



To: Offerors

Date: Monday, January 13, 2020

From: Procurement and Partnerships Team, INVEST Project; Implemented by DAI Global LLC

Subject: Request for Proposals (RFP) INVEST-037: Asset-Based Lending Framework for Women's Economic Empowerment in Colombia

DUE: 1:00PM EST on **Wednesday, February 12, 2020**

Dear Offerors:

Enclosed is a Request for Proposals (RFP) to support the implementation of DAI's INVEST project funded by the United States Agency for International Development (USAID). DAI invites firms to submit a proposal for work as part of the USAID Office of Gender Equality and Women's Empowerment.

I. RFP Process and deadlines: This solicitation will result in the award of one Fixed Price subcontract(s). We anticipate issuing one subcontract award resulting from the implementation of this agreement, with an anticipated award value of \$65,000-\$75,000.

- a. Submission of Questions – Questions must be submitted no later than **1:00 pm EDT on January 21, 2020** via email to INVEST_Procurement@dai.com.
- b. Submission of Proposal – Proposal must be submitted no later than **1:00 pm EDT on February 12, 2020** via email to INVEST_Procurement@dai.com, copying Katherine_Tilahun@dai.com, Matthew_Mitchell@dai.com, and Talin_Baghdadian@dai.com. The subject line of the email should be your organization name, followed by "Submission under RFP INVEST-037: Asset-Based Lending Framework for Women's Economic Empowerment in Colombia" Please certify in your submission email a validity period of 60 days for the price(s) provided and include your organization's DUNS number. Please limit file submissions to 10 megabytes or less.

II. Composition of Proposal: Your organization's proposal should comprise the following submission documents. The Technical Proposal and Cost Proposal should be prepared as separate files for independent evaluation, as follows below. Technical proposals should be submitted as a slide deck of no more than (10) slides, with a minimum font size of 12, and graphics with a minimum font size of 10. Submissions in PowerPoint or PDF are acceptable, although PDF is preferred along with an accompanying PowerPoint document. Please provide a copy of your cost proposal in Excel format.

Part 1 – Technical Proposal

Please limit your technical proposal to no more than **ten (10) slides**. The technical proposal is composed of the following three (3) sections:

1. **Technical Approach** – Offerors will detail their approach to fulfilling the accompanying Statement of Objectives (SOO). The approach will clearly indicate how the proposed activities will result in the successful completion of all deliverables and milestones.
2. **Institutional Capacity** - Offerors should provide details about the experience, expertise, or capacity of your firm to implement the proposed approach and complete the work as described. This should also include past performance information for similar activities.
3. **Management Plan/Staffing Structure** – Offerors should include details of personnel who might be assigned to activities as proposed in the technical approach, as well as a clear management plan for the development, review, and submission of all associated deliverables, including a milestone schedule. Offerors are permitted to engage in partnering arrangements if it will aid in providing best value to USAID, regardless of whether organizations belong to the USAID INVEST network. If a partnering arrangement is being proposed, please describe the nature of the arrangement, the specific technical value being contributed by each member of the team, and the appropriate management controls to ensure successful delivery.

In addition to the above, please include the following:

- One (1) to two (2) examples of past performance relevant to this activity (limited to two (2) pages per example). Examples should be within the past 5 years.
- CV(s) of any individuals proposed in the staffing plan to conduct this activity (limited to two (2) pages per individual)

NOTE: These inputs (past performance examples and CVs) will not be counted as part of the 10-slide limit and the format may be PDF or Word. A cover slide will be considered a non-counting slide and should be included, noting all partners proposed by the offeror, if any. No additional annexes or documentation are requested now.

