



CREDIT GUARANTEE FUND AFGHANISTAN

Short-term Technical Assistance Terms of Reference / Scope of Work

Date: April 07, 2021

Project	Consultancy on setting up a Business Start-up Centre in Afghanistan	
Start Date	10.05.2021	
End Date	31.12.2021	
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Contract Type	Consultancy Contract with deliverable-based elements	

1. Institutional Background

The Afghan Credit Guarantee Foundation ("**ACGF**") was established in September 2014 by the German Federal Ministry for Economic Cooperation and Development ("**BMZ**") and DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH ("**DEG**") with approval and support from the Government of the Islamic Republic of Afghanistan ("**GoA**") and from the Central Bank of Afghanistan as well as from the Governments of both the United States of America and the Federal Republic of Germany.

ACGF has received all financial resources of a previous guarantee project managed by DEG, including its entire outstanding guarantee portfolio, and has been managing all operations since the beginning of 2015. ACGF provides partial guarantees to Afghan financial institutions who provide credit to local micro, small and medium enterprises ("**MSMEs**"). It also provides technical assistance ("**TA**") to Afghan financial and other institutions. ACGF is supported by its 100% subsidiary SME Client Support Afghanistan LLC ("**SCSA**"), a Kabul-based financial consulting company focused on providing ancillary services to ACGF in the areas of credit guarantee business including TA for Afghan PIs on behalf of ACGF. Moreover, ACGF is in the process of establishing a matching grant facility for businesses in Afghanistan.

ACGF's mandate is to contribute to strengthening the emerging financial sector and to developing private-sector capacity in Afghanistan, thus, to support the creation of employment and income. ACGF facilitates access to finance for Afghan MSMEs. ACGF's objectives are achieved mainly by sharing credit risk with the Afghan partner financial institutions ("**PIs**") by providing credit guarantees for MSMEs and by providing comprehensive technical assistance ("**TA**", training, coaching, product development, risk management improvements etc.).

2. Background to Assignment

2.1. General Background of the Assignment

Although micro-, small- and medium-sized enterprises (MSMEs) account for 85% of Afghan enterprises, generate 50% of the country's economic output and employ more than a third of the Afghan labour force, their further growth potential is severely constrained by their lack of access to finance. Only two-thirds of formal enterprises report having access to a bank account and only 2% of firms use bank loans to finance investments. MSMEs struggle to meet the lending requirements of commercial lending institutions due to the poor quality of their business plans, lack of adequate high-quality collateral and absence of financial records. Long-term loans with lower collateral requirements or equity finance, for example in the form of venture or seed capital, are generally not available. The situation for start-up enterprises is particularly dire. Due to their low initial revenues and very limited business track record or credit history, these businesses usually do not have any funding options at all to finance their growth. Consequently, Afghanistan has not been able to develop a sizable start-up sector. To promote a vibrant start-up scene, an 'ecosystem' consisting of incubators, accelerators, investor networks or business start-up centres is needed to create hubs or communities of innovation that will nurture the entrepreneurial mindset. While such an ecosystem has recently begun to form in Kabul, there is no flagship start-up program or national start-up hub that streamlines the efforts of the different emerging stakeholders and offers a holistic support scheme including both funding instruments and other services to enhance the capabilities of Afghan start-up enterprises. Therefore, ACGF, in cooperation with KfW Development Bank, is planning to implement a Business Start-up Facility in Afghanistan

2.2. General Description of the Business Start-up Facility

The overall project objective is to improve access to finance and to tailored consulting as well as other support measures for start-ups, young enterprises, and businesses in the process of formalization.¹ In detail, the following specific measures, consisting of three pillars, were defined for the project:

1. **Pillar 1:** Strengthening the guarantee capital of ACGF to provide guarantees for start-ups.
2. **Pillar 2:** Technical Assistance capital to launch loan products for start-ups in Afghan MFIs and commercial banks.
3. **Pillar 3:** Opening and operation of a Business Start-up Centre in Kabul and implementation of support programs for start-ups.

¹ The project supports growth-oriented start-ups, young enterprises and businesses undergoing the formalization process in Afghanistan (Business registration within the last three years, including informal businesses willing to undergo a formalization process).

In total, EUR 10m funding for the project are planned at a first stage. The funding breakdown is as follows: EUR 5m are designated to Pillar 1, EUR 0.35m to Pillar 2 and EUR 4.65m to Pillar 3. The project design will need to define in detail how these three pillars will support each other and how they will interplay. In specific, **the project shall reach the following objectives** over a project period of 5 years:

- MFIs and commercial banks extend, with the help of credit guarantees under a credit guarantee facility, loans of at least EUR 7.5m to start-up businesses in Afghanistan.
- The new business segment "Start-up Financing" accounts for at least 5% of MSME lending per year in at least two of the participating MFIs or commercial banks three years after the establishment of the guarantee facility.
- At least 200 start-ups will receive long-term support through consulting and other support measures (e.g. office space, workspace, training, and education modules, etc.).
- At least 20% of the start-ups supported at the Business Start-up Centre are led by women.

