
TERMS OF REFERENCE (ToRs) for Recruitment of Short-Term Consultant (STC)

General Information	
Title of Assignment:	Strategic mapping of SMEs Innovative Finance in Africa and development of a sustainable financing framework for SMEs
Type of contract:	Institutional consultant
Location:	Remote
Application Deadline:	09 December 2021
Type of Contract:	Short-term
Consultancy Level:	International
Languages Required:	English
Expected Duration of Assignment:	15 weeks

I. Background- SMEs Innovative and Inclusive Finance

In order for Africa to recover from the covid-19 pandemic and set itself on a resilient and sustainable development path, efforts to address the challenges impeding the realisation of the SDGs must be decisively increased. Two primary challenges need to be tackled. First is the need to prevent further erosion of gains and to accelerate progress towards the achievement of SDGs. And second is the need to bridge the SDG financing gap, which in the case of Africa now requires an estimated additional \$154 billion¹ to address costs associated with the impact of the pandemic- this is on top of a pre-existing annual financing gap of \$200 billion.

The critical importance of supporting Small and Medium enterprises (SMEs) for quick recovery post-Covid 19 and for the advancement of the SDG Agenda is universally recognized. They are engines of growth and essential drivers of productivity and competitiveness in developing countries. They are also the largest employment providers and responsible for nurturing domestic entrepreneurial capacities, innovation, technical skills and management competencies. SMEs are also key to promote social inclusion and supporting their development yields a developmental multiplier effect by widening income distribution, providing inclusive support for women and youth-owned businesses as well as social value creation through the support of social enterprises.

One of the prevailing constraints facing SMEs is access to finance. Creating and scaling-up new tailored financing solutions for SMEs is therefore one of the keys to advancing economic development, wealth creation and reducing poverty. The challenges of SME access to finance can be clustered into two broad categories. The first category is the **supply-side challenge** in terms of mobilization of financial resources earmarked for SMEs transformation and development via such avenues as government funds, donors' funds, funds of funds on one hand, and in terms of challenges associated with local financial institutions and financial markets direct supply of funds to SME on the other.

¹ <https://unctad.org/osgstatement/unctad-economic-development-africa-report-2020-press-conference>

The second category is the **demand-side challenge** in terms of SME risk-profile, financial literacy, SMEs financial profile, management capability, and entrepreneurial readiness. Addressing the demand-side challenges is vital to SMEs sustainability as going concerns.

Innovative financing mechanisms are essential to alleviate challenges on the supply-side of the equation. The public and private financial systems require appropriate reforms and technical assistance to reduce financial exclusion and de-risking financing SMEs. This are increasingly taking place through joint interventions, coordinated actions and digital finance solutions. Recent research carried out by the UNDP Africa Finance Sector Hub (AFSH) has shown that several factors can play a vital role in alleviating the foregoing challenges.

(1) Facilitating SMEs access to finance through earmarked public funds (domestic and international) and addressing regulatory prudential (e.g. Basle III-related capital requirements) preventing small financial institutions like the Microfinance Institutions (MFI) from accessing public funds and earmarked liquidity.

(2) Developing financing channels other than mainstream commercial banks and boldly promote alternative channels such as SME sector-friendly banks and other decentralized financial systems such as microfinance institutions, village banks, NGOs, etc.

(3) Aggressively promoting the development of digital finance -inclusive of accounts, payment, financing and e-commerce solutions- through dedicated programs aimed at establishing dynamic and lively ecosystems for Fintech enterprises/e-businesses development. This would include appropriate regulatory intervention, dedicated development of capital markets and equity financing, interventions in the education system, as well as innovation promotion through incubation and acceleration programs.

(4) Scaling-up the usage of blended finance mechanisms to de-risk SMEs-related lending and investment activities, for example through portfolio guarantee for SMEs lending of MFIs and other decentralized financial system lending programmes and well as the use of innovation funds.

(5) Promoting and scaling-up SME capacity-building programs that will contribute to address the challenges associated the demand-side of the equation, and alleviate the risks associated with lending to smaller, less formal enterprises, including marginalised groups such as women associations/groups, youth entrepreneurs' associations and farmers associations/groups.

(6) Supporting important headways realised in various countries in Africa in developing SMEs finance through securities issuance, inclusive of small-cap stock and alternative securities (basket bonds etc.).

(7) Supporting the development of start-up finance and rapid growth through mechanisms and instruments such as challenge awards for concept and seed stage business, financing for unicorn firms, venture capital financing, green business catalytic funding and crowdfunding.

(8)Addressing SME Insurance in the context of business interruption due to emergencies, disasters and other climate and commercial vulnerabilities.

Against this backdrop, the AFSH is seeking the services of a Consultant to carry out a Strategic Mapping of Innovative SMEs Finance Models in Africa and develop a sustainable financing framework for SMEs. Considering the UNDP Country Offices and AFSH work to support MSMEs and entrepreneurship development and financing, this research exercise will also be expected to survey the digital financial, payment and e-commerce products and services to meet the needs of SMEs to address COVID-19

challenges. It will also explore the best global practises from the SME Finance Forum, relevant SME foundations, and other SMEs development initiatives across the Global South. Furthermore, beyond the identification of key approaches to promoting SME financing, it will also formulate concrete and structured interventions to be carried out by the AFSH along with relevant national and regional partners.

