**Terms of Reference (TOR)**

**for**

**Empowering Cooperatives for Sustainable Growth and Investment Readiness**

1. **BACKGROUND**

Heifer International Nepal is a non-profit and humanitarian organization dedicated to work with communities to end hunger and poverty and care for the earth. Heifer has been supporting over 300 women-led cooperatives in 50 districts, empowering 400,000 households through agribusiness development in production, processing, and marketing. These cooperatives, serving as business hubs, drive women’s empowerment, agricultural transformation, and sustainable practices. It fosters economic and environmental resilience by enhancing productivity, optimizing supply chains, and scaling businesses in partnership with governments, civil society, and the private sector.

These cooperatives are involved in diverse commodities, such as goats (meat/breeding), milk, vegetables, spices, seeds, fertilizers, fodder, and seedlings. They also provide livestock insurance and technical services. In addition to these functions, the cooperatives offer savings and credit facilities to their members and link or secure financing from potential investors, including banks and financial institutions (BFIs), for both wholesale and working capital needs. The cooperatives have collectively mobilized around US $160 million, with over US $45 million in their own funds.

By September 2024, Heifer International's affordable finance initiatives in Nepal have reached 40 districts across six provinces, engaging over 250 cooperatives and 50 local governments. These efforts have facilitated US $18.6 million in investments (affordable credit) for over 11,000 farm businesses, forming part of a broader $76 million commitment from 21 BFIs and impact investors.

Through these initiatives, farmers have gained access to multiple buyers, better prices, and stronger negotiation skills, ensuring fair pricing. By purchasing volumes of agricultural products by cooperatives directly from farmers, these efforts have unlocked growth opportunities and strengthened local economies. Despite the significant potential to scale bgri-business through climate-smart practices involving smallholder farmers, accessing investment for working capital remains a persistent challenge. The cooperatives seek impact investment to expand their operations, optimize existing assets, and meet the growing market demand for their products.

However, cooperatives face significant barriers to accessing affordable credit for growth due to several challenges. A primary obstacle is the lack of collateral, coupled with high transaction costs, both real and perceived. The process of valuing cooperative businesses or assets and conducting due diligence is costly, further complicated by the limited expertise of local fund managers in the agriculture sector and lack of experience of potential impact investors in Nepal.

Although these cooperatives have demonstrated the potential to scale their businesses and create significant on-ground impacts, certain aspects of business operation and internal systems need strengthening. Specifically, their capacity to assess investable as well as impactful businesses, track impacts and improve reporting requires enhancement to attract impact investors seeking both financial returns and measurable outcomes. Strengthening these capacities can ensure cooperatives' predictability, credibility, communication, and operational framework, ultimately increasing investor understanding and confidence.

Demonstrating tangible impacts on the ground can help lift the central bank's (NRB) restrictions on direct lending to cooperatives from commercial banks for wholesale and working capital. By documenting a proven record of measurable results, they can influence the government to continue incentive schemes specifically for them, which in turn can reduce banks' reluctance to lend to agricultural cooperatives.

To achieve this, Heifer International Nepal is seeking consulting services for the capacity enhancement of cooperatives as mentioned above. For this, total 30 cooperatives are selected from 300 cooperatives across Nepal considering their growth potential, change mindset, commitment to creating broad community impact, and investable qualities.

1. **OBJECTIVES**

The purpose of this consultancy service to execute "Empowering Cooperatives for Sustainable Growth and Investment Readiness" initiative of Heifer International Nepal.

* Assess existing gaps in cooperative financial, operational and reporting systems to enhance their business growth and impacts.
* Strengthen the capacity of 30 selected women-led agricultural cooperatives to secure sustainable investments, optimize business operations, and enhance governance through targeted training for board members on effective governance methods and processes.
* Develop an investment-readiness model that can be scaled and replicated across other cooperatives.
* Facilitate cooperative access to investors through robust documentation, strategic planning, business planning, investment proposal (pitch deck) and relationship building.

1. **SCOPE OF WORK**

The scope of work outlines the key phase and interventions to be implemented for this assignment. Heifer has initially shortlisted 45 women-led agricultural cooperatives based on secondary data and will finalize a list of 30 cooperatives for assessment and capacity building. The assessment will evaluate cooperatives based on factors such as financial performance, growth potential, market demand, readiness for digital integration, sustainability, and other selection criteria, including the CACAT score.

