TERMS OF REFERENCE

Developing financial product(s) to address the needs of agri value chain actors, in partnership with a Bank in Burkina Faso, Cote d’Ivoire, and Mali

BACKGROUND

- Institutional Background

The International Finance Corporation (IFC), a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. It utilizes and leverages its own products and services—as well as products and services of other institutions in the World Bank Group—to provide development solutions customized to meet clients’ needs. Applying its financial resources, technical expertise, global experience, and innovative thinking, the IFC helps partners overcome financial, operational, and political challenges.

IFC advisory services program for agriculture finance, under the Financial Institutions Group (FIG) department was approved and launched in 2015. The 5-year program works with commercial banks, microfinance banks, non-bank financial institutions such as leasing, insurance companies, and commodity exchanges amongst various players to develop a broad range of financial services for the agriculture sector, including credit, savings and transactional product. The program supports IFC financial institutions clients to increase lending to the agriculture sector and to indirectly create access to finance opportunities for smallholder farmers in Sub-Saharan Africa. IFC Digital Financial Services (DFS) advisory services program, also under the FIG department, supports microfinance institutions (MFIs), banks, and mobile network operators (MNOs) across the African continent to develop and text innovative business models for financial inclusion. The team has developed expertise and knowledge on the digitization of payments in agricultural value chains with multiparty partnerships with MNOs, off-takers, agribusinesses, and financial institutions.

- Project Background – Developing Agrifinance value proposition and digitizing Agri Value Chain payments in Burkina Faso, Cote d'Ivoire, and Mali, in partnership with a banking group

80% of the world’s population is fed by smallholders’ farmers, they actively contribute to the reduction of hunger and countries economic growth worldwide. However, most farmers lack access to equipment, input and financial services to allow them to develop their businesses and improve their living standards. Evidence suggest that the financing gap for smallholders is estimated at $430 billion (USAID sources). Traditional financial services providers (banks, MFIs) have not been able to effectively serve this segment of the population. Lack of reliable and easy to retrieve information on agricultural value chains and its different actors, particularly deep understanding of farmers financial habits and the seasonality of their income present barriers for further financing by financial institutions.

IFC has established a partnership with a banking group (the Bank), and its subsidiaries in Côte d’Ivoire, Mali and Burkina Faso, for multiple initiatives including investment and advisory services.
projects. The Bank implements a transformation plan which provides for a strong synergy between the bank’s subsidiaries and other group entities (such as MFI, Insurance, Distribution subsidiaries). This transformation plan will be based on innovation with the implementation of a shared and integrated IT platform, a foundation for a digitization initiative and the offer of innovative digital product(s) and services.

The advisory services component aims to support the Bank to strengthen its positioning in the agricultural sector by reinforcing its organizational structure and processes, building its capacity, and expanding its financial products and services targeted at the agricultural sector and the value chain actors. This will be done by serving not only big players like exporters, but other value chain actors such as cooperatives, farmers, input providers, transporters, etc. The focus is on three countries (Burkina Faso, Cote d’Ivoire, and Mali), and on the following crops: Cocoa (Cote d’Ivoire), Cotton (Burkina Faso, and Mali). In these 3 countries, agriculture represents between 18% and 41% of the GDP, yet, financing of the agricultural sector by commercial banks is minimal.

More specifically, IFC is providing customized support to the bank to:

1- **Conduct a market research** in the three countries. This consists in a value chain analysis aiming at mapping and sizing all the value chains and traditional and non-traditional actors and identify opportunities for providing formal financial services including credit, savings, insurance, and digitizing payments flows across the value chains. This activity has been completed. The findings of this market research should inform decisions in all other activities of the project.

2- **Set up a shared services platform (Agri Desk)** that will drive the group’s agricultural strategy and support all subsidiaries to manage the agricultural portfolio according to best organizational and risk management practices. The Agri Desk offers the benefits of harmonization, pooling of activities and costs as well as the realization of many economies of scale at the level of the subsidiaries which can then concentrate on the development of the commercial activities and the distribution of products and services to the target customers.

3- **Develop and pilot a digital solution for digitizing payment** flows in the selected agricultural value chains in the three countries. The use of DFS can boost financial inclusion among agricultural value chain actors and improve productivity. For example, DFS can make it easier for farmers to receive secured payments, save, access credit and thus, increase their household resilience. At the same time, financial institutions can benefit from additional funding sources through the collection of unbanked agricultural money flows such as cooperative to farmer payments. Finally, the agricultural off-takers will benefit from making more secured, fast, and traceable payments to farmers through DFS.

4- **Develop financial product(s) and services** adapted to the needs of agricultural value chain actors including cooperatives, farmers, transporters, fertilizer providers, etc. In line with all the project activities, the product(s) development will heavily rely on the market research findings, as well as inputs from the Bank and IFC subject matter experts.

