

# Terms of Reference (ToR)

## IDH Farmfit Fund B.V.

### Risk Mitigation Strategy and Implementation Services

#### August 2020

## 1. IDH Farmfit Fund

- **Background**

Around 270 million smallholders farmers globally are deprived from essential services to properly develop their farming systems and increase household incomes. In Africa, regional food security for the rapidly growing population crucially depends on the successful integration of smallholder production in regional value chains. This requires companies, civil society and government to innovate together, develop business models and forge new supply chain collaborations.

The IDH Farmfit Fund is a 100 M EUR fund, in which the Dutch Government and several large multinational companies committed to invest in. USAID, the development arm of the US Government supports the IDH Farmfit Fund with a EUR 250 M guarantee facility. The Fund invests in smallholder value chains through companies, such as commodity traders, service providers and financial institutions. By taking high risk positions the Fund aims to incentivize both banks (development and commercial banks) and supply chain companies to move beyond their comfort zones and invest sizeable amounts in innovative farmer financing structures. The objective of the Fund is to lift to improve the lives of at least 3 M farmers by increasing their income with 50% and make farmer finance a mainstream investment class.

- **Services provided by Farmfit Fund**

Farmfit Fund offers high-risk funding to catalyze commercial financiers to invest in small holder farmer supported value chains.

The Fund is backed by the Dutch Government and international consumer brands.

The Fund provides de-risking investment to value chain actors and local financial institutions, who interact directly with the smallholder farmers and Agri SME's creating a market linkage at the same time financing is provided as part of a broader service offering (quality inputs, training etc.), reducing risk. This holistic approach is needed in order to significantly lower the barrier for both commercial investors and development banks to lend to smallholder farmers at scale. The Fund shares risk with these companies and, at the same time, provides a risk buffer for financial institutions that provide senior loans.

In addition to farmer lending, the Fund can take equity positions in Agtech and Fintech companies, on the condition that these investments can benefit smallholders on a large scale, for instance if costs of servicing smallholder farmers can be reduced.

The Fund has a range of instruments available, depending on the financing need: bridge loan, equity, first loss provision, partial credit guarantee, mezzanine loan, straight loan and subordinated debt.

## 2. Management of the Farmfit Fund

The Fund Manager of the Farmfit Fund B.V is IDH Investment Management B.V (the Manager”).

## 3. Call for Proposals

To support the IDH Farmfit Fund (“the Fund”) , and on the basis of these Terms of Reference, the Fund aims to select a party that will support and advise the Fund and Fund Manager on strategic risk mitigation strategies and options. Further provide support and advisory services in respect of risk mitigation structures and the implementation of risk mitigation measures for the Fund on Fund a portfolio and individual investments basis.

The overall objective of the assignment is to have an overarching agreement with a consultant who will provide risk mitigation services to ensure that the Fund and the investments of the Fund are structured and executed in a manner to minimize the risk of the Fund and IDH Investment Management.

## 4. Assignment deliverables

Deliverables	Comments
<b>Risk Mitigation Structures and products</b>	<ul style="list-style-type: none"> <li>Propose risk mitigation structures and products on a portfolio and transaction basis to mitigate currency, liquidity, sovereign risks and exit risks (amongst others) (“the risks”) .</li> </ul>
<b>Model the risk exposure of the Fund and Fund Manager on a portfolio and transaction basis.</b>	<ul style="list-style-type: none"> <li>Provide and maintain a financial model to monitor and asses the above mentioned risks to the Fund on a portfolio and individual transactions basis.</li> <li>Provide sensitivity analysis on the portfolio of the Fund and on individual transactions to asses the consequences of the risks on the financial model</li> </ul>
<b>Risk Mitigation partnerships</b>	<ul style="list-style-type: none"> <li>Identify and arrange suitable counter parties through which the Fund may de risk their exposure to risk, including risk sharing counter parties, risk mitigation counter parties and providers of risk mitigation products.</li> <li>Undertake KYC procedures with financial service counter parties in support of the Investment Manager as required</li> </ul>

<b>Risk Mitigation market access</b>	<ul style="list-style-type: none"> <li>Identify and procure the appropriate risk mitigation products on a market basis</li> </ul>
<b>Execution of risk mitigation strategy</b>	<ul style="list-style-type: none"> <li>Advise on and where appropriate execute the identified risk mitigation strategy.</li> </ul>
<b>Monitor the risk exposure of the Fund</b>	<ul style="list-style-type: none"> <li>Provide regular reports on the risk exposure of the Fund portfolio and on individual transactions</li> </ul>

## 5. Consultant profile

For this assignment, IDH is looking for a consultancy specialized in the provision of risk mitigation strategies for financial institutions, Funds, and investors whom transact and invest in developing countries with a strong focus on Africa.

The consultancy is expected to have extensive experience in the identification and structuring of risk mitigation strategies, products and the execution of same. On the identification of risk mitigation parties and actors and on facilitating and maintaining relationships with same. On providing risk focused financial models on a portfolio and transaction basis.

The consultancy is expected to have a strong understanding of investment risk and portfolio risk with respect to debt, equity and mezzanine investments in developing countries with a strong focus on Africa. The design and execution of risk mitigation strategies, including strategies to minimize, counterparty risk, currency risk, sovereign risk and liquidity risk.

