

Frontclear Case Studies

Terms of Reference

1. The Consultancy

Financial Sector Deepening (FSD) Africa wishes to appoint a Consultant (the “Consultant”) to conduct a deep-dive in form of case studies on Frontclear Technical Assistance Programme (FTAP) to inform FSD Africa on whether it has achieved the investments intended objectives.

2. Background

1.1 About FSD Africa

FSD Africa is a non-profit company which aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in sub-Saharan Africa (SSA) and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by the UK aid from the UK Government.

Through access to finance initiatives, it seeks to build financial inclusion. Through capital market development, it looks to promote economic growth and increase investment. As a regional programme, it seeks to encourage collaboration, knowledge transfer and market-building activities - especially in fragile states. Where there are opportunities to drive financial market transformation more quickly and intensively through capital investment, FSD Africa will deploy equity, loans or guarantees as the situation requires. In particular, FSD Africa provides support to the FSD Network.

1.2 About Frontclear

Frontclear is a financial markets development company focused on catalysing stable and inclusive interbank markets in emerging and frontier markets. Frontclear facilitates access to financial markets for local institutions to local and global markets through the provision of credit guarantees to cover their counterparty credit risk. The Technical Assistance programme supports capacity development and the establishment of financial infrastructure in Frontclear’s countries of operations.

The rationale behind the Frontclear intervention is that removing barriers to interbank lending - through increasing knowledge and awareness, through changing the legal and financial infrastructure and through undertaking transactions as demonstration - would increase opportunities for flows of capital to the real economy.

FSD Africa invested in Frontclear and in its associated Technical Assistance Programme in 2015. Since then, Frontclear has made transactions in Kenya (April 2016), in Nigeria (August 2016), in Armenia (April 2018) and in Mongolia (July 2018). FTAP has provided technical assistance of various kinds in several countries in Africa, Latin America and Commonwealth of Independent States (CIS) countries.¹ 7 countries - Kenya, Zambia, Rwanda, Uganda, Ghana, Nigeria, Tanzania and Cote d’Ivoire - are within FSD Africa’s area of operations. In June 2017, Frontclear carried out a survey of the people who had received training funded by FTAP, to establish whether they were satisfied with the training and whether they felt it had changed the way they work in any way.²

Frontclear’s Theory of Change (see Annex) anticipated that Frontclear’s activities would ultimately lead to increased counterparty lending to companies, SMEs and households, thus having an impact on the real economy and on poverty levels in its countries of operation.

These case studies are a follow on from the initial impact study (mid-term evaluation) done in 2018 and as of the time it was rather too early to identify the impacts on the real economy. The mid-term evaluation³ focused on the evidence of the Frontclear’s activities leading to the expected outputs

¹ More detail on these transactions and TA discussed in the annex below

² Results of the survey to be provided separately with successful candidate

³ Report of the mid-term evaluation to be shared with the successful candidate

and outcomes and how that was expected to lead to the desired impacts on the real economy in the future. It also focused on the learnings that had emerged and that appeared to be the most successful for moving the interbank market forward.

3. Objectives

The objective of the case studies is to provide FSD Africa and FrontClear with evidence of the impact of FTAP interventions and later the transactions in the African markets. The case studies will also capture lessons learnt and evidence of ‘what works’ in each country context, this will be key to inform future programming work around the same context.

To provide evidence on this, the consultant will be required to answer the following questions on selected sample countries where the deep dive will be conducted. Consultant is expected to take into consideration and adhere to specific evaluation criteria as will be agreed jointly with FSD Africa

- a. What evidence is there that FTAP has engaged with banks, regulators and others in effective ways?
- b. How successful FTAP activities have been in moving its stakeholders towards the goal of achieving a transaction?
- c. Is there evidence of new counterparties engaging in transaction and at what cost relative to open markets?
- d. For countries that have had FTAP interventions and no transactions yet, provide evidence on what would have caused the delay and likelihood of transactions in at least five years
- e. What are the ripple effects of FTAP activities outside the goal of achieving a transaction?
- f. What changes have taken place in the organisations that have delivered the training or engaged with FTAP activities?
- g. Is the TA and support provided by Frontclear relevant to the needs of those receiving it?
- h. How cost-effective have the FTAP interventions have been in the sample countries ?
- i. What have been the principal success factors underpinning Frontclear transactions? For countries that have either had FTAP or no FTAP activities
- j. Link the success factors to the types of intervention (training for banks and regulators, detailed review of regulations) undertaken by FTAP?
- k. If the success factors emerge from circumstances unrelated to the FTAP interventions, what implications (if any) emerge for how FTAP funds should be applied?
- l. What changes have taken place in the participating banks as a result of the transactions?
- m. To what extent have the Frontclear transactions changed perceptions in the market about the attractiveness of repurchase arrangements and made it more likely that others will undertake similar transactions (replication)?
- n. What evidence is there of whether the Frontclear transactions to date have had - or will in the future have - an impact on the real economy?
- o. Is there any evidence of impact on lending or financial access to end users in the real economy including SMEs and households who are otherwise constrained by financial access?
- p. What are the expected timelines for further outcomes and impacts to be achieved? Assuming these have not been achieved yet
- q. What evidence is there that Frontclear will be able to become commercially sustainable over time? What is the likelihood of the changes achieved being sustained beyond the intervention?
- r. What lessons have been learned from this project to date?
- s. What have been the expected and unexpected outcomes of this project on FSD Africa itself?

