

TERMS OF REFERENCE

Consultancy 1. Consultancy to provide recommendations for the re-organization of supervisory, regulatory and policy public agencies, including the building of capacity for Fintech regulation and supervision

REGIONAL

RG-T4181

“Support to public policies and institutional capacity for the development of Fintech in Latin America and the Caribbean”

Component 1. Knowledge creation and institutional capacity development

1. Background and Justification

- 1.1. Established in 1959, the Inter-American Development Bank ("IDB" or "Bank") is the main source of financing for economic, social, and institutional development in Latin America and the Caribbean (LAC). Provides loans, grants, guarantees, policy advice, and technical assistance to the public and private sectors of their borrowing countries.
- 1.2. Through the Technical Cooperation (TC) RG-T4181, the Connectivity, Market and Finance Division (IFD/CMF) will support the creation of institutional capacity of LAC Governments to promote a more inclusive and dynamic fintech ecosystem through the creation and dissemination of policy-relevant knowledge and direct support, to improve the design and implementation of strategies, policies, and regulations.
- 1.3. The region's Micro, Small and Medium Enterprises (MSME) finance gap reaches a third of the total regional Gross Domestic Product -GDP. Fintech platforms have the potential to close the gap partially. On the one hand, evidence shows that fintech platforms are a viable alternative for financing micro, small and medium-sized enterprises. According to the Center for Alternative Finance at the University of Cambridge -CCAF- and the Inter-American Development Bank, the region reached US\$5,2 billion in originations by 2020, representing a growth of 191% compared to 2018 (US\$1,81 billion). Of this total volume, 86% of the financing was directed towards MSMEs. An upcoming study by the Bank and CCAF also provides further evidence of the potential of Fintech for MSME financing. The study uses a sample of 550 MSMEs from Argentina, Brazil, Chile, Colombia, Peru, and Mexico. Out of these, 57% of the firms funded their businesses with personal credit cards. First, the study found that 76% of the respondents used the P2P/Marketplace Lending Model as a channel to finance their activities, while 13% used invoice trading as an alternative to funding them. The models are relevant because they hint policymakers where to focus their actions. Furthermore, with a median credit value of US\$3,917, a total of 67% of the firms used the resources obtained in AF platforms for working capital, while 9.3% used it for asset purchases, 9.3% to refinance, and 9% for expansion of business. But more important yet, those firms that were able to access fintech funding, could also increase or maintain their number of employees (92% of the total), income (86%), and turnover (84%). Fintech-financed firms became resilient, even in the middle of a very adverse situation such as the pandemic, thanks to the availability of credit. The results

are even more relevant if it is taken into account that 83% of the firms were microfirms (ten employees or less). Public policy actions can use these results as evidence to foster fintech regulations in the region.

- 1.4. On the other hand, there are good examples of fintech platforms addressing unmet demands from vulnerable populations such as women. In the region, there are more unbanked women (48.6%) than men (42.6%), and the financing gap for SMEs led by women reaches US\$93 billion . IDB and Finnovista data shows that the region's fintech initiatives with a woman on the founding team are increasing. The average number of fintech ventures with a female founder or co-founder grew from 35% in 2018 to 40% in 2020 . Also, 15% of fintech startups in Latin America are approaching equal gender representation in their work teams. Finally, it is worth highlighting that the sector's potential goes beyond gender. The same study shows that thirty-six percent (36%) of the fintech startups in LAC present solutions that involve segments of the population totally or partially excluded from the formal financial system. Public policies for fintech might benefit groups such as women, as well.
- 1.5. In this context, it has been identified that the region could benefit from having an updated assessment and recommendations for the re-organization of supervisory, regulatory and policy public agencies, including the building of capacity for Fintech regulation and supervision.

2. Objectives

- 2.1. The objective of this consultancy is to assess and provide recommendations for the re-organization of supervisory, regulatory and policy public agencies, including the building of capacity for Fintech regulation and supervision in a selected country.

