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DB Reference N°: IDB-P909328-01/22

Country: Guyana, Jamaica, Suriname, Trinidad and Tobago

Institution: Inter-American Development Bank

Sector: General - Private Sector Management

Deadline: 2022-02-04T00:00:00.00-04:00

Status: Published

Loan N°./Financing: ATN/OC-17737-RG

Project:

Title: Facility to Boost Private Sector Growth in Small and Island Countries

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Borrower/Bid No: RG-T3502-P004

REQUEST FOR EXPRESSIONS OF INTEREST

CONSULTING SERVICES

Selection # as assigned by e-Tool: RG-T3502-P004

Selection Method: Full Competitive Process

Country: Jamaica, Suriname, Trinidad and Tobago, y Guyana

Funding – TC #: ATN/OC-17737-RG

Project #: RG-T3502

TC name: Facility to Boost Private Sector Growth in Small and Island Countries

Description of Services:

Assessment the market landscape for Reverse Factoring (and/or other types of supply chain finance products/mechanisms benefitting MSMEs) in S&I, to identify market gaps, needs and opportunities for IDB Invest to deploy suitable Reverse Factoring (or Reverse Factoring-like) solutions in each one of these S&I countries.

The Inter-American Development Bank (IDB), through its Competitiveness, Technology and Innovation Division is executing the above-mentioned technical cooperation. For this operation, the IDB intends to contract consulting services described in this request of Expressions of Interest (EOI).

If you are interested to participate, expressions of interest of your consulting firm, must be delivered using the IDB Portal for Bank Executed Operations (http://beo-procurement.iadb.org/home) by: *Friday, February 4th, 2022* 5:00 P.M. (Washington D.C. Time).

Link to TC document: https://www.iadb.org/en/project/RG-T3502

The description of the consulting services ("the Services") and estimated timeframe for the performance of such services are included in the Terms of Reference (see Annex).

Eligible consulting firms will be selected in accordance with the procedures set out in the Inter-American Development Bank: *Policy for the Selection and Contracting of Consulting firms for Bank-executed Operational Work* - GN-2765-4. All eligible consulting firms, as defined in the Policy may express interest. If the Consulting Firm is presented in a Consortium, it will designate one of them as a representative, and the latter will be responsible for the communications, the registration in the portal and for submitting the corresponding documents.

The IDB now invites eligible consulting firms to indicate their interest in providing the services described above in the draft summary of the intended Terms of Reference for the assignment. Interested consulting firms must provide information establishing that they are qualified to perform the Services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Eligible consulting firms may associate in a form of a Joint Venture or a sub-consultancy agreement to enhance their qualifications. Such association or Joint Venture shall appoint one of the firms as the representative. **The maximum available budget for this call is US$370,000.00 (three hundred and seventy thousand US dollars).**

Interested eligible consulting firms may obtain further information during office hours, 09:00 AM to 05:00 p.m., (Washington D.C. Time) by sending an email to: Claudia Stevenson *(claudiast@iadb.org)* and *Susana Marin Arango, susanama@iadb.org.*

Inter-American Development Bank

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TERMS OF REFERENCE

Market study for supply chain finance solutions benefitting MSMEs in S&I

Countries: Phase 1: Suriname, Jamaica, Trinidad and Tobago, Guyana |

Phase 2: Bahamas, Barbados, Belize, Haiti

Project Number: RG-T3502

https://www.iadb.org/en/project/RG-T3502

Facility to Boost Private Sector Growth in Small and Island Countries

1. **Background and Justification**

1. The importance of trade and supply chains as catalysts of economic growth and their connection with specific development objectives (such as productivity and competitiveness, financial inclusion, economic integration, Micro, Small and Medium size Enterprises (MSMEs) development, knowledge transfer and innovation) is recognized in practically all IDB Group's strategic documents and business plans, specifically:

- IDB Group's 2025 Vision (GN-3025-3, CII/GN-436-3)
- IDB's Institutional Strategy 2020-2023 (GN-2933, CII/GN-378)
- IDB Invest's 2020-2022 Business Plan and Administrative and Capital Budget (CII/GA-80-2)
- IDB Invest Action Plan for the Micro, Small, and Medium Enterprises (CII/GN-364-1)
- IDB Invest Financial Intermediaries Action Plan (CII/GN-369-5)
- United Nations' Sustainable Development Goals (SDGs)
- IDB Invest COVID-19 Response. Balancing Speed, Capital and Impact (CII/GN-419)
- IDB Group's country strategies

2. MSMEs represent 99% of LAC companies and generate 67% of employment. MSMEs have great difficulties in accessing credit, a situation that worsened when the COVID-19 pandemic hit the world and the region. MSMEs in LAC receive only 12% of the total credit, less than half the proportion of credit received by MSMEs in OECD countries (25%). In addition, the difference in levels of access to credit between MSMEs and large companies in LAC is high; only 17% of SMEs in the region use bank credit to finance short-term working capital, compared to 29% of large companies.[1] Credit restrictions for this

class of companies are a barrier to the economic and social development of the region, and play a fundamental role in the low productivity, informality and limited growth capacity associated with these companies. This situation and the resulting funding gap is exacerbated in S&I.

