

## CALL FOR TENDER – Bond Feasibility Study Consultancy

### 1. Background

The Global Crop Diversity Trust (“Crop Trust”) was established to provide sustainable, long-term funding to operate a rational, effective and efficient global system to secure crop diversity forever, through ex situ conservation. The Crop Trust endowment fund will provide long term support to the following elements of such a global system:

- International crop collections under Article 15 of the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA),
- Globally important national and regional collections
- The Svalbard Global Seed Vault, including ongoing operation of the Vault and support to genebanks in sending back-up collections to the Vault
- Secretariat Operations of the Crop Trust in Bonn
- Information Systems to improve the availability and use of all crop collections

These five core activities of the Crop Trust should be funded through sustainable investment income generated from the endowment fund. Conventional, unrestricted grant contributions to the endowment fund will always be the preferred financing source for the global system of ex situ conservation; however, with the slow growth of Official Development Assistance and declining endowment fund contributions from Governments, it is necessary and urgent for the Crop Trust to explore new, more diverse funding channels to achieve the current endowment targets. The Crop Trust has therefore developed a concept note for a “Food Security Bond” (FSB), an innovative, blended financial mechanism that would generate long term funding from both the public and private sectors to support national, regional and international crop collections.

The FSB will offer debt securities to fixed income investors, with proceeds going to the endowment fund to finance the Crop Trust’s mission. This is an attractive funding mechanism for the Crop Trust due to its ability to deliver resources into the endowment fund in the short term, while repayments are made at a later date, depending on the duration of the bond. However, for the Crop Trust to unlock this private funding, the bond would require strong Government support to attract investors, in the form of a Government guarantee, given that the Crop Trust does not currently have a credit rating. Further details on the rationale for, and possible structure of, the FSB are included in Appendix A.

### 2. Objective of the Assignment

The Crop Trust seeks a service provider to present to its management and Executive Board an objective, unbiased and comprehensive assessment of the FSB proposal and the issuing of a bond. This assessment will include the following activities:

- 1) Conducting a thorough analysis of the FSB, which will include a review of the concept presented, an assessment of whether such an instrument has previously been brought to market, what experiences and lessons have been learned by others, and recommendations for the design and structure of the bond and amount of funding that could be raised, whether in a single placement or in tranches.
- 2) Detailed assessment of risks, recommendations on resolutions to reduce these risks, and definition of residual risks a FSB might create against the background of our corporate governance, in particular potential risks related to obligations, responsibilities and benefits expressed in our Constitution and in our Headquarters Agreement with Germany. Development of scenarios related, but not limited to, the following:
  - a. the nature of our endowment fund and its potential liability within an FSB framework. As per our Constitution, our Endowment can be used exclusively to support ex situ



- conservation, and it has to be fully returned to donors in case of dissolution of the Crop Trust
- b. independence of the Crop Trust and potential relationship to a governmental Guarantor and/or FSB managers
  - c. immunity status of the Crop Trust in Germany and potential effects of the contractual set up the establishment of an FSB will imply
  - d. international status of the Crop Trust and its independence from any national system of law and freedom of choice of jurisdiction
- 3) Evaluation of the main issues to be considered before bond issuance i.e. technical, operational, legal, taxation, timeline, economic, governance, political and reputational considerations etc.
  - 4) Uncovering the strengths and weaknesses, opportunities and threats present and evaluating the internal and external resources required (financial, HR, skillset, other actors etc.) to bring the bond issue to market.
  - 5) Conducting interviews to identify target fixed income investors and assess their appetite for the instrument. Consider whether “impact” should be a key component of this bond and advise on how the Crop Trust would quantify and report on the bond’s impact.
  - 6) Conducting interviews with possible donor Governments or multilateral organizations who could support the bond with a guarantee and providing an analysis of how the guarantee mechanism would work from a technical perspective and the possible risks and exposures for donors, including stochastic analysis of possible investment outcomes, based on the Crop Trust’s investment strategy as described in its Investment Policy Statement . Exploring the optimal trade-offs between any covenants that could be given on the risks taken within the endowment’s investment strategy in order to secure the best guarantee but also generate sufficient returns to make it worthwhile.
  - 7) Detailed analysis of possible financial outcomes of a bond issue over a recommended time period and over a range of possible market conditions. This should include the consideration of liquidity, risk and return profiles etc.
  - 8) The total costs of a bond should be considered as part of the study (commission, placement/underwriting fees, custodian fees, listing fees etc) and any analysis should be conducted on a net basis.
  - 9) Consideration of critical conditions that must be in place from the start of the process to ensure openness, transparency and a successful bond issue.

