



## FEDERAL REPUBLIC OF SOMALIA

# Terms of Reference for Recruitment of the Livestock Value Chain Fund (LVCF) Financial Investment Firm

### 1. Background

The Federal government of Somalia (FGS) received World Bank funding to implement the De-risking, Inclusion and Value Enhancement for Pastoral Economies (DRIVE) Project. DRIVE is a regional project that brings together four countries (Djibouti, Ethiopia, Kenya and Somalia) to build the resilience of the pastoral production system. The project will strengthen pastoralists' financial resilience against disasters, climate shocks and other crises through the delivery of financial services, linkage to the market and crowding-in the private sector investment in the livestock value chain.

DRIVE aims to protect pastoralists against drought shocks, using a package of financial services including drought insurance, payment, savings and provision of credit funding, and to connect the pastoralists better to markets by upgrading the livestock value chains and facilitating the regional livestock trade. This project is regional, and Djibouti, Ethiopia, Kenya and Somalia are the participating countries. The development objective of the Project is to enhance de-risking, financial inclusion and value addition of pastoral economies in the Horn of Africa Initiative (HoAI). The project has two components:

**Component 1: De-risking and Finance.** This component will scale up financial protection for pastoralists across the Horn of Africa (HoA) with a cost-effective package of financial products and services, including insurance, savings, and payment. Pastoralists will receive a mix of insurance and banking (savings and credit) products. The component will provide partial premium support with the beneficiary's contribution to enhance sustainability and attract private sector investment.

**Component 2: Livestock Value Chains and Trade Facilitation.** This component will connect pastoralists better to markets by upgrading the livestock value chains and facilitating trade. The Livestock production groups benefiting from component 1 will be linked to investment opportunities generated under component 2. The component 2 will also support private sector investment in the livestock value chains, leading to higher incomes for pastoral producers. The

component 2 will support three types of intervention; (i) Upgrading quality infrastructure, (ii) Trade facilitation and trade infrastructure and (iii) setting up a de-risking facility to support private investment in the livestock value chains.

## 2. Livestock Value Chain Fund (LVCF)

The LVCF will de-risk private sector investments in Livestock value chains investments (LVC) and will be accessible to those who would like to start or scale-up investments in the livestock value chain that will have a development impact. The fund will have two windows. Window 1 will support youth and women-owned businesses, or cooperatives interested in starting or scaling up their livestock value chain enterprises. Window 2 will support large firms investing in the livestock value chain with a development orientation that benefit pastoralists..

The Livestock Value Chain will be managed by a third-party service provider/independent Finance firm with experience in evaluation of investments , risk sharing facilities, credit risk management and managing funds. Funding will be channeled through financial institutions. The participating financial institutions (PFIs) will receive funding proposals from interested SMEs and that will follow their internal credit appraisal procedures to appraise the proposals. The PFI will determine the creditworthiness of the loan and the LVCF would provide 25% of the loan to de-risk the project. The PFI will then present the funding proposals to PIU who will submit to the third-party independent financial investment firm for evaluation and provide an approval to access the LVCF. The PIU will communicate the decision from the independent firm to the respective financial institution. The business proposals meeting the set criteria will receive funding through PFIs. PFIs will have the managerial autonomy to decide on loan appraisal and disbursement based on their own established credit management procedures and commercial practice. A manual for the Livestock Value Chain fund will determine the eligibility criteria, eligible activities, appraisal methods, monitoring and reporting arrangements, loan withdrawal procedures, and responsibilities of all parties implementing the LVCF.

The funds provided through LVCF will not have profit/commission requirement and will be recovered by PFIs and deposited to Gaargara accounts at the Central Bank of Somalia after repayment of the loan and full recovery of the LVCF contribution by the PFIs.

There is a need for accurate and comprehensive monitoring of activity outputs and technical compliance of individual projects through independent third-party site monitoring (in addition to financial compliance) as well as data management for auditing and reference purposes. To address these challenges and strengthen program monitoring, the DRIVE project is seeking services of a consulting firm to develop two phases of activities: i) Phase 1: to support the LVCF to screen, appraise, and build the pipeline of participating financial institutions; and Phase 2 to

conduct independent third-party assessments of the projects submitted by the financial institutions under the Livestock Value Chain Fund (LVCF) and to assist in accurately assessing the qualification of the projects as well as in capturing, and verifying potential projects. The consultancy firm will be an additional layer of control to strengthen the implementation and monitoring tasks required to be performed, especially for all activities implemented in the field resulting in limited supervision, due to security constraints.