3. The Assignment

3.1. Summary

Although access to start-up finance is recognised as one of the biggest challenges for newly starting entrepreneurs to address, the lack of non-financial support in the form of TA and capacity building additionally hinders the development of a sustainable start-up ecosystem in Afghanistan. The establishment of the Business Start-up Facility in Afghanistan is an initial step to promote a vibrant start-up scene – an 'ecosystem' consisting of incubators, accelerators, investor networks or business start-up centres.

The Service Provider is expected to lead the initial set-up of the project by refining and implementing the Business Plan for Pillar 3 – Entrepreneurship Development (Business Start-up Centre) and defining and coordinating the interplay between the three project pillars. The Service Provider is moreover expected to implement all necessary structures at ACGF and SCSA and to ensure their competent functioning. The assignment comprises up to 100 working days between May and December 2021.

The primary objective of the assignment is to support ACGF in the finalization of the Business Plan for the Business Start-up Facility in Afghanistan and its implementation. The Business Plan shall combine the three pillars of Start-up Finance, TA and Entrepreneurship Development and align them with the KfW results matrix².

The secondary objective of the assignment is to support ACGF in setting up all necessary institutional structures to start the operation of the Business Start-up Centre in Afghanistan while

² The KfW Results Matrix outlines the overall objectives of the 'Access to Finance for Startups and Young Enterprises in Afghanistan' project.

ensuring a well-functioning interplay of the newly established Business Start-up Units at ACGF and SCSA.

3.2. Result Framework

#	Expected Results	Indicators of Achievement
1.	The project design for the Business Start-up Facility is fully determined and agreed on by ACGF, SCSA and KfW.	- An updated Business Plan is developed (based on previous work, see also Section 4.2.1), incorporating all requirements by ACGF, SCSA and KfW, especially regarding the contractual requirements, and is approved by them.
2.	All organisational structures at ACGF and SCSA level are established to implement the Business Start-up Centre.	- A detailed implementation plan for the Business Start-up Centre for the period until the centre starts its operations is developed and approved by ACGF and SCSA.
3.	The Business Start-up Centre has started its operations.	<ul style="list-style-type: none"> - Successful execution of the implementation plan in line with the contractual agreements between ACGF and KfW, until the Business Start-up Centre is operational. - The Business Start-up Units at ACGF and SCSA are operational and recruitment and capacity building of human resources at ACGF and SCSA have been carried out. For those functions not finally set-up, an action plan for their set-up is in place. - The necessary physical infrastructure for the Business Start-up Centre is in place (building, co-working spaces, etc.). - The project responsibilities have successfully been handed over to the Business Start-up Units at ACGF and SCSA.

4. The Proposed Implementation

4.1. Work Plan

The following work plan gives a brief overview of the planned activities and timeframe. Please note, that this work plan must be read in conjunction with the technical details in section 4.2. Work carried out by the Service Provider does not necessarily have to follow the below-presented sequence of activities.

The activities of the assignment are anticipated to be conducted in one continuous intervention of the Service Provider in close cooperation with ACGF and SCSA. ACGF encourages the simultaneous work of the Service Provider on several parts of the work plan to ensure a timely execution of the project. The Service Provider should indicate dates for the different phases of this project in their proposal. In addition, the Service Provider is explicitly invited to make suggestions for adjustment of the workplan or for inclusion of additional activities as part of their proposal.

Please note that travels to Afghanistan are not mandatory. However, if the security situation in Afghanistan will eventually allow on-site work during the timeframe of the assignment and it occurs as an additional benefit for the project outcome, travels will be encouraged.

