



REPUBLIC OF GHANA / MINISTRY OF FINANCE

**TERMS OF REFERENCE
CONSULTANCY SERVICES FOR THE DESIGN AND FEASIBILITY STUDY OF A
DIGITAL PLATFORM FOR MSME FINANCE**

REFERENCE: GH-GDFP-364819-CS-QCBS

1. BACKGROUND

The Ministry of Finance (MoF) has received financing from the World Bank towards the cost of the Ghana Development Finance Project (the Project), and it intends to apply part of the proceeds for consulting services. The Project's objective is to increase access to finance for Ghanaian enterprises, particularly small and medium enterprises (SMEs and small corporates). Women-owned/led MSMEs will be particularly targeted. The Project supports the establishment of the Development Bank Ghana (DBG), which provides wholesale lines of credit and partial credit guarantees to eligible participating financial institutions (PFIs) for on-lending to MSMEs and support the development of a digital platform for MSME finance, among other activities. The project also supports DBG establish a digital platform for MSME finance, among other activities.

The DBG is licensed by Bank of Ghana under the Development Finance Act (Act 1032) and has a sound corporate governance (independent board and professional management). Current technical partners and financiers include the African Development Bank, European Investment Bank, KfW, and the World Bank.

The DBG intends to sponsor a digital platform that can help reduce information asymmetries and unlock private sector capital for MSMEs.¹ While a digital platform can be privately owned and operated, there are many examples of markets that required a public sponsor to kick-start such platform.² This can have a demonstration effect and encourage the private sector to develop alternative solutions.

¹ A digital platform is a plug-and-play business model that allows multiple participants to exchange products and services, and that can be accessed through digital channels, such as mobile devices and computers. Digital platforms enable producers and users to create value by interacting with each other. Digital platforms leverage economies of scale and network effects to generate efficiency gains, where each additional user creates exponential growth in the benefits offered by the platform (e.g., by generating more data or content).

² There are several examples of public sector supported models in emerging markets like Mexico (NAFIN's reverse factoring), India (the Small Industries Development Bank of India and the National Stock Exchange

Based on preliminary conceptualization, the proposed platform is expected to offer non-existent or hard-to-reach services to MSMEs in Ghana, serve as an intermediary between the Ghanaian real and financial sector, and combine/facilitate various services to unlock MSME finance and support their growth and productivity. The services offered by the platform would leverage each other to achieve economies of scale, improve credit risk process, introduce innovation, and facilitate MSME access to financial services. The services to be considered in this study primarily include but not limited to:

- (i) Accounts receivable finance;
- (ii) Electronic invoicing; and,
- (iii) Cloud based accounting.

Despite recent progress, fintech development in Ghana is constrained by various factors. These include gaps in the legal and regulatory framework, deficient financial infrastructure, lack of funding, and limited stakeholder confidence in new models. Developers of private digital platforms (providing primarily financial services) usually quote the lack of demand and limited potential business to meet their return on capital expectations. Therefore, the Government can play a catalytic role by addressing these constraints and fostering the development and adoption of fintech based approaches for enhancing access to finance for MSMEs.

The platform is expected to adopt a sustainable business model. For instance, users and service providers would be expected to pay fees for the use of the platform. Several pricing options will need to be considered, including fees per transaction and access fees. The ownership structure and operation arrangements should leverage partnerships with the private sector, including fintech companies.

2. OBJECTIVE OF THE ASSIGNMENT

The Consultant will assist the MoF/DBG in establishing an effective and sustainable public-sponsored digital platform (“the Platform”) that can increase access to finance to SMEs in Ghana.

The selected Consultant will be responsible for the design of the platform business, including the technical, front-end channels and journeys, decisioning engines, organizational structure and other capabilities required to make the platform market-ready, viable and sustainable.

The selected consultant will also provide quality assurance during the development and deployment of platform.

3. SCOPE OF THE ASSIGNMENT

of India Limited established the Receivables Exchange of India Ltd which operates a Trade Receivables Discounting System (TReDS) platform), and Brazil (BNDES platform under its Credit Card program).

