareness: Musika and its donors emphasise the participation of women in functioning agricultural market systems, their benefit from that participation, and the mitigation of any risk of adverse impact to gender dynamics. Equally, Musika's partners need to be aware of and mitigate any risk to the natural environment posed by their investments.

In the case of the chilli factory initiative, Musika recognises that the multiple use of the plant is critically possible under innovation development. Bidders will need to outline their intentions and unveil how they are going to use the plant to provide maximum production benefits to service the smallholder farmers effectively and sustainably.

ELIGIBLE AND INELIGIBLE COSTS FOR FINANCIAL GRANT SUPPORT

Musika’s granting procedures permit it to cost share certain budget lines and to consider other budget lines as eligible cost share on behalf of the investment it is supporting. A basic, non-exhaustive breakdown is outlined in the table below:

Budget Item	Eligible for cost sharing by Musika AND eligible to be pledged as a cost share contribution by the bidder	Not eligible for Musika funding BUT eligible to be pledged as a ‘cost share’ contribution by the bidder	Not eligible for Musika funding NOR eligible to be pledged as a ‘cost share’ contribution by the bidder
Short term technical assistance	✓		
Assets and infrastructure required for direct use in initiating the investment	✓		
Training of farmers and other supply chain players, promotional activities	✓		
Salaries and other costs associated with directly involved technical and operational staff		✓	
Costs associated with the running of vehicles, motorbikes, storage, etc. directly related to the investment		✓	
The purchase of land and buildings			✓
Working capital costs (e.g., procurement of commodity)			✓
Overhead/management costs			✓

NB: Assets bought by Musika for use in supported interventions are offered to successful bidders on a ‘no-cost loan’ basis or but treated as a grant facility for the duration of the support period, after which grantees may be given the opportunity to purchase them depending on the performance of the intervention relative to the MoU/contract.

FORMAT AND SCOPE OF CONCEPT NOTE (Format to be strictly adhered to)

Companies interested in working with Musika on this intervention are requested to develop a concept note (not more than 4 pages). Submissions from consortiums of companies are welcome and, in such cases, in the format below ‘company’ would necessarily imply ‘companies’.

The concept note should follow the following format and order, and include all key components:

<p>1. Company profile</p> <ul style="list-style-type: none"> a. The name of the company involved and a short profile demonstrating relevance to this intervention and competency in implementing the proposed initiative b. Name, position/title of the contact person c. Contact numbers and email address

2. Outline of the proposed strategy for engaging the smallholder agricultural market in the across Zambian provinces, taking into account the criteria outlined above and also:

- a. The **geographical area** and **crop or livestock sector** covered by the proposed initiative and rationale for the choice.
- b. The **business case** for the initiative - i.e., why it is important to the company that it makes the investment, why it is important to engage the smallholder market and how it will become commercially sustainable
- c. The **'added value'** of the initiative to smallholders – i.e., what benefits will the initiative bring to the smallholder market that are not already available
- d. The estimated **number of farmers** that could participate and benefit from the improved market access offered by the initiative
- e. The outline of any **partnership opportunities** for collaboration with other private sector players in the market

3. Simple budget in the format below, which should be divided into:

- a. Total cost
- b. Company's own contribution
- c. Funds requested and purpose for those funds
- d. Explanatory notes to each budget line

Budget	Details of Item	Units	Value	Total	Musika	Bidder (indicative)
Human Resources						
				\$0	\$0	\$0
Equipment / Assets						
				\$0	\$0	\$0
Other						
	Total			\$0	\$0	\$0
				\$0	\$0	\$0
					\$0	\$0
					\$0	

EVALUATION

Concept notes will be evaluated on the above points and more generally in terms of the capacity of the companies submitting proposals to both successfully implement the proposed initiatives and to provide a **'return on investment'** for Musika's support in terms of long term and widespread benefit to the agricultural market.

Points will be gained by:

- Offering of market opportunities in **very remote and under-traded areas**
- Consideration of how **female farmers** might participate and benefit from the intervention
- Consideration of any potential impacts on the **natural environment** and how any negative impact might be mitigated.

SELECTION

1. Musika will acknowledge receipt of all submissions
2. Musika's Grants Committee will evaluate all submissions based on the criteria outlined above.
3. Musika will contact bidding companies with successful concept notes, which will then be invited to a meeting at Musika to understand the requirements of Musika, undertake a very basic due diligence process and to work with Musika's technical team to develop a more detailed strategy and financial support package. Musika does not commit to contact the unsuccessful applicants. Note that this stage does not imply any guarantee of future support.
4. Musika's technical team will present any proposals that pass Stage 3. to the Musika Grants Committee for final review
5. If proposals pass Stage 4., the companies submitting those proposals will be subject to a due diligence exercise with the rigour and detail dependent on the value of the budget requested.

Note: Musika reserves the right to reject all or any proposals, or to award support without further discussion or negotiations if it is considered in the best interests of Musika's objectives. Further, bidders must have a **physical address** and be **registered in Zambia as for-profit companies**.

CLARIFICATION AND SUBMISSION

Interested companies may seek clarification or any other information at the address below during office hours from 08:00 to 13:00 and from 14:00 to 17:00 hours, local time weekdays only.

The concept notes are acceptable in physical or electronic copy. A physical copy should be addressed and delivered to the address below by the bid closing date of 30th October, 2022. Electronic responses should be submitted by e-mail to grants@musika.org.zm **only**.

N.B. Interested **Companies are free to request to physically view and inspect the Plant prior to submitting their concept notes.**

Faxed responses will be rejected, as will late responses.

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