## **1. Objectives of the Assignment**

To enhance the credibility of the evaluation process, independent from project management and to assure recognition of the best-qualified applications, a firm will be selected to carry out the evaluation of the investment proposals. The objective of the Consultant firm's assignment is assessing applications with a development lens.

### **Guiding Principles and Values**

1. The evaluation process is transparent and independent from project management to enhance credibility.
2. The financial investment firm shall ensure that independence of judgment is maintained, and that evaluation findings and recommendations are independently presented.
3. The financial investment firm shall operate in an impartial and unbiased manner and give a balanced presentation of strengths and weaknesses of the project being evaluated.
4. The financial investment firm is required to disclose in writing any past experience, of members of the firm or their immediate family, which may give rise to a potential conflict of interest, and to deal honestly in resolving any conflict of interest which may arise.

## **2. Scope of the assignment**

The Financial Investment Firm will be an independent third-party entity that will perform the tasks in two phases:

### ***Phase 1***

The successful firm is expected to support the LVCF to screen, appraise, and build the pipeline of participating financial institutions. The support the LVCF will include visiting selected PFIs and support them to assess the criteria, develop the pipeline and build their capacity to (a) appraise credits targeting livestock value chain; (b) apply the criteria and build the pipeline; (c) support to conduct feasibility on the viability of the livestock project; (d) market and execute promotional campaigns to build awareness of LVCF offerings; and (e) build the capacity and share knowledge with Gargaara to implement this product with their respective participating financial institutions so Gargaara could take on this responsibility in the future.

The consultancy services will also be leveraged by Gargaara as a learning program aiming to strengthen capabilities for financial institution assessments, improve investment performance and accountability to shareholders and other stakeholders.

## **Phase 2**

The firm will receive the applications from the Financial Institutions through the Project implementation Unit in the Ministry of Finance and shall provide scheduled progress reports on the LCVF activities. The financial Investment Firm shall carry out the following roles to support the successful implementation of the Livestock value chains Fund(LVCF) in liaison with the Project Financial Institutions identified to work with the project in the Federal Republic of Somalia.

- (a) Manage LVCF portfolio and ensure that the Financial intermediary institutions (IFIs) have adhered to the agreed investment criteria for LVCF i.e., ensure the linkages with pastoralists is achieved and the beneficiaries are receiving fair prices for the animals/animal products.
- (b) Applications that have successfully completed the financial intermediary institutions eligibility evaluation and gotten the approval of the IFIs, will be evaluated by the firm
- (c) Ensure that the fund is administered as per the recommendations of the Project Advisory document
- (d) Prepare and maintain full inventory of the project fund beneficiaries, project financial documents and books of accounts for the Fund and submit to the PIU as per schedule defined
- (e) Ensure that PFIs sign the financing agreements with the firms for the loan
- (f) regularly submit reports of the funds operations as required by the Steering Committee, Technical Committee of the DRIVE project and the World Bank
- (g) Review reports from the PFI on the financial performance of businesses supported by LVCF and prepare required project reports for the PIU project reporting and updates to the Steering Committee.
- (h) Work closely with environmental and social management specialists to ensure supported businesses meet the conditions laid down under ESCP and those undertaking activities on the exclusion list are not funded as per the WBG guidelines..
- (i) work closely with the third-party service providers that could be called upon from time to time to evaluate the LCVF.
- (j) To Work closely with PFIs and Gaargara to ensure recovery of any loans provided under the LVCF.
- (k) Periodically provides financial statements of the fund. Inform the Steering Committee and the World Bank in respect of the Fund as regards any emerging issue and policy considerations
- (l)** carry any other duty as may be necessary to meet the objectives of the Fund.

### 3. Eligibility Criteria

- i. Financial/investment firm with minimum experience of ten years is a must as a fund management and evaluation of investments and in the financial sector. The ideal firm should have demonstrable experience in engaging Somali financial institutions and clearly demonstrate an in-depth understanding of Islamic modes of financing, risk pricing, business environment and experience in the area of investments in livestock value chain.
- ii. Strong track record of having an independent team for evaluating and managing a diverse portfolio along the livestock value chain in Somalia, understanding of the cultural and market context of Somalia including clear understanding of how local businesses raise capital for investment, and knowledge of the various financial instruments and investment strategies.
- iii. Experience in evaluating SMEs projects at different stages of development
- iv. Expertise in risk-sharing schemes and line of credits
- v. Experience in investment promotions in the livestock value chains and in Business Development Services for livestock value chain actors particularly for micro and small businesses in Somalia will be an added advantage
- vi. Good track record of initiating, sourcing, structuring, and managing complex investment transactions.
- vii. Should have a good understanding of the livestock value chains sector -in Somalia

