

RFPHQ-UNCDF-05042020 - Procurement of Financial Instruments Management Systems and Related Services

Q & A, Response 3, Round 1

ID	Section	Clarification Questions	UNCDF Response
1.	General	Please provide the volume of active borrowers and transactions for a particular period.	UNCDF's loan and guarantee operations are in a growth stage. UNCDF currently has fewer than 20 active borrowers and guaranteed parties. About 10 new transactions have been conducted each year, but the transactions are expected to increase in the next two years.
2.	General	The products (Grant, reimbursable grant, loans, guarantees and/or technical assistance) and processes described in your RFP and associated documentation are very really similar to what we implemented for our other Project finance customers but your loan outstanding is small relative to what we are used with our other project customer. In order for us to decide if we should bid on this project, can you give us a budget range and the number of existing loans.	Regarding products, the system intends to manage only Loans and Guarantees. Grants and TAs are outside the scope of the current RFP. On the number of existing loans, please see response to Question # 1, above.
3.	General	What are the activities performed during entire lifecycle of loan & guarantee?	<p>Key activities during origination stage:</p> <ol style="list-style-type: none"> 1. Pre-qualification 2. Due diligence 3. Independent credit assessment 4. Credit/guarantee review and decision 5. Fulfillment of conditions precedent and signing of legal documents 6. Disbursement <p>Key activities during portfolio management stage:</p> <ol style="list-style-type: none"> 1. Tracking of payments, and sending reminders to clients and project owners 2. Tracking clients' submission of annual financial statements and other reporting requirements; sending of reminders 3. Bi-annual portfolio review 4. Periodic portfolio performance & risk reporting 5. Restructuring of loans/guarantees 6. Termination processing
4.	General	Please provide the reporting requirements like Aging, statutory reports etc	<p>The following are some of the key reports:</p> <ol style="list-style-type: none"> 1. Loan repayment calendar for the next 12/24 months

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			<ul style="list-style-type: none"> 2. Performance metrics (e.g. Outstanding loans/guarantee, Non-performing loans, Net Interest Margin, etc.) 3. Portfolio composition by country, currency and sector; also by fund (counterpart) source 4. Client document submission completeness report 5. Subsidy and reserve report 6. Annual/bi-annual loan/guarantee review report (format to be developed) 7. Development results report (format to be developed)
5.	General	<p>Following touchpoints has been considered with Atlas ERP System:</p> <ul style="list-style-type: none"> 1.) Funds Received from Donor (From Oracle to Atlas-Donor Invoice, so Receipt can be booked in Atlas) 2.) Payments to Borrowers (From Oracle to Atlas-Borrower AP Invoice, so Payment can be booked in Atlas) 3.) Repayment from Borrowers (From Oracle to Atlas-Borrower AR Invoice, so Receipt can be booked in Atlas). Pls confirm. 	<ul style="list-style-type: none"> 1) Yes (This feature will be useful) 2) Yes 3) Yes
6.	Origination of Funds	<p>How do you classify the contribution received from Donors? Please provide details</p> <p><i>We observed your website, Donor contribution classified as Core, Non Core, JPO Resources</i></p>	For the purpose of establishing FIMS, UNCDF simply needs to tag the source of funds for each loan disbursed and guarantee approved. The tag is important for the preparation of report to donors.
7.	Origination of Funds	What are the contributions mode received from Donor, only cash or in kind also?	Only cash
8.	Origination of Funds	Do we receive the funds from Donor based on disbursement schedule or received initially in Escrow account & disbursed from it?	The funds for lending operations have been previously secured from Donors. The funding can be disbursed in tranches over several years (sometimes dependent on conditions being fulfilled on UNCDF side). UNCDF is then ready to disburse funds when a lending opportunity arise.
9.	Disbursement of Funds	As we understand that you link donor fund sources to qualified Loans & Guarantees, however if you clarify whether it's tracked from donor to borrower or pool of funds to borrower?	UNCDF tracks the link between borrower and donor (or fund source which can be a pool of funds from different donors).

