

## Request for Proposals

### Technical Assistance Mission

“Strengthening of the activities in rural areas through the development of agricultural loans & a credit scoring system, development and integration of mobile money services and optimization of operational procedures”

Beneficiary Institution: MLF Malawi

May 2021

## Section 1. Letter of Invitation

Montrouge, May 5, 2021

Dear Sir or Madam:

1. The Grameen Credit Agricole Foundation (hereinafter called 'the Client' or 'The Foundation') has received funding (hereinafter called "the funds") from the Swiss Agency for Development and Cooperation and from the Ministry of Foreign and European Affairs of Luxembourg (hereinafter called "the Funders") toward the financing of Technical Assistance missions in the framework of the Smallholder Safety Net Upscaling Programme (SSNUP). Utilisation of the funds is subject to approval by the SSNUP Selection Committee ("the Selection Committee") the services and contract for which this Request for Proposals is issued.
2. The Foundation now invites proposals to provide the following consulting services: Strengthening of the activities in rural areas through the development of agricultural loans & a credit scoring system, development and integration of mobile money services and optimization of operational procedures for MicroLoan Foundation Malawi, in Malawi (hereinafter "the Project"). The services will take place over a total period of 24 months and will include multiple activities. The Foundation will only examine proposals from consulting firms that are in a position to provide services over such a period, and to perform all the activities mentioned in the Terms of Reference. Proposals from consortiums of consulting firms are welcome, as long as one leading firm is identified and is in a position to manage sub-Consultants and to sign a single contract with the Client.
3. A consulting firm (the Consultant) will be selected under selection based on consideration of quality and cost (SBQC) and procedures described in this document.
4. After it has shortlisted the preferred proposal, the Foundation will notify the shortlisted Consultant and seek approval from the Selection Committee. The final awarding of the Contract to the shortlisted Consultant is subject to the approval by the Selection Committee of the SSNUP funding allocated to the Contract.

Yours sincerely,

*Violette Cubier, Programme Manager – Technical Assistance*

## Section 2. Instructions to Consultants

- 1. Introduction**
- 1.1 The Consultants are invited to submit a Technical Proposal and a Financial Proposal (each in a separate document) for consulting services required for the assignment described in the Terms of reference. The Proposal will be the basis for contract negotiations and ultimately for a signed Contract with the selected Consultant(s).
- 1.2 Consultants shall bear all costs associated with the preparation and submission of their proposals and contract negotiation. The Foundation is not bound to accept any proposal, and reserves the right to annul the selection process at any time prior to Contract award, without thereby incurring any liability to the Consultants. The Consultants hereby acknowledge that the selection process will be carried out in two stages; after the preferred proposal is shortlisted, the Foundation will seek approval of the Project and of the associated budget by the Selection Committee. Awarding and signature of the Contract with the selected Consultant will be subject to such approval. In the event the Selection Committee does not approve the Project, the associated budget or the shortlisted Consultant, the Foundation is not bound to sign any Contract with the shortlisted Consultant, and reserves the right to abort the process at any time prior signature of the Contract, without thereby incurring any liability to the Consultants.
- Conflict of Interest**
- 1.3 The Foundation requires that Consultants provide professional, objective, and impartial advice and at all times hold the Client's interests paramount, strictly avoid conflicts with other assignments or their own corporate interests and act without any consideration for future work. Consultants shall not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of not being able to carry out the assignment in the best interest of the Client.
- 1.3.1 Without limitation on the generality of the foregoing, Consultants, and any of their affiliates, shall be considered to have a conflict of interest and shall not be recruited, under any of the circumstances set forth below:
- Conflicting assignments**
- (i) A Consultant (including its Personnel and Sub-Consultants) or any of its affiliates shall not be hired

for any assignment that, by its nature, may be in conflict with another assignment of the Consultant(s) to be executed for the same or for another Client.

**Conflicting relationships**

- (ii) A Consultant (including its Personnel and Sub-Consultants) that has a business or family relationship with a member of the Client’s staff who is directly or indirectly involved in any part of (i) the preparation of the Terms of Reference of the assignment, (ii) the selection process for such assignment, or (iii) supervision of the Contract, may not be awarded a Contract, unless the conflict stemming from this relationship has been resolved in a manner acceptable to the Foundation throughout the selection process and the execution of the Contract.

1.3.2 Consultants have an obligation to disclose any situation of actual or potential conflict that impacts their capacity to serve the best interest of their Client, or that may reasonably be perceived as having this effect. Failure to disclose said situations may lead to the disqualification of the Consultant(s) or the termination of its Contract.

**Fraud and Corruption**

1.4 The Foundation requires that all beneficiaries of its funding, as well as Consultants participating in projects which it finances, adhere to the highest ethical standards, both during the selection process and throughout the execution of a contract.

1.5 In pursuance of this policy, the Foundation defines the terms set forth below as follows:

- (a) “corrupt practice” means the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence the action of a public official in the selection process or in contract execution;
- (b) “fraudulent practice” means a misrepresentation or omission of facts in order to influence a selection process or the execution of a contract;
- (c) “collusive practices” means a scheme or arrangement between two or more consultants with or without the knowledge of the Client, designed to establish prices at artificial, noncompetitive levels;

(d) “coercive practices” means harming or threatening to harm, directly or indirectly, persons or their property to influence their participation in a procurement process, or affect the execution of a contract.

1.6 As a result of its own investigations and findings, and in accordance with its procedures, the Foundation:

(a) will reject a proposal for award if it determines that the Consultant(s) recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive or coercive practices in competing for the contract in question;

(b) will declare a Consultant ineligible, either indefinitely or for a stated period of time, to be awarded a contract if at any time determines that the Consultant has, directly or through an agent, engaged in corrupt, fraudulent, collusive or coercive practices in competing for, or in executing, a contract with the Foundation.

1.7 The Foundation reserves the right to declare a firm or individual ineligible for a stated period of time to be awarded a contract, if an international or national organization has determined that such firm or individual has engaged in corrupt, fraudulent, collusive or coercive practices.

**Environmental and Social Standards**

1.8 The Consultants undertake to comply and procure that their Sub-consultants, if any, comply with international environmental and labour standards consistent with applicable law and regulations in the country of implementation of the Project, including the fundamental conventions of the International Labour Organisation (ILO) and international environmental treaties;

**Only one Proposal**

1.9 Consultants may only submit one proposal. If a Consultant submits or participates in more than one proposal, such proposals shall be disqualified. However, this does not limit the participation of the same Sub-Consultant, including individual experts, to more than one proposal.

2. **Clarification and Amendment of Request for Proposal Documents**
- 2.1 Consultants may request a clarification up to the number of days indicated in the Data Sheet before the proposal submission date. Any request for clarification must be sent by standard electronic means to the Client’s address indicated in the Data Sheet. The Client will respond by standard electronic means and will send written copies of the response (including an explanation of the query but without identifying the source of inquiry) to all Consultants who notified the Client that they will submit a proposal.
- 2.2 At any time before the submission of Proposals, the Client either at his initiative or in response to a request for clarifications may amend the Request for Proposals (RFP) by issuing an addendum in writing or by electronic means. The addendum shall be sent to all Consultants and will be binding on them. To give Consultants reasonable time in which to take an amendment into account in their Proposals the Client may extend the deadline for the submission of Proposals.
3. **Preparation of Proposals**
- 3.1 The Proposal, as well as all related correspondence exchanged by the Consultants and the Client, shall be written in the language(s) specified in the Data Sheet.
- Technical Proposal**
- 3.2 In preparing their Technical Proposal, Consultants are expected to examine in detail the documents comprising the RFP. Material deficiencies in providing the information requested may result in rejection of a Proposal.
- 3.3 While preparing the Technical Proposal, Consultants must give particular attention to the following:
- (i) The estimated number of Professional staff-days or the budget for executing the assignment might be shown in the Data Sheet. However, the Proposal shall be based on the number of Professional staff-days or budget estimated by the Consultants.
  - (ii) It is desirable that the majority of the key professional staff proposed be permanent employees of the firm or have an extended and stable working relationship with it.
  - (iii) Proposed professional staff must, at a minimum, have the experience indicated in the Data Sheet, preferably working

under conditions similar to those prevailing in the country of the assignment.

- (iv) Alternative professional staff shall not be proposed, and only one curriculum vitae (CV) may be submitted for each staff, with a maximum of 10 pages per CV.

**Language**

- (v) Documents to be provided by the Consultants to the Client as part of this assignment must be in the language(s) specified in the Data Sheet. It is desirable that the firm's Personnel have a working knowledge of the Client's national language.

