

REQUEST FOR PROPOSALS FOR AFRICAN DEVELOPMENT BANK ZAMBIA
SME SUPPORT PROJECT

TERMS OF REFERENCE (TOR)

African Management Services Company (AMSCO) is seeking proposals from interested parties to provide capacity development services on an SME Project in Zambia.

As part of its support to the SME sector in Zambia, the AfDB has designed a program aimed at facilitating SMEs access to finance. The program will run for a period of **two (2) years** and consists of a financial and technical assistance component. The financial component entails support to two financial institutions in the form of lines of credit to both institutions and a partial credit guarantee facility (implemented with USAID) to one of the institutions. The technical assistance component includes capacity building support to financial institutions; Business Development Service Providers and SME Associations and will be implemented and coordinated by AMSCO, a United Nations Development (UNDP) Project.

The Technical Assistance facility has been designed to enhance the capacity of the target SMEs to access finance from the two financial institutions. The facility was designed based on inputs and findings from consultations with the various stakeholders in Zambia during a due diligence exercise. Consequently, the facility targets the financial service providers (banks) and the Business Development Service (BDS) providers.

The Technical Assistance part of the project comprises of two components:

1. On the financial services providers' component, the facility seeks to enhance the SME credit assessment capacities of the two financial institutions, through training of at least **40** Credit Officers and the application of an SME credit scoring tool. Also included in the Technical Assistance support to the institutions is a component on environmental compliance assessment and monitoring.
2. The BDS providers' component targets at least **60-100 SMEs, 15 BDS providers** and **5 SME Associations**. The support to these stakeholders aims at building capacities of the SME support system so that benefiting SMEs are: better able to assess financing needs; present bankable projects to participating banks and better manage their businesses after receiving bank financing. It is also hoped that the facility shall also help establish a viable referencing system between the beneficiary banks and the BDS providers/SME Associations such that potentially viable SMEs clients of the banks that need some support to qualify for financing can be referred to the BDS providers and SME associations. Similarly, SME Associations and BDS providers benefiting from the facility can refer viable SMEs to the participating banks

These terms of reference outline the expected role of AMSCO and the various Service Providers of the technical assistance component.

❖ Specifically the role of the AMSCO shall be as follows:

i) Coordination of the project: AMSCO will coordinate all local aspects of the project, collect relevant information on project activities and participate in regular project evaluation. AMSCO will coordinate the work of all project stakeholders, concerned public administration, local banks and BDS providers to ensure the smooth running and sequencing of project activities

ii) Marketing of the Project and creating synergies with on-going initiatives: AMSCO shall market the program to stakeholders in particular target SME beneficiaries as well as closely liaise with participating banks to ensure that the support to target SME beneficiaries is effective. AMSCO shall also closely liaise with relevant government and donor agencies. Closely linked with this is creating synergies with relevant on-going and new initiatives in enterprise development as well as the documentation of the program experiences for wider dissemination.

iii) *Program monitoring and reporting*: AMSCO shall be responsible for providing ongoing reports to AfDB on progress in implementation of the various components on agreed terms.

iv) *Program Review and Evaluation*: AMSCO in close liaison with AfDB shall be responsible for facilitating program review and evaluation including availing all relevant documentation and facilitating meetings with project stakeholders.

❖ Specifically the role of the service providers will be divided into the two components of the Project:

1. Component One: Training and Capacity Building to Financial Institutions

Specifically, the selected service provider will be expected to carry out the following activities

- i) *Equip the financial institutions with a methodology and an IT tool to better assess SME loan requests*: the selected service provider will develop an SME credit scoring tool application to the two institutions' specifications while taking into account the specificity of the Zambian economy and SMEs.
- ii) *Baseline Survey*: Selected service providers, in collaboration with AMSCO, will use local expertise to conduct a baseline for the program based on the key performance indicators in order to provide a baseline against which progress and impact shall be measured and assessed
- iii) *Train Credit Officers and Relationship Manager from the two financial institutions on the use of the SME Credit Scoring tool*.
- iv) *Establish a monitoring and coaching system to provide targeted assistance to SMEs already exporting their products*: In collaboration with other service providers, participating banks, BDSPs and SME associations, the selected service provider will ensure the required assistance is provided to SMEs to respond to their needs at all stages of their development and enhances their ability to access credit. To facilitate this, a monitoring and coaching system needs to be put in place over the period of the loan availed to the SME. The selected service provider will also ensure that there is a mechanism for the two participating banks to measure the progress made by loan beneficiaries over time and identify further training needs.
- v) *Assess and monitor the SME environmental risk and social impact*: the selected service provider will train bank staff in environmental risk and social impact assessment and monitoring.
- vi) *Gender sensitive SME products, processes and procedures among the participating banks*: the selected service provider will offer a tool that improves bank products, systems and marketing strategies to include gender and SME considerations.

