

TECHNICAL ASSISTANCE REQUEST

FORM 2 – TERMS OF REFERENCES

**ACTB Savings and Loans Limited, SIERRA LEONE
In-kind lending product development to improve access to finance
for smallholder farmers – SSNUP
2022-11-1122-SSNUP**

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1. INTRODUCTION

Alterfin cv/sc (Alterfin) is a Belgian financial cooperative created in 1994 raising capital to invest in smallholder farming in developing countries via microfinance institutions, small and medium enterprises (SMEs) and producer's organizations. Alterfin's goal is to improve the livelihoods and living conditions of socially and economically disadvantaged people and communities, predominantly in rural areas in low and middle-income countries. Active in over 30 countries in Latin America, Africa, Central and South-East Asia with 5 regional offices (Peru, Bolivia, Honduras, Kyrgyzstan, Kenya). In terms of outstanding, Alterfin has portfolio balance of around 65% MFI, 35% sustainable agriculture, although the majority of its annual disbursements and repayments is in sustainable agriculture. This is due to the shorter cycle nature of investments (1-year tenor on average compared to 3 years for MFI loans). Alterfin is particularly committed to finance the "missing middle" by offering smaller loans (loans amounting between USD 150.000 and USD 1.500.000, EURO 350K on average) on shorter terms (75% of Agri-financings under 12 months covering one crop season). To MFI's, Alterfin provides loan in local currency. The organization is also firmly rooted to smallholder and sustainable farming since 80% of investments in sustainable agriculture are certified organic and 70% fair trade. In 2020, Alterfin provided loans to 165 partners, out of which 77 directly to SME's sourcing from smallholder farmers and smallholder farmer organizations. They are active in 13 different agri-chains, with the focus on the coffee and cocoa sectors representing 39% and 37% of disbursement to agribusinesses respectively.

Since 2022, Alterfin started supporting its partners also with technical assistance projects, funded by private and public donors. The current terms of reference are linked to the support that Alterfin wants to provide through the technical assistance fund SSNUP (Small Holder Safety Net Upscaling Programme) (<https://www.ada-microfinance.org/en/ssnup>), which is funded by the Swiss Agency for Development and Cooperation (SDC), the Liechtenstein Development Service (LED), Luxembourg's Directorate for Development Cooperation and Humanitarian Affairs, in partnership with Lux-Development.

ACTB plays a key role in promoting financial inclusion in Sierra Leone by financing both the microfinance and the SME segment which is underserved by the banking sector. ACTB's interventions in Sierra Leone are aligned with Alterfin's goal to promote economic activities contributing to sustainable development. To support the ACTB operations Alterfin provided financial support in 2021 and 2022 worth of EUR 1 mln.

2. TA BENEFICIARY DESCRIPTION

A Call to Business (ACTB) as a UK charity first arrived in Sierra Leone in 2006, following the eleven years' civil war that had torn the country apart at almost every level, and together with Truestone as a UK impact investment firm as founding investor created in 2008 A Call to Business Trading Ltd (ACTB), recognizing economic activity, particularly stimulation of small-medium sized businesses, as key to transforming the nation.

ACTB was then incorporated in 2008 as a Microfinance Company under the Companies Act, CAP249 as a Limited Liability Company. It was subsequently registered with Bank of Sierra Leone (BSL) in 2010 as a Credit Only Microfinance Institution. In 2017 it was granted a deposit taking license by the Central Bank of Sierra Leone (BSL), becoming the first credit-only microfinance institution in the country to transform into a deposit-taking microfinance institution, ACTB Saving and Loans Limited.

Truestone structures equity and debt investments to provide capital to high growth companies operating in hard-to-access frontier markets, with a strategic focus in Sierra Leone, West Africa. Truestone provides ACTB with close strategic support to the management team on the ground, mainly in raising funding capital, financial management and strategic planning. ACTB is an active member of the Sierra Leone Association of Microfinance Institutions (SLAMFI).

ACTB's social mission is "To deliver best-in-class financial services for the benefit of all Sierra Leoneans to uplift the nation in alignment with the sustainable development goals and our driving devotion to do what is right" and the vision is "To bring prosperity to every home in Sierra Leone Financial, Social and Abundance of life."

The social mission is adequately enforced on the ground, although a Social and Environmental management system has not yet been structured.