**Technical Proposal  
Format and  
Content**

3.4 The Technical Proposal shall provide the following information:

- (i) A description of the methodology and work plan for performing the assignment on the following aspects: technical approach and methodology, work plan, organization and staffing. The work plan should be consistent with the time schedule which shall indicate as a bar chart the calendar of each activity. Such description should not exceed 10 pages, including graphs, bar chart, comments and suggestions on terms of reference, if any.
- (ii) The list of the proposed staff team by specialty, the tasks that would be assigned to each staff team member, and their timing.
- (iii) CVs of the proposed professional staff. Key information should include number of years working for the firm/entity and degree of responsibility held in various assignments during the last ten (10) years. Past assignments that are related to the current mission should be clearly highlighted in the CV.
- (iv) Estimates of the total staff input (professional and support staff; staff time) needed to carry out the assignment, supported by bar chart diagrams showing the time proposed for each professional staff team member.

(v) A detailed description of the proposed methodology, staffing, and monitoring of training, if the Data Sheet specifies training as a major component of the assignment.

(vi) The schedule of activities.

3.5 The Technical Proposal shall not include any financial information.

**Financial Proposals**

3.6 The Financial Proposal should list all costs associated with the assignment, including a breakdown on (a) remuneration for staff (foreign and local, in the field and at headquarters); (b) transportation costs (international and local transportation costs, per diem); (c) equipment and materials (workshop room rental, training and marketing material, development/improvement of technology equipment); and (d) miscellaneous costs (maintenance of equipment, sundry).

3.7 The Financial Proposal should clearly estimate, as a separate amount, the taxes (including social security), duties, fees, levies, and other charges imposed in the Client's country under the applicable law, on the consultants, the sub-consultants, and their personnel (other than nationals or permanent residents of the Client's country). The Financial Proposal should exclude any taxes (including social security), duties, fees, levies, and other charges imposed in the Client's country under the applicable law, on the consultants, the sub-consultants, and their personnel (other than nationals or permanent residents of the Client's country). Such costs shall be borne directly by the Consultant and may not be funded by the SSNUP.

3.8 Consultants may express the price of their services in the currency(ies) designated in the Data Sheet.

3.9 Commissions and gratuities, if any, paid or to be paid by consultants and related to the assignment will be listed in the Financial Proposal submitted.

3.10 The Data Sheet indicates how long the proposals must remain valid after the submission date. During this period, the consultant(s) are expected to keep available the professional staff proposed for the assignment. The Client will make its best effort to complete negotiations within this period. If the Client wishes to extend the validity period of the proposals, the consultants who do not agree have the right not to extend the validity of their proposals.

- 4. Submission, Receipt, and Opening of Proposals**
- 4.1 The Proposals must be sent to the address/addresses indicated in the Data Sheet and received by the Client no later than the time and the date indicated in the Data Sheet. Any proposal received by the Client after the deadline for submission shall not be taken under consideration.
- 4.2 The Client shall open the Technical Proposal immediately after the deadline for their submission. The Financial Proposal will not be open.
- 5. Proposal Evaluation**
- 5.1 From the time the Proposals are opened to the time the Contract is awarded, Consultants who wish to contact the Client on any matter related to its Proposal should do so in writing only at the address indicated in the Data Sheet. Any effort by Consultants to influence the Client in the examination, evaluation, ranking of Proposals, and recommendation for award of Contract may result in the rejection of the Consultants' Proposal.
- 5.2 Evaluators of Technical Proposals shall have no access to the Financial Proposals until the technical evaluation is concluded.
- Evaluation of Technical Proposals**
- 5.3 The evaluation committee appointed by the Client shall evaluate the Technical Proposals on the basis of their responsiveness to the Terms of Reference, applying the evaluation criteria, sub-criteria, and point system specified in the Data Sheet. Each responsive Proposal will be given a technical score (TS). A Proposal shall be rejected at this stage if it does not respond to important aspects of the Terms of Reference or if it fails to achieve the minimum technical score indicated in the Data Sheet.
- Opening and Evaluation of Financial**
- 5.4 After the technical evaluation is completed the Client shall open the financial proposals.
- 5.5 The Evaluation Committee will verify that the Financial Proposal is fully complete, (i.e. that all items of the Technical Proposal have been costed, failing which the Client will estimate the missing cost and add the estimate to the offered price), and correct any computational errors. Prices shall be converted to a single currency using the selling rates of exchange, source and date indicated in the Data Sheet. The evaluation shall exclude those taxes, duties, fees, levies, and other charges imposed under the applicable law; and to be applied to

foreign and non-permanent resident consultants (and to be paid under the contract, unless the consultant is exempted).

5.6 In case of SBQC, the lowest evaluated Financial Proposal (FP) will be given the maximum financial score (FS) of 100 points. The financial scores (FS) of the other Financial Proposals will be computed as indicated in the Data Sheet. Proposals will be ranked according to their combined technical (TS) and financial (FS) scores using the weights (T = the weight given to the Technical Proposal; P = the weight given to the Financial Proposal; T + P = 1) indicated in the Data Sheet:  $S = TS \times T\% + FS \times P\%$ . The firm achieving the highest combined technical and financial score will be invited for negotiations.

