Terms of Reference

Advocacy on easy access to finance for agricultural mechanization in Bangladesh, CSISA-MEA

## OVERVIEW

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| **Consultancy title** | **Advocacy on access to finance strategy for agricultural mechanization in Bangladesh** |
| **Position type** | Short-term Consultancy |
| **Tentative Contract Period** | April - June 2024 ( 2 months) |
| **Reporting** | Team Leader, iDE - CSISA-MEA |
| **Location** | Jashore, Bogura, Chattogram, Dhaka and other relevant locations where needed |
| **Task summary** | The advocacy for alternative/improved finance will focus on –  1) Analyzing a specific policy gap with reference from current policy/media document review,  2) Generate critical evidence in a form of policy narrative vs counter narrative from regional and national level stakeholders,  3) Prepare a draft policy brief for consultation at regional and national level,  4) Validate the policy context, narrative and associated recommendations (call for action) at national level,  5) Link with the national level professional association and champion experts to anchor it with target ministries and Bangladesh Bank.  Backed by evidence, related associations on the challenges of conventional access to finance approach and potential new financial approach in Ag mechanization- a call for action will be documented and shared with relevant stakeholders. This will be strongly linked with the implementation National Light Engineering Policy 2022 and contribute to a specific policy gap.  The study will focus to generate evidence from -   1. **targeted financial (and non-financial) institutions who provide finance (including the regulatory authority Bangladesh Bank, facilitating agency Department of Agricultural Extension) to agri-machinery business value chain actors.** 2. **targeted value chain actors such as lead firms, dealers, spare parts shops, machine service providers etc. as receivers of the finance and** 3. **some targeted financial instruments such as – asset backed finance, venture capital, working capital finance, machine leasing finance, warehouse finance etc. to recommend the most suitable ones for different value chain actors in Ag Mechanization now and for future.** 4. **targeted policy gap derived from the Light Engineering Policy 2022 and stakeholders**   With the evidence generated, it will arrange consultation at regional level with relevant stakeholders and finally validate it in a national level validation workshop. A policy brief will be ready to pursue relevant ministries engaging Ag mechanization national association and private sectors. |

##### **PROJECT BACKGROUND**

The Feed the Future Bangladesh Cereal Systems Initiatives for South Asia-Mechanization Extension Activity (CSISA-MEA) is a USAID-funded Feed the Future initiated, five-year project implemented by CIMMYT and its partners: iDE and Georgia Institute of Technology (GT). Working in Bangladesh’s Feed the Future (FtF) zone, the first phase of CSISA-MI unlocked smallholder farmers’ access to cost- and resource-saving crop sowing, irrigation, and harvesting machinery. This was achieved by facilitating rural entrepreneurship and leveraging more than $6 million of private-sector investments, in an efficient mechanization value chain.

**In Phase I (CSISA-MI)** – private sector imports and markets new mechanization technology in response to demand created by CSISA-MI through support given to machinery promotion events and machine users (LSPs).

In **Phase II (CSISA-MEA)** – private sector increases production to meet demand for new mechanization technology through improvements in production efficiency and quality of products that are facilitated by CSISA-MEA. The project enables companies to invest in new manufacturing machinery, equipment, tools, factory layouts and manufacture of new types of agricultural machinery and equipment. Allows companies selling agricultural machines and equipment **to use their capital and bank finance** to expand their businesses and invest in new machines, production facilities and support services for customers and makes machines more affordable and accessible for Local Service Providers (LSPs), Lead firms, MSMEs to start or expand agricultural mechanization service businesses.

## ABOUT THE ASSIGNMENT

MFIs were only viable options during Phase I however, not structured nor incentivized to properly service machine loans; high interest and high transaction costs. Banks can offer cheaper loans than MFIs **but - do not see commercial value in developing a customized product for agricultural machinery**; consider LSP loans too risky and too expensive due to lack of digitization, traceability. Banks also do not have extensive network of village-based staff that MFIs have. There were recommendations if commercial banks can use MFI to reach clients and monitor repayments. These aspects can be investigated further. Firms who offer retail financing to boost sales suffer from high delinquency rates and run into financial management troubles as they do not have the capacity to operate like a financial institution. With banks **disinterested in farm machinery loans** and **retailers overburdened with outstanding debt**, there is an **opportunity for a third-party special purpose vehicle entity** to provide asset-based financing.

