

Terms of Reference-Consultancy for the design of an innovative digital solution for Rural SME Financing

Background

iDE is an international NGO with over 35 years of experience in designing and delivering market-based anti-poverty programs in 11 countries. We are a world leader in making markets work for the poor as well as the longest established market development specialist NGO in Bangladesh. iDE believes that markets can be a powerful force for improving smallholder prosperity by creating income and livelihood opportunities for poor rural households. iDE Bangladesh currently has eight projects in agricultural markets, water, sanitation and hygiene (WASH), and access to finance with a focus on women's economic empowerment and climate-smart technologies.

Project Background

The Women's Economic Empowerment through Strengthening Market Systems (WEESMS) programme is a five-year (2016-2021) initiative funded by the Embassy of Sweden, to promote women's entrepreneurship and strengthen the enabling environment for women to access formal and informal productive employment opportunities. The programme is being implemented through a partnership of iDE Bangladesh and The Asia Foundation across nine districts under the Khulna and Rangpur divisions of Bangladesh. Based on in-depth market research, the project has focused on home textiles, jute diversified products and processed and packaged food sub-sectors. Through the development of a custom-graduation model with provisions for improved support services such as building market linkages, establishing gender dialogue platforms, and creating access to affordable financial products and services, the project is able to provide women entrepreneurs and women employees a pathway to success and empowerment.

About the Assignment

Across all stages of their life cycle, SMEs require access to appropriate sources of financing for their growth. The learnings from WEESMS's implementation indicate that the existing financial products available in the market designed to cater to women-led Small and Medium Enterprises (SMEs) are underutilized. There appear to be structural barriers that impede bank lending to SMEs, including lack of data of SMEs to assess and monitor the credit risks posed by SMEs and higher transaction costs compared to larger corporate clients. And on the other hand, SMEs find it difficult to access the right financial product and the tedious manual process of loan application often discourages women to access finance. Inadequate loan- and collateral-level information and overly-manual processes discourage most banks and non-bank financial institutions to form partnerships to recapitalize and restructure large numbers of high-risk but viable SMEs.

In order to address this constraint, the digital solution holds the potential to improve SME access to finance, offering unprecedented solutions to address barriers related to asymmetric information and processes. The

traditional lending process may benefit from the use of online applications and the automation of underwriting, due diligence, loan servicing, and regulatory compliance tasks. Financial Service Providers (FSPs) will enhance their productivity and lower their operating costs. As for borrowers, the use of technology (such as cloud-based accounting, digital payments, and the automation of repayment of loans) could enable them to substantiate their business activities and become eligible for finance.

WEESMS seeks to engage the services of a reputed consulting firm that will design a digital solution to link borrowers especially rural women Small and Medium Enterprises with lenders which will lead to improved access to financial products and services by rural women SMEs.

As a first step towards undertaking this assignment, a thorough detailed plan from conceptualization stage to development of the solution and implementation would be required. An assessment would be conducted to understand the needs and desires of consumers (women entrepreneurs) and clients (banks and financial institutions) which will help shape the structure of a solution that will link borrowers and lenders. This will lead to greater access to financial products and services of women entrepreneurs and women employees. Therefore this assignment aims to conduct research, assess findings and design a digital solution.

Scope of Work:

The Consultant/firm's scope of work is detailed in the following phases:

Phase 1: Assessment of the Demand and Supply

The first phase of the assignment will conduct rapid research into the needs and desires of the consumers (women entrepreneurs) and clients (banks and financial institutions) in the two sectors across Khulna and Rangpur and assess the findings. This part of the assignment is envisaged as a rapid assessment to validate the findings from previously conducted market research.

The assessment will use both primary and secondary literature and fieldwork to explore:

1. The needs and desires of the consumers (women entrepreneurs) and clients (banks and financial institutions)
2. The development of a country-specific tool/solution to link borrowers (women entrepreneurs) and lenders (banks and non-bank financial institutions), where borrowers can apply for loans and lenders can find bankable SMEs who can repay
3. The development of practical data collection formats and procedures specific to the country context
4. The identification of prospective financial institutions to partner with
5. The identification of the potential SMEs - overlapping with WEESMS mandate areas.

Phase 2: Design of the Digital Solution

The second phase of the assignment will develop a country-specific tool/solution to link borrowers (women entrepreneurs) and lenders (banks and non-bank financial institutions), where borrowers can apply for loans and lenders can find bankable SMEs who can repay. The second part of the assignment will also include the design of data collection formats and procedures.

