

TERMS OF REFERENCE

DEVELOPMENT OF PROJECT OPERATIONS MANUAL **Reference No: NG-DBN-320881-CS-CDS**

Hiring of an individual consultant to develop a project operation manual to guide the Development Bank of Nigeria's implementation of the Livestock Productivity and Resilience Support (LPRES) Project.

INTRODUCTION

The Development Bank of Nigeria (DBN) is a wholesale Development Finance Institution licensed and supervised by the Central Bank of Nigeria, with the objective of addressing the access to finance gaps of underserved Micro, Small and Medium Enterprises (MSMEs) in Nigeria. With business and governance models based on internationally recognized good practice and substantial commitment of capital, the DBN performs a catalytic role with potentially transformational impact by facilitating financially sustainable and transparent access to finance for underserved MSMEs. This is achieved by supporting the development of diverse lending products, including the provision of medium – and long-term loans in local currency (Naira) and partial credit guarantees (through its wholly owned subsidiary IMPACT Credit Guarantee Company) provided to eligible Participating Financial Institutions (PFIs), with a view to expanding their outreach to MSMEs and, to a limited extent, small corporates. The DBN is registered as a public limited liability company and is regulated, licensed, and supervised by the Central Bank of Nigeria (CBN). The operations of the DBN are being supported by funding provided by the World Bank and other development partners, namely: the African Development Bank (AfDB), the German Development Bank (KfW), the French Development Agency (AFD) and the European Investment Bank (EIB).

The Livestock Productivity and Resilience Support (LPRES) Project seeks to build on recent Federal Government of Nigeria (FGN) strategies and policies to promote a productive and resilient livestock sector. The LPRES project will improve livestock sector management, increase productivity, food and nutrition security, income growth, social cohesion between farmers and herders, and resilience in the sector.

With proven capacity to implement past and current projects, a strong organizational and governance structure, the DBN has been given the responsibility of implementing the Access to Finance Sub-component of the project.

BACKGROUND TO THE PROJECT

Access to finance for both households and MSMEs in Nigeria have been shown in several studies as being a constraint to economic growth and diversification. The FGN through several policies including the Agricultural Transformation Agenda and Agricultural Promotion Policy, have indicated that smallholders and smaller firms within the agriculture value chain face supply side constraints in accessing financial services. These categories tend to be perceived, often wrongly, as riskier. This perception is heightened and exacerbated by many reasons, some of which include high levels of informality, lack of collateral and the inability to bring forward bankable projects. This means that many financial service providers end up lending either to a few high quality, bankable corporates in particular value chains and

sectors, primarily oil and gas or to the government via Treasury bills and bonds (which are usually issued at attractive rates).

Agricultural credit made up between 3.4 to 5.5 percent of the total credit released to the private sector in Nigeria between 2016 and 2021 respectively, remaining significantly low compared to the agriculture sector's share of around 24% of Nigeria's GDP and representing the most resilient sector in the economy as it recorded positive growth of 2.3 percent in 2020. The level of support for livestock is significantly less than what goes into crop agriculture. As a result, various stakeholders in agriculture finance have indicated that several constraints impede access to finance for both producers and participants in the agricultural value chain and more so in the livestock value chain. These include the following:

