

A COMPREHENSIVE REVIEW OF THE OPPORTUNITY ON SUPPLY CHAIN FINANCE (SCF) IN TANZANIA

TERMS OF REFERENCE

1. INTRODUCTION

The Financial Sector Deepening Trust (FSDT) was incorporated in Tanzania on 1st July 2004. The FSDT's overall aim is to develop a deeper financial system that can provide greater access to finance for more Tanzanians. Among its secondary objectives are:

- Provide funding to support the development of new financial products that address the needs of poor households and micro and small enterprises.
- Support improvements in the policy, legislative and regulatory framework affecting delivery of services.
- Support initiatives aimed at improving financial market integration and access to wholesale forms of finance by financial service providers addressing poor households and micro and small enterprises.

2. BACKGROUND OF THE ASSIGNMENT

FSDT wishes to appoint a consultant to conduct a comprehensive review of the opportunity on Supply Chain Finance in Tanzania. The assignment will require the consultant to:

- Assess the overall environment including the legal and regulatory frameworks;
- Map entire ecosystem of the SCF market in the country including key industry sectors/ players;
- Review various industries and geographies to identify potential opportunities for supply chain finance market, identify key growth factors and trends;
- Assess demand and supply of finance within the supply chain and identify SCF gap.
- Propose Supply Chain Finance framework (Model).

The rationale for conducting this assignment is evidenced by the fact that, there are at least 3 million small businesses in the country, employing over 50% of the working age population and contributing over 25% to the domestic production. The biggest problems identified by small businesses were: (i) insufficient working capital and (ii) access to markets. The proportion of loans requiring collateral still stands very high in the country. Lack of liquidity and poor access to the working capital finance further contribute to the lengthening of the payment terms. In this environment, supply chain finance (SCF) can become an enabler of SME finance in Tanzania and help address SME struggle of the deteriorating payment terms and access to finance.

The advantage of the SCF is that it leverages the strength of the underlying supply chains, including stronger credit profile of the large corporate buyers as well as dependence of the distributors in the procurement from large corporates. This can allow the banks to offer finance with no or minimum collateral and provide competitive interest rates especially where SMEs avail finance against their invoices to large corporates.

To the contrary, the knowledge on Supply Chain Finance and its penetration is relatively low. Additionally, the existing business models and products offered fails to meet the minimal value proposition to suit the needs of the enterprises. To bridge the knowledge gap, the findings of the study are expected to help financial institutions to identify opportunities and challenges and subsequently, redefine their strategies and operating models for SME. Equally, the study is expected to help the regulatory bodies in Tanzania will be able to identify required changes in the regulatory environment that will enable and easy the supply chain finance expansion to further benefits SME.

3. OBJECTIVES OF THE ASSIGNMENT

To perform a comprehensive review on the opportunity of supply chain finance in Tanzania. Specifically, the assignment requires the consultant to:

- Map the entire ecosystem of the SCF market in the country including key industry sectors / players and business models;
- Review various industries and geographies to identify potential opportunities for supply chain finance market, identify key growth factors and trend;
- Assess demand and supply of finance within the supply chain and identify SCF finance gap.

The study should:

- Recommend possible actions for FSP to tap into the SCF opportunity;
- Provide a comprehensive supply chain finance program/solution at the country level and the adequate contribution of key stakeholders including the regulatory bodies, banks, industry associations, and other partners;
- Identify the key industry sectors and geographies with the greatest market opportunities for supply chain finance related to SMEs;
- Define and / or review their strategies for SMEs and improve their operating models for SCF (such as operations, customer segmentation, product and services, on boarding, risk management etc.) to better serve and penetrate the SME market;
- Recommend on mechanisms to promote SCF operations and business models for SMEs.

4. SCOPE OF WORK

4.1 SCF ENABLING ENVIRONMENT IN TANZANIA

The Consultant will assess the SME ecosystem in Tanzania with a focus on the SCF environment including the SME and SCF-specific regulatory environment, financial sector regulatory environment and SME development infrastructure, offerings and capabilities.

