



CREDIT GUARANTEE FUND AFGHANISTAN

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

Date: June 17, 2024

<b>Project</b>	<b>Female Finance Strategy Support</b>	
<b>Start Date</b>	22.08.2024	
<b>End Date</b>	22.01.2024, or the final acceptance of the final deliverable to be provided hereunder, whatever occurs later.	
<b>Reports to</b>	<i>Name - Title:</i>	Verena Kauth, Senior Technical Assistance Analyst
	<i>E-mail:</i>	v.kauth@acgf.de
<b>Contract Type</b>	Fixed fee per day	
<b>Estimated Level of Effort (LoE)</b>	70 – 80 days	

### 1. Background

#### 1.1. Institutional Background

The ACGF - 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 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 which 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 per cent 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.

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.).

As per the end of March 2024, ACGF (including its legal predecessor) has issued approx. 12,900 guarantees to support a combined disbursement of USD 267m in MSME loans. The market share of ACGF was approx. 50 per cent of all MSME loans outstanding by banks and MFIs in Afghanistan. The average net loss rate since inception is 6.3% p.a. ACGF estimates a retention of close to 52,000 employees by unique borrower of the guaranteed businesses and creation of approx. 12,600 additional jobs.

## **1.2. Background to Project**

In 2019, ACGF concluded a market study with 100 female entrepreneurs to provide ideas for potential means by which ACGF’s can support its PIs in developing a strategy oriented towards this group of borrowers.

The following main recommendations, derived from the market assessment, should be implemented by the PIs:

- Strategy:
  - o The need for a strategy with clear vision.
  - o Willingness to make financial investments in strategy formulation, product development, marketing and additional staffing is needed.
- Market Segmentation, Products and Services:
  - o Analysis of the institution’s current mix of clients may also help it decide which segments to focus on while steering clear of other sectors that may be riskier to the institution, e.g., women-owned SMEs that rely heavily on international trade.
  - o Offer or facilitate access to non-financial services.
  - o Link SME owners with training.
- Operations:
  - o Develop a tailored loan product for female SMEs that is meaningful and addresses the specific constraints women face. Define target, profitability, growth, and sustainability metrics for the female segment.
  - o Disaggregate data by gender and continuously collect relevant data.
  - o Simplify collateral requirements.
  - o Streamline loan approval process.
  - o Structure repayment schedules based on the cash flows and investment needs of the business.
  - o Lower interest rates and fees.
- Sales Culture and Delivery Channels:
  - o Leverage female branches.
  - o Hire female staff.
  - o Train staff to overcome gender bias.

In order to substantiate above recommendations, ACGF procured the same consultant to look specifically at main female-led customer groups of PIs (beauty salons, education, medical clinics and tailoring/handicraft) to identify their business and financial needs. Further, the consultant assessed for two of its PIs (Azizi Bank (currently no active PI of ACGF) and Ghazanfar Bank) their main shortcomings throughout the lending process for successfully addressing women-owned businesses and their specific training needs and plans for the female staff of the PIs to address these shortcomings.

Findings of the project indicated that 70% of interviewed MSMEs were interested in receiving a loan, but high interest, collateral requirements and feeling uninformed of available financing products were main reasons hindering them accessing formal finance. The findings indicated that the overall loan processes of PIs were not significantly modified and were not in sync with the realities of women-owned businesses. Therefore, it is necessary to simplify the loan application and approval procedure, assess alternative documents for repayment history and business capability as well as simplifying the pricing and collateral requirements, especially considering that ACGF offers coverage of 90% for female loans.

The project was implemented during the first half of 2021 and concluded in August 2021, just shortly after the regime change in Afghanistan. With the regime change, priorities of ACGF and PIs for the first two years shifted to adapting to the new realities on the ground and converting to a Shariah compliant financial system. Financial institutions have been struggling with various challenges (e.g. high staff turnover rates, strained financial resources, etc.), leaving little room to concentrate on female customers in specific. Therefore, findings from the previous project have not been put in practice.

Now that some financial institutions are increasingly getting “back to business”, with restarted lending operations since late 2022, ACGF and PIs are also re-focussing on increasing lending and support to female-led MSMEs, especially considering the direct effects of the regime change on the business activities of female entrepreneurs. The exacerbating challenging environment for female-led MSMEs further calls for strengthened and more systematic efforts to create tangible impact for female borrowers.

ACGF is therefore seeking support in defining its strategy towards increase lending for female-owned MSMEs in Afghanistan in the micro as well as the SME segment. This strategy shall strongly consider PIs’ current market position as well as their targets and commitment for increasing outreach.