1. **Cooperative Capacity Assessment**
   * Conduct a thorough assessment of the 30 selected cooperatives to identify capacity gaps in key performance indicators (KPIs) such as annual/profit, business scale, number of people benefited, jobs created, policy updated, provision of other Business Development Services (BDS), adoption or practice of climate-smart technologies, number of fodder trees planted, reduction in CO2 emissions, and more. One of the frameworks needs to be referred for ESG management aspects.
   * The assessment will focus on evaluating business growth, financial management, operational systems, and the implementation of climate-smart practices to identify areas for improvement and enhance overall capacity. This will be used as baseline information of the selected cooperatives.
2. **Capacity Building and Technical Support**
   * Design and implement capacity-building programs to address the identified gaps.
   * Provide orientation to cooperative leadership and staff (manager) on the identified gaps.
   * Provide external expert support in developing business plan, investment proposal, financial management, operational and reporting system.
   * Prepare detailed investment documents, including pitch decks for each cooperative.
3. **Facilitation of Investment Readiness and Deploy Investment**
   * Develop and implement a roadmap for each cooperative’s investment readiness.
   * Support cooperatives in preparing for investment by enhancing their technical, managerial, and financial capabilities.
   * Develop and showcase business case in the different forum and create an environment that attracts investors through presentations, matchmaking, and investor awareness campaigns.
   * Deploy investment to these selected cooperatives from BFIs or Impact Investors, aiming for at least 20X leverage (with expenses capped at 5% of the total investment secured).
4. **Monitoring and Evaluation (M&E)**
   * Establish a robust M&E framework to track the progress of cooperatives and measure investment outcomes.
   * Quarterly collect data on key performance indicators (KPIs) related to income, scale of business, no of people benefited, jobs created, policy updated, other BDS services provided, climate smart technologies adopted or practiced, no of three (fodder) planted, reduced Co2 emission, etc.
5. **METHODOLOGY**

**Review of Documents and Reports**: All the documents published by Heifer and cooperatives will be reviewed by the consultant team to gain an understanding of the cooperatives' current situation, aspirations, and identified gaps.

**Gap Analysis:** A meeting will be held with the Heifer country team, primarily the thematic leads, to finalize the design and framework for the gap assessment. The methodology will include a literature review and comparison with similar cases in Nepal to develop assessment checklists and questionnaires. This meeting will also finalize the work plan, which will be endorsed by the regional managers and the field team of Heifer International Nepal.

**Field Visit:** Field visits will be conducted as required, during which participatory assessments will be carried out with cooperative boards and staff. These assessments will focus on identifying operational, financial, and strategic gaps. The identified gaps will be immediately presented to the cooperative board and compiled into a final report, which will then be shared with the Heifer team, including both the field and central teams.

**Develop and Share the Gap Analysis Report:** A comprehensive gap analysis report will be developed and shared with each cooperative, detailing the identified gaps and suggested actions for improvement.

**Capacity Building Support:** Based on the assessment report, organize capacity building training and interactive training sessions and mentoring will be implemented, focusing on areas such as financial literacy, governance, and investment readiness. External specialists will be engaged to provide technical guidance and support the preparation of necessary documentation. Feedback from cooperatives and investors will be integrated into the process to refine assessment methods, processes, and documents.

**Securing Financing and Investment:**

Once equipped with the necessary commitment of the board members, required documents along with skills and systems, the cooperatives will be ready to obtain financing from local banks and potential impact investors abroad.

* How does cooperative showcases/resents their pitch to investors?
* How does cooperative gains visibility with investors?
* How does cooperative approaches the potential investors?

This approach ensures cooperatives receive support for sustainable growth and market expansion, with consultants committing to secure at least 20X investment (of total budget received by consultants/firm) from local BFIs or Impact Investors.

**Identify Challenges, Risks, and Mitigation Strategies:**

The proposed investment strategy, while promising, comes with certain challenges and potential risks that need to be managed carefully to ensure sustainable outcomes. Fluctuating market demands, and price volatility pose financial risks.

To address this, the consultant team will support cooperatives in defining and developing diversified revenue streams and improving product quality, which will enhance their resilience to market shifts.

A significant risk involves the cooperatives’ capacity to manage the new investments effectively. Without robust financial systems, there is a risk of mismanagement or inadequate returns. To mitigate this, the consultant team shall implement a comprehensive capacity-building program to strengthen cooperatives’ financial literacy, governance, and accountability.

**Facilitation of Investment Readiness:** A roadmap will be developed and implemented for each cooperative’s investment readiness. Cooperatives will be supported in enhancing their technical, managerial, and financial capabilities to prepare for investment. Business cases will be developed and presented in various forums, with efforts to create an environment that attracts investors through presentations, matchmaking, and investor awareness campaigns.

