



## **Consultancy announcement: Organization and Market Assessment for Agrifinance project**

Appui au Développement Autonome (ADA) and the Food and Agriculture Organization of the United Nations (FAO), with support of Laos Microfinance Association (Lao MFA) and the Bank of Laos (BoL) are engaged in a strategic collaboration to promote the financing of the agricultural sector. Support and guidance will be provided to local microfinance institutions in a broad range of areas, including the assessment and identification of investments in the agricultural markets, as well as in the creation, development, adjustment and/or reinforcement of the financial and non-financial services aimed at an agricultural client base (producers and other actors on the value chain).

3 Lao MFIs have been selected to conduct an agrifinance project :

- Xainiyom Microfinance Institution (XMI), in Oudomxay Province
- Hongsa-Ngeun NDTMFI, in Sayaboury Province
- Phongsaly Development DTMFI (IFDP), in Phongsaly Province

Under the frame of this collaboration, ADA and FAO are looking for consultant or consultancy team to assess the organization and the market before developing the corresponding Agrifinance products and operating in the field.

XMI was founded in March 2010 by transition from the Oudomxay Community Initiatives Support Project (OCISP) – Rural Financial Services (RFS), with the objective to ensure the sustainability of the project by continuity supporting the 63 project established village banks and extended services. XMI is one of the largest Non-Deposit Taking Microfinance Institution (NDTMFI) in the Lao PDR with assets more than 50 billion Kip and Loan portfolio more than 43 billion Kip.

Non Deposit Taking Microfinance Institution Hongsa-Ngeun was founded in 2006 and received support from Lao-German Cooperation (GIZ) – Access to Finance for the Poor project. Indeed this project created two network support organizations as NDTMFI in order to ensure the sustainability of 96 village banks from 5 targeted districts of Sayaboury province. Hongsa-Ngeun NDTMFI has 8.6 billion Kip in assets and total portfolio of 6.6 billion Kip.

IFDP is state-owned microfinance institutions, with total assets of around 34 billion Kip and an outstanding loan portfolio of 20 billion Kip.

The assessment will be conducted separately for each microfinance institution (MFI), as their business area are situated in different provinces.

Any consultant or consultancy team with an interest in conducting the assessment should follow the following Terms of Reference, under the guidance of ADA and FAO.

### **I. The objectives of assessment:**

#### **1. Organization assessment:**

The organization assessment will involve identifying gaps in the institution's processes, credit risk policies, human resource skills, management systems, distribution channels, management information systems (MIS) etc. Once the gap analysis is completed, the next step will involve the preparation of a detailed action plan to identify the adjustments required to engage with the agricultural sector and manage the particular risks posed by it

- Assessment of the MFI -institutional and financial current capacities (finances, operations, lending methodologies, branch structure, technical competencies, management systems, distribution channels etc.) These must be evaluated to determine if the current processes adequately address additional agricultural risks. This would include Management Information System (MIS) requirements for managing agricultural loans;
- Provision of a set of recommendations to help the MFI strengthen its capacities. Once the gap analysis is completed, a detailed action plan should be prepared with adjustments required, due dates, and the staff responsible for its delivery and preliminary pilot budget and financial projections, addressing if external support might be necessary;

## **2. Market assessment:**

The market assessment involves conducting in-depth research on potential new clients and markets to understand new clientele characteristics, market dynamics, estimated crop volumes produced, seasonality of incomes, crop diversification strategies and financing needs by sector and size of farmer. The information gauged during the market research will then be used to select regions with the strongest agricultural potential and to evaluate target clients by conducting more detailed studies of the potential value chains and associated farmer segments. Specific outputs of this assessment will be to gauge the most attractive and least risky value chains for financing and which lending models would be most effective in reaching those clients. Additionally, this assessment will also involve a competitive landscape analysis to evaluate the impacts that government programs (i.e subsidies) might have on the agricultural sector and which other financial institutions are present in the region, which segments they target, and what type of products they offer to the agricultural sector.

This information will be analyzed to contribute to the sound decision to proceed with agricultural lending, and will include a business case for the pilot phase with a clear value proposition, together with targets on portfolio growth and defined levels of productivity for loan officers.

- Assessment of the MFI - current product and service in Agrifinance;
- Assessment of the main agriculture production/value chain existing in the province (market dynamics, estimated crop volumes produced, seasonality of incomes, crop diversification strategies and financing needs by sector and size of farmer), and selection of the most attractive and least risky value chains and segments for financing;
- Assessment the demand of clients for agriloans/other services related, client characteristics and farmer segments
- Competitive landscape analysis to evaluate potential impact of government programmes that might impact the agricultural sector and analysis of the and the offer of other financial services such as banks/others MFIs, Village Banks, etc. present in the region, including segments they target and type of products offered to the agricultural sector
- Provision of a set of recommendations to help the MFI develop the Agrifinance product that meet to the market demands, and addressing preliminary product design and business case for a pilot, together with targets on portfolio growth and defined levels of productivity for loan officers;

## **II. The Methodology:**

The assessment process will involve the steps described in this section. The result of the assessment will involve a presentation to the Board, Management and project team on the

initial findings and recommendations at the office of the MFI and a more detailed written report 2 weeks later, giving the MFI for implementation of the project.