The engagement with ACGF’s PIs shall not just focus on assessing their current market position, targets and commitment for increasing outreach, but also support them to further develop what they have as a strategy and support them in scaling up the actions and results.<sup>1</sup>

The second part of this assignment shall focus on capacity building for ACGF and SCSA employees. One of ACGF’s TA Analysts serves as the female lending focal point for ACGF and SCSA. All related

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<sup>1</sup> For those PIs that confirm their willingness (this will be a maximum of 4 PIs).

activities are coordinated by that focal point. However, their prior limited exposure to specifically financial inclusion of women-owned MSMEs presents a knowledge gap that shall be addressed as part of this assignment.

Further, in its attempt to strengthen its competency level in the field, ACGF has been striving to fill a local female MSME lending expert position at its local subsidiary SCSA, with a view to support ACGF in defining its strategy and in leading any female-focussed activities for ACGF and its PIs in Afghanistan. However, ACGF has been struggling to identify adequate talent that fulfil the required competence level. After changing the requirements for the position, the position has been filled in April 2024.<sup>2</sup> The delayed recruitment process caused significant delays in identifying and implementing activities on the ground and cause the need for further capacity building activities.

### **1.3. Rationale**

The aim of this project is to support ACGF in defining its long-term strategy towards strengthening lending to female-owned micro as well as small and medium businesses. The strategy shall be closely aligned with PIs' strategy and commitment to increase outreach to female MSMEs in order to ensure implementability of the support activities defined. Whenever appropriate, the Service Provider shall differentiate between micro as well as small and medium enterprises.

So far, ACGF has conducted two TA assignments (see above), that concluded with different sets of recommendations. However, after conclusion of these assignments, ACGF has struggled to transform those recommendations into clear actionable items for ACGF and its PIs.

At the same time, PIs affirm their commitment towards strengthening their activities to support female-owned businesses. However, they lack clear strategies, lending targets for female-owned MSMEs and clear ideas for support that ACGF can provide.

In order to develop a strategy to increase women loans in the microfinance and SME portfolio of ACGF's PIs, the Service Provider will therefore need to support ACGF as well as its PIs in understanding and developing actionable items and targets towards supporting female borrowers.

Further, the delays in recruitment of a female lending expert at SCSA and the high staff turnover have shaped ACGF's interest in procuring external support for respective strategy development.

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<sup>2</sup> A first candidate had been recruited in Q2 2023 already but resigned shortly after employment start and a second candidate recruited in November 2023 resigned in January 2024. Activities of both candidates had therefore mostly focussed on onboarding.

## 2. The Assignment

### 2.1. Summary

This project aims to enhance the capabilities of ACGF in understanding and developing their strategy towards supporting female MSMEs in Afghanistan.

Historically, loans to female businesses in Afghanistan have been concentrated strongly in the micro segment. Especially since August 2021 and the developments thereafter, very few SME loans have been extended to female businesses. Lending since August 2021 generally has much more focussed on micro than SME, also for male borrowers. In late 2020 - early 2021, ACGF onboarded for the first time a microfinance portfolio, which significantly increased the share of women loans in its guarantee portfolio. This was due to the strong presence of female-led businesses in the microsegment in comparison to the SME segment, where ACGF's guarantees were focussed before. ACGF will start issuing guarantees for newly disbursed microfinance loans of one of its PIs in 2024, where it had been guaranteeing only SME loans before. This will have substantial impact on ACGF's business volume and accordingly, on the number of women borrowers in the portfolio.

This increase of women-loans in ACGF's guarantee portfolio does not stem from increased outreach of ACGF's Partner Institutions (PIs) to female MSMEs per-se but is caused by ACGF increasingly guaranteeing the micro segment in addition to SME loans. However, ACGF eventually wants to increase female MSMEs' access to finance and increase female loans in the micro and SME portfolio of PIs. ACGF's strategy should therefore be ultimately geared to increase guarantees (e.g., number of guarantees and/or loan/guarantee sizes) to female MSMEs, which only works through increased lending to female MSMEs by PIs, and thereby increased impact by ACGF for women borrowers in terms of access to finance.

As ACGF expects significant variations in targets and derived actionable items to reach female micro versus small and medium enterprises, the Service Provider is expected to consider such differentiation throughout the assignment.

