Strengthening Institutional Capacities for SME Lending

Assignment Description:

Jordan depends heavily on micro, small and medium sized enterprises (MSME) activity to drive its economy. About 98% of all businesses in Jordan are classified as MSMEs; they account for almost 70% of created jobs; however most bank finance is directed to large corporates.

The limited bank finance reaching MSMEs is mostly on-lent by micro finance institutions (MFIs) for small micro credits. 87% of MFI funds disbursed are for unsecured loans of under USD 4,225 (Though a few MFIs extend unsecured loans of up to USD 70,000, they only do so under restrictive criteria).

Jordanian banks appear unwilling to lend to SMEs, viewing them as high risk and operationally costly to serve. The limited SME secured lending offered by banks, starts at USD 70,000. So as micro enterprises mature into SMEs, they face a financing gap between USD 4,225 to USD 70,000. Self-financing through savings, family or friends are the most widely used alternatives.

Within the broadly successful and well functioning Jordanian MFI sector, the MicroFund for Women (MFW) stands out as a market pioneer and leader. Taking several of their most successful clients, which had outgrown microfinance, the MFW introduced them to the SME departments of banks. However the banks rejected these unfamiliar smaller clients. This was a catalyst for MFW’s plan to up-scale to SME lending, initially targeting the lower end of the SME spectrum. This is a natural extension of MFW’s profitable microfinance portfolio where they have demonstrated some flair in writing micro credits.

The European Bank for Reconstruction and Development (the EBRD or the Bank) proposes to assist the MFW (the Client), through technical cooperation, in designing and implementing an SME lending methodology for MFW (the Assignment).

Interested firms or group of firms (the Consultant) will be selected to assist MFW to design and implement an SME lending methodology for MFW. MFW have already identified 100 clients who, with growing business models, now require larger SME loans. In each case, the potential SME customers will be existing or past clients of MFW with a proven track-record and good credit history.

In a pilot project, MFW has bridged this financing gap for 17 SME customers by lending each of them up to USD 35,000. However to confidently grow the SME loan book, the lending procedures need to be tailored to SME customers particular needs and segregated from the existing micro credit assessment techniques which are not suitable for SME loans. The assignment will arm MFW with an appropriate lending
methodology, risk management and strengthened institutional capacities, in advance of the proposed ramp-up to its SME lending portfolio.

As micro finance in Jordan approaches saturation, the SME sector is a potential growth area for MFW as it becomes a more sophisticated financial institution, better able to meet the needs of its growing customers. With 43 branches covering the country, MFW has the infrastructure in place to service SMEs.

The long-term goal is for MFW to continue its leadership position in micro lending and at the same time developing a successful SME lending platform, proving to the market that SMEs are profitable and worthy of their attention.

The scope of services includes, but is not limited to:

1. Devise and implement an end-to-end methodology for SME lending, distinct from the existing micro credit process. Including:
   - Preparation of a training manual, standard operating procedure, customer application form and internal customer credit assessment form.
   - Revising the organisational structure to ensure segregation between SME lending and micro lending.
   - Assess the need for refreshed financial and non-financial incentives to staff.
   - Providing training on how to carry out the new SME lending methodology.
   - Informing the internal audit department on how to effectively test the new SME loan book.
   - Ensuring the SME lending product is inclusive irrespective of gender, age, location etc.

2. To review, and if necessary improve, the training regime for new managers. MFW has an admirable culture of internal promotion which serves it well for knowing “how we do things”. However new managers could benefit from training on the softer skills of motivation, coaching and mentoring of their direct reports.

3. For risk management and internal audit, determining how to improve its independence and effectiveness in achieving corporate improvement. Including an assessment of the organisational structure, audit committee composition and audit committee documentation. Including existing risks and new emerging SME risks.

4. About performance measurement reporting, assess its quality and timeliness to enable management to discharge their duties. If necessary, redesign, cancel or create regular financial planning and analysis reports

Status of Selection Process: Interested firms or group of firms are hereby invited to submit expressions of interest.

Assignment Start Date and Duration: The assignment is expected to start in Q4 2013 and last for 12 months.

Cost Estimate: EUR 200,000; exclusive of VAT.

The consultant must determine whether any VAT would be chargeable on the services and the basis for that determination, without taking into consideration the Bank’s special status as an IFI and state this to the Bank
In their response to the Invitation for Expressions of Interest. To the extent that a consultant incurs input VAT on goods and services purchased in connection with the provision of services (e.g. VAT on airline ticket) which is not otherwise recoverable by the consultant from the local tax authority, the gross cost to the consultant of such expenses shall be treated as a reimbursable expense.

**Funding Source:** the assignment is expected to be funded from SEMED Multi-Donor Account. Selection and contracting is subject to the availability of funding.

**Eligibility:** No Eligibility restrictions

**Consultant profile:** Corporate services are required. The Consultant will be a firm or a group of firms with relevant experience in implementing similar SME lending assignments, preferably in Middle Eastern countries or other similar (previously) emerging markets.

It is anticipated that the Consultant's team shall include a Team Leader with at least ten years of MSME experience which includes up-scaling, and writing and implementing SME lending methodologies. Support from other team members is required in the following disciplines:

- MSME lending-related training including training-of-trainers.
- Risk management, internal audit and internal controls.
- Performance measurement and management reporting.

Team members must have a minimum of five years consulting experience and a minimum of two years experience in their relevant field. All team members must be fluent in English with knowledge of Arabic an advantage.

**It is recommended that a part of the consultancy input will be carried out by local sub-consultants.**

**Submission Requirements:**

In order to determine the capability and experience of Consultants seeking to be selected, the information submitted should include the following:

(a) brief overview of the firm/group of firms including company profile, organisation and staffing;

(b) details of similar experience of firm or group of firms and related assignments undertaken in the previous five years, including information on contract value, contracting entity/client, project location/country, duration (mm/yy to mm/yy), expert months provided, assignment budget, percentage carried out by consultant in case of association of firms or subcontracting, main activities, objectives;

(c) CVs of key experts who could carry out the Assignment detailing qualifications, experience in similar assignments, particularly assignments undertaken in the previous five years, including information on contracting entity/client, project location/country, duration (mm/yy to mm/yy), expert months provided, assignment budget, main activities, objectives.

(d) Completed Contact Sheet, the template for which is available from the following web-link:

http://www.ebrd.com/pages/workingwithus/procurement/notices/csu/contact_sheet.doc
The expression of interest shall not exceed 25 pages (excluding CVs and contact sheet).

One original and one hard copy of the expression of interest, in English, along with an electronic copy, shall be submitted to the Client in an envelope marked EXPRESSION OF INTEREST for “Jordan: MicroFund for Women: Strengthening Institutional Capacities for SME Lending”, to reach Client not the time and date stated above.

One further electronic copy should be submitted to the EBRD’s contact person by the same due date.

CONTACTS

Client’s Contact Person:

Fatina F Abu Okab
Deputy General Manager
MicroFund for Women
238 B Arar Street, Wadi Saqra
PO Box 962854
Amman 11196 Jordan
Tel: +962 6 5666100 x128
E-mail: fokab@microfund.org.jo

EBRD Contact Person:

Nicola Di Pietro
TC Advisor
European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
Tel: + 44 20 7338 6329: Fax: +44 20 7338 7451
e-mail: PietroN@ebrd.com