



Terms of Reference | Improving Credit and Investment Readiness for Smallholder Farmers Participating in Supplier Development Programmes Eswatini.

Conduct a review of 10 farmers enlisted in FMT's Eswatini Supplier Development Programme to determine their level of credit and investment readiness.

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Prepared by FinMark Trust

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1. About FinMark Trust

FinMark Trust (FMT) is an independent trust whose purpose is to make financial markets work for the poor by promoting financial inclusion and regional financial integration. FMT does this by conducting research to identify the systemic constraints that prevents consumers from accessing financial markets, and by advocating for change based on research findings. Thus, FMT has a catalytic role, driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all consumers.

2. Background and Contextual Information

Agriculture continues to be the backbone of many countries, especially given that 75% of the world's poor are still contingent on agriculture. In the SADC region, agriculture continues to play a vital role in the economy, contributing between 4% and 27% towards the Gross Domestic Product (GDP). The agricultural sector constitutes approximately 66% of the intra-regional trade value and an average of 13% of the overall export income for several countries in the region. Moreover, 61% of the SADC populace rely on agriculture as the basic source of income, subsistence and employment.

Eswatini's National Development Strategy has prioritised agriculture, manufacturing and services sectors as its key drivers of economic growth. In turn, the Department of Industry in the Ministry of Commerce, Industry and Trade (MCIT) has prioritised agro-processing in high economic impact agro-value chains i.e., those that have high export potential and are drivers for job creation people, have potential for import substitution; product and market diversification; increased competitiveness in production and on market; social inclusion of all people of all genders; and environmental sustainability. MSME's are noted as being critical to this effort.

According to the 2017 FinScope MSME Eswatini Report, 78% of the MSMEs in the high impact groups are located in the rural areas where agriculture is the major activity. MSME's participating in Eswatini's agriculture sector, are the second largest sector to wholesale or retail, but contribute the highest monthly turn-over at E134 million (US\$10.3 million). Access to finance is the biggest challenge in the effort to promote commercialisation and growth of the SMEs operating in the agriculture sector. As such, access to finance for the continues to be a major constraining factor for the development of the sector.

3. Problem Statement

The Enterprise Surveys (World Bank, 2006) established that only 14.9% of the SME firms reported to have had bank loans for their businesses. However, this improved with the size of the firm, as 30.9% of the larger businesses had a loan. The IFAD (2011) asserted that although the local banks in the Kingdom of eSwatini are high on liquidity, the deposits were not being transformed to credit for the private sector. It further elaborates that lack of access to finance was a result of limited bankable projects, low business and financial management

skills from the entrepreneurs, as well as the lack of capacity within the financial institutions staff to deal with the sector. In addition, information asymmetry from both the demand and supply side highlighted issues of imperfect information with the small and medium enterprises, which result in financial institutions opting for stringent mechanisms for loan approval. The lack of collateral and insufficient documentation also does not allow the lenders to appropriately assess the credit risks with each project.

Access to finance for SMEs is constrained by demand side weakness. Most business are limited in their readiness to receive investment or credit. Intervention by governments to improve the access to finance for SMEs is almost entirely focused on supply side measures. In Eswatini, the government has created numerous funds to assist with increased access to finance some of which include the SME guarantee scheme, export guarantee scheme and various schemes through financial institutions. The implicit assumption of this approach is that constraints on access to finance arise because of deficiencies in the supply of capital. However, there is increasing recognition that access to finance can also be hindered by the existence of weaknesses on the demand side. If there are demand-side deficiencies, then this will compromise the effectiveness of supply-side interventions. This has led to the recognition that a supply side approach to address access to finance issues must be accompanied by demand-side initiatives which enhance the quality of deal flow.

FinMark Trust has developed an Enterprise and Supplier Development (ESD) programmatic focus area. Our overarching programme objective for ESD is to deepen financial inclusion and to further inclusive growth within SADC countries. We set out to target the SME and smallholder supplier segments and buyers to achieve positive outcomes for these stakeholders through facilitating and supporting the supply value chain through access to markets. FinMark Trust's goal is to ensure appropriate access to finance for SMEs (with specific focus on Smallholder Farmers, Producers, and Agri-Businesses) to ensure growth of their businesses, scalability, improved livelihoods and inclusive economic growth.

4. Objective and Scope of Work

In view of the above, and in support of FMT's wider ESD focus area, FMT requires an individual consultant to conduct a review of 10 farmers enlisted in its Eswatini Supplier Development Programme to determine their level of credit and investment readiness. This review should result in a tailored improvement plan that will detail the steps to be taken towards enhancing their prospects towards securing investment or credit. The selected service provider will also be required to administer the improvement plan.

The key activities should include:

- Conduct a supply side review of investment and credit products available to the target group and report on minimum requirements to access and secure credit and investment
- Deliver a detailed list of potential creditors and investors for the target group

- Deliver a detailed list of existing smallholder farmer support programmes
- Develop and administer a questionnaire to assess the level of credit readiness for the target group
- Develop and administer a questionnaire to assess the level of investment readiness for the target group
- Develop a performance matrix for the target group using the data points stipulated by FMT.
- Develop an improvement plan (it should also highlight the gaps and challenges currently limiting their ability to access credit and/or investment) to enhance the prospects of the target group to access and secure credit and/or investment
- Design and administer tailored improvement workshops for the target group to improve their prospects to access and secure credit and/or investment
- Deliver a matrix matching the target group to existing support programmes that will address the challenges highlighted in the improvement plan
- Deliver a matrix matching target group to potential creditors and/or investors
- Deliver a report to FMT capturing the activities that were undertaken in order to allow for replication

5. **Approach**

This project work will entail the use of primary and secondary research sources which will be primarily desktop in nature; however, if there is a rationale for other sources, the consultant should motivate for it in the proposal.