Outputs

- i) *The two financial institutions are equipped with a methodology and tool to better assess SME loan requests*
 - Concept of "Competency-as-Collateral" is introduced and together with the selected banks, the framework for the customized credit scoring application is defined.
 - The final credit scoring application is developed and implemented.
 - All lending officers are trained in the credit scoring tool data collection and data input.
- ii) *A monitoring and coaching system is established allowing better targeted assistance to exporting SMEs*

- The framework for the establishment of a monitoring and coaching system involving a partnership between the SME association and the selected banks is developed.
- Customized service providers' online financial management and credit self-checkers to the sector and to the requirements of the Zambian economy.
- Assistance to the banks and SMEs on how to avoid non-performing loans.

iii) *Program Monitoring and reporting:* the selected service provider shall be responsible for providing quarterly reports to AMSCO on progress in implementation of the various components. In addition, the selected service provider shall submit semi-annual reports to AMSCO outlining progress as well as utilization of funds.

2. Component Two: Capacity Building of SME Business Associations, SMEs and local business development service providers

i) *Baseline Survey:* Selected service providers, in collaboration with AMSCO will use local expertise to conduct a baseline for the program based on the key performance indicators in order to provide a baseline against which progress and impact shall be measured and assessed.

ii) *Sourcing, development and adaptation of training materials assessments:* The selected service provider will carry out the training and capacity building, assist in adapting or developing training tools for SMEs, BDS providers and Business associations, and carry out needs assessments as well as training of financial institutions through various self-check tools. Where selected service providers are providing inputs to the same target clientele, AMSCO shall be expected to coordinate closely with them to synchronise such activities and ensure efficiency and effectiveness of such interventions

iv) *Training and capacity building:* Selected service providers, in collaboration with AMSCO, will coordinate the development and implementation of a training program based on consultation with target stakeholders and assessed priorities. Training of BDS providers and SME associations shall be conducted to equip them with the necessary tools, skills and materials. The selected service provider will also conduct "training of trainers" for BDSPs that will be responsible for training and counselling SMEs.

v) *Build capacities of SMEs to develop bankable projects and strengthen their financial soundness:* Targeted SMEs will receive training and coaching on various financial management topics such as how to assess their financial needs, existing methods of payment and financing, whom to approach for bank loans, how to present bankable projects, as well as how to adopt sound financial management and accounting practices.

v) *Developing Support Reference mechanisms for target SMEs:* Selected service providers, in collaboration with AMSCO will assess, select and set up a database of the BDS providers that will be outsourced by the project and that will also be shared with all SME associations and banks as part of referencing services.

vii) *Program monitoring and reporting:* The selected service provider shall be responsible for providing quarterly reports to AMSCO on progress in implementation of the various components. In addition, the selected service provider shall submit semi-annual reports to AMSCO outlining progress as well as utilization of funds.

OUTPUTS

- i) Build capacities of Training of SMEs, Business Associations and BDSPs on various tools and skills.
- ii) Financial management training provided to SMEs:
 - Financial management training provided to SMEs via the local partner SME association representatives
 - Certified successful SMEs in financial management
 - Financial management and credit self-checkers are made available online to SMEs.

- iii) Training Reports for BDSPPs and SME associations indicating numbers trained, females trained, type of training and materials used
- iv) Fully adapted SME materials (where necessary) and tools for BDSPP and SME associations
- v) Event reports on SME project indicating media coverage if any
- vi) Fully functional SME support reference systems among project stakeholders
- vii) Quarterly and semiannual reports on progress in implementation

Requirements for submissions of proposals:

- 1) Service Providers will be required to submit a company profile, highlighting capabilities to undertake the assignment and experience on the same.
- 2) Service Provider will be required to highlight the component that they have the capacity to implement. If the service provider feels that they can collaborate with another agency on implementation of a particular activity, kindly mention this.
- 3) All costs to be incurred by service providers during the period of the project should be factored into the total budget of the proposal.

Deadline for Submission of Proposals: **31st May 2010**

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