

# **Term of Reference for the RHD co-financing instrument transaction advisory firm**

## **Background**

The Government of the Republic of Uganda (GoU) received financing from the World Bank towards the cost of implementation of the Investment for Industrial Transformation and Employment (INVITE) project. The Project is complemented and supported by the other development partners including the Netherlands, the United Kingdom and Sweden through a Multi-Donor Trust Fund (MDTF) Grant. This includes finance from the World Bank's IDA Window for Host Communities and Refugees which supports integrated socio-economic solution for refugees and host communities.

The Project Development Objective is to mitigate the effect of COVID-19 on private sector investment and employment and to support new economic opportunities including refugee and hosting communities.

The Project comprises of four components and is being implemented jointly by Bank of Uganda (BoU) and Private Sector Foundation Uganda (PSFU). The Project Components include Component 1: Mitigating the Impact of COVID-19 with a focus on the Manufacturing and Exporting Sectors Driving Economic Transformation, including Refugee and Hosting Districts; Component 2: Creating New Product and Transformative Assets including in Refugee and Host Districts; Component 3: Enhancing Capabilities in Public Institutions and Private Firms; and Component 4: Implementation Support, Monitoring, and Evaluation.

More details on the project can be found at [www.invite.go.ug](http://www.invite.go.ug)

PSFU under INVITE seeks to engage the services of a transactions advisory firm to support the processing of lead investors as part of Component 2 implementation arrangement.

Under component 2 track A: INVITE provides co-financing to selected Lead Investors to develop competitive supply chains in RHDs.

Lead investors will be supported to address issues directly related to the increase in production and to stimulate the demand within their own supply chain in RHDs. These will include:

- assets that go onto the investor's balance sheet. E.g. Machinery, technology, buildings, utility connections, energy saving investments.
- including training of the labour force, certification of suppliers through 3rd party consulting services, identifying and coordinating suppliers, improving standards, creating market linkages, developing on-site childcare services for their staff, etc.

Track B: INVITE and Lead Investors will work with existing stakeholders (public and private) in the system to address institutional constraints in RHDs.

INVITE expects that the transactions advisory firm will support in identifying and appraising Lead Investors in order to address issues in their supply chain, whether individually or working through partners. But where there is a clear wider benefit beyond the Lead Investor, identified by investors or INVITE (a

public good), then INVITE may provide support by working with partners and extending additional funds, as part of the Investment Plan.

Two areas of need provisionally identified are in labour market coordination, and in the supply of investment-relevant information. INVITE may work with partners such as UNHCR, MoFPED, local government, OPM, UIA, MTIC and others to address these.

In future, INVITE might provide funds for projects such as a regional standards liaison office, or to repair an airstrip. Roads will not be funded.

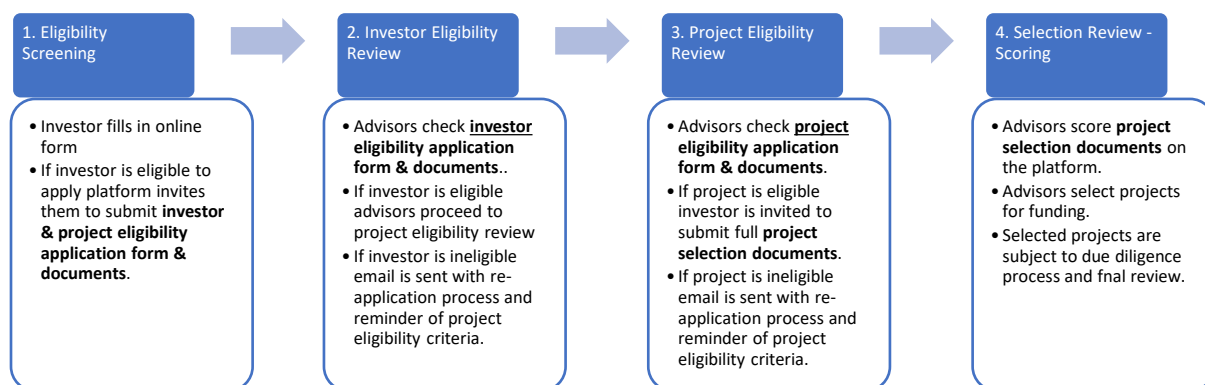
## Objective

The main objective of this component is to support investment in refugee and host districts that expands existing supply chains or establishes new supply chains.