6. **Outputs**

The output envisaged for this study comprise:

- Two surveys and surveys results on credit and investment readiness
- A improvement plan to enhance the prospects of the target group to access and secure credit and/or investment
- Tailored workshops to enhance the prospects of the target group to access and secure credit and/or investment
- A matrix matching the target group to existing support programmes that will address the challenges highlighted in the improvement plan
- A matrix matching target group to potential creditors and/or investors
- A report to FMT capturing the activities that were undertaken in order to allow for replication

7. **Proposal content**

Individuals should submit a detailed technical and financial proposal. The technical proposal is expected to be clear and concise and should be a maximum of 10 pages. It should include:

- Methodology: the approach to be implemented in conducting the scoping exercise;
- A detailed overview of key stakeholders who will be approached for engagements;

- Timeline: a detailed timeline for executing all project activities;
- Risk management: a comprehensive list of anticipated project risks and contingency plans;
- Skills and qualifications: evidence of technical capacity to undertake this study highlighting evidence of innovation in solutions mapping for development, including examples of similar work previously undertaken;
- Name and qualifications of individuals responsible (i) for overseeing the work; (ii) for undertaking the work;
- Output: outline and structure of the comprehensive research report, and
- Financial proposal: detailed costing for each activity, broken down by professional fees and expenses.

8. **Required skills and qualifications**

Applications from interested individuals must provide evidence of the technical capacity to undertake this exercise. This includes capacity to deliver the results in the timeframe provided, as well as some indication of prior experience in coordinating large projects and supporting stakeholder engagement within the financial services, agriculture finance, enterprise investment. Individuals' CVs must be included, as well as a description of any further resources that may be required. Required skills / qualifications include the following:

- College or University degree in Economics, Agriculture Finance, Development Finance, International Development or other relevant fields;
- A minimum of five to ten years of relevant experience in the SME or agriculture financing and investment, is advantageous;
- An innovation and solutions mapping orientation. Experience in solutions mapping to address development challenges particularly for poor and rural communities will be advantageous;
- Demonstrated capacity to apply gender analytical frameworks;
- Experience in project management is required with an excellent understanding of development finance;
- Excellent computer literacy, including research and report writing skills;
- Personal commitment to pro-poor development, efficiency and flexibility, teamwork spirit with the ability to work independently or under minimum supervision; and
- Excellent communication, written and verbal skills both **in English is essential.**

9. Selection criteria

Contract selection criteria and award will be made on the basis of the following scoring mechanism:

	Criteria	Weighting
1	Competence and previous experience	30%
2	Knowledge of the local financial services market financial services, agriculture finance, enterprise investment	30%
3	Local capacity	10%
4	Budget	30%
	Maximum score	100%

10. Submission

Proposals: Proposals for the project should be submitted by close of business on 20th September 2021 at 17:00 (SAST) by email to Mr. Damola Owolade (DamolaO@finmark.org.za). The successful bidder will be notified by 27th September 2021. It is envisaged that the project duration will be eight weeks from the date of notification of appointment.

The selected consultant must be prepared to meet with FMT on a date to be announced, for a briefing. Once the selection process has been completed, FMT will issue a contract confirming the appointment of the consultant. Any queries relating to the preparation of the application should be referred to Mr. Damola Owolade by email: DamolaO@finmark.org.za

In line with FMT's policy of transparency, answers to queries from one candidate will be circulated to all who indicated their intention to submit a proposal.

11. Safeguarding

The selected service provider has the responsibility to consider and be aware of potential safeguarding issues in the Terms of Reference and be able to demonstrate due diligence in relation to the protection and safeguarding of children and vulnerable groups as per agreed set of actions and strategies designed to support and manage ongoing risk and abuse, exploitation or neglect of participants in this research project.

12. COVID-19

The selected service provider and FinMark trust recognize the need to minimize the spread of the Corona Virus and the parties will agree on appropriate non face to face methods of communications and completion of required tasks to ensure that work on the project is able to continue effectively. The situation however will be closely monitored by both parties on an ongoing basis.

Guidance notes to bidders

FinMark Trust reserves the absolute right to use its discretion in the interpretation of these award criteria. The following notes are intended to provide broad guidance only on how proposals will be evaluated. Bidders may be required to clarify their proposals by way of a telephone call or presentation.

“Relevant, demonstrated competence of firm(s) in this area” - you should aim to demonstrate how the firm’s collective past experience can be applied (or adapted) to address the specific brief set out in the terms of reference. You are welcome to describe the firm’s general experience of financial sector development issues (e.g. in other geographies or topical areas) but the evaluation will focus particularly on the application of that experience for the specific task at hand.

“Demonstrated expertise of key individuals to be involved in this project” – the evaluation places considerable emphasis on the role and demonstrated expertise (i.e. track record) of the key individuals to be involved on the project rather than on the expertise of the firm itself.

“Use of local professional capacity (consulting, analysis, coordination etc.)” – FinMark Trust wishes to ensure that local capacity is used and developed. International firms are therefore encouraged to partner with local organisations.

“Content, quality and originality of proposal” – proposals should address the brief set out in the terms of reference in a comprehensive manner. Bidders should aim for innovation as well as professional presentation. Whilst similar, relevant experience in other markets will be an advantage for a bidder, each market is different and so proposals need to reflect the particular characteristics of that market, as well as the challenge set by the terms of reference.

“Fee basis” – value for money, as well as absolute cost, will be taken into account.

13. Important to note

If no communication has been received from FMT after 1 month of your submission, please consider yourself as unsuccessful.