

Terms of Reference

Consultant:	[TBD]
Thematic Areas:	Business Pillar
Project Titles:	MSE Finance in the Digital Age
From:	June 1, 2021
To:	December 31, 2021
Task Manager:	Gcinisizwe Mdluli, Operations Officer

About CGAP

The Consultative Group to Assist the Poor (CGAP) is a global multi-donor partnership dedicated to advancing financial inclusion for the poor. CGAP plays a unique role as a donor-coordination mechanism for funders working to improve the lives of poor people through the power of financial inclusion, providing a valuable platform for information, dialogue and reflection to advance progress towards a collective vision. Using action-oriented research, CGAP tests, learns and disseminates knowledge intended to help build inclusive and responsible financial systems that move people out of poverty, protect their assets and advance broader global development goals. CGAP leverages its relationships with businesses, governments and the non-profit sector to share insights, mitigate risks and protect customers, and help others bring solutions to scale. CGAP serves as a global advocate for the financial inclusion community by collaborating with strategic institutions that influence policy and market development and providing evidence-based research and practical lessons that guide their work.

CGAP is supported by more than 30 partners including bilateral and multilateral development agencies, development finance institutions and private foundations committed to advancing financial access for the poor. CGAP is housed in and administered by the World Bank.

CGAP's vision is a world where poor people, especially women, are empowered to capture opportunities and build resilience through financial services. CGAP is guided by a five-year strategy and annual workplans. The next five-year strategy, CGAP VI, covers the period July 1, 2018 – June 30, 2023 and is built on a theory of change (ToC) that has identified four collective outcomes:

- Customers have information, incentives, trust, confidence and networks to participate in the financial system.
- Providers offer affordable, responsible, and accessible financial solutions for poor people that are sustainable and at scale.



- An infrastructure that enables ubiquitous, efficient, open and safe markets is in place.
- A policy and regulatory framework for responsible financial inclusion is in place and enforced.

To contribute toward achievement of these outcomes, CGAP's strategy has identified four priority technical areas including:

- Creating customer value
- Emerging business models
- Enabling Infrastructure
- Next Generation Policy

Additionally, CGAP will continue to provide industry-level support to share knowledge and scale impact beyond its core partners. This will include improving global learning on impact evidence, supporting CGAP's members, and focusing on capacity development to scale learning with providers and policymakers.

Implementation of CGAP VI is carried out by the Operational Team through a "portfolio of projects" designed to achieve the high-level collective outcomes articulated in the theory of change.

About the Project

MSE Finance in the Digital Age

Micro and small enterprise (MSE) finance has been a focus of development practitioners for decades, and with good reason. According to a 2019 Dalberg report commissioned by CGAP, there are nearly 500 million MSEs in emerging and developing economies. These MSEs contribute to the livelihoods of a large share of the world's low-income households, and for a majority of the jobs available to them.

It has been shown that access to financial services is a key factor in the sustainability, growth, and resilience of MSEs. Although evidence of the impact of microcredit is mixed, there is an increasing recognition that for at least some MSEs, access to credit can increase stability, revenue, and profits. Those profits translate into greater incomes and job security for low-income households. The microfinance sector has grown to serve 140 million low-income clients, with an outstanding portfolio of \$124 billion in 2018. **Yet there remains a nearly US\$5 trillion MSE finance gap.**

The MSE Program focuses on the opportunities to improve MSE Finance in the Digital Age. We believe that digitally enabled business models can usher in a new revolution in MSE finance, helping to further close the MSE financing gap. For incumbent financial institutions (e.g. MFIs), there is an opportunity to adapt their existing business models to the emerging digital ecosystem which would allow those providers to serve both existing and new customers more effectively. And for new entrants into the ecosystem (e.g. financial technology startups), there is an opportunity to create entirely new business models that would be difficult for incumbents to replicate. The Project Team



will work with funders and providers (both incumbents and disruptors) to develop, test, and scale these solutions.

