

**Ministry of Rural Development  
Department of Rural Livelihoods**

**Terms of Reference**

**Hiring the services of a consultant for creation of Market linkage for the new and existing rural enterprises strengthened under "Start-up Village Entrepreneurship Programme"**

**Introduction**

1. The Ministry of Rural Development (MORD), Government of India (GOI) has been implementing National Rural Livelihoods Mission (NRLM) since June, 2011, after restructuring Swarnjayanti Gram Swarozgari Yojana (SGSY). The central objective of the Mission is to eliminate rural poverty through innovative implementation strategies involving mobilization and organization of the rural poor and building their financial and economic inclusion. The NRLM is implemented on a cost sharing basis between the Center and the States.

**Implementation Structure**

2. At the national level, the Mission is implemented by a National Mission Management Unit (NMMU) comprising several thematic groups and professional experts, under the MORD. As part of transition to NRLM, the state governments are required to establish an autonomous and empowered State Rural Livelihoods Mission (SRLM) at the state level. As part of rolling-out SRLM, the states are required to set-up dedicated Mission Implementation Units at the State (SMMU), District (DMMU) and Sub-Districts Units like Block (BMMU) or Project Facilitation Team at Cluster Level. As NRLM is designed to promote certain new strategies requiring intensive application of financial, social capital and human resources, a phased expansion approach has been adopted. The phased implementation implies following a two track approach i.e. Intensive and non-intensive strategies of NRLM. While NRLP is absolutely an intensive strategy, under NRLM there is a freedom for the state to follow either intensive or non-intensive strategies. Eventually, the Mission will be implemented in over six lakh villages, 2.5 lakh gram panchayats, 6,000 blocks and 600 districts across 29 States and 6 Union Territories, covering over 70 million poor households.

**Start-up Village Entrepreneurship Programme ( SVEP)**

3. During the Budget session of 2014-15, Honorable Finance Minister introduced "Start-up Village Entrepreneurship Programme" for encouraging rural youth to take up local entrepreneurship programs. "The Start-up Village Entrepreneurship Programme (SVEP) is being implemented as a sub-scheme under National Rural Livelihood Mission (NRLM), Ministry of Rural Development. Key objective of SVEP is to promote start-up enterprises in rural areas. Please see guidelines on the website <http://aajeevika.gov.in/content/start-village-entrepreneurship-program-svep-guidelines>.
4. State Rural Livelihoods Missions (SRLMs) are entrusted the task of implementing, providing technical and financial resources and monitoring of SVEP programme at

the State Level by strengthening existing mission structures and supported by a Field Implementation Agency (FIA).

### **Strategy, Objectives and Components of SEVP**

5. The Start-up Village Entrepreneurship Programme (SVEP) is being implemented as a sub-scheme under National Rural Livelihood Mission (NRLM) , Ministry of Rural Development, (MoRD) to promote start-up enterprises in rural areas.
6. Till Nov 2015, the MoRD has sanctioned proposals from 14 states covering 40 blocks. The target of the scheme is to train and support 1.82 lakhs entrepreneurs covering 125 blocks across the country over a period of four years.

### **The SVEP proposes to address following three major problems of rural start-ups**

7. Under SVEP, the rural entrepreneurs will get technical support in the following three broad areas so that the enterprises (both existing and newly promoted) in the rural will become profitable.
  - a) **A missing knowledge eco-system** - the potential entrepreneurs do not have the skills of choosing which enterprise to start and how to do a feasibility analysis of the proposed enterprise. Common mistakes like starting an enterprise in a “me-too” manner or on the basis of “herd mentality” - copying any enterprise that is moderately successful occur frequently. There is also lack of specific business domain skills and many a times they lack business numeracy skills as well.

This gap shall be met by creating adequate trained social capital to guide and provide necessary support services to rural entrepreneurs (both new and existing entrepreneurs). MoRD seeks to create a cadre of Community Resource Persons - enterprise promotion (CRP-EPs) in all the blocks where SEVP intervention is being implemented. Local youth with numeracy skills shall be selected and trained to become CRP-EP's. These CRP-EP's shall help trigger potential entrepreneurs to start their enterprises and shall help them in doing a business feasibility analysis before starting up.

- b) **A missing incubation eco-system** - Post starting the enterprise, the entrepreneurs do not have a mechanism of an advisor from whom they can seek help, specifically for business planning, risk assessment, working capital requirements, accounting, monitoring, costing and pricing, understanding seasonal demand etc. Also, there is no mechanism for peer to peer learning from similar entrepreneurs. Most enterprises fail due to not having this support eco-system in the critical first 6 months of operations.