## Selection Process and Steps

The present Terms of Reference indicate the conditions to select a transaction advisor for Steps 2, 3 & 4 of the selection process of the Refugee Hosting Districts (RHD) co-financing instrument.

The four steps in the application process are summarized below. See Annex 1 for more details.



## Tasks to be performed by the transactions advisory firm:

- A. In Step 2 of the application, the transactions advisory firm shall analyze the applicants that passed Step 1 of the selection process. This should be a relatively rapid eligibility check that entails examining the **investor eligibility application form against the eligibility criteria** and verifying the form is supported by the relevant **investor eligibility documents**.
- B. For eligible investors that have passed Step 2, the transactions advisory firm shall analyze the **project eligibility application form and documents** for step 3, in order to check the proposed project is eligible and, if so, invite the applicant to submit the full application documents.
- C. The transactions advisory firm shall analyze the whole application package for Step 4 with an emphasis on the Business and Investment plans. This shall require assessing the capacities of the companies and their management to fulfill the forecasts of the plan, the economic and financial projections provided, and the impact in terms of jobs created. Unlike in the first and second stages,

the transaction advisory firm will have to match these projections with sectorial analysis, general knowledge of the sector including trends to determine their viability, and overall economic and regulatory environment in Uganda.

- D. Focus on the business plan. The successful applicant will have to analyze the contents of each business plan beyond the conceptual level. This requires studying the capacities and experience of the company and of its management to fulfill the forecasts of the plan, the economic and financial projections provided, and the possible impact in terms of jobs created.
- E. The transaction advisory firm will assess the impact of the RHD co-financing instrument in the estimated financial statements to determine if it will attain the objectives in the business plan. The transaction advisor will need to build a model to determine and justify the results of the analysis. Moreover, the successful applicant will have to determine if the co-financing provided is unlikely to be used to relocate operations, refinance liabilities or pay dividends that are sustained only by the co-financing instrument. The results obtained of these analyses will have to be detailed in a word or power point document.
- F. Understand the capacity to repay the RHD co-financing instrument if the application was flawed. The successful applicant will also have to test if the entity applying to the RHD co-financing instrument will have the capacity to return the funds in the case that the application was made using false information, misrepresentation, or if -after obtaining the funds- it engages in fraudulent or illegal behavior. This means determining if the applicant to the RHD co-financing instrument has liquidity, in addition to financial capacity, for a reasonably quick collection process.
- G. Follow the procedures for selection and communication of the application to the RHD co-financing instrument. Following established procedures, the successful applicant will have to effectively and within a reasonable period of time communicate with the RHD co-financing applicants about their application status and to other relevant interested parties.

### **Process management factors**

The transactions advisory firm should bear in mind the following factors when stipulating its approach to managing applications:

- The project seeks to maximize the long-term impact of available funds on refugees and host community jobs and incomes.
- The project will seek to fund a minimum of 12 large scale investments in RHDs, with an initial focus on West Nile RHDs.
- The number of eligible investors and eligible applications that will be received is uncertain. The project does not have funds to cover the transactions Advisory firm to proceed with detailed Step 4 reviews for an unlimited number of applications.
- The window for applications is not fixed, but the preference would be to:
  - select at least 12 applications before the end of 2025,
  - proceed with high-quality applications as quickly as possible.
  - ensure that lessons are learned rapidly and integrated into the selection process.
- As such there may be a need to seek a balance between three factors:
  - A competitive approach that entails waiting for more applications before committing funds in order to maximize competitive evaluation amongst applications.
  - A threshold approach that seeks to define and then fund 'high quality' projects that will generate meaningful impact as such applications are received.
  - A learning approach that seeks to proceed relatively quickly with one or two pilot investments in order to generate important process lessons.

