rural development & agrarian reform

Department:
Rural Development & Agrarian Reform
PROVINCE OF THE EASTERN CAPE

CALL FOR PROPOSAL

APPOINTMENT OF A PANEL OF SUITABLE AGRICULTURE VALUE CHAIN PARTICIPANTS TO PARTNER WITH DRDAR TO SOLICITING INVESTMENT TO DRIVE INCLUSIVE AGRICULTURE SECTOR IN THE PROVINCE

PROPOSER:	
CSD NUMBER:	
LOGIS NUMBER:	
CLOSING DATE:	**01 OCTOBER 2024**
CLOSING TIME:	**11:00 am**

PREPARED BY:

SUPPLY CHAIN MANAGEMENT

DEPARTMENT OF RURAL DEVELOPMENT
AND AGRARIAN REFORM
PRIVATE BAG X0040
BHISHO
5605

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TERMS OF REFERENCE

APPOINTMENT A PANEL OF SUITABLE AGRICULTURE VALUE CHAIN PARTICIPANTS IN THE PROVINCE TO PARTNER WITH DRDAR TO SOLICITING INVESTMENT TO DRIVE INCLUSIVE AGRICULTURE SECTOR IN THE PROVINCE

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.

"AAMP" refers to the Agriculture and Agro-processing Master Plan.

"ECAIF" refers to the Eastern Cape Agriculture Investment Framework.

2. OBJECTIVES OF THE CALL FOR PROPOSALS

The objective of the call for proposal is to enable DRDAR and Province to:

- Identify potential partners to co-create catalytic agricultural commodity initiatives;
- Mobilise funding for the implementation of these catalytic agricultural commodity initiatives;
- Commercialization of smallholder agricultural producers through aggregation of land parcels;
- Aggregate produce of smallholder farmers to improve market access;
- Capacitate smallholder agricultural producers in the Eastern Cape;
- Develop and localize agricultural value chain in the province;

3. PURPOSE OF THE CALL FOR PROPOSAL

DRDAR seeks to facilitate and promote co-creation of catalytic agricultural commodity programme to grow the sector through inclusive participation and optimise land utilisation in the Province. The Department seeks to establish partnerships with industry to co-create and solicit funding for development of these catalytic initiatives.

The purpose of the open call for proposal process is to seek potential development partners to promote transformation of an economic nature within the agricultural sector by enhancing the establishment of sustainable commercial agri-enterprises. This is envisaged to be achieved through leveraging investment, skills and skill development, market access, business acumen and agricultural networking, amongst other key shortfalls, in development of black farmers to commercially sustainable levels and overall transformation of the sector.

The purpose of setting up call for proposals through the formal bidding process is to use an open bidding process to identify, “procure opportunity” potential partners that meet the set criteria for the transformation of the sector in terms of the AETS. This opportunity is provided to the developers (aspiring commercial Agri – enterprise) that seek to establish their value chain enterprises within the Eastern Cape and work with the developing farmers to be productive and competitive.

The proposals submitted by the relevant potential partners who appear in the relevant category will be evaluated firstly based on the strategic fit with the objectives of the ECAIF and AAMP.

4. BACKGROUND

The Eastern Cape seeks to create a growing, equitable, inclusive, competitive, job-creating, and sustainable agriculture and agro-processing industry. The agricultural sector in the province is known for its untapped potential and unsustainable agriculture practices. The country agriculture sector, duality in the sector lack inclusion and limited participation of black farmers and small-scale and emerging farmers in agriculture production and across the value chain. For the Province to achieve its aspiration of growing economy it has to improve productivity and competitiveness of smallholder producers.

The agriculture sector, government, industry and social partners have adopted the Agriculture and Agro-processing Master Plan (AAMP) to boost economic growth, inclusivity, and employment in the agricultural sector, marking the second frontier of development. The province has adopted the Eastern Cape Agriculture Investment Framework (ECAIF) to revitalize the Province’s agriculture sector, regarded as the sleeping giant of the country.

The commercial farmers constitute 9% of the farming population, generate 71% of the income, and employ 60% of the agricultural labour force, significantly driving the agricultural sector's performance. On the other hand, smallholder producers, representing 91% of the farming population, generate 29% of the income and provide 40% of the jobs (STATS SA, 2020). The growth of smallholder farmers is impeded by high barriers to entry, including high fixed costs (land, equipment, and operations), inadequate on and off-farm infrastructure, limited funding options tailored to their needs, rising input costs, and poor logistics.