The Consultant will: (i) assess the market potential and enabling legal, regulatory, and policy environment for the Platform; recommend required public actions and infrastructure for the Platform; and develop the business case, architecture, and strategic options for the Platform; and (ii) develop a business plan with the chosen strategic options and business model for the Platform. The work is expected to be performed in two phases.

PHASE I – Market assessment, business case, and strategic options

A) Accounts receivable finance

Estimate potential factoring market for MSME receivables held against the public sector (central government, local government, state agencies and state-owned enterprises)

- (i) Identify public sector supply chains in Ghana with high presence of MSMEs serving the public sector with goods and services;
- (ii) Estimate potential volumes of MSME's monthly/annual working capital needs for every identified supply chain. This calculation could be based on:
 - a) value of MSME goods and services sold to the public sector;
 - b) time required for a receivable to be paid (including delays of payments beyond contractually agreed terms);
 - c) estimates of how much the buyer's payable outstanding exceeds on average the threshold accepted by MSME suppliers before this becomes a concern for them. The values of payments exceeding such accepted limits represent the business opportunity for financiers to use (reverse) factoring to support interested suppliers/MSMEs.
- (iii) Assess the political will and the ability of public sector buyers to commit to fixed payment terms on invoices and accept to pay market-based penalty interest for late payments for MSMEs' product and services. In addition, propose approaches to persuade public sector buyers to make the necessary payment commitments.

Estimate potential factoring market for MSME receivables against private sector buyers

- (i) Identify supply chains of large companies (international and local) which source goods and services from many Ghanaian MSME suppliers;

- (ii) Based on (i), estimate potential volumes of receivables finance on a monthly/yearly basis in the identified supply chains³;
- (iii) Determine the willingness and the ability of large buyers to open their supply chains to finance from third parties on the Platform and on a competitive basis. In addition, propose approaches/incentives to persuade private sector buyers to participate/support the Platform.

Review the existing legal framework underpinning factoring transactions in Ghana against best practices (e.g. UNCITRAL Model Law on Secured Transactions, World Bank Group Factoring Model Law) and the regulation/licensing of financing platforms in Ghana:

- (i) Identify needed changes to the financial sector regulations to recognize factoring as a financial service;
- (ii) Review the existing contract law and secured transactions law (relevant for assignment of receivables) to identify needed changes to support development of on-line factoring;
- (iii) Review the current regulatory/licensing framework applicable to non-bank financial institutions, payment systems, fintech companies or any other type of financial activity applicable to the Platform; and,
- (iv) Recommend specific changes to the legal and regulatory framework taking into consideration local circumstances.

B) Electronic invoicing and cloud-based accounting

Assess the willingness and the capacity of MSMEs to use web-based e-invoicing and cloud-based e-accounting platforms.

Investigate and report on internet and mobile device penetration (access) among MSMEs.

Identify key electronic invoicing and cloud-based accounting service providers operating in Ghana, including their operational scale and services offered, market gaps, and how the DBG -sponsored e-invoicing service could fill the gaps (including through partnerships with existing providers).

For electronic invoicing, review existing tax regulations against the minimum requirements for the legality of web-based electronic invoicing, including:

³ Data should be gathered through discussions with public and private sector firms, internet research, consultations with development partners (including World Bank and IFC staff) and discussions with relevant stakeholders (including, but not limited to, SME Apex organizations, MoF, Bank of Ghana and other financial sector regulators, and relevant ministries and government agencies).

- (i) Identify any necessary legal changes needed to facilitate acceptance of electronic records for tax reporting / inspection; and
- (ii) Review the legality of e-invoicing in case the desired changes of the legal system identified under (i) do not materialize.

C) Review at least two successful cases across the globe of digital platforms offering accounts receivable finance, e-invoicing, and cloud-based accounting, document lessons learned and success factors, and use them to inform the design of the DBG's Platform.

