**TERMS OF REFERENCE**

**EVALUATION OF CDB’S WORK THROUGH DEVELOPMENT FINANCE INSTITUTIONS (DFI) AND OTHER FINANCIAL INTERMEDIARIES (FI)**

**1.0 BACKGROUND**

1.01 The private sector is recognised as a critical driver of economic development, providing income, jobs, goods and services to enhance people’s lives. It is estimated that micro, small and medium-sized (MSME) private sector enterprises – the sub-set that is the primary focus of CDB’s private sector interventions – constitute between 70% and 85% of the number of private enterprises, contribute between 60% and 70% of Gross Domestic Product (GDP), and account for approximately 50% of employment[[1]](#footnote-1).

1.02 CDB’s Strategic Plan (2020-24) aims to sharpen the Bank’s strategic focus and expand its role in the private sector. Bank involvement with the private sector will be on two parallel and mutually reinforcing tracks. It will support greater development of the micro, small and medium-sized enterprises (MSMEs) sector through, among other things, de-risking initiatives that improve record keeping, enhance business transparency and promote bankability. The Bank will also support the building out of the wider ecosystem for private sector development including reforms aimed at improving Doing Business ranking scores. These efforts will be further anchored by the provision of appropriately priced financing primarily through the Bank’s special funds window. Internally, the Bank will reorganise itself to more effectively engage the private sector. This will include greater centralisation and coordination of all aspects of private sector interface including: public-private partnerships (PPPs) activities, intermediary and direct lending, refashioning of the Bank’s Caribbean Technological Consultancy Services (CTCS) programme, product development, and right-sizing the talent pool and skills set the Bank has as its disposal.

1.03 CDB has been working with DFIs[[2]](#footnote-2) and FIs in the Region for more than 40 years to support the provision of affordable financial products and services to businesses and individuals on reasonable terms to advance sustainable socioeconomic development for poverty reduction. CDB provides loans to a number of financial intermediaries, each as a single line of credit. Intermediaries then on-lend to a diverse client base, providing medium and long-term finance. Part of the client base is the productive sector, with a focus that includes agriculture, manufacturing, and tourism. There is also support for student loan schemes and mortgage financing, often targeting lower and lower-middle income families. As part of its intervention with DFIs, CDB may also aim to improve entities’ funding mix and diversification, efficiency of operation, and the enabling environment within which they operate.

1.04 Previous assessments undertaken of CDB’s financial intermediary lending activities included an evaluation of CDB’s Student Loan Scheme is 2009 and a comprehensive review of CDB’s Financial Intermediary Lending activities in 2011. Both consultancies identified important recommendations for enhancing CDB’s financial intermediary activities. Some of the major findings identified were CDB continues to be an important source of long-term development funding for MSMEs, mortgages and student loans; CDB’s student loan scheme required a greater focus on addressing the needs of persons from poor and vulnerable households. There was also a recommendation that CDB broaden its range of financial intermediaries to include non-traditional financial institutions, as well as review loan security options. A 2015-2016 study[[3]](#footnote-3) on Caribbean MSMEs highlighted a series of continued challenges facing them including financing constraints; gaps in policy and regulatory frameworks; and weak technical support and regional innovation systems.

1.05 In 2017 CDB adopted a new Private Sector Development Policy and Strategy (PSDPS) which continued the use of intermediary lending to support MSME access to finance, through both state-owned DFIs[[4]](#footnote-4) and an expanded client-base of private FIs. Pillar 3 of the PSDPS focuses on enterprise development as a direct objective, recognising that in light of the constraints[[5]](#footnote-5) facing the Caribbean private sector, both direct financial support to businesses and support for improving the business environment (especially given constraints of low productivity and barriers that impede investment) are required. The PSDPS also states that the Bank “will strengthen the governance structures, risk management systems and financial architecture of national DFIs in an effort to improve their viability and lessen their dependence on subsidies from governments”.

1.06 The 2017 PSDPS takes into account the cross-cutting issue of gender, particularly the unequal participation of men and women in private sector enterprises, gendered occupational segregation and differential wages in both formal and informal sector employment, and the barriers to women and youth in in participating in economic activities due to limited access to finance, assets and collateral. In 2016 CDB commissioned a study entitled: “Analysis of CDB’s Portfolio to Identify Gender Disparities in Access to Credit and an Assessment of the Gender Monitoring Capabilities of Six Participating Financial Institutions”. This study found that DFI readiness to adopt gender-mainstreaming principles in loan operations was constrained by organisational knowledge, staff capacity, leadership, and weak availability of data. In response, CDB proposed to support DFIs in enhancing their capacity to mainstream gender across their products and services. Gender Equality Policies and Action Plans (GEPAPs) are intended to guide the design and delivery of gender-responsive products and services.

**2.0 OBJECTIVE**

2.01 The objective of this consultancy is to undertake an independent evaluation of the Bank’s DFI/FI funding support over the period **2012-19**. This is part of OIE’s five year work plan for evaluation activity, approved by the Oversight and Assurance Committee.

