

TERMS OF REFERENCE (CONSULTING SERVICES – FIRM SELECTION)

Assignment Title: Technical Assistance to support design and implementation of M&E methodology to track progress and impact of DBN's activities

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 – “IMPACT”) in order 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.

With the primary objective of expanding the MSME finance market, DBN has commenced its lending operations. To ensure its primary objective is achieved, DBN needs to collect, analyze and report building on robust operational data related to its lending operations as well as participating financial institutions (PFIs) on-lending to the MSME sector.

II. Scope of Work

The purpose of this assignment is to provide advisory support to the DBN towards developing a comprehensive set of Monitoring and Evaluation (M&E) management tools and implementation mechanisms in order to periodically track progress and report on achievement of milestones. The intention is to enable DBN to track, analyze and report the effects of the DBN and its subsidiary- IMPACT Credit Guarantee Company's activities on MSMEs, including women entrepreneurs in Nigeria, by strengthening its theory of change and building a database of the loans funded by the DBN or guaranteed by IMPACT. This is with a view to analyze key information such as the performance of the loans provided, the risks associated with the DBN's exposures, and the nature of the benefits provided to end-users.

Specifically, project activities will include, but are not limited to, technical assistance and capacity building support to DBN in the following three areas:

- (i) Advice and technical assistance to DBN on improving its current M&E framework, including reviewing and revising the Theory of Change (ToC);
- (ii) Advice and technical assistance to DBN on setting up, operationalizing, and maintaining an M&E reporting platform and database that assembled information on the outputs of the DBN's activities, including key monitoring indicators. The M&E framework should clarify the evaluation methodology to be applied at various levels of the results chain methodologies that will form the basis for data collection and reporting (definition of data variables, underlying model, etc.).
- (iii) Advice and technical assistance to DBN on producing a standardized report on the performance, risks and impact of its activities outlining highlights, trends and the key risks and achievements of DBN in expanding the MSME finance market.

The intention is that the review of M&E framework will be based on thorough reformulation and specification of the entire ToC, including the assumptions underlying the ToC. Based on the revised ToC, the consultants will develop a framework for monitoring and evaluating DBN's outputs over the medium to longer term. A priority task under this assignment will be to strengthen the M&E function focused on monitoring DBN's primary objective of expanding the MSME finance market in a sustainable fashion, through PFIs, by increasing the volume and quality of PFI lending to the MSME sector. Given that funding provided to PFIs is fungible and that it lies beyond DBN's mandate to control or in any way influence the margins charged by PFIs (as reflected in DBN's on-lending and guarantee agreements), the measurement of outputs under the M&E framework will focus on measuring whether those PFIs receiving DBN funding and guarantees are increasing, better managing and/or applying DBN's longer-term resources to increasing the maturity of their exposure to the MSME sector. As DBN's funds are comingled with those of the PFIs the scope of the envisaged M&E framework does not encompass firm-level (i.e. MSMEs) monitoring.

In the medium term, based on the revised TOC and in line with the implementation of the DBN's lending and guarantee activities, it is envisaged that the M&E framework will be extended to encompass evaluation of outcomes (e.g. including firm-level impact). At this stage the consultants should consider the feasibility of this level of evaluation and based on these considerations, outline the data which it would be advisable to assemble to make such a medium-term assessment feasible.

More specifically the consultant will be expected to:

- (i) **Enhance DBN's current M&E framework.** The consultant will review and enhance DBN's current M&E framework with the goal to outline a robust M&E system for DBN that: (i) includes a well-articulated theory of change that defines the overall and specific objectives along with the expected impacts, outcomes, outputs and proposed activities as well as assumptions; (ii) outlines the M&E methodology

and tools to be applied at various levels of the results chain, including definition of variables and underlying model; (iii) detailing the data requirements as well as the process that needs to be established in collecting the data required to implement the M&E framework; (iv) includes detailed actionable reports to be produced for different units or areas of the DBN; (v) includes detailed recommendations for regular monitoring and process evaluation as well as impact assessments that could be prepared over a longer period of time by creating panel data from a representative sample of firms; and (vi) lays out the data requirements as well as the process that needs to be established in collecting the data required to implement the M&E framework. This framework is expected to build on international best practices as well as analytical work to determine a range of ambitious yet achievable targets for each level of reporting – both as regards program-level, output, and impact indicators. It is also expected that the M&E framework will draw on third-party demand- and supply-side data in tracking progress against outcome indicators.

