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DB Reference N°: IDB-P1019925-08/22

Country: Regional - Latin America and The Caribbean

Institution: Inter-American Development Bank

Sector: Microenterprise Development, SME Development

Deadline: 2022-08-16T00:00:00.00-04:00

Status: Published

Loan N°./Financing: TC #: RG-T3495

Project: Micro Small and Medium Enterprise (MSME) Support Facility

Title: Consulting work is to produce quantitative and qualitative evidence on the implementation and adoption of Reverse Factoring (RF) schemes in LAC and collect firm-level micro-data to be used for an impact evaluation of the impacts of RF on MSMEs

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Borrower/Bid No: RG-T3495-P013

REQUEST FOR EXPRESSIONS OF INTEREST

CONSULTING SERVICES

Selection #: RG-T3495-P013

Selection Method: Simplified Competitive

Country: *Regional*

Sector: FINANCIAL MARKETS

Funding – TC #: RG-T3495

Project #: ***ATN/OC-17736-RG***

TC name: Micro Small and Medium Enterprise (MSME) Support Facility

Description of Services: The main objective of the consulting work is to produce quantitative and qualitative evidence on the implementation and adoption of Reverse Factoring (RF) schemes in LAC and collect firm-level micro-data to be used for an impact evaluation of the impacts of RF on MSMEs.

Link to TC document: https://wwwiadb.org/en/project/RG-T3495

The Inter-American Development Bank (IDB) is executing the above-mentioned operation. For this operation, the IDB intends to contract consulting services described in this Request for Expressions of Interest.

Expressions of interest must be delivered using the IDB Portal for Bank Executed Operations (http://beoprocurement.iadb.org/home) by: *August 16th, 2022,* 5:00 P.M. (Washington D.C. Time).

To access the IDB Portal, the firms must generate a registration account, including ***all*** the data requested by the Portal. In the event that any of the information requested is not included, the firm will not be able to participate in this or any other Bank-executed selection process for operational work. If the firm has been previously registered, please validate that you have ***all*** the firm's information updated and complete before submitting an expression of interest.

The consulting services ("the Services") include *the scope of the consulting service will entail (i) conducting a diagnostic analysis on the implementation and adoption of RF; (ii) collecting firm-level micro-data on MSME suppliers; and (iii) producing an actionable insights guide that can serve as roadmap for the implementation of RF lines. 6.1. The consulting firm's work must be completed within a period of 8 months. The schedule and milestones, based on a notice-to-proceed, will be defined in detail between the selected consulting firm and IDB Invest at the inception of the work.*

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 an 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.

Special requirements according to the Donor Trust Fund (DTF), if applicable.

Interested eligible consulting firms may obtain further information during office hours, 09:00 AM to 05:00 PM, (Washington D.C. Time) by sending an email to: EDUARDOG@iadb.org, paulape@iadb.org.

Inter-American Development Bank

Division: *IFD/CMF*

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Selection process: # RG-T3495-P013

TERMS OF REFERENCE

THE IMPACT OF REVERSE FACTORING ON MSMEs

1. Background and Justification

1.1. IDB Invest, the private sector arm of the Inter-American Development Bank Group, finances projects aimed at improving the development conditions of Latin American and Caribbean (LAC) countries through the provision of financing to private sector companies of the region.

1.2. Since the 2008 financial crisis, attention to supply chain finance has increased, as companies seek alternative funding sources. One scheme for accessing short-term credit has emerged as a promising option for suppliers, especially micro, small and medium-sized enterprises (MSMEs): Reverse Factoring (RF). Under RF, suppliers sell their accounts receivable to financial intermediaries to get access to instant cash, while buyers (anchor companies) make an irrevocable payment guarantee (confirmed invoices) to those financial intermediaries, with the objective of increasing the credibility of the payment obligation and reducing risks.

