

**Request for Proposal -**

**Terms of Reference**

Structuring CFC's Commodity  
Impact Investment Facility (CIIF)

**Deadline: 16 November 2020  
17:00 Amsterdam time**

Please respond to  
[managing.director@common-fund.org](mailto:managing.director@common-fund.org)



## Terms of Reference

### SCHEDULE

**Issue Date:** 2 November 2020

**Deadline for submission of proposals:** 16 November 2020 17:00CET

**Tendering procedure:** International Competitive Bidding

**This tender is issued by the Common Fund for Commodities**

### 1 – BACKGROUND

#### COMMON FUND FOR COMMODITIES

The Common Fund for Commodities (CFC) is an autonomous intergovernmental financial institution established within the framework of the United Nations. The Agreement Establishing the Common Fund for Commodities was negotiated in the United Nations Conference on Trade and Development (UNCTAD) from 1976 to 1980 and became effective in 1989. The first commodity development project was approved in 1991. Currently the CFC has 101 Member States plus 9 Institutional Members.

The Common Fund's mandate is to enhance the socioeconomic development of commodity producers and contribute to the development of society as a whole. In line with its market-oriented approach, the Fund concentrates on commodity development projects financed from its resources. These resources consist of voluntary contributions, capital subscriptions by Member Countries transferred to the Second Account and interest earned. In partnership with other development institutions, the private sector and civil society, the Fund endeavors to achieve overall efficiency in and impact on commodity development.

The CFC's aim is to realize the potential of commodity production, processing, manufacturing, and trade for the benefit of the poor. The CFC supports implementation of activities that:

- (i) are innovative and target new opportunities in commodity markets leading to commodity based growth, employment generation, increase in household incomes, reduction in poverty, and enhancement of food security;
- (ii) are scalable, replicable and financially sustainable;
- (iii) have a potential measurable positive socio-economic and environmental impact on the stakeholders in commodity value chains as compared to the prevailing baseline situation;
- (iv) develop stronger connections with existing markets or create new markets along the value chain;
- (v) increase financial or other services to commodity producers and commodity based businesses;
- (vi) enhance knowledge generation and information dissemination, and
- (vii) build effective and cost efficient collaboration between producers, industry, governments, civil society organisations and other stakeholders for commodity based development.

Over its 30 years of existence, the CFC has supported projects with the total value of over USD 700 Million across 60 countries located in Africa, Asia and Latin America. More information on the CFC can be found at: <https://www.common-fund.org/>

## COMMODITY IMPACT INVESTMENT FACILITY (CIIF)

### **Expanding CFC's role as a service provider**

To achieve its mission of supporting commodity sector development, the CFC currently operates as an impact investor, seeking out economically viable projects which create tangible development gains from opportunities in the commodity value chains. CFC financing is accessible to entrepreneurs and start up or established businesses in Member Countries through an Open Call for proposals, which is published twice per year. The CFC targets projects in the niche of up to USD 1.5 million, where, due to high costs, and high risks both public and private financiers are not forthcoming. The CFC aims to commit financing for up to 10 projects per year based on the proposals received during CFC's Open Calls.

Additionally, the CFC also serves as a service provider by managing the technical assistance facility of other impact investment funds with similar mandates.

Recognizing the potential to increase its impact in achieving the SDGs and in contributing for the sustainability of the organization, the CFC is exploring the possibility of expanding its capacity as a service provider, by acting as a General Partner of an impact investment fund. By strengthening its role as a service provider, the CFC intends to attract more resources of impact investors to projects meeting the goals of the CFC, and become the leader of impact investing in the commodity sector.

The CFC is already acting as impact fund manager with respect to the Capital and Voluntary Contributions of CFC Member Countries. The CFC will follow this experience in inviting other impact investors to participate in an impact investment fund under CFC management.