**6. Negotiations**

6.1 Negotiations will be held at the address indicated in the Data Sheet, by email, phone or skype, the objective being to reach an agreement on all the points.

**Technical negotiations**

6.2 Negotiations will include a discussion of the Technical Proposal, the proposed technical approach and methodology, work plan, and organization and staffing, and any suggestions made by the Consultant to improve the Terms of Reference. The Client and the Consultants will finalize the Terms of Reference, staffing schedule, work schedule, logistics, and reporting. These documents will then be incorporated in the Contract as "Description of Services".

**Financial negotiations**

6.3 The financial negotiations will reflect the agreed technical modifications in the cost of the services.

**Availability of Professional staff/experts**

6.4 Having shortlisted the Consultant on the basis of, among other things, an evaluation of proposed Professional staff, the Client expects to negotiate a Contract on the basis of the Professional staff named in the Proposal. Before contract negotiations, the Client will require assurances that the Professional staff will be actually available. The Client will not consider substitutions during contract negotiations unless both parties agree that undue delay in the selection process makes such substitution unavoidable or for reasons such as death or medical incapacity. If this is not the case and if it is established that Professional staff were offered in the proposal without confirming their availability, the Consultant may be disqualified.

<b>Conclusion of the negotiations</b>	6.5	Negotiations will conclude with a review of the draft Contract. If negotiations fail, the Client will invite the Consultant whose Proposal received the second highest score to negotiate a Contract.
<b>7. Award of Contract</b>	7.1	After completing negotiations the Client shall consult with the Selection Committee to seek approval on the eligibility of the Proposal for SSNUP funding. After the allocation of SSNUP funding to the Proposal is obtained, the Client shall award the Contract to the selected Consultant, and promptly notify all Consultants who have submitted proposals. Should the Selection Committee not approve the Proposal, the Client will invite the Consultant whose Proposal received the second highest score to negotiate a Contract and proceed with a new consultation of the Selection Committee.
	7.2	In the event where the Funder’s selection committee does not approve the Project, the associated budget or the shortlisted Consultant(s), the Client is not bound to sign any contract with the selected Consultant(s), and reserves the right to annul the Contract at any time prior its signature, without thereby incurring any liability to the Consultants.
	7.3	The Consultant is expected to commence the assignment on the date and at the location specified in the Data Sheet.
<b>8. Confidentiality</b>	8.1	Information relating to evaluation of Proposals and recommendations concerning awards shall not be disclosed to the Consultants who submitted the Proposals or to other persons not officially concerned with the process, until the notification of the award of Contract.

## Data Sheet

Paragraph Reference	
1	<p>Name of the Client:</p> <p><u>Grameen Credit Agricole Microfinance Foundation represented by Violette Cubier, Programme Manager, Technical Assistance &amp; Microinsurance</u></p> <p>Method of selection:</p> <p><u>Selection based on consideration of quality and cost (SBQC)</u></p>
2	<p>Designation, objectives and brief description of the assignment are as follows:</p> <p><u>Strengthening of the activities in rural areas through the development of agricultural loans &amp; a credit scoring system, development and integration of mobile money services and optimization of operational procedures, MLF Malawi</u></p>
4	<p>Clarifications may be requested not later than <u>2</u> days before the submission date.</p> <p>The email addresses for requesting clarifications is:</p> <p><u>victoire.binson@credit-agricole-sa.fr</u> <u>violette.cubier@credit-agricole-sa.fr</u></p>
5	<p>Proposals shall be submitted in the following language: <u>English</u></p>
6	<p>The minimum required experience of proposed professional staff is:</p> <p><u>-8 years of experience in the development of agricultural loans</u></p> <p><u>-8 years of experience in the development of credit scoring systems</u></p> <p><u>-8 years of experience in the development of mobile money services</u></p>
7	<p>Reports that are part of the assignment must be written in the following language(s): <u>English</u></p>
8	<p>Training is a major component of this assignment: <u>Yes</u></p>
9	<p>Consultants shall state their price component for cost incurred in Euro. Consultants who intend to incur cost in other currencies for the assignment may state the corresponding price component in Euros.</p>
10	<p>Proposals must remain valid 60 days after the submission date.</p>

