

TERMS OF REFERENCE

A STUDY ON REGULATORY AND POLICY FRAMEWORKS FOR ALTERNATIVE FINANCE MECHANISMS TARGETTING SEED BENEFICIARIES IN IYBA SEED COUNTRIES

1.0 Introduction and background

1.1. Strengthening entrepreneurial ecosystems for more resilient economies

The rate of job creation in Africa is not keeping pace with demographic growth. According to World Bank forecasts, Africa's working-age population is set to increase by 450 million by 2035, while the continent's economies are expected to produce just 100 million new jobs. While the entrepreneurial spirit is omnipresent in Africa today - one African in 5 sets up his or her own business - the continent's young businesses and entrepreneurs encounter a number of obstacles in their entrepreneurial adventure, all of which hinder the development of their project and the creation of jobs: financing, support, cultural or social barriers, particularly for women, regulations and public policies that are more or less favourable to business creation, etc.

The ILO estimates that MSMEs represent more than 70% of global employment and 50% of the world's Gross Domestic Product (GDP). They are a key engine of economic growth and poverty reduction providing goods and services to poor and underserved markets, as well as critical suppliers in global value chains. Despite this, gaps and deficiencies in the economic structure limit the capacity of both formal and informal MSMEs to grow, as well as limiting their potential to further contribute to job creation.

It is against this backdrop that the EU launched the TEI IYBA Team Europe Initiative Investing in Young Businesses in Africa to support start-ups and young entrepreneurs to launch and develop sustainable, inclusive, and job-creating activities.

The IYBA-SEED program, Investing in Young Businesses in Africa - Supporting Entrepreneurship Ecosystem Development, part of the TEI IYBA, aims to foster the growth and success of businesses and entrepreneurs, particularly those in the very early (pre-seed) and early (seed) stages of development. The emphasis of IYBA-SEED is put on increasing access to Business Development Services for SEED beneficiaries, which primarily consist of young entrepreneurs aged 18-35 and women entrepreneurs.

Micro, Small, and Medium Enterprises (MSMEs) are crucial for economic development and job creation in Africa. About half of formal MSMEs do not have access to formal credit and the gap is even wider when taking micro-sized and informal enterprises into account. Traditional financial institutions often fail to meet the diverse needs of MSMEs, necessitating the exploration of alternative finance solutions.

In the context of the IYBA-SEED program, SNV seeks to procure the services of an expert in alternative finance to conduct a comprehensive study which identifies specific finance gaps for MSMEs, evaluates the landscape of existing initiatives by EU and in-country actors in relation to innovative alternative finance models, and designs an assessment tool to measure the policy conditions needed for these alternative financial models to thrive.

1.2 About SNV-Netherlands Development Organisation

About SNV: SNV is a global development partner, deeply rooted in the 20+ countries where we operate. We are driven by a vision of a better world: A world where across every society all people live with dignity and have equitable opportunities to thrive sustainably. To make this vision a reality, SNV supports the need for transformations in vital **agri-food, energy, and water systems**. SNV contributes by strengthening capacities and catalysing partnerships in these sectors. It engages in activities that help strengthen institutions and effective governance, reduce gender inequalities and barriers to social inclusion, and enable adaptation and mitigation to the climate and biodiversity crises. SNV recognises the finance gap existing in the global south especially for youth and women and works extensively to promote Youth Employment and Entrepreneurship with its YEE program which focuses on growth and finance support to MSMEs owned by young men and women to catalyse job creation and livelihoods especially in rural and peri-urban areas. It is against this background that SNV registers its partnership within the TEI and specifically in the IYBA-SEED program, as a co-implementing agency to support entrepreneurship ecosystems development in Africa.

1.3 Background to IYBA-SEED Project

IYBA-SEED program is part of the third Building Block of the Team Europe Initiative "Investing in Young Businesses in Africa", supporting the ecosystem, with a special emphasis on women and young people.

The implementation of IYBA-SEED mobilises five Member State Organisations (MSOs) in collaboration with the European Commission (DG INTPA). The consortium of MSOs is composed of Expertise France (France) as lead, Enabel (Belgium), GIZ (Germany), SAIDC (Slovakia) and SNV (The Netherlands). IYBA-SEED is a multi-country project, which will be implemented in Benin, Kenya, Senegal, South Africa, and Togo over the course of four years.