The commercial provincial agricultural income has grown significantly in the last 15 years with the highest growth recorded between 2007 and 2017 where the income grew by 380 % from R5,6 billion to R27,0 billion, which put the province in the 8th position. Between the period 2021 and 2022 the sector grew by 17 %, to R38bn and displaced Limpopo, moving the province to 7th position. The agricultural sector showed stronger growth in both quarter on quarter and year on year growth (STATS SA, 2023).

In 2022 the province recorded the third largest increase in salaries’ contribution by 12%, while employment improved by 6.5 % to 80 268. The number of people employed in the agriculture sector continued to increase in the third quarter from 90 000 in the first quarter, to 121 000 in the second quarter and 136 000 in the third quarter of 2023 (STATS SA, 2023).

Animal products had the highest contribution to the total Eastern Cape Gross income at 57% followed by horticulture and field crops at 41% and 2,5% respectively. Wool had the largest gross income (24,5%) in animal products and the value of wool exported from Eastern Cape reached 28 million tons annually generating no less than R3.9 billion with the formerly underdeveloped communal sector exceeding R250 million in annual income. Meat exports to Africa, Asia and Middle East increased to more than 4.5 million tons per year with incomes of up to R317 million (STATS SA, 2023).

Citrus contributes approximately 60% of the horticulture gross income and as a result the citrus international trade challenges faced by the industry in 2021 affected the performance of citrus negatively, causing the horticultural performance to be negative. However, citrus gross income for Eastern Cape recovered by 5,6% in 2022 from the black spot citrus exports requirement which caused a decline in citrus exports in 2021. The value of total citrus exported increased by 11% in 2022 from R4,1 billion in 2021 to R4,7 billion. The total value of deciduous fruit exported from Eastern Cape to the international markets, increased by 59% in 2022 from R87 million in 2021 to R214 million in 2022 (STATS SA, 2023).

Maize production in the Eastern Cape has more than doubled over the last 5 years, increasing from 93,200 tons in 2018 to 237,900 tons in 2024. This growth is due to an expansion in the land under commercial production, which increased from 20,000 to 33,000 hectares between 2021 and 2024. In the non-commercial sector, the area planted to maize was 310,000 hectares in 2018 and rose to 358,000 hectares in 2023, resulting in a yield of 600,000 tons in 2018 and 664,040 tons in the 2023 season. Notably, 46% of the maize produced in the non-commercial sector is planted in the Eastern Cape, followed by KwaZulu-Natal with 22% (CEC Report, July 2024).

The total gross income of deciduous fruit increased by 9,6% in 2022. Quantities exported are the reason behind the increase in the deciduous fruit. The total value of deciduous fruit exported from Eastern Cape to the international markets, increased by 59% in 2022 from R87 million in 2021 to R214 million in 2022. Apples grew by 69% followed by pears at 64% and plums 44% in 2022.

All the growth is led by the commercial agriculture, enhancing the inclusion of smallholder farmers is critical for reducing poverty and creating employment for the rural masses. There is compelling evidence that, on average, agriculture has a greater potential to uplift the livelihoods of many rural communities. Broad-based growth in agriculture is associated with widely shared income and employment benefits and higher multiplier effects to other sectors of the economy. Thus, the need for those farmers that are on the margins of the mainstream economy in rural areas and are weakly integrated into the value chains to be prioritized in the development. The envisaged development of agriculture in the Eastern Cape is premised on the following:

- Aggregation of production from smallholder and rural producers,
- Increase productivity and competitiveness of commercially viable smallholder and rural producers,
- Transform rural farming through utilisation of highly and suitable productive technologies,

Improve access to markets for smallholder producers,

- Revive rural economies and attracting private sector investment to the province,

The validation for Commodity Partnerships has its origins in the Legislative and Policy Frameworks and in the commitment of Industry Trusts to transform Commodity Organizations through targeted initiatives to assist new producers from previously disadvantaged populations (marketing of Agricultural Products Act (MPA Act No. 47) of 1996. The establishment of Agricultural Industry Trusts and the objectives within each Commodity Organisation are in line with and supportive of government priorities. Together with the fact that the Department of Rural Development and Agrarian Reform (DRDAR) executes concurrent National and Provincial Legislative Mandates in terms of Schedule 4 of the Constitution of the Republic of South Africa cements a strong legislative mandate.

