

Section 3 – Terms of Reference

Zimbabwe Grain Market Facilitation Programme Fund Manager

Introduction

The Department for International Development (DFID's) mission is to help eradicate poverty in the world's poorest countries and this is underpinned by our set of values:

- Ambition and determination to eliminate poverty
- Ability to work effectively with others
- Desire to listen, learn and be creative
- Diversity and the need to balance work and private life
- Professionalism and knowledge

DFID is seeking to work with Service Providers (SP) who embrace the DFID supplier protocol and in addition demonstrate Corporate Social Responsibility (CSR) by taking account of economic, social and environmental factors in an ethical and responsible manner, complying with International Labour Organisation (ILO) standards on labour, social and human rights matters.

Value for Money (VfM) is important for all DFID programmes and as such, in all our activities, we will seek to maximise the impact of DFID's spend on programmes and encourage innovative ideas from our partners and suppliers to help us to deliver Value for Money.

The Department for International Development (DFID) leads the UK Government's work to end extreme poverty. DFID works directly in 28 developing countries across Africa, Asia and the Middle East. The UK Government's long-term vision for the Middle East and North Africa region is a prosperous, stable region based on open, democratic societies with greater social, economic and political participation of its people.

Transparency

DFID has transformed its approach to transparency, reshaping our own working practices and pressuring others across the world to do the same. DFID requires Suppliers receiving and managing funds, to release open data on how this money is spent, in a common, standard, re-usable format and to require this level of information from immediate sub-contractors, sub-agencies and partners.

It is a contractual requirement for all Suppliers to comply with this, and to ensure they have the appropriate tools to enable routine financial reporting, publishing of accurate data and providing evidence of this DFID – further IATI information is available from;

<http://www.aidtransparency.net/>

Background

The UK Government has approved a £38 million humanitarian response programme to support vulnerable households affected by drought. Currently the 'Emergency Cash-First Response to Drought-Affected Communities in the Southern Provinces of Zimbabwe' is being implemented in 15 districts, delivering cash transfers to 360,000 vulnerable households. These cash transfers aim to improve beneficiaries food security through increased purchasing power.

The Reserve Bank of Zimbabwe has put in place controls on foreign exchange payments (see annex 1). Grain imports are in the highest priority category. However current liquidity challenges, lower than normal regional supply of grain, and reduction in purchasing power due to drought and economic downturn, are affecting Zimbabwe's normally dynamic private sector. A 'Grain Market Facilitation Programme' has been designed to address foreign exchange liquidity issues affecting grain imports and enable the private sector to respond to the demand for grain for the domestic market in Zimbabwe.

DFID will contract with the Supplier as Fund Manager to manage this facility. This will include:

- i. Offer a facility to provide liquidity to grain importers to import maize grain to improve food security. In order to access the facility, traders and millers would have to agree to the conditions set by the Fund Manager and would have to meet minimum requirements (due diligence, import volumes). This includes scoping the importer market, tendering to importers, selecting partner(s) and monitoring against fund conditions.
- ii. Structure contracts with importers which will require those importers to ensure that imports are directed to areas identified by DFID and other partners as those that are drought affected and have the ability to pay.
- iii. Regular reporting on the functioning of the fund and the outcomes in terms of market dynamics

Objective

The Facility is meant to contribute to the overall goal of the humanitarian response, which is that target households are able to cope with food shocks and meet their basic food needs during the 2016/17 agricultural period.

This will be achieved through a mechanism to facilitate international purchase of white maize by grain importers, conditioned on maize being supplied to key rural markets at acceptable prices.

Recipient

The Fund Manager will provide monthly progress reports to DFID Zimbabwe.

Scope

- 1.1 The Fund Manager will manage the flow of funds from DFID to enable international grain purchase for the Zimbabwe market. DFID funds (up to the equivalent of USD20,900,000 (twenty million, nine hundred thousand US Dollars) will be released by DFID to the Fund manager upon deposit of equivalent funds in Zimbabwe by grain importers. The Funds deposited in Zimbabwe

will subsequently be utilized by DFID to pay invoices to its nominated suppliers with Zimbabwe bank accounts. Payments will be made by Crown Agents on instruction from DFID in Zimbabwe to support development and humanitarian programmes in Zimbabwe. If bank charges and/or other finance related processing charges are incurred by the Fund Manager in managing the monies under this programme, the Fund Manager shall inform DFID and provide a breakdown of charges. DFID acting reasonably shall authorize the reimbursement of the charges to the Fund Manager, which shall then be invoiced by the Fund Manager.

- 1.2 The Fund Manager will request and receive requests from grain importers, carry out due diligence checks on importers and exporters (due diligence checks should focus only on any history of malpractice, corruption or 'questionable' ethics prior to any agreement being reached) and ask the importers to agree to standard conditions.
- 1.3 The Fund Manager will open a dedicated account in the UK (the "UK Account") and a dedicated account in Zimbabwe (the "Project Account"). The banks for each account are to be confirmed by the Fund Manager. The Fund Manager will instruct the grain importer to deposit the required USD amount into the Project account. Once receipt of funds and order values are confirmed, the Fund Manager will provide evidence of the remittance to DFID. Upon receipt of such evidence DFID will promptly credit the UK Account with the equivalent funds in USD.
- 1.4 Once all required documentary evidence that the goods have been satisfactorily received in Zimbabwe by the importer has been checked by the Fund Manager, the Fund manager will authorize payment to the exporter. Payment will be made from the UK Account in line with the payment terms in the contract between the exporter and the importer as approved by the Fund Manager. (Payments by letter of credit may be handled in accordance with 1.6).
- 1.5 The Fund Manager will continually monitor that the funds are used for import of maize grain via opening of Letters of Credit and/or other approved payment terms with the exporters.
- 1.6 The Fund Manager must satisfy themselves that relevant documentation and evidence exist to trigger payment before payment can be released. In the event that payment is to be made by letter of credit, the checking of documents and payment will be carried out by the bank issuing the letter of credit. The Fund Manager will only authorize the bank to issue a letter of credit in a reasonable form that is agreed by both the importer and exporter.
- 1.7 The Fund Manager will maintain a financial record of all payments being made, and all Letters of Credit issues.
- 1.8 The Fund Manager will manage the flow of funds from DFID Zimbabwe without any funds directly being paid to government of Zimbabwe.
- 1.9 The Fund Manager will provide DFID Zimbabwe with monthly updates to an agreed format agreed by both parties.
- 1.10 The Fund Manager will provide an 'open' approach to the Grain market in Zimbabwe to ensure that this process is not providing any undue advantage to specific suppliers/importers

- 1.11 Re paragraph 1.10 above, the Fund Manager is expected to set minimum threshold payment values to avoid handling too many small payments
- 1.12 Re paragraph 1.10 above, whilst the Fund Manager should provide an 'open' opportunity, they can also target known organisations as part of their dialogue with the wider Grain market importers
- 1.13 The Fund Manager should ensure that the liquidity support is only provided for the import of white maize at this point
- 1.14 The Fund Manager will seek a commitment to pricing schedule from the importer to seek to avoid exploitation of any liquidity advantage they have in the market place by charging higher prices in their onward distribution and sale of imported maize.
- 1.15 The Fund Manager will be expected to enter into a contract for liquidity support with the importer to enable adherence and compliance to the agreed conditions referred in 1.1 to 1.14 above.
- 1.16 The Fund Manager role is to support the liquidity of the private sector in Zimbabwe and not to support state-owned enterprises.
- 1.17 For the avoidance of doubt, the Fund Manager is not responsible for ensuring that following importation, sufficient maize is distributed into the priority areas identified by DFID.

Methodology

- 2.1 The Fund Manager should submit within the first two weeks a Programme Delivery Plan supporting the scope and methodology referred above for approval by DFID Zimbabwe. This should include:
 - i. Review and adapt the process for fund flow and propose a structure including key steps in the process.
 - ii. Work with the banks in Zimbabwe and UK to propose a minimum transaction value to avoid too many transactions with smaller importers.
 - iii. Work with those banks to secure necessary authorisations.
 - iv. Maintain dialogue with key actors to stay abreast of issues relating to the volume and timing of the shortfall in maize requirements, import volumes etc.
 - v. Seeking applications for access to finance and undertake due diligence for importers and exporters.
 - vi. Put in place a risk matrix and mitigation
- 2.2 The Fund Manager should draw up an agreement with the grain importers covering the conditions under which liquidity support is granted. This should cover (insofar as applicable to the importers) the points set out in 1.1 to 1.14 above and should also consider the following prioritisation in Tiers: Tier 1: Districts in which DFID supported cash transfer programmes are being delivered (15 districts); Tier 2: Districts in which other cash transfer programmes are being delivered (10 Districts); Tier 3: all other drought-affected districts.¹

¹ DFID will supply an initial list. Information will be updated by the Cash Sub Working Group.

- 2.3 The Fund Manager will:
- i. Seek documentary evidence of the contract between importer and exporter to deliver maize into Zimbabwe and work with banks to manage the risk of payment without delivery.
 - ii. Ensure that delivery risk is with the exporter and/or importer under the terms of the supply contract rather than on the Fund Manager or DFID.
- 2.4 The Fund Manager will then make the relevant payments to the exporters in accordance with 1.4 to 1.6 and will maintain a financial record of payments made, The Fund Manager has the right to withhold all or part payments requested if it is not satisfied with the details of the requests being made.

Reporting

Outputs required from this contract:

- Monthly reports clearly outlining the following;
 - o Overview of requested procurement (volumes, importers, exporters, timeframes, values)
 - o Overview of stock delivered for all participating importers in Zimbabwe
 - o List of all LoC / contracts issued, with dates and volumes where applicable
 - o All payments made to date
 - o Any outstanding payments
- Project completion Financial Report certifying all payments made in accordance with relevant agreed financial policies and procedures

Timing

This will be a 6 month contract starting 1st October 2016 up until 31st March 2017. It will be subject to a potential extension of up to 3 months depending on the continued need linked to the liquidity situation and import volumes.