1. Preparation – The consultant will work with the MFI project team to review relevant documents, prepare questions, schedule interviews.

2. Data gathering: Information that the consultant will use for the assessment includes institutional strategic plan, bylaws, manuals, policies, financial statements of MFIs and in addition will collect information based on the market, such as government or provincial economic/trade decree, policies, regulations, etc..... Based on the information, the consultant will prepare questions for interviews the Board, staff and all stakeholders (government agencies: Ministry of Agriculture and Forestry and Ministry of Finance, Bank of Laos, FAO office in Laos PDR, clients, banks/others MFIs, Village Banks, etc).

3. Post assessment-Debriefing –The consultant will brief the board, staff and project team of their initial findings and recommendations. This debrief will indicate the areas where the MFI needs to improve its product and services and suggest capacity building, other activities and stakeholders to address these.

4. Final report – An assessment report will be drafted within two weeks of completion of the on-site portion of the assessment. The project team will be asked to comment on the draft before the report is finalized.

### **III. Responsibilities:**

#### Consultant Assessor's Responsibilities

The consultant will coordinate the entire planning and assessment process, working with the MFI to ensure timely completion and quality results. This coordination includes:

- Overall backstopping to guide the assessment process throughout and review all final deliverables;
- Management of preparation process for the assessment – guidance on the scheduling of interviews (number and representativeness);
- Customization, application and analysis of the results of interviews to give feedback as a part of the assessment;
- Coordination and organization of the background documents needed to carry-out the assessment;
- Delivery of the reports as listed in IV. Outputs/Deliverables;
- Provide timely/weekly report on progress and timely feedback (including feedback on meetings, surveys, analysis of surveys, desk reviews, and all tasks required to complete the assignment) to FAO and ADA.

#### MFIs responsibilities:

- Provide all necessary background documents for the assessments;
- Work with consultant to customize the questionnaires;
- Inform board, staff and stakeholders of the assessment's purpose and timing;
- Ensure Board and project staff are engaged and attend the debrief presentation;
- Schedule all necessary interviews with clients, staff, Board and other stakeholders;
- Make travel arrangements for the assessors, if necessary;
- Provide feedback in a timely manner, according to the timeline, to ensure the assessment report are completed on time;

#### **IV. Outputs/Deliverables:**

The consultant will produce the following outputs/deliverables at the end of each phase, and for each microfinance institution:

1) Report on literature review, field study assessment methodologies and plans.

The first phase of the assessments is the preparation for the field study. Before the second phase starts, the consultant will need to deliver the report on the literature review, field study assessment methodologies and plans to the MFI and ADA and FAO, for technical review and analysis for the next phase of the assessments.

2) Report on preliminary findings from the field study.

The second phase of the assessments is the field study and data gathering. After the field study is conducted, the consultant will need to produce a timely report on the field study and data gathering progresses and preliminary findings, for the MFI and ADA and FAO to revise the template of the final report.

3) Draft of assessment report.

The third phase is drafting the assessment report based on the template. The consultant will need to deliver a draft report to the MFI and ADA and FAO as soon as the draft meets the requirement of the template, for the MFI and ADA and FAO to provide a technical assessment and suggestions, in the format of the reference template attached in Annex 1 and addressing all the elements in the template.

4) Final assessment report and presentation.

The final phase involves finalizing the assessment report and presenting the results to the MFI. The final assessment report and presentation slides should be delivered to the MFI as soon as they are generated by the consultant. A presentation and debriefing event will be scheduled so that the MFI's relative managers and the experts from FAO, ADA, and Lao MFA can be an active part in the discussions. Additionally, the final report will include recommendations for each MFI as to how to support them in their agrifinance strategy, and exploration of opportunities, interest and resources from government agencies and other organisms like the FAO country office.

The consultant will provide timely feedback on progress (including feedback on meetings, surveys, analysis of surveys, desk reviews, and all tasks required to complete the assignment) to FAO and ADA as required by FAO and ADA throughout the assignment

#### **V. Timeframe of the mission**

The consultant should provide the reports to ADA and FAO by the 20<sup>th</sup> of October 2018.

The assessment will be implemented according to the following activities and deadlines:

- Start-up meeting with ADA and FAO (can be a virtual one): in the week of 20<sup>th</sup> of August
- Report of literature review (phase 1): 27<sup>th</sup> of August
- Reports on the preliminary findings from the field study (phase 2): in the week of 17<sup>th</sup> of September
- Draft of assessment report (phase 3): 1<sup>st</sup> of October
- Final report: 20<sup>th</sup> of October

## **VI. Qualifications require to carry out the mission**

The mission will be entrusted to a regional consultant having:

- a good knowledge of the microfinance environment in Lao PDR;
- in-depth knowledge of agriculture in Lao PDR;
- proven expertise in conducting market studies and institutional diagnosis.