Availability and affordability of A2F depends on mitigating the impediments hindering introduction of best practices in financing customers (LSPs, lead firms and MSMEs) and mobilizing private sector capital from the capital markets. Anticipated barriers to affordable A2F were either related to (a) firm/industry/machine specific financial products or (b) enabling support at macro level, legal, regulatory level and associated with tax friction. However, previous investigation and lessons inadequately captured the merits and disadvantages of various financial instruments, customization of loan for different context, barriers to use and utilize the loan, size of loan for Lead Firm, MSP, MSMEs and finally **policy anchor of our lessons.**

With this background, the current study will investigate – challenges with domestic banks exiting loans, suitable instruments and loan procedure, borrower feedback on current loans and third-party arrangements for alternative financing.

iDE Bangladesh (on behalf of the project CSISA-MEA) is looking for a consultant or a consulting firm with demonstrated experience in undertaking evaluation of financial inclusion approaches and strategies to some related agricultural, industrial sectors with specific knowledge in market system research and institutional, financial instruments and approaches.

The assignment involves collaboratively engaging with the CSISA-MEA team on designing the study methodology and consultation, survey tools; and then collecting data from diverse market level actors in the agricultural machinery light engineering, manufacturing, and spare parts industries, in particular the domestic banks, and US capital market, intermediaries for easy access to finance for agro machinery and equipments.

The study will target Dhaka, Jashore, Bogura and Chittagong/Cox’s Bazar. A final detailed work schedule will be determined during the kick-off meeting.

## OBJECTIVE OF THE ASSESSMENT

**1) Assess client specific or machine specific financial instruments such as – asset-based finance, venture capital, supply chain finance, equipment/machine leasing finance and warehouse finance.**

**2) Analyze lenders/domestic bank’s compliances, loan procedure and loan user/borrower level challenges to effectively utilize the loan,**

**3) Define linkage with Bangladesh Bank policies on light engineering and agri machinery SMEs loan including farmer’s loan ag machinery and equipment.**

**4) Link climate smart machinery related incentives and inclusivity aspects in access to finance for agro-machines and equipment**

## SCOPE OF WORK

**Main access to finance strategy in Phase 1** was to support MFIs and buy down the risk of lending for agricultural machinery to catalyze loans in hard-to-reach target groups. This includes improving creditworthiness of local service providers (LSPs) through digitization, building capacity to generate formal statements. **Main access to finance strategy of Phase II** was to boost credit availability from domestic banks and the US capital market and enhance affordability of loans for the clients/borrowers. It emphasized that access to finance is critical to scale the market system. Affordable access to finance will allow LSPs, Lead firms to choose “expensive, high quality spare parts or machinery and “inexpensive lower quality” products based on value for money.

CSISA MEA, already conducted 2 assessments related to this area. One was titled “Financial Advisory Support Service for MSMEs(Medium Small Machine Enterprises) and Lead Firms in 2020” and the other one was “ Assessing Current and Alternative Financing Products and Delivery Channels in the Agricultural Machinery Market (2021)”. CIMMYT also conducted another international study titled “Financial Products to Support smallholder Mechanization in the FACASI Countries of SSA (2025). Further investigation will focus more on cumulative lessons on MFI and domestic Bank sourced finances including US capital market. This study will further assess client fitness with the financial instruments and process, loan size of financial institutions and effectiveness of 3rd party facilitation in this agri-machinery and spare parts area. The study will bring analysis between lenders/providers, their financial instruments and satisfaction of borrowers. Bring insights on debt finance and other potential financial instruments. Strongly define its policy link.

The government has formulated the Light Engineering Industry Development Policy 2022, (Link - <https://moind.portal.gov.bd/sites/default/files/files/moind.portal.gov.bd/policies/c3d480d2_1369_464a_82d0_3b797f5ddf1b/Light%20Engineering%20Industry%20Development%20Policy%202022.pdf>) which aspires to ensure infrastructural development, easy financing, and industrial incentives for the sector during its implementation between 2022 and 2027. The policy sets eleven strategic objectives: infrastructural development, modernization and development of technology, development of forward and backward linkages, human resource development, market development, and expansion, research and development, establishment of industry clusters, development of common facility, quality assurance and certification, **access to finance**, development of investment climate. Under its strategic objectives 10 on financing and investment opportunity section it emphasized -

* how can BIDA (Bangladesh Investment Development Authority) support attracting investment in the light engineering sector?
* How can Bangladesh Bank enable easy access to credit in low interest, easy process customized for different contexts? They are mandated to prepare a guideline and operating procedure where such studies can directly contribute.
* How can the Light Engineering Policy 2022 support generate special funds in the light engineering sector?
* Exploring on venture capital for product manufacturing
* Integration of insurance in financing and necessity of enabling startup fund.

