

# ► **Supply and Demand of Financial Services for Agricultural Value Chains in Sierra Leone**

Terms of Reference

March 2022

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### Introduction

Opportunity Salone aims to address the complex challenges of local economic development in four districts of Sierra Leone – Bo, Bombali, Kenema and Port Loko. It makes part of EU supported Jobs and Growth programme implemented by a number of partners that aims to stimulate job creation by improving the investment climate through enhanced access to finance, improving rural transport infrastructure, and upgrading human capital through general and vocational training and education. The programme's approach and activities aim to offer an integrated response to the intricate and interconnected obstacles which impede effective implementation of poverty reduction initiatives in Sierra Leone.

The project aims to contribute to more decent job creation in terms of quantity and quality of jobs for women, young women and men and persons with disabilities mainly in rural areas in Sierra Leone through inclusive value chain development focused on SME and cooperatives, and feeder road maintenance to improve access to markets. Access to finance is an important aspect enabling to achieve the programme's target outcomes.

SME and farmers in rural areas of Sierra Leone have limited access to financial and business support services, which represents one of the main barriers to starting and scaling up businesses. The country has relatively few financial institutions which are characterized by a poor rural penetration. Most commercial banks and financial institutions operate from urban areas and cite poor infrastructure, high cost of operations and limited economic activities as main barriers to providing financial services in rural areas. As a consequence, less than 3% of the population living in rural areas have a bank account and 80% of the population have no access to services from formal financial institutions. Other key barriers include high interest rates and high collateral requirements that also limit credit opportunities and disproportionately affect women entrepreneurs; inadequate repayment periods for agricultural production cycles; loan packages that are either too small or too large for SME in the agriculture sector; low levels of financial literacy.

In order to address the identified barriers and achieve the target outcomes, a review of bottlenecks at the national level is required. Its aim is to identify generic financial and financial education services and sector-specific financial solutions that would address underlying constraints. The idea is to target sector-specific bottlenecks related to SME, cooperatives, business formalisation and feeder road maintenance within the selected agricultural value chains (cassava, pal oil, cocoa, vegetables).

To inform the design of actions to improve the access to financial services for SME in the selected agricultural value chains, the ILO seeks to engage a consultant to update and complement the review of country's financial services sector building on the assessments conducted by the ILO in 2017 and 2020.

### Objective and Scope of Assignment

The objective of the assignment is update and complement the review of country's financial services sector building on the assessments conducted by the ILO in 2017 and 2020. The particular focus of this assessment is on the value chain finance both external and internal. This includes scoping of existing approaches, identification of gaps and potential entry points for providing value chain finance by financial sector actors as well as the participant in the selected agricultural value chains (cassava, pal oil, cocoa, vegetables) which lie outside of the formal financial sector.

### Key tasks

#### Review the supply of the financial services:

- Complement, update and reflect changes in the landscape of the financial services providers, highlight actors with a pre-existing value chain approach working with agricultural sector.

The range of providers will include commercial and specialized banks, financial cooperatives, microfinance institutions, insurance companies, mobile network operators, government programs, ROSCAs, money lenders, and other semi-formal and informal financial service providers.

Indicate their regulatory status, mention the type of enterprises served (micro, small or medium enterprises) and possible target groups (for example low income women and men, youth, disadvantaged groups, particular agricultural value chains etc.) and for each provider.

- Within the selected agricultural value chains, identify the actors offering direct value chain finance services, indicate the type of actor, type of enterprise served, target groups for each provider, identify potential gaps.
- Update the details of the financial products and services offered by the identified financial services providers. Map and provide details on the financial products and services offered by participants within the selected agricultural value chains (i.e. different types of loans, savings, insurance, lease, money transfer, payments, credit guarantee, type of value chain finance product, terms and eligibility criteria for each type of the services).
- Update the review of the non-financial products/services potentially provided by the financial service providers and map the services offered by participants within the selected agricultural value chains (i.e. business and skills training, financial education, etc.).
- Update the review of the financial performance of the identified formal financial service providers (using typical indicators applied to MFI; sources of funds (specify the wholesale channels and costs of fund).
- Conduct an assessment of the management capacities of the identified formal financial providers: mission/vision and how long have they been engaged in the provision of finance; any articulated commitment to social performance (social performance indicators; reporting on social performances); capacity to develop new products and services, to manage healthy growth (business planning), to manage risks...
- Update the review of the apex institutions that operate in the target districts and review the services offered.

