



**RESERVE BANK OF MALAWI**

**FINANCIAL INCLUSION AND ENTREPRENEURSHIP SCALING  
( FInES) PROJECT**

**IDA CREDIT No: 6746-MW**

**TERMS OF REFERENCE FOR CONSULTING SERVICES TO IDENTIFY  
INNOVATIVE FIRMS WITH PROJECTS THAT CAN ACCESS CONCESSIONAL  
LOANS FROM MAIIC.**

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**October 2021**

## 1. BACKGROUND INFORMATION

The Government of Malawi has obtained a credit from the International Development Association (IDA) which is aimed at increasing access to financial services, promote entrepreneurship and capabilities of MSMEs in Malawi including addressing Covid-19 implications. The project is designed to be implemented over a period of 5 years with the entire amount financed by an IDA loan from the World Bank (WB).

**The Project Development Objective (PDO)** of FInES is to increase access to financial services, promote entrepreneurship and capabilities of MSMEs in Malawi including addressing COVID-19 implications. The project scope consists of four related components that will contribute to the achievement of the PDO.

There are four components under the project that will be implemented through different institutions as follows:

### **Component 1: Liquidity Enhancement to MSMEs:**

The component aims at increasing the supply of wholesale financing to the project's participating financial intermediaries (PFIs) and scaling lending and/or investments to MSMEs. This component has two subcomponents. The first subcomponent is a Credit line and special support for Covid-19 response for MSMEs, and technical assistance to participating financial intermediaries. This component is for banks and other financial institutions.

The second subcomponent is directed at the Malawi Agricultural and Industrial Investment Corporation Plc (MAIIC) and it is to de-risk financing to MSMEs. Among other areas, the subcomponent aims at supporting MAIIC to leverage the ecosystem to develop and fund a pipeline of innovative high growth potential start-ups and SMEs.

### **Component 2: Scaling Entrepreneurship and Building Firm Capabilities**

The component will facilitate the building of firms' capabilities, with measures to enhance the quality of business support provided by private and public BDSs as well as to facilitate building the capacity of SMEDI.

### **Component 3: Enhancing the Enabling Environment for Supporting the Financial Inclusion and Growth of Entrepreneurs.**

The component builds on activities supported under the Financial Sector Technical Assistance Project (FSTAP). This component will finance activities to increase use of digital financial services (DFS) for MSMEs; improve the effectiveness of the credit reference, movable asset registry, and business insolvency framework and systems; and increase financial literacy and consumer protection with the aim of increasing eligibility for MSMEs to access finance and grow.

## **Component 4: Project Implementation Support**

The Component will support the process of strengthening the capacity of Reserve Bank of Malawi to manage the project and the provision of technical assistance for preparation of phases of the project.

The project will be managed by a Project Implementation Unit (PIU) under the Reserve Bank of Malawi. The PIU will oversee the day-to-day project implementation; monitor progress; coordinate the utilization of project funds; and establish mechanisms to account for this utilization. To fulfil these roles, the Project will be headed by a Project Manager at the PIU, as well as the required technical and fiduciary experts in accordance with criteria established in the PIM.

The consultancy service will support management of MAIIC to identify, select and capacitate high growth start-ups or new firms that will access concessional loans from MAIIC. Project preparation is under component one and MAIIC is a primary beneficiary.

## **2. BACKGROUND OF MAIIC**

The Malawi Agricultural and Industrial Investment Corporation (MAIIC) plc is a private sector-led, national development finance institution (DFI) initiated by the Government of Malawi (GoM). MAIIC's overarching goal is to bridge the long-term financing gap in Malawi, with the aim of spearheading private sector development as the engine for development.

MAIIC was incorporated on 23<sup>rd</sup> November 2018 as a public limited liability company under the Malawi Companies Act of 2013. It is authorized to raise capital from the public and will at an opportune time list on the Malawi Stock Exchange (MSE).

MAIIC is commercially oriented and was created to contribute to the realization of the country's national development strategies, as reflected in "Malawi 2063".

MAIIC's responsibility under its subcomponent allows it to:

- (i) Play a key role in supporting the medium-term recovery and resilience of firms, including supporting extension of credit for immediate relief through a guarantee fund.
- (ii) Provide Equity/quasi-equity, debt/guarantee financing for innovative start-ups and SMEs.
- (iii) To leverage the ecosystem to develop and fund a pipeline of innovative high growth potential start-ups and SMEs.

MAIIC is expected to provide service contracts to ecosystem support entities who will prepare SMEs for financing support from MAIIC. Ecosystem providers, called Business Development Service providers, will be selected on a competitive basis in accordance with the criteria below and should have a track record in a mechanism for identifying and supporting inclusive businesses by involving women and youth entrepreneurs, supporting development of nascent companies through provision of financial, material, and technical resources, facilitating access to finance.

## **MAIIC's Plan to deliver on its subcomponent**

MAIIC was selected as an implementing partner to de risk financing to MSMEs. MAIIC plans to provide concessional loans, equity and quasi-equity financing for innovative start-ups and SMEs.

MAIIC's staffing structure is lean by design. As such MAIIC's core staff will need support to deliver on the retail mass market outreach envisaged under FInES.