As part of the application, the transactions Advisory firm should outline how it will manage the application process and make cost-effective use of project funds.

### **Eligibility of applicant companies and of selection process committee members**

All applicants must comply with the following conditions:

- 1) International and local experience. The applicant company should demonstrate international and local experience in investment transactions preferably in equity investments and ideally in a private equity environment, performing across the board analyses of companies including due diligence processes. Proposed staff analyzing the applicant should each have at least seven years of a similar local experience and three years of international experience. All those years must demonstrate the use of technical expertise, in the form of financial modeling, market research, and strategic analysis.
- 2) Local presence. Applicant companies to become a transaction advisor must have presence in Uganda dating for at least five years. This should be demonstrated by submitting a document stating the transactions performed in Uganda in the last five years. Additionally, and to complement an insufficiency of local experience of the applicant, the CVs of the proposed staff to work as transaction advisors must be submitted, highlighting transaction experience in Uganda.
- 3) Independence. Applicants should be independent of Private Sector Foundation Uganda (PSFU), the Bank of Uganda (BoU), the government of Uganda in general, and institutions that have shown their interest in applying to the RHD co-financing instrument, meaning that should not have an existing commercial relationship.

### **Selection criteria of applicant companies and of selection process committee members**

Selection of a transaction advisory firm should consider the following criteria:

Criteria 1: experience in financial transactions, especially in equity investments - debt transactions are also admissible with a preference for subordinated or other hybrid instruments- in sectors that are compatible with the use of industrial and logistics parks (see next criteria). The applicant company should show a complete framework for analyzing transactions, including valuation models with forecasting capacities. Proposed staff taking place in the decisions must also have experience in investment transactions.

Criteria 2: experience in a variety of sectors. The applicant company must have experience and knowledge about several industrial and agricultural sectors in Uganda including those that are most relevant to refugees and host populations, both as employees and as agricultural suppliers, especially in West Nile. This includes knowing who the main players are, the constraints to the sector's growth, the demand, the regulation environment, and the main trends of the sector.

Criteria 3: transparency. The applicant should have a policy to manage conflicts of interest at the corporate and personnel levels.

Criteria 4: management of contingencies. Showing a plan to manage unforeseen events such as personnel resigning, systems breaking down, etc.- to avoid interruption in the operations of the transaction advisor is essential.

Criteria 5: fees. The costs proposed by the applicant are a key component. While lower fees will be seen favorably, fees that are too low may be treated as an indication of a spurious application.

### **Application package:**

The application package should have as a minimum the following documents:

- 1) Details of the contact person of the applicant company plus a back-up contact person (name, position, corporate email, and phone number).
- 2) Certificate of incorporation of the applicant company.
- 3) Audited financial statements for the last three years.
- 4) Evidence of experience in financial transactions in an advisory or investment capacity. Experience in equity or debt transaction must be detailed to show the role of the applicant, the type of transaction (equity, debt, hybrid and type of hybrid), the amount, the location, the result, the sector, the client, etc. The applicant must provide evidence of the existence of the models to be used, in the role of transaction advisor. Providing documents establishing the analysis made, including the model used, in one or several of the transaction is welcome, even if redacted.
- 5) CVs of proposed staff to analyze the applicants to the RHD co-financing instruments, detailing the transactions in which they worked.
- 6) Documents describing how the selection of proposals will be approached. These documents should provide details on methodologies, proposed timetables, and a general framework.
- 7) Document stating proposed procedures to manage potential conflicts of interest and attesting to good governance, anti-corruption and transparency policies of the applicant company.
- 8) Document stating procedures to manage with contingencies, such as rotation of personnel, protection of confidential information, etc.
- 9) Signed form consenting to recording of communications, including interviews and emails, regarding the application process.
- 10) Financial proposal. Amount to be charged for the services of the selected transaction advisor provider.
- 11) Any other documents providing more information on the selection criteria above.