ACTB's Head Office (HO) is in Freetown, the capital city of Sierra Leone, and they operate in 5 regions with a network of 13 branches (11 A branches and 2 B branches/sub-branches), including three branches in the greater Freetown area of Sierra Leone, serving urban and peri-urban areas, but also several outlying branches supporting provincial and rural communities. ACTB is focused on the provision of microfinance and more tailored financial products to growing SMEs and disadvantaged communities. ACTB currently offers three core credit products (microenterprise, SME, and business asset) with rural & agricultural finance emerging as a fourth, disbursed under both individual and group methodology, including the following products: Big individual business loan, SME loan, Asset loan, Group loan, Keke loan, Salary loan, School fee loan, Rural and agricultural microfinance. Furthermore, ACTB offers saving products and a few payments services (remittances pay-out).

3. TA PROJECT BACKGROUND AND NEEDS DESCRIPTION

3.1. BACKGROUND OF THE WIDER TA PROJECT

ACTB Savings & Loans (ACTB), as one of Sierra Leone's leading microfinance institutions with over 28,000 customers, operates in 5 regions with a network of 13 branches employing 163 staff. ACTB is focused on the provision of microfinance and more tailored financial products to growing SMEs and disadvantaged communities with the total loan portfolio of EUR 6.26 mln. mainly distributed among three core credit products (microenterprise, SME, and business asset) with rural and agricultural finance emerging as a fourth one. Across its portfolio, ACTB currently operates with a 4.4% Portfolio at Risk of >30 days, despite the impacts of the Covid pandemic. This is deemed as best-in-class from ACTB's DFI investors and is testament to the quality of the ACTB team and its financial inclusion strategy that promotes lending services primarily towards a female customer audience, with almost 70% of its current client base.

ACTB has invested into expanding its outreach across Sierra Leone's rural provinces and its growth strategy is focused on providing access to finance to unbanked communities, which represent over 80% of the total population. ACTB identifies most of these unbanked communities reside in rural territories underserved by the mainstream financial sector. Potential customers across rural Sierra Leone are deemed too challenging by commercial banks, considered commercially unviable and too risky to serve. Conversely, ACTB has invested heavily in building a rural branch network that can deliver deep penetration across these regions and has designed products specifically to meet this demand, particularly for the smallholder agricultural sector.

Being crucially underserved of access to finance, particularly for smallholder farmers, the agricultural sector remains the main driving force of Sierra Leone's economy representing the 40% of the country's GDP with two third of the total workforce engaged. The main constraints are lack of skills, weak access to agricultural inputs, financial services, and poor market connections. To combat those bottlenecks ACTB pioneered an innovative rural microfinance product tailor-made for smallholders that aims to transform the agricultural sector from the bottom up. Between 2021 – 2022, ACTB completed a pilot lending programme for 140 rice and maize farmers in Mile 91, Tonkolili by processing 400 loans with 95% repayment rate success, which amounted to SLE 651 mln. The idea of the pilot was based on supporting small farmers with all day-to-day operations like ploughing, harrowing, fertilizing, harvesting, processing carried out in the field. All the equipment and machinery were provided by ACTB together with consultant's engaged (machine supervisors, agronomists, other staff), who took over and controlled field operations to help small farmers to save time and perform the necessary activities in a timely manner. The costs associated with the support provided by ACTB were repaid by farmers in the form of harvest, otherwise farmers could sell crops they grew on their own and then pay the fee to ACTB for the assistance provided by consultants.

The pilot delivered proof of the concept, with demonstrable productivity gains and post-harvest loss improvements. ACTB has evidenced that farmers were able to lease an average of 10.4 acres from their village communities with access to ACTB's loan product comparing to leasing of 2 acres before. ACTB's involvement demonstrated 5 times increase in land capacity, output, and corresponding income. ACTB also found that post-harvest productivity losses for rice farmers reduced from 30% to 2% with access to machinery such as combine harvesters.

3.2. DESCRIPTION OF THE TA PROJECT

Following success with the pilot conducted in 2021-22 ACTB is willing to expand its operations and is looking for additional financing to support a full roll-out of the new product.

The solution ACTB's offers is an integrated in-kind lending product which provides smallholders with the range of essential inputs up-front at the start of their loan cycle and support daily field operations to be carried out by farmers. Loans are structured in line with farming crop cycles and repayments are due after the harvest period is over. ACTB also acts as a market maker, connecting smallholders with active buyers, ensuring that post-harvest produce is transacted fairly between parties and proceeds are delivered securely to smallholder owned ACTB bank accounts.