No.	Phases, Activities, Deliverables	Suggested Time Frame
0	Preparation	Week 1
0.1	The Contractor conducts a kick-off call with ACGF Board of Directors (“BoD”) and SCSA Management to get a coherent understanding of the expectations and the scope of the assignment.	
1	Initial Review	Week 1 - 3
1.1	The Service Provider reviews the guiding documents to the Business Start-Up Facility and ACGF as an organisation, this includes but is not limited to: <ul style="list-style-type: none"> - ACGF management reports - Documents related to the negotiations for the contractual agreements for the Business Start-up Facility - Scoping Study and all related documents - Feasibility Study: Inception Report, Mandate and Design Document, Business Plan and Budget - Other related documents 	
1.2	ACGF conducts an on-boarding call, elaborating on the documents shared and providing the current status of the implementation of the Business Start-up Facility	
2	Project Design Phase	Week 2 - 7
2.1	Based on his/her experience, the Service Provider critically reviews the documents from the Feasibility Study for the Business Start-up Centre conducted by SPARK (especially the Business Plan, see section 4.2.1 for further information) and screens the study against the KfW Results Matrix and other project expectations / necessary design components (modular approach and thus required upscaling of the Business Start-up Centre). Based on the review and screening, the Service Provider identifies information gaps in the Feasibility Study, especially in the Business Plan.	
2.2	The Service Provider provides recommendations to close the identified gaps of the Feasibility Study and conducts further research for the respective aspects where necessary.	

2.3	<p>The Service Provider fine tunes and completes the Business Plan that describes the final layout of the Business Start-up Centre, covering at least the gaps as identified in Activity 2.1 and all aspects as outlined in Annex 1. Eventually, the Service Provider provides ACGF with a more in-depth and complete Business Plan.</p> <p>Deliverable 1: Business Plan</p> <p>Please note that the final Business Plan must be approved by ACGF's BoD and the General Management of SCSA before the next phase of the assignment begins.</p>	Within 7 weeks of the assignment
3	Oversight and Coordination	Week 6 - 34
3.1	<p>The Service Provider develops a Project Implementation Plan in accordance with the final Business Plan, that defines all activities and responsibilities until the Business Start-up Centre will start its operations.</p> <p>Deliverable 2: Project Implementation Plan</p> <p>Please note that the final Project Implementation Plan must be approved by ACGF's BoD and the General Management of SCSA before the next activity of the assignment begins.</p>	Within 11 weeks of the assignment
3.2	<p>After ACGF's and SCSA's acceptance of the Project Implementation Plan, the Service Provider is responsible to implement all steps as defined in this plan and the day-to-day management of the project. The implementation is expected to happen in close cooperation with the management of ACGF and SCSA and in line with the contractual agreements between ACGF and KfW.</p>	
3.3	<p>Based on his/her initial review and subsequent discussions of the team, the Service Provider leads the establishment and evolution of ACGF's and SCSA's Business Start-up Units and the capacity building of human resources at SCSA and ACGF.</p>	
3.4	<p>As per the need and based on his/her experience on similar projects, the Service Provider supports different ACGF departments, e.g. with regard to the implementation and planning for activities related to Pillar 1 – Start-up Finance (i.e. on how to link the Business Start-Up Centre with the Access to Finance component) and to Pillar 2 – Technical Assistance (i.e. supporting ACGF's TA Department in defining and preparing TA measures for the PIs).</p>	
3.5	<p>As soon as the Business Start-up Centre is operational, the Service Provider ensures a smooth handing over of all project responsibilities to the Business Start-up Units at ACGF and SCSA and provides on-going support as per the need.</p>	

The Service Provider will give notice in writing or via email of the deliverables to ACGF and request acceptance; the feedback from ACGF will have to be provided within 14 working days after the Service Provider has given notice via email of a deliverable being ready for acceptance. ACGF might require additional feedback and revision until deliverables are considered accepted. In case the Service Provider and ACGF cannot find common positions on certain aspects of the deliverables, the Service Provider can document the dissent accordingly.

4.2. Technical Details of the Assignment

4.2.1. Previous Work Conducted by ACGF

While ACGF's credit guarantee scheme already includes start-up finance as an eligible loan purpose, PIs have not financed start-ups so far. In 2018, ACGF and one of its PIs agreed to conduct a Start-up Pilot Project as a starting point for further activities and projects. While the pilot has provided valuable experience and lessons-learned, the implementation, not least due to the lack of a well-functioning start-up ecosystem in Afghanistan, has been extremely challenging and lead only to a small number of loans granted.

ACGF has therefore started reflections with KfW to implement a Start-up Facility in Afghanistan. To validate the need for such a program and to provide further insight into the gaps of the Afghan private sector to effectively support start-ups, Frankfurt School of Finance and Management was contracted to carry out a Scoping Study that confirmed the need, provided insight into the supply and demand for financing and entrepreneurship development, and came up with a tentative design of a Business Start-up Facility.

In a next step, for the design of Pillar 3, KfW and ACGF commissioned a Feasibility Study / Business Plan that was completed by the end of August 2020. To ensure that the Feasibility Study is tailored to the Afghan context, the consulting assignment was conducted in a teamwork approach between the external service provider SPARK and ACGF / SCSA.