Phase 3: Identification and Agreements with Financial Service Providers

The third phase of the assignment will prioritize on the identification of prospective financial institutions to partner with to mobilize the solution.

Key Deliverables of the Consultant/Firm

The consultant/firm will work with WEESMS in a collaborative manner to complete the assignment and contribute to the overall outcomes of the project.

S.N.	Phase	Deliverable	Timeline
1.	Phase 1: Assessment of the Demand and Supply	Report and presentation outlining assessment plan, methodology, and tools. The report should be a maximum of 30 pages and presentation- approximately 10 slides. Assessment questions should be included as Annex to the report.	4 weeks
2.	Phase 2: Design of the digital solution	<ol style="list-style-type: none"> 1. Tool/solution platform specific to Bangladesh 2. Training module for training SMEs 3. Data collection format and procedure from SMEs 	4 weeks
3.	Phase 3: Identification and Agreements with Financial Service Providers	<ol style="list-style-type: none"> 1. Partner Selection report: <ol style="list-style-type: none"> a. Partner segmentation and selection b. Entrepreneur segmentation and selection 2. Final Report 	4 weeks

Work Schedule

The assignment is expected to be completed between 15 May 2019 and 15 August 2019 which includes completion of all tasks in the assignment along with submission of the final report. Based on the political situation in Bangladesh, the period for conducting the study might change. The consultant/firm is expected to be able to accommodate these changes without additional cost. A final detailed work schedule will be determined during the kick-off meeting.

Proprietary Rights

Any document, information or data entrusted to or produced by iDE in connection with this assignment shall be strictly confidential and cannot be used by the contract employee for any other purpose without the written consent of iDE. This provision shall remain valid even after completion of this assignment. iDE-B reserves the right to terminate this agreement any time with the consultation of contract employee.

Eligibility Criteria

General experience and expertise required for consultant/firm applying:

- The lead consultant should have at least 10 years of experience in finance/ investment
- In-depth understanding of the key drivers in a digital finance product/emerging technology business;
- Fluency in the human-centered design process from qualitative research and synthesis to ideation, prototyping, and implementation;
- Understands the product innovation concepts that includes implementing tools like design thinking, agile, etc.;
- Experience working in emerging markets and a willingness to focus on more difficult markets and identify solutions to local challenges;
- Experience in assessing markets, including a strong familiarity with micro and SME landscape and growth trajectories in growing economies;
- Experience in working with projects that aim to empower women / close the gender gap in the economy. Strong understanding of women's economic empowerment principles is desirable;
- Excellent written and verbal English communications skills essential.

Budget and Payment Schedule

The total budget for this consultancy work will be no more than USD 20,000 which should cover all costs including consultants' fee that also includes all applicable tax and Vat for conducting the entire assignment until final deliverables submission. This should include remuneration, non-field based travel (visas, accommodation, transport, per diems) and any miscellaneous costs. All travel to field locations (outside of Dhaka) will be covered by the project as per iDE's current policies external to this contract.

The payment will be made in three installments as follows:

S.N.	Deliverables	Tranche Value
1.	Approved Work plan	40% of the Total Contract Value
2.	Completion of Phase 1: Assessment of the Demand and Supply	40% of the Total Contract Value
3.	Completion of Phase 2: Final country-specific tool/solution for rural SME financing	
4.	Completion of Phase 3: Identification and Agreements with Financial Service Providers	30% of the Total Contract Value
5.	Final report	

Note: Bangladesh Government VAT and tax regulation will be applied.

The following terms and conditions will apply:

- For all international consultant, the payment will be made in American dollars through wire transfer from iDE's headquarter in Denver, USA. (account name, number, type, bank name, and branch name is required for wire transfer); and for local consultant payment would be paid locally from Bangladesh;
- As per Government of Bangladesh VAT and tax regulation; International consultants are taxed at 15% VAT (on contract amount) and 20% tax (on contract amount +VAT); national consultants are taxed at 15% VAT and 10% tax;
- In case of failure to deliver the final product in due time, iDE Bangladesh will deduct .05% of the total agreement amount for each day of delay in submitting the report beyond the closing date of the agreement;
- The selected firm will abide by other terms and conditions of iDE Bangladesh.

Interested firms are asked to submit a Concept Note and a Financial Proposal to bangladesh.procurement@ideglobal.org. Please write "**Consultancy for the design of an innovative digital solution for Rural SME Financing**" in the subject line. The proposals should be submitted by **5 pm BST on Tuesday 07 May 2019**. We are only able to consider electronic submissions. Only shortlisted firms will be contacted.

Deadline: May 07, 2019 COB (5 pm BST)