11	<p>Consultants must submit an electronic version of the Proposal. The Proposal submission addresses are:  <a href="mailto:violette.cubier@credit-agricole-sa.fr">violette.cubier@credit-agricole-sa.fr</a>  <a href="mailto:victoire.binson@credit-agricole-sa.fr">victoire.binson@credit-agricole-sa.fr</a>  <a href="mailto:ami.faciliteafricaine@credit-agricole-sa.fr">ami.faciliteafricaine@credit-agricole-sa.fr</a></p> <p>Proposals must be submitted no later than the following date and time:  <u>May 26, 2021, 6:00pm CET</u></p>														
12	<p>Criteria, sub-criteria, and point system for the evaluation of Technical Proposals are:</p> <table border="1" data-bbox="352 663 1345 1066"> <thead> <tr> <th></th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>Specific experience of the Consultants relevant to the assignment (proven experience in the field, proven knowledge and experience in the technical area)</td> <td>15</td> </tr> <tr> <td>Adequacy of the proposed methodology and work plan in responding to the Terms of Reference</td> <td>50</td> </tr> <tr> <td>Key professional staff qualifications and competence for the assignment</td> <td>25</td> </tr> <tr> <td>Ability to transfer skills and knowledge</td> <td>5</td> </tr> <tr> <td>Participation by nationals among proposed key staff</td> <td>5</td> </tr> <tr> <td>TOTAL</td> <td>100</td> </tr> </tbody> </table> <p>The minimum technical score (TS) required to pass is: <u>60</u> Points</p>		Points	Specific experience of the Consultants relevant to the assignment (proven experience in the field, proven knowledge and experience in the technical area)	15	Adequacy of the proposed methodology and work plan in responding to the Terms of Reference	50	Key professional staff qualifications and competence for the assignment	25	Ability to transfer skills and knowledge	5	Participation by nationals among proposed key staff	5	TOTAL	100
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TOTAL	100														
13	<p>In case of SBQC, the formula for determining the financial scores is the following:  <math>FS = 100 \times F_m / F</math>, in which FS is the financial score, <math>F_m</math> is the lowest price and F the price of the proposal under consideration.</p> <p>The weights given to the Technical and Financial Scores are:  TS = 0.8, and  FS = 0.2</p>														
14	<p>Expected date and location for commencement of consulting services:  <u>June 15, 2021, Lilongwe, Malawi</u></p>														

## Section 3. Terms of Reference

### 1. General information on the mission

Location (country and city):	Lilongwe, Malawi
Duration (in months):	24 months
Quick off date:	June 2021
Beneficiary organization:	MLF Malawi
Type of mission	-Development of financial services for smallholder farmers (agricultural loans) -Development of a credit scoring system -Distribution channels (mobile money) -Development of internal procedures
Category of the mission:	Financial services for Smallholder farmers - Agricultural loans

### 2. Presentation of the beneficiary institution (data as of December 2020)

Name	MLF Malawi
Date of creation:	2002
Number of branches	16
Location of the branches	MLF Malawi has branches in the whole country, mostly in rural areas
Total loan portfolio	MWK 1 684 827 863 (equivalent to EUR 1 824 922)
Mission and vision	<u>Mission</u> : To provide the tools and skills to enable the poorest women in sub-Saharan Africa to work their own way out of poverty <u>Vision</u> : A world where all those living in poverty have the opportunity to build better lives for themselves and their families

### 3. Background and rationale for the mission

#### MLF's strategy towards the agricultural sector

Over 80% of Malawi's population are engaged in agriculture. This market segment represents a significant opportunity for MFIs such as MLF Malawi to expand their outreach to base of pyramid customers with right fit credit products.

Financial institutions in Malawi however tend to shy away from lending to the agricultural sector because credit assessment of smallholder farmers is difficult without a structured mechanism to capture the right data points and to reduce risks in lending to this population.

In this context, MLF Malawi currently dedicates more than a third of its loan portfolio to smallholder farmers through group loans. The smallholder farmers MLF Malawi is working with usually focus on the production of locally consumed agricultural products as well as a select number of cash crops in specific areas (such as for instance tea in the north, soybean in the central parts of the country, etc.). Loans are usually utilized to finance the agricultural inputs for a campaign (fertilizers, seeds) for rain-fed agriculture. Other agricultural loans are also extended during the dry season for

irrigation farming over shorter periods (typically 6 months). All agricultural loans are delivered to the clientele through groups.

MLF Malawi has also historically worked with some agricultural cooperatives in the country, providing bulk loans for their female members. Such loans finance agricultural inputs such as fertilizers and seeds. This segment has been mostly developed through opportunities in selected areas and has narrowed down over a few years to the provision of a few large loans to the “Cheka Seed Cooperative”. The product designed to answer the needs of the cooperative members is simple: one loan can serve several dozens of women (up to 40 women).