Part 2 – Cost Proposal

The contract type for the presumptive task order will be Fixed Price, awarded as a subcontract by DAI Global, LLC. Please include your total proposed fixed price along with details for specific deliverable pricing. Offerors should also include a cost breakdown of the hourly rates for proposed personnel, if applicable, with a build-up to their total proposed price or include substantiating price reasonableness documentation/justification. Offerors can use the attached cost/budget template for guidance, but are not required to use it, as long as the cost proposal captures the necessary elements (i.e. deliverables table with breakdown of how the deliverable totals were calculated). Please limit file submissions to 10 megabytes or less.

- III. Evaluation of Proposal:** DAI will use best value determination for the award of this Request for Proposals. A best value determination means that, in DAI’s estimation, the selected offer will provide the greatest overall benefit to USAID in response to the requirements stated in this RFP. DAI may also exclude an offer from consideration if it determines that an Offeror is "not responsible", i.e., that it does not have the management and financial capabilities required to perform the work required. Proposals will be evaluated against a stated number of factors, including the overall proposed approach, past performance, specific qualifications in the identified sectors and other evidence

substantiating the bidder's ability to deliver, including budget and time frame considerations.

1. **Technical Proposal:** The Technical Proposal will be scored and evaluated separately from the cost proposal. Technical panel reviewers will evaluate offerors on the following factors, consistent with the offerors' technical proposal. The Technical Proposal will be evaluated against the following criteria:
 - a. **Technical Approach (35 Points):** Points for this section will be awarded based on the information presented in the technical approach. Points will be awarded to firms describing their thoughtful approach to addressing the statement of objectives. The offeror will be scored based on its presentation of a clear approach which reflects the requirements of this specific activity but also incorporates the offeror's competencies. The technical approach should clearly demonstrate the offeror's strategy for:
 - i. Developing a Field Exam framework and process manual for movable asset valuation that will include the process for auditing SME borrowers
 - ii. Designing templates and tools for valuing SMEs in Colombia based on non-traditional assets typically not considered by Colombian financial institutions
 - iii. Developing a pipeline of entities capable of conducting Field Exams or Field Audits in Colombia.
 - b. **Institutional Capacity (40 Points):** Points for this section will be based on information presented in the corresponding section and any submitted past performance case studies. The offeror should demonstrate their:
 - i. Firm's experience in Asset-Based Lending and conducting ABL Field Exams
 - ii. Familiarity with international best practices in movable property lending/ABL and valuing non-traditional assets
 - iii. Familiarity with relevant laws and regulations in Colombia, including the Secured Transactions Law of Colombia (Law 1676 of 2013)
 - iv. Demonstrated expertise in valuations, particularly in SMEs, and asset liquidation (preferably in inventory) in Colombian or other foreign markets for financial institutions
 - v. Demonstrated ability to produce deliverables in Spanish and English
 - c. **Management Plan / Staffing Structure (25 Points):** Points for this section will be based on the qualifications of proposed staff, clear delineation of the roles and responsibilities of each proposed staff and each proposed firm (if firms are partnering), and the demonstrated efficacy and clarity of the management plan. Proposals should provide a clear management plan in narrative form for the development, review, and submission of all associated deliverables, including a proposed milestone schedule. If the offeror is submitting a proposal with partners, the proposal should describe the nature of the arrangement (i.e. added technical value), the division of labor among the partners, and the appropriate management controls to ensure successful delivery. The offeror should demonstrate their proposed staff's:

- i. Fluency (reading, speaking, and writing) in both English and Spanish, and ability to produce expected deliverables in Spanish and English.
- ii. Capacity to perform statistical analysis of past behavior of A/R collections (% of collection vs. amount invoiced; actual term to receive payment vs. stated term in A/R, etc.), A/R aging calculations (0-30 days, 30-60, 60-90, etc.), among others.
- iii. Knowledge of accounting criteria for banks and financial institutions in Colombia.
- iv. Presence within Colombia or ability to travel to Colombia, as required for the completion of the Field Exam or Field Audit templates and processes.