This project therefore first includes an assessment by the Service Provider of the status quo of ACGF, SCSA, its PIs and the de-facto and de-jure realities on the ground for female-led MSMEs. Subsequently, the Service Provider shall engage with ACGF's PIs to understand their targets and strategy for supporting female MSMEs and provide, where needed, support to (further) develop and/or improve their strategy. Based on the PIs' strategy, the Service Provider will support ACGF in understanding and clearly defining its targets for supporting female MSMEs. The Service Provider then derives actionable items for achievement of those defined targets and develop a strategy document for ACGF.

Further, the Service Provider shall support ACGF and SCSA in structuring a training/coaching component for female MSMEs in Afghanistan as part of an EU funded programme (target for 2024:



150 MSMEs) that shall equip female MSMEs with the knowledge to apply for financings (loans and grants).

In addition, the project aims at strengthening the capacities of ACGF’s and SCISA’s TA Department (especially both female lending focal points) in relation to female lending support for its PIs. This shall be achieved through on the job coaching and workshops on strategy development.

The project is expected to be implemented over 5 months.

### 2.2. Objectives

**The primary objective** of this project is to develop a female finance strategy for ACGF that includes concrete targets (e.g. in terms of guarantee volume, business types, etc.) and actionable means to reach those targets for ACGF. The strategy shall consider the PIs’ current market position as well as their targets and commitment for increasing outreach.

**The secondary objective** of this project is to enable ACGF’s PIs<sup>3</sup> to increase their outreach and lending activities for female MSMEs and develop a clear understanding of their targets for reaching female MSMEs.

### 2.3. Result Framework

#	Expected Results	Indicators of Achievement
1.	ACGF has a female finance strategy that includes concrete targets and actionable means to reach those targets for ACGF and its PIs.	<ul style="list-style-type: none"> <li>- Strategy document for ACGF.</li> <li>- Strategy document for PIs (if required by PIs).</li> </ul>
2.	ACGF has a clear understanding and implementation plan for the EU-funded training/coaching component for female MSMEs that has been agreed upon and coordinated with PIs and potential partners for implementation (if any).	<ul style="list-style-type: none"> <li>- Implementation plan for training/coaching component.</li> </ul>
3.	ACGF’s TA team holds weekly update calls and discusses the project progress and methodology as on-the-job coaching as well as receives capacity building on developing strategic targets and deriving actionable items to reach those targets for increasing lending to female-owned MSMEs.	<ul style="list-style-type: none"> <li>- Weekly update calls conducted.</li> <li>- Workshop material strategy development (at least one-day workshop).</li> </ul>

<sup>3</sup> Currently, ACGF has three active PIs. Discussions to onboard two further financial institutions are ongoing and might be concluded during the implementation period of this assignment. The Service Provider shall engage with all PIs. However, buy-in of the PIs to engage in this assignment will be confirmed upon selection of the specific Service Provider and time plan.

### 3. The Proposed Implementation

#### 3.1. Work Plan

Number	Activities
1	<p><b>Assessment</b> Understand ACGF's / SCOSA's and PIs' operations and product offerings and the de-jure and de-facto realities for female MSMEs in Afghanistan</p> <ul style="list-style-type: none"> <li>- Conduct desk review of existing female lending related documents and data related to ACGF and its PIs (e.g. market study, final report of former TA assignment, product overview of PIs, PI reports, portfolio reports, organizational charts, relevant policies, and procedures, etc.).</li> <li>- Conduct interviews with different departments of ACGF, SCOSA, PIs and other relevant organizations on the ground.</li> <li>- Participate in introductory sessions with ACGF's PIs</li> </ul> <p><b>Deliverable 1:</b> Assessment Report</p>
2	<p><b>Target definition</b> Support ACGF and its PIs (those that confirm their willingness) in understanding the market potential of female MSMEs and in (further) developing and substantiating clear targets for reaching female MSMEs.</p> <p><b>Deliverable 2:</b> Description of ACGF targets (including breakdown to PI targets if confirmed by PIs)</p>
3	<p><b>Development of tools to reach targets</b> Together with ACGF and its PIs (if confirmed), develop clear actionable items to reach the targets defined in action 2. Those actionable items shall include clear definition of</p> <ul style="list-style-type: none"> <li>- Timelines</li> <li>- Responsibilities</li> <li>- Means of implementation (external vs internal support)</li> </ul> <p>In case of external support, the Service Provider shall also identify suitable potential Service Providers. Summarize the targets in a strategy document for ACGF.</p> <p><b>Deliverable 3:</b> Strategy document including targets and actionable items</p>
4	<p><b>Structure Training/Coaching Component</b> Support ACGF and SCOSA TA Department in developing and implementing an EU-funded training/coaching component for female MSMEs in order to provide required knowledge to submit sufficient and accurate applications for financial products to PIs.</p> <p><b>Deliverable 4:</b> EU Training/Coaching Component Implementation Plan</p>