As of December 2020, MLF Malawi was reaching 11 258 smallholder farmers (all women), with an outstanding agricultural loan portfolio of MWK 487 562 283 (equiv. to EUR 528 000).

In addition to the provision of seasonal loans for agricultural production, MLF also provides capacity development training to agribusiness women as part of their non-financial services offer.

In the years to come, MLF Malawi intends to expand its agricultural portfolio (by 30% over the coming three years). However, a key challenge in doing so is that MLF’s current suite of agricultural loan products is the same for all crops, and does not sufficiently take into account the specificities of the different target groups (individuals, groups, cooperatives). Pricing is applied in a wholesale manner and risk assessment does not adequately consider data points around differences in crop cycles, agro-ecological zones, or market access.

MLF therefore intends to expand and improve its offer to smallholder farmers in the years to come by:

- Improving its current agricultural product suite by developing individual and group lending products that meet the needs of the farmers in terms of cash flows;
- Re-framing its approach to agricultural financing by tailoring solutions that will accelerate financial inclusion for small agribusinesses and smallholder farmers within specific agricultural value chains.
- Refining its credit assessment methodology and developing / rolling out an automated credit scoring system to build a profitable, sustainable and scalable rural agricultural loan portfolio;
- Including a broader array of crop types that were not previously considered;

### **Towards cashless processes**

Over the coming months, MLF Malawi also intends to reinforce cashless processes in its field operations. Eventually, MLF Malawi aims at eliminating cash transactions across the organization by the last quarter of 2021.

The transactions going through mobile money will be integrated with the loan origination and loan management system to reduce extra maintenance and data reconciliations work for operators.

In 2022, MLF intends to introduce insurance and savings products for smallholder farmers. The insurance product will be a credit life insurance and the customer will make a single payment each month, which will include the loan repayment amount and the credit life insurance premium. The customer journey must account for this seamless separation at the back office level, as well as reporting capability for this as a separate product.

## Streamlined procedures and development of a risk management framework

After years of operations and certain staff being in place for a long time, MLF's operational procedures are not always implemented in a standardized manner. The development of the new agricultural products and the introduction of new processes for mobile money services also need to be taken into account in adapting MLF's current procedures.

In the upcoming months, MLF Malawi will therefore need to audit its current procedures, identify gaps between written procedures and procedures as they are implemented on the field, and design optimized procedures, policies and documentation reflecting the new "on the field" practices.

MLF Malawi will also need to develop and incorporate a comprehensive Risk Management Framework to measure, follow and mitigate new risks that could emerge due to the introduction of new agricultural loans, the growth of the agricultural portfolio and the development of mobile money services.

### 4. Global and specific objectives of the technical assistance mission

<b>Global objective 1: Develop and roll out agricultural loan products and a credit scoring system</b> The overall objective is to develop agricultural loan products (group and individual) adapted to farmers' cash flows and to the seasonality of specific crops. MLF's aim is to develop products specifically for smallholder farmers and include larger individual loans for those supporting agricultural value chains, such as input suppliers.	
1.1	Run a regional and crop specific market research
1.2	Develop agricultural loan products for groups and individuals
1.3	Develop and roll out an automated credit scoring system for the agricultural loan products
1.4	Train staff on the new loan products and credit scoring system
<b>Global objective 2: Develop a customer journey for the delivery of services through mobile money and integrate mobile money to MLF's information system</b> The overall objective is to reduce the usage of cash and introduce mobile money services in 18 branches. The longer-term objective is for the project to pave the way for new products for agricultural clients including insurance and deposits.	
2.1	Develop mobile money customer journey for services to smallholder farmers
2.2	Integrate mobile money platform with core banking system
2.3	Assess the market and scope of mobile money agent network in 18 operational areas
2.4	Support MLF Malawi team in drafting its sales pitch for the mobile money agents
2.5	Develop training material for employees on the use of mobile money services and deliver training to the employees
2.6	Develop training materials for clients on the use of mobile money services and train key employees on the delivery of the training
<b>Global objective 3: Design optimized operational procedures</b> The overall objective is to audit current procedures and design optimized and streamlined procedures, policies and documentation that reflect the practices on the field, the introduction of the new agricultural loans and the development of mobile money services	