2. **Cost Proposal:** Cost will be evaluated separately from the technical approach, with due consideration for realism, price reasonableness, and allowability consistent with US government cost principles. Evaluation for this section will be dependent upon all information presented by the Offeror in their deliverable table and supporting cost information, as well as its alignment with the proposed technical approach.

IV. Offeror's Agreement with Terms and Conditions: The completion of all RFP requirements in accordance with the instructions in this RFP and submission to DAI of the technical and price proposals will constitute an offer and indicate the Offeror's agreement to the terms and conditions in this RFP and any attachments hereto. DAI is not required to accept and/or evaluate proposals that do not conform to the instructions of the RFP, and additionally, DAI may reject all proposals and not award a subcontract for this RFP. DAI reserves the right to award a subcontract without discussion and/or negotiation; however, DAI also reserves the right to conduct discussions and/or negotiations, which among other things may require an Offeror(s) to revise its proposal (technical and/or price). By submitting an offer, Offerors agree to comply with the general terms and conditions for an award, including Representations and Certifications compliance. Offerors must provide full, accurate, and complete information in response to this solicitation. By submitting an offer, Offerors certify that they have not/will not attempt to bribe or make any payment to DAI employees in return for preference. Issuance of this RFP in no way obligates DAI to award a subcontract, nor does it commit DAI to pay any costs incurred by the Offeror in preparing and submitting the proposal. DAI reserves the right to award a subcontract to one organization or to issue multiple awards to different organizations based on the results of our evaluation.

Thank you,

DAI INVEST Procurement and Partnerships Team

INVEST_Procurement@dai.com

**Statement of Objectives under RFP INVEST-037:
Asset-Based Lending Framework for Women’s Economic Empowerment in Colombia**

Introduction

Through INVEST, USAID seeks to unlock the potential of private capital to drive inclusive growth in countries around the world. Increasingly, private investors and businesses are looking to emerging markets for better returns and new market opportunities. Encouraging investment in high-impact areas important to USAID such as agriculture, financial services, infrastructure, energy, clean water, health, and education, requires new forms of collaboration between USAID and the investment and business community.

USAID’s Office of Gender Equality and Women’s Empowerment (USAID/GenDev) has engaged INVEST to increase women’s economic empowerment and equality through a range of activities including the ongoing expansion of financial services through technological innovation, the provision of first-loss capital for gender focused investments, and strengthening of secured lending regimes in order to improve access to basic financial services. The following statement of objectives is in support of these efforts.

Purpose

By implementing this activity as described below, USAID hopes to increase the capacity of Colombian banks to make loans secured by moveable property utilizing a national registry. According to the findings of a World Bank study “[t]he impact of the introduction of movable collateral registries is economically significant: registry reform increases access to bank finance by almost 8 percentage points and access to loans by 7 percentage points. These are sizeable effects considering that in our sample, about 60 percent of firms have access to finance and 47 percent have a loan. There is also some evidence that the impact of the introduction of registries for movable assets on firms’ access to bank finance is larger among smaller firms, which also report a reduction in a subjective, perception-based measure of finance obstacles.”¹

USAID’s development hypothesis is that support for mechanisms that allow moveable property to serve as collateral will enhance women’s access to financing. The aim of this activity ultimately is to increase access to capital for women in Colombia by expanding access to finance to micro, small, and medium enterprises (MSME’s) in particular, which may be run by women, and have valuable moveable assets, but no land or real estate to use as collateral.

Background

Movable property lending (MPL) is the use of movable assets – such as equipment, inventory, receivables, motor vehicles, etc. – as collateral for loans. MPL offers the market opportunity to extend the borrower base beyond those able to provide real estate or immovable property (i.e. land and buildings) as collateral. Further, the availability of this collateral reduces the risk of default (compared to the alternative of unsecured lending) and thus is likely to have beneficial impacts on the availability and cost of credit. Around the world, small and medium enterprises (SMEs) and women disproportionately struggle to access sufficient financing, and particularly

¹ <https://blogs.worldbank.org/allaboutfinance/does-introduction-movable-collateral-registries-increase-firms-access-finance>

credit. This places a significant constraint on economic and social development due to the outsized role of SMEs in employment and economic growth, and the pivotal role of women.² For the purposes of this activity, MPL will be used interchangeably with movable asset valuation and asset-based lending.