5	<p><b>Capacity Building</b></p> <ul style="list-style-type: none"> <li>- Hold weekly calls with ACGF and SCSA TA staff to discuss project progress and methodology as on the job coaching.</li> <li>- Provide capacity building for ACGF and SCSA TA staff on developing strategic targets and deriving actionable items to reach those targets for lending to female-owned MSMEs.</li> </ul> <p><b>Deliverable 5a:</b> Workshop material strategy development</p> <ul style="list-style-type: none"> <li>- Conduct a general info session for ACGF staff on the developed strategies and current situation for female MSMEs in Afghanistan</li> </ul> <p><b>Deliverable 5b:</b> PowerPoint presentation</p>
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The Service Provider should be available to hold discussions and present deliverables over conference call with ACGF/SCSA and the project beneficiary, when necessary.

### 3.2. Technical Details of the Assignment

#### 3.2.1. Methodology

The above activities present the general outline for engagement with the Service Provider. However, the indicated Level of Effort is an estimation and may change dependent on the number and extent of participation of ACGF’s PIs.

Special focus should be laid on developing clear actionable items both for ACGF and PIs with realistic timelines, targets, responsibilities, and requirements. Further, it shall be ensured that all involved parties are aligned with the respective targets and understand the next steps and their responsibilities.

The Service Provider will work closely together with ACGF TA Department’s female lending focal point as well as with the female lending expert of SCSA. As part of this assignment, the Service Provider is expected to coach both counterparts in leading the implementation of the actionable items and equip them with the means to approach similar tasks in the future by themselves.

#### 3.2.2. Review Procedure

The Service Provider will report to ACGF’s Senior TA Analyst.

The Service Provider will be responsible for the timely delivery of activities and deliverables. The Service Provider will give notice to ACGF in writing or via e-mail of the completion of a deliverables and request acceptance. An approval and/or acceptance of deliverables by ACGF may require several feedback and revision rounds until deliverables are considered final. Review and acceptance of a deliverable must take place no later than 15 days after the Service Provider has given notice in



writing or via email of a deliverable being ready for acceptance. Acceptance of a deliverable will be communicated in writing by ACGF's Senior TA Analyst.

### **3.2.3. Logistics**

The Service Provider is not expected to travel to Afghanistan. Travels to Germany (Cologne) for the capacity building component are encouraged.

All communication, as well as written documentation/deliverables, will be in English.

## **4. Application of Service Providers**

The deadline for submission of proposals is July 15, 2024. Any proposals received beyond the mentioned deadline will be rejected and not included in the proposal evaluation process. ACGF reserve 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 4 weeks after the date of deadline for submission of proposals (at least until August 12, 2024).

The Service Provider may request a clarification of any part of the Terms of References ("ToR") until 7 days prior the submission deadline indicated above (i.e. July 8, 2024), any request for clarification must be sent by email to Verena Kauth, Senior TA Analyst (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.

The Service Provider is explicitly encouraged to present a detailed critical analysis and an interpretation of the assignment objectives and the ToR. This might encompass critical comments and doubts about suitability, consistency, and feasibility of individual aspects and the entire concept, if any. The methodology suggested must take a constructive account of these.

### **4.1. Qualification of Service Provider**

Qualification for necessary project skills:

- 1) At least 5 years of experience in the fields of financial inclusion and financial services delivery to women-led MSMEs.
- 2) At least 5 years diverse international experience, including relevant regional experience in the field of female finance.
- 3) At least 5 years track-record in managing donor-funded projects and delivering respective assignments.
- 4) Expertise in strategic advisory for the financial sector, expertise in process development and capacity building for financial sector players is an asset.
- 5) Familiarity with Afghan financial and MSME lending sectors is an asset.

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 and (e) and the CVs of project team personnel and their respective roles, responsibilities, and LoE.

#### **4.2. Required Items for Application**

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 LoE (1-2 pages).
- 2. Methodology** for completing the activities and deliverables detailed in the ToR (2-4 pages).
- 3. Work Schedule** including all intended activities, LoE and timeline.
- 4. Financial offer** in Euro 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
- 5. Signed Declaration of Undertaking**
- 6. Written confirmation of proposal validity period** of 4 weeks after date of deadline for submission of proposals.

**Annex 1:** Declaration of Undertaking – Companies

**Annex 2:** Declaration of Undertaking – Individuals