2.02 ***Evaluation use*:** The intended audience would be the Private Sector Development Unit specifically; overall, CDB Management will use to the evaluation to align its actions with its 2020-24 strategic direction of expanding its role in the private sector.

2.03 ***Objective of the Evaluation*:** The evaluation will assess the performance of Bank support to DFIs and FIs, using the criteria of relevance, effectiveness, efficiency and sustainability.

A portfolio analysis of DFI and FI lending will analyse the loans and grants approved and disbursed to public and private financial intermediaries, by country and sector, as well as value of credit made available to different sectors; the number of MSMEs, including the number of female-owned MSMEs, benefiting from credit; male and female borrowers of mortgage programmes; and male and female recipients of student loans.

The evaluation will be designed to answer the following broad questions:

**Relevance**

1. To what extent has DFI/FI lending served the Bank’s strategic and country strategy priorities, and national development objectives?
2. Among instruments available to facilitate productive sector and MSME growth and competitiveness, was DFI/FI lending the most appropriate?
3. Has CDB appropriately chosen DFI/FIs to work with, from among those available in the region?
4. How relevant were DFI/FI operations in addressing access to finance constraints for men and women?
5. In light of intended objectives, did DFI/FI’s use appropriate targeting and eligibility frameworks?
6. Did student loan and mortgage lending address market failure, particularly for less advantaged clients?
7. What should be the scope and role of CDB’s DFI lending in light of the Bank’s strengthened emphasis on private sector engagement in its 2020-24 Strategic Plan?

**Effectiveness**

1. To what extent were development-related objectives achieved, and to what extent did DFIs/FIs, and CDB’s support to them, contribute to these?
   1. To what extent did DFI/FI lending result in production, productivity and business improvement?
   2. To what extent did DFI/FI lending improve human resource capacity in BMCs?
   3. To what extent did DFI/FI lending improve access to quality housing?
2. To what extent did CDB engagement improve the performance of DFIs?
3. To what extent did DFI/FI resources reach the intended and relevant beneficiaries? Did they address the most important barriers for male and female beneficiaries?
4. To what extent did enabling environments, and the governance arrangements for DFIs/FIs, contribute to or constrain their success?
5. To what degree have DFIs/FIs considered gender equality in their planning and lending?

**Efficiency**

1. Did CDB maintain an appropriate management framework and resourcing for its lending and non-lending activities with DFIs/FIs?
2. Were environmental and social safeguards implemented in accordance with CDB guidelines?
3. Were development results adequately monitored, reported and evaluated?
4. Is CDB’s current pricing and tenor structure for DFI/FI lending appropriate and competitive given prevailing market conditions?
5. Have CDB’s lending rates to DFIs/FIs enabled them to offer appropriately priced lending products to targeted clients, while contributing to their improved financial performance?

**Sustainability**

1. To the extent that productive sector as well as housing and student lending resulted in positive benefits to beneficiaries, and to national economies, are those likely to be sustained?
2. To what extent are DFIs/FIs supported by CDB likely to be financially and institutionally sustainable?
3. What country conditions / regulatory factors are associated with access to finance and institutional sustainability?
4. What can be learned from the intermediary lending programmes of other IFIs?

It is expected that the evaluators will work with OIE to devise appropriate sub-questions during the inception phase.

**3.0 SCOPE OF SERVICE**

3.01 The Evaluation of CDB’s Work through Development Finance Institutions (DFI) and other Financial Intermediaries (FI) will cover the period 2012-19. The evaluators will work with OIE to agree on an appropriate sample of projects and DFI visits.

3.02 The Consultant Team, working with OIE, will be expected to design and implement a robust evaluation, including a comprehensive portfolio review, criteria for selecting institutions to be visited and portfolio clients, as well as the appropriate methods for data capture and analysis. The following will form part of a more detailed work plan:

because of the complex and evolving nature of the intervention and of its context, the preferred approach

for this final evaluation is a combination of outcome harvesting

2

, to fully capture the outcomes of the

program, understand its contributions to them, and validate its TOC; and complementary qualitative or

mixed methods approaches to answer questions related to the program’s relevance, effectiveness,

Sustainability, and ability to integrate gender equality considerations. The consultant is expected to develop

participatory, gender-sensitive techniques and methodologies in line with the evaluation purpose, objectives

and questions. These can include, facilitated consultative processes, observation, focus group discussion,

interviews, surveys and literature and document reviews and secondary data analysis

3

. The evaluation will

build on and complement the existing outcome monitoring data collected by the project team and the

detailed gender analysis

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1. Specific evaluation questions, derived from the general questions outlined in the Terms of Reference, developed in consultation with OIE and stakeholders during an inception phase.
2. A document review, including CDB and other multilateral institution DFI lending, related evaluations by OIE and other evaluation offices, and available portfolio documentation (appraisal reports, PSRs, PCRs, and PCVRs).
3. A portfolio review that analyses the complete suite of DFI/FI loans from 2012-19.
4. A methodology that makes best use of existing but limited secondary data, but also devises efficient means of primary data collection from CDB staff, DFI/FI staff and beneficiaries, to support findings and conclusions.
5. Stakeholder engagement through (face to face and virtual) interviews, focus group discussions, and surveys, as well as site visits and direct observation.

