

**REQUEST FOR EXPRESSIONS OF INTEREST FOR CONSULTING FIRM
AFRICAN DEVELOPMENT BANK**



Climate Change and Green Growth Department (PECG)

Climate Risk Assessment-Tanzania Agricultural Development Bank

1. The African Development Bank (AfDB) hereby invites consulting firms to indicate their interest in the assignment to conduct Climate Risk Assessment of the Tanzania Agricultural Development Bank (TADB).
2. Under the leadership and guidance of the Director, Climate Change and Green Growth Department and the Task Manager, the Consulting firm will assist TADB to assess and understand the climate risk of its portfolio and develop tools, methodologies and the capacity TADB to mainstream climate resilient lending practices across its portfolio, including but not limited to:
 - **Climate risk assessment and stress testing** – conduct a climate risk assessment / stress test of TADB's portfolio to identify overall climate risk and rank sub-sectors / value chains according to levels of climate risk. Assist TADB to identify and understand sources of climate risk in various value chains and sub-sectors in its portfolio.
 - **Identify practical measures to address climate risk** in the subsectors and value chains, including promoting the use of climate information systems, adoption of climate-smart agricultural practices such as use of irrigation schemes, and the use of climate-resilient seeds and animal breeds.
 - **Develop tools and methodologies to support the integration and main streaming of climate risk** assessments in TADB's lending and portfolio management procedures and practices. The tools will take cognisance of TADB's existing Environmental and Social Risk assessment tools and procedures, and seek to build on these where possible. Conduct a training needs assessment to identify training needs to implement the said tools and methodologies
 - **Train TADB Staff in the use of the tools and methodologies** developed in (3) above to ensure successful deployment and implementation of climate adaptation practices across its operations.Further details are outlined in the Terms of Reference.
3. Interested Consulting firm shall provide information on their qualifications and experience showing their ability to undertake the Assignment (relevant documents, information on similar services undertaken in the past, relevant experience, etc.).
4. The eligibility criteria, the establishment of a shortlist and the selection procedure shall be in conformity with the Bank's procedure for the acquisition of consulting services funded by a trust Fund. Please note that interest expressed by a consulting firm does not imply any obligation on the part of the Bank to include him/her in the shortlist.
5. The consulting team will work remotely, however the assignment will require travel to Tanzania for extended periods. The duration of the service is six (6) months.
The expected starting date is April 2024. Interested Consulting firms may obtain further information at the address below during the Bank's working hours from 08:00 to 17:00 Hr., Abidjan local time.

6. Expressions of interest must be received by **email** at the address below no later than **15th March 2024 at 5 p.m. Abidjan local time** and specifically mention **“A Consulting Firm to conduct Climate Risk Assessment of Tanzania Agricultural Development Bank”**

For the attention of: The Principal Programme Coordinator, PECGO
African Development Bank
E-mail: d.milenge-uwella@afdb.org with copy to d.apell@afdb.org

TERMS OF REFERENCE (TOR)



A Consulting Firm to conduct Climate Risk Assessment of Tanzania Agricultural Development Bank

A. Background

Africa's climate finance markets need to scale to help finance the \$4.76–\$4.84 trillion needed by 2050 needed for climate resilience and a just energy transition. Transformation of the continents financial industry is needed on two fronts: financial institutions need both to manage their exposures to climate risks and mobilize private financing for African NDCs.

According to a recent report from Moody's^[1], African banks are vulnerable to the increasing frequency and severity of climate change shocks unless lenders take action to manage these risks. Moody's expects that environmental factors will lead to a deterioration of the banks' credit quality and profitability in the long term if banks do not take measures to prudently manage climate-related and environmental risks.

African financial sector regulators consider climate risks a high priority, however only a few financial sector regulators and supervisors in Africa have published regulations or supervisory expectations with respect to financial institutions climate risk management practices to date.

Financial institutions in sub-Saharan Africa are also aware of the importance of adopting green financing principles, seeking to address risks and importantly, to grasp new opportunities. However, only 17% of banks have so far introduced specific green financing products, and these are estimated to account for only 2-20% of their portfolio. The Basel Committee on Banking Supervision plans to analyse how climate-related financial risks can be integrated into the existing Basel framework. This high-level commitment will provide a well-developed framework tackling climate financial risks and will be enforced by regulators.