This gap shall be met by the CRP-EPs, who'll handhold the entrepreneurs from start-up to at least six months post start-up. The CRP-EPs shall be supported by a software which shall help the CRP-EP make a usable P&L for the enterprise based on basic business data being fed into the same, shall create regional benchmarks for business

performance parameters and use the same for giving performance feedback to the entrepreneurs.

- c) **A missing financial eco-system** - The poor do not have access to bank finance and the existing mechanism of finance from moneylenders or MFIs or SHGs is not suited for businesses. Enterprises need working capital finance and startup finance, with some moratorium and flexible repayment schedules. The existing loans from MFIs or even the SHG's are of a fixed tenure with monthly EMIs which do not lend itself to enterprises with seasonal demand and supply cycles.

SVEP plans to address this gap by providing a loan to the entrepreneur for start-up, from a dedicated community investment fund, vested with a block level community based organization (CBO). Post start-up, the enterprise's business performance and loan repayment history to the CBO shall be captured in the software and can be provided to the banks while applying for a loan for scaling up the enterprise.

8. In order to provide proactive support to both existing and new enterprises promoted under SVEP, the Mission seeks to create a large pool of trained social capital and train the Community Resource Persons - Enterprise Promotion (CRP-EPs).
9. The FIA will undertake the responsibility of identification, training and do a baseline and market potential study for the block, based on the outcome of the market potential study, estimate the number of rural enterprises that can be viably supported in the block and based on this estimated number of enterprises make a Detailed Project Report for the implementation of the SVEP in the block and then implement the program covering all the three key aspects of support enumerated above.

### **Support Rural Entrepreneurs as Envisaged by NRLM**

10. Market linkages are a key cornerstone for the success of any enterprise, more so of the enterprises set up in rural areas. SVEP envisages to set up 1.82 lakh entrepreneurs over 125 blocks in the country in the next 4 years, at an average of 2400 enterprises per block. SVEP also follows a saturation approach, hence these entrepreneurs and their enterprises shall be concentrated in the block/state.
11. The enterprises promoted under SVEP are expected to keep a track of their basic business numbers - turnover, costs, profits etc. in a software provided by the NRLM, and the accounting facilitated by a cadre of CRP-EP's developed under the SVEP.
12. NRLM envisages the software to be able to collate the various types of enterprises supported under the SVEP, in a block, in a state and also use their gross turnovers and categories of business to estimate their demand for their raw material.
13. This aggregated demand should allow the entrepreneurs facilitated by industry specific mentors to negotiate better terms for supplies from suppliers, by getting economies of scale. Eg. If there are 5000 grocery shops totaling a sale of Rs. 60 crore per month, would they be able to negotiate better terms of trade from FMCG companies.
14. Similar level of aggregation can happen with the output from these enterprises. Eg if there are a 300 weavers in a cluster and they can each weave 100 meters a month, then as a loose group they can pitch for orders of up to 30,000 meters a month and they can all be provided yarn from a single supplier, so that problems of color

variations do not occur. This combined purchase, apart from improving quality, should also help the weavers source yarn at a cheaper price, due to bulk buying.

15. A similar aggregation can happen for both raw material to be sourced by a group of enterprises in any enterprise, like pickle manufacturing, weaving, dyeing etc. and also for the sale of their output.
16. Similarly there is scope of using ICT to link the enterprises to both buyers and sellers - both b2b and b2c type of relationships.
17. NRLM considers market linkages a key element in the success of the enterprises promoted under SVEP and hence setting up the processes, facilitating linkages with patient market based organizations who are willing to allow the rural enterprises some time to scale up to their requirements, guiding the entrepreneurs and their mentors are all activities that has to be undertaken by the external agency in close interaction with the implementation team and the community institutions and CRP-EPs.
18. NRLM, thus, proposes to commission creation of market linkages by a competent and experienced third party agency which has experience in and has been promoted by a for profit entity which has proven experience in creating market linkages and in negotiating with buyers and sellers.

### **Scope of Consultancy**

19. MORD propose to hire the services of a consulting firm/organization/agency for providing following support to the SRLMs
  - a. To support in defining and creating processes of demand and supply aggregation of the enterprises promoted under SVEP and helping the enterprises benefit from economies of scale, as a result of the demand and supply aggregation.
  - b. To support in creating linkages with markets - both Business to Business (B2B) and Business to Customer (B2C) linkages for the enterprises supported under SVEP
20. The services of the agency will be contracted as per the procurement guidelines of the NRLM. The contracted agency will undertake the assignment under the supervision of the Mission Director, NRLM or officers nominated by him.