Specific scope of this assessment and advocacy includes the following:

1. Assess the challenges of current financing for SMES /MSMES associated with agro-machines and spare parts manufacturing, import, sales & distribution, workshop establishment etc.
2. Review financing rules, regulations, loan procedures/products, principles of 5 Financial Institutions (including one non-financial) focusing on the agro machinery sector.
3. Assess the choice of financing type of 5 key actors in the agro-machinery sector
4. Compare advantage and disadvantages of 5 alternative financial instruments
5. Link prospects of insurance, green financing scope of the financial institutions targeting the agri machinery sector
6. Recommend suitable financial package ( instrument, upgradation of current option, new rules/procedure notification etc.) options for ag mechanization sector to be endorsed by Bangladesh Bank

* Conduct a context analysis, and documents review /report review on access to finance in the agri machinery sector.
* Characterize the financing system of domestic banks and US capital market on how it functions, particularly the rules, financial products, lead time for first repayment schedule, norms, collateral process and other cross cutting aspects.
* Map the major ( #5) ag machines and their related financing system
* Estimate the amount of finance of an MSME/Lead Firm that raised from different sources of finance through different approaches or financial instruments
* Analyze relationship between MSP, MSME, Lead Firms and banks directly and through intermediary.
* Develop a series of tangible recommendations that will collectively comprise a roadmap for CSISA-MEA to recommend and share a call for action on access to finance strategy in the area.

In addition, the study will map inclusivity and climate aspects in access to finance in the sector.

## STUDY METHODOLOGY

A brief on the methodology is provided below. However, a more detailed and coherent methodology is expected to be co-developed with the consultant. To achieve the objectives of this study and advocacy the methodology should be based on – evidence generation, mapping networks and institutions, stakeholder consultation and validation, and connection with a national champion influencer for the Bangladesh Bank, donors/investors and Ministry.

The study should include comprehensive formative research from both primary and secondary data. The study will include a desk review of the literature in sector-specific documents, policies, websites, reports, national and international journals, recent books, etc.

The consultant will collect primary data using both qualitative and quantitative research methods such as: semi-structured interviews, Key Informant Interviews (KIIs), Focus Group Discussions (FGD) and observations from each level of value chain actors and relevant stakeholder consultation such as - MSMEs, spare parts shops, mechanics, machinery service providers (MSPs), government officials, dealers/retailers, TVET, civil society, representatives of Bangladesh Engineering Industry Owners Association (BEIOA), Agricultural Machine Manufacturing Association of Bangladesh (AMMA-B), Chambers of Commerce, market actors.

1. Review of available secondary documents, policy, report, research, implementation guidelines information of the sector.
2. Based on the literature review, propose a sampling plan which is representative of the sector focusing on Dhaka, Bogura, Jashore, Cox’s Bazar and Chittagong.
3. Develop data collection tools for FGDs, KIIs and survey questionnaires for the market assessment.
4. Develop a policy narrative in a form of policy brief for stakeholder consultation at regional/district level.
5. Arrange four stakeholder consultation workshops to collect counter narrative on the narrative shared.

## EXPECTED DELIVERABLES

The consultant is expected to deliver the following listed deliverables:

1. **Deliverable 1 - Detailed work plan and study tools/process:** After having consultation with project experts the consultant will present a detailed work plan and tools for the evidence generation.
2. **Deliverable 2 – Context analysis presentation - desk review on policy reference and past related works, Banks, Intermediaries, 3rd parties, borrowers and existing instruments**
3. **Deliverable 3: Study report result, findings, recommendation presentation**
4. **Deliverable 4 – Draft a Policy Brief closely working with two mentioned associations**
5. **Regional consultation 5**: Draft brief will be consulted in 4 districts/regions to collect and collate feedback on recommendations and actions. A report will be submitted on 4 workshops by the consultant. These consultations will be organized by the project (CISISA MEA ) where consultant has to facilitate..
6. **Deliverable 4 -** *Raw Tools*: The consultant will have to share the raw data/report/facts, cleaned data/narratives, and data analysis /discourse analysis plan with iDE and CIMMYT after they have completed each of the tasks.
7. **Deliverable 5 -** *Final report and Policy Brief:* The policy brief and a final report will be shared with the CSISA-MEA team for review. Depending on the quality of the report, it will be decided if additional rounds of review will be required.

## MAJOR RESPONSIBILITIES OF THE CONSULTANT

The major responsibilities of the consultant are as follows:

* Collect relevant programme documents from CSISA-MEA, clarify ToR and prepare a work plan with a timeline;
* Develop a methodology including a sampling plan and key questions to be answered;
* Develop data collection tools in consultation with the CSISA-MEA team;
* Collect, clean data and prepare the transcript;
* Share data analysis plan with CSISA-MEA team;
* Analyze data and key findings presented to the CSISA-MEA team;
* Develop a table of contents and prepare a draft report; and
* Incorporate CSISA-MEA team’s feedback on the draft report and provide a final version.
* Consultant is expected to check with DAI, IFRI and IFDC if they are doing anything related to policy advocacy on ag mechanization.

