

Preparing Micro-Small-Medium Enterprises (MSMEs) for Risks Reduction for Livelihoods Resilience Building in Yemen

Terms of Reference (TOR)

Background

Business in Yemen has taken a severe blow from the protracted conflict. The national economy has collapsed and with it the purchasing power of consumers. Import and export have been reduced to just a trickle of earlier volumes. Both physical and institutional infrastructure have been destroyed. And distribution of goods has been impeded by transportation cost and expensive fees. But despite these ordeals, most businesses have survived, occasionally even thrived, showing an extraordinary capacity of Yemenis to adapt to hardship and bounce back from setbacks. Due to the ongoing conflict, the financial sector is struggling with liquidity and many bank branches are non-functional. Interest rates are high due to high operational costs, inflation and de facto devaluation of the Yemeni currency. Banks prefer to keep their money in United States Dollars (USD) rather than having outstanding loans in Yemeni Riyals. The private sector lacks access to financial services to trade. And importers are suffering as the Central Bank of Yemen no longer supports letters of credit, requiring all imports to be cash based.

Microfinance Institutions (MFIs) are still operating, but their reach is limited and the risk and cost have significantly increased. Yemen's MFIs are more into savings than loans – globally recognized as a best MFI practice while considering what is good for both clients and the MFI industry – with over 660,000 savers and a little over 100,000 borrowers. According to a 2015 UNDP commissioned Small and Micro Enterprise Promotion Service (SMEPS) study, banks and MFIs accounted for only 20% of all micro and small enterprise loans, leaving the informal sector to cover the remaining 80%. It comes as no surprise that the weakest link in starting or expanding a business in all seven sectors studied (textile, solar, beekeeping, meat and poultry, food processing, fisheries, and pottery) appears to be obstacles in availing financial loans. MFIs are by and large unengaged and the primary funding sources appear to be personal savings and informal family loans. Lack of loan opportunities are unilaterally stated as a main reason for inhibiting business expansion and crippling the ability to compete.

The absence of MFIs, or business' inability to access their services, calls for confidence building measures for MFIs to know and trust a new category of customers and for micro and small businesses to understand and accept the loan processes and conditions. In Bangladesh – the cradle of the microcredit industry that serves as the model for Yemen's MFI industry – the loan business excelled when it allowed lending to poor women without rigid regulation such as ID card requirement. Similarly, Yemen's MFIs could do the same as often women do not have personal ID cards. COVID-19 could deter MFIs to lend to micro, small and medium enterprises (MSMEs) as defaults are expected to increase and bad debt exposes MFIs to higher vulnerability. New operational measures will need to take place to manage loan repayment cash collections and non-financial services through mobile money and other remote services.

The majority of privately-owned establishments (95 percent) in Yemen are classified as micro and small enterprises, employing less than five employees. The most affected have been women owned enterprises where almost half have been forced to close (42%), including those operating in the vital health sector, further compounding the struggle of the average Yemeni citizen to access basic health services. As much as 95% of the businesses that have closed did so due to physical damages on the business enterprise due to armed conflict or airstrikes, in fact only 7.6% of business that closed did so for other reasons than physical damages.

Damages on the businesses includes stock, machines, storage facilities and the building itself. Structural constraints to the financial sector and limited geographical outreach are contributing factors to an underdeveloped supply of financial services resulting in a widening 'missing middle' of SMEs and high demand for additional credit facility by all businesses surveyed in the northern governorate of Sa'dah.

There is no doubt that the MSMEs in Yemen have come a long way and specially went through the worst humanitarian crisis (yet to be over) and economic collapse. The last five years of protracted crisis has proven to be the litmus test for the informal sector, and they could be a game changer for COVID-19 response and beyond. Though MSMEs does not provide substantial jobs creation but more for self-employment opportunities. The labor market in the formal sector has already collapsed and not protecting MSMEs could be a disaster for Yemen. The economic risks MSMEs require mitigation or reduction to protect these vulnerable entities to disappear from the circular economy. With this context and background, a larger question is, can something be done? There is evidence that despite all challenges and risks, people of Yemen are not giving up and thanks to the cultural resilience are being able to still do some business. All they need is assured credit support.

