

Financial Cooperation with the Arab Republic of Egypt

Financing for Micro-, Small and Medium Enterprises (MSME): Innovation, Start-ups, and Microfinance

Consulting Services for Technical Assistance – Phase I (Immediate and Essential Activities)

Terms of Reference (TOR)

One-stage International Competitive Bidding (ICB)

- 1 Background.....1
 - 1.1 Situation in view to restrictions caused by pandemic COVID191
 - 1.2 Overview on Project.....1
 - 1.3 Loan1
 - 1.4 Consultant Activities tendered in this procurement2
- 2 Objective(s) of the Assignment.....2
- 3 Scope of Services, Tasks (Components) and Expected Deliverables3
 - 3.1 Kind and Scope of Services3
 - 3.2 Tasks3
 - 3.2.1 ESMS3
 - 3.2.2 Electronic Archive / Credit Line Handbook.....3
 - 3.2.3 Forecast of Financing needs3
 - 3.2.4 Sub-Credits to PFIs and Individual Subloans.....3
 - 3.2.5 Disbursements4
 - 3.2.6 General Reporting on the Credit Line and Cooperation.....4
 - 3.3 Expected Deliverables4
- 4 Location of Services and Communication4
- 5 Time and Duration of Services.....4
- 6 Team Composition & Qualification Requirements4
 - 6.1 Team Size and Composition4
 - 6.2 Requirements for the Key Experts5
- 7 Relations with the Employer and other Stakeholders5
 - 7.1 General relation with the Employer5
 - 7.2 Employer’s Input and Counterpart Personnel5
 - 7.3 KfW and other Stakeholders5

1 Background

1.1 Situation in view to restrictions caused by pandemic COVID19

Naturally, this very comprehensive project and the corresponding set of consulting activities had been developed without expecting any kind of restrictions and risk caused by a pandemic. In view of the restrictions in relation to COVID19, especially concerning international travelling, and the rather dynamic situation on one side, and the firm commitment of KfW and MSME-DA to get started with the project, it was decided to define a package of immediate and essential activities as a first phase of the Implementation Consultant, and to tender these services upfront to the further packages.

In line with special character and limited size of these services and the related budget, the tender will be made as a one-stage international competitive bidding, inviting bids from International Consultants, which have solid practical experience in supporting Financial Institutions in the refinancing of start-ups or innovative enterprises, Microfinance and Partner Financial Institutions (PFIs) within the framework of German Financial Cooperation.

1.2 Overview on Project

To support the promotion of Micro-, Small and Medium Enterprises (MSMEs) in Egypt with a special focus on (1) Innovation and Start-ups as well as on (2) Microfinance, the following agreements have been signed:

No.	Project Components and type of Finance	Amount (EUR mio)	Financier	Purpose
1	Loan	30.0	Germany	Refinancing of loans
2	Non-Repayable Financial Contribution	4.50	Germany	Complementary Financial Schemes and Measures of Technical Assistance
3	Non repayable Financial Contribution	14.98	European Union	Complementary Financial Schemes and Measures of Technical Assistance

The purpose of the Project is to improve the access of Egyptian MSMEs to need-based financing in order to enable them to increase and safeguard employment and income. This is to contribute to the improvement of the conditions for sustainable economic growth and employment in Egypt.

The Micro, Small and Medium Enterprise Development Agency (MSME-DA) of Egypt shall be responsible for the implementation of the Project and is the Project-Executing Agency (PEA). Furthermore, MSME-DA will be the Employer for the services tendered with this procurement. Annex 1 provides a profile of MSME-DA.

The partner for all project components is KfW Development Bank. Accordingly, it has been agreed that the measures will be carried out according to the "Guidelines for the Procurement of Consulting Services, Works, Plant, Goods and Non-Consulting Services in Financial Cooperation with Partner Countries" (January 2019).

Taking into consideration the ambitious and comprehensive services, a period of five years has been defined for further preparation and implementation of the project in total. Please note, that this refers to the outline of the whole project, not the timeline for the Immediate and Essential Consulting Activities, which are tendered here and which is a bundle of activities to start the cooperation, and support especially the Loan.

1.3 Loan

The loan shall serve to refinance sub-loans and financing activities in the following two windows:

Window No:	Target Group	Instruments
Window 1	start-ups or innovative enterprises	a) direct lending, with MSME-DA concluding individual loan agreements with the target group or b) indirect lending, with MSME-DA on-lending the funds to Partner Financial Institutions (PFIs) who then conclude individual loan contracts with the target group.

Window 2	Microfinance	a) Microfinance NGOs (MFI-NGOs) or b) PFIs, of which approximately 50 % have to go through MFI NGOs via the PFIs.
----------	--------------	--

Definitions:

- A start-up is defined as a formal enterprise which did not finish its first asset conversion cycle or which has started its business less than 12 months ago.
- An innovative enterprise is defined as an enterprise which requests finance for a new or improved product or production process. All promoted enterprises have to meet the promotion criteria of MSME-DA.
- A Microenterprise is defined according to the definition of MSME-DA.

1.4 Consultant Activities tendered in this procurement

To strengthen the project approach quite a number of additional components have been included with corresponding allocation of funds and definition of the purpose of their utilization, for the future project. However, in view of the restrictions in relation by the pandemic of COVID-19, a starting approach for the services of the Implementation Consultant has been developed. Accordingly, in this 1-stage International Competitive Bidding **only the following components are tendered and will strictly focus on:**

No(1).	No (2)	Title	Purpose	Type of Activity
1	1	Implementation Consultant	Implementation (preparation of disbursement of KfW and EU funds and set-up of EU communication requirements), Coordination Overall, ESMS	Technical Assistance
1	2	Set-up and Lending Policy	Set-up of the lending policy and project components; harmonized with the existing credit policy of MSMEDA	Technical Assistance

In general, the selected Consultant will support the PEA in the further preparation and implementation of the loan also in view of the existing EU funding and EU communication requirements. In this context, MSMEDA and their clients would benefit from a guideline for startups and innovation in light of international understanding, best practices, and OSLO manual, taking into consideration the Egyptian market.

The Consultant selected in this tender will be allowed to participate in future tenders for later phases of the Services of the Implementation Consultant.

2 Objective(s) of the Assignment

The objective of this assignment is to support MSME-DA in setting-up and implement the loan, by supporting the elaboration of the proper policy and credit-line document and procedures, especially in the field of ESIA, and by giving advice on the individual loan applications where required.

Although being only services for the start-up only, the services shall contribute to strengthen further MSME-DA, especially their Environmental and Social Management System (ESMS) for such loans and the sphere of Risk Assessment and Management for the target groups and instruments of the loan windows, the latter including as well the finance of innovation.

3 Scope of Services, Tasks (Components) and Expected Deliverables

3.1 Kind and Scope of Services

As the project has a broad and comprehensive approach targeting different types of beneficiaries through various channels with several instrument and a wide set of complementary measures, quite a wide range of services of technical assistance are required from the Consultant in the cooperation with MSME-DA:

Component	Design: Gap Analysis and Concepts	Training	Implementation Support
Implementation of Credit Line	(X)		X
Lending Policy	X		X
ESMS	X	X	X
Risk Assessment and Management	(X) Ongoing study	X	X

3.2 Tasks

3.2.1 ESMS

The Consultant will strengthen the Environmental and Social Management System within MSME-DA, first and foremost for this project, but with the perspective to apply the identified solutions on the wider portfolio of MSME-DA. To this end, the ESMS of the PEA will be assessed in more detail by the Consultant through a gap-analysis, identifying the need for additional categorization or monitoring of the loans financed by the project, if any. Efforts from other donors shall not be duplicated and the procedures in place will be used to the most extent possible.

Potential areas for enhancement encompass social risks, environmental monitoring and the development of an environmental operational manual for SME lending.

To secure the proper implementation of the Project, the Project-Executing Agency shall submit an operational environmental and social management plan drawn up in cooperation with the consultant together with the Inception Report.

3.2.2 Electronic Archive / Credit Line Handbook

The Consultant will support the PEA in compiling an electronic archive (handbook) of all relevant credit line policy document and the forms and tools of the sub-loan credit cycle.

As MSME-DA already has quite a number of checklists and tools in place for the credit cycle, the Consultant only has to support the PEA in very selective further completion and optimization of such documents and tools to harmonize them with guiding cooperation documents.

3.2.3 Forecast of Financing needs

The Project Executing Agency shall furnish KfW with a forecast showing the refinancing needs of MSMEs and the resulting financial requirements on the part of the Project-Executing Agency for the next 6 months. The forecast shall include information as stated in Annex 6 (Disbursement Procedure). The schedule shall be updated every three months and show the amounts disbursed as sub-loans to the MSMEs during this period. If any deviation from such schedule becomes necessary, KfW shall be furnished with a revised schedule.

The detailed time, cost and financing schedule for the proper technical and financial implementation of the Project shall be prepared by the PEA in cooperation with the Implementation Consultant and submitted to KfW with the Inception Report.

3.2.4 Sub-Credits to PFIs and Individual Subloans

The Consultant will screen subloan approval exceeding individual amounts of

- 2.000.000 EGP for start-ups and innovative enterprises (see startup-definition in pt. 1.3 above)
- 10.000.000 EGP for industrial companies and companies in the renewable energy sector
- 50.000 EGP for microfinance end borrowers.

The Consultant will monitor the approval of sub-credits to PFIs and individual subloans to confirm that they comply with regulations and requirements defined in the cooperation documents between the PEA and KfW and the PEA's promotion criteria.

3.2.5 Disbursements

The Consultant will support the disbursement process of the Credit line not only with the support in the elaboration of projections, but as well in the request for actual disbursements from KfW with the presentation of the information needed for the particular type of disbursement procedure. The Consultant shall countersign all disbursement requests of the PEA towards KfW.

3.2.6 General Reporting on the Credit Line and Cooperation

The Consultant will support the PEA in the elaboration of the quarterly reports as well in the reporting on any unforeseen major events.

3.3 Expected Deliverables

As stated earlier an **operational environmental and social management plan** drawn up in cooperation between the PEA and the consultant shall be submitted with the **Inception Report**. Furthermore, for the ESMS the Consultant will contribute to an **environmental operational manual for SME lending**, which should be submitted after three months.

The Consultant will submit an Inception Report, defining in detail the objectives, the activities to be rendered and the results to be achieved in each field.

In **quarterly report** the Consultant will then report on the actual results and challenges and next steps of each field.

4 Location of Services and Communication

Due to covid-19 related restrictions travel from international experts will be difficult to impossible for some months to come. Nevertheless, the type of consulting activities requires a hands-on approach in Cairo. This has to be achieved with a combination of two approaches, considered essential for these services:

- Cooperation with a (local) competent partner (company and/or freelancer) already based in Cairo
- Frequent and constructive communication through the web incl. Video-conferences and webinars, where considered useful by the PEA.

5 Time and Duration of Services

Signing of the contract and start of the services is envisaged for the 2nd quarter in 2021. The total duration during of the service period is estimated to be 6-9 months.

6 Team Composition & Qualification Requirements

6.1 Team Size and Composition

The consultant shall form a team covering all the areas of the contract with well-qualified experts for the area.

We assume this will include 1-2 key experts for implementation plus 1-2 specialists for particular areas. If this does not include already a local partner, then such one should be added to complete the team.

6.2 Requirements for the Key Experts

Key qualifications for a consulting company (already to be used in the pre-qualification) are:

- Experience and solid record in implementation of financial sector projects with KfW
- Experience in the promotion of SME in direct interaction with this group (Financial Assistance and/or Technical Assistance)
- Experience in ESMS for MSME schemes, especially as well for SME and Microfinance institutions and companies
- Regional Experience in the MENA Region;
- Arab-speaking experts/assistant in the team

7 Relations with the Employer and other Stakeholders

7.1 General relation with the Employer

As MSME-DA is a well-established development and finance institution with solid processes and performance and with considerable experience in the cooperation with its international partners, all the services shall be determined and coordinated very closely with MSME-DA in order to tailor them to the actual needs of the institution.

7.2 Employer's Input and Counterpart Personnel

MSME-DA will provide a working space for the Consultant. Furthermore, it will nominate a focal point as counterpart for the Consultant to support the detailed coordination of the services and interaction with MSME-DA.

7.3 KfW and other Stakeholders

Especially during the inception period deliverables of the consultant may require ultimately the no objection of KfW. This process will go through MSME-DA. In case the Consultant requires input for the elaboration and/or execution of his works/services from KfW, he will inform MSME-DA in advance.

PROFILE		MSME-DA
1	Name	Micro, Small and Medium Enterprise Development Agency
2	Acronym	MSME-DA
3	Type of Institution	Development Finance Institution promoting MSME
4	Legal Form	Based on its own special law Autonomous non-profit public institution With the decree n°2370 / 2018 amendment decision to establish MSMEDA with a direct supervision from the Prime Minister
5	Owner	Government
6	Year of Foundation	2017 (Prime Minister Decree 947); originally established in 1991 by Presidential Decree 40/1990 as Social Fund for Development (SFD)
7	Mandate	Countrywide promotion of micro, small and medium enterprises through financing (direct and through Financial Institutions) and other measures
8	Supervising Bodies	Board of Trustees
9	Controlling and operating authority	Board of Directors, chaired by the Minister of Trade and Industry. Day-to-day Management delegated to CEO.
10	Organization	13 central sectors
11	Headquarter	Cairo
12	Network	31 regional offices and 2 satellite units
13	Staff	1,300
14	Financial Products	Loans to financial institutions and directly to MSME Investment Loans, Working Capital Loans
15	Financial Channels	MSMEDA provides its financial services directly through its regional offices (at least one office in each governorate) and through the domestic financial sector. MSMEDA partners with – currently – 15 commercial banks and currently has contracts with about 170 NGOs. Around 90% of the MSMEDA funds are on-lent through the financial institutions.
16	Funding	MSME-DA is financially independent from Government's own funds. It neither takes deposits, nor has it placed any bonds yet. It has received its seed capital from donor organizations (primarily UNDP) and is solely financed by continued loans and grants of external governments as well as of bi- and multilateral organizations.
17	International Cooperation Partners	World Bank, AFD, EU, KfW et al.
18	Guiding Document	Credit Policy for Lending through Financial Intermediaries or Direct Lending (2016)
19	Direction	114 Mohi Eldin Abou El EZZ Street Dokki Giza EGYPT
20	Contact	Amira Elsayed – head of the foreign agreements department international cooperation sector

		Mail Amira.kader@msmeda.org.eg Phone 202 333331269 Fax 202 33361854
21	Website	www.msmeda.org.eg