4.2 BUSINESS LANDSCAPE OF SCF MARKET: DEMAND FOR FINANCE

The Consultant to research the strengths and weaknesses of SCF business environment in Tanzania, including SCF- specific industry, working capital needs. This will involve analysis of secondary data already available in the country and conducting a series of interviews/ focus group discussions with major supply chain players, including large corporates and SMEs include the following:

- Mapping of major supply chains in Tanzania
- Assessment of SMEs' needs with respect to SCF
- Identify major challenges and needs of SMEs in managing their working capital

4.3 COMPETITIVE LANDSCAPE OF SCF MARKET: SUPPLY OF FINANCE

Collect data from public and private sources and interviewing the key stakeholders. The "Supply side" to:

- I. Estimate the current offering of supply chain finance from Financial Service Providers (FSP) Perspective.
- II. Identify major gaps in SCF product offerings and sector coverage.
- III. Document the perspectives for FSP lending to SMEs in Tanzania through supply chain finance and assess the level of confidence in SMEs as a strategic business sector.
- IV. Investigate the main drivers and obstacles to further SCF for SMEs
- V. Analyze the overall market structure of SCF and document:
 - Key players in SCF Finance, their status and their geographical coverage.
 - The market shares and trends in SCF Finance.
 - The range of products and services offered in terms of SCF and channels used.
- VI. The consultant will assess successful SCF operations or business models targeting SME in the mature markets and developing markets.
- VII. The consultant will assess existing SCF-focused operations of individual FSP in Tanzania targeting SMEs by analyzing:
 - The overall SME and supply chain finance strategies business models:

- Identification of FSPs having specific SCF units, comparison of their offered, risk management techniques adopted in terms of SCF, etc.
- Identification of some leading SCF local practices.
- Type of products and services offered and their associated characteristics including pricing, tenor and other requirements to obtain finance and lending practices.
- Risk appetite: High level understanding of the credit risk profile of each segment of SMEs subject to SCF
- Barriers to entry for SCF and expansion within the SME segment.

5. METHODOLOGY

It is expected that the consultant will conduct literature review by reviewing relevant documents/reports and collect primary data by consultative meeting, focus group discussions, conduct interviews with relevant key stakeholders and organize validation workshop(s).

6. CONDUCT OF THE WORK

The consultant will report to FSDT. The FSDT will provide Staff time and relevant project documents including the strategy and logical framework. Additionally, the consultant will be required to avail themselves to the following documents:

1. Copy of National SME Development Policy 2003;
2. Copy of the 2nd Five Year Development Plan 2016/17 – 2020/21);
3. Copy of the National Development Vision 2025;
4. Copies of data/studies - MSME Baseline survey 2012;
5. Finscope 2013;
6. FinCap 2013;
7. National Financial Inclusion Framework (2013);
8. Study on Credit Information System in Tanzania;
9. BOT Financial Regulations;
10. Micro Financing Policy;
11. Other relevant documents as may be deemed.

7. DELIVARABLES FROM THIS ASSIGNMENT

- Inception report indicating tentative detailed work-plan, methodology for achieving objectives of the assignment.
- First draft report of key findings and recommendations and gap identification report after the fieldwork.
- Presenting the Study to key stakeholders.
- An executive summary of findings that can be used as a standalone document for dissemination and communication

- Final report after the incorporation of stakeholders comments in electronic form (both PDF and Word file format) and 5 colour printed hardcopies.
- Design a Technical Support Program and exposure learning plan and program.

8. TIMETABLE

The duration of this work is 45 days; the expected start date will depend on the date of signing the Contract.

9. PAYMENT SCHEDULES

The FSDT will make payments for this assignment as follows:

- 20% of the fees upon signing of the contract
- 50% of the fees upon submission of the draft report.
- 30% balance of fees on completion of the final version of the report incorporating the comments made, acceptable to FSDT.