5. PROPOSED RESPONSE FORMAT

Bidders are required to present their bid documentation under the following headings:

Table 1: Commodities and interventions planned

REFERENCE	TITLE	GUIDELINE
Section 1	Company profile	Brief company background, services and expertise, contact name and details of delegate authorized to make representations of the organization.
Section 2	Administrative requirements and completed RFP documents	Completion of RFP document and submission of administrative requirements.
Section 3	Business Model	• The business model, clarity on meaningful participation of smallholder producer into the business and business operations • Incorporation of primary production in the operations • Improving technology adoption and use by producers • Product development and planning
Section 4	Marketing Strategy	• Existing target market • Expansion of market share (Market share vs baseline) • New market opportunities • Niche products

6. SCOPE OF WORK

The scope of work includes the appointment of panel of suitable agriculture value chain participants as and when needed, up to five (5) years. DRDAR will remain the principal partner and will be accountable for the output of the work. The DRARD will avail the technical expertise for the proposed projects as well as any financial contribution proportionate to the proposed investment by the partner. Should DRDAR expected to provide infrastructure support, government procurement processes will be followed.

The success factor of this call is in attraction of private and development finance investment into the development; and broader participation of smallholder producers into the agriculture value chain. Thus, DRDAR will enter into partnership that are not entirely funded by government, but government funding only enables/unlocks other funding mechanisms.

Government procurement process will be followed only with the service providers who qualify in this call for proposals.

The Preferential Procurement Regulations of 2022 (PPR of 2022) shall apply when evaluating request for bids that will be issued. The financial proposal and Preference points of the potential partners will be evaluated on the basis of either the 80/20 or 90/10 Preference Points Systems as provided for in Regulations 6 and 7 of the PPR of 2022. **However, the evaluation of price will be based on the cost to DRDAR**; i.e. the total cost of the RFB under review less the contributions of the commodity partner.

7. PRIORITY COMMODITIES

While not limited to the commodities or products listed below and informed by the specific requirements of the targeted markets (departments) the following are among the products to be considered:
On Table 2, tick the commodity intervention you want to participate in.

Table 2: Commodities and interventions planned

Commodity	Intervention	Tick here
Grains	- Primary production - Development of infrastructure (Silos, milling facilities, drying facilities)	
High value horticultural crops	- Nursery, storage, packaging, cold rooms	
Red meat (beef, pork, mutton, chevon)	- Development of commercial feedlots, meat processing facilities	
Poultry (meat and eggs)	- Development of commercial scale production facilities	
Milk	- Development of dairy infrastructure and processing facilities	
Aquaculture and fisheries	- Production facilities, storage and processing facilities	
Agricultural support systems	- Fertilizer blender - Mechanization (improved access to mechanization equipment and services)	

8. ELIGIBLE APPLICANTS:

Applicants eligible to submit proposals are:

- Investors
- Commercial farming entities
- Industry partners

9. ENGAGEMENT MODEL/ REQUIREMENTS

The engagement procedure will commence with a technical evaluation of the proposals of the potential partners by a specifically designated committee appointed by the Head of Department of DRDAR. The suitability of proposals will be evaluated in accordance with the functionality criteria (Table 6).

Table 3: Requirements referencing table

No.	Condition	Reference page/Annexure
1	Adherence to the call for proposal objectives	
2	Compliant to governance structures to the relevant legislation (inclusive of oversight board or equivalent).	
3	The **individual** partners must ensure meaningful beneficiation for smallholder farmers (Ownership, off-take agreements, skills transfer)	
4	Clarity on the business model, clarity of roles and operations of the business for specific commodity.	
5	Clarity on the roles (private sector and government) on co-creation of catalytic agricultural commodity programme.	
6	The new initiative must contribute to growth and development inclusive of creating job opportunities.	
7.	The partner must demonstrate ability to bring private investment into the initiative.	

10. INSTRUCTIONS TO BIDDERS

THE TENDER DOCUMENTS

Rules for Bidding

8.1 The Department is not bound to accept any of the proposals submitted and reserves the right to call for presentations from short-listed bidders before final selection.