II. Scope of Work

The UNDP AFSH is looking for an institutional consultant to:

- 1) Carry out a mapping of successfully implemented innovative models, mechanisms, instruments, and practices in Africa and beyond to promote SME financing;
- 2) Work closely with the AFSH technical team to identify 2 targeted actionable areas of most relevance and importance to SMEs development in SSA, and carry out a strategic/SWOT analysis integrating potential target countries, timeline, potential impact as well as required resource and capacity needs for concrete intervention by the AFSH;
- 3) Outline a roadmap and program of actions for two countries specifying key entry points and recommendations for implementation of this financing framework or initiative. Particular attention should be given to strong entry points and selection within existing incubation and acceleration programs, investment readiness needs and good practices as well as the inclusive digital finance, trade and green finance opportunities with the greatest growth potential for SMEs;
- 4) Produce a final report capturing the above, and a PowerPoint slides summarizing key findings.

III. Duties and responsibilities

Under the supervision of the Private Sector Special Advisor, the institutional Consultant shall perform the following main tasks:

- (i) Engage with the AFSH technical team at inception and continuously throughout the consultancy with weekly update meetings.
- (ii) Carry out desk research as required to produce inputs for the final report including the roadmap and action for 2 selected countries.
- (iii) Undertake at least two stakeholders' consultations to harvest ideas and validate the operationality of the selected SMEs financing framework.
- (iv) Formulate the specific interventions and roadmap for the 2 selected countries as well as the relevant implementation strategies.
- (v) Integrate stakeholders and AFSH inputs into the formal report.

Specific deliverables that will be subject to the approval of AFSH team include the following:

No.	Deliverable/output	Estimated duration
1	An inception meeting with the PSSI technical team to agree on the detailed implementation plan for the consultancy.	At the beginning of the consultancy

2	An inception report identifying preliminarily 3-4 key areas of top relevance and importance to SME in SSA needs and growth opportunities and outlining the approach that will be adopted for the engagement.	10 working days
3	A draft report, with a mapping of innovative SME Finance mechanisms, instruments, and successful practices around the world and a SWOT analysis of any two suggested SMEs financing framework relevant to SSA context.	22 working days
4	Organization of stakeholders' consultation session to harvest ideas on sustainable SMEs financing framework or mechanisms	7 working days
5	Strategies and a roadmap for action which indicates AFSH PSSI's specific entry point in 2 SSA countries to apply and upscale the successful SME finance solutions in the African continent and specific implementation strategies	8 working days
6	Organization of stakeholders' validation session	8 working days
7	A final report consolidating the mapping, the SWOT analysis, and the strategies for innovating and diversifying SME finance in SSA.	10 working days
8	The production of a technical PowerPoint summarizing the findings and recommendations of the final report as well as the program brochure materials.	10 working days
Total days required for the assignment		75 working days

IV. Requirements

The institutional Consultant will hold the minimum below qualifications.

Technical Competencies

- The faculty members must have Master's Degree or above in Development Finance, Development Economics, Development studies or related social science fields.
- The institution must have at least 10 years' experience in strategy consulting and/or economic research, with a focus on innovative SME finance and financial sector development.
- Knowledge of the Sustainable Development Goals and of different approaches used in private sector engagement in the 2030 Agenda.
- Knowledge of local and regional development focus areas with a good appreciation how to leverage the private sector, in particular the finance sector and emerging digital finance institutions for innovative SME finance.
- Experience in enterprise financing strategy development is an asset.
- Proven strong analytical, research and training capabilities will be an asset Proven experience in developing knowledge products and presenting data and information for use by wider audiences.
- Effective communication, facilitation, and presentation skills.

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- Hands on work experience in fields related to the assignment in SSA in general.

Functional Competencies

- Ability to undertake in desk research and in-depth studies;
- Ability to shape and guide the research agenda of the SME finance mapping exercise by defining key questions which can be addressed through data-driven research prioritizing data sources to be explored.
- Lead the collation of insights from multiple research sources into a primary document, ensuring that data collected is of comparable breadth and depth.

V. Assignment Management, Reporting and institutional arrangements

- The institutional Consultant will report to a UNDP coordination team composed of PSSI Unit experts. All deliverables will be validated by the Private Sector Special Advisor.
- An inception meeting shall take place at the beginning of the consultancy. During this inception meeting, the Consultant shall endeavour to precisely outline its envisaged approach for this assignment and seek clarifications of any pending issues to ensure a joint understanding on the scope, deliverables, and timeline for the work.
- The Consultant will engage on a weekly basis with the coordination team to report on deliverables development to ensure compliance with estimated duration for completion under the deliverables/output table in section III as well as swift deliverables validation.

VI. Criteria for selecting the best offer

Upon the advertisement of the Procurement Notice, qualified Institutional Consultants are expected to submit at least three CVs, a short Technical (up to 5-7 pages) and a Financial Proposal. Accordingly, the institutional consultants will be evaluated based on the following criteria:

- Responsive/compliant/acceptable, and
- Having received the highest score out of a pre-determined set of weighted technical and financial criteria specific to the solicitation. In this regard, the respective weighting of proposals is as follows:
 - (i) Technical Criteria weight is 70%
 - (ii) Financial Criteria weight is 30%

Technical Criteria Weight Max 70.

- Educational relevance of faculty members - **20 points**.
- Understanding the scope of work as evidenced in the technical proposal- **25 points**.
- Strong experience and accomplishment in research and training **25 points**
- Strong record of accomplishment in enterprise and local development financing, including microfinance and private sector engagement experience - **15 points**.
- Experience of similar assignment/regional market analytics & trade work - **15 pts**

VII. PAYMENT MILESTONES AND AUTHORITY

The qualified institutional consultant shall receive lump sum service fees upon certification of the completed tasks satisfactorily, as per the following payment schedule:

Instalment of Payment/ Period	Deliverable Details	Percentage of Payment
1 st instalment	Deliverable 1 (Inception Report)	30%
2 nd instalment	Deliverable 2 (Draft report)	40%
3 rd instalment	Deliverable 3 (Final report)	30%
		100%

These TORs are approved by:

Name:

Designation:

Signature:

Date Signed: