**Ministry of Finance**

**Expert consultant to develop institutionalization plan for Gargaara (Somali Apex MSME Financing Facility)**

**Terms of Reference (ToR)**

**BACKGROUND**

The Federal Government of Somalia has received financing from the World Bank (WB) to implement the Somalia Capacity Enhancement, Livelihoods, and Entrepreneurship Initiative through the Digital Uplift Program (SCALED-UP). The biggest component of SCALED-UP, accounting for 40 percent of its total allocated funds, aims to increase access to finance for Somali Micro, Small, and Medium Enterprises (MSMEs) by setting-up Gargaara as the first Somali apex MSME Financing Facility. Gargaara was established and operationalized in 2019, and since then, Gargaara has become a significant player in the Somali financial sector, partnering with seven commercial banks and one MFI that on-lend its financing. To date these participating financial institutions (PFIs) have accessed and on-lent US$ 12.5 million to 276 MSMEs in the agriculture, energy, fishery, and livestock sectors. Given this track record mobilizing financing for MSMEs in Somalia, Gargaara was also able to sign a US$19 million partnership with Germany’s Kreditanstalt für Wiederaufbau (KfW) in April 2023.

However, a series of issues related to the sustainability of Gargaara still need to be addressed. SCALED-UP design anticipated the newly established MSME financing facility to be a freestanding autonomous apex institution with its own record of accomplishment, board of directors, and management. Furthermore, while the entity was to be initially publicly funded using IDA financing it was structured to operate through private sector management and governance principles, and to allow a transition toward private sector majority shareholding over time. The project design also envisioned a capitalization of the entity. Currently, the Ministry of Finance (MoF) is financing Gargaara’s operations through SCALED-UP, and steps to achieve its full institutionalization as an independent entity have not been completed. Meanwhile, gaps remain in the country’s current regulatory framework for the supervision of an apex financial institution. In this context, given its oversight and regulatory role over Gargaara, the MoF is seeking to hire an expert consultant to help address these issues.

**OBJECTIVES OF THE ASSIGNMENT**

The consultant will advise MoF with the following areas that must be worked on in parallel:

* Development of an options paper and an actionable plan for Gargaara’s institutionalization and capitalization:
* *The options paper* should include: (i) review of relevant Somali legal and regulatory frameworks; including review of any government State Owned Enterprises (SOEs) related policies including those regarding ownership, governance, transparency and reporting requirements; identification on any regulatory gaps; (ii) review of legal commitments and financing arrangements under SCALED-UP and relevance for the assignment (in addition, the consultant may also need to review Gargaara KfW funding agreements as well as the Somalia component of the WB DRIVE Project managed by MOF); (iii) Recommendations/options (and their pros and cons) for institutionalization and capitalization of Gargaara. In addition, the consultant will provide advisory guidance to MOF to help select the most practical way forward.
* *A detailed action plan with clear timelines, roles and responsibilities* to be prepared in consultation with MoF and other key stakeholders, after selecting the preferred option for Gargaara’s institutionalization and capitalization.
* Strengthening of Gargaara’s governance arrangements through advising MoF on how to: (i) define and implement reporting instruments to be used by Gargaara’s Board – this should include a reporting schedule and agreement on format and key information to be provided in each reporting period; (ii) enhance Board efficiency through more regular Board meetings and ways to incentivize more active participation of Board members; (iii) set-up a transparent system to appoint/re-appoint, incentivize, and evaluate members of the Board; (iv) improve Gargaara’s Board technical capacity and performance related to stewardship of the institution; (v) identify changes needed to Gargaara’s charter so it is aligned with strengthened governance arrangements.

**EXPECTED DELIVERABLES**

The assignment is expected to take about 45 working days to complete. The following outputs/deliverables are expected from the various tasks during the engagement:

* Inception Report including a description of the methodology for carrying out this consultancy.
* Assessment of all the relevant legal and regulatory frameworks, and government policies; and carrying out consultations with relevant stakeholders.
* Development of an options paper for MoF on Gargaara’s institutional structure to review and agree on the most suitable option for Somali context.
* Development of a actionable plan for Gargaara’s institutionalization and capitalization.
* Development of recommendations for stronger governance arrangements for Gargaara.
* Final report outlining the roadmap for Gargaara’s institutionalization, capitalization, and measures for stronger governance arrangements.

The contract may be modified/extended by mutual agreement between MoF and the consultant if additional tasks are identified to support the implementation phase of the agreed way forward/action plan for Gargaara’s institutionalization and capitalization, as well as strengthening of the Board’s governance arrangements.

**TECHNICAL EVALUATION CRITERIA**

The consultant should have the following experience:

* At a minimum, a Master´s degree in finance, economics, business, or law, and at least 15 years of work experience.
* At least 10 years of experience in finance, economics, business administration and specifically in the field of corporate and SOE governance, and SOE reforms is required. Experience with business and asset valuation, financial modeling, and accounting of public companies would be a plus. Relevant knowledge of legal, regulatory, and institutional frameworks relating to the assignment (especially in Somalia or similar countries) and experience supporting and drafting legal documents like decree laws, laws, regulations etc. will be desirable.
* Expertise with similar projects in similar countries would be an advantage.
* Ability and willingness to travel to Somalia will be a plus.

**REPORTING AND CONTRACT TYPE**

The Consultant will report to the Ministry of Finance of Somalia. The consultant will report to a focal point at the MoF. MoF will facilitate access to key stakeholders (including Government agencies) and relevant existing legal, regulatory and institutional frameworks in Somalia. The Consultancy will be through a lump-sum contract with scope of services to be completed for a fixed contract amount. Payment percentages or amounts will be linked to the completion of contractual milestones or determined as a percentage of the value of the work to be completed and upon presentation of the receipt for any expenses incurred for eligible expenditures relating to the assignment.

**DELIVERABLES AND PAYMENT SCHEDULE**

|  |  |  |
| --- | --- | --- |
| **Deliverables** | | **Payment** |
| 1 | Inception report | 10% |
| 2 | Options paper | 30% |
| 3 | Action plan on institutionalization and capitalization | 30% |
| 4 | Recommendations paper on governance arrangements | 20% |
| 5 | Final report | 10% |