8.2 The Department reserves the right to terminate this appointment or temporarily defer the work, or any part thereof, at any stage of completion should the Department decide not to proceed with the tender.

8.3 The Department also reserves the right to appoint any other person to undertake any part of the tasks.

8.4 The service provider must be a single legal entity with all other necessary expertise secured via sub-contract, or under a joint venture or a consortium arrangement. The Department will enter into a single contract with a single entity for the delivery of the work set out in these tender documents.

8.5 The bidding entity shall be the same entity that will execute the bid. Any bid found to be fronting for another entity or entities shall be disqualified immediately.

8.6 All bidders submitting bids as part of joint venture, consortium, must submit the following:

i. A joint venture agreement or a consortium agreement signed by all companies forming a joint venture or a consortium.

ii. A consolidated Central Supplier Database (CSD) Report.

iii. A consolidated SANAS B-BBEE certificate or a consolidated B-BBEE certificate issued by the Companies and Intellectual Property Commission (CIPC).

8.7 Foreign firms providing proposals must become familiar with local conditions and laws and take them into account in preparing their proposals.

8.8 Firms may ask for clarification on these tender documents or any part thereof up to close of business 1 week before the deadline for the submission of the bids.

8.9 The Department reserves the right to return late bid submissions unopened.

8.10 Firms may not contact the Department on any matter pertaining to their bid from the time when the bids are submitted to the time the contract is awarded. Any effort by a bidder to influence bid evaluation, bid comparisons, or bid award decisions in any manner, may result in rejection of the bid concerned.

8.11 Should the contract between the Department and the service provider be terminated by either party due to reasons not attributable to the service provider, the service provider will be remunerated for the appropriate portion of work completed up to a maximum amount of not more than the total fee bid by the service provider for the appropriate phase of the project during which the appointment was terminated.

11. TERMS AND CONDITIONS

- The General Conditions of contract will apply.
- DRDAR and the partner will enter into a non-disclosure agreement (NDA).
- DRDAR will consider entering into contractual engagement with only compliant applicants in respect of the conditions of this Call for proposal and priority commodity value chains.
- DRDAR reserves the right not to enter into contractual engagements with the partner.

12. PREPARATION OF PROPOSALS

The bids prepared by the bidder shall comprise the following components:

a) Technical Bid including

i) Invitation to Bid

ii) Bidder’s Disclosure

iii) Preferential points claim form

iv) General Conditions of contract

v) CSD report with company's Tax status

vi) Letter of authority

13. LOGISTICS AND TIMING

- **Project Period**
  - Five year
- **Bid Proposal**
  - Service provider must provide a properly referenced bid proposal in response to their TOR document with clear headings and information required to evaluate the proposal against the requirements stipulated in this TOR document.
  - The bid proposal response must indicate the following:
    - The bidding company's profile
    - Project Plan
    - Marketing Strategy

The Department will invite bids, evaluate and compare the financial bids only of those bidders whose Technical Bid has been accepted by the Department and placed in the panel of service providers

14. EVALUATION OF PROPOSALS

Call for proposal to facilitate and promote co-creation of catalytic agricultural commodity programme will be assessed against specified conditions and evaluated against evaluation criteria, the stages of which are summarised in Table 4 below.

The following evaluation process will be followed:

Table 4: Evaluation process

STAGE	DESCRIPTION	APPLICABLE FOR THIS BID
Stage 1	Compulsory briefing session	Yes
Stage 2A	Administrative compliance evaluation	Yes
Stage 2B	Functionality requirement evaluation	Yes

Stage 1: COMPULSORY BRIEFING SESSION

- **A compulsory briefing sessions will be held as follows:**

Sarah Baartman on 10 September 2024@ 11:00am Sarah 64 Govan Mbeki Avenue Gqeberha

Amatole on 12 September 2024@ 11:00am Amathole District Office Fitzpatric Road East London

Alfred Nzo District on 17 September 2024 @ 11:00am Maluti College, Magistrate Street MALUTI

OR Tambo on 19 September 2024 @ 11:00am Bota Sigcau Building Cnr Leeds and Owen Street MTHATHA

Chris Hani on 25 September 2024@ 11:00am Batandwa Ndondo Complex Komani Hospital KOMANI