Within the project ACTB will build and put into operation the necessary infrastructure for processing, storage, delivery to roll-out the new product offering and support farmers operations. There are two options proposed: to assist farmers with the sales or give an opportunity to sell the harvest themselves with a subsequent repayment of loans provided by ACTB. With the infrastructure built, ACTB can subsequently attract additional funding and further expand operations with smallholder farmers and accelerate customer outreach.

A combination of financial and grant support together with ACTB's commitment would accelerate financial inclusion to smallholder farmers across Sierra Leone, enabling transformative impact to the agricultural sector, creating measurable employment opportunities, and strengthening domestic food producing supply chains.

4. OBJECTIVES OF THE REQUESTED TA SUPPORT

4.1. OBJECTIVES

The global objective of the TA project is to test a tailor-made and innovative agricultural product designed for smallholder farmers and expand the ACTB loan products to rural areas. The implementation of the TA project will help farmers from rural areas to access financial products of ACTB, to increase their farmland, to have stable access to agricultural inputs and machinery that can improve the production of crops they grow, conduct timely operations regarding planting, crop protection, harvesting and help with the storage and sales. Having a dedicated team of professionals at the rural and agricultural finance department ACTB can help farmers manage their operations, increase revenues and build a sustainable business.

For agricultural sector of Sierra Leone that means a transformation of the production technologies, creating better opportunities for smallholder farmers and strengthening domestic supply chains.

Within the project ACTB is also seeking business model support to accelerate the scale-up of agri lending activities. Whilst ACTB has been targeting maize and rice value chains, ACTB seeks to prioritise focus on maize to strengthen the poultry sector and feed supply in Sierra Leone, but also look at crop rotation and climate-smart strategies that can contribute towards climate change mitigation and adaptation.

4.2. ACTIVITIES AND DRAFT CALENDAR

The TA project will consist of 3 stages with the below mentioned activities under each stage:

1. Development or improvement of financial services for smallholder farmers
 - Product development for agri loans to be provided to maize/rice farmers
2. Internal management of ACTB operations

- Digitalizing ACTB processes and developing a digital field application to capture data on farmers and other information required within the loan process
 - Training loan officers under a new technology developed for provision of rural financing
 - Developing a comprehensive risk management tool specialized for rural finance
3. Market building and reinforcement of agri value chains
- Mapping out and building partnerships with input providers and off-takers

5. EXPECTED DELIVERABLES

- A new product concept developed and tested
- Parameters of the new financial product set
- Business plan on agri-lending in Sierra Leone developed

6. EXPECTED RESULTS

6.1. OUTPUTS

- Expanded outreach within Mile 91 region
- 1,000 farmers informed about the new product
- 200 farmers targeted (70% female clients)
- 200 active borrowers within the program
- 200 loans granted
- Cultivation of 1,000 acres of additional farmland is financed
- 5 inputs suppliers engaged and contracts signed
- 14 new staff to support farmers operation hired (2 agronomists, 4 machine supervisors/operators, 8 loan officers)

7. REQUIRED INPUTS

The estimated level of effort is 24 months

8. PROFILE OF THE SERVICE PROVIDER

The selected service provider shall have a proven track record of projects in consulting and advisory services implemented in Africa. The service provider should also have a solid team structure to rely on to conduct various activities required to fulfill the assignment and sufficient resources to execute the project within the expected timeline.

Please provide CV of the consultants, who will support the implementation.

The service provider proposal must include the following sections:

- presentation of the service provider;
- description of approach;
- methodology and work plan;
- technical approach and methodology;
- organization and staffing;
- schedule in the form of activity plan;

- financial proposal;

9. PROCUREMENT PROCEDURE

All proposals received under “restricted procedure” after publication will be evaluated by the Target Partner and the Alterfin TA Unit and then approved by the Alterfin TAF committee and CEO before being sent to the Donor.

The selection procedure will consist of:

- Submission of a technical and financial proposal by the service provider (Form 4: Service Provider Application).
- Selection of the proposals within 10 days of their submission
- Negotiation and signing of the contract between the service provider and the TA project beneficiary.
- Payment modalities are as follows: (to be agreed according to the project)

The service provider's proposal will be analysed based on:

- Qualifications
- Approved track record/experience
- Methodology applied
- Budget (quality/price ratio)
- Other, please complete (project dependent)

Send the application form (FORM 4) by 07/10/2023 to:

- ACTB: Jack Ovens, jack.ovens@tiim.co.uk;
- Alterfin TA Unit: Dmytro Nikolaiev, dmytro.nikolaiev@alterfin.be