

**MINISTRY OF INDUSTRIES AND PRODUCTION**  
**GOVERNMENT OF PAKISTAN**

**TERM OF REFERENCE**

**(TOR'S) FOR HIRING OF CONSULTING SERVICES FIRMS/INDIVIDUALS**

The Government of Pakistan (GOP) adopted fertilizer policies in 1989 and 2001. Those policies incentivized private investment in fertilizer production (nitrogenous fertilizers, largely area) in the country. Over the years, the economic, technical, and market circumstances have significantly changed both globally as well as in the domestic market. These policies were largely urea centric and not comprehensive enough to cover all aspects of fertilizer production, marketing and balanced use. GOP intends to adopt a new national fertilizer policy which fill these gaps and provides fair incentives to all investors along the production and marketing value chains as well as insure availability and supply of fertilizers to farmers at fair prices and without any undue delay to take care of crops requirement. The new national fertilizer policy will have a medium (2030) as well as a long-term (2035) perspective.

Fertilizer production and marketing is a private sector operation in Pakistan. Presently there are five fertilizer companies in Pakistan operating three (3) phosphate, two (2) sulphate of potash, and 12 nitrogen-based plants. Under the previous two policies, all five companies have received natural gas at different tariffs from the GOP. These gas tariffs were set at cost plus but below the opportunity cost of gas in supposed assumption to provide, cheaper fertilizer to farmers. This was a complex gas supply arrangement at a variety of tariffs to different plants further continued future production of fertilizer at comparative prices depends upon availability of local gas reserves available in Pakistan in future. Hence it is important to identify suitable technology using a different raw material such as coal, which could compensate reduction in gas availability in future. The new policy shall also look into other option such as fully deregulation of the fertilizer industry and the sector.

Foregoing in view, Ministry of Industries & Production through the National Fertilizer Marketing Limited would like to engage a consulting firms/individuals to prepare a draft of the new fertilizer policy which will have three parts, and inter alia, with the scope of work outlined as follows.

**A-PRODUCTION.**

This will evaluate existing gas supply agreements with the plants and their impact on fertilizer sector development, natural gas availability and use, availability of fertilizer in the country, and fertilizer industry's contribution to the agriculture sector's development and the national economy. Going forward, GOP would like to know the estimated demand for fertilizers, based on their balanced use, in the next five years (by 2030) and ten years (by 2035). Further, a new policy for determining gas tariff will be required that optimizes the use of domestic and imported gas as the

share of the former declines. As an alternate the policy shall also examined the possibility of gas supply through merging or future gas finds and a fair system for its allocation to the fertilizer sector, particularly, the policy shall:

1. Evaluate the efficacy of the previous two fertilizer policies of 1989 and 2001 describing their impact on fertilizer production in the country, contribution to the development of the sector, and pitfalls of the policies. Enlist lessons learned and share international best practices.
2. Evaluate the past gas tariff regimes by GOP to all fertilizer plants, describe the history of this policy, its implementation issues, and outcomes.
3. The GOP provided natural gas to the fertilizer industry at cost plus but not at the market rate or at its opportunity cost. Assess what impact this implicit subsidy had on the national exchequer, agricultural production, national economy, and benefit to farmers.
4. High-value fertilizer plays a pivotal role in increasing crop yields. To promote use of high-value fertilizer products, how can GOP prioritize allocation/ supply of gas.?
5. Assess the feasibility of fertilizer production from coal gasification.
6. Propose a new gas tariff policy based on lessons learned and recommend a methodology and policy framework to set such tariff in the future.
7. Compare the cost of production of fertilizers with the comparable producers in the region and around the world where applicable.
8. Estimate requirement/demand for fertilizer in the country, based on their balanced, use, for the next five years (by 2030) and ten years (by 2035) and propose a supply mechanism based on estimates of domestic production and need for imports.
9. Assess the option to fully deregulate the sector and its likely impacts on the industry, economy, and fertilizer availability and prices in the country.
10. Provide assessment of the global fertilizer demand and supply outlook by 2030 and 2035 and how it can impact the situation in Pakistan.

## **B-MARKETING.**

For the last 2-3 years, farmers have complained that fertilizer are not available on time and market prices are much higher than the maximum retail price (MRP) declared by the fertilizer industry. Often market prices of urea have been 20%-30% above the MRP. This situation in the domestic market was exacerbated by the gap in demand and supply and higher international prices.

1. Estimate import equality prices of fertilizers, including dealer margins, to determine their retail prices in different parts of the country. Compare these prices with fertilizer produced in the country.

