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Terms of Reference

Assessment of financial institutions and financial flows related to the drivers of landuse change and loss of natural capital in the Coastal East Africa region

1. Purpose

WWF's Coastal East Africa Initiative has 3 main goals by 2025:

- Natural resource based products from CEA are increasingly derived from sustainable sources, conform to legal and socially responsible practices and do not threaten the natural resource base
- Effective policy development and implementation in CEA is more participatory, equitable, accountable, and transparent in order to deliver sustainable development.
- Key biological targets (habitats and species) in CEA are being effectively conserved and these continue to provide goods and services to dependent populations

To accomplish these goals, the Initiative is implementing a suite of strategies around improving governance and empowering civil society, promoting responsible trade and investment particularly in locally-controlled initiatives, and ensuring conservation of high conservation value landscapes and seascapes. A key underlying factor driving unsustainable human activity is investment and financial flows that underpin landuse and management decisions affecting the area's natural capital base. The intention of this study is to better understand supply chains and the resulting financial flows and key related actors for important sectors that may be influenced by changes in these flow patterns and behavior of actors.

2. Background

- Major drivers of landuse change and negative impacts on priority natural capital are: unsustainable logging and forestry practices, large-scale infrastructure development (primarily transportation, including RR, ports), in particular linked to resource corridors for agriculture or mining/extractives, conversion of land for large-scale agriculture expansion and extraction of minerals¹.
- Geographic scope: coastal east Africa, including 3 countries (Kenya, Tanzania, Mozambique)
- Thematic scope:
 - Public and private finance institutions acting at national or regional level and its products and services linked with the main drivers of landuse change and loss of natural capital in Coastal East Africa.
 - Lending institutions: central banks, development banks, credit banks, retail banks, corporate banks and investment banks.

¹ Although subsistence activities such as charcoal making, artisanal fishing, and shifting cultivation are also important landuse/management influencers, they fall outside this financial flow analysis.

- Investment institutions: investment funds, institutional investors (insurance companies and pension funds), sovereign wealth funds.
- Focal sectors representing economic activities that drive landuse change and loss of natural capital in the Coastal East Africa region:
 - Large-scale infrastructure investment (e.g., dams, RR, ports)
 - Extractives: mining/oil & gas
 - Large-scale agriculture (including plantation forestry)

3. Objectives:

- Primary objective of this study is to identify the major pressure points and players/actors in the finance sector to influence priority investments in Coastal East Africa that impact negatively landuse change and/or loss of natural capital. Specifically
 - ❖ Better understand supply chains for significant sector commodities
 - ❖ Better identify and understand key companies, financial flows, and financial actors
- The analysis should be broken down between institutions, economic activities, and geographic scope whenever possible. For instance, which finance institutions are investing or lending in extractive industries or large scale agriculture in northern Mozambique Niassa/Cabo Delgado /Nampula area. Whenever possible, institutions should be ranked in order of importance/influence.
- This ToR will inform future work by WWF CEA, WWF Africa, and other relevant WWF offices and partners with key financial players with the aim to improve environmental and social risk management, develop and encourage locally controlled investment products and lending policies in the Coastal East Africa region.

4. Activities:

- a. Understand WWF priority conservation areas and targets (conservation/natural capital) through briefings, WWF documentation and discussions to focus financial analyses.
- b. Map the main value chains for priority investments for target sectors in-country that impact or have the potential to impact WWF priority conservation areas or targets. For commodities, include major export buyers/traders and export destinations.
- c. Identify the major players involved, including 5-10 key companies per sector per country and for the region with highest investment
- d. Identify financial flows, at national and regional level for focal sectors, focusing on key companies/players and primary production and processing in-country for commodities.
- e. Identify the top 5-10 key financial institutions in the public and private sectors, in the region and/or abroad, responsible for the investments and lending policies cited above for each sector. Justify identified list, quantifying their investments if/when possible.
- f. Gather information through traditional financial sources and resources where available
- g. Conduct interviews with local experts/informants from local industries and banks or with foreign institutions where necessary. On-site where possible, or by telephone. One trip to the region may be taken as necessary.
- h. Synthesize data and compile lists
- i. Produce report

5. Deliverables:

The expected products from the present ToR are:

1. Proposed detailed work plan with defined timelines and research approach according to the present terms of reference (due before signing of contract)
2. One technical report with:
 - a. Identified main value chains for priority investments by key sector by country and for the region, and major players involved (e.g., companies).
 - i. For agriculture, identify major types of agriculture of interest, types of operators, and 5-10 key companies influencing or with the potential to influence priority areas/targets, including export buyers/traders and export destinations. Highlight major trends since much of this investment is in process.
 - ii. For mining/extractives, identify the 5-10 main companies influencing or with potential to influence priority areas/targets, including export buyers/traders and export destinations.
 - iii. For large infrastructure, identify 5-10 main companies involved in priority areas/impacts in the region
 - b. Identified financial flows, quantified if/when possible, related to key companies.
 - c. Identified main actors from the private and public finance sectors responsible for these financial flows (5-10 per sector per country and regionally). Whenever possible, institutions will be ranked in order of importance/influence within a sector (e.g. mining/extractives, agricultural expansion, large-scale infrastructure development) by country and across the region (Kenya, Tanzania, Mozambique). Priority identification and/or ranking should be justified.
 - d. Profile main public and private finance institutions identified, including:
 - Environmental and social criteria considered in their capital allocation, lending, and business decision making, going beyond project finance.
 - Main regulations, initiatives and principals they are signatories to.
 - Main opportunities to bring them to sustainable finance
 - Main barriers to their engagement with sustainable finance
 - e. Offer recommendations on how to support/advocate to these institutions and work with them to encourage the development of sustainable investment products and lending policies (to be discussed with WWF) or promotion of investment that contributes to local sustainable development. Strategic recommendations may vary by sector.

6. Timeframe

Contract should be concluded within a period of 4 months from initiation. Exact due dates to be determined with selected consultant.

7. Requirements & Desired Characteristics:

- Proven experience and knowledge of economic analysis and finance related to the drivers of landuse change and loss of natural capital in the East Africa region. Experience in Kenya, Tanzania, and/or Mozambique preferred.
- Proven knowledge of the finance and investment sector, specifically as it relates to the region.
- Excellent contacts base in the financial sector relating to Coastal East Africa (Kenya Banking Association, Africa Development Bank, IMF, World Bank, etc.) and robust networking abilities.
- Excellent spoken and written English. Availability and readiness to travel to the region.

Interested parties should read detailed Terms of Reference at:

http://wwf.panda.org/what_we_do/where_we_work/east_african_coast/ . All proposals technical and financial should be submitted to info@wwftz.org not later than 5.00pm, July 04, 2014, East African Time.