It is against this backdrop, that MAIIC would like to engage Business Development Service providers to source SME transactions, package them in line with MAIIC's requirements, hand hold the SMEs during the tenor of the facility for a successful loan repayment and close out.

### **3. OBJECTIVE(S) OF THE ASSIGNMENT**

The purpose of the assignment is to identify potential projects for submission to MAIIC as the selected firm conducts training and bootcamps and any other eco-system programs for SMEs. Concessional loans to a value of no more than US\$30,000 each will be provided directly to enterprises graduating from these ecosystem programs. The assignment will be extended to supporting those enterprises that will receive the financing.

### **4. SCOPE OF SERVICES, TASKS (COMPONENTS) AND EXPECTED DELIVERABLES**

The scope of the assignment will be in two key areas, namely:

1. Service contract to competitively<sup>1</sup> selected ecosystem providers<sup>2</sup> to conduct eco-system programs such as training, bootcamps, tailored and targeted programs to identify innovative firms with projects that can access concessional loans from MAIIC. Concessional loans to a value of no more than US\$30,000 each will be provided directly to enterprises graduating from these ecosystem programs. Specifically, selected eco-system players will provide the following services in respect of the SMEs to be recommended for access for concessional loans at MAIIC:
  - (i) Detailed needs assessment.
  - (ii) Profile of target SMEs.
  - (iii) Design tailored services or interventions e.g., Business Plan.
  - (iv) Funding model for shortlisted firms.
  - (v) First line due diligence exercise before documents is submitted to MAIIC.
  - (vi) Funding application documents to MAIIC.
  
2. Once the enterprises are given the loans, the selected ecosystem players will work with MAIIC to provide BDS support to them for the duration of the loans.

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<sup>1</sup> Ecosystem providers will be selected on a competitive basis.

<sup>2</sup> These will include incubators, accelerators, hubs, and other local or foreign entities based in Malawi

3. Expected deliverables therefore include: (a) at least 10 transactions originated by the BDS per year for a period of 3 years.; and (b) for each approved facility, provide targeted and tailored capacity building and handholding to the SME for a period of 2 years.

## **5. TEAM COMPOSITION & QUALIFICATION REQUIREMENTS FOR THE KEY EXPERTS**

The potential BDS providers must submit proposals that demonstrate the firm's understanding of and suitability for the assignment. This section must be written to address the following specific points:

- (i) Understanding of the TORs and the tasks to be accomplished, including any specific comments on the TORs (3 pages maximum).
- (ii) Background of the firm and relevant expertise, outlining specific capabilities relevant to the Scope of the assignment, as well as registration and status with any relevant professional bodies or regulators.
- (iii) A description of the services to be provided (what and when) and an approach to BDS provision in Malawi demonstrating understanding of the local context.
- (iv) Past Performance/Track Record - Provide examples of previous successful BDS transactions over the past three years and disclose success rate over the past three years.

In addition to the firm requirements above, the BDS provider must submit CV of the following two Key team members to meet the following minimum requirements:

**Team Leader;** Should be in possession of a MBA or MA in Finance, Accounting or Banking with at least 5 years' experience in BDS delivery with previous experience in Africa.

**Support Expert;** Should be in possession of a bachelor's degree in Business, Marketing, Agribusiness, or any other relevant qualification with least 2 years of experience leading or supporting BDS delivery with previous experience in Africa.

## **6. REPORTING REQUIREMENTS AND TIME SCHEDULE FOR DELIVERABLES**

The BDS will report directly to MAIIC Management, and all activities carried out by the BDS will be shared with the PIU and World Bank for review and feedback.

The BDS will carry out the assignment over a period of up to three years and fees payable to the BDS will among other things be based on the following:

- (i) The number and value of transactions approved
- (ii) The proportion of transactions that are performing satisfactorily during the handholding period.

## **7. FEES AND EXPENSES**

In consideration of the assignment to provide Business Development Services, the successful firm will be entitled to receive and MAIIC shall pay a combination of finder's fees and success-based compensation or one – off fee in line with the value of the transaction as follows:

<b>Category 1 (Projects with amounts &gt;MK10 mn or =&lt; MK25 mn)</b>	<b>Fee payables (US\$)</b>
Finder's Fee	\$800
Success fee (end of year 1)	\$1,200
Close out fee (end of year 2)	\$2,200
<b>Total fee payable</b>	<b>\$4,500</b>

#### **8. CLIENT'S INPUT AND COUNTERPART PERSONNEL**

The client (MSME Borrower) is obliged to make the business premises, documentation and any relevant business contacts (personnel) they have available to the consultant to enable the consultant to conduct their thorough due diligence.

#### **9. DURATION OF THE ASSIGNMENT**

The contract with BDS providers will remain in force for a period of up to three (3) consecutive years subject to satisfactory performance which will be measured periodically.

#### **10. PROCUREMENT METHOD**

The Consultant will be selected in accordance with the Consultant's Qualifications Based Selection (CQS) method as set out in the Procurement Regulations. Six (6) top ranked consultants based on the evaluation of the Expression of Interests will be invited for submission of the proposals followed by negotiation of the contracts.