After 3 months both parties will review the current Zimbabwe liquidity position to ascertain whether the contract and programme is working and if not, may mutually decide on early termination.

Payments and Budget

The Fund Manager will not be expected to pre-fund payments to exporters and importers. The Fund Manager's invoices will be submitted on a monthly basis, soon after the submission and approval of the monthly reports. The Fund Manager's own management fees, costs, overheads etc. will be paid in equal instalments subject to the satisfactory submission and DFID approval of the monthly reports.

Subject to any Force Majeure Events and other events outside of contractual responsibility, the Fund manager would endeavour to facilitate the delivery of a minimum of 20k metric tonnes of white maize into the Zimbabwean depots of the grain importers within 2 months from the date of the signing of the contract and approximately 60k metric tonne before the end of the six month end date of the contract.

For the avoidance of doubt the Fund manager has no contractual responsibility for the supply of grain or volume/timescales of delivery in relation to the agreement between the importer and exporter.

The Fund Value has been set at a figure of up to US\$20,900,000, however, the Fund Manager is expected to have the capacity to scale up or scale down as required. The Fund Manager is expected to take responsibility for the appropriate management of these funds to ensure that the total value of funds provided by DFID to the UK Account to pay the exporter is equalled by the value of the funds transferred in to the project Account.

If the Fund Manager is obliged for any reason to repay to the importer any sum deposited by the importer in the Project Account and if there are insufficient funds in the Project Account to make such repayment following, for example, the disbursement of funds from that account on behalf of DFID, the Fund Manager may utilise funds held in the UK Account and/or may require DFID to make an additional payment to the UK account for the purpose of the repayment to the importer. Subject to the prior written agreement between Fund Manager and DFID; such agreement not be unreasonably delayed or withheld by DFID.

DFID Coordination

The Fund Manager will report to the DFID Zimbabwe's Vulnerability and Wealth Creation Team.

Requirements

The Fund Manager requires the following skills and experience:

- Experience of Fund Management in a similar context
- Strong collaborative and facilitation skills with demonstrable experience in developing and maintaining positive working relationships with diverse stakeholders including private sector and specifically commodity traders.
- Proven experience at running a tender process for a financial credit mechanism or similar
- Excellent planning, negotiation and monitoring skills, team management

Team members should be fluent in English; fluency in local languages would be an advantage.

Duty of Care (please also see Annex B for further information)

The Service Provider is responsible for the safety and well-being of their Personnel and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.

DFID will share available information with the Service Provider on security status and developments in-country where appropriate.

The Service Provider is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract. Travel advice is also available on the FCO website and the Service Provider must ensure they (and their Personnel) are up to date with the latest position.

For further information please consult the UK Government FCO travel advice:
<https://www.gov.uk/foreign-travel-advice>

Annex 1 – Foreign currency payments priority levels (Reserve Bank of Zimbabwe)

PRIORITY LEVEL	FOREIGN CURRENCY PAYMENTS CATEGORY
Priority One (HIGH)	<ul style="list-style-type: none"> i. Net exporters who import raw-materials or machinery to aide them to produce and generate more exports; ii. Non-exporting importers of raw materials and machinery for local production (value addition) that directly substitute import of essential finished goods; iii. Imports of critical and strategic goods such as basic food stuffs and fuel, health and agro-chemicals granted these goods are not available locally; iv. Repayments of offshore lines of credit procured to fund productive activities; v. Payments for services not available in Zimbabwe; vi. Foreign investment income remittances (profits and dividends).
Priority Two (MEDIUM)	<ul style="list-style-type: none"> i. Bank borrowing clients in the productive sector who engage in critical and strategic imports.
Priority Three (LOW)	<ul style="list-style-type: none"> i. University and college fees for students already enrolled in courses abroad. ii. Cash depositing clients in the retail and wholesale service industry. The customers generate cash which can either be recycled for local use or repatriated to replenish nostro accounts. iii. Other borrowing clients who have engaged in the importation of non-strategic goods.
NOT PRIORITY	<ul style="list-style-type: none"> i. Capital remittances from disposal of local property ii. Capital remittances for cross border investments iii. Funding of offshore credit cards iv. Importation of trinkets and/ or goods or services readily available in Zimbabwe including non-commercial vehicles, maheu, bottled water, vegetables. v. Donations

Annex B –DFID Overall Project/Intervention Summary Risk Assessment

Country:- **ZIMBABWE**

Date of assessment - as at: **28th Dec 2015**

Assessing official:

Theme	DFID Risk score
	National
OVERALL RATING²	3
FCO travel advice	1
Host nation travel advice	unknown
Transportation	3
Security	2
Civil unrest	2
Violence/crime	3
Terrorism	1
War	1
Hurricane	1
Earthquake	1
Flood	1
Medical Services	2
Nature of Project/ Intervention	tbc

1 Very Low risk	2 Low risk	3 Med risk	4 High risk	5 Very High risk
Low		Medium	High Risk	

NB: This is an assessment of the current situation. The situation in Zimbabwe may possibly change over the life of the programme.

² The Overall Risk rating is calculated using the MODE function which determines the most frequently occurring value.