

## **TERMS OF REFERENCE (CONSULTING SERVICES – FIRM SELECTION)**

**Assignment Title:** CONTRIBUTION and ATTRIBUTION Analysis of Development Bank of Nigeria (DBN) Intervention in Improving Access to Finance and Technical Skills of Micro, Small and Medium Enterprises (MSMEs) in Nigeria.

### **I. Context**

The World Bank-funded US\$500 million Development Finance Project supports the establishment of the Development Bank of Nigeria (DBN), a wholesale development finance institution licensed and supervised by the Central Bank of Nigeria, with the objective of addressing the access to finance gaps of underserved Micro, Small and Medium Enterprises (MSMEs) in Nigeria. The DBN provides private sector lenders with longer term financing in local currency and partial credit guarantees (through its wholly-owned subsidiary Impact Credit Guarantee Company – “ICGL”) to expand their outreach to MSMEs. With business and governance models based on internationally recognized good practice and substantial commitment of capital, the DBN is to perform a catalytic role with potentially transformational impact by facilitating financially sustainable and transparent access to finance for underserved MSMEs.

In addition to the World Bank, the DBN is also being supported by funding provided by other development partners, namely: the African Development Bank, the German Development Bank (KfW), the French Development Agency (AFD) and the European Investment Bank (EIB). Together with the World Bank these partner institutions are providing contributions in the form of debt, equity, and technical assistance for a combined value of over US\$1.3 billion.

DBN’s wholesale lending approach to addressing the challenges of MSMEs access to finance was based on certain assumptions regarding the causes and consequences of poor long-term access to finance by MSMEs in Nigeria. One of these assumptions is that micro finance institutions are risk-averse to lending to MSMEs on a long-term basis due to the short-term nature of their capital structure. Therefore, by providing partial credit guarantees (limited to 50% of the loan) that indemnify the PFI against client defaults, DBN’s approach mitigates long term lending risks on a sustainable basis.

In addition, DBN provides capacity building for both PFIs and MSMEs to enhance investment management and debt management skills, which will in turn lead to a reduction in business losses, loan defaults, incidences of Non-Performing Loans (NPLs), and increase profitability and loan repayments.

DBN’s approach to MSME financing has been in operation from 2017 to date. However, it is important to note that other micro finance institutions also provide financing and operational support to MSMEs. Therefore, in assessing the contribution of DBN to the overall progress recorded in MSME financing and capacity building, there is the tendency to mix- up the achievements of DBN interventions with those of other institutions which then blurs the real contribution of DBN to addressing the issue of access to finance and technical support.

This study aims to delineate the contributions of DBN (empirically and quantitatively) to recent outcomes in access to finance for MSMEs and justify attribution of any significant positive change in overall outcomes to specific interventions from DBN.

The study covers the period between 2017 to 2020.

## **II. Objective**

The purpose of this assignment is to carry out a study that ascertains the specific contribution/attribution of DBN interventions in the improvement or otherwise of access to finance by MSMEs; and the impact of technical support extended to PFIs and MSMEs in improved loan administration and recovery. Other ancillary objectives are as follows:

1. Empirically ascertain the short to medium term contribution of DBN to improved level of MSMEs access to finance and determine to what extent such improvements can be quantitatively attributed to DBN specific interventions amidst other such interventions in Nigeria.
2. Determine the short to medium term contribution of DBN's capacity building programmes and ascertain to what extent efficient use of debt instruments can be quantitatively attributed to capacity building interventions by the DBN amidst other such interventions in Nigeria.
3. Establish a threshold performance indicator based on findings of contribution and attribution of DBN's interventions in the sector, as a basis for continuous evaluation of DBN's operations and relevance in Nigeria's MSME development process.
4. Results from the study will consolidate DBN's relevance in driving access to finance for MSMEs and increase collaborations with International Development partners.

## **III. Scope of Work**

1. Undertake desk reviews and content analysis of the following documents.
  - a. Integrated Reports of DBN 2019, 2020.
  - b. Annual Reports and Statement of Accounts of DBN 2017-2020.
  - c. Review of Annual Reports and accounts of PFIs and other institutions intervening in MSME access to finance and technical skills development in Nigeria.
2. Analyze the "Theory of Change" and develop "Story of Change" for DBN intervention in improving MSME access to finance and technical skills development in Nigeria.
3. Conduct Stakeholder Analysis on the operations of the DBN involving staff, PFIs and benefiting MSMEs.
4. Conduct Contribution Analysis (CA) of the DBN in the context of the contributions of other participating institutions in improving access to finance for MSMEs.

5. Conduct Attribution Analysis to ascertain the extent to which improvements in MSMEs access to finance can be attributed to and explained by DBN's interventions.
6. Submit a detailed report of findings and publish extract in DBN's journal and other international journals.

#### **IV. Reporting**

The consultant will report to the Office of the Chief Economist in DBN and shall submit all deliverables to the DBN appointed project coordinator.

#### **V. Deliverables and Payment Schedule**

- Contract Signing- 10% of the total contract sum.
- Submission and approval of Inception Report, including research questions, objectives of the study, literature, and methodology of the analysis – 5% of the total contract sum.
- Submission and approval of a comprehensive draft interim report on the results of the Contribution and Attribution analysis-25% of the total contract sum.
- Delivery of validation workshop- 25% of the total contract sum.
- Submission and approval of a final report on the results of the Contribution and Attribution analysis - 25% of the total contract sum amount.
- Submission and approval of task completion report – 10% of the total contract sum.

#### **VI. Timeframe**

The assignment is expected to be completed within 3-6 months from the contract start date.

#### **VII. Selection Criteria**

Interested consultants shall be selected based on the following criteria:

- Minimum of 5 years demonstrated experience with similar research projects related to carrying out development impact assessment research projects, and consultancy services to international and domestic development agencies.
- Demonstrated ability to collect, compile and analyze financial data from financial service providers and MSMEs.
- Demonstrated experience in database development and maintenance.
- Demonstrated ability and experience in preparing standardized analytical reports. Experience should include a minimum of 2 similar assignments with financial institutions.

Interested Consultants should provide information on firm qualifications and details of relevant experience specifically responding to each of the criteria above, including a brief description of

(i) the scope of the projects; (ii) project outputs/outcomes; (iii) implementation dates; (iv) contract price and (v) the funding organization.

**Minimum Qualification for Key Staff:**

- **Team Leader:** Doctorate degree with at least 10 years of research experience as the team leader of at least 2 successful development impact assessment projects and has provided consultancy services to international and domestic development finance agencies. The team lead should demonstrate experience in diverse areas of Macro and Micro Economic policy, and development impact consulting on Small and Medium Scale Enterprises (MSMEs).
- **Data Scientist:** Bachelor's degree and at least 5 years professional experience of working with large data sets.

The Consultant is expected to be able to work both on-site and virtually, with DBN and IMPACT and will be responsible for securing all relevant facilities for project implementation (e.g. transport, accommodation, communication, etc.).

DBN and IMPACT will facilitate access to relevant institutions and information relating to MSME finance in Nigeria and providing access to information regarding the activities of DBN and IMPACT.