Is it possible then to make giving loans to SME's by MFI's, secure? Is it possible to setup a model where credit risks can be hedged? Is it possible to bring various financing options (including religious-cultural ones like Zakaat) into a model of credit risk sharing? A vibrant lending practice needs a guarantee system and given the conflicts within Yemen; this has been a challenge. The Joint Liability Group (JLG) model gave microfinance in Bangladesh and elsewhere the assurance that it needed, to be repaid. What can we learn from it and how can we assure the microfinance players in Yemen that their credit will be repaid? How can we reduce the risk of lending so that SME's in Yemen have the capital they need to survive and prosper?

Objective of the baseline

The overall objective of the assignment is to develop a credit risk protection mechanism for MSMEs under the BRISCC project and pilot with 100 enterprises. The mechanism should elaborate on risk parameters for MSMEs and how they can become risk averse for business expansion in fragile context like Yemen. The assignment includes conducting the research study with the established MSMEs to gather the primary and secondary data requires build the credit risk protection. The mechanism should also engage all relevant stakeholders including banks, MFIs, private sector, chamber of commerce, and like-minded agencies.

Scope and key tasks

- Develop study and pilot framework for credit risk protection mechanism.
- Identify 200 MSMEs for the research work and they can be existing ones.
- Conduct the feasibility research work to develop the protection mechanism to pilot with 100 MSMEs.
- Present the research findings for credit risk protection to relevant stakeholders and validate with the feedback.
- Initiate the pilot mechanism for 100 MSMEs.
- Evaluate the overall impact of risk protection mechanism for 100 MSMEs.
- Hire enumerators and training on data collection and field visits.
- Data collection and storage at online platform for the access of UNDP management.
- Organization of final workshop to present the "Credit Risk Protection Mechanism for MSMEs".
- Submission of final report and dataset.

Expected key deliverables

1. **An inception report**, outlining the key scope of the work and intended work plan of the analysis, and evaluation questions, shall be submitted after one week of commencing the consultancy. The evaluator will prepare an inception report which will outline the scope of work, intended work plan and analysis. The inception report should clearly layout the detail methodology as per the guidance provided in the methodology section above. The inception report should include a proposed schedule of tasks, activities and deliverables, designating a team member with the lead responsibility for each task or product. Inception report should also provide structure of the table of content of the baseline report and this will be discussed and approved by UNDP. UNDP will provide its feedback within a week.
2. **Presentation of raw data**: The consultancy firm will need to present the raw data in a workshop and UNDP will provide its feedback and approve as well.
3. **First draft report**: A draft report that will be presented by the consultancy firm and shared with UNDP team for its feedback and input. UNDP will provide comments within a week soon after the submission of the draft report. The draft report should be submitted after 4 weeks of inception report.
4. **The Final Report**: This will be submitted after two weeks of draft report submission and feedback will be provided to the consultant through the final workshop. Consultancy firm needs to submit the report soon after two weeks of the final workshop.
5. **Handover of the dataset**.

Deliverables/ Outputs	Estimated Duration to Complete	Payment %	Review and Approvals Required
1. Inception Report 2. Develop study and pilot framework for credit risk protection mechanism.	At contract signature	20%	Project Manager Triggers payment #1
3. Identify 200 MSMEs for the research work and they can be existing ones. 4. Conduct the feasibility research work to develop the protection mechanism to pilot with 100 MSMEs. 5. Present the research findings for credit risk protection to relevant stakeholders and validate with the feedback.	3 months from deliverable 1	20%	Project Manager Triggers payment #2
6. Initiate the pilot mechanism for 100 MSMEs. 7. Evaluate the overall impact of risk protection mechanism for 100 MSMEs. 8. Hire enumerators and training on data collection and field visits. 9. Data collection and storage at online platform for the access of UNDP management	4 months from deliverable 2	30%	Project Manager Triggers payment #3