### **Communications and application process protocols**

#### Questions and comments from applicants

All questions and comments regarding the application process should be directed to the Project Coordinator – INVITE ([psfu@invite.go.ug](mailto:psfu@invite.go.ug)). Questions and answers will be shared anonymously with all other applicants.

#### Application window

All applications should be submitted online by November 30<sup>th</sup>, 5:00 PM official time of Uganda via the INVITE Portal ([www.invite.go.ug](http://www.invite.go.ug)). Applications made before or after the time and date specified will be ignored. Review of applications will begin on the following day after the window has closed, there will be no feedback provided to the applicants before the window closes.

#### Follow up communication

All communications with applicants once the application window is closed will be done via email from ([psfu@invite.go.ug](mailto:psfu@invite.go.ug)). Feedback will not be provided before a decision is made.

### Communications outside the designated email addressed

Communications from an applicant regarding this application process by means different from the designated emails above will be penalized depending on the intent of the communication and may even be considered a reason to invalidate the application or potential application of such applicant.

### Interviews and requests for additional information

Upon reception of all materials follow up interviews to inquire about specific action points and deepen knowledge may take place. All interviews that take place will be recorded in entirety. Applicants must have signed the statement consenting to the recording of their conversations in the application package.

### **Time extension of the contract**

The selected transaction advisory firm will be issued a contract for a period of [two] years.

### **Payment of fees**

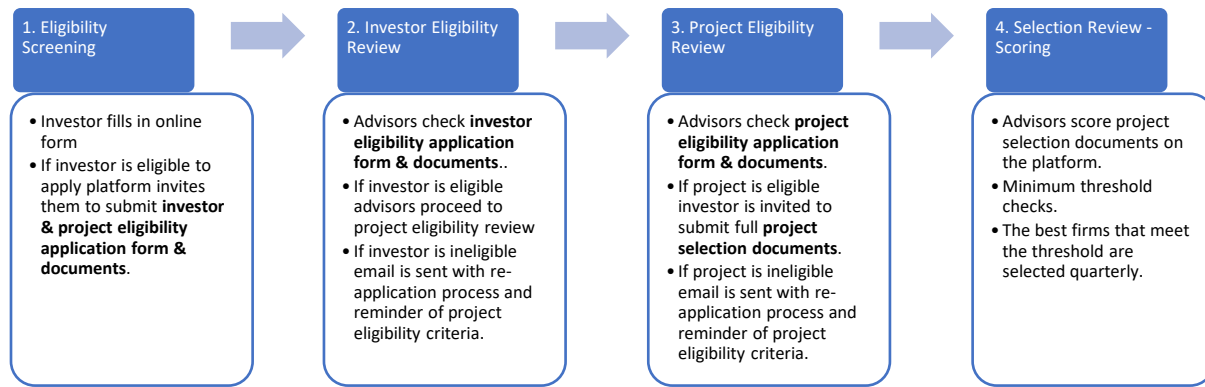
#### Amounts

The total amount of fees to be paid to the transaction advisory firm will be determined by the financial proposal.

#### Schedule

Payments to the selected applicant for their services will be made with equal payments in arrears and on a quarterly basis over the duration of the contract.

## Annex 1: RHD co-financing instrument application process



### Step 1: Automated Eligibility Screening

*The purpose of Step 1 is to avoid time wasting on the part of potential investors and on the part of the review team by making sure only eligible investors submit application documents for review.*

- a. Investor fills in online screening form.
  - i. Online screening form should include two basic types of questions:
    1. Information on how to communicate with the potential investor.
    2. Information that allows rapid checking of whether the application is from an appropriate investor.
- b. Platform evaluates responses on online form.
- c. Platform communicates with investors to advise them of outcome of eligibility screening.
  - i. If eligibility screening is not successful, platform advises of the reasons.
  - ii. If eligibility screening is successful, the platform invites investor to submit both **investor & project eligibility application form & documents** [see Steps 2 & 3].
- d. Lead investor submits both investor and project eligibility application form & documents for review.