D) Business case, basic architecture, and strategic options for the Platform

Based on the above market assessment of receivable financing and electronic invoicing and cloud-base accounting, outline a business case for the Platform, including:

- (i) Projected volumes of receivable financing and invoice discounting that the Platform is likely to generate/facilitate and the profile of potential beneficiaries;
- (ii) User needs and value proposition of the Platform to suppliers (SMEs), buyers, financiers, and benefits to the economy in general;
- (iii) Detailed features of the products and services to be offered in the Platform, and the service journey map indicating the sequencing of the various products and services; and,
- (iv) Key strategic decisions and government actions (including changes to legal and regulatory framework) critical for the successful implementation of the Platform.

Propose basic architecture and technical specifications of the Platform:

- (i) Develop the Platform's technical architecture that is scalable, robust, open, easily integratable, secure and easily deployable on cloud and on premise. The architecture should include security and data protection, redundancy, and data recovery considerations; and
- (ii) Develop/include all technical specifications and other infrastructure requirements to allow the procurement of system design or acquisition of the platform;

Propose strategic options for building and managing the Platform:

- (i) Ownership, management and financing options for the Platform, including by discussing and comparing at least three options:
 - a) Platform owned and operated by the DBG;
 - b) Platform owned by the DBG but operated by a private operator under a public-private partnership or concession agreement; and
 - c) Platform co-owned by the DBG and by a strategic partner who would also manage the Platform.

- d) Platform fully owned and managed by a strategic partner
- (ii) Ownership and use rights of data generated by the platform (solely by the owners of the platform, platform participants, others) and features for integrating/sharing data from/to other sources/stakeholders, enabling data interoperability and development of potential APIs;
- (iii) Recommend options for suitable sources of capital and timing of its deployment;
- (iv) Based on international experience and local context, recommend if the Platform should be acquired as an off-the-shelf solution with the necessary customization or fully developed from the scratch, discussing the pros and cons of each option, including mitigation of vendor-lock risks.

PHASE II – Business Plan for the Platform

Based on Phase I findings and decisions, develop a business plan for the Platform, including:

- (i) Profile of target beneficiaries and users and their needs (problems to be solved, needs to be satisfied, etc.);
- (ii) Value proposition and business model for the Platform (description of product/service, pain relievers, gain creators, market segmentation,) and time frequency for reviewing value proposition;
- (iii) Platform's objectives and key performance indicators (e.g., number of users, business volume, profitability ratios, efficiency indicators) to be monitored;
- (iv) Corporate governance arrangements, paying attention to the need to ensure high standards of governance that enhance the Platform's credibility. Articulate the roles and responsibilities of the shareholders, board and management; accountability framework (including transparency and disclosure); and relationship between the DBG and the Platform;
- (v) Data governance aspects (i.e. security, privacy, localization, ownership, and sharing)
- (vi) Key functions, rules, and processes (e.g., risk management, IT, credit information, referrals, partnerships) required for the successful and sustainable operation of the Platform and recommend strategies to build the requisite capacity;
- (vii) Pricing model and fee structure for the Platform's services that ensures its sustainability;

- (viii) Key required resources and skills for the first few years of operation;
- (ix) Financial projections/model, including pro-forma balance sheet and income statement for the first five years and associated assumptions, disaggregated by proposed services (factoring, e-invoicing, and cloud-based accounting, etc);
- (x) Implementation plan with well-sequenced steps/interventions, from the inception to the full operationalization of the Platform;
- (xi) Identify core operational policies and manuals that should be developed to enable the operationalization of the Platform; and
- (xii) Identify key risks and success factors for the Platform.

4. Deliverables, Timing, and Payment

The consultant shall prepare the following deliverables:

Deliverables	Timing	Payment (%)
Phase I - Market Assessment, Business Case, and Strategic Options		
Inception report outlining the consultant's detailed understanding of the problem/study, methodology to be applied, likely outcomes, and any preliminary findings.	Two (2) weeks after the field visit and no later than four weeks after the commencement of the assignment.	15% of Contract Fee after acceptance of Report
Video conference/call to discuss the inception report with the DBG and WB teams.	Two (2) weeks after the submission of the inception report.	35% after acceptance of Market Assessment, Business Case and Strategic Options report
First Draft report on market assessment, regulatory context, business case, and initial recommendations and strategic options.	Six (6) weeks after the endorsement of the inception report.	
Consultation Workshop with DBG, WB and other select stakeholders to discuss the draft report	Two (2) weeks after the submission of the draft report.	
Final Report incorporating comments of stakeholders and guidance/ recommendations received during the workshop.	Two (2) weeks after the Workshop	
Draft architecture and technical specifications of the Platform	Three (3) weeks after the Workshop	
Consultation Workshop with DBG, WB and other select stakeholders to discuss the draft	Two (2) weeks after the submission of the architecture and technical specifications	

architecture and technical specifications		
Final architecture and technical specifications of the Platform	Two (2) weeks after the workshop to discuss the architecture and technical specifications	15% of Contract Fee after acceptance of report
Phase II – Business Plan of the Platform		
Draft Business Plan	Four (4) weeks after the submission of the Phase I Final Report	15% after submission of Draft Business Plan
Consultation workshop with DBG, WB and other select stakeholders to discuss the Draft Business Plan.	Two (2) weeks after the submission of the Draft Business Plan.	
Final Business Plan incorporating comments of stakeholders and guidance/ recommendations received during the workshop.	Two (2) weeks after the workshop	20% after submission of Final Business Plan
Quality assurance: technical comments / short reports on the deliverables of consultants to be engaged to develop and deploy the platform		

5. Reporting, Location and Duration of the Assignment

The Consultant will report directly to the Project Director, Head of Financial Sector Division of the Ministry of Finance.

The Consultant is expected to complete the assignment in approx. seven (7) months. The assignment entails field visits to Accra. The timing of each field visit will be determined in consultation with the Ministry of Finance. Travel outside Accra, if any, shall be authorized by the Ministry of Finance and travel expenses will be reimbursed.

6. Facilities to be Provided by the Client

The Ministry of Finance and DBG will provide administrative support and all relevant information to the Consultant.

7. Required qualifications and team composition

The assignment will be delivered by a firm with the following qualifications:

- Minimum of 10 years of experience in the provision of consulting services, including to financial sector institutions;

- Track record in the provision of advice on the design/establishment or restructuring of e-invoicing and receivables financing platforms, particularly in a similar country context;
- Demonstrated international experience, including in Africa or in emerging economies.

The Team shall include the following key experts:

Team Leader

- Degree in economics, finance, business administration, engineering, or related discipline;
- At least 15 years of experience in the design of solutions for SMEs, including tech-enabled finance and services;
- Strong familiarity with the operations of at least one successful receivables finance scheme;
- Track record of delivering sound policy advice, preferably in the context of public-private partnerships; and,
- Experience in leading complex assignments, preferably in Africa or in emerging economies;
- Fluency in English (written and spoken).

Finance Expert

- Degree in economics, accounting, finance, business administration, or other relevant discipline.
- Minimum of 10 years of experience in credit analysis, financial modelling, demand and projections;
- Demonstrated experience in accounts receivables financing, e-invoicing, as well as associated IT/business applications and tax issues;
- Knowledge of credit risk management techniques applicable to accounts receivable financing;
- Fluency in English (written and spoken).

IT Product Expert

- Degree in ICT or related discipline;
- Minimum of 10 years of experience in product management and software design, including in the development of specifications for software applications, ideally for on-line receivables finance and electronic invoicing solutions;
- Capacity to translate user needs into a solution with clear and specific requirements, focusing on Reliability, Accessibility, Performance, Security, Availability, Capacity, Usability, Data integrity, and Recoverability;
- Attention to detail and capacity to understand different use cases;
- Experience in quality control of software development;
- Fluency in English (written and spoken).

Legal Expert

- Degree in law;
- Minimum of 10 years of experience in legal and regulatory matters in the context of Ghana, preferably in commercial law and financial sector regulation;
- Knowledge of tax legislation and collateral framework applicable to financial institutions;
- Proven capacity to deliver practical solutions to identified challenges;
- Fluency in English (written and spoken).