Information Package – SME Grant and Mentoring

Overview

The Ministry of Agriculture, in association with Fiji Agricultural Partnership Project (FAPP) funded by the International Fund for Agricultural Development (IFAD), is proposing to provide support to small and medium enterprises (SMEs) in the agricultural sector that wish to submit proposals for investments and activities that would expand the access to commercial markets of small producers in Fiji who presently experience difficulties in marketing their products or experience difficulties in accessing suitable farm inputs. This support will take two forms:

- Advice (“Mentoring”) on the business and financial management of the SME. Assistance with refining the investment proposals/business plan, and assessing its viability, and support to implement the proposal (from 2 to 10 days of mentoring, as required);
- A grant equivalent to 25% of the total investment required, in association with a loan from a commercial bank of 50% of the total and 25% of your equity. The maximum size of a matching grant would be FJD 50,000.

Those wishing to benefit from this grant will need to undergo at least the minimum period of mentoring. Mentoring will also be available to SMEs who do not wish to invest at this stage but would like advice on their business activities related to working with small farmers. SMEs would be expected to meet 10% of the mentoring cost out of their own resource. SMEs are also required to provide evidence/commitment to engaging in business relationship with smaller producers and to report on this before project completion.

Eligibility

The intended direct beneficiaries are SME’s working in the agricultural sector. They can be input suppliers, exporters, processors, suppliers to the tourism industry or supermarkets, or traders supplying or selling in domestic urban markets. They are likely to have an annual turnover of between FJD 30,000 and FJD 500,000 in line with the GoF definition of small and medium enterprises.

The criteria for eligibility for the matching grant would be:

(i) the participating bank has approved the borrowers loan application, according to the banks own lending criteria;
(ii) the borrower contributes equity equal to at least 25% of the total value of the investment for which funds are being borrowed. And
(iii) The investment is expected to lead to expanding business with small scale farmers and there should be clear evidence/commitment on the part of the SME of the plan to engage in business relationship with smaller producers, e.g. by including in the business plan/application details on how many producers it is planned to work with, for what type of activity, etc.

First priority for grants would be given to intermediaries making proposals related to the highland areas covered under this scheme as well as other remote area. Banks would conduct their loan appraisals according to their own procedure, ensuring that the applicants have met the FAPP criteria. The loan application would specify the full amount of the investment. The loan may constitute up to 50% of the total cost of the investment. The borrower must contribute equity equal to at least 25% of the total
investment and a matching grant can be provided of an amount equivalent to 50% of the total loan agreed. The maximum size of the matching grant would be FJD 50,000. The maximum size of the matching grant would be FJD 50,000. The FAPP budget provides for 30 matching grants of an average of FJD 30,000 (USD 15,000 approx.) but a greater number of grants could be provided if the average request is lower than the sum.

Areas of grant support could cover one or more of the following:

(i) **A vehicle to enable the SME to access remote farming areas.** This could be an additional vehicle for a company’s fleet or in the case of smaller organizations wishing to expand into direct procurement from farmer, a first vehicle. It should not be used to simply replace an old vehicle already operated by a business, although a case could be made where it is necessary to upgrade a vehicle fleet in order to comply with food safety legislation or commercial food safety standards.

(ii) **Other infrastructure to promote improved market-oriented production.** This could include; construction of a basic but secure retail facility for a sale of inputs on an agency basis by an inhabitant of a remote village; a simple collection centre that directly links into the value chains being developed by a commercial buyer (e.g. to protect produce from the elements while awaiting transportation); or improved facilities at the premises of the buyer, as long as it is clearly demonstrated that such facilities will, at least in part, be used for production by remote farmers presently unserved by modern marketing channels.

(iii) **Appropriate post-harvest equipment.** This could include plastic crates, which should significantly reduce post-harvest losses compared with the existing use of bags for produce transportation.

(iv) **Operating capital.** Loan finance with a grant component could be used for operational capital purposes. It could also be used to fund initial working capital of an input agency.

(v) **Support for contract farming ventures.** Rural finance provision is relatively limited in Fiji. Companies wishing to promote production of high value crops may therefore have to provide some support to farmers in terms of inputs such as seeds, fertilizer and land preparation.

In addition, mentoring that will not necessarily lead to grant support will also be available. This could cover the provision of advice to SMEs considering:

 Establishing farm-level links with farmers instead of waiting for them to deliver their produce at the buyer’s premises.
 Developing agro-processing industries that will involve the purchase of produce from new small holder suppliers.

**Who Can Apply**

Applications can be submitted by a wide range of businesses showing evidence of commitment to engage in working relationship with small holder producers. Applicant SME’s may include; transport operators servicing remote farmers; market wholesalers and retailers; small and medium scale agro-processors; exporters of agricultural produce and companies supplying the tourist industry, as well as input suppliers and individuals wishing to establish a rural agency for such dealers. To be considered for support the maximum annual turnover of the SME should be FJD 500,000.