

# Call for Expression of Interest Financial Institutions for the Jobs and Growth Facility in Sierra Leone

## 1. Definitions and Interpretation

In this Expression of Interest, capitalised terms and expressions shall have the meaning attributed to them below or as elsewhere defined in this document and its annexes, unless the context requires otherwise.

<b>Applicant</b>	Means an entity applying to this Call for Expression of Interest.
<b>Agreed Portfolio Volume</b>	Means the maximum aggregate amount of principal of newly originated Eligible Transactions to be included in the Portfolio.
<b>Transaction</b>	Bank loan, letters of Credit, revolving credit lines entered into for issuing Bank Loan and Letters of Credit, multi- loans, or any other type of debt financing specified in the Loan Agreement entered into during the Inclusion Period, which comply with all relevant Eligibility Criteria. Loans, or any other type of debt financing specified in the Loan Agreement entered into during the Inclusion Period, which comply with all relevant Eligibility Criteria.
<b>Deadline</b>	Means 23:59 hours GMT on April 10, 2021.
<b>Eligibility Criteria</b>	Means the criteria with which the Expressions of Interest and the Applicants must comply with the eligibility requirements as listed in Section 4 of this Document.
<b>Expression of Interest</b>	Means an application to the Call for Expression of Interest submitted to UNCDF within the deadline, conforming to the provisions of Annexes to be submitted to this Call for Expression of Interest.
<b>Participating Entities</b>	Means, in case a joint application to the Call for Expression of Interest is submitted covering the Applicant and at least one additional potential future Financial Intermediary, each and every additional potential future Financial Intermediary covered by such joint application.



## 2. Introduction

### 2.1 COVID-19 and the Sustainable Development Goals (SDGs)

COVID-19 pandemic threatens to undo years of progress achieved towards the 2030 Agenda by the LDCs. Even before the current crisis, LDCs faced an uphill battle to achieve the SDGs. Now, without ambitious development finance and policy responses, there is a serious risk of the SDGs remaining elusive for LDCs, and this will have a global impact.

Small and Medium-sized Enterprises (SMEs), which are critical for job creation and sustainable growth in LDCs, have been particularly hardy hit by the pandemic.

UNCDF, the International Chamber of Commerce (ICC), Global Alliance de PME (GAPME), Business Africa, Columbia University launched the LDC SME pulse survey "[The State of Small Businesses in the LDCs: Taking the Pulse of SMEs in the LDC Markets During COVID-19](#)", a unique survey encompassing more than 20 business sectors, featuring over 2,300 SMEs, spanning all 46 LDCs.

The study showed that 88% of businesses have substantially reduced their operations and 34% reported they cannot sustain their businesses for more than 3 months.

These disruptions have disproportionately affected women-led businesses and certain business sectors, such as textile, craft, and tourism. In a recent survey update, the preliminary results point to exacerbating conditions for SMEs in the LDCs with over half of the businesses stating decreases in revenues and losses of jobs along with the urgent need for business capital. The prolongation of such conditions is shifting the nature of the COVID-inflicted economic crisis from a market shutdown crisis to a structural business liquidity crisis with the reduction in market demand and shortage of financing.

### 2.2 Focusing on the “missing middle”

In addition, small firms with fewer than ten employees in LDCs have difficulties in transitioning to medium-size enterprises resulting in the phenomenon called the “missing middle”. These SMEs are considered too big to access microfinance loans and too small or seen as being too risky to access commercial investments offered by mainstream financial institutions. The concept of the “missing middle” highlights that in many developing countries the private sector is split into two segments: on the one hand, most businesses are small, often informal, rather than medium size, while, on the other hand, there are some very large enterprises. This leaves a wide gap in the financing-for-development architecture of projects that can transform local communities but need much more technical assistance and project preparation support as well as financing to get off the ground.

SMEs can be important drivers of economic growth, innovation, and job creation, including especially in countries affected by the COVID-19 and other crises. The availability of SME finance is positively associated with the number of start-ups—an important indicator of entrepreneurship—as well as with business dynamism and innovation. Moreover, SME finance allows existing firms to exploit growth and investment opportunities. Ripe investment opportunities with development impact exist even in complex operating environments, but they remain unexploited due to the lack of risk capital and long-term financial support.



## 2.3 The Fourth Sierra Leone Poverty Reduction Strategy Paper (PRSP4)

The fourth Sierra Leone Poverty Reduction Strategy Paper (PRSP4) named “The New Direction” (January 2019-December 2024) affirms the promotion of the private sector and the development of human capital as priority objectives.