IYBA-SEED Targets: Players in the entrepreneurial ecosystems of the partner countries: support structures, funding players, institutional partners, public agencies, innovation clusters, incubators and accelerators, academic networks, foundations, civil society players, etc. Young people and women are the direct beneficiaries of the project.

Nevertheless, the end beneficiaries of the project are referred to as "SEED beneficiaries" and are defined as below:

- 1) as businesses and entrepreneurs in the very early (i.e. pre-seed) and early (i.e. seed) stages of business development,
- 2) led by young entrepreneurs (18-35 years old) and
- 3) women entrepreneurs.

The **overall objective of IYBA-SEED** is to contribute to creating decent jobs for women and youth and resilient economies by strengthening entrepreneurial ecosystems in several sub-Saharan countries so that they can increase access to Business Development Services (both financial and non-financial) for SEED beneficiaries.

2.0 Purpose and scope of the assignment

2.1 Purpose of the assignment

Strong regulatory and policy frameworks are crucial for the promotion and success of alternative finance mechanisms in meeting the needs of MSMEs in African countries because they create an enabling environment that fosters financial inclusion, reduces risks, and ensures regulatory clarity. Well-structured frameworks protect both lenders and borrowers, making it easier for MSMEs to

access innovative financial products like microfinance, mobile money, and peer-to-peer lending. These frameworks also ensure fair competition, promote transparency, and address key barriers such as lack of collateral and credit histories, which are often challenges for MSMEs, especially those led by women and youth. By encouraging innovation and reducing regulatory bottlenecks, these frameworks help alternative finance mechanisms thrive and better support the growth of MSMEs.

The term **regulatory and policy frameworks** in this context is used to refer to the set of laws, regulations, policies, and institutional arrangements established by a government to regulate financial markets and banking sectors, other economic activities and business operations specifically aimed at enabling the growth and advancement of Micro, Small, and Medium Enterprises (MSMEs). This study seeks to focus on these types of regulatory and policy frameworks, how they respond to the needs or whether they respond to the known needs of new non-traditional finance mechanisms, specifically those targeting early-stage businesses led by youth and women.

SNV is therefore seeking a qualified consultant or consultancy firm to support the development of a study focusing on existing alternative finance frameworks¹ for MSMEs which identifies actions already carried out and develop a proposal on tailored complementary actions needed to strengthen alternative finance initiatives and policies in the entrepreneurial ecosystems of IYBA SEED focus-countries.

2.2 Methodology/Approach:

The regulatory and policy frameworks surrounding alternative finance mechanisms play a crucial role in determining their effectiveness, especially for very early-stage enterprises led by youth and women. These frameworks can either enable or hinder the accessibility, affordability, and sustainability of these groups (youth and women) to the finance they need for establishing and growing their businesses. Given that alternative finance mechanisms have the potential to reduce the finance gap faced especially by early-stage businesses, this study seeks to understand the frameworks necessary for a number of selected non-traditional alternative finance mechanisms.

A reinforcing step-by-step approach is proposed for the conduct of this study:

Step 1: Landscape Analysis – The aim of the first step is to identify which alternative finance mechanisms this study will focus its regulatory and policy framework analysis on. Through a desk review, this step entails understanding what exists so far in IYBA SEED target countries with regards to innovative alternative finance mechanisms. The review will be based on:

- i) existing studies produced by international development actors such as TEI IYBA projects, GIZ, Expertise France, AFD, SNV, EUDs supported projects;
- ii) any other complementary study done by any other international development actor (World bank, African Development Bank, Regional Development Banks);
- iii) available policy documents, publications on related laws, government (ministries and agencies) reports, advocacy articles/reports by national (local) actors such as Business associations, local NGOs, etc in selected IYBA seed countries which focus on alternative finance especially for MSMEs

The analysis at this stage will result in the selection of specific alternative finance mechanisms that the next step (gap and opportunity identification) will focus on. The criteria for selection of these mechanisms would consider a.) the innovation aspect of the mechanism (non-traditional mechanisms), b.) its potential to impact seed beneficiaries at scale; and c.) its realistic

¹ By Framework we mean the established legal, political, institutional arrangements including specifically financial market regulations and banking sector arrangements and social structures put in place to enable an alternative finance method to work and function properly. It is essentially what is needed for an alternative finance approach to be in place and ensure that it is achieving its purpose.

feasibility/scalability in IYBA SEED countries based on contextual factors. These criteria can be adjusted/added-on during preliminary discussions at kick-off.