### Step 2: Investor Eligibility Review:

*The purpose of Step 2 is to conduct a brief review of documents to check that investor eligibility criteria are met.*

- a. Financial & legal transaction advisers shall do a quick analysis of the investor documents in the application package based on the investor eligibility criteria. The analysis can only result in one of the following decisions, accepted in investor eligibility, request for more information, or rejected. A decision should be made within 10 days of receiving the application package.

- a. **Investor eligibility application form & documents:**
  - i. Portal-hosted project application form, which asks for basic information such as:
    1. name of the company acting as co-financing instrument recipient,
    2. address (Uganda or International),
    3. names and addresses of any other business that will be part of the project.
  - ii. Certificate of incorporation (Uganda or International).
  - iii. Shareholders disclosure with the names, national identification numbers, addresses and date of births. Final beneficiaries of the shareholders should be disclosed.
  - iv. Last audited financial statements of the last five, years, or four or three if the company has a shorter existence.
- b. A decision to accept institutional eligibility will result in passing to the project eligibility review. A decision to reject precludes the application process to proceed. Such a decision will prevent the co-financing instrument recipient from reapplying for a period of six months. A request for more information provides an opportunity to correct errors or missing documents in the application, which should be re-submitted by the applicant within 10 days. All decisions must be communicated to the co-financing instrument recipient through the platform.

### **Step 3: Project Eligibility Review:**

*The purpose of Step 3 is to conduct a brief review of the application form to check that investor eligibility criteria are met. Minimum positive impact thresholds may be assessed at this stage where these are included in eligibility criteria and information is provided in the project eligibility screening application.*

- a. The financial & legal transaction advisers shall do a quick analysis of the project application form based on the project eligibility criteria. The analysis can only result in one of the following decisions, accepted in project eligibility, request for more information, or rejected. A decision should be made within 14 days of receiving the application package.
  - a. **Project eligibility application form & documents:**
    - i. Portal-hosted project application form which asks for basic project eligibility information such as:
      - Nature of business [<50 words]
      - Intended UGX value of investment project.
      - Intended sources of finance [debt % / equity % / co-financing %]
      - A brief statement of the intended use of funds [<50 words]
      - Intended district location(s) of any physical facilities to be constructed.
      - Any other intended district(s) of operation (e.g. sourcing raw materials)
      - Types of jobs of employees in the project (e.g. tailor, machine operator, manager, etc.)
      - Estimated number of employees in yr2
      - Estimated average monthly payroll in yr2.
      - Main agricultural products purchased.
      - Estimated average monthly volume of agricultural products purchased in year 2



- Estimated average monthly expenditure on agricultural products purchased in year 2
  - Main other goods and services to be purchased.
  - Estimated average monthly expenditure on other goods and services purchased in year 2.
  - If global, do you currently have any business operations or assets in Uganda?
  - If Ugandan or global with operations in Uganda, will the investment involve any relocation of existing assets within Uganda?
  - If yes, please describe: [<50 words]
- b. A decision to accept project eligibility will result in the firm being requested to submit the full application package. A decision to reject precludes the application process to proceed. Such a decision will prevent the co-financing instrument recipient from reapplying for a period of six months. A request for more information provides an opportunity to correct errors in the application, which should be re-submitted by the applicant within 10 days. All decisions must be communicated to the co-financing instrument recipient through the platform.