### **Outcomes expected from the support agency:**

21. As part of the assignment, the consultant is required to deliver following key tasks.
  - a) Create processes and templates, including logic/formulae/algorithms for the using the basic data of the enterprises captured by the SVEP software to estimate the aggregated demand of various inputs for these enterprises as well as the output of these enterprises
  - b) Facilitate negotiation of better terms of trade with suppliers, using this aggregation.
  - c) Share the norms for negotiating with suppliers and the benefits that can accrue due to economies of scale and the quantum of benefits that can be achieved.
  - d) Make a list of large organizations (state wise and national) which should be contacted for entering into agreements for supplies from the organizations

- e) Make a list of large organizations (state wise and national) which should be contacted for entering into agreements for selling to the organizations
- f) Make a list of large organizations (state wise and national) which should be contacted for entering into agreements for facilitating buying/selling using the platforms/services provided by the organizations (e-procurement /e-whole selling sites/ physical logistics aggregators/wholesalers any other organizations relevant for facilitating market linkages).
- g) Make a list\* of large organizations (state wise and national)who are suppliers of manufacturing equipment for the shortlisted manufacturing sectors and Facilitating better terms of trade with suppliers of manufacturing equipment for setting up small scale manufacturing units
- h) Define the process of setting up of state level advisory committees - which shall do these negotiations and issue guidance, post the withdrawal of the agency implementing the SVEP and the agency providing market linkage support. The process should include, who all to invite, what all work they'll do - incubators/mentors and how to manage the same sustainably.
- i) Training of master CRP-EPs on the essentials of market linage and provide a guide books to all the trained CRP-EPs
- j) The consultant is also required to train the advisory committee, key staff and active entrepreneurs on the market linkages.
- k) For all the sectors, give the above mentioned templates and processes and provide market linkages strategy that needs to be adopted to make the enterprises profitable and sustainable.
- l) The consultant is also required to roll out the market linkage at least in two states, preferably states with diverse enterprises and establish market linkages/ business relationship between the SRLM and at least 3 organizations (suppliers/ buyers/ wholesalers) listed above. Also help the SRLM to create the advisory committee for market linkages and train and handhold the advisory committees in the initial stages.

\*The list of organisations should contain, contact details of the organisation, the contact details of the correct persons in the organisation for engagement by the advisory committee on behalf of the enterprises, the senior level sponsor within the organisations, of the concept of working with a large number of small enterprises, the potential size of business with the organisation etc.

### **Priority Sub-Sectors**

22. In the first phase, the Mission seeks to target following sectors for which the linkages are needed. The selected consultant is required to work on these priority sectors and design and come up with a market linkage protocol.

List of Priority Sub-Sectors

S.No	Sector/ sub sector
1	Tailoring business
2	Bakery
3	Bricks manufacturing- mud blocks/fly ash

S.No	Sector/ sub sector
4	Handloom and other weaving
4	Namkeen manufacture
5	Papad/wari/pickle making
6	Sanitary pads making
7	Sugar boiled Sweets making
8	Stationery shop
9	Pan shop
10	Kirana shop
11	Medicine shop
12	Chinese fast food and other restaurants
13	Beauty parlor
14	Barber shop
15	Battery charging / repair shop
16	Solid waste collection/recycling /composting/Vermicomposting
17	Sale/Repair/rent of solar lamps
18	Setting up of rural tourism options
19	Setting up of rural BPOs

### Proposed Team

23. The consultant is required to deploy following key professionals for undertaking the assignment. The CVs of the key professionals will be evaluated at the request for proposal stage.

- 1. Team Leader:** The team leader should have an experience of minimum 10 years in a commercial organization in a senior management role in either purchase/sales/business head position. Should be post graduate in any discipline with graduation in any of the following disciplines - Commerce, Engineering, Science with Mathematics, Economics. Should have experience in dealing/ empanelment of vendors/buyers/ supply chain management and well versed with B2B and B2C linkages preferably in the rural market space.
- 2. Team Member ( 3 positions):** The team members should be have an experience of min 3 years in any commercial organization/co-operative/ producer organization preferably working in rural areas. Should be a Post Graduate in any discipline with graduation in any of the following disciplines - Commerce, Engineering, Science with Mathematics, Economics. Should have experience in dealing/ empanelment of vendors/buyers/ supply chain management and well versed with B2B and B2C linkages preferably in the rural market space. The agency is required to deploy one team member each for trading, manufacturing and service sectors.
- 3. Sector Specific Experts:** In addition to the above the agencies are required to hire/ deploy the services of experts in specific sectors for which market

linkage protocol would be prepared. The sector expert should have experience of minimum 8 years in a commercial organization in the same sector. S(he) should have experience in dealing/ empanelment of vendors/buyers/ supply chain management and well versed with B2B and B2C linkages preferably in the rural market space.