Joe Gqabi on 26 September 2024@ 11:00am Themba Kotjane Building ALWAL NORTH

Stage 2A: ADMINISTRATIVE COMPLAINCE EVALUATION

Table 5: Administrative compliance evaluation

#	COMPLIANCE CHECKLIST	YES/NO
1	The bidder registered on National Treasury Central Supplier Database (CSD).	
2	The bidder is in business (as indicated on CSD)	
3	The bidder is not a restricted supplier / or does not have a restricted director (s) (as indicated on CSD)	
4	The bidder is Tax Complaint (as indicated on CSD) or verified through SARS	
5	The bidder is not a government employee (as indicated on CSD)	
6	The bidder completed SBD 1 From in full together with the letter of authority	
7	The bidder completed SBD 4 From in full and did not reveal any information or past practices that prohibits the supplier from conducting business with the state.	
8	The bidder completed SBD 6.1. Form in full and must indicate claimed points for each preference point system and attach evidence.	

Stage 2B: FUNCTIONALITY REQUIREMENT EVALUATION

The technical proposal will be evaluated as per the criteria in the table below. Bidders must ensure that all required information is included in their bid.

Technical evaluation, the first stage will be the evaluation of bids on functionality **and during this stage bids that do not meet the minimum threshold of 70 points on the functionality score will be disqualified, and will not be considered for the second stage of evaluation i.e. price and preference points.**

TABLE 6: Functionality Criteria

No	A. CRITERIA FOR FUNCTIONALITY	MAXIMUM POINTS AWARDED - 100	MEANS OF VERIFICATION	REFERENCE PAGE IN BIDDERS PROPOSAL
1	**Legality of the entity**	**5**	• Company registration documents • Constitution/Memorandum of Incorporation/Trust Deeds	
2	**Marketing Strategy** • Existing target market (5) • Expansion of market share (Market share vs baseline) (5) • New market opportunities and niche products (5)	**15**	• Off-Agreements • Letter of intent or New Agreements •	
3	**Business Model** Project proposal that meets the • The business model, clarity on meaningful participation of smallholder producer into the business and business operations (5) • Incorporation of primary production in the operations (5) • Improving technology adoption and use by producers (5)	**20**	• Proposed/ Existing operating model. • Shareholding on the new initiative/venture. • Offtake agreements from smallholder producers.	

No	A. CRITERIA FOR FUNCTIONALITY	MAXIMUM POINTS AWARDED - 100	MEANS OF VERIFICATION	REFERENCE PAGE IN BIDDERS PROPOSAL
	• Product development and planning (5)			
4	**Demonstrating a national and international footprint in the industry** • 5-years and above footprint in the industry (Score = 10) • 3-year footprint in the industry (Score = 5) • 1-year footprint in the industry (Score =2)	**10**	• Proof of operations in the industry	
5	**Demonstrate ability to bring private and DFI investment into the initiative.** Above R10 Million (Score = 20) Above R5 Million (Score= 10) Below R5 Million (Score= 5)	**20**	• Proof of previous private and DFI investment	
6	**Demonstrate that entities have existing funds or applied for funding for the specific projects.** Own funding (Score = 30) Own funding & for Extra (Score = 20)	**30**	• Submit proof of application for funding • Available funds with the organization	
Total		**100**		

N.B.: *The minimum score required for functionality in order to qualify for further evaluation =* ***70 points out of 100 points***

15. TIMELINE FOR SUBMISSION OF APPLICATIONS

Application submission due date: before 11:00 am on 01 OCTOBER 2024

The opening and registration of all proposals received will take place at 11:00 am on 01 OCTOBER at: Head Office: Bisho: Department of Rural Development and Agrarian Reform, Indwe House Building, First Floor Office No 45.

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

16. ENQUIRIES

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

Head Office	Contact name/telephone/email
Dukumbana building, 8th floor, Bhisho, 5605	Dr Mfusi Mjonono @081 011 2599 mfusi.mjonono@drdar.gov.za Mr Mfundo Macanda@ 082 857 5810 mfundo.macanda@drdar.gov.za Dr Mongezi Mbangcolo @ 083 528 4347 mongezi.mbangcolo@drdar.gov.za Ms Babalwa Mpambani @ 082 972 6784 balalwa.mpambani@drdar.gov.za