

**REQUEST FOR PROPOSALS (RFP)**

**Technical Assistance to" Tanmeyah" Jordan Microfinance Network Europe Aid/138471/DH/SER/JO**

***Market Research on Informal Lending Practices and their effect on the Microfinance Sector***

<b>RFP Date of Issuance:</b>	January 13, 2019
<b>RFP # and Title</b>	Europe Aid/138471/DH/SER/JO – Market Research on Informal Lending Practices and their effect on the Microfinance Sector
<b>Due Date for Questions:</b>	<p>20 January 2019</p> <ul style="list-style-type: none"> <li>➤ Submission of questions or requests for clarification in writing via email to <a href="mailto:info@tanmeyahjo.com">info@tanmeyahjo.com</a> by 14:00 Hours local time in Jordan, mentioning the market study name in the subject line.</li> <li>➤ Please note that inquiries and answers to inquiries will be shared with all registered Offerors.</li> <li>➤ Please do not contact any employee of Tanmeyah regarding this RFP. Contacting individual employees shall be a cause for disqualification.</li> <li>➤ NO TELEPHONE INQUIRIES WILL BE ANSWERED.</li> <li>➤ Answers to be shared on Tanmeyah’s website <a href="http://tanmeyahjo.com">tanmeyahjo.com</a> on 24 January 2019</li> </ul>
<b>Deadline for Proposals:</b>	<p>13 February 2019</p> <p>The bidder shall submit the proposal in one external envelope marked clearly Bid Ref RFP-2018-02 containing inside two sealed envelopes by the closing date.</p> <p>Sealed envelope must contain Two hard copies of the complete technical proposal. Each complete technical proposal should include the following:</p> <ul style="list-style-type: none"> <li>• Hard copy of proposal and supporting documents (marked clearly Bid Ref # and name)</li> <li>• Signed Submission Letter.</li> <li>• One CD-ROM containing electronic copy of the technical proposal only and supporting documents</li> </ul> <p>To be delivered to the address specified below:  Durret Khalda Complex No. 324  Khalda- Amman  Floor 5.  Office name Tanmeyah “Jordan Microfinance Network”</p> <p><b>IMPORTANT: The Technical Proposal shall contain no price or cost information.</b></p> <p>The second internal sealed envelope must contain the financial proposal, and a separate CDROM containing only the financial proposal must be included.</p>
<b>Anticipated Start Date:</b>	3 March 2019. <i>(Start date is subject to change)</i>
<b>Anticipated Period of Performance:</b>	12 Weeks

**TECHNICAL ASSISTANCE TO  
JORDAN MICROFINANCE NETWORK - TANMEYAH**  
Europe Aid/138471/DH/SER/JO

**Market Research on  
Informal Lending Practices and their effect on the Microfinance Sector  
Terms of Reference (ToR)**

<b>Assignment Topic:</b>	Deep dive into how the informal lending practices affect the licensed Microfinance Institution's (MFIs) and the negative receptions that are reflected on the clients, and the regulators role in managing and controlling these informal lending sources and practices.
<b>Research Coverage:</b>	The Hashemite Kingdom of Jordan

**1. Background**

Tanmeyah - Jordan Microfinance Network - was founded in 2007 by five Jordanian MFIs, and is largely recognized today as the official representative of the microfinance industry in Jordan. The network is registered with the Ministry of Industry and Trade as a non-profit organization with the goal of facilitating an enabling environment for the development of a sustainable microfinance industry in Jordan. In order to do so, the network provides a suite of services that address the service gaps and needs of the various stakeholders in the industry.

The Central Bank of Jordan (CBJ), is taking good and firm steps towards enhancing the financial landscape in the kingdom to increase the level of financial inclusion through a set of well-structured rules; to ensure in the first place, the delivery of better services that are cost effective, reliable outreach, flexible modalities, and meets the client's expectations. Recently, the efforts of the CBJ crowned lately by increasing the level of financial inclusion from 24% to 42% (according to the World Bank FINDEX).

In the same level, the CBJ is striving towards influencing the practices of the financial institutions, within an ethical framework through a customer-centric approach; unfortunately, many of the practices are still yet far setting in the informal sector, taking the advantage of the financial needs and the humble level of client's financial knowledge.

Based on the above, the overall objective is to have; an evidence based study supported by facts assessing the negative impact of the informal lending practices (chant lenders) on the levels of the MFIs and their clients.

**2. Rationality of the study**

The majority of the countries have set their own strategies, to improve the level of financial inclusion within their economies in order to respond to the needs of their citizens and participate in enhancing the economy, by having a suitable financial product that is a key for social economic improvement and neutralizes the effect of unethical informal practices and improve the financial capabilities among the

citizens, and Jordan is no exemption. However, in recent years MFIs have improved the level of Financial Inclusion in Jordan by empowering minorities, reducing poverty and extending access to financial services to marginalized or financially excluded populations. MFIs are regulated by the CBJ, and consider the best practices, especially those that favor consumer protection rules; they are still committed and responsible to cover more people within their services. Yet their attempts might be effected by informal lending sources such as moneylenders, the reason behind that is Informal lending are not obligated by any unit to follow any ethical framework, thus their activities is not yet recorded and will have a negative effect on the consumers debt tap, as their incentive is to gain from anyone who is in need, whether they have good financial literacy or not. This research will investigate the objective of money lenders when they give a loan, the extent to which informal lending affects the stakeholders in the MFIs sector, whether they hijack potential clients or merely give the potential clients negative repercussions about borrowing. This includes the indicators used to measure the impact of informal lending on MFIs and the frequency that the regulators monitor spontaneous lending and how the data is validated. Moreover, the research will also examine how this data is used by MFIs to make any adjustments or changes in strategic or operational directions and whether or not that has been translated into any tangible impact(s) on the clients.