5- **Develop a credit scoring tool** to reinforce the credit assessment process of the bank, leveraging various data sources including the bank’s historical transaction data, partner agri business such as exporters, cooperatives, input suppliers, MNOs, credit bureau, etc. The credit scoring tool will help the Bank reinforce its risk assessment processes and improve its ability to lend to smaller value chain actors including farmers. It is expected that the credit scoring tool helps deliver the new product(s) that will be developed.

6- **Develop a tailored e-training on agrifinance** to build the capacity of the Bank’s staff on best practices in implementing a value chain approach to financing and digitization, and effectively managing the agricultural portfolio.
Since the project kick-off in March 2018, there has been some progress in the project implementation. IFC recruited a research firm to conduct the market research in the three countries and two value chains. Besides, the Agri Desk structure has been defined; A digital payment solution has been designed based on the bank’s existing product; And a preliminary credit scoring diagnostic has been conducted.

Through this ToR, IFC is looking to hire a consulting firm with extensive experience in financial products development for the agricultural sector and digitization of payments in agri value chains in Sub-Saharan Africa, to specifically lead the product(s) development effort in close collaboration with the Bank, its subsidiaries, and IFC.

OBJECTIVE

The objective of this assignment is to support the Bank and its three subsidiaries in Burkina Faso, Cote d’Ivoire and Mali to strengthen its offering and lending capabilities to the agricultural sector, by developing financial product(s) or programs that will address the needs of the value chain actors targeted by the Bank.

SCOPE OF WORK

Through this assignment, IFC seeks to create a synergy of all the Bank’s subsidiary (Banks, Microfinance, Insurance) institutions, to develop an integrated solution for addressing the financing, payment, and insurance needs of value chain actors, especially cooperatives and farmers. The product development firm will be expected to define and lead the entire product(s) development cycle including needs assessment, product(s) concepts design and evaluation, business modelling, actual product(s) development, product(s) documentation, testing, training design, and commercialization strategy framework. More specifically, the firm will carry out the following activities:

1- Conduct a needs assessment through exploration of various reliable data sources including IFC’s market research reports on cocoa and cotton value chains in Cote d’Ivoire, Mali, and Burkina, in order to identify and understand the value chain actors (both supply and demand) behaviors and needs for formal financial product(s)s and services. This will be done through desk research and brainstorming workshops with key stakeholders.

2- Conduct a review of the Bank’s existing product(s) portfolio; especially products and services targeted at the agricultural sector, to identify gaps and opportunities vis-a-vis the needs and preferences of the value chain actors.

3- Constitute and lead a product(s) development working group composed of subject experts from the Bank’s holding, subsidiaries and IFC, to drive the product(s) development activities across the cycle. The firm will be responsible for defining the product(s) development working group meeting calendar and agendas.
4- Develop a business case for the new product(s) and obtain the Bank’s management approval before actual product(s) development and launch.

5- Develop new product(s) documentation throughout the product(s) development life cycle, from concept design to actual implementation. The firm will be expected to develop a product(s) development roadmap and timeline including the following activities:
   a. a financial product(s) needs assessment;
   b. product(s) concepts;
   c. product(s) business case;
   d. product(s) functional and technical specifications for development;
   e. product(s) test hypothesis;
   f. product(s) implementation tip sheet;
   g. product(s) training manuals;
   h. product(s) go-to-market strategy

6- Oversee the actual development of the product(s), ensuring technical, functional, and organizational requirements are met.

7- Recommend on a framework for new product(s)s performance evaluation, as well as a structure for continuous knowledge flowing and product(s) evolution.

METHODOLOGY
The firm will develop its own envisaged product(s) development methodology for this assignment, with a clear product(s) development roadmap based on the scope described above and share it with IFC for comments before commencement. However, the firm will be expected to:

- Employ a participative approach by involving key staff of the Group and subsidiaries in of the product(s) development working group and make concerted product(s) decisions through workshops;
- Ensure flexibility and real-world testing throughout the product(s) development process. This can be done by using innovative approaches such as Human Centered Design (HCD) and Agile product(s) development, separately or jointly whenever appropriate;
- Leverage the other project activities’ outputs. In that, the firm will heavily leverage findings from the market research conducted by IFC in the three countries in cocoa and cotton value chains.
- Set up weekly product(s) development update meetings with IFC team to keep track of the progress and raise potential issues that might hamper the project execution.