3.1	Audit current procedures, processes and policies and identify gaps and inconsistencies
3.2	Design optimized procedures and update existing procedures
3.3	Ensure procedures and processes are compatible with future digital solutions
3.4	Use the updated operational procedures to create practical staff training materials in a digital format
<b>Global objective 4: Design a comprehensive Risk Management Framework</b>	
The overall objective is to develop a comprehensive Risk Management Framework that reflects the introduction of the new agricultural products, the introduction of a credit scoring system, the development of mobile money and the expected growth of MLF's portfolio over the years to come	
4.1	Develop a comprehensive Risk Management Framework

## 5. Activities to be performed by the consultant(s)

The mission will include the following activities:

### Activity 1: Development and roll out of agricultural loan products and a credit scoring system

#### Phase 1:

- Run a market research and needs analysis for MLF's target demographic to inform the agricultural loan product development for group and individual loan products. The market research will notably have to include:
  - An analysis for the 3 main regions targeted by MLF Malawi (Southern, Central and Northern), taking into consideration the specific agricultural opportunities in the 18 different areas where MLF Malawi operates;
  - An analysis for each specific crop that is targeted (maize, Irish potatoes, soya, rice, livestock, horticulture and groundnuts, and potentially other crops to be identified at this research stage);
- Design the products (loan term, price, maturity, collateral, reimbursements and amounts) in collaboration with MLF management;
- Develop procedures and field processes together with senior MLF management team;
- Collect data on specific crops and develop specific cards for key crops that have been identified during the market research phase;
- Accompany MLF Malawi during the pilot phase (testing, evaluation and adjustments of the agricultural loan products, monitoring of pilot), which will last for 6 months.
- Train key staff from MLF Malawi (training of trainers) on the new loans, on the technical cards and on the analysis and risk assessment for the new agricultural loans.

#### Phase 2:

- Run a technical review of the existing architecture, products configuration in MLF's current information system (Musoni); data currently collected in Musoni and the additional data to be digitally collected;
- Define, develop, test and implement the statistical algorithm (scoring) based on the product characteristics as defined during phase 1 (with a focus on automatic renewal for recurring

customers), and ensure its compatibility with the credit scoring that will be selected by MLF and the integration with MLF's information system (Musoni). This will notably be done by:

- Defining the business and technical requirements;
  - Identifying thresholds and criteria for scoring;
  - Analyzing customer behavior;
  - Supporting MLF in choosing a software provider;
  - Formalizing the functional specifications for the scoring product, including final product parameters, customers and staff journey, and used delivery channels;
  - Translating functional specifications into technical specifications shared with the developers;
  - Running system acceptance tests and user acceptance tests;
  - Ensuring configuration with Musoni;
  - Ensuring integration of the database, if possible with a cloud-based platform
- Support MLF during the pilot phase (in 6 branches, over 6 months) and provide a first assessment following the pilot to learn from potential mistakes/inconsistencies and propose adequate solutions to make the full deployment phase a success;
  - Prepare all marketing and communication materials related to the product for the pilot launch (internal and external);
  - Provide technical training to MLF's IT team on the credit scoring system and the administration of the solution(s);
  - Test/demonstrate scoring results to loan officers and Branch Managers on their existing clients portfolio in order to familiarize them with the system and demonstrate its usefulness;
  - Provide technical training to the end users: 9 members of the Head Office including the finance team, the COO and 2 regional managers, as well as all field staff which includes 87 people (loan officers and Branch Managers);

**Activity 2: Development of a customer journey for the delivery of services through mobile money and integration of mobile money (Airtel) to MLF's information system**

- Work with mobile money provider (Airtel) to develop the customer journey for all credit, insurance and savings products;
- Work with MLF's information system provider (Musoni), Airtel and MLF technical teams to deliver a solution to integrate mobile money platform with Musoni;
- Support MLF in a pilot phase to develop the solution and then on the full deployment of the solution to all branches;
- Assess the market (demand and supply) including capacity of mobile money agent network in 18 operational areas to facilitate disbursements and repayments;
- Support MLF Malawi team in drafting its sales pitch for mobile money agents;
- Review internal procedures and reporting systems for adequate integration with Musoni, with the support of MLF management including Chief Operations Officer, Head of Shared Services and Chief Financial Officer;
- Develop training materials for all staff on the use of mobile money services and the new processes and procedures, with the support of the Human Resources Manager and Chief Operations Officer;
- Deliver training to key staff (9 Head Office staff including the finance team and 18 Branch Managers) on the new mobile money services;

- Develop clear and concise training materials on accessing mobile money services for clients, specifically developed for rural women with low levels of literacy. The updated training materials should be informed by MLF’s current approach to client training and advice from MLF’s Chief Operations Officer.
- Deliver a training to key staff (87 field staff including Branch Managers and loan officers) on the delivery of training on mobile money to clients.