With the aim of increasing access to credit for SMEs in Colombia using their movable assets as collateral based on the benefits provided by Law 1676 on secured transactions, Banca de las Oportunidades of the Government of Colombia is spearheading a new initiative to encourage the implementation of new financial products based on movable assets. One of the new products is Asset Based Lending – Revolving Lines of Credit (ABL).

Given that ABL credit lines are based on the quantity and quality of a SME’s productive assets (mainly accounts receivable or invoices, and/or inventory), it is vital that banks making these loans verify and monitor the existence and the value of such movable property on a periodic basis. ABL requires a Field Exam or Field Audit to be carried out at specific periodic points along the credit line. These audits consist of the bank and/or its contracted provider making a physical visit to the place(s) in which the SME conducts its daily operations, in order to verify the movable assets in possession of the SME, its internal controls, and to determine the amount of financing the lender can provide the SME.

The Field Exam must ensure that in the event of default by the SME, the bank can recover the amount disposed under the line through the enforcement of the tangible and intangible collateral. At this stage, formal templates or standard operating procedures for conducting these audits or calculating the valuation of SMEs do not exist and are thus not being used by the financial institutions.

Objectives and Activities

Building on concurrent efforts by the International Finance Corporation (IFC) in this space, USAID and INVEST are seeking a firm that can work in collaboration with the IFC to design a Field Exam framework for movable asset valuation that will include the process for auditing SME borrowers, as well as develop a pipeline of entities capable of conducting Field Exams or Field Audits in Colombia. USAID/INVEST seeks a firm with expertise in ABL Field Exams and the ability to develop templates for valuing SMEs in Colombia based on non-traditional assets typically not considered by Colombian financial institutions. Templates to gather information for both intangible assets (accounts receivable/invoices) and tangible assets (inventory) should be completed. To develop these templates, partners may propose activities to build, test, or expand upon these tools. This activity will be carried out in collaboration with the IFC.

While offerors should propose a set of activities and deliverables that best suit their proposed technical approach, below are illustrative deliverables for this activity we anticipate may be incorporated to achieve the objectives:

1. Handbook for ABL Field auditors containing step-by-step instructions for asset-based lending audits including checklists, policies, and templates for all relevant calculations.

² “From Laws to Loans: Opportunities and Challenges in Achieving the Promise of Secured Lending Reforms - A Summary” USAID, Dec 2018.

2. Templates to gather information for tangible and intangible ABL audits of SMEs
3. A report summarizing the design of the Handbook, including a list of referenced materials, and a Legal justification note, indication that all aspects of the ABL Field Audit comply with applicable Colombian law.
4. Validation or updating existing ABL templates for the Colombian legal and banking environment
5. Testing of the calculation of the available amount of credit that can be granted to the SME (“Borrowing Base”) at the time of Field Exam.
6. Development of a list of firms with the requisite qualifications able to conduct audits in Colombia with contact names, phone numbers, and email addresses.

Note: All deliverables for this activity must be submitted in English and Spanish.

Deliverables and Implementation Timeframe

It is anticipated that this work will be comprised of three stages.

Phase 1: Kick-off and work planning

The subcontractor will meet with IFC, INVEST and USAID representatives to plan activities, finalize a timeline, and review the parameters for the Field Exams or Field Audits.

Phase 2: Assessing types of movable assets

Asset-Based Lending in Colombia will be structured with two types of movable assets that can be used as collateral: intangible and tangible assets. For the purposes of this activity, both types of assets should be evaluated accordingly by the Subcontractor.