PRSP4 aims to stimulate private sector development by improving competitiveness and productivity and encouraging entrepreneurship and private investment. Youth employment strategy emphasizes capacity building through business development services, including training for employment; and increasing opportunities to establish and expand small businesses through (i) financing of youth owned small and medium scale entrepreneurial ventures (ii) promoting youth engagement in agriculture through the provision of direct support in the form of finance, market information, technology and technical advice.

## 3. Scope of work

### 3.1 . Jobs and Growth Facility

The objective of this Call for Expression of Interest (the “Call”) launched by the United Nations Capital Development Fund (“UNCDF”), is to **identify and map potential financial institutions in Sierra Leone** that could be **eligible to apply for a second step of the selection process** (A Request For Applications to be published later this year) to become an investee under the Jobs and Growth Facility (the “Facility”).

The Jobs and Growth Facility (“the Facility”) funded by the European Union (“EU”) is designed to address market supporting activities; promote risk mitigation measures and innovative financing instruments that benefit the real economy without distorting the market.

The Facility will provide increased access to finance through capital relief and loss protection via the provision of a loan to Participating Financial Institutions (“PFI”) to fund the expansion of their loan portfolio through new initiatives. On a case by case, the facility will provide a risk sharing mechanism that will be agreed upon with each PFI. Moreover, the debt finance component will come together with a technical assistance facility component.

The Facility aims to provide a series of coherent actions to promote increased access to finance for micro, small and medium-sized enterprises (MSMEs) along the agriculture value chain.

The present Expression of Interest concerns the pre-selection of eligible Partner Financial Institutions that will have access to the Facility Funds to expand their portfolio and enhance their value proposition, delivery channels and risk management strategy.



## 4. Eligible Requirements

Under this Expression of Interest, UNCDF is looking for banks duly authorised to carry out lending activities according to the applicable legislation, established and operating in Sierra Leone.

Financial Institutions / intermediaries shall represent that they do not perform activities which are considered illegal according to the applicable legislation in Sierra Leone.

Financial Institutions shall comply with relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud to which they may be subject.

Only applications that meet the eligibility requirements will be considered eligible and move forward to the second stage of the selection process which will entail a Request for Application and the Technical Evaluation for those applicants being pre-selected under this Expression of Interest.

Only the applicants who comply with the eligibility requirements listed below will move to the second stage that will entail the second round as described above.

### **Eligibility requirements entails as follow:**

#### **1. FC-01 Legal status.**

Applicants must be a legally registered entity, a bank licensed by the Bank of Sierra Leone (BSL) to provide credit facilities to the public.

#### **2. FC-02 Audited historical financial statements**

Applicants must have at least two years of audited historical financial statements.

#### **3. FC-03 Compliance with Bank of Sierra Leone prudential regulations on minimum capital requirements.**

Applicants must be in compliance with the capital adequacy ratio requirement of Bank of Sierra Leone below :

- a. A core capital of not less than seven and a half per cent (7.5%) of total risk weighted assets plus risk weighted off -balance sheet items; and;
- b. A total capital of not less than fifteen per cent (15%) of its total risk weighted assets plus risk weighted off- balance sheet items.

#### **4. FC-04 Corporate Governance**

Applicants must be compliant with BSL's measures for corporate governance of banks and financial institutions, which includes (a) corporate governance structures that promote effective identification, monitoring, and management of all material business risks; (b) systems for ensuring compliance with all statutory and regulatory requirements; (c) implementation of financial disclosure requirements for market participants and observers; and (d) setting of corporate governance objectives, strategies, and techniques.



## **5. FC-05 Non-involvement in financial fraud.**

Applicants must demonstrate compliance with [the anti-money laundering and combating of terrorism Act, 2012](#) of Sierra Leone. Any applicant involved in financial frauds, notably large-scale financial fraud cases will become ineligible for participation in the Jobs and growth Investments facility.

## **6. FC-06 Environmental and social safeguard.**

Applicants must have environmental and social safeguards management arrangement in place in the form of a subproject screening checklist designed to identify, remedy, and monitor subprojects' compliance

## **7. FC-07 Non-Performing Loans (NPL).**

Applicants must comply with the 10% [prudential limit](#) of Bank of Sierra Leone relating to the non-performing loans. Credit facilities (which include loans, advances, overdrafts, commercial papers, bankers acceptances, bills discounted, leases, guarantees, and other loss contingencies connected with a bank's credit risks)

## **8. FC-08 Risk management procedures.**

**Applicant must have** proper risk management processes and/or procedures (e.g. credit risk manual) that cover the necessary (a) credit risk, (b) asset-liability management risk, and (c) operational risk. applicants should have the control structure and capacity to systematically evaluate and/or conduct credit risk appraisal, asset-liability management, internal control and compliance, as well as market risks (e.g. interest rate risk and foreign exchange risk).