3. IDB Invest Action Plan for the Micro, Small, and Medium Enterprises (CII/GN-364-1) highlights (i) the provision of financing solutions to the supply chains, and (ii) the alliance with financial technology companies (Fintech), as two fundamental pillars of IDB Invest's strategy to facilitate access to finance to MSMEs. As part of this strategy, IDB Invest launched in 2018 its Reverse Factoring solution, a new financial product which aimed to promote access to finance to MSMEs suppliers which integrate ALC supply chains.

4. A product category within the Supply Chain Finance product family and under the Trade Finance supra umbrella, Reverse Factoring[2] consists in credit lines to be provided by IDB Invest to corporations with a strong credit standing (the "Anchor Buyers"), to the benefit of the MSMEs suppliers in their supply chain. Under these lines, MSMEs suppliers can discount (i.e. monetize) with IDB Invest (or any other bank guaranteed by IDB Invest) their invoices confirmed and payable at a future date by the Anchor Buyers. This structure gives MSMEs access to competitive funding at a price that is commensurate with the creditworthiness of the large Anchor Buyer, the obligor under this financial structure. Hence, the product reduces the asymmetry between the cost of funding and availability of funding for MSMEs in the financial sector. Reverse Factoring solutions rely on the enabling capabilities of fintech companies, which provide the electronic platform through which the counterparties interact and thousands of invoices are discounted daily. This reliance on technology provides automation, visibility and transparency to the financial transaction, lowering the typically high transactional cost associated to MSMEs financing. This way, Reverse Factoring solutions are said to have "democratized" access to finance for MSMEs.

5. As of November 2021, IDB Invest has 16 Reverse Factoring lines approved (12 of them in Mexico and 4 of them with a regional approach), under which the bank has disbursed U$1.5 billion to the benefit of 2,261 MSMEs. The concentration of IDB Invest's Reverse Factoring portfolio in Mexico is due to the fact that Mexico is the leading LAC market for this type of solutions, and therefore has been used as a "lab" for gaining the internal experience necessary to deploy the product at a first stage. Now that IDB Invest has completed this initial product development/consolidation phase, the bank is seeking to expand the deployment of the solution to other LAC markets.

6. The deployment of Reverse Factoring solutions requires the existence, at a country level, of a certain "infrastructure" which makes the product possible from a legal, operational and technological perspective, such as laws regulating electronic payments, electronic invoicing, e-signature, official collateral/guarantees registries, etc. Please refer to the World Bank's *Components of the Enabling Framework Supporting Supply Chain Finance*[3] for further details on these infrastructure needs. These requirements represent a fundamental entry barrier for the product in certain ALC jurisdictions, and hence an important challenge for the deployment of the solution in C&D and S&I countries.

7. Within this context, IDB Invest is seeking to conduct a market study of Reverse Factoring solutions in S&I countries, to understand the market readiness for this type of solutions. The market study will have two focuses, which will be handled in two separates technical cooperations. The first one ("Focus 1"), will be to study the local regulatory framework available to support the product at a country level. The second ("Focus 2"), will be to study the local market landscape, including main market players (banks, fintechs, etc.), market gaps, similar product available, etc. Phase 1 of the study will include Suriname, Jamaica,

Trinidad and Tobago and Guyana. Phase 2 of the study will cover Bahamas, Barbados, Belize ad Haiti.

2. **Objectives**

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1. This technical cooperation specifically refers to "**Focus 2**" of the study, whose goal is to assess the market landscape for Reverse Factoring (and/or other types of supply chain finance products/mechanisms benefitting MSMEs) in S&I, to identify market gaps, needs and opportunities for IDB Invest to deploy suitable Reverse Factoring (or Reverse Factoring-like) solutions in each one of these S&I countries.

3. **Scope of Services**

1. To achieve the above-mentioned goal, a consulting firm, on behalf of IDB Invest and the Competitiveness, Technology and Innovation Division (IFD/CTI), will research and consolidate market information, interview key players, identify best practices and provide practical recommendations on how to deploy Reverse Factoring (or Reverse Factoring-like solutions, to provide access to finance to MSMEs along the value chains) in S&I.

2. This will include assessing the "what" (i.e. the availability of Reverse Factoring solutions and/or other types of supply chain finance products/mechanisms benefitting MSMEs at the country level), the "who" (main market players, including banks, Fintechs, Anchor Companies, etc.) and the "how" (i.e. how are these solutions deployed and implemented, what are the main market gaps, etc.).