Step 2: Gap and Opportunity Identification – Building on the landscape analysis, this step will focus on identifying regulatory and policy gaps surrounding the selected alternative mechanisms. It will identify gaps, both on the regulation/policy making side as well as on the implementation side that hinder the proper establishment or growth of identified mechanisms, especially those targeting SEED beneficiaries. This can be done based on

- i) the documents identified and reviewed in step 1,
- ii) consultations (focus group discussion/interviews) with relevant stakeholders to pinpoint where additional or improved policy or regulatory efforts can make a significant impact on the success of selected mechanism. The stakeholder can be –
 - a) government institutions who work on creating an enabling environment for small businesses to thrive (i.e. Microfinance regulatory authorities, Ministry of finance, trade or commerce, SME development agencies, etc);
 - b) local organizations, actors or agencies engaged in the promotion of micro and small enterprises in target countries (i.e local investment funds, associations, etc.)
 - c) in the case where a pertinent/promising alt financial mechanism which has not yet been taken on by government of public institutions is identified in step 1, then consultant will seek to liaise with the entity (Int. development agency, bank or NGO) that is championing the initiative.

This step will also highlight identified opportunities that can inform and encourage concerned regulatory and policy actors to take initiatives that would properly accommodate innovative financial mechanisms specifically tailored to SEED beneficiaries. These opportunities will be developed further and turned into policy recommendations in step 3.

Step 3: Policy Condition Analysis and Recommendations – This step will involve a consolidation of the regulatory and policy environment necessary for the success of each identified alternative finance mechanism in the study. The consultant will base this on the work done in the first two steps and will identify through additional research the specific conditions required to enable selected alternative finance models to thrive. Based on this, strategic recommendations will be made for policy reforms and targeted actions that can be implemented to strengthen their alternative finance ecosystem especially in IYBA-SEED countries.

Step 4: Tool/Methodology Development – In the final step, a tool or methodology will be developed. This tool can be used to categorise, visualise, and analyse the identified alternative finance models and their related policy/legal conditions, and serve as a means to assess which gaps and actions are needed policy and regulation wise. This tool would also be a way to monitor and evaluate the environment within which an alternative finance mechanism operates, thus allowing for targeted adjustments and improvements by related government institutions and agencies. In principle, the main users of this tool would be:

- Policy makers in target countries (microfinance regulatory authorities, ministry of finance, trade or commerce, etc)
- Development agents/agencies seeking to work on finding/ advocating/ and supporting the implementation of alternative financial mechanisms
- Local Institutions working to promote SME growth and to implement finance mechanisms especially targeting youth and women (i.e. national development banks, micro and small enterprise development agencies, Investment Promotion Agencies, etc.)
- Local actors and agencies promoting SME growth (Business Angels, local Investment clubs/funds, think-tanks, Microfinance institutions, etc.)

Throughout the 4 steps, the approach will be a collaborative one with expected engagement with IYBA SEED team, EU/TEI partners, and relevant national stakeholders (as mentioned above) to ensure that the recommendations and tool developed are relevant, practical, and aligned with the needs of the SEED Beneficiaries in target countries.

2.3 Scope of the assignment

The scope of work covering this consultancy shall include the following deliverables and activities:

Deliverable I: Landscape Analysis

Activity 1.0 - Research and Initial Analysis

- Based on a detailed review of literature as described above in the methodology, establish the concept of 'alternative finance' (i.e. what qualifies as Alt. Fin in this study) and identify existing alternative finance mechanisms/models focusing on SEED beneficiaries in IYBA SEED focus countries.
- Working with IYBA SEED team, engage with EU international development actors such as WEE working group, TPSD, GIZ, Expertise France where necessary on selected studies to develop further understanding of their work and allow for a clear determination of complementarity aspects especially considering the regulatory and policy approach of this study.
- Set the criteria and finalise selection of the alternative financial mechanisms that will be specifically addressed in this study.