We also believe that for these new business models to reach their full potential, we need to develop a more nuanced understanding of the landscape of MSEs. This could entail segmenting MSEs, whether by industry, size, business potential, or other variables so that we are better clued into specific needs. We also need to expand beyond our myopic focus on financial needs and understand different aspects of MSE productivity- whether diversification, resilience, etc.—that can be supported through financial services. Finally, new models will be more impactful if they can learn from past successes and shortcomings. While useful evidence exists on Grameen-style group loans, we need to understand the impact of different MSE finance models in Latin America and Asia to have a more holistic impact in the future.

In summary, the MSE Project will focus on addressing the following issues:

1. Responding to the MFI crisis (e.g. ensuring that various MFI funder constituencies are coordinated in their response to the crisis in the sector)
2. Improving our understanding of the MSE landscape (e.g. the evolving needs of various MSE segments, and the impact of financial services in addressing those needs)
3. Accelerating progress towards a more digitally enabled MSE finance ecosystem (e.g. scaling emerging technologies and business models for both incumbent and disruptive financial service providers)

These terms of reference are focused on the third focus area. We see digitization as inevitable in the delivery of financial services in this digital age. Our work looks at how incumbent financial service providers, primarily MFIs, can implement digitization in ways that create value for MSEs and also provide positive returns on the investment. We showcase MFI successes in digitizing in order to help others learn and also plan to create a forum for MFIs at all stages of the digitization process to come together, share lessons and learn from each other.

Scope of Work

CGAP has identified the implementation of an MFI Digitization-focused community of practice (CoP) as an appropriate avenue for MFIs to exchange practical insights and advice on how to go about digital transformation generally and about its specific components specifically. The CoP is expected to facilitate learning between MFIs on how to implement digitization initiatives in ways that maximize the benefits of technology and bring value to MSE customers (e.g. improved affordability, accessibility, product suitability, experience, etc.) and MFIs (e.g. efficiency, profitability, scale, etc.).

In line with the objectives of the MFI Digitization focal area and MSE Finance in the Digital Age program, the senior consultant will be expected to help launch and facilitate the CoP convened by CGAP and managed as part of CGAP's LiFi project. At the initial stage we propose the CoP be focused on three thematic areas concerning digitization: (1) Measuring customer and business value; (2) Automated credit decisioning; and (3) Change management.



The work of the CoP will be broken up into three phases. As part of this phased approach, the consultant will carry out pre-inception activities as described in the methodology and specific tasks section.

The work may require frequent travel and long missions to CGAP focus countries.

Methodology and Specific Tasks

We expect that creating, maintaining, and then closing this CoP will involve 3 phases spanning a 25-month timeframe, as detailed below in this section. The TOR covers just the first phase of this project. We would expect to continue working with the same consultant through the subsequent phases of the project, assuming strong performance on the part of the consultant and continued CGAP support for the project.

The Consultant will coordinate all work closely with the CGAP MSE Finance in the Digital Age team and, as agreed with the Task Manager, will undertake the following tasks in this assignment:

Phase 1: Landscaping, validating, and preparing for CoP launch (June – December 2021)

- Conduct a landscaping and validation exercise that involves a supplementary assessment of what various stakeholders in the MFI Digitization space are doing and ascertaining the level of interest in the proposed CGAP-hosted CoP amongst stakeholders, confirming whether the chosen thematic areas are the correct ones and soliciting feedback on other potential areas of focus. The landscaping and validating exercise will focus on MFIs around the world who are the primary targets of the CoP. However, the consultant will also gather the views of other stakeholder types such as funders (donors and investors), associations, consulting companies, technology providers and others.
- Help identify members for and form CoP steering committee.
- Synthesize landscaping and validation findings and integrate existing knowledge products e.g. case studies, to produce communication and publicity products for the CoP and its thematic areas/working groups.
- Identify potential CoP members.
- Organize outreach to potential CoP members. This will involve knowledge sharing and trust building.
- Define CoP governance and technical specifications, including defining working groups and platforms for hosting the CoP, collaboration between members and disseminating knowledge.
- Start forming the CoP in collaboration with other team members and prepare for launch.



Phase 2 – Implementing/facilitating CoP (January 2022 – March 2023) and Phase 3 - Transition or sunset (April – June 2023) tasks will follow and CGAP would prefer to have the same consultant carry out work in those two phases if their phase 1 performance meets expectations.

The Task Manager and other CGAP staff will participate in the review and guidance of the work, based on the specific requirements of each task.