10. Organization of final workshop to present the "Credit Risk Protection Mechanism for MSMEs". 11. Submission of final report and dataset.	3 months from deliverable 3	30%	Project Manager Triggers payment #4
Total		100%	

Contract duration period

The assignment is expected to start in May estimated duration of 10 months and will end no later than 30 March 2022. This will include desk reviews, field work - interviews, and report writing and workshops.

Duty station

Based in Aden and Sana'a.

Qualification of successful service provider

The firm or consortium (national and international firms) expected to have the following expertise and experience:

Essential requirements

- At least 5 years of experience in credit risk protection and microinsurance in Yemen or in Asia.
- Proven skills in the area of developing risk protection and microinsurance products in Yemen or in Asia.
- Excellent command of both English and Arabic.

Company profile:

- Business registration document.
- Experience Key personnel.
- Experience working with locals/international organizations.
- Knowledge of the general situation and similar working experience in the region;
- Experience working on resilience, humanitarian and development preferred
- Working experience in crisis context and organization of focused group discussions and consultation meetings.

Quality assurance procedures, risk and mitigation measures

- Describe the potential risks for the performance of the TOR that may impact achievement and timely completion of expected results as well as their quality.
- Describe measures that will be put in place to mitigate these risks. Provide certificate (s) for accreditation of processes, policy e.g. ISO etc.
- Relevance of Specialized Knowledge and Experience on Similar Projects
- Detail any specialized knowledge that may be applied to performance of the TOR. Include experiences in the region.
- Describe the experience of the organization performing similar services. Experience with other UN organizations/ major multilateral / or bilateral programmes is highly desirable.
- Provide at least 3 references

Project	Client	Contract value	Period of performance	Reference Contact Details (Name, Phone, Email)

Proposed Work Plan and Approach (methodology)

The firm or consortium (national and international firms) should submit a clear methodology for the required task according to the following points as outlined in the beginning of the document section on methodology, scope of the work and key tasks.

Team Composition and Roles and Responsibilities

The firm or consortium (national and international firms) should provide detail of the team composition and their roles and responsibilities. It is also advisable to have team leaders for each operational governorate who will be in direct contact with -BRISCC Project Manager-UNDP. It is expected that:

- BRISCC project will provide the overall strategic guidance and decision-making for the exercise.
- BRISCC Project Manager would support in strategic framing of the exercise, including development of the methodology, relevant and necessary tools, and provide guidance and oversight for data collection. Company will set up the necessary team of national experts in place to carry out the data collection at field level. Company will lead the overall analysis and produce the consolidated reports, with the findings and recommendations, and will lead the consultations with UNDP Yemen Programme Team. Company will report to the BRISCC Project Manager;
- The field officers will carry out the necessary field level data collection and analysis, under the leadership of the international Team Lead;

Qualifications of Key Personnel

Names and qualifications of the key personnel who will perform the services indicating support staff.

1. Masters' degree in development, social study, International Development, Development Economics/Planning, Economics, International Relations or any other relevant university degree;
2. A minimum experience of 5 years of work proven experience at national or international level in economic empowerment, microinsurance, credit risk protection and product development.
3. Experience in software programme development for risk protection and microinsurance products.
4. Good computer skills in word, excel and PowerPoint programmes
5. Good facilitation, training, analytical, comprehension and writing skills
6. Excellent command of English; Arabic will be of added value

Institutional arrangements

The awarded firm will report directly to the BRISCC Project Manager and work in close collaboration with the team.

Manner of submission:

The vendor requested to submit the proposal through the following e-tendering system.

<https://etendering.partneragencies.org>