Key Outputs

- a. **Landscape Analysis report:** This report should be desk research to review existing alternative financial mechanisms and the regulatory and policy environment within which they operate. While it will involve some engagement with various partners as mentioned above, this report will clearly indicate which alternative finance mechanisms will be addressed in this study and the reasons why they were specifically chosen.
- b. **Stakeholder engagement plan:**
A detailed plan indicating key actors to be engaged both in step 1 and 2. This involves international development actors (including those mentioned in the methodology) and relevant national stakeholders (see page 3' 2.2), the methods for engaging with them, and details of the communication strategies and tools to be used in the process.

Deliverable II: Gaps and opportunities analysis reports for alternative finance regulatory and policy frameworks

Activity 2.0 - Stakeholder Engagement and gap analysis

Based on identified activity area/subject resulting from "Activity 1.0"

- Building on the outputs of deliverable I, this report will delve into understanding the existing regulatory and policy environment for the selected alternative finance mechanisms in IYBA SEED target countries. What is working and what is not, both on the regulatory/policy initiation side and the implementation side.
- Identify specific regulatory and policy requirements that will enhance the efficiency of selected alternative finance mechanisms. Anytime any of these requirements are met, it can further enable the mechanisms to achieve the goal of bridging the financial gap especially for SEED beneficiaries in IYBA SEED countries.
- Conduct focus group discussions and/or interviews with relevant stakeholders (see page 3' 2.2), to gather further insights on selected mechanisms targeting SEED Beneficiaries in IYBA-SEED countries.

- Based on previous steps and outcome of the stakeholder engagement, draft a gaps and opportunities analysis report which should contain final recommendations policy and regulation actors in target countries.

Key Outputs

a. Focus Group and Interview Discussions

Organise 2 focus group discussions and some additional interviews with seasoned experts on the subject in target countries. Deliver participant lists and minutes.

b. Stakeholder Engagement Summary Report

Write a summary report on the entire stakeholder engagement process. In this report, make an analysis of common premises and divergent views on innovative alternative finance mechanisms and the policy/regulatory gaps and challenges that need to be addressed. Indicate key findings, insights, and recommendations.

c. Gaps and opportunities analysis report

This is the main body of this study. Thus, based on activities done under step 1 and 2, clearly discuss the identified policy and regulatory gaps and the opportunities to strengthen the environment for selected alternative finance mechanisms in the target countries.

Deliverable III: Alternative Finance Framework Assessment tool/methodology:

Activity 3.0 - Development of Assessment Tool

- Develop a tool to visualize and analyse standard policy and regulatory frameworks for selected alternative finance mechanisms discussed in this study but which may be applicable to or leveraged by some other mechanisms which are not in this study. The tool should be able to enable anyone using it to follow the progress and/or identify gaps and opportunities to improve the operating environment of chosen alternative finance mechanisms.
- Ensure the tool is user friendly and can be useful in highlighting necessary policy conditions for the success of the identified alternative finance models.
- Validate and test tool with local stakeholders in IYBA-SEED countries and provide a user's guide that is self-explanatory.

Key Outputs

a. Technical specifications document

Draft a detailed document outlining the technical specifications of the tool, including:

- Methodology used
- Data sources and data integration methods²
- Functionalities and features
- Security and privacy considerations (if any)

b. First version of the Assessment Tool

Deliver a first draft of the assessment tool which should be user-friendly and with which regulatory and policy actors are able to self-assess a good number of alternative finance mechanisms in their ecosystems.

² A framework for the collection and integration of relevant data into the assessment tool. This should include a list of data sources, data collection methods, and protocols for data validation and updating.

c. Testing and validation workshop on assessment tool (Report)

Coordinate and organise an online feedback workshop with a number of selected stakeholders who will access the tool prior to the workshop to provide feedback on its usefulness and efficiency. The workshop would serve as a source of final input towards the finalisation of the tool. A report documenting the pilot testing phase of the assessment tool should be submitted. The report should include:

- Testing methodology
- Feedback from users
- Identified issues and challenges
- Recommendations for improvement and enhancement

d. Final version of the Assessment Tool

Deliver a finalized version of the assessment tool which can help local actors and development practitioners/actors to assess by themselves both old and new alternative finance mechanisms targeting SEED Beneficiaries.

e. User manual/guide

Develop a short and clear user manual/guide that provides step-by-step instructions on how to use the assessment tool. Include cases and scenarios where tool can be used and include a Power Point presentation or tutorials, to facilitate the onboarding of users.

f. Blog article on activity:

Write a short blog article (2 pages max) on the activity, its outcome and potential impact on the ecosystems of SEED beneficiaries in IYBA SEED countries.