From ACGF's perspective, the final version of this Feasibility Study has not addressed all required topics extensively enough. As indicated in the Work Plan, the Service Provider is therefore asked to identify and fill the information gaps in the Feasibility Study based on his/her experience with start-up centres. ACGF has identifies the following shortcomings that are mandatory to be addressed in the 'Project Design Phase' and in the final Business Plan:

1. Reflection on the needs and requirements for Afghan female entrepreneurs (e.g., consequences for the physical set-up, staffing and budget).
2. Establishing a concrete marketing strategy (e.g., product definitions, positioning towards competition / strategic cooperation's, PR strategy, promotional strategy) and branding plan to successfully promote the Business Start-up Centre.

3. Definition of key performance indicators and initial input into a monitoring and evaluation system that allows tracking the performance and impact of the Business Start-up Centre against the defined targets.

The table of content of the Business Plan that was established by SPARK is attached to this document (see **Annex 1**).

During discussions between the BMZ and KfW in Q1-2021, both parties have agreed to formulate the following stipulations³ for Pillar 3 that must be reflected in the final Business Plan:

1. Due to the uncertainty if the proposed concept of the Business Start-up Centre will meet the required demand, the BMZ would like to avoid high investments in the beginning of the project and thus start with a smaller version of the centre. Therefore, it has been agreed to implement a modular approach of the Business Start-up Centre, i.e., to start with a reduced number of co-working spaces and no workspaces for manufacturing start-ups at all. After the smaller centre will have proved successful in the market, it will be upscaled with additional services for start-ups.
2. Before signing the leasing agreement for a building for the Business Start-up Centre, an updated project cost plan must be submitted to the BMZ.

4.2.2. Coordination of Activities with ACGF / SCSA

The development of the Business Start-up Facility requires close coordination between the Service Provider and ACGF / SCSA to ensure that expectations are constantly aligned. The Service Provider will set up at least weekly meetings with ACGF's CEO to present the status of the project, discuss challenges, deliverables and next steps as well as receive required input from ACGF / SCSA side. Further regular meetings with other relevant stakeholders and departments at ACGF and SCSA will be organized proactively by the Service Provider.

4.2.3. Further Developments at ACGF

The above-described KfW financed Business Start-up Facility must be considered in the context of further institutional developments at ACGF. Both KfW and World Bank / MoF are supporting ACGF's mission by increasing ACGF's capital, providing funding for increased guarantee and TA activities, and additional new business activities such as a matching grants and interest subsidies. The increased scope of its operations requires that ACGF aligns its organisational structures accordingly.

So far, ACGF has not engaged in direct interactions with the final consumers, i.e. MSME borrowers of the guarantee-covered loans, and was hidden from the market. In the framework of a new

³ Please note that these are not the final stipulations from KfW/BMZ for the project. It is expected that KfW will share the final stipulations with ACGF during Q2/2021.

Matching Grants Program, ACGF is in the preparation to establish direct links with Afghan MSMEs for the first time in its history.

Therefore, ACGF has developed the new Afghan umbrella brand AMAD to separate the new business activities from the existing guarantee business. This ensures that the guarantee operations remain invisible in the Afghan market and thus reduces the risk of moral hazard. AMAD will include several sub-brands to allow the coverage of different business areas under one umbrella. It is still subject to discussion if and how the Start-up Facility will be covered under this newly developed brand.

4.2.4. Handing-Over Project Responsibilities

The Service Provider is expected to ensure the integration of the Business Start-up Units at ACGF and SCSA. The Service Provider is moreover responsible for the gradual integration of the onboarded staff in all relevant project and decision-making processes. Therefore, the Service Provider is responsible for the capacity building of both Units to ensure their preparedness for the management of the Business Start-up Centre. Furthermore, the service provider shall ensure a smooth handover process of the project activities to at least one staff member at ACGF, who is envisioned to take over the responsibility for the management of the Business Start-up Units. It is therefore expected that the Service Provider gradually reduces their working hours in order to allow a guided handing-over of responsibility to the Business Start-up Units while still being available for consultation.

5. Application of the Service Provider

The deadline for submission of proposals is April 21, 2021 EOB. Please submit the proposal by email to Verena Kauth, Technical Assistance Officer in the Technical Assistance Department (v.kauth@acgf.de). Any proposals received beyond the mentioned deadline will be rejected and not included in the proposal evaluation process. ACGF reserves the right to decide to not implement the assignment or to terminate the procurement process if it is deemed appropriate. ACGF requests a minimum proposal validity period of 2 weeks after the date of deadline for submission of proposals.