**Monitoring and Evaluation (M&E):** A robust M&E framework will be established to track the progress of cooperatives and measure investment outcomes. Quarterly data collection will be conducted on key performance indicators (KPIs) such as income, business scale, number of people benefited, jobs created, policy updates, provision of other BDS services, adoption of climate-smart technologies, number of fodder trees planted, and reduction in CO2 emissions, among others.

1. **EXPECTED DELIVERABLES**
2. A detailed capacity gap assessment report in English for each of the 30 cooperatives from an investment readiness perspective, including a comprehensive gap analysis report for each cooperative.
3. Support in developing a comprehensive business plan (Nepali), investment proposals (Nepali), and pitch decks (English) for all selected cooperatives.
4. Detailed training content and resources in Nepali for cooperative capacity building, tailored to enhancing investment readiness and addressing identified gaps.
5. A **final report** in English that includes:

* The number of investment forums participated in.
* The number of investors interacted with.
* The amount invested into cooperative businesses by the investors/BFIs.
* Key outcomes and next steps for each cooperative.

1. **Impact tracking/measurement and reporting guidelines** in Nepali language to be implemented within the cooperatives.
2. A **Monitoring and Evaluation (M&E) report** in English highlighting the progress and impacts generated during the assignment period, with a focus on measurable outcomes.
3. **RESPONSIBILITIES OF HEIFER INTERNATIONAL NEPAL**

* **Selection and Assessment:** Heifer International Nepal will provide guidance and oversight for the selection process, ensuring alignment with strategic objectives and ensuring the cooperatives meet the necessary criteria.
* **Capacity Building:** Heifer will organize workshops, training sessions, and mentoring programs for cooperative leaders and members to develop required technical, managerial, and financial skills.
* **Investment Facilitation:** Heifer will assist in building relationships with potential investors and facilitate investment readiness activities, including pitch development and matchmaking events.
* **Monitoring and Evaluation:** Heifer will oversee the establishment of the M&E system, ensuring proper data collection, reporting, and course correction where need.

1. **COUNTERPART PERSONNEL**

* Regional Field Teams for cooperative selection and support.
* Program Managers for strategic oversight and coordination.
* Technical Specialists in governance, financial management, and monitoring for capacity building.

1. **COMPETENCY REQUIREMENTS FOR CONSULTANT**

The consulting firm should possess the following qualifications.

* Proven experience in cooperative development, investment readiness, and capacity building.
* Expertise in financial analysis, business planning, and proposal development.
* Strong facilitation and training skills, particularly for marginalized groups.
* Familiarity with Nepal’s agricultural, financial, and cooperative sectors.
* Ability to produce high-quality reports and documentation in English.
* Experience working with donor-funded projects and impact-driven initiatives.

1. **DURATION OF ASSIGNMENT**

The assignment will span 18 months, from January 2024 to June 2026. Quarterly progress reports will be submitted to update Heifer team, Cooperatives and other stakeholders on key activities and achievements. The final report, summarizing all activities, outcomes, and recommendations, will be submitted by 20 June 2026.

**Phase 1 (Cooperative Selection and Gap Assessment):** 3 months

* + Shortlist 45 cooperatives and finalize the selection of 30.
  + Conduct capacity assessments and develop gap analysis reports.

**Phase 2 (Capacity Building and Investment Readiness Preparation):** 9 months

* + Design and implement capacity-building programs.
  + Develop business plans, financial documents, and investment proposals for each cooperative.
  + Support the cooperatives in pitching to investors and other stakeholders.

**Phase 3 (Investment Facilitation and Monitoring):** 6 months

* + Engage with potential investors and facilitate investments.
  + Implement M&E systems to track the effectiveness of interventions.

1. **Heifer’s Input and Counterpart Personnel**

Heifer shall provide relevant information, project document and resources to the consultant and facilitate coordination between the consultants and concerned stakeholders/institutions as and when necessary. The project shall not provide any logistical support to the consultant during the execution of consultancy service. Heifer shall designate a primary contact person who will act as professional and support counterpart personnel to the consultant team for any necessary assistance. The consultant shall work closely with her/him and the concerned team members for quality deliverables.

1. **Competency requirements of the consultant**

This service is solicited from suitable consulting firm consisting of minimum two consultants with minimum post-graduate degree in related field with proven experience on preparation of similar assignment. Those with proven expertise or experience on fund management or bringing investment from BFIs or Impact investor encouraged to apply.