3.0 Monitoring and Evaluation

As part of the monitoring and evaluation requirements for the IYBA-SEED project, the consultant(s)/consulting firm shall collect data for the relevant log frame indicators based on the agreed methodology and tools defined in the IYBA-SEED MEAL strategy.

Indicators definition sheets and templates of data collection tools (including surveys, interview guides, attendance lists, etc.) will be provided by the IYBA-SEED project at the beginning of the assignment to facilitate data collection by the consultants.

4.0 Period of assignment and time allocation

The assignment is set to commence on the 13th of January 2024. The assignment is estimated to last for 6 months with the end of activities planned for end of July 2025. The expertise time-cost allocated for this assignment is **31 (thirty-one) expert days** (non-consecutive) with the possibility of having **5 (five)** more days for additional task or follow-up activities that may arise based on pertinence and approval.

| Deliverables | Proposed Timeline | Allocated days |
|---|--------------------------------|----------------|
| Inception meeting | 15 th January 2025 | 1 expert day |
| Deliverable I: Landscape Analysis (including key outputs) | By 15 th March 2025 | 8 expert days |

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|---|-------------------------------|----------------|
| Deliverable II: Report on promoting an enabling environment for innovative alternative finance initiatives in IYBA-SEED countries (including key outputs) | By 30 th May 2025 | 15 expert days |
| Deliverable III: Alternative Finance Framework Assessment tool/methodology (including key outputs) | By 15 th June 2025 | 7 expert days |

5.0 Ethical considerations and confidentiality

The evaluation team will safeguard the rights and confidentiality of information providers, interviewees, and stakeholders by ensuring compliance with legal provisions and codes governing collection and reporting of data. The consultant and team will agree to sign data processing agreement which shall be provided by SNV.

The consulting team will ensure security of information of this assignment in accordance with general data protection regulation (GDPR) compliance. The information, knowledge and data gathered in this process must also be solely used for this consultancy and not for other uses. Where video coverage and photo shooting are involved, informed consent must be signed.

6.0 Consultants Qualifications and experience

The minimum competencies and qualifications include:

- a. Advanced degree in finance, economics, development studies, or a related field.
- b. At least 10 years of experience in innovative finance for MSMEs, with a focus on Africa.
- c. Proven track record of conducting similar studies and developing analytical tools.
- d. Deep understanding of financial frameworks and players (private and public sectors)
- e. Strong experience in policy analyses and business environment reforms in the focus countries, including financial market regulations and banking sector arrangements
- f. Excellent analytical, writing, and presentation skills.
- g. Proficient use of Microsoft Word, Excel, PowerPoint, data analysis software and internet is an added advantage.
- h. Proficiency in English and French is compulsory.

7.0 Consultant selection criteria

1. Post graduate qualification in entrepreneurship ecosystem, Agriculture Economics, Agribusiness, political science, Agriculture, or other relevant qualification.
2. Experience working on issues related to entrepreneurship, economic development, and public-private collaboration.
3. In-depth technical & practical understanding of policy analysis, financial market regulations and banking sector arrangements
4. Deep knowledge of the policy landscape and institutional frameworks in IYBA-SEED countries, particularly in Senegal, Togo, Kenya, South Africa and Benin.
5. Strong understanding of private sector development, economic development of marginalized groups and gender equity
6. Proven skills in stakeholder engagement, moderation and facilitation.

8.0 Report

The expert will report to the designated SNV-project manager. Regular progress updates will be required, and key deliverables will be subject to approval by SNV.

9.0 Expressions of Interest

SNV is an equal opportunity employer, and this position is available for filling at the earliest possible opportunity. Interested firms should apply through the smart recruiter's portal through the SmartRecruiters link by the **6th of December 2024** including the following details:

1. A proposal detailing their interpretation of the above ToRs including, work schedule and a detailed plan of activities.
2. Financial proposal (daily rate)
3. Detail Curriculum Vitae which should include samples of previous similar consultancy work.
4. Three references – (should include recent clients – not more than two years old)
5. Tax compliance certificate and PIN.

Only short-listed firms/individuals will be contacted for an interview.

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