3. The consulting firm will have extensive knowledge in supply chain finance and S&I markets.

4. **Key Activities**

1. Study the local market landscape in each S&I country, including:
    1. Assessment of available Reverse Factoring solutions and/or other types of supply chain finance products/mechanisms benefitting MSMEs.
    2. Identification of and interviews with key market players (including banks, Fintechs, Anchor Companies, etc.)
    3. Case studies, benchmarks and best practices
    4. Main market gaps and needs
    5. Potential opportunities
2. Summary of the main findings, business case and the conclusions of the analysis in a final report,

including recommendations for IDB Invest to deploy suitable Reverse Factoring (or Reverse Factoring-like) solutions in each one of these S&I countries.

5. **Expected Outcome and Deliverables**

1. Market analysis of Reverse Factoring solutions (and/or other types of supply chain finance products/mechanisms benefitting MSMEs) in the relevant S&I countries.

2. Report with a summary of the conclusions and recommendations of the analysis.

6. **Project Schedule and Milestones**

- Duration of the contract: Up to 6 months.
- Main project schedule of deliverables:

Phase 1 – Countries: Suriname, Jamaica, Trinidad and Tobago and Guyana	
Outcome/deliverables	**Schedule of deliverables**
i) Market analysis of Reverse Factoring solutions (and/or other types of supply chain finance products/mechanisms benefitting MSMEs)	Month 1-2
ii) Report with a summary of the conclusions and recommendations of the analysis.	Month 3

Phase 2 – Countries: Bahamas, Barbados, Belize and Haiti	
Outcome/deliverables	**Schedule of deliverables**
i) Market analysis of Reverse Factoring solutions (and/or other types of supply chain finance products/mechanisms benefitting MSMEs)	Month 4-5
ii) Report with a summary of the conclusions and recommendations of the analysis.	Month 6

7. **Reporting Requirements**

1. Regular progress reports will be provided to both IDB Invest and CTI Division in the format and frequency agreed on the working plan.

2. All reports should be sent to the team leader in an electronic file. All the reports and their chapters,

including the preliminary versions, must reach a high quality, or they may not be accepted otherwise. The read-only documents produced by the consulting firm must be accompanied by their respective editable documents.

3. The reports (progress and final), as well as deliverables, shall be in English.

8. **Acceptance Criteria**

1. For each deliverable, the team leader will have two weeks for review and approval. IDB will have the opportunity to give feedback for the deliverables at least once. The criteria for acceptance of the deliverables will be governed by the deliverable's description included in this document and by the quality and expertise that is expected to be reflected in each of them.

9. **Supervision and Reporting**

1. All consulting activities will be supervise the Competitiveness, Technology and Innovation Division and by IDB Invest's Financial Products Division (FNP) and Advisory (ADV) team. The IDB will facilitate the contact of their personnel in charge of this technical assistance to ensure adequate coordination.
2. The consulting firm is expected to establish regular check-ins with the IDB team to update on progress of the project, present and validate key deliverables. The meeting frequency timeline should be agreed upon on the workplan. It shall be consulting firm's responsibility to ensure that such meetings are conducted, and such reports are submitted to the team leader.

10. **Schedule of Payments**

1. Payment terms will be based on the project schedule of deliverables, as per the following table. The IDB Group does not expect to make advance payments under consulting contracts unless a significant amount of travel is required. The IDB Group wishes to receive the most competitive cost proposal for the services described herein.

Phase 1 – Countries: Suriname, Jamaica, Trinidad and Tobago and Guyana		
Outcome/deliverables	**Schedule of deliverables**	**% payment upon conclusion**
i) Market analysis of Reverse Factoring solutions (and/or other types of supply chain finance products/mechanisms benefitting MSMEs)	Month 1-2	25%
ii) Report with a summary of the conclusions and recommendations of the analysis.	Month 3	25%

Phase 2 – Countries: Bahamas, Barbados, Belize and Haiti		
Outcome/deliverables	**Schedule of deliverables**	**% payment upon conclusion**
i) Market analysis of Reverse Factoring solutions (and/or other types of supply chain finance products/mechanisms benefitting MSMEs)	Month 4-5	25%
ii) Report with a summary of the conclusions and recommendations of the analysis.	Month 6	25%

[1] OECD/ECLAC (2013), Latin American Economic Outlook: SME Policies for Structural Change.

[2] Other equivalent product names used in the market are: Approved Payables Finance, Confirming, Confirmed Payables, Buyer-Led Supply Chain Finance and Supplier Finance.

[3] http://documents1.worldbank.org/curated/en/359771613563556978/pdf/Supply...