This study should ultimately provide all the information needed to make a decision as to whether to proceed with a bond issuance. The Crop Trust governance documents can be found on our website (<https://www.croptrust.org/resources/#governance-policy>)

### 3. Scope of Work and Deliverables

The service provider will undertake the feasibility study through participatory processes with appropriate stakeholders, based on the objectives set out in Section 2 above. Under the current circumstances of COVID-19 it is expected that this work will be performed remotely with virtual meetings.

The proposal should contain a detailed description of the activities to be conducted by the service provider to complete the requested scope of work, including:

- the specific activities to be conducted at each stage,
- a timeline for the activities at each stage,
- milestones and deliverables tied to those activities, and
- a detailed budget along with a proposed payment schedule tied to project milestones and/or deliverables.



#### 4. Qualifications

The service provider is required to meet the following criteria:

- Proven experience working on innovative finance/ blended finance mechanisms for social/impact investments and bringing together the private and public sectors.
- Proven experience in working on similar feasibility studies.
- Track record in investment consulting roles with other international organisations and the non-profit sector.
- Strong communication skills.

#### 5. Timeframe

The feasibility study must be concluded and presented to Crop Trust management by 21 October 2020.

#### 6. Offer

As highlighted above, it is expected that this work will be performed remotely with virtual meetings and workshops, so the offer should exclude travel and related costs. If there are to be meetings held in-person in Bonn, Germany, please separately indicate the travel costs associated with any proposed in-person meetings included in your proposal.

The Crop Trust has tax exempt status in Germany and is eligible to claim back VAT directly from the Government. Please indicate clearly in your proposal if you will accept our tax exempt status by not charging VAT, and please budget accordingly. If you are not able to accept our tax exemption, the assessment of your offer will be based on gross amounts. Assessments of quotes from German companies are generally based on offers excluding VAT.

The document should not exceed 15 pages in length; however, additional information can be included as appendices. Please include in your offer:

- The names and biographies of those who would be responsible for the work described
- Examples of previous work in each of the activities listed in your offer
- An explanation of how the provider would like to conduct the feasibility study
- References and testimonials
- The signed Declaration of Undertaking
- The signed and filled out Supplier Self-Assessment

This Offer will be evaluated considering at least the following points:

- Cost
- Quality of previous work
- Relevant previous experience working with international organizations who raised funds in capital markets for social/impact investments
- Availability
- Technical capabilities

Please note also that this Request for Proposal is not an offer and that the Crop Trust is under no obligation to accept any proposal submitted under this RFP, nor is it obliged to select or appoint any service provider pursuant to this RFP. All costs and expenses associated with or incurred in responding to this RFP shall be borne by the Bidder. The Crop Trust shall not be liable for any such costs or expenses or any claim for reimbursement of such costs or expenses.



## 7. Submission

Proposals are due via email as a PDF file to [procurement@croptrust.org](mailto:procurement@croptrust.org) by midnight (CEST) on 28 August 2020. Questions on the RFP can be sent to Janet Muir, Director of Finance ([janet.muir@croptrust.org](mailto:janet.muir@croptrust.org)) prior to 21 August 2020. Shortlisted candidates will be asked to present their proposals and answer questions virtually.



## APPENDIX 1

### Investing in the Future of Food *Food Security Bond concept note*

#### 1. The Goal

The Global Crop Diversity Trust (“Crop Trust”) was established to provide sustainable, long-term funding to operate a rational, effective and efficient global system to secure crop diversity forever, through *ex situ* conservation. The Fund Disbursement Strategy envisages that the Crop Trust endowment will provide long term support to the following elements of such a global system:

- **International Collections** under Article 15 of the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA),
- **Globally important national and regional collections**
- The **Svalbard Global Seed Vault**, including ongoing operation and maintenance of the Vault and support to genebanks in sending back-up collections to the Vault
- **Secretariat Operations** of the Crop Trust in Bonn
- **Information Systems**, which require development and ongoing support to improve the availability and use of all crop collections

These five core activities of the Crop Trust should be funded through sustainable investment income generated from the endowment fund. Unrestricted grant contributions to the endowment fund will always be the preferred conventional financing source for funding the global system of ex-situ conservation, however, with the slow growth of Official Development Assistance and declining endowment fund grants from Governments, it is necessary and urgent for the Crop Trust to explore new, more diverse funding channels to achieve the current endowment targets.