3. Key Activities

- 3.1. Kick-off. Organize a kick-off meeting to align objectives and expectations in collaboration with the IDB team. Working plan and chronogram will be agreed by all parties after the kick-off meeting.
- 3.2. Assessment Document: Analyze data and use it in conjunction with other sources and existing knowledge to provide and overall, yet detailed analysis.
- 3.3. Drafting of the Reports: Summarize the findings of the research and data analysis in a document. Such a document shall incorporate the main findings extrapolated from the data obtained in the research.

4. Expected Outcome and Deliverables

- 4.1. Work Plan (to be delivered within [XX days])
- 4.2. First draft of the market assessment (to be delivered within [XX days]).
- 4.3. Final version of the document in word and pdf, including a PowerPoint presentation of the assessment (to be delivered within [XX days]).

5. Project Schedule and Milestones

5.1. The execution of this consultancy shall include a kickoff meeting to set up the project schedule and milestones. These terms of reference are expected to be completed after 05 months after signature.

6. Reporting Requirements

6.1. All documents shall be presented in word and pdf format.

7. Acceptance Criteria

7.1. In order to carry out this consultancy, the consulting firm must demonstrate a proven qualification and experience in the following fields: economics, finance, and financial regulation.

8. Other Requirements

8.1. All deliverables will receive feedback and approval from the TC team.

9. Supervision and Reporting

10. The individual consultant or consulting firm providing the service will report directly to Diego Herrera (IFD/CMF).

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.

Payment Schedule	
Deliverable	%
1. Work plan	10%
2. Draft report	50%
3. Final report and workshop	40%
TOTAL	100%

TERMS OF REFERENCE

Consultancy 2. Consultancy to provide recommendations for the implementation of tools, methodologies, and technologies to improve the regulatory or policy function

REGIONAL

RG-T4181

“Support to public policies and institutional capacity for the development of Fintech in Latin America and the Caribbean”

Component 1. Knowledge creation and institutional capacity development

12. Background and Justification

- 12.1. Established in 1959, the Inter-American Development Bank ("IDB" or "Bank") is the main source of financing for economic, social, and institutional development in Latin America and the Caribbean (LAC). Provides loans, grants, guarantees, policy advice, and technical assistance to the public and private sectors of their borrowing countries.
- 12.2. Through the Technical Cooperation (TC) RG-T4181, the Connectivity, Market and Finance Division (IFD/CMF) will support the creation of institutional capacity of LAC Governments to promote a more inclusive and dynamic fintech ecosystem through the creation and dissemination of policy-relevant knowledge and direct support, to improve the design and implementation of strategies, policies, and regulations.
- 12.3. The region's Micro, Small and Medium Enterprises (MSME) finance gap reaches a third of the total regional Gross Domestic Product -GDP. Fintech platforms have the potential to close the gap partially. On the one hand, evidence shows that fintech platforms are a viable alternative for financing micro, small and medium-sized enterprises. According to the Center for Alternative Finance at the University of Cambridge -CCAF- and the Inter-American Development Bank, the region reached US\$5,2 billion in originations by 2020, representing a growth of 191% compared to 2018 (US\$1,81 billion). Of this total volume, 86% of the financing was directed towards MSMEs. An upcoming study by the Bank and CCAF also provides further evidence of the potential of Fintech for MSME financing. The study uses a sample of 550 MSMEs from Argentina, Brazil, Chile, Colombia, Peru, and Mexico. Out of these, 57% of the firms funded their businesses with personal credit cards. First, the study found that 76% of the respondents used the P2P/Marketplace Lending Model as a channel to finance their activities, while 13% used invoice trading as an alternative to funding them. The models are relevant because they hint policymakers where to focus their actions. Furthermore, with a median credit value of US\$3,917, a total of 67% of the firms used the resources obtained in AF platforms for working capital, while 9.3% used it for asset purchases, 9.3% to refinance, and 9% for expansion of business. But more important yet, those firms that were able to access fintech funding, could also increase or maintain their number of employees (92% of the total), income (86%), and turnover (84%). Fintech-financed firms became resilient, even in the middle of a very adverse situation such as the pandemic, thanks to the availability of credit. The results are even more relevant if it is taken into

account that 83% of the firms were microfirms (ten employees or less). Public policy actions can use these results as evidence to foster fintech regulations in the region.