DELIVERABLES AND TIMELINE
The ultimate deliverable of this project is the development of a new financial product(s) adapted to the needs of cocoa and cotton value chain actors in Côte d’Ivoire, Mali and Burkina Faso. Specific deliverables are:

- Deliverable 1: An interactive project kick off workshop designed to facilitate learning on agri product development approaches, to present the firm’s methodology and anticipated project plan and timeline.
• Deliverable 2: A product(s) development working group terms of reference, and member profile list;
• Deliverable 3: A value chain actors’ financial needs diagnostic report - clearly highlighting the financial needs that the new product(s) will seek to solve; for each value chain (cocoa and cotton);
• Deliverable 4: At least two new product(s) concepts and business cases developed and approved for each value chain (cocoa and cotton);
• Deliverable 5: New product(s) technical and functional specifications document produced;
• Deliverable 6: New product(s) deployment handbook developed. This should include product(s) description, and proposed go-to-market strategy;
• Deliverable 7: New financial product(s) developed for each value chain (cocoa and cotton).

The overall project schedule is the following:

<table>
<thead>
<tr>
<th>DELIVERABLES</th>
<th>Deadline</th>
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<tbody>
<tr>
<td>1. Project kick off workshop</td>
<td>Oct 15</td>
</tr>
<tr>
<td>2. Product development working group structure</td>
<td>Oct 20</td>
</tr>
<tr>
<td>3. Value chain actors needs assessment report</td>
<td>Oct 30</td>
</tr>
<tr>
<td>4. New product(s) concepts and business cases</td>
<td>Nov 15</td>
</tr>
<tr>
<td>5. New product(s) functional and technical specifications document</td>
<td>Nov 20</td>
</tr>
<tr>
<td>6. New product(s) deployment handbook developed</td>
<td>Nov 30</td>
</tr>
<tr>
<td>7. New product(s) developed and ready for testing</td>
<td>Dec 15</td>
</tr>
</tbody>
</table>

I. REPORTING

The selected firm will provide reporting to IFC through weekly calls and bi-monthly meetings.

• Project progress update through a predefined template and a team call
• Real time design learnings and recommendations applicable to design and implementation of future product(s) and marketing.

II. PAYMENT TIMELINE

<table>
<thead>
<tr>
<th>DELIVERABLES</th>
<th>Deadline</th>
<th>Payment % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Project kick off workshop</td>
<td>Month 1</td>
<td>40%</td>
</tr>
<tr>
<td>2. Product development working group structure</td>
<td>Month 1</td>
<td>40%</td>
</tr>
</tbody>
</table>
III. FIRM QUALIFICATIONS

Firms applying for this assignment should demonstrate:

- An excellent prior track record in conducting projects of this nature in Sub-Saharan Africa, especially in emerging markets with low financial inclusion rates.
- Relevant experience in agrifinance and digital finance in Sub-Saharan Africa
- Excellent analytical, and presentation skills. Maximum attention to details and quality of outputs.
- Experience in rural financial product(s) development using HCD, Agile approaches
- A strong understanding of West Africa, WAEMU in particular
- Ability to work effectively and deliver all reports in both English and French is essential
- Ability to deliver on time

IV. SUPPORT PROVIDED BY IFC

In order to facilitate the firm to carry out the assignment described above, IFC will provide the firm with IFC material that has been assembled and put together. This may for example include the results from previous market scoping or research conducted by IFC and its partner bank about agriculture and digital financial services as well as background information on the bank operations that are not confidential.

V. ADMINISTRATIVE INFORMATION

REPORTING REQUIREMENTS

The firm will report to Charlotte Ndaw, Project Leader, and Meritxell Martinez, Operations Officer, in both English and French. The Project Leader will have final sign off on deliverables and invoices. Should it be necessary to modify the scope of work, budget, or timeline, the firm must discuss the circumstances with the IFC team, and obtain their prior written approval. Should it be necessary to modify the scope of work, budget, or timeline, the selected firm must discuss the circumstances with the Project Leader, and obtain their prior written approval.

CONFIDENTIALITY

All data and information received from IFC for the purpose of this assignment are to be treated confidentially and are only to be used in connection with the execution of these Terms of Reference. All intellectual property rights arising from the execution of these Terms of Reference
are assigned to IFC. The contents of written materials obtained and used in this assignment may not be disclosed to any third parties without the expressed advance written authorization of IFC.

VI. SUBMISSION GUIDELINES

A soft copy of both technical and financial proposals shall be submitted through the WBG procurement system.

VII. PROPOSAL REQUIREMENTS

The submitted proposal should contain 2 components:

1- The technical proposal should describe in detail the understanding of the company regarding the objective described in these Terms of Reference. The firm should also describe the strategy and the methodology that will be used to deliver the project. CVs and responsibilities of each member of the project team should be attached to the proposal. The technical proposal should also present similar experience conducted by the firm in Sub-Saharan Africa.

2- The financial proposal shall describe costs for each deliverable for each phase. Costs related to the delivery of the project and costs of service should be presented separately. This project is a lump sum contract (excluding VAT). The payment will be made based on the above payment plan.

Technical and financial proposals should be written in English.