Deliverable(s)

The following are expected **Phase 1** deliverables based on the scope of work defined above:

- Landscaping and validation report reflecting stakeholder sentiment on the CoP concept (August 2021).
- Publish an adaptable knowledge product to communicate intent of and generate excitement for the CoP (October 2021).
- List of committed and interested stakeholders and their respective roles in the CoP (November 2021).
- Clear workplan reflecting community needs and CGAP's MFI Digitization strategic plan (December 2021).

Necessary Skills and Experience

It is expected that the selected candidate would meet the following criteria:

- Master's degree Economics, Public Administration, International Development, Finance, or related field.
- Minimum of 8 years of relevant work experience in the areas of microfinance, digital finance, and/or MSME finance
- Demonstrates deep technical expertise in the digitization of financial institutions - primarily microfinance institutions- serving the MSE segment. Also demonstrates expertise in other areas of financial inclusion (e.g. approaches to extend access to financial services for the poor, MSME finance products and institutional arrangements, consumer protection and financial literacy, credit information systems and infrastructure, payments systems, digital finance, policy and regulatory reforms). Has been a key team member with responsibilities for analytical work on financial inclusion, infrastructure and access.
- Experience with complex stakeholder management, moderating technical discussions, and managing an ongoing agenda (previous experience with organizing, managing and/or leading a community of practice is an advantage).
- Track record of synthesizing complex insights into engaging written reports, presentations, and blog posts.
- Exceptional oral and written communication skills, including the ability to influence and persuade others to accept ideas and suggestions (such as counterparts in the private sector, CGAP member organizations, academia, and CGAP colleagues, senior staff, and managers).
- Fluency in English required, competency in another CGAP priority language (Arabic, French, Spanish) preferred.



Ownership/Control of Work Product/Publication

All materials produced or acquired during the appointment - written, graphic, film, and digital audio/video or otherwise - shall remain the property of the World Bank unless and to the extent such rights are explicitly relinquished (in whole or in part) by the World Bank, in writing. The World Bank furthermore retains the exclusive right to publish or disseminate in all languages reports arising from such materials.

In the event of early termination of the appointment or non-renewal upon its expiration, the Consultant shall, if requested by CGAP, deliver to it copies of all materials and data developed with CGAP funds.

Any material developed by the Consultant under these TORs may not be used without written prior approval by the World Bank.

Authorship and Acknowledgement

CGAP staff will generally be listed as the authors of any publication or other communication that is produced as a result of the research conducted during the appointment. The Consultant's contribution in conducting this research will be acknowledged in any such publication. If, in the reasonable view of the Task Manager, the Consultant contributes significantly to the conceptualization and drafting of any documents created, the Consultant will be listed as co-author, along with the relevant CGAP staff.

Task Manager/Reporting

The Task Manager is Gcinisizwe Mdluli, CGAP Operations Officer. CGAP may designate another qualified task manager. The Task Manager has final sign off on deliverables and invoices.

The Consultant will report to the Task Manager.

Schedule

All work described on this TOR will be completed by December 2021 unless the appointment is extended or a new appointment is made. The schedule could be further clarified in each subsequent task assignment.

Budget and Payment

The daily rate will be determined based on the qualifications and prior experience of the consultant.

The budget ceiling for the work under these TOR is seventy five (75) days and no more than [TBD] U.S. dollars (US\$ TBD). The Consultant's time will be compensated based on a fee of TBD U.S. dollars (US\$ TBD) per eight (8) hour consulting day or pro-rated portions thereof.



The Consultant will also be reimbursed for miscellaneous expenses directly related to the work performed pursuant to these TORs (documented in accordance with relevant CGAP procedures) or with prior written agreement with Task Manager. Payment will be made upon receipt of the payment request through the World Bank system and its approval by the Task Manager.

Confidentiality

All knowledge and information not already within the public domain which the Consultant may acquire from CGAP or its employees or by virtue of the assignment shall for all time and for all purposes be regarded by the Consultant as strictly confidential and held in confidence, and shall not be directly or indirectly disclosed by the Consultant to any person whatsoever excepting with the World Bank written permission.

All outputs of the work, materials produced in the course of the work, and all by-products shall remain confidential unless the World Bank authorizes public release.