TERMS OF REFERENCE

Selection of Consulting Services for: Capacity Building for Micro Small and Medium Enterprises (MSMES) in the North East and North West Regions of Nigeria

Terms of Reference

1. Background

The Development Bank of Nigeria (DBN) is a wholesale development financial institution which provides funding to MSMEs and Small corporates through eligible Participating Financial Institutions (PFIs). In addition to providing funding and risk-sharing facilities to MSMEs and Small Corporates the Development Bank of Nigeria has a mandate to build the capacity of MSMEs in Nigeria. The mandate of the Bank is to ensure that there is improved access to credit to MSMEs, increased economic growth and development and support toward financial inclusion in a bid to reduce poverty and inequality across different regions of the country.

Financial Inclusion in Nigeria

The current state of financial inclusion in Nigeria revealed that there is still a lot of work to be done. According to a report by Enhancing Financial Innovation and Access (EFInA), only 64% of Nigerian adults were financially included by the end of 2020, **which means that 36% of Nigerian adults or over 40 million adults remain completely financially excluded.**

Taking a deeper look into the financial inclusion landscape in Nigeria, there are certain identified groups in the North-eastern part of the country within the participating financial institutions that are significantly financially excluded. Some of the reason these groups haven't accessed credit include but are not limited to heightened level of insecurity stemming from extremists' groups that have displaced families as well as businesses in the community. Lack of financial education amongst other skills have been highlighted by the participating financial institutions.

1. **Youths-** Young adults, between the ages of 18-35, are significantly more likely than older adults to be financially excluded. Financial exclusion of youth is also correlated with other socio-economic issues such as youth unemployment and underemployment.
2. **Communities/Regions-** In Nigeria, financial service providers are largely concentrated in urban areas, resulting in limited access to financial products and services for those who reside in rural areas. Adults in Northern Nigeria continue to be significantly more financially excluded than those in the southern zones, and rural adults are still more excluded than those in urban areas. Of the 69.7% adult Nigerians in rural areas, 44% are exempted from the financial system, while 16% access finance through informal channels.
3. **Gender-** Gender gaps still exist with access to financial services, more in favor of men. Women continue to be more financially excluded than men, with only 45% of women using formal financial services, compared with 56% of men.
4. **Start-Ups/ First Time Borrowers-** Startups and first-time borrowers are often excluded when it comes to accessing finance to start or grow their businesses. This is often because of the lack of credit history which often leads to profiling this group as extremely high risk for available credit.

So far, the Bank has taken an active role in ensuring financial inclusion of identified areas. On an annual basis DBN sets corporate targets across several developmental impact areas which include financing support for women-owned MSMEs, youth-owned MSMEs, start-ups, first-time access to credit, and focused states such as the Northeast and Northwest parts of the country.

To further deepen our efforts in this regard and in line with one of the Bank's core mandates, the Bank aims to provide capacity building to MSMEs within the various target areas. This is to ensure that MSMEs are equipped with the skills and competencies required to undertake financial record-keeping and accounting, develop sound and viable business proposals, and implement these proposals. In time, these skills will allow MSMEs to improve their capacity to access and effectively utilize available credit.

Studies have shown that the effects of insurgency and persistence of insecurity in Northeast regions such as Gombe, Bauchi, Adamawa caused a major funding and skills gap which we seek to close. MSME development in these areas can create a means of livelihood to affected target groups (women, youths) providing education on financial literacy, and facilitate production, marketing, and transactions to further boost the economy and further drive financial inclusion. These distinct groups operate within the Agriculture and Trade and Commerce sectors which in recent years have seen reduced levels of activity due to insecurity and insurgency threats. It is imperative to help the existing entrepreneurs within the affected states to re-build essential skills to enable business activity levels to re-gain pre-insurgency levels.

By addressing these challenges through capacity building initiatives, Nigeria can become more productive, economically stable, and attractive to investment, which could help to drive long-term economic growth and development.

2. Objective(s) of the Assignment

1. The DBN intends to engage a Consulting firm ("the Consultants") to provide capacity building to 1,000 MSMEs customers of participating financial institutions from financially excluded groups in the North East and North West region of Nigeria, to build their business management skills and capacity to exploit identified business opportunities and provide business support services as may be required.

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

The capacity building programme will be designed for the target group as outlined below:

Target Group:

1. **Focused States**

After an analysis of states in Nigeria across key economic indicators such as the national average poverty rate reported by the Nigerian Bureau of Statistics (NBS), the financial exclusion rate per state, the Gross Domestic Product (GDP) and Internally Generated Revenue (IGR) of states, the ratio of the number of MSMEs that had access to bank credit to the total number of MSMEs in each state and the distribution of credit by States, the following states have been identified as financially excluded:

S/N	North-East	S/N	North-West
1	Gombe	1	Katsina
2	Maiduguri	2	Sokoto
3	Adamawa	3	Kebbi

The Consultant will:

1. Identify the most acute economic opportunities and related constraints that exists for MSMEs in these various states
2. Design a capacity building program addressing the identified constraints and unlocking the opportunities that exist.
3. Implement the capacity building program to support the capacity of 500 MSMEs in the North East and 500 MSMEs in the North West.