The evaluator together with OIE will determine the appropriate methodologies and tools, as well as selection of countries for field visits.

Formal performance ratings will not be required in this evaluation. Rather, areas of strength and weakness, lessons, and opportunities for improvement will be identified.

**4.0 REPORTING REQUIREMENTS/DELIVERABLES**

4.01 The evaluation consultants shall provide the following documents and reports to OIE:

1. *Deliverable 1- Inception Report*: The Inception report will be based on an initial review of documents, and discussions with Bank staff, and will include a full evaluation design including: overall approach; specific evaluation questions; methods; sampling, data collection and analysis plan; draft interview or survey instruments; measures to ensure ethical conduct and confidentiality; and calendar of activities. The inception report should include an evaluation matrix. Comments from OIE will be provided within two weeks of submission.
2. *Deliverable 2 – Findings and Conclusions Report*: The Findings and Conclusions will contain the initial compiled, organised and analysed evidence from the document review, portfolio analysis, internal interviews and survey, and field visits. Comments to be provided by OIE (after consultation with Advisory committee) within two weeks of submission.
3. *Deliverable 3 - Draft Final Evaluation Report*: (maximum 35 pages minus annexes) to include validated findings and conclusions, and will present lessons and recommendations, and a strategy for dissemination. Comments from OIE (in consultation with the Advisory committee) to be provided within two weeks of submission.
4. *Deliverable 4 - Final Evaluation Report*: The Final Evaluation Report will include an executive summary (no longer than 6 pages) and an accompanying PowerPoint presentation summarising highlights of the evaluation for presentation to PSDU as well as the Board.

The proposed timeline is as follows:

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| **Deliverable** | **Estimated dates** |
| Contract Signature | May 2020 |
| Inception Report with evaluation design including method and work plan. | July 2020 |
| Findings and Conclusion Report | September 2020 |
| Draft Final Evaluation Report | November 2020 |
| Final Evaluation Report and Presentation | December 2020 |

**5.0 IMPLEMENTATION ARRANGEMENTS**

5.01 The consultants will report to CDB’s Office of Independent Evaluation (OIE), which will provide overall direction and guidance, and approval of deliverables. The OIE will convene an Advisory Committee of principal stakeholders from the Operations area of the Bank for this evaluation. The Group will provide feedback on the scope of work, evaluation design and work plan, findings, and draft reports.

5.02 An estimated level of effort of approximately 130 person days by a multi-disciplinary evaluation team will be required for this assignment. It is expected the evaluation will commence in May 2020, and the submission of the final evaluation report in November 2020. The evaluation will include onsite work at CDB offices in Barbados as well as travel to BMCs.

**6.0 QUALIFICATIONS AND EXPERIENCE**

6.01 The evaluation team should compromise individuals with the following expertise:

1. Experience in the design and conduct of large multi-country evaluations;
2. An appropriate mix of qualifications and experience to address the thematic areas identified, particularly private sector development, small and medium enterprise development, development finance institution practices, weaknesses and strengths;
3. Knowledge of development issues in the Caribbean, including the context of poverty and vulnerability, private sector development, development finance institutions, and gender equality;
4. Experience working with multi-lateral banks and government clients;
5. Strong inter-cultural communication skills in English;
6. Ability to integrate qualitative and quantitative data;
7. Strong report writing and presentation skills, ability and experience in communicating concepts using non-technical language to diverse audiences;
8. Ability to work in an iterative, collaborative, team approach; and to give and receive constructive feedback.

1. 2017 Private Sector Development Policy and Strategy (PSDPS) [↑](#footnote-ref-1)
2. DFIs refer to public / state-owned or privately owned financial intermediaries (development banks). FI refers to financial intermediaries with a commercial focus and mainly private, but that still support the sectors which CDB is interested in contributing to. Private FIs however represent a key potential partner, particularly in countries with no development banks, in which case CDB could work with commercial banks, credit unions, and other similar institutions. The evaluation should consider a sample of current and potential FIs to determine the potential / opportunity and benefits for CDB to work with private sector FIs. [↑](#footnote-ref-2)
3. 2016 “Micro-Small-Medium Enterprise Development in the Caribbean: Towards a New Frontier” [↑](#footnote-ref-3)
4. In the case of the state-owned DFIs CDB would be prepared to provide intermediary loans without a sovereign guarantee if CDB is satisfied that the entity has the financial strength and integrity to satisfy key performance benchmarks. [↑](#footnote-ref-4)
5. This includes MSME private sector characterised by high informality (non-compliance with tax, labour and regulatory requirements, thereby limiting access to finance and legal services) and low productivity. These constraints disproportionately affect the entry of female entrepreneurs and business owners into the formal sector economic activities. [↑](#footnote-ref-5)