## **Deliverables**

24. The agency whose services are finally contracted are expected to deliver the following outputs as per the timelines to be indicated by the MORD.

### **1. Inception Report**

Inception report covering methodology of to be adopted to work out market linkage for the selected sub-sectors, deployment team size, detailed work plan, etc.,

### **2. Preparation of a report for Conduct of Market linkage creation**

A report on processes and templates, including logic/formulae/algorithms for the using the basic data of the enterprises captured by the SVEP software to estimate the aggregated demand of various inputs for the enterprises as well as the output of the priority enterprises listed in the TOR. The report should also have details and timelines of the activities proposed to be carried out for achieving the objectives listed above.

### **3. Provide list of potential large organizations**

Provide list of potential large organization (state wise and national) which should be contacted for entering into agreements for (i) supplies/ sourcing of material required the enterprises promoted; (ii) for sale of products and services crated by rural enterprises; (iii) for entering into agreements for facilitating buying/selling using the platforms provided by the organizations (e-procurement /e-whole selling sites/ physical logistics aggregators/wholesalers any other organizations relevant for facilitating market linkages; (iv) suppliers of manufacturing equipment for the shortlisted manufacturing sectors;

### **4. Market linkage creating Guide for Community Monitors**

The agency would prepare a user-friendly guide on process/template/formulae/algorithms for access and usage of data in the creation of market linkage. The guide should *inter alia* incorporate the following:

- a. concept of market linkage;
- b. importance of market linkage;
- c. identification of potential areas and indicators;
- d. methods of market linkage;

- e. tools/instruments for collection of market information;
- f. potential sources and levels of information;
- g. methods of analysis;
- h. methods of reporting/mainstreaming market linkages created;
- i. Incorporation of feedback into implementation strategies and formats for taking corrective measures *etc.*; and
- j. Training and skill requirements for undertaking market linkage.
- k. Sector wise, value slab wise margins and terms of trade for buying of raw material, manufacturing equipment, services and also for sales of goods and services produced.

#### **5. Train and handhold CRP-EPs Mentor CRP-EPs for market linkages**

The agency would facilitate identification of agreed number of mentor CRP-EPs for market linkages and provide them basic training and handholding support. The SRLMs may use the services of the identified mentor CRP-EPs supporting the Mission activities in other blocks.

#### **6. Setting up of Advisory Committee and Handholding support**

Support to 2 state Missions in setting up of Advisory Committee and train them in the market linkage protocol, business negotiations *etc.*,

#### **7. Rollout of Market linkage protocol in 2 state and establishing linkages**

As part of the assignment, the agency is required to rollout marketing linkage protocol in at least two states selected in consultation with MORD and successfully establish linkage with at least 3 large organization per state in the areas of sourcing/selling/e-platform/wholesaler/ manufacturer.

### **Period of Consultancy**

25. The total period of consultancy will be 12 months **but on completion of term, the contract would be extended subject to satisfactory performance.** The MoRD would lay down criteria for the purpose of assessing the performance of the agency. Value addition made by the market linkage creating agency to the overall improvement in the quality of implementation of the Mission and the new valuable insights provided by the agency would be considered among other factors, for extension of the contract.

### **Review Committee to Monitor Consultant's Work**

26. The Mission Director, NRLM is the competent authority to undertake monitoring and review of the work of market linkage creating agencies. He may constitute a review/steering committee to monitor the progress of the agencies from time to time and provide necessary advice. The review/steering committee may also seek comments and inputs on the consultant's work from the MORD, SRLMs, and other experts as appropriate.



27. Payments to the agency will be made upon submission and acceptance of the reports and such other deliverables by the MORD and as per the terms and conditions to be laid down for this purpose in the contract agreement to be executed between the selected consultant and the MoRD.

**Services to be provided by the Client**

28. The market linkage creation agency would be provided access to MIS data, internal project communications, correspondence, study reports, manuals, handbooks, policy note and such other material which are not in the nature of classified documents of the MORD and the states. The states would also facilitate the conduct of process monitoring. However, the agency would be required to seek prior appointment with each state/district in advance for accessing information and to discuss various issues.

## **Ownership**

33. All information collected by the market linkage creation agency will be used only for the purpose of supporting SVEP. No part of the information shall be used for any other purpose without the prior explicit consent of the MORD and the states. All material and data collected shall be the property of the MORD.