We invite the consultant to propose additional questions based on their understanding of the ToR and programme’s theory of change (ToC)

4. Methodology

Together with FSD Africa, the consultant will sample at least four contrasting countries to conduct the deep dive(case studies). FSD Africa's interest is in Africa. The Frontclear transactions in Sub-Saharan Africa are therefore the most appropriate to sample for detailed scrutiny and should cover both lower-middle income and low-income countries. The sampling of the countries will be jointly done with FSD Africa during the inception stage of the exercise

- a. Countries that have had FTAP interventions leading to transactions
- b. Countries that have had transactions but no FTAP interventions
- c. Countries that have had FTAP interventions, but they have not led to transactions

The consultant will be expected to use both the quantitative and qualitative data together with theory-based approaches for the case studies to map the evidence of impact on the the theory of change. All the case studies will aim to answer the stated questions above for every country sampled. We however, invite the consultant to propose other tested and proven approaches/methodologies for the assignment.

In terms of the FTAP programme, the questions above may be best answered by undertaking a desk review of all interventions and looking in detail at the interventions in (a) a country in which FTAP supported a successful Frontclear transaction (e.g. Nigeria) and (b) a country where there have been several FTAP interventions but no transaction. Attached in the annexe is the list of countries that have had any Frontclear interventions

The consultant will conduct interviews with:

- o Frontclear staff
- o Frontclear supported banks' staff
- o Frontclear supported banks' clients i.e. SMEs
- o Individuals at Obligor banks who have received the FTAP training
- o Others stakeholders in relevant institutions in the market who have not attended the trainings
- o Those involved in working on FTAP interventions - for example, lawyers and trainers
- o Key informants in other important parts of the financial system- for example, regulators and Central Bank
- o Any other players suggested by Frontclear during the inception phase

5. Project timelines

It is expected that this consultancy will run from November 2020 to January 2021. FSD Africa would like the case studies to be completed and submitted to FSD Africa by the end of January 2021.

6. Deliverables

The consultants should deliver; i) inception note capturing what will have been agreed with FSD Africa in terms of scope(sampling, case study topics and evaluation criteria and methodology), ii) at least four case studies providing information and analysis following the ToR objectives. FSD Africa expects the consultant to provide a separate report for each case study that should follow the same structure (to be agreed with FSD Africa during inception meeting) but is should at least include sections on the success of the programme to date, lessons learned to date, management of costs to date, and recommendations for future action iii) and a slide desk as synthesis report for all.

7. Invitation to Tender

FSD Africa is inviting tenders from suitably qualified consultancy firms.

The proposal should contain:

- i) A proposed evaluation methodology (including indicative data collection tools and approaches to be used) that responds to the requirements of these terms of reference and that can be delivered within the preferred period;
- ii) A draft work plan guided by the project deliverables captured in section seven;

- iii) A detailed budget for both professional fees and reimbursable expenses;
- iv) A confirmation of the team that will carry out this review;
- v) A summary of relevant work performed within the last five years, with contact information of clients who can provide references concerning the nature and quality of work performed (as an annex).

Proposals should be submitted to FSD Africa by email - bids@fsdafrica.org, by 5pm (EAT) on 9th October 2020 under a subject line reading 'Invitation to tender: Frontclear Case Studies

8. Basis of Award

A contract will be awarded using the most economically advantageous tender (MEAT) approach, based on the following criteria:

Mandatory requirements	
Proven experience (at least 5 years of experience) in assessing banking, insurance and/ or financial institutions serving the underserved in SSA.	
Demonstrated experience (at least 5 years of experience) developing best practice stories or case studies.	
A strong understanding of financial development in sub-Saharan Africa.	
Available to start at the required time and have the capacity to engage intensively with this assignment with a view to concluding the work within the proposed timeframe.	
Proficiency in English and French	
Assessment criteria	Weighting (%)
Relevant, demonstrated experience and capacity of the firm and proposed team members in this area as indicated in the mandatory requirements. Please provide at least three references.	40%
Understanding/interpretation of the task set out in the TORs	20%
Clarity, content and quality of the proposal, including a proposed approach/methodology and detailed workplan for achieving the consultancy objectives.	25%
Fee basis, value for money and total costs. There should be a clear breakdown of the costs. Financial proposal will be scored using the formulae; $FS = 15\% \times LB/BP$ where: FS = is the financial score LB = is the lowest bid quoted BP= is the bid of the proposal under consideration.	15%
Fee quoted must be inclusive of applicable withholding tax	
Total	100%

9. Contact

Questions or comments in respect of these terms of reference should be forwarded on or before 28 September 2020 through the email address bids@fsdafrica.org. Responses will subsequently be circulated to all bidders on or before 30 September 2020

10. Applicable Taxes

As per Kenya's tax law, FSD Africa will pay the Consultant after withholding the appropriate taxes at the applicable rate between Kenya and the Consultant's country of tax residence, considering any tax treaties in force. It is the responsibility of the Consultant to keep themselves apprised of these applicable taxes.

The below table however provides guidance on the applicable rates as per tax regimes

Country	WHT Rate
Kenya	5%
United Kingdom	12.5%
Canada	15%
Germany	15%
Zambia	15%
India	10%
Non-resident rate for citizens of EAC member countries	15%
All other countries	20%

Annexes

Annex1 Theory of Change