### 4. Fees

The Consultant firm will perform the services under this assignment according to:

#### **Phase 1: Lump-Sum: 50k**

##### **Deliverables:**

- Detailed proposed methodology and work plan;
- Quarterly Report on PFI pipeline for the LVCF;
- Detailed confidential reports of PFI assessments on the potential pipeline
- Technical Reports or Drafts on various PFI pipeline, application of projects, project monitoring issues tackled and as requested by the Steering Committee from time to time;
- Final Report on all services provided and recommendations for improving PFI pipeline build and appraisal of projects for LVCF and monitoring services of the projects as well as the transfer of knowledge to Gargaara

**Phase 2: Retainer fee up to 50k.** The Consultant's remuneration is based on agreed-on unit rates for consultant firm work multiplied by actual number of evaluated applications.

The consultant firm will submit the financial proposal for this phase indicating a detailed breakdown of the cost of the advisory services. This would cover: \* the daily rates of each team member; \* the time inputs for each team member. The total cost must be clearly stated. The RFP should include this cost.

**Deliverables:**

- a) To act as Manager Fund on assessing investment proposals according to the LVCF eligibility criteria
- b) To identify projects for investments from the ones submitted and approved by the IFIs
- c) Analysis of the Investment proposals, and recommendations for investments.
- d) Active portfolio management and investment advisory services
- e) Presentation to Steering Committee and Technical Committee of HOA Drive Project of Somalia
- f) Any other deliverable as mandated in the scope of work.

**5. List of Key Professionals whose CV and experience will be evaluated**

The Consultancy firm will have to deploy the following key staff whose CVs will be evaluated for the purpose of evaluation of investment proposals

Sl.	Positions	Qualifications and Experience Desired
1	Team Leader	<ul style="list-style-type: none"> <li>• Post Graduate in Economics/ Finance/ Finance &amp; Accounts/ Agricultural Economics/ Banking or a closely related field</li> <li>• Fifteen (15) years senior managerial position in a financial institution or investment firm engaged in facilitating SME investments, preferably in the livestock sector</li> <li>• Strong understanding of Somali financial institutions' financing mechanisms, especially Islamic financing, risk pricing, and other key factors that impact their investment decisions.</li> <li>• Proven track record of engaging with Somali financial institutions, including negotiating and structuring deals, and demonstrating knowledge of the local financial landscape</li> <li>• Knowledge of financial schemes of Government / Financial Institutions/ Banks/ especially w.r.t. SMEs</li> <li>• Good knowledge of SME investment funds, de-risking schemes, etc</li> <li>• Strong interpersonal and communication skills, fluency in English and Somali language is a requirement.</li> <li>• People management, leadership and mentoring skills to lead a high performing team</li> </ul>

2	Finance Specialist	<ul style="list-style-type: none"> <li>• A Post graduate in Finance/ Finance and Accounts/ Financial Management or a closely related field</li> <li>• 10 years of professional experience in financial analysis of SME ventures</li> <li>• Experience in identifying potentially successful business ventures and strong capabilities to analyze project viability (both technically and commercially)</li> <li>• Experience in assessment of b-plans and proposals for funding particularly for SMEs</li> <li>• Fluency in English and excellent networking and written communication skills.</li> </ul>
3	Entrepreneurship Specialist	<ul style="list-style-type: none"> <li>• A Post-graduate in Entrepreneurship Management, Business Management or a closely related field</li> <li>• 10 years of professional experience in development and promotion of entrepreneurship/SMEs, understanding of the business climate, market trends and cultural context of Somalia</li> <li>• Experience in business incubation/investments</li> <li>• Experience in feasibility studies/viability studies for new business ventures particularly in the SME segment</li> <li>• Strong interpersonal skills with fluency in English and Somali</li> </ul>
4	Livestock Specialist	<ul style="list-style-type: none"> <li>• A Post graduate in Livestock Value Chain/ Agri Business/ Agri Business Management/ Agri Business Economics or a closely related field</li> <li>• 10 years of professional experience in the livestock value chain, understanding of the unique investment opportunities in Somalia's livestock value chain.</li> <li>• Experience of entrepreneurship development/facilitation in livestock value chain sector,</li> <li>• Experience of running own livestock operations will be an added advantage</li> <li>• Strong interpersonal skills with fluency in English</li> </ul>