The Africa Climate Change Fund (ACCF)

The Africa Climate Change Fund (ACCF or the Fund) is a multi-donor trust fund that contributes to the African Development Bank's (AfDB) target of tripling its climate financing and advancing Africa's climate resilience. The ACCF was established by the AfDB in April 2014 with an initial contribution of € 4.725 million from the Government of Germany to support African countries build their resilience to the negative impacts of climate change and transition to sustainable low-carbon growth. In 2017, it was converted to a Multi-donor Trust fund (MDTF) with contributions from the Governments of Flanders (Belgium) and Italy. The Global Affairs Canada and Government of Quebec joined the Fund in 2020 and in 2022, three (3) donors including the Global Center on Adaptation, Governments of Ireland, and Austria joined. In 2023, the United States Department of States (USDS) joined the Fund as a new donor with a contribution of US\$ 5.43 million. Government of Ireland made a new contribution of EUR 2 million (US\$ 2.17 million). The current value of the trust fund is US\$ 36.5 million

The African Financial Alliance on Climate Change (AFAC)

The **African Financial Alliance on Climate Change (AFAC)** is a network of financial institutions whose mission is to mobilize and gear private capital flows towards continent-wide low-carbon and climate-resilient development in Africa by ensuring current and future financial risks and opportunities are integrated into investment decision-making.

The Alliance is designed as an inclusive platform bringing together financial sector stakeholders, including regulators, insurance companies, capital market operators, institutional investors, stock exchanges, and commercial and development banks.

AFAC was launched by the African Development Bank during its 2018 Annual Meetings to promote climate action through the following core objectives: **knowledge sharing, climate risk-mitigating financial instruments, climate risk disclosure, and mobilizing climate finance.**

The Alliance intends to **equip Africa's financial institutions with the necessary tools and guidelines to rethink how we deploy capital** in a changing environment and define pathways to direct financial flows towards the SDGs and Africa's Nationally Determined Contributions (NDCs).

AFAC has obtained funding through the Global Centre for Adaptation (GCA) to assist selected financial institutions to assess and understand the climate risk in all or part of their existing portfolio, and develop tools, methodologies and capacity to climate proof future lending in selected sectors.

The Tanzania Agricultural Development Bank

These terms of reference relate specifically to assistance to the Tanzania Agricultural development Bank (TADB). Established in 2012 to support Tanzania's agriculture sector, TADB, also known as the *Farmer's Bank*, is a national development finance institution (DFI) that officially commenced its operations in August 2015. It was established as an *apex agricultural development bank* in accordance with the second pillar of the Government of Tanzania's (GoT) "Kilimo Kwanza" initiative in 2009 to contribute to achieving food self-sufficiency and security; and to facilitate the transformation of Tanzania's agriculture sector from historical subsistence farming to commercial modern farming practices, as well as to stimulate agri-businesses. TADB's overall objective is to contribute to Tanzania's economic growth, poverty reduction, while supporting GoT to implement the NDV25. As a promoter of the development of the agriculture sector, TADB also collaborates with Partner Financial Institutions (PFI) to supply agriculture financing, value chain development, investment in agricultural infrastructure (irrigation, storage, transportation, and processing, etc.), resource mobilization, agricultural Research and Development (R&D), innovation and technology transfer, and climate change management and financing.

Agriculture has huge potential for expansion and to spur socio-economic transformation in Tanzania. Despite potential the flow of credit and financial services to the sector is still very low. According to the Bank of Tanzania, agriculture share of credit to the private sector stood at 8.6% as at December 2022, a single digit level which has been the case for decades. In addition to climate change, the sector's growth is hampered by the effects of low productivity, small holding sizes of land (by SHFs), heavy dependence on rainfall, underdeveloped and inadequate infrastructure, and inadequate farmer skills, lack of professionalism, and limited information flows.

Tanzania is highly vulnerable to the risks posed by climate change, with recent projections showing future temperature rise in the range of 0.8°C to 1.8°C by 2040, and of 1.6°C to 5.0°C by 2090, with warming trends evenly distributed across Tanzania. Rainfall in Tanzania is increasingly variable, and projections indicate that rainfall will decrease during dry seasons and increase during wet seasons which translates to higher risks for drought and flooding. These projected changes will influence agricultural activity and productivity in crop-

growing areas, and a reduction in crop yields. It is imperative that adaptation measures are incorporated into the criteria for on-lending at TADB. These will include promoting the use of climate information systems, adoption of climate-smart agricultural practices such as use of irrigation schemes, and the use of climate-resilient seeds and animal breeds. Without any consideration of climate-smart agricultural practices, the projected change in climatic conditions will likely influence the ability of TADB clients to access financing and to pay off their loans.

B. Objective

The objective of this assignment is to assist TADB to assess and understand the climate risk of its portfolio and develop tools, methodologies and the capacity to mainstream climate resilient lending practices across its portfolio.