- (ii) **Support design and implementation of M&E methodology through the development of an M&E database and platform focusing on outputs aimed at monitoring progress with DBN's core objective of strengthening the availability of finance to the MSME sector.** The consultant will build the M&E reporting framework on the data made available by PFIs in their normal reporting to DBN, to inform DBN management decisions. The consultant will develop a combined database and platform that structures the data collected by the DBN and once operational, its subsidiary guarantee fund (IMPACT) from the PFIs as part of its ongoing business to monitor and report key trends and highlights of the overall DBN portfolio. This monitoring and reporting will include: (i) establishing a database of key information and conducting a post-commitment review of all PFI loans funded from resources provided by the DBN and resulting from guarantees provided by IMPACT; and (ii) providing DBN with a portfolio analysis of its commitments outlining highlights, trends and key achievements of DBN. In this regard the consulting firm is also expected to review and improve the data collection templates, databases, collection practices as well as analytical approaches to facilitate analytically-sound, standardized and comprehensive regular reporting. The scope and content of this data collection process will also need to be informed with inputs from PFIs.
- (iii) **Produce a regular portfolio analysis of the DBN's funding (credit line) and guarantee exposures outlying highlights, trends, risks and key achievements of DBN as regards expansion of MSME finance market (i.e. exposure of the financial sector to the targeted MSME segment).** The consultant will develop a standard report on the highlights, trends and key achievements of DBN on-lending and guarantee activities based on the analysis of the entire DBN portfolio. This report will draw on the database in (ii) above where information on DBN/IMPACT's on-lending/guarantee agreements and the PFIs' exposures to final beneficiaries are supplemented by additional evidence obtained from third-party sources (e.g. as regards macroeconomic developments and sector-wide information) and information provided periodically through the DBN's contact

with PFIs. The database will be confidential, but the key findings could at DBN management's discretion be reported to the public.

A central part of this task will be to review, revise and/or develop core monitoring indicators essential to determining the achievement of DBN's objective of expanding the MSME finance market.

III. Deliverables, Reporting and Payment Schedule

The consultant will work with the office of the Chief Economist and the Chief Operations Officer and all deliverables will be provided to the DBN appointed project coordinator.

The following minimum specific deliverables will be provided by the Consultant along with a payment schedule.

- Inception Report and Work Plan, including the assessment of DBN's M&E framework - 15% of the contract amount;
- Revised ToC, M&E methodology, and data requirements (including core indicators and reporting templates) and design of the process that needs to be established in collecting the data required to implement the M&E framework – 25% of the contract amount;
- Design, development, and implementation of M&E information database and reporting platform, including preparation, collection and presentation of the first round of data using the revised M&E information and reporting system – 25% of the contract amount;
- Standardized report template including the highlights, trends and key achievements of on-lending and guarantee activities based on the analysis of the entire DBN portfolio and PFIs MSME portfolio, including preparation and presentation of the first standard report on the highlights, trends and key achievements of DBN lending and IMPACT's guarantee activities – 25% of the contract amount
- Task Completion Report including overview of future M&E priorities – 10% of contract amount

IV. Timeframe

The assignment is expected to be completed within 12 months from the contract start date.

V. Selection Criteria

Minimum firm qualification criteria:

- Evidence of at least 10 years of demonstrated international experience with similar advisory projects related to developing theories of change and M&E frameworks in conjunction with financial intermediary lending and guarantee operations, along with relevant project experience in at least 2 emerging market jurisdictions.
- Evidence of ability to collect, compile and analyze financial data from financial service providers, as well as from MSMEs, and international experience of developing and maintaining relevant databases and preparing standardized analytical reports with

required experience to include a minimum of 2 similar assignments with financial institutions.

- Evidence of experience of working with MSME finance providers, with specific focus on elements such as credit and financial analysis, risk management, and MSME lending, non-performing loan management, identification of key lending risks, and defining measures to mitigate and control identified risks;

Interested Consultants should provide information on firm qualifications and details of relevant experience specifically responding to each of the qualification criteria above, including a brief description of the scope of the projects, outputs, the dates of implementation, budget and the funding organization;

Minimum Qualification for Key Staff:

1. **Team Leader.** Master's degree and at least 15 years of international work experience in the financial sector, with direct experience as the team leader of at least 2 successful projects related to developing theories of change and M&E frameworks in conjunction with financial intermediary lending and guarantee operations, as well as experience with implementation and setting up the required data collection/reporting processes;
2. **M&E Expert.** Master's degree and at least 10 years of proven ability in collecting, compiling and analyzing financial data from financial service providers with specific focus on elements such as credit and financial analysis, risk management, and MSME lending, non-performing loan management, identification of key lending risks, as well as from MSMEs, and experience with maintaining relevant databases and developing standardized analytical reports with the experience of conducting at least 2 similar assignments;
3. **Data Scientist.** Bachelor's degree and at least 5 years professional experience of working with data base development and data analysis and M&E frameworks pertaining to financial sector.

The Consultant is expected to be able to conduct work on-site with DBN and IMPACT and will otherwise be responsible to secure all relevant facilities for project implementation (e.g. transport, accommodation, communication, etc.). The DBN and IMPACT will facilitate the work of the consultants by ensuring that the consultants have ready access to relevant institutions and information relating to MSME finance in Nigeria and the activities of DBN and IMPACT.