

Addendum to the TOR

Implementation of the DFID Nepal Access to Finance for the Poor Programme Extension

1. Introduction

DFID seeks to extend the current contract with Louis Berger Group (LBG) under its Access to Finance for the Poor (A2F) programme to enhance financial inclusion in the unserved and underserved regions of Nepal by expanding programme activities, scaling up what has worked and responding to the unique opportunities offered by federalism.

A2F has performed very strongly over the last 3 years and the learning gained can be immediately applied to scale-up results envisioned in the original business case. Extending the contract will provide continuity of service provision and ensure that current contract is aligned with the business case addendum.

The programme will continue to work with both the public and private stakeholders to leverage access and facilitate financial sector development in Nepal, for: (a) Micro, Small and Medium Enterprises (MSME's) (b) poor people.

The total budget for the extension is £6.8 Million. Out of this, £5 Million will be used to replenish the existing Challenge Fund (CF). The remaining £1.8m will be used to provide Technical Assistance to the Government, banks and financial institutions, and key market intermediaries.

As impact, the extension will increase net income at beneficiary level by at £8.9 Million a year. This will be achieved by providing greater access of financial products and services for enterprises and poor households including – a) Access to financial services to an added 277,000 people in priority areas (50% women) b) Financial access to an added 24,000 SME's and c) Increase in private sector investment in productive areas by an added £32.5 Million.

2. Recipient

The principal recipient of these services will be the public and private stakeholders within the financial services industry in Nepal. The ultimate beneficiaries of the programme will be small and medium enterprise owners and poor households in Nepal.

3. Scope of Work

3.1 The extension technical proposal has to include the framework, principles and processes within which the programme will operate and a detailed work plan till the programme completion time.

3.2 The proposal will include a strategy with milestones and budget; this will comprise a detailed work plan and budget till the programme completion time and an updated logical framework.

3.3. The extension technical proposal should include activities that:

- Supports increased downscaling of commercial banks and formal financial service providers including alternate credit scoring models and risk sharing mechanisms like loan guarantees.
- Increases value chain financing in priority agricultural value chains like honey, food grains, livestock, poultry, horticulture and vegetables.
- Promotes linkages across financial different financial service providers to optimize product/service coverage.
- Extends remittance based products and services including pre-departure/post-departure loans for migrant workers and loan products for migrant workers.

- Increases uptake of micro insurance by scaling up innovative products and partnerships and building capacity at micro and meso level.
- Scales up impactful technological products (e.g. tablet banking) to streamline operations and service delivery.
- Scales up and replicates financial literacy initiatives, particularly technology led initiatives and continuously assesses their effectiveness.
- Extends the adoption of client protection principles
- Supports mid and end line impact evaluation of the programme.
- Supports the rollout of Mobile Financial Services (MFS) through Nepal
- Supports the creation of an eco system of bank agents, particularly to increase service efficiency and convenience.
- Provides targeted support to local government entities for the distribution of Government to Person (G2P) payments, including social security allowances, through formal banking channels.
- Supports demand driven legal and regulatory policy work directly related to financial inclusion.

For each set of activities, the proposal should highlight the estimated inputs, results and risks.

3.4 The proposal will include a revised Challenge Fund strategy that supports the extension activities by optimizing private sector leverage.

4. Reporting and Timeframe

The overall project will be completed by 31st Aug 2020.

In addition to the activities mentioned in the Scope of Work (Section 3), the supplier will provide the following:

- Detailed work plan and deliverables by July 15th 2018.
- Monthly/quarterly reporting summarizing progress against work plan deliverables; and a financial forecast for the following months.
- Assurance on closure of all CF partnerships along with relevant financial statements by 31st July 2020.
- A project completion report by 15th Aug 2020.

The DFID team and the supplier will meet monthly to stock take and review overall progress, set direction and agree rolling work streams.

The supplier will report to the Senior Responsible Owner (SRO) of A2F, DFID Nepal.

5. Financing

Payment will be based upon the successful completion and DFIDs acceptance of the milestone deliverables as detailed in Annex B1 Extension Period Addendum 2 Schedule of Milestone Payments.