2. Based mainly on secondary data, describe the current fertilizer supply chain in the country; number of dealers, distributors, and retailers and their margins.
3. Evaluate the current fertilizer marketing system in the country. Describe its strengths and weaknesses.?
4. Does this marketing system provide an efficient mechanism to distribute fertilizers in the country at fair prices and on time?
5. How does this marketing system compare with those in India, China, and other comparative economies elsewhere?
6. How can this system be made more transparent and efficient?

### **C-BALANCED USE.**

Most farmers do not use recommended doses of fertilizers. With organic matter in soils already at low levels, the prevailing fertilizer use practices by farmers are inefficient and result in 15%-20% lower crop yields, all else being equal.

1. Review secondary sources of data and analysis and describe the current soil fertility levels in the country.
2. Estimate the current use of fertilizers and undertake gap analysis for balanced use. Assess benefit to the economy if farmers had used balanced fertilizers.
3. Estimate total requirement of fertilizer in the country based on balanced use for all major and minor crops and provide forecast for the next five (2030) to ten years (2035).
4. Assess gap in availability of certain types of fertilizer and propose how GOP can incentivize the industry to produce/ provide and farmers to use these fertilizers.

### **D-4. INPUTS AND TIMELINES:**

Ministry of Industries & Production through the National Fertilizer Marketing Limited would like to engage a reputable and experienced consulting firms/ Individuals to undertake this assignment. The new policy will be drafted over three months after mobilization of the consulting firm/Individuals. The consultants team will comprise the following three experts:

1. **Fertilizer Industry Specialist and team leader** (3 person months intermittent). The specialist should have a college degree in engineering, agricultural sciences, economics, and/or business and at least, 15-20 years of fertilizer industry experience, preferably in multiple countries.
2. **Fertilizer marketing specialist** (1.5 person-months, intermittent) the specialist should have a college degree in economics, business, and/or marketing and, at least 10 years of

experience in fertilizer marketing in Pakistan and preferably elsewhere in the world.

3. **Agronomist or soil scientist** (1.0 Person-months, intermittent). The specialist should have at least a master's degree in one of the these disciplines and, at least, 10-15 years of experience in balanced use of fertilizer at agricultural R&D institute (s) and in farm fields. The specialist should demonstrate experience through published reports and refereed journal articles.

#### **D-5. REPORTS AND WORKSHOPS.**

After the initial assessment, two weeks after the start of this assignment and based on the scope of work as outlined above, the consultant firms/Individuals will submit an inception report that should (i) describe the outline of the national fertilizer policy, (II) provide timelines of deliverables by all three specialists and (III) assess the terms of reference, and if need be, recommend revision and/or improvement. Two weeks after submitting the inception report, hold an inception workshop where all the relevant stakeholders – fertilizer industry executives, government officials of relevant ministers and provincial department, fertilizer dealers, distributors, retailers, and farmers – will be invited to comment on the initial findings and terms of referenced for the new policy. Based on this feedback prepare a comprehensive draft report of the new national fertilizer policy. Hold a national workshop to present the draft national fertilizer policy to seek feedback from the relevant stakeholders. Considering this feedback, finalize the report containing the new national fertilizer policy.

**NOTE:**

- 1. The bidding shall be conducted in line with the Rule 36 (b) “Single Stage Two Envelope Procedure” of the Public Procurement Rules-2004. All the bidders shall quote their rates through inclusive of all applicable Government taxes & duties etc.**
- 2. Consulting firms/Individuals are required to deposit fix security (refundable) amounting Rupees Seventy-Five thousand only (Rs. 75,000/- only) in shape of Demand Draft/Pay Order as per clause 25 of PPRA rules in the favor of NFML, Lahore, a scanned copy of which be sent through e-PADS along with the bid and the original must be reached to NFML Commercial Department 53 Jail Road Lahore before the opening of the bid.**
- 3. The bidding process shall be Quality & Cost Based Selection method (QCBS).**
- 4. The bid shall remain valid for the period of 120 days from the date of opening of the financial bid.**
- 5. Each bid shall comprise of separate sealed/stamped Technical Proposal and Financial Proposal. However, financial proposal shall not be entertained in case the technical proposal is rejected.**
- 6. All types of reports shall be approved by Ministry of Industries & Production (MOI&P) and payment against the assignment shall be released on approval of MOI&P.**
- 7. Applications complete in all aspects registered with income tax/sales tax department, SECP Companies, government, private/Public sector organizations having relevant experience about 15-20 years in Research, Development & policy making of fertilizer sector are eligible to apply.**