FSDT will reimburse all agreed travel and other expenses upon submission of relevant receipts within ten days of approval of invoices submitted by the consultant.

10. PROFILE OF THE CONSULTANTS KNOWLEDGE AND EXPERIENCE

The consultant should have a strong knowledge in SME sector development and understanding of the Financial Sector, SME Finance, Supply Chain Finance, financial regulations, policies and strategies, with not less than 10 years' experience in SME Finance. The selected consultant must show substantial experience in conducting reviews or studies in SME Finance, demonstrate analytical skills, experience in the area of banking and MSME finance.

Considerable experience in reviewing SME Finance Products and Business Models, Supply Chain Finance, conducting market analysis, reviewing and developing Business Models or Solutions in the SME Finance area. Having worked with bank, related financial service providers (i.e. MFI SACCOS) and Development Finance Institutions would be a distinctive advantage and particularly if such experience is drawn from operations in East Africa, Sub-Saharan Africa and Asia. Specifically, the consultant should have a minimum of a Bachelor's degree in either: Economics, Finance, Commerce, Business Administration, Agricultural Economics or Agribusiness and/or related fields.

11. PROPOSAL FORMAT AND SCOPE

Consultant should submit a technical and financial proposals for undertaking the study. These may be submitted electronically. The deadline for submissions is 7th June, 2019.

11.1 TECHNICAL

Technical proposals should be longer than four pages, excluding any appendices. The technical proposal should focus on the approach to the work, as well as relevant experience. Bidders are invited to comment on the ToRs and suggest value adding amendments.

Technical proposals should also include a detailed breakdown of person-days allocated to each main task, as well as a Gantt chart showing the main tasks, their expected time-frames and links between them.

Any corporate capabilities, reference projects and detailed CV should be appended. Reference projects should (where appropriate) detail the length of time over which the firm performed that project, key tasks performed in an assignment, geographical location and contact person (s). CVs must be no more than five pages.

11.2 FINANCIAL

This will be a fixed priced contract. Financial proposals should be quoted in US dollars set out in the following format:

<i>Component</i>	Units	Rate	Total (US\$)
Person-days of consultant (fee)			
Travel within Tanzania (air and ground)			
Hotel nights			
Daily subsistence for travel outside Dar es Salaam (includes food and drink)			
Communications and internet access			
Total Expenses			
Total Cost			

Daily rates for hotels and subsistence are fixed by FSDT policies. The FSDT's daily subsistence rates for Dar es Salaam and other parts of Tanzania are shown in Appendix A.

The actual time spent on field trips should be included in the person-days, but the location and therefore the final expense budget will be agreed with FSDT before the start of field work. Nonetheless, consultant is required to put in expenses based on the estimated time spent on field trips and the detailed unit costs shown on Appendix A.

Financial proposals should be denominated in US dollars. This consultancy will be subject to local taxes. It is the sole responsibility of the Consultant to meet all the tax liabilities arising out of this assignment. Financial proposals will be evaluated on a basis net of any local taxes.

12. EVALUATION AND SELECTION

12.1 METHOD USED

Overall, the preferred bidder will be selected on the basis of presenting the most economically advantageous tender. This means that bidders will be evaluated on a combination of technical and financial criteria. In this case the ratio between technical and financial scores will be 70/30.

The technical component of each proposal will be scored first using a grid that assesses a number of key attributes. This is set out below.

Technical Proposals Scoring Grid

<i>Criteria</i>	Bidder	Max Marks
Experience of the nominated firm in:		
<ul style="list-style-type: none"> Knowledge and considerable experience in SME Finance, Developmental Finance, Supply Chain Finance, Banking and Related Financial Services. 		25
<ul style="list-style-type: none"> Extensive experience in developing, analysing, and reviewing Business Models, Solutions, i.e Supply Chain Finance Solutions. 		20
<ul style="list-style-type: none"> In-depth understanding of SME Sector development process and Financial Sector regulations 		15
Experience of the nominated consultants in:		
<ul style="list-style-type: none"> Tanzania 		15
<ul style="list-style-type: none"> East Africa and Beyond 		5
Understanding of and adherence to the ToRs, response to and comments on them, including any suggested amendments (with justifications)		10
Clear and concise methodology, availability of the firm to commence the assignment and presentation of technical proposal		10
Total marks		100

To be considered further, a minimum total technical score of 70/100 is required. Only financial proposals from bidders scoring at least that level will then be evaluated.