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10.	Disbursement of Funds	With the loans & guarantees, do you generate some revenue, in form of fees & interest or you just get the repayment of original funds	UNCDF charges interest and fees for loans and guarantees.
11.	Disbursement of Funds	Do you also perform any kind of collection activities with funds disbursed and there are cases where funds are not recovered back	UNCDF collects the repayment of principal, interest, and fees from borrowers or guaranteed parties. The borrowers have been honouring their obligations under the loan agreements with UNCDF. Of course there may be scenarios when fund may not be fully recovered in the future.
12.	Disbursement of Funds	Please elaborate 'Calculation of subsidy to borrowers and application of contribution to reserve'	UNCDF's loans and guarantees are given to recipients at below market rate. Based on the rules of accounting for non-profit, UNCDF calculates and books the subsidy amount for every loan repayment or guarantee approval (i.e. the difference between the theoretical market rate calculated by UNCDF and the rate given to borrowers/guaranteed party). Regarding reserves, UNCDF's rules says that for every loan/guarantee payment transaction, UNCDF needs to set aside a certain amount of money in a separate account as "reserves" in order to cover for potential losses in the future. The amount set aside to the reserves will come from the subsidy (paid by UNCDF through grants) and from the borrower. The calculation of both the subsidy (difference btw the theoretical market rate and the rate charged to the client) and reserves (the expected losses) are based on pre-defined formulas.
13.	Disbursement of Funds	For the periodic credit review scoring system, will the criteria be based on transactional history or user input. Please Explain.	The criteria for periodic review scoring will be based on both the transaction history and user inputs. The review will look into clients' performance on financial and development impact dimensions.
14.	Disbursement of Funds	In the case of Guarantee, if the principal debtor fails to pay to the creditor, what is the process followed to recover money	The guaranteed party submits a claim to UNCDF. UNCDF reviews the claim for eligibility based on the guarantee agreement. UNCDF disburses the money to the guaranteed party.

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15.	Section 5: B - Project Description	Under Loan Guarantees, does UNCDF has any country/entity level policy restrictions which need to be complied with apart from sanctions?	UNCDF's loans and guarantees are intended to be used primarily to benefit beneficiaries located in 47 Least Developed Countries. UNCDF's Loan and Guarantee policy stipulates the rules and restrictions on investing in entities, including prohibitions to invest in organizations engaged in certain types of activities.
16.	Section 5: C - Scope of Services, Expected Outputs, and Target Completion	Once the loan is sanctioned there is a Portfolio credit review scoring model based on financial developmental criteria can we have more details around same? For example- how does UNCDF monitor Project progress, quality deliverable as defined in the contract, manage and mitigate risk and take actions as required. Also, how these inputs are used in scoring model?	UNCDF's Credit Scoring model is based entirely on commercial risk criteria and has many similarities to the scoring model that commercial banks use. To assess the developmental aspect of a transaction, UNCDF currently uses qualitative and quantative factors outside of the credit scoring model. UNCDF takes all of these information to make a decision on a loan or guarantee. For monitoring of progress after disbursement, UNCDF conducts the following key activities: (1)Tracking of payments, and sending reminders to clients and project owners for these, (2) Tracking clients' submission of annual financial statements and other reporting requirements,and sending of reminders for these documents. (3) Regular portfolio review, (4) Periodic portfolio performance & risk reporting, (5) Restructuring of loans/guarantees (as needed), and (6)Termination processing. UNCDF will implement a development impact monitoring tool in the near future. UNCDF will also develop a scoring model for periodic review of loans and portfolio.
17.	Section 5: C - Scope of Services, Expected Outputs, and Target Completion	Please let us know if there are any fees collected during the Loan processing lifecycle?	UNCDF does not collect fees during the loan processing cycle.
18.	Section 5: C - Scope of Services, Expected Outputs, and Target Completion	Please provide insights around current sanctions screening process of Loan applications and does it fall under the preview of current RFP?	Sanction screening process does not fall under the current RFP