### **3. Objective and Expected Outcomes**

The *objective* of this assignment is to collect information on how Spontaneous lending practices effects the MFIs and their stakeholders, how clients response to chant traders, how the regulators react to informal lending, as well as the impact of that effect on the performance of the MFIs.

The *expected* outcomes from the Market Research are (a) A list of companies that practice informal lending (b) The legal status of these companies (c) the volume of loans granted by these companies (d) the target clients of these companies (d) the average interest rate charged by these companies (e) the ratio of the average collateral value to loan value (f) the possible impact of informal lending on the MFI's market shares (g) the role of the Ministry of Industry and Trade in overseeing the activities of these companies (h) The possibility of regulating these companies under the CBJ umbrella (i) an analysis on the correlation between informal lending and MFIs performance (j) an analysis on the correlation between informal lending and clients behavior bias.

### **4. Scope of Work**

Tanmeyah would like to identify a competent market research consultant (individual or firm), hereafter referred to as the *Market Research Consultant*, for this assignment. The *Market Research Consultant* should draw on secondary sources, through comprehensive desk research, as well as conduct fieldwork to collect primary data. A thorough Data Collection Plan should be in place for gathering detailed, relevant, and reliable quantitative and qualitative data and information. The *Market Research Consultant* will be responsible for identifying the most effective tools and methods for data collection (i.e. phone or in-person interviews, focus group discussions, online surveys, questionnaires, etc.) that would realize the research's objective within the given timeframe.

The *Market Research Consultant's* scope of work, *inter alia*, will cover the following:

- **Market Research:** The market research should focus on the following components:
  - The number of informal lending companies and the volume of credit granted by these companies and the related terms and conditions imposed.

- Informal lending effect on MFIs performance.
- How Informal lending practices affect the clients behavior bias towards borrowing.
- How is Informal lending effecting the financial sector as a whole.
- How Informal lending effects the MFIs target market.

The study should cover all MFIs that are regulated by the CBJ, Microfinance practice that are not yet regulated by the CBJ and a sample of institutions that practice lending but are not categorized as MFIs.

The market research should also cover the current practices within the MFIs regarding the following issues:

- Process of the consumer protection within informal lending companies and MFIs.
- Any negative perceptions among clients regarding the regulated MFIs.
- Any negative perceptions among potential customers that abstain lending as a result of negative experiments with individual moneylenders.
- The obstacles that MFIs face as a result of potential clients resistance to financial inclusion.

#### 5. Qualifications of Market Research Consultant (or Firm)

- Good knowledge of the financial sector in Jordan, and in particular of microfinance.
- Good understanding of informal lending practices, their target markets and their procedures.
- Demonstrated experience of conducting market research in Jordan using different qualitative and quantitative methods and tools
- Demonstrated experience in producing similar studies related to microfinance and / or banking and social performance and impact
- Willingness to travel across the Kingdom for data collection based on the sampling plan

#### 6. Deliverables

The *Market Research Consultant* shall be expected to submit the following:

- **Market Research Report Outline and Data Collection Plan** (including sampling plan) – *to be submitted within one week of contract signature for approval and signoff*
- **Draft Market Research Report** including at minimum: Abstract, Acknowledgements, Glossary, Abbreviations and Acronyms, Executive Summary, Methodology (including Data Collection Plan), Limitations, Market Assessment (findings), Lessons Learned, Conclusion and Recommendations<sup>1</sup> and Annexes - *to be submitted within six weeks of outline signoff date in English along with an Arabic Executive Summary of the report*
- The report should not exceed 50 pages (excluding annexes).
- **Final Market Research Report** – *to be submitted within one week of receipt of all the comments on the draft Market Research Report*
- **PowerPoint Presentation** summarizing the report's findings and recommendations – *to be submitted along with the final Market Research Report in both Arabic and English.*

---

<sup>1</sup> Including recommendations for further research.

## **7. Copyright**

Copyright of the report and all other deliverables prepared under this assignment exclusively belongs to Tanmeyah. The *Market Research Consultant* shall not disseminate the report, or any of the primary data or information collected within to third parties without prior written consent by Tanmeyah.

## **8. Duration**

The market research report is expected to be completed within 60 working days from the date of the contract signature.

## **9. Proposal**

The *Market Research Consultant* shall submit a brief technical and financial proposal that includes the following information (as a minimum requirement):

- **Technical**: Brief statement summarizing the understanding of the assignment's objectives, expected outcomes, and deliverables, the research methodology, implementation timetable, qualifications and experience in executing similar assignments, and the proposed implementation team structure (including researchers' skills, competencies, and experience in conducting similar studies). The technical proposal should also include samples of two previous market studies around the same topic or a similar one (one in Arabic and one in English).
- **Financial**: Financial proposal that includes all costs of services provided with sufficient details on quantity, unit cost, and total cost per item. The financial proposal should be expressed in JD.

## **10. Evaluation Criteria**

The proposals will be evaluated using a weighted score based on the following criteria:

- General understanding of requirements in line with the Terms of Reference (ToR)
- Research methodology proposed
- Qualifications and competence of the consultant(s) / implementation team
- Relevant past experience of the consultant / firm
- Financial proposal