#### **Step 4: Selection Review & Scoring**

- a. The Financial and Legal Transaction Advisors shall conduct an in-depth analysis of the application package based on the guidelines and selection criteria. The analysis can only result in one of the following decisions, accepted, rejected or request to submit more information.
- a. The Lead Investor must submit the following documents to be considered for the following stage:
- i. Business Plan (BP): The BP explains the underlying business model of the supply chain and the related also demonstrates the business returns for specific associated key suppliers in the supply chain. For example, if the supply chain is in the dairy sector, it will show the business model and returns for the processing plant, the collection point and the dairy farmer. The BP will explain the intended use of the RHD co-financing. This must reflect expansion plans, investment in equipment, training of staff, etc. and the expected effects in qualitative and quantitative terms of the co-financing. The RHD location or locations where RHH recipients will benefit from the operation. The business plan must include the expected market (and supply chain) of the product or service in which the Lead Investor operates. These will include but not limited to forecasted expansion of sales, impact in the balance sheet (debt reduction, asset expansion, etc.), profitability and personnel hiring for the following five years. Additionally, all evidence showing plans to expand sales in the form of market research, paperwork directed to export, promotional materials, etc. Finally, the business plan must include the CVs with the experience and education of the board of directors and the management of the co-financing instrument candidate.
  - ii. Investment Plan (IP): Will reflect the BP and the cash out-flow and include performance milestones. The performance milestones can be *Administrative*

*and Output* in the first 2 years, and Performance Based milestones in the remaining period. Administrative and Output performance milestones are production line installed, number of suppliers trained, number of employees hired, etc. Performance based milestones are for example volume of sales, EBTIDA, etc. The IP will include a disbursement plan linked to each performance milestone.

- iii. Letter showing commitment to comply with Environmental and Social Standards.
- iv. If the Lead investor is not currently located in an RHD, letter of commitment to establish a legally registered company in the RHD where the co-financing instrument recipient intends to operate.
- v. A “Fit and Proper” assessment of all sponsors or shareholders associated with the supply chain operation. The “Fit and Proper” assessment must be issued by an internationally recognized legal firm.
- vi. Documents attesting the co-financing instrument recipient’s relationship with all of the financial institutions with whom it operates, including bank statement disclosing existing accounts and open lines of credit. Letters of those financial institutions indicating access to loans, lines of credit for working capital or letters of trade, or similar, even if undisbursed.
- vii. Copy or copies of the document that attests to the legal use of the co-financing instrument recipient to use the land in which the operation shall take place, together with evidence that such land is free of debts.

b. Review and Scoring Process

i. The following aspects should be considered:

- 1. Detailed analysis and confirmation of impact thresholds and any other project eligibility criteria.
- 2. Scoring based on extent of impact and other scoring criteria.
- 3. Feasibility of proposed investments as assessed with submitted materials in point (a) above and the ensuing visits and verifications as part of the due diligence process.
- 4. Decisions about whether to fund. If thresholds are met, the funding decision will need to review:
  - a. The relative scores of any eligible applications submitted within the same time period.
  - b. The relative costs of eligible applications in consideration of the remaining budget.
  - c. If there are a significant number of eligible projects early on, there may be consideration of what proportion if any of the budget will be retained for subsequent applications.

- b. A decision to accept the Investment Plan will result in passing of the selection stage and lead to verification and contracting. A decision to reject precludes the application process to proceed. Such a decision will prevent the Lead Investor from reapplying for a period of six months. A decision to request more information will result in a formal and specific request of missing information. This decision shall be taken when the application package is incomplete

- but there are no grounds for rejection. All decisions must be communicated to the applicant/Lead Investor through the portal.
- c. During the due diligence stage, the transactions advisors shall seek to deepen the understanding of the Lead Investor, ascertain the feasibility of the materials provided in the application package, especially the sales and financial projections, and the capabilities of the management to conduct the expansion.
  - d. Final review. The final review by the transactions advisors will result in either a decision to approve the RHD co-financing instrument or to reject the application. The decision must be made at most [one month] after the due diligence takes place and in consideration of all of the information provided in the application process. The decision to reject the application does not prevent the applicant from applying again. After an approval decision is reached, a communication will be sent to informing the Lead Investor by the Project Team.