### **Activity 3: Design of optimized operational procedures**

- Audit the current operational processes and existing policies with the help of MLF’s Head of Shared Services and Chief Operations Officer. The consultant(s) will identify areas where efficiency can be improved, risk reduced and make recommendations on streamlining processes and review the policies accordingly;
- Update the Operational Manual to reflect the introduction of the new agricultural loan, mobile money services and the identified gaps between existing process and practices from the field. This will include updating, and in some cases, redesigning processes to cover gaps or inconsistencies and will require engagement with MLF senior management team and Head Office staff. The Operational Manual includes, at least, the following:
  - Group formation procedure
  - Loan application procedure – individual and group
  - Approval and disbursement process
  - Savings withdrawal procedure
  - Client training manual
  - Staff training manual on operational policies and processes
  - Group Loan Repayment Card (simplified record keeping for group repayment history)
  - Safeguarding policy and whistle-blowing policy.
- Consultant(s) will work with MLF HR management to use updated policies and processes documentation to create staff training materials in a digital format.

### **Activity 4: Design a comprehensive Risk Management Framework**

- Develop a Risk Management Framework, with specific focus on credit operations, back-office operations, branch level operations, training and supervision of field staff, safeguarding and risk management. The Risk Management Framework should reflect the introduction of the new agricultural products, the introduction of a credit scoring system, the development of mobile money and the expected growth of MLF’s portfolio over the years to come. It should also identify external risks that MLF Malawi is facing or might face in the upcoming three years.

## **6. Deliverables and results**

### **Activity 1:**

- A report is available on the market research by region and by crop;
- Data has been collected and consolidated and tech cards created for 10-12 agricultural activities;
- Procedures have been developed for the new agricultural loans;

- The loan assessment criteria/algorithm to feed into automated credit scoring system are available;
- A software provider has been selected and this has been documented in a selection report;
- The credit scoring software has been integrated with Musoni ;
- MLF staff and system administrators have been trained on the new credit scoring system and on the administration of the solutions;
- Marketing and communication materials (internal and external) have been developed for the pilot launch;
- The credit scoring system has been tested and adjusted and is operational in all the branches.

### **Activity 2:**

- A customer journey specifically suitable for MLF credit, savings and insurance products is clearly mapped out;
- A solution to integrate mobile money platform with MLF's core banking system (Musoni) has been developed and integrated with mobile money platform;
- All 18 branches are able to offer disbursements and repayments through mobile money, particularly in the most rural areas;
- A market assessment report on demand and supply in 18 rural areas including on mobile money agent model is available;
- A sales pitch for mobile money agents is available;
- Staff training materials on mobile money services are available;
- A training has been delivered to MLF staff;
- Clear and concise training materials on mobile money services have been developed for the clients;
- A training has been delivered to branch managers and credit officers on the delivery of trainings and on the training material.

### **Activity 3:**

- Operational procedures, Operations Manual and documentation are reviewed and streamlined;
- Staff training materials are updated and incorporate new processes and procedures and are available in a digital format;

### **Activity 4:**

- A risk management framework has been developed in a standard MLF Malawi format;

All deliverables must be sent within one month after the end of each activity.

A progress report on the overall Project must be sent every 6 months to MLF and the Foundation.

The report will notably include:

- An update on activities that have been performed and activities still to be performed
- An update on the Project's calendar, if relevant
- Main difficulties encountered and solutions found

## 7. TIMEFRAME AND LOGISTICS

- The mission will take place in Lilongwe, Malawi.
- The mission is expected to last over a total period of 24 months.

Prospective project calendar:

	Branches involved	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
<b>Activity 1: Development and roll out of agricultural loan products and a credit scoring system</b>		X	X	X	X	X	X	X	X
Phase 1 (market research, development of agri loans, pilot phase for the new products)	n/a	X	X	X					
Phase 2 (develop test and implement credit scoring system) – pilot phase	6			X	X				
Phase (develop test and implement credit scoring system) – deployment phase	All branches					X	X	X	
<b>Activity 2: Development of a customer journey for the delivery of services through mobile money and integration of mobile money to MLF’s information system</b>		X	X	X	X	X	X		
Development of the solution		X	X	X					
Pilot phase	6		X	X					
Deployment	All branches				X	X			
<b>Activity 3 &amp; 4: Design of optimized operational procedures and of a comprehensive Risk Management Framework</b>							X	X	X
Update procedures and design the Risk Management Framework							X	X	X