

CDC's Technical Assistance Facility for Financial Institutions

Notice of forthcoming tender opportunity: November 2020

Introduction

CDC is the UK's development finance institution, wholly owned by the UK government. We have a dual objective: to support growth and jobs that lift people out of poverty, and to make a financial return, which we invest in more businesses. In this way, we use our capital over and over again to help create the jobs and economic stability that will enable countries to leave poverty behind.

Our mission is to support the building of businesses throughout Africa and South Asia, to create jobs, and to make a lasting difference to people's lives in some of the world's poorest places.

CDC invests in Africa and South Asia because over 80 percent of the world's poorest people live in these regions. We focus on investing in countries where the private sector is weak, jobs are scarce, and the investment climate is difficult, but particularly in sectors where growth leads to jobs. These sectors are financial services, infrastructure, health, manufacturing, food and agriculture, construction and real estate, and education.

We are proud to be owned entirely by the UK Government. Our unique structure combines the best of private sector skills with public-spirited mission.

CDC Plus, CDC's technical assistance facility funded by UKAid from the British people, is looking to launch a Technical Assistance Facility for Financial Institutions.

Given the size and importance of CDC's Financial Institutions (FIs) investment portfolio, CDC sees an opportunity to expand the number of technical assistance (TA) projects targeting FIs through the creation of a dedicated FI TA Facility managed by an implementing partner. The aim is to create *efficiencies* in the design, procurement, and delivery of FI TA projects, and to enhance the *effectiveness* of these projects, through the deployment of dedicated expertise in FI TA project design and delivery, and through enhanced inter-project learning. The proposed Facility is in the final stages of the CDC approval process.

This notice presents information about the proposed FI TA Facility and the procurement process to source a service provider to manage the Facility, should the Facility be approved.

Background

The FIs portfolio is the largest at CDC. As of May 2020, CDC had over 200 active investments in FIs, with total Assets Under Management of \$1.6bn¹. The FI portfolio is concentrated in three geographical regions: South Asia, West Africa, and East Africa.

CDC recognises that sometimes maximising the development impact of an FI requires support beyond the scope of investment capital. FIs in countries where CDC invests often require multi-dimensional support, both through investment capital and non-commercial instruments such as TA to innovate and sustainably scale products and services to reach new and vulnerable clients.

Impact Objectives of the Proposed Facility

¹ For more information, including a full list of investments, see: www.cdcgroup.com/en/our-investments/

The ultimate impact objective of the proposed FI TA Facility is *to make a lasting difference to the lives of Target Populations² in our markets through increased economic opportunity, improved standards of living, and more environmentally sustainable development.*

To achieve its objective, the FI TA Facility would deploy a range of TA, events, and research to catalyse sustainable practice changes in CDC FI investees. Interventions would be made at various levels (market, institutional or direct) and often would require a combination in order to achieve scalable and sustainable impact. For example, supporting an FI to launch a new product may require not only a direct intervention on building the technical capacity to develop that particular product, but also helping the FI develop its overall product development capabilities (institutional-level intervention) and work through partners on addressing regulatory constraints (market-level intervention).

These practice change would contribute to the impact objective through three primary impact pathways (aligned with the overall CDC FI Strategy, the CDC Plus remit and the CDC cross-cutting impact priorities):

1. **New products:** FIs design, pilot, and scale-up relevant, high-quality, accessible, and affordable products to target populations or promote climate financed activities for low carbon and climate resilient solutions (delivering transformational environmental impact).
2. **New markets/segments:** FIs expand products to new markets (e.g. climate finance, new geographies or new customer segments) or take on and manage new risks (including climate related financial risks).
3. **Enhancing process and systems:** FIs improve their process and systems to enable more inclusive and sustainable operations (for example, a more diverse workforce).

The FI TA Facility should aim to catalyse sustained practice change in FIs – change that lasts beyond the end of the TA support. The FI TA Facility should also aim to promote widespread impact at scale, for example by encouraging replication of successful practice changes by other FIs (including CDC investees and non-investees).

As well as supporting FIs directly to produce new products and target new markets, practice changes targeted by the FI Facility might include deeper institutional changes designed to contribute to one or more of these impact pathways. For example, rather than supporting an FI to design one particular new financial service, the FI Facility might work with the FI to build its overall product development capability or help the FI to become more customer-centric (which in turn leads to the development of a range of new or improved financial services by the FI). The FI facility would also be able to work on projects that focus on enhancing the FIs processes and systems (as long as it fits with the overarching impact objective). For example, to engage with financial institutions on Task Force on Climate-related Financial Disclosures as a best practice framework for FIs to integrate climate risk (both physical and transition related) and opportunities across their organisational governance. Similarly, under our new climate change strategy, we would also seek to engage FI's on approaches towards alignment to the Paris Agreement, noting the objective for ensuring consistency of financial flows with countries low carbon and resilient development pathways.