## MAJOR RESPONSIBILITIES OF CSISA-MEA

CSISA-MEA will provide the consultant with the necessary support to undertake and implement the assignment and execute the tasks outlined in this Terms of Reference. Such responsibilities include the following:

* Provide initial briefing and existing work overview;
* Provide relevant documents and technical support;
* Support to finalize the methodology of the study;
* Provide feedback and approve data collection tools;
* Supervise data collection and arrange a presentation on analyzed data
* Provide feedback on the draft report;
* Approve the final report; and,
* Disburse payment as per the agreed schedule.

**TENTATIVE TASK SCHEDULE**

CSISA-MEA project requires the assignment to be completed by March 21, 2024. The following table gives the deliverables along with the deadlines. The deadlines can be adjusted upon mutual consent.

(It will be changed as required. Anticipated date of start Mid April 2024 subject to shortest contract processing time/context. The assignment may take 2 months. May go beyond May due to festivals and other issues.)

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| **Sl No.** | **Activity** | **March** | | | | **April** | | | **May** | | | |
|  | | W1 | W2 | W2 | W4 | W1 | W2 | W3 | W1 | W2 | W3 | W4 |
| 1 | Contract signed |  |  |  |  |  |  |  |  |  |  |  |
| 2 | Work plan and methodology submitted and approved. |  |  |  |  |  |  |  |  |  |  |  |
| 3 | Desk review- past relevant studies/reports. and data collection |  |  |  |  |  |  |  |  |  |  |  |
| 4 | Networking, meeting with stakeholders Bank, Ministry, Kis, Interviews |  |  |  |  |  |  |  |  |  |  |  |
| 5 | Dhaka & district level field work |  |  |  |  |  |  |  |  |  |  |  |
| 6 | Study progress, findings sharing & presentation |  |  |  |  |  |  |  |  |  |  |  |
| 7 | Development and submission of draft policy brief and the final report |  |  |  |  |  |  |  |  |  |  |  |
| 8 | Feedback incorporation and submission of final report and final policy brief |  |  |  |  |  |  |  |  |  |  |  |
| 9 | Stakeholder validation workshops # 4  (Final sharing national level workshop excluded here) |  |  |  |  |  |  |  |  |  |  |  |

(This will be revised and aligned as required)

**APPLICANT ELIGIBILITY CRITERIA**

General experience and expertise requirement for consultant applying:

* The consultant must have at least 07 years of experience of conducting assessment on access to finance or impact of financing or financial instrument/guideline preparation for any relevant sectors using both qualitative and quantitative methods;
* The consultant must have rigorous experience of conducting studies. Clear understanding of market research methodologies and experience in using different qualitative, quantitative and policy research tools and techniques;
* The consultant should have prior experience of working on the light engineering and financial sector in Bangladesh. They must have proven experience in market assessments and value chain analysis with private sector engagement; and
* The consultant must be familiar with the donor funded works specially USAID funded results framework.

## GUIDELINES FOR PROPOSAL SUBMISSION

These guidelines shall ensure uniformity of proposals submitted by all applicants and transparency of the evaluation process. The proposal must include the following items:

* Cover letter (maximum one page)
* Technical Proposal
* Financial Proposal
* Copy of necessary legal documents
* VAT Registration Certificate,
* TIN Registration, and
* Trade License (if applicable).

The language of the proposal should be English. The proposal must be submitted in PDF format, maximum of 8 pages (not sheets) excluding Cover Page, Abbreviations, Glossary, Table of Content, Additional Documents, and Annexes. Page size A4.

The financial proposal should include expert and data enumerator’s fees and expenses (including travel costs, accommodation & food expenses, etc.).

***Note: Government VAT and tax regulation will be applied, and these costs must be included in the financial proposal.***

## PAYMENT DETAILS

The following terms and conditions will apply:

* The payment will be made through account payee cheque/ wire transfer (account name, number, type, bank name, and branch name is required for wire transfer).
* As per Government of Bangladesh VAT and tax regulation; International consultants are taxed at 15% VAT (on contract amount) and 20% Tax (on contract amount +VAT); National consultants are taxed at 15% VAT and 10% Tax.
* Government VAT and tax regulation will be applied and iDE Bangladesh will deduct all relevant VAT and Tax at source as per GoB rule.
* In case of failure to deliver the final product in due time, iDE Bangladesh will deduct 0.05% of the total agreement amount for each day of delay in submitting the report beyond the closing date of the agreement (unless the delay is justified and agreed upon by both parties).
* The selected consultant will abide by related policies and other terms and conditions of iDE Bangladesh as required.

## BID SUBMISSION

Interested and qualified consultants/consulting firms are asked to submit their Technical and Financial Proposals to **bangladesh.procurement@ideglobal.org.** Please write “CSISA-MEA advocacy on access to finance strategy for agricultural mechanization in Bangladesh” in the subject line. The proposals should be submitted **by 5.00 PM BST on 8 April 2024**. We are only able to consider electronic submissions.