## 6. Proposal guidelines, procedure and timeline

### • Proposal guidelines

The Fund is asking consultants to prepare a proposal (max. 4 pages, excl. CVs and samples of work) in which it is explained how the consultant will organize its engagement and team to contribute to the objectives as explained above.

In the proposal, please provide the following:

- A succinct, well-documented approach, including desired input and timelines for involvement of the Fund Manager
- Clear description of the team, relevant experience of team members and time allocation per team member;
- Financial proposal in line with recommended approach, subdivided by a price quotation. The price quotation should clearly state the cost for each element. The Fund reserves the right to separate, segment and/or award part or some of the required work as set out above at its sole discretion.
- References and sample of previous work.

- **Procedure**

The procedure will be as follows:

- Inviting consultancies to submit full proposals based on the ToR.
- Evaluation of the proposals by an evaluation committee consisting of the Board of the Fund. The evaluation committee will evaluate the proposals on the basis of exclusion and selection criteria as published in these Terms of Reference.
- A potential teleconference session with shortlisted candidates to provide clarification and answer questions prior to final selection.
- Decision on selection of consultancy.
- Inception meeting with the selected consultancy.

- **Timeline**

Activity	Timeline
Publication of this ToR	11 <sup>th</sup> of August 2020
Deadline for submission of proposals <sup>1</sup>	28 <sup>th</sup> of August 2020
Selection of Consultant	4 <sup>th</sup> of September 2020
Contracting and start of Assignment	14 <sup>th</sup> of September 2020

The IDH Farmfit Fund will reject offers if any illegal or corrupt practices have taken place in connection with the award or the tender procedure.

## 7. Selection criteria

- **Grounds for exclusion**

1. Tenderers shall be excluded from participation in a procurement procedure if:
  - a. they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
  - b. they or persons having powers of representation, decision-making or control over them have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;
  - c. they have been guilty of grave professional misconduct proven by any means which the IDH can justify;

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<sup>1</sup> Proposals submitted after the deadline will be returned and will not be considered in the tender procedure.

- d. they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established, or with those of the Netherlands or those of the country where the contract is to be performed;
- e. they or persons having powers of representation, decision making or control over them have been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organization, money laundering or any other illegal activity, where such illegal activity is detrimental to the MFA's financial interests.

Tenderers must confirm in writing that they are not in one of the situations as listed above.

- 2. Tenderers shall not make use of child labor or forced labor and/or practice discrimination and they shall respect the right to freedom of association and the right to organize and engage in collective bargaining, in accordance with the core conventions of the International Labor Organization (ILO).

- **Selection criteria**

The selection of the preferred candidate will be based on the following selection criteria:

Component		Criteria	Grading
1	<b>Proposal</b>	The extent to which the proposal meets the required quality of services: <ul style="list-style-type: none"> <li>- Quality of the proposed approach</li> <li>- Time-efficiency</li> </ul>	1-5
2	<b>Track Record</b>	The extent to which the consultant presents the required level of expertise and knowledge: <ul style="list-style-type: none"> <li>- Meeting the consultant profile</li> <li>- Team composition and track record of the consultants.</li> </ul>	1-5
4	<b>Budget</b>	Best price for the proposed level of quality <ul style="list-style-type: none"> <li>- Farmfit Fund</li> <li>- Farmfit Business Support and Intelligence</li> </ul>	1-5

**Scoring and weighing for each component:** The evaluation committee will unanimously score each component by assigning scores from 1 to 5, 5 representing optimal performance on the component and 1 representing extremely poor performance on the respective component. Each component will be weighed equally.

## 8. Confidentiality

The Tenderer will ensure that all its contacts with the Fund, with regards to the tender, during the tender procedure take place exclusively in writing by e-mail to Gabriela Zagaevschi at [zagaevschi@idhtrade.org](mailto:zagaevschi@idhtrade.org). The Tenderer is thus explicitly prohibited, to prevent discrimination of the other Tenderers and to ensure the diligence of the procedure, to have any contact whatsoever regarding the tender with any other persons of the Fund than the person stated in the first sentence of this paragraph.

The documents provided by or on behalf of the Fund will be handled with confidentiality. The Tenderer will also impose a duty of confidentiality on any parties that it engages. Any breach of the duty of confidentiality by the Tenderer or its engaged third parties will give IDH grounds for exclusion of the Tenderer, without requiring any prior written or verbal warning.

All information, documents and other requested or provided data submitted by the Tenderers will be handled with due care and confidentiality by the Fund. The provided information will after evaluation by IDH be filed as confidential. The provided information will not be returned to the Tenderer.

## 9. Proposal submission and contact details

The IDH Farmfit Fund reserves the right to update, change, extend, postpone, withdraw or suspend the Terms of Reference, this tender, or any decision with regard to the selection or contract award. The Fund is not obliged in this tender procedure to make a contract award decision or to conclude a contract with a participant. The Fund reserves the right to suspend or annul the Tender Procedure at any moment in time.

Participants cannot claim compensation from the Fund, any affiliated persons or entities, in any way, in case any of the afore-mentioned situations occur.

By handing in a proposal, participants accept all terms and reservations made in these Terms of Reference, and subsequent information and documentation in this tender procedure.

Consultants are invited to submit their proposals via email by the 28<sup>th</sup> of August 2020 to:

**Ms. Barbara Visser**

Chief Operations Officer – IDH Investment Management B.V.

and

**Ms. Gabriela Zagaevschi**

Portfolio Analyst - IDH Investment Management B.V.