The consultant must justify at least 5 years of experience in the agricultural and/or microfinance sector.

The consultant must have:

- a proven and significant experience of at least 10 years in the field of consultation in South-East Asia;
- at least 5 years of experience in the agricultural and microfinance sectors;
- completed at least three missions of a similar nature in the past five years;
- a good oral and written command of English and a good command of Lao will be considered an asset.

## **VI. Time: As soon as possible**

**Technical and financial offers, including a CV of the applicant, must be submitted no later than 30<sup>th</sup> July 2018 to the following addresses. The estimated time for the assignment is 45 working days.**

**ADA ([I.merino@ada-microfinance.lu](mailto:I.merino@ada-microfinance.lu))**

**FAO ([Maria.Soria@fao.org](mailto:Maria.Soria@fao.org) and [Xia.Zhang@fao.org](mailto:Xia.Zhang@fao.org))**

***Only shortlisted candidates will be contacted***

## **Annex 1: A template for the organization and market assessment**

Annex 1 provides a template for the structure and content of the organization and market assessment to be carried out by the consultant. The assessment should be addressed in close consultation with a cross-functional leadership team, typically including the heads or representatives of each of the following departments: Operations and Credit Department (especially senior level branch managers), Risk Management and Control, Finance, Administration, Human Resources, MIS, Internal Audit, and Board and Senior Management.

### 1. Organization assessment and recommendations

#### 1.1 Analysis of MFI's capacity

This section will evaluate institutional and financial current capacities (finances, operations, lending methodologies, branch structure, technical competencies, management systems, distribution channels etc.) to determine if the current processes adequately address additional agricultural risks. This will include Management Information System (MIS) requirements for managing agricultural loans.

It will also include an analysis to identify gaps in the institution's processes, credit risk policies, human resource skills, management systems, distribution channels, management information systems (MIS) etc for agricultural lending.

##### 1.1.1 Financial Capacity

This section will evaluate the institute's financial capacities by analyzing MFI's recent year's financial reports and available financing channels, which serves the MFI as benchmark for choosing an optimum scale of agricultural MF products.

##### 1.1.2 Marketing and Structural Capacity

This section will evaluate the institute's capacity on reaching potential customers and providing services to them. Branch structure, human resources, internal capacity building system, MIS, etc will be analyzed.

##### 1.1.3 Risk Management Capacity

This section will evaluate the institute's risk management capacity. The institute's current risk evaluation methods, risk management schemes, MIS, internal audit effectiveness, accountability schemes, and incentive schemes will be analyzed.

##### 1.1.4 Scale-up Capacity

This section will evaluate the capacity needed for the institute to scale –up its successful product. The institute's capacity on hiring, training, financing, and strategic partnership building will be analyzed.

### 1.2 Recommendations and action plan

Once the gap analysis above is completed, this section will focus on providing a set of recommendations to help the MFI strengthen its capacities. A detailed action plan should be prepared with adjustments required, due dates, and the staff responsible for its delivery and preliminary pilot budget and financial projections, addressing if external support might be necessary.

### 2. Market assessment and preliminary pilot design

#### 2.1 In-depth research on agricultural clients and markets

This section will contain an assessment of the current agri-finance product and services offered by the MFI, and the target clients.

It will also address an in-depth research on potential new clients and markets to understand

new clientele characteristics and demands, market dynamics, estimated crop volumes produced, seasonality of incomes, crop diversification strategies and financing needs by sector and size of farmer (by farmer segments).

This section will also analyze the information obtained through the market research to select regions with the strongest agricultural potential and to evaluate target clients by conducting more detailed studies of the potential value chains and associated farmer segments. Specific outputs of this assessment will also include to gauge the most attractive and least risky value chains for financing and which lending models would be most effective in reaching those clients.

### 2.2 Competitive landscape analysis

This section will carry out a competitive landscape analysis to evaluate the impacts that government programs (i.e subsidies) might have on the agricultural sector.

It will also address which other financial institutions are present in the region, which segments they target, and what type of products they offer to the agricultural sector.

### 2.3 Recommendations and preliminary pilot design

The information gathered will be analyzed to contribute to the sound decision to proceed with agricultural lending. This section will include a series of recommendations to help the MFI develop the agri-finance product that meets market demands and the pilot to test this product.

This section will include preliminary product design, including a description of the product, the target market, repayment terms, interest rate and fees, loan amount, eligible borrowers, collateral and other requirements. The most critical aspects will be aligning repayment terms and interest rates with customer needs.

It will also address the business case for the pilot phase and the strategy to implement the pilot, fine tuning aspects like the assessment of areas with strong agricultural potential, selection of farmers, building of strategic partnerships, product design, branch location and the setting of quantitative metrics (number of loans disbursed, loans disbursed per rural officer and branch, average loan size disbursed, outstanding loans per branch and rural officer etc.) and qualitative metrics (staff and client perceptions or assessments) to measure success of the pilot.