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19.	Section 5: C - Scope of Services, Expected Outputs, and Target Completion	What are different types of Lending Products UNCDF has currently? How are they originated, services and governed?	UNCDF currently has one type of Loan product and one type of Guarantee product. The loan is intended for organizations such as SMEs or local public institution in least developed countries, and has a tenor between 1 and 15 years. A guarantee is intended to facilitate commercial financing by giving protection to a lender. It can also be used to facilitate other developmental activities by a private or public entity by reducing uncertainties arising from unexpected events.
20.	Section 5: C - Scope of Services, Expected Outputs, and Target Completion	Please provide details around taxation policies which are required to be integrated within Loan processing framework?	UNCDF loans and guarantee products and services are not subject to taxation. During the due diligence process, however, UNCDF asks potential beneficiary businesses for proof of tax payment to the tax authorities.
21.	Section 5: C - Scope of Services, Expected Outputs, and Target Completion	Please provide more insights around what constitutes the current Loan restructuring process at UNCDF? Are these activities performed as part of loan restructuring: - Reduce or waive off interest and fees - Extend the tenor of Loan - Change the guarantor	Loan restructuring entails changes in the original terms of the loan either due to borrower's financial distress or voluntary request from borrowers. The range of possible changes is similar to those being applied in a commercial lending institution. Measures such as waiver of interest rate, extension of tenor, or change of guarantors are all acceptable changes under restructuring.
22.	Section 5: C - Scope of Services, Expected Outputs, and Target Completion	Please let us know the current process in case of loan defaults by the borrowers?	In case of loan defaults, UNCDF sends informs the investee of the default. It proceeds to discuss with investees on a few possible options. These options include providing a payment grace period, restructuring of loans, foreclosure of collateral, or write off of loans. These actions entail adjustments in the term sheet, loan schedule, loan agreement, and transaction recordings. UNCDF expects these adjustments and internal approval process to be handled by the system.
23.	Section 5: C - Scope of Services, Expected Outputs,	Does UNCDF use any existing de-duping application or capability to check the duplicate loan applications?	UNCDF does not use any software to check for duplicate applications.

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	and Target Completion		
24.	Section 5: C - Scope of Services, Expected Outputs, and Target Completion	Please let us know which message format is currently used to integrate with Atlas ERP system for submission of Payment request and Loan Accounting Entries posting?	UNCDF currently uses paper instructions for payment requests. The booking entries are entered in Atlas manually.
25.	Section 5: C - Scope of Services, Expected Outputs, and Target Completion	Please provide Insights around current underwriting process and different type of Loan request received from different entities and countries? For example- For Microfinance NGO's which provide micro loans to daily wage workers, what type of loan application information UNCDF seeks and how does UNCDF carry out credit decisioning during underwriting process after receiving all the application details?	UNCDF uses a standard underwriting process for loan or guarantee. It involves two key activities: Due diligence and Independent Credit Assessment. In due diligence, project owners gather financial reports, business and financial projections, additional business and owner information based on a template, visit prospective borrowers, speak with third parties, and conduct analysis. Meanwhile, an independent group runs a credit score, assess risks, capacity to pay, availability of security, and assign appropriate pricing. The outputs of these two activities serve as basis for decision making by an Investment Committee and the Head of UNCDF. All loan requests come from UNCDF staff located in field offices.
26.	Section 5: C - Scope of Services, Expected Outputs, and Target Completion	Please let us know the estimated monthly Volume of Loan Transactions processed by UNCDF?	UNCDF's loan and guarantee operations is in an early stage. It currently process 10 loans and guarantees per year. However, UNCDF expects the volume to increase substantially in the next few years.
27.	Section 5 F. Location of Work	Does UNCDF has any preference for Contractor's office location/off-site location as mentioned? Is UNCDF open to offshoring as well?	UNCDF is open to offshoring of contractor's services.
28.	Form G : Financial Proposal Form	In summary pricing tables for lot 1 and lot 2, how is the last line item " Total Final and all-inclusive price quotation" different from last but one line item "Total Amount of Financial Proposal"? Please let us know UNCDF's expectation for these 2 line items.	"Total Financial and all-inclusive price quotation" refers to a price including VAT. The earlier line "Total Amount of Financial Proposal" refers to a price excluding VAT.
29.	Section 6: Returnable Bidding	We will be submitting the proposal response in the form-based deliverable format as shared by UNCDF in	Noted, that is fine.

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	Forms / Checklist	section 6. Please confirm if this approach is fine with UNCDF.	