The Service Provider may request a clarification of any part of the Terms of References (“ToR”) until the deadline indicated above, any request for clarification must be sent by email to v.kauth@acgf.de.

ACGF’s evaluation process is fair, transparent, free of discrimination, and adheres to the provisions in this document. ACGF exercises the authority to evaluate and select the best proposal. The proposal will be the basis for negotiation and ultimately signing the contract with the selected Service Provider.

5.1. Qualification of the Service Provider

Proof of qualification for necessary project skills:

- 1) Proven expertise in successfully designing, setting up and/or operating at least 2 start-up centres in developing countries, preferable in fragile countries comparable to Afghanistan
- 2) In-depth knowledge of the principles and concepts of start-up facilities in challenging environments, such as post-conflict countries
- 3) Expertise in strategic advisory for the set-up of new organisational structures
- 4) Profound background in Project Management for different international development organisations, including sound understanding of project financial management and reporting requirements
- 5) Ideally, country knowledge of Afghanistan
- 6) Fluency in oral and written English is required

The Qualification of the Service Provider should be supported with references to relevant past assignments including (a) assignment synopsis, (b) duration and period, (c) client name and contact details, (d) relevance for underlying project.

5.2. Required Items for Applications

In response to the posting of the ToR, the Service Provider must include the following items as part of its proposal:

1. **Critical analysis** of ToR and suggested time frame (1-2 pages). The Service Provider is explicitly encouraged to present a detailed critical analysis and the Service Provider's interpretation of the assignment objectives and the presented activities. This might encompass critical comments and doubts about suitability, consistency, and feasibility of individual aspects and the concept as a whole, if any. The methodology suggested must take a constructive account of these.
2. **Methodology** for completing the activities and deliverables detailed in the ToR (2-4 pages).
3. **Work Schedule** including all intended activities, the required level of effort and timelines.
4. **Financial offer** in USD including
 - 1) Breakdown of total costs
 - a) Service fee: Fee per day or lump sum with breakdown of costs
 - b) Project support costs: lump sum with breakdown of costs or to be reimbursed against invoices
 - c) Expenses: international travel, national travel, transport, accommodation, per diem allowances, etc. to be reimbursed against invoices
 - d) Taxes: if applicable
 - 2) Tentative payment schedule per deliverable



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- 5. Written confirmation of proposal validity period** of 2 weeks after date of deadline for submission of proposals.

Please note that the breakdown of costs is only for information purposes, the Service Agreement will foresee payment of Service Fees partly based on achievement of deliverables.

Annex 1 – Table of Content Feasibility Study Start-Up Centre

Introduction:

- i. Abbreviations
- ii. Executive summary
- iii. Vision and Mission of the Start-Up Centre

Main Table of Content:

1. Background
2. Rational for the Start-Up Centre
3. Market analysis
4. Structure of the Start-Up Centre
 - 4.1 Security requirements
 - 4.2 Physical Infrastructure
 - 4.3 Workspaces for manufacturing Start-Ups
 - 4.4 Business Development Services offered
 - 4.5 Access to finance
 - 4.6 Marketing and Sales Strategy
 - 4.7 Recruiting clients
 - 4.8 Financial Management
5. Key Performance Indicators for the Start-Up Centre
6. Monitoring and evaluation of the Start-Up Centre
7. Budget for the Start-Up Centre (5 years timeframe)



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Short-term Technical Assistance

Addendum to the Terms of Reference / Scope of Work

dated April 07, 2021

Date of the Addendum: April 13, 2021

Project	Consultancy on setting up a Business Start-up Centre in Afghanistan
Start Date	10.05.2021
End Date	31.12.2021
Submission Deadline for Proposals	21.04.2021

As per ACGF’s Procurement Guidelines, all answers to questions of potential participants submitted to ACGF after publication of the Terms of Reference are distributed to all approached contacts and are published as an addendum to the original Terms of Reference.

Please find below the respective questions and answers that have been submitted to ACGF by April 13, 2021.

Question 1: Can we participate as a consortium comprising of other company/companies and individual consultants?

Answer ACGF: Yes. Please include references for all participating experts. Refer to the ToR Section 5.1 for more details on the required qualifications and references.

Question 2: Does setting up a virtual incubator or start-up facilitation center count as a valid experience?

Answer ACGF: Yes, it does count as relevant experience for the project. However, ACGF will value experience with regard to setting up physical start-up centers more strongly in our final evaluation process, as outlined in the Terms of Reference for the consultancy on setting up a Business Start-up Centre in Afghanistan.

However, the criteria as laid out in the Terms of Reference are not corresponding to pass or fail criteria but rather resemble the optimally available qualifications of the potential Service Provider.