- Lack of collateral: Often the producers do not have the land titles and other real estate collateral that Financial Institutions demand. Moveable assets including livestock could be alternative collateral. High levels of collateral requirement arise from the CBN legal and regulatory requirement that loans must be fully secured, but also shows the risk that the financial institutions attach to these categories of clients. This is exacerbated by the absence of a functioning personal identification system and the high costs of verifying and obtaining official documentation, which presents further challenges for financial institutions in financing producers and related SMEs.
- Financial Products being offered: In addition to high collateral requirements, there is limited availability of medium to long-term credit tenors and loans have a short grace period. Financial Institutions normally offer short tenors, mostly one year, with longest tenors of about three to five years. Financial institutions rely heavily on collateral and have not developed appropriate alternative lending methodologies like cash flow lending that can substitute for collateral. The staff of these institutions also have limited capacity in their understanding of the livestock value chain to accurately determine the risks involved. This has led to a prohibitively high-risk aversion to lending to livestock producers and related value chain participants.
- Insurance: Lack of appropriate insurance products and overall coverage for producers, thus negatively affecting smallholder's and related SMEs access to credit.
- Lack of information and knowledge: Producers and related SMEs require access to information and advisory services through extension workers.
- Policy interventions: Improving credit access via easing supply-side constraints may not necessarily be sufficient to boost agricultural and or livestock production and increase access to credit for livestock value chain participants in Nigeria. Demand-side factors should equally be addressed. Policies should focus on mechanisms for enhancing smallholders' and related SMEs capacity to possess bankable collateral, such as leased equipment; recognition of the movable assets including livestock; reduction in information asymmetry; provision of appropriate insurance coverage and extension services.

DBN's mandate is centered around the following:

- To increase access to finance by providing credit lines to Participating Financial Institutions (Commercial Banks, Micro Finance Banks and other PFIs) for on-lending to the MSME agricultural sector.
- To provide Partial Credit Guarantees to Participating Financial Institutions – via its wholly-owned subsidiary IMPACT Credit Guarantee Company – to encourage them to take on the risk of lending to the agricultural sector.
- To provide Capacity Building for Participating Financial Institutions to enhance their ability and willingness to lend to the agricultural sector.

This is to further de-risk the livestock value chain, expand commercial lending in the livestock sector, and promote climate adaptation and mitigation.

MAIN OBJECTIVES AND SCOPE OF WORK

The Development Bank of Nigeria is seeking to hire a consultant to develop a Project Operations Manual for the implementation of Sub-component 2.2 of the Livestock Productivity and Resilience Support Project. This Sub-component will finance three main activities namely:

1. Credit Line (US\$50.0 million)
2. Risk Sharing Facility (US\$15.0 million)
3. Technical Assistance to commercial banks and other non-bank financial institutions & lenders (US\$5.0 million).

The scope of work is to develop the Project Operations Manual required to guide DBN's implementation of project. The manual will cover the following areas:

- Manual Objectives
- Project Description
- Project Implementation
- Credit Line and Eligibility for PFI's Financing
- Risk- Sharing Arrangement- Qualification and Requirement
- Technical Assistance & Capacity Building
- Financial Management, Disbursement and Procurement
- Monitoring and Evaluation (M&E)
- Framework for Environmental & Social Safeguards
- Financial procedures and SOPs of various officers involved in the project.

TIMEFRAME

The assignment is expected to be completed within six (6) weeks from the contract start date.

PAYMENT SCHEDULE:

The consultant will be paid upon timely submission and approval of the underlisted deliverables:

- Submission and approval of a draft LPRES Operational Manual - 20% of the contract sum (Due 3 weeks from contract signing)

- Submission and approval of the final LPRES Operational Manual, incorporating changes based on feedback from project coordinator and other stakeholders– 80% of the contract sum. (Due 6 weeks from contract signing)

QUALIFICATION AND EXPERIENCE:

Education:

Minimum requirement of a Master's Degree in Finance, Business Management and Economics or an MBA from a recognized institution. Possession of a professional certificate in accounting will be an added advantage.

Work Experience:

- A minimum of (15) fifteen years' experience working with financial institutions.
- Previous work experience in agricultural lending with focus on MSMEs.
- Relevant working experience in managerial capacity for transactions in Agricultural related credits and monitoring.
- Previous experience with a Development Finance Institutions on DFI funded MSME credits will be an added advantage.
- Excellent command of both oral and written English is mandatory.

Core Competencies:

- Demonstrate high knowledge and competence in MSME funding.
- Posses excellent analytical and communication skills.
- Strong knowledge of Nigeria's micro and macroeconomic environment in relation to MSME businesses in the country.
- Proficiency in credit facility terms and review, documentation, covenants review and monitoring especially in the agriculture sector.
- Proficiency in Policy Formulation & Implementation.