The total financial cost in US\$ will be weighted according to the formula:

- $(\text{Lowest total financial cost} / \text{Bidder's total financial cost}) \times 0.2$
- Total technical marks weighted by a factor of 0.8.

The weighted technical and financial scores for each proposal that passes the minimum technical threshold will then be added to produce a total score. The preferred bidder will be the one producing the highest total combined score.

All bidders will be informed of the combined weighted scores for all proposals that pass the minimum technical threshold. The FSDT will also separately inform the bidder of any proposal that fails to meet this threshold.

Any queries relating to this ToR should be submitted in writing to FSDT under the following address:

Procurement Manager,
Financial Sector Deepening Trust
2nd Floor "De Ocean Plaza"
Plot 400 Toure Drive Oysterbay
P.O. Box 1559 Oyster Bay, Dar es Salaam, Tanzania
procurement@fsdt.or.tz

These questions and the answers will be shared with all short listed candidates. The deadline for any queries is 2 days before the proposal submission deadline date.

13. PAYMENT SCHEDULES

Consultants are required to recommend a payment schedule based on the expected outputs.

14. CONFIDENTIALITY

All information contained in the terms of reference and attachments is provided on a strictly confidential basis solely for the use of Tenderers in connection with a competition for the supply of services for the above contract. It is a condition of this competition that Tenderers (and any sub-contractors) shall:

- take all reasonable measures to protect this confidentiality and avoid the unauthorized use, disclosure, publication, or dissemination of confidential information;
- not use this information other than for the purposes of preparation of a tender, and shall disclose it only to officers, directors, or employees on a specific need to know basis; and not disclose, publish or otherwise reveal any of the information contained herein except with the specific prior written authorization of FSDT.

15. CONFLICT OF INTEREST

Tenderers (and any sub-contractors) must disclose in their tender details of any circumstances, including personal, financial and business activities that will, or might, give rise to a conflict of interest, if they were awarded this contract. Where Tenderers identify any potential conflicts they should state how they intend to avoid such conflicts. FSDT reserves the right to reject any tender which, in its opinion, gives rise, or could potentially give rise to, a conflict of interest.

16. TAXATION MATTERS

The Consultants may be subject to local taxes. Any such tax amounts shall be the responsibility of the consultant.

Appendix A: Local Hotel & Per Diem Rates

S/N	City	New Hotel Rates (TZS)	Meal Allowances	New Zone
1	Dar es Salaam	450,000.00	50,000	A
2	Arusha	337,500.00	50,000	B
3	Zanzibar	337,500.00	50,000	
4	Bagamoyo	270,000.00	50,000	C
5	Mwanza	225,000.00	50,000	D
6	Dodoma	225,000.00	50,000	
7	Geita	225,000.00	50,000	
8	Kahama	225,000.00	50,000	
9	Mtwara	180,000.00	50,000	E
10	Tanga	180,000.00	50,000	
11	Mbeya	180,000.00	50,000	
12	Kigoma	180,000.00	50,000	
13	Iringa	180,000.00	50,000	
14	Moshi	180,000.00	50,000	
15	Morogoro	180,000.00	50,000	
16	Lindi	180,000.00	50,000	
17	Bukoba	180,000.00	50,000	
18	Singida	180,000.00	50,000	
19	Shinyanga	180,000.00	50,000	
20	Musoma	180,000.00	50,000	
21	Bariadi	180,000.00	50,000	
22	Songea	180,000.00	50,000	
23	All other Regions	180,000.00	50,000	