Based on the objectives and target group outlined, the Capacity Building assignment will be carried out by a consulting firm (the "Consultants") with demonstrated expertise, preferably in similar Capacity Building programs for MSMEs. The consultant's expert team will at the minimum include a team leader, and dedicated specialists with significant experience in providing capacity-building support with a view to strengthening MSME access to finance.

The Consultant is expected to constitute the team which should be adequately qualified to deliver the capacity building initiatives. The Consultant will report to DBN's Chief Economist and will work closely on an operational/daily basis with the OCE unit team.

The envisaged activities in each of the planned phases is included below:

Stage 1: Identify the most acute economic opportunities and related constraints that exists for the identified group

- Review of primary and secondary research on opportunities and constraints for target group
- In close collaboration with those PFIs interested and willing to provide services to marginal borrower groups, develop a proposal on focus areas for the capacity building initiatives to be carried out in each identified state.
- Develop inception report outlining the capacity building needs. Importantly at this stage the consultant will identify the methods and institutional structure to be used in delivering the technical assistance.
- This inception report to be approved by DBN before proceeding to deliver capacity building services to MSMEs.

Stage 2: Development of implementation plans

Based on the solution areas identified, a detailed framework of each area addressed by the capacity building project should be developed for implementation. This stage will focus on:

- Developing a robust framework for the Capacity Building Program that will support MSMEs in the target group. This will include a curriculum built to meet the needs of the target groups and training translated to a local language where necessary.
- Showing clear implementation plans for the framework designed for the target group

<u>Stage 3: Capacity Building: Implementation</u>

This stage will involve the actual implementation of the capacity building program based on the identified needs and proposed solutions detailed in the framework developed for each PFI's customers within the target group.

<u>Stage 4: Project Closure and Reporting</u>

It is expected that post implementation, there is an official project closure and reporting carried out. Specific task will be:

- Submit a project completion report summarizing training activities, lessons learned, and recommendations for any future capacity building initiatives as regards the identified target group.
- The report will also indicate if there is a need for additional business support for trained MSMEs in partnership with DBN.

5 Team Composition & Qualification Requirements for the Key Experts

Minimum Criteria

- Evidence of at least 5 years of demonstrated experience of the successful implementation of similar projects in capacity-building of MSMEs designed to strengthen their access to financial services on similar projects financed by domestic or international development institutions such as the World Bank Group, GIZ, and/or others as relevant.

- Evidence of extensive capacity building experience related to providing business support services to MSMEs that led to increased access to financial services by MSMEs as demonstrated by their ability to attract additional funding;

Team Leader. Bachelor's degree and at least 10 years of experience in Capacity Building initiatives, with direct experience as the team leader of similar MSME capacity building projects.

The list below identifies the relevant specialist knowledge to undertake the assignment.

Specialist on Capacity Building Initiatives in Focused states.

Bachelor's degree and relevant experience working with and training MSMEs in focused states particularly in the North East and North West, and prior experience with at least three successfully implemented capacity building and training initiatives to MSMEs in focused states. This experience should include implementing training in at least one local language.

M&E Specialist. Bachelor's degree and proven technical ability in collecting, compiling, and analyzing data from project beneficiaries particularly MSMEs, experience with designing and maintaining relevant databases and developing assessment reports and prior experience with implementation of M&E within any capacity building projects from at least three successful implemented capacity building programs.

The Consultant is expected to be able to conduct work on-site with the selected MSMEs and will otherwise be responsible to secure all relevant facilities for project implementation (e.g. transport, accommodation, communication, etc.)

The project would require some level of travel to various locations as needed within the specified target group to implement the training.

6 Reporting Requirements and Time Schedule

All deliverables will be provided to the DBN through the Chief Economist of the Bank.

Project Duration: 4 Week period

The following are the minimum specific deliverables which will be provided by the Consultant along with a payment schedule.

Stage 1 deliverables: Duration

- **Assessment Report -**including an assessment of the opportunities and prevailing issues for the target group and a developed implementation plan and curriculum to address some of these opportunities or issues - 30% of the contract amount

Stage 2 deliverables:

- **The completion of the physical training in one region** – 25% of the contract

Stage 3 deliverables:

- **The completion of the physical training in the second region-** 25% of contract sum

Stage 4 deliverables:

- **Final Report- 20% of contract sum: project close out report and assessment** of the overall outputs of the capacity building programs, including lessons learnt and recommendations to improve the effectiveness of any future capacity building programs to the target group. This should also include the data-base of all the individuals trained in all 6 states under this assignment.