12.4. On the other hand, there are good examples of fintech platforms addressing unmet demands from vulnerable populations such as women. In the region, there are more unbanked women (48.6%) than men (42.6%), and the financing gap for SMEs led by women reaches US\$93 billion . IDB and Finnovista data shows that the region's fintech initiatives with a woman on the founding team are increasing. The average number of fintech ventures with a female founder or co-founder grew from 35% in 2018 to 40% in 2020 . Also, 15% of fintech startups in Latin America are approaching equal gender representation in their work teams. Finally, it is worth highlighting that the sector's potential goes beyond gender. The same study shows that thirty-six percent (36%) of the fintech startups in LAC present solutions that involve segments of the population totally or partially excluded from the formal financial system. Public policies for fintech might benefit groups such as women, as well.

12.5. In this context, it has been identified that the region could benefit from having a comprehensive assessment and policy relevant recommendations for the implementation of innovative tools, methodologies, and technologies to improve the regulatory or policy function.

13. Key Activities

13.1. Kick-off. Organize a kick-off meeting to align objectives and expectations in collaboration with the IDB team. Working plan and chronogram will be agreed by all parties after the kick-off meeting.

13.2. Assessment Document: Provide an assessment of tools, methodologies, and technologies used by the public agency.

13.3. Drafting of the Reports: Summarize the findings of the research in a document and provide specific recommendations to improving the capacity to analyze and regulate the sector.

14. Expected Outcome and Deliverables

- Work Plan based on the key activities outlined at Item 3 (to be delivered within 10 days from the start of the contract).
- Assessment document to be delivered within XX.
- Final Report to be delivered within XXX.

15. Project Schedule and Milestones

15.1. The execution of this consultancy shall include a kickoff meeting to set up the project schedule and milestones. These terms of reference are expected to be completed after 04 months after signature.

16. Reporting Requirements

16.1. All documents shall be presented in word and pdf format.

17. Acceptance Criteria

17.1. In order to carry out this consultancy, the consulting firm must demonstrate a proven experience in the following fields: economics, finance, public policy, financial regulation or related areas, with proven experience in the financial sector, in particular with implementing innovative tools in the context of fintech.

18. Other Requirements

18.1. All deliverables will receive feedback and approval from the TC team.

19. Supervision and Reporting

20. The individual consultant or consulting firm providing the service will report directly to Diego Herrera (IFD/CMF).

21. Schedule of Payments

21.1. 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.

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

Payment Schedule	
Deliverable	%
1. Work Plan	20%
2. Assessment report	20%
3. Final report	60%
TOTAL	100%

TERMS OF REFERENCE

Consultancy 3. Consultancy to support the design and implementation of policies, strategies, laws, acts and rules

REGIONAL

RG-T4181

“Support to public policies and institutional capacity for the development of Fintech in Latin America and the Caribbean”