#### 2. Rationale for a Food Security Bond

The Food Security Bond (FSB) is an innovative blended financial mechanism that would generate long term funding from both the public and private sectors to support national, regional and international crop collections. This is a “buy-now-pay-later” approach, which meets the critical need to invest in conserving crop diversity before it is lost forever. In an increasingly unstable global climate, the importance of conserving genetic diversity has taken on a new urgency. At the same time, the COVID-19 global pandemic combined with the climate catastrophe has brought a new appreciation for the world’s most precious resources, and this must include the genetic diversity and seeds safeguarded by the Crop Trust. Purchasing an FSB would provide a unique opportunity to invest in protecting the planet’s genetic diversity; ensuring access to seeds and other genetic material to climate-proof agriculture; and supporting healthy diets and improved livelihoods in the Global South.

The FSB will offer debt securities to fixed income investors with proceeds going to the endowment fund to finance the Crop Trust’s increasingly relevant mission. This is an attractive funding mechanism for the Crop Trust due to its ability to deliver resources into the endowment fund in the short term, while repayments are made at a later date, depending on the duration of the bond.

The Crop Trust has initiated discussions with members of the investment community, who have already shown clear interest in a longer-term bond for private investors, such as insurance and pension funds with a longer-term investment horizon. However, for the Crop Trust to unlock this private funding, the bond would require strong Government support for the investor given that the Crop Trust does not currently have a credit rating.



Overall, the advantages of the Crop Trust issuing a bond, combined with a Government guarantee, includes the following:

- Public/Private Engagement - The FSB has the potential to engage private market investors and Government donors in a combined effort to support the Global System and the conservation of crop diversity in perpetuity.
- The rating of the Issuer - the higher the credit rating the better the pricing in terms of the cost of funds. A highly rated Government guarantee will mean lower coupons to be paid by the Crop Trust.
- The market environment - low interest rate market environments create the demand for yield up to and above current short-term issuances. Lack of alternatives to satisfy the needs of a section of investors, particularly pension funds and insurance companies create a demand profile for long/ultra-long maturity bonds.
- The guarantee provided by Governments - enhanced bond profile by a guarantee provides a layer of comfort for the investor and provides an attractive proposition to the market on behalf of the issuer, resulting in potential demand enhancement. For no money upfront, Governments can help unlock substantial private capital for food security. In order for the FSB to be a success, it is absolutely critical that it has support from governments and/or multilateral organizations.
- The profile of the Issuer - Environmental, social and governance (ESG) issues are now one of the forefront attributes of investors and their need to gain exposure to ESG related asset classes. In addition, as investors focus on the implementation of the Sustainable Development Goals, a Crop Trust bond supporting SGD 2 would be highly attractive to impact investors. The Crop Trust is also a signatory to the UN Principles of Responsible Investment and all endowment fund assets are invested in line with its responsible investment policy.
- Scalability – the bond could be issued in a number of tranches to raise vital funding for the Crop Trust over time.
- Risk – as there is no recourse to donor contributions within the endowment fund, the risk of a shortfall upon redemption of the bond lies with the Governments who have provided the guarantee and not with the Crop Trust.

### 3. Possible structure of the Food Security Bond

The Crop Trust would like to explore the feasibility of issuing a minimum 30-year bond to the private sector which will come with (1) a Government guarantee that commits the Government, or a consortium of Governments, to provide for any shortfall upon redemption in Year 30 and; (2) Government grants to pay the bond coupon in order to reduce the cost to the Crop Trust to zero. For example, if the annual coupon rate is 2%, grants will be secured to cover this cost on behalf of the Crop Trust for the duration of the bond to bring the effective cost to the Crop Trust to zero. All bond proceeds will be invested in the existing endowment fund with net investment returns to be used to fund the conservation of crop diversity in Genebanks.