1.3. In this context, IDB Invest has supported different operations of RF in LAC, mainly in Mexico. Mexico has been a lab for the implementation of RF before extending the product to other countries. Currently, IDB Invest has RF lines with 17 anchor buyers (13 in Mexico and 4 regional). Since January 2018, when the product was launched, a total of 2,122 suppliers discounted invoices for an amount of US$ 1.9 billion. MSMEs represented 69% of the volume discounted (US$1.3 billion) and 93% of the number of suppliers (1,984 MSME suppliers). The average tenor of discounts was 92 days.

1.4. The Development Effectiveness Division (DVF) is looking to generate an evaluation of the impact of RF lines on MSME suppliers and an analysis of the barriers for its implementation and adoption. It aims to assess what works and how it works in the area of RF financing. Given that gender inclusion is one of the strategic areas of work for IDB Invest, the evaluation will pay particular attention to generate evidence on whether access to finance and markets in this topic is different for women-led/owned SMEs (WSMEs) when compared to the rest. This study will be a relevant input for the design and assessment of future IDB Invest operations in this area, especially with non–Mexican anchor companies.

1.5. DVF, part of the Strategy and Development Department (DSP) of IDB Invest, is responsible for the design and implementation of the IDB Invest's Impact Management framework. The DVF establishes, implements, and oversees the compliance with evaluation standards at each stage of the projects' life cycle (origination, preparation, implementation, and evaluation). The division ensures both accountability and learning for the benefit of the IDB Invest's clients, partners, and beneficiaries in LAC. Furthermore, it defines operational recommendations, based on analytics of monitoring data, the findings of evaluations, and selected studies on systemic and demonstration effects. Lastly, the DVF is responsible for corporate reporting and cooperation with other MDBs on development effectiveness matters. To accomplish the above-mentioned tasks, the DVF manages various tools including: ex-ante and ex-post cost-benefit analysis, the Development Effectiveness Learning Tracking and Assessment Tool (DELTA), the Annual Supervision Report (ASR), the Expanded Supervision Reports (XSR), and in-depth and impact evaluations, and thematic studies.

2. Objectives

2.1. The main objective of the consulting work is to produce quantitative and qualitative evidence on the implementation and adoption of Reverse Factoring (RF) schemes in LAC and collect firm-level micro-data to be used for an impact evaluation of the impacts of RF on MSMEs.

3. Scope of Services

3.1. The scope of the consulting service will entail (i) conducting a diagnostic analysis on the implementation and adoption of RF; (ii) collecting firm-level micro-data on MSME suppliers; and (iii) producing an actionable insights guide that can serve as roadmap for the implementation of RF lines.

4. Key Activities

4.1. Component 1: Diagnostic phase and qualitative evidence

a. Conduct in-depth interviews and focus groups with at least 3 selected IDB Invest clients (anchor buyers), a group of MSME suppliers from each one of these clients, and E-factor (factoring platform) from Mexico to better understand (not exhaustive):
   i. Barriers to RF implementation and adoption.
   ii. Strategies implemented by anchor buyers to select/onboard suppliers to RF lines. iii. Benefits and costs of using RF. iv. Characteristics of MSME suppliers that use these products and how they differ from those that have not.

   v. Gender gap in accessing RF. vi. Balance of power between anchor buyers and suppliers especially regarding payment terms.

The topics and questions to be addressed in the interviews will be discussed and agreed with IDB Invest technical team. The focus of this activity will be in Mexico where IDB Invest has an important concentration of RF operations.

b. Analysis of RF markets in the LAC region, including their current state of development, identification of markets and countries with more potential for development, and an in-depth review of local regulations that may support or hinder the use of RF operations in certain contexts and public policies that could potentially help to maximize their development impacts. In agreement with IDB Invest technical team, this analysis will be focused on a selected sample of LAC countries where there is more potential to expand this product.
c. Produce a report summarizing the findings from the previously described activities.