Component 2. Design and implementation of Fintech policies and regulations

22. Background and Justification

- 22.1. Established in 1959, the Inter-American Development Bank ("IDB" or "Bank") is the main source of financing for economic, social, and institutional development in Latin America and the Caribbean (LAC). Provides loans, grants, guarantees, policy advice, and technical assistance to the public and private sectors of their borrowing countries.
- 22.2. Through the Technical Cooperation (TC) RG-T4181, the Connectivity, Market and Finance Division (IFD/CMF) will support the creation of institutional capacity of LAC Governments to promote a more inclusive and dynamic fintech ecosystem through the creation and dissemination of policy-relevant knowledge and direct support, to improve the design and implementation of strategies, policies, and regulations.
- 22.3. The region's Micro, Small and Medium Enterprises (MSME) finance gap reaches a third of the total regional Gross Domestic Product -GDP. Fintech platforms have the potential to close the gap partially. On the one hand, evidence shows that fintech platforms are a viable alternative for financing micro, small and medium-sized enterprises. According to the Center for Alternative Finance at the University of Cambridge -CCAF- and the Inter-American Development Bank, the region reached US\$5,2 billion in originations by 2020, representing a growth of 191% compared to 2018 (US\$1,81 billion). Of this total volume, 86% of the financing was directed towards MSMEs. An upcoming study by the Bank and CCAF also provides further evidence of the potential of Fintech for MSME financing. The study uses a sample of 550 MSMEs from Argentina, Brazil, Chile, Colombia, Peru, and Mexico. Out of these, 57% of the firms funded their businesses with personal credit cards. First, the study found that 76% of the respondents used the P2P/Marketplace Lending Model as a channel to finance their activities, while 13% used invoice trading as an alternative to funding them. The models are relevant because they hint policymakers where to focus their actions. Furthermore, with a median credit value of US\$3,917, a total of 67% of the firms used the resources obtained in AF platforms for working capital, while 9.3% used it for asset purchases, 9.3% to refinance, and 9% for expansion of business. But more important yet, those firms that were able to access fintech funding, could also increase or maintain their number of employees (92% of the total), income (86%), and turnover (84%). Fintech-financed firms became resilient, even in the middle of a very adverse situation such as the pandemic, thanks to the availability of credit. The results are even more relevant if it is taken into account that 83% of the firms were microfirms (ten employees or less). Public policy actions can use these results as evidence to foster fintech regulations in the region.

- 22.4. On the other hand, there are good examples of fintech platforms addressing unmet demands from vulnerable populations such as women. In the region, there are more unbanked women (48.6%) than men (42.6%), and the financing gap for SMEs led by women reaches US\$93 billion . IDB and Finnovista data shows that the region's fintech initiatives with a woman on the founding team are increasing. The average number of fintech ventures with a female founder or co-founder grew from 35% in 2018 to 40% in 2020 . Also, 15% of fintech startups in Latin America are approaching equal gender representation in their work teams. Finally, it is worth highlighting that the sector's potential goes beyond gender. The same study shows that thirty-six percent (36%) of the fintech startups in LAC present solutions that involve segments of the population totally or partially excluded from the formal financial system. Public policies for fintech might benefit groups such as women, as well.
- 22.5. In this context, it has been identified the need to support the design and implementation of policies, strategies, laws, acts and rules.

23. Objectives

- 23.1. Support [beneficiary] in the analysis, consultation, design and implementation of policies, strategies, laws, acts and/or rules.

24. Key Activities

- 24.1. Kick-off. Organize a kick-off meeting to align objectives and expectations in collaboration with the IDB team. Working plan and chronogram will be agreed by all parties after the kick-off meeting.
- 24.2. Assessment Document: Provide an assessment of policies, strategies, laws, acts and rules in place and develop an ex-ante analysis of a proposed reform.
- 24.3. Drafting of regulatory or policy proposal: Summarize the findings of the research in a document and provide specific recommendations to improve the regulatory and policy framework.

25. Expected Outcome and Deliverables

- Work Plan based on the key activities outlined at Item 3 (to be delivered within 10 days from the start of the contract).
- Assessment document to be delivered within XX.
- Final Report to be delivered within XXX.

26. Project Schedule and Milestones

- 26.1. The execution of this consultancy shall include a kickoff meeting to set up the project schedule and milestones. These terms of reference are expected to be completed after

06 months after signature.

27. Reporting Requirements

27.1. All documents shall be presented in word and pdf format.

28. Acceptance Criteria

28.1. In order to carry out this consultancy, the individual consultant must demonstrate a proven qualification and experience in the following fields:

- Academic degree and professional work experience: economics, finance, public policy, financial regulation, or related areas, with proven experience in the financial sector, in particular with regulation or supervision of the fintech sector.
- Languages: Fluent oral and writing skills English and Spanish.

29. Other Requirements

29.1. All deliverables will receive feedback and approval from the TC team.

30. Supervision and Reporting

31. The individual consultant or consulting firm providing the service will report directly to Diego Herrera (IFD/CMF).

32. Schedule of Payments

32.1. 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.

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

Payment Schedule	
Deliverable	%
4. Work Plan	20%
5. Assessment report	20%
6. Final report	60%
TOTAL	100%