C. Scope of Services

The services are to cover the following work packages:

1. **Climate risk assessment and stress testing** – conduct a climate risk assessment / stress test of TADB's portfolio to identify overall climate risk and rank sub-sectors / value chains according to levels of climate risk. Assist TADB to identify and understand sources of climate risk in various value chains and sub-sectors in its portfolio.
2. **Identify practical measures to address climate risk** in the subsectors and value chains, including promoting the use of climate information systems, adoption of climate-smart agricultural practices such as use of irrigation schemes, and the use of climate-resilient seeds and animal breeds.
3. **Develop tools and methodologies to support the integration and main streaming of climate risk assessments** in TADB's lending and portfolio management procedures and practices. Conduct a training needs assessment to identify training needs to implement the said tools and methodologies
4. **Train TADB Staff in the use of the tools and methodologies** developed in (3) above to ensure successful deployment and implementation of climate adaptation practices across its operations.

D. Expected Deliverables

The expected deliverables for this consultancy will include:

1. **Inception report** - outlining key milestones and timeline for the assignment, along with initial assessment of any potential implementation challenges and proposed solutions. The inception report will be submitted within two weeks of the start of the assignment.
2. **Climate Risk Assessment Report** – a comprehensive climate risk assessment report on TADB's portfolio, identifying value at risk, key sources of climate risk, and ranking subsectors / value chains by climate risk levels (high, moderate, low). Provide recommendations on priority areas for focus in developing tools and methodologies. The report will also identify any information / data gaps which may make affect the reliability / accuracy of the assessment, and propose measures to address them.
3. **Document tools and methodologies to support the integration and mainstreaming of climate risk assessments** in TADB's lending and portfolio management procedures and practices, including case studies, sources of data and any other relevant information. Training needs assessment report.
4. **Training Manuals, course notes etc.** to support training of TADB staff, including staff assessments of the training sessions.

E. Management

The Consulting firm shall report to the Director of the Climate Change and Green Growth Department with direct supervision of the Coordinator for AFAC secretariat for the day-to-day management of the assignment.

F. Required Expertise and Qualification

The team of consultants to be used by the Consulting firm shall have the following qualification, expertise, experience, and competencies:

- a. Team Leader - At least a master's degree in environmental sciences, finance, economics or other relevant areas of expertise. Demonstrable cutting-edge technical skills and a minimum of 10 years' experience in risk management, banking, banking regulation / supervision other related fields, preferably in Africa. Experience in Agricultural finance will be a significant advantage
- b. Climate Risk Expert – hold at least a master's degree in environmental sciences, geography or a related field, with a minimum of 8 years' experience. A strong background in data analysis, analysis of climate data to identify vulnerabilities and potential impacts. Experience in developing customised risk mitigation and climate adaptation plans, and working with interdisciplinary teams to integrate climate resilience into business strategies. Experience in the African financial sector and agriculture will be a significant advantage.
- c. Gender Specialist - Hold at least a master's degree in gender and climate change, social sciences, environmental science, political sciences, development studies and a minimum of eight (8) years of experience.
- d. Capacity needs assessment & training specialists – Hold at least a Master's degree in climate, environment and natural resource management, energy policy, international development, economics, sustainable finance or a related field and a minimum of eight (8) years of experience in developing capacity building training, Demonstrated experience in carrying out a training needs assessment of appropriate ministries, executing agencies and private sector and demonstrated experience in preparing modules, materials, presentations and manuals for training of trainers in the full project cycle from proposal development to implementation
- e. Team Members –Experts- A minimum of a master's degree in Environmental Resource Management, Environmental Economics, Geography, Development Economics, Natural Sciences or Development Finance, with strong micro and macro-economic skills, and demonstrable cutting-edge technical competencies in economic modelling.
- f. Other team members - At least a master's degree in environmental sciences, international development/relations, policy science or other relevant areas of expertise and demonstrable cutting-edge technical and a minimum of 3 years' experience.
- g. Experience working with international organizations and bilateral or multilateral donor agencies.
- h. Excellent research and writing skills in English (French is an added advantage)

G. Duration of the assignment

The Consultant shall carry out the assignment for a period of six (6) months. The assignment shall include desk reviews, consultations and report writing.

H. Skills:

- Excellent communication and coordination skills, a good understanding of different interests and seeks conciliation and coordination of activities.
- Meets goals and deadlines with quality and consistency.
- Works to deliver agreed goals, dealing with challenges in a constructive way.
- Assumes responsibility and works for target achievement, overcoming obstacles, setbacks, and uncertainties.
- Excellent verbal and written communication in English. Understanding of some local languages is desirable.
- Uses resources, methods, partners, and information effectively.
- Takes initiative and leads processes.

- Analyses complex technical materials (including data) and make them concise and relevant.
- Introduces complex conceptual ideas in practical terms to others.
- Adapts the communication to the specific public.
- Build informal networks internally and externally and visualize them as part of the value creation process.