4.2. Component 2: Representative survey data collection on MSME suppliers

a. Design the questionnaire to be used for data collection. Questions will be determined in agreement with IDB Invest technical teams and will be guided by the results obtained in Component 1.
b. Define the sample of firms that will be included in the data collection. It is expected that approximately a sample of at least 800 MSME suppliers will be collected and that the sample will be selected from the universe of firms that currently discount with platforms or financial intermediaries working with IDB Invest. The sample will be concentrated in Mexico. Sample design, considering size and potential stratification will have to be carefully reviewed by the firm to make sure the sample is representative of the population of interest.
c. Conduct a small pilot to fine-tune the questionnaire.
d. Gather MSME micro-data using the survey designed.

4.3. Component 3: Actionable insights guide

a. Considering the results and lessons learned throughout the consultancy, produce a short, attractive, and easy to understand guidance note that can serve as roadmap for the implementation of efficient and effective RF lines.

5. Expected Outcome and Deliverables

5.1. The firm is expected to carry out all the necessary activities to be able to produce the following deliverables:

- **Product 1: General work plan.** The consultant will propose a scope and work plan to guide the entire consultancy, which will be reviewed and refined with IDB Invest.

Component 1: Diagnostic phase and qualitative evidence

- **Product 2:** Questionnaire for interviews and focus groups.
- **Product 3:** Report.

Component 2: Representative survey data collection on MSME suppliers

- **Product 4:** Pilot results summary, final questionnaire, and sample design.
- **Product 5:** Clean database with micro-data (format to be defined).

Component 3: Actionable insights guide

- **Product 6:** Guidance note. It is expected that this note will be published externally by IDB Invest and broadly disseminated.

6. Project Schedule and Milestones

6.1. The consulting firm's work must be completed within a period of **8 months**. The schedule and milestones, based on a notice-to-proceed, will be defined in detail between the selected consulting firm and IDB Invest at the inception of the work.

6.2. Following a project kick-off meeting, the consulting firm and IDB Invest shall define a list of information to be requested, a work plan, and milestones. Information requests will be phased in according to the scheduled tasks defined at the outset.

7. Reporting Requirements

7.1. The consulting firm will have to submit the following progress reports:

- Draft of general work plan.

Component 1: Diagnostic phase and qualitative evidence

- Draft of questionnaire for interviews and focus groups.
- Draft of report with findings.

Component 2: Representative survey data collection on MSME suppliers

- Draft of questionnaire and sample design.

Component 3: Actionable insights guide

- Draft of guidance note.

8. Acceptance Criteria

8.1. Proposals and deliverables shall be in Spanish or English language and should be prepared in MS Word format, PowerPoint and/or MS Excel, as required, and should be submitted by e-mail in electronic form to the project managers. Zip files will not be accepted as final deliverables, due to Records Management Section regulations.

8.2. IDB will have the opportunity to provide comments on all the deliverables. The consultant firm will provide draft and final versions of all products. The deliverables and products derived from these terms of reference will be considered acceptable once the comments and feedback given by the project managers are incorporated into the final product.

9. Other Requirements

9.1. Not applied.

10. Supervision and Reporting

10.1. The consulting firm will be reporting to project managers Patricia Yanez Pagans (patriciaya@iadb.org) and Lucas Figal Garone (lfigal@iadb.org) from IDB Invest.

10.2. The consulting firm and the project team will hold periodic meetings and provide concise email reports on the progress of the work. All reports, comments and instructions for changes will be approved by the program managers. The consulting firm is responsible for ensuring that meetings are conducted and reports are submitted to the Bank.

11. Schedule of Payments

11.1. Payment terms will be based on project milestones or deliverables. The Bank does not expect to make advance payments under consulting contracts unless a significant amount of travel is required. The Bank wishes to receive the most competitive cost proposal for the services described herein.

11.2. The IDB Official Exchange Rate indicated in the RFP will be applied for necessary conversions of local currency payments.

11.3. The consulting firm will be paid on a basis of activities to be performed for the different sub-sets of activities (task orders) and according to the following schedule:

Payment Schedule	
Deliverable	**%**
1. *Product 1*	*20%*
2. *Product 2 and 3*	*25%*
3. *Product 4 and 5*	*25%*
4. *Product 6*	*30%*
TOTAL	*100%*