The pipeline of projects developed by the CFC through the Open Call is already regarded with great interest by the global impact investing community, particularly by impact investment funds. The Commodity Impact Investment Facility (CIIF) is intended as instrument to bring new private and public investors to its projects, other than through current co-financing schemes which face constraints in size, scope, and operational flexibility of projects.

The proposal to consider setting up this impact investing facility aims to address these limitations by creating a transparent channel for impact investors to enter CFC projects. The CIIF basic rationale is to combine the CFC experience and expertise with funds from impact investors to address the fundamental issues affecting the development of successful small and medium enterprises (SMEs) in global commodity value chains (GVC). These include:

- (i) financial viability and investability of commodity projects run by the SMEs;
- (ii) scalability of successful GVC projects after demonstrating a successful operational model;
- (iii) delivering consistent and robust impact measurement to impact investors, including information on sustainable livelihoods;
- (iv) applying the necessary mitigation measures to address social and environmental risks inherent in many of the global commodity value chains.

There are a number of practical issues that need to be addressed so the CFC can properly structure the Commodity Impact Investment Facility. For this reason, the CFC is inviting external consultants with the required qualifications and experience to support the CFC in identifying, investigating and addressing all the issues for setting-up the CIIF.

## **2 - OBJECTIVES**

The overall objective of this assignment is to assist the CFC in:

- (i) Structuring the Commodity Impact Investment Facility (CIIF);
- (ii) Attracting qualified investors to become partners of the new facility.

### 3 – SCOPE OF ACTIVITIES

The consultant would be responsible to guide the CFC in all the steps required to structure the CIIF. Additionally, the consultant would support the preparation of CIIF's Investment Memorandum and assist the CFC in attracting the investors for the facility. The scope of activities of this assignment comprises the following project components:

- (i) Defining the goals and investment mandate of the CIIF;
- (ii) Developing the Investment process of CIIF and its integration with the operations of the CFC;
- (iii) Designing the Governance of CIIF and its legal structure;
- (iv) Developing the Investment Memorandum and assisting in the fundraising efforts for the CIIF.

Indicative list of issues under each component is provided below. Please note that this is a non-exclusive list, as the consultant will support the CFC in identifying additional issues to be addressed for the development of the CIIF.

It is expected that the consultants will actively participate on the meetings of CFC's Working Group on Sustainable Fund Management (WG-SFM), providing all the clarifications needed to the members of the WG on the technical issues for setting up the CIIF. The WG-SFM was established by CFC's Executive Board to deliberate on the creation of a commodity value chain impact investment facility and to prepare recommendations for the Executive Board on this topic.

The CFC reserves its right to appoint different consultants under different components of the project. Consultants interested in submitting a proposal are encouraged to form a consortium that will capture the required skills and create synergies between the components.

#### 1 - DEFINING THE GOALS AND INVESTMENT MANDATE OF THE CIIF

The goals and investment mandate of the CIIF will derive from the goals of the CFC and serve to complement the instruments available to the CFC to streamline the involvement of impact investors in CFC projects. In this regard, it is expected that the consultant will support the CFC to:

##### 1.1 Define the goals of the CIIF

- 1.1.1 Write the mission statement of the CIIF, in line with the mission and goals of the CFC;

##### 1.2 Define the investment mandate of the CIIF:

- 1.2.1 Identify and define the target sectors for the CIIF;
- 1.2.2 Identify and define the target type of investees (i.e. size, stage of growth, geography, position in the value chain and others);
- 1.2.3 Define the type of instruments to be used by the CIIF (e.g. debt, equity, quasi-equity);
- 1.2.4 Define the target ticket size (and its range);
- 1.2.5 Define the tenor and grace period;
- 1.2.6 Identify and define the possible benchmarks for the CIIF;
- 1.2.7 Other appropriated definitions.