The Facility may also undertake market-shaping interventions designed to catalyse wider change in financial market systems, which in turn leads to practice change in FIs (investees and non-investees), and ultimately contributes to one or more of the above impact pathways. Examples might include tackling regulatory constraints limiting the development of certain financial services or promoting financial infrastructure that reduces the cost of delivering financial services to underserved populations. However, market-shaping interventions will only be undertaken in countries where there are large numbers of CDC FI investees affected by the market-level constraint and where there are no other development partners better placed to tackle the constraint.

² Target populations are characterised by high levels of poverty and socio-economic exclusion. Can be suppliers, employees (including micro entrepreneurs), customers or distributors. The impact objective of the FI TA facility will align with CDC's framework for enhanced development impact (focusing on benefit to Target Populations and transformational environmental impact) which will be provided to the bidders at the tender stage.

Scope of Work

The Facility would have a remit across CDC's geographies and would seek to ensure balanced geographic representation (including A and B countries in CDC's development impact grid). There may be a focus on regions with a high proportion of FI investees (currently South Asia, and East and West Africa).

To catalyse the desired practice change in FIs, and contribute to the overall impact statement, the Facility would primarily undertake three types of activities:

1. **Technical Assistance.** The Facility Manager would work with relevant CDC teams to design dedicated TA projects for individual CDC FI investees. This includes tasks such as: supporting or leading the ideation process; conducting or compiling market and FI-level diagnostics to identify the constraints and blockers of change to the desired practice change; and supporting or leading the design of tailored packages of TA support.
2. **Research.** For FIs to invest in a particular practice change, and for the practice change to be sustained over time, the practice change has to make commercial sense for the FI. For some practice changes, the business case is already 'proven'; for other practice changes there may be less evidence, or the business case may not be widely known. The Facility would therefore collate existing evidence, and generate new evidence, in order to build the business case for practice changes with high impact potential.
3. **Events.** The Facility would undertake a number of events, such as regional workshops or webinars, targeting multiple CDC FI investees (and potentially non-investees). These events may be designed to: disseminate research findings conducted under the research workstream, promote peer learning in order to catalyse wider replication of particularly successful and impactful practice changes, deliver know-how to participants, and/or to build relationships and trust with FIs and identify promising candidates for dedicated TA support.

Management and Technical Requirements

CDC would sign a management contract with a trusted and experienced service provider to manage the Facility. Note that the function of Facility Manager will be separate from the role of the specialist TA providers to ensure the most suitable providers are engaged for each project.

The core responsibilities of the Facility Manager would include:

- Developing a strategy for the Facility, including an overarching strategy plus Annual Business Plans;
- Liaising with relevant teams within CDC and serving as a TA counterpart to all FI investment and impact teams;
- Developing strategic partnerships with other development actors and stakeholders in priority countries and regions;
- Building awareness of, and demand for, the Facility among CDC teams and CDC FI investees;
- Supporting or leading the identification and design of TA projects, including: identifying potential TA recipients; developing the business case for the FI of adopting the new product, service, or market; undertaking diagnostic assessments to identify TA requirements; and designing the TA support package;
- Developing and delivering a pipeline of research products and events;
- Managing and overseeing a pool of specialist TA providers that will help to shape TA project design, and that will deliver each TA project;
- Developing and operationalising a Monitoring, Evaluation, and Learning framework capable of generating and reporting robust evidence of results and impact, and that provides timely and useful lessons and insights to inform ongoing decision-making (and contributing to external learning);
- Seek to ensure that recipients of TA projects are working towards aligning future activities and portfolios with the Paris Agreement;
- Risk management and ensuring CDC/FCDO compliance.

The Core Team for the Facility Manager would be expected to start lean, with the option of expanding (or downscaling) the Core Team as and when demand for the Facility grows or reduces (and subject to Facility performance and budget availability). The delivery of TA projects under the Facility will be

funded separately. The use of funding for TA projects with individual FIs will be governed by CDC Plus' policy and approval process.

The anticipated contract term for the Facility Manager would be three years with a budget cap allocated for the Core Team and Research and Events. The Facility budget may be scaled-up and/ or extended during Implementation subject to the demand for TA support and the effectiveness of the Facility.

Procurement process

If CDC proceeds with the FITA facility, it is envisioned that a formal tender process to appoint the service provider will commence in December 2020. We would be looking for a service provider with the breadth of relevant experience (geographical and technical) to manage the overall facility as well as to bring access to networks of specialist TA providers with depth of experience in CDC's markets and relevant technical areas.

To receive more information on the prospective tender please follow updates on our website and register your interest [here](#).