## **Review of the demand for financial services by the members of selected agricultural value chains:**

- Identify the sources of financial services mostly used by the SMEs within the selected agricultural value chains (provide details for formal, semi-formal or informal sources, direct and indirect value chain finance) and assess the effectiveness of the financial services provided. Assess SMEs' awareness of available financial services providers and their products.
- Identify the financial services used by the SMEs within the selected agricultural value chains to i) finance the start-up, the operations and the growth of their business, ii) protect their businesses against vulnerability and risks.
- Identify (additional) financial services needed by the SMEs within the selected agricultural value chains, mention for which purpose (business operations and growth, risk management) and provide recommendations on the characteristics that such services should have to ensure they are effective, sustainable and affordable for the SMEs.

## **Present the findings of the report.**

### **Sources of information:**

- Review of the available literature on the financial sector (including microfinance and agricultural value chain finance) in Sierra Leone and in the targeted districts.
- In-depth interviews with financial services providers and actors within the selected agricultural value chains.
- Meeting with industry associations and networks, Government institutions (Central Bank), development organizations supporting SMEs in the selected agricultural value chains and relevant public and private organizations/institutions at national level but also at district level.
- In-depth interviews and/or focus group discussions (when applicable) with at least 15 SMEs per district operating within the selected agricultural value chains. The sample will be composed of micro, small and medium enterprises, with a focus on micro and small size businesses. The sample will consist of a balanced proportion of businesses headed by women and men, and all data will be disaggregated by sex. In addition, the analysis will take note of any findings where the differences between men and women are significant.

## **Required outputs**

### **A report consisting of:**

- Updated review of the supply of financial services for SMEs in the target districts (including new data on agricultural value chain finance practices of financial institutions and direct value chain finance offer)

- The review of SMEs' demand for financial services within the identified agricultural value chains in the target districts.

## A PowerPoint presentation highlighting the findings of the review.

## Duration and timeline of the assignment

The assessment is expected to be carried out between May 16, 2022 and July 15, 2022 (20 days) and presented and validated at the end of the term.

### Detailed timeline is as follow:

May 16: Submission of the draft research tools (interview guides with detailed questions and techniques for the demand and supply side study.

May 23 – June 3: Joint consultant/ILO mission and initiation of the data collection (duration is tentative and maximum).

June 15: Submission of draft report and draft presentation (ppt) to the ILO for comments.

June 15-20: ILO reviews the draft report and provides guidance for the presentation of the findings.

June 27-30: Presentation of the findings at a restitution conference gathering key stakeholders.

July 15: Submission of the final report

## Responsibilities, supervision and coordination

The consultant will be responsible for:

- Developing the research tools
- Arranging meetings with the financial service providers, members of the selected agricultural value chains and other relevant stakeholders at national and district levels.
- Arranging meetings with the selected SMEs for the demand review.
- Organizing the logistics for transportation, lodging, etc. (noting that the ILO does not have an office in Sierra Leone so will not be able to provide logistical support to the consultant).

An expert from the ILO Social Finance Program will provide (ILO HQ) guidance to the consultant throughout the review (preparatory work, field work, reporting).

The consultant will report to the ILO Social Finance Program expert. The consultant is also expected to work in close collaboration with the ILO - Abuja office (which covers ILO's work in Sierra Leone).

A value chain analysis of the selected agricultural value chains will be conducted in parallel with this assignment. The consultant will therefore need to coordinate with the consultant in charge of markets systems analysis, in particular, for the review of demand and supply side of the direct value chain finance, which could be undertaken jointly.

## Qualifications and experience

The consultant must have the following experience and skills to be able to perform the tasks of the TOR:

- Knowledge of the SME finance sector (including microfinance) in Sierra Leone.
- Demonstrated experience in conducting assessment and sector reviews in the SME finance field. Specific experience in Sierra Leone would be an asset.
- Ability to communicate effectively with management and technical staff of financial services providers, Government stakeholders and with entrepreneurs from SMEs.
- Demonstrated ability to write and present clearly in English.

## Contract information

The contract will cover about 20 working days and 2 missions to Sierra Leone. The ILO will provide travel tickets (economic class) and daily subsistence allowance for up to two field missions to Sierra Leone (data collection and presentation of findings).

### Contact details

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