## **9. FC-09 Demonstrate financial sustainability and viability.**

**Applicant must have** positive net equity or clear plan to reach positive net equity, and stable or improving historical profitability trends.

## **10. FC-11 Bankruptcy, liquidation, judicial settlement, safeguarding, cessation**

Applicants shall not have been the subject of bankruptcy, liquidation, judicial settlement, safeguarding, cessation of activity or any other similar situation resulting from any procedures.

## **11. FC-12 United Nations financial sanctions lists**

Applicants and any of their staff or member of their board of directors shall not be included in the United Nations financial sanctions lists particularly in the fight against the financing of terrorism and against attacks on international peace and security;

## 12. FC-13 Applicants must not be involved in any of the following activities

- Manufacture, sale or distribution of controversial weapons or their components, including cluster bombs, anti-personnel mines, biological or chemical weapons or nuclear weapons
- Manufacture, sale or distribution of armaments and/or weapons or their components, including military supplies and equipment
- Replica weapons marketed to children
- Manufacture, sale or distribution of tobacco or tobacco products
- Involvement in the manufacture, sale and distribution of pornography
- Manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products regulated under the CITES
- Gambling including casinos, betting etc. (excluding lotteries with charitable objectives)
- Violation of human rights or complicity in human rights violations
- Use or toleration of forced or compulsory labour
- Use or toleration of child labour

## 13. FC-14 Payment of social security contributions and obligations

Applicants shall have fulfilled all the obligations relating to the payment of social security contributions or obligations relating to the payment of taxes in accordance with legal provisions in force in Sierra Leone.

## 5. APPLICATION REQUIREMENTS AND PROCESS

### 5.1 Submission procedure

Applicants interested in applying to this Expression of Interest shall submit an application using the Annex I submission form and other requested annexes<sup>1</sup> to UNCDF before the Deadline of 23:59 GMT of the 10 of April 2021; to [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org)

An acknowledgement of receipt will be sent to applicants by UNCDF via e-mail, which shall state the confirmation that the Expression of Interest was received before the Deadline. The submission of Expression of Interest will only be considered as effective once this acknowledgement of receipt has been sent.

The acknowledgement of receipt shall not be construed as a declaration of completeness of the Expression of Interest and the documents submitted therewith. The acknowledgement of receipt does not constitute any kind of assessment or acceptance of the Expression of Interest or related documents.

Applicants may send questions regarding this Expression of Interest by email to: [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org) cc [wycliffe.ngwabe@uncdf.org](mailto:wycliffe.ngwabe@uncdf.org).

UNCDF shall send a rejection notice to Applicants whose Expression of Interest was rejected during any stage of the selection process.

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<sup>1</sup> Please refer to Annex I to prepare the list of requested annexes.



## 5.2 Language

The Expression of Interest and any correspondence between the applicant organization and UNCDF must be in English.

## 5.3 Selection process:

- Step 1: Eligibility screening – eligibility will be assessed by UNCDF and Bank of Sierra Leone staff representatives according to the eligibility requirements as set forth in section 3.1.
- Step 2: Notification of Expression of Interest – all applicants will be notified of the status of their applications.
- Step 3: The applications considered eligible will be invited to the Technical selection process in Q2 2021.
- Step 4: Eligible Applicant will have 30 days to prepare and submit the Technical selection process in Q2 2021.
- Step 5: Due diligence – due diligence on the applications and their applicants will be conducted by The Jobs and Growth Facility Investment Team on applications that receive the minimum qualifying score.
- Step 6: Loan negotiation and Loan Agreement with UNCDF.
- Step 7: Approval of the selected applicants by the Investment Committee of the Jobs and Growth Facility
- Step 8: Notification of applications - all applicants will be notified of the status of their applications after final approval from UNCDF Investment Committee.

## 5.4 Timeline

10 March 2021	Expression of Interest window opens
31 March 2021	Deadline for questions
1 April 2021	FAQ document published
10 April 2021 - 23:59 GMT	Deadline for submission
May 2021	Notification of Expression of Interest
June 2021	Launch of the RFA for the Technical selection process for the pre-selected applicants