#### 2 - DEVELOPING THE INVESTMENT PROCESS OF CIIF AND ITS INTEGRATION WITH THE OPERATIONS OF THE CFC

In managing CIIF, the CFC would, generally, follow its current experience and processes in the identification and selection of projects. However, the key stages of the investment process need to be reviewed and updated to ensure that the investment process in CIIF meets the expectations of both

Member Countries of the CFC and the impact investors participating in CIIF. The following key points will need to be covered:

- 2.1 Project origination;
- 2.2 Screening and internal appraisal of project proposals;
- 2.3 Due diligence;
- 2.4 Consideration by investment committee;
- 2.5 Execution;
- 2.6 Risk management;
- 2.7 Project exit and recovery;
- 2.8 Administration procedures to manage the CIIF (back office requirements);
- 2.9 Requirements for investor relationship management;
- 2.10 Other appropriate processes

After the review of the current capacity of the CFC some tasks may be recommended to be outsourced to professional service providers (e.g. back office administration).

### 3 - DESIGNING THE GOVERNANCE OF CIIF AND ITS LEGAL STRUCTURE

The Governance of the CIIF and its legal structure should direct in accordance with the CFC mandate and in the interest of sustainable development in Member Countries of the CFC. Additionally, it should consider the existent governance structure of the CFC when applicable. The following issues should be addressed:

- 3.1 The role of CFC's Secretariat and of the Managing Director;
- 3.2 The role of the existent governance mechanisms at the CFC (e.g. Project Appraisal Committee, Loan Review Committee);
- 3.3 The role of the existent CFC Governing Bodies (i.e. Executive Board, Governing Council, Consultative Committee);
- 3.4 Additional governance structure needed (e.g. CIIF investment committee, risk committee)
  - 3.4.1 Description of the composition, function and role of the each component of the additional governance structure needed;
- 3.5 Fee structure to be paid to CFC by the CIIF;
- 3.6 Other legal matters, including:
  - 3.6.1 Optimal CIIF structure (e.g. Limited Partnership) and the role of its stakeholders;
  - 3.6.2 Duration of the CIIF;
  - 3.6.3 CIIF domicile;
  - 3.6.4 The principles and rules of financial administration of CIIF;
  - 3.6.5 Regulatory requirements;
  - 3.6.6 Other legal issues;
- 3.7 Observance of ESG sustainability principles and management of social and environmental risks;
- 3.8 Reporting of the CIIF
  - 3.8.1 Financial reporting;
  - 3.8.2 Operational reporting;

### 3.8.3 Impact reporting.

After the review of the current capacity of the CFC some tasks may be recommended to be outsourced to professional service providers (e.g. legal matters).

## 4 - DEVELOPING THE INVESTMENT MEMORANDUM AND ASSISTING IN THE FUNDRAISING EFFORTS FOR THE CIIF

Based on the decisions made on components 1, 2 and 3 of this project, listed above, the consultant will support the CFC in preparing CIIF's Investment Memorandum, in the form customary to the impact investment community. Additionally, the consultant will provide full support in attracting qualified investors for the CIIF. The following activities are expected:

- 4.1 Development of the Investment Memorandum of the CIIF, in line with the current best practices of the impact investing sector;
- 4.2 Operational projections of the CIIF:
  - 4.2.1 Total number of investments;
  - 4.2.2 Total size of the facility;
- 4.3 Financial projections of the CIIF:
  - 4.3.1 Expected return broken by the different income streams;
  - 4.3.2 Expected costs broken by each component;
  - 4.3.3 Total expected return for the CFC;
  - 4.3.4 Total expected return for the investors;
- 4.4 Impact projections of the CIIF:
  - 4.4.1 Expected impact by each core CFC SDG;
- 4.5 Development of all commercial material to support the fundraising efforts;
- 4.6 Identification of potential qualified investors for the CIIF;
- 4.7 Introduction to potential qualified investors for the CIIF from the consultant own network;

To avoid significant delays in launching the CIIF, it is expected that consultation with some potential anchor investors from the public sector might start simultaneously with the decisions made on the other parts of the project.

## **4 – COORDINATION AND THE TIMELINE OF THE PROJECT**

The proponents are encouraged to present a timeline for the project with the main milestones of the project. The actual timeline will be coordinated with the deliberations of the Working Group of the Executive Board, where the consultant will be invited to participate, by teleconference, to present their findings and recommendations.

## **5 – INDICATIVE BUDGET**

The indicative budget for the implementation of this assignment will be determined based on the estimate of time required and daily rate indicated by the consultants. The total cost of the project is not expected to exceed USD 100,000.

The Proposal from the consultants shall include a detailed breakdown of costs per activity, including potential DSA and travel costs, as well as a specification of daily consultancy fees. Based on the

privileges and immunities of the CFC, the proposal shall not include VAT or other charges of similar nature.

## 6 - REQUIRED SKILLS AND EXPERIENCE

The assignment will be carried out by a consultant/team with the following skills and qualifications:

- Track record of financial advisory services in the impact investing sector;
- Proven fund structuring experience;
- In-depth knowledge of the various administrative and legal considerations related to setting up and maintaining an investment facility;
- Outstanding skills in preparation of investor documentation and building of the investment case; and
- Extensive network on the impact investing sector;

## 7 - PROJECT PROPOSAL

Interested Tenderers are invited to submit a proposal for implementing the above ToR, including:

- Comment/analysis of the assignment objective and ToR, explaining how the consultant will approach each component of this assignment;
- Work program and related commentary clearly outlining the suggested timeline for implementing activities in order to achieve the objectives of the engagement;
- Up to date Curriculum Vitae of the consultant/s (team/consortium) outlining prior engagements in similar assignments that qualify consultant to implement the project and an attached commentary detailing relevant specific experience and skills in more detail; an indication of which component(s) each member of the team will be responsible for may be included;
- Financial Proposal, including a breakdown of costs and specification of daily consultancy fees.

Proposals should be sent electronically to the following email addresses:

[managing.director@common-fund.org](mailto:managing.director@common-fund.org)

**The deadline for receipt of Proposals is set at: 16 November 2020 at 17:00 (CEST).**

All proposals received after that deadline will be rejected automatically without being evaluated. The proposal validity period shall be 90 days after deadline for submission.

## 8 - TENDER PROCEDURE AND EVALUATION

The rules of the present Tender are in accordance with the regular CFC procurement procedures.

The proposal shall demonstrate the Consultant's understanding of the objectives to be reached, the approach to be followed, and the activities to be performed in the frame of the requested services and the ability to implement the requested consulting services professionally, cost-efficiently and within the proposed time frame.

The received proposals will be evaluated on their technical merit and cost estimates by CFC.

## 9 - MISCELLANEOUS

Any question, communication or requests for additional information concerning this call for Tenders are only permitted in writing and up to one (1) week before the deadline for the submission of the proposals. Such requests are to be sent to the following email addresses:

[managing.director@common-fund.org](mailto:managing.director@common-fund.org)

If any clarification of the call for Tenders proves necessary, the answers will be communicated simultaneously in writing to all Tenderers.

The tender procedure may be cancelled, prior to awarding the Contract, without thereby incurring any liability to the Tenderers, and notwithstanding the stage in the procedures leading to the conclusion of the Contract, if:

- the project has been cancelled;
- circumstances underlying the invitation to tender have changed materially;
- no Tender satisfies the criteria for the award of the Contract;
- the price quotations are obviously unreasonable and/or exceed the financial resources available for the assignment. In this case, the CFC may, as an alternative to re-tendering, enter into negotiations with the winning Tenderer to try to obtain a satisfactory offer.

In the event of cancellation of the Tender procedure, Tenderers shall be notified thereof by the CFC. Such Tenderers shall not be entitled to compensation.

## 10 - CONFIDENTIALITY

All data and information received from CFC for the purpose of this assignment are to be treated confidentially and are only to be used in connection with the execution of these Terms of Reference. The contents of written materials obtained and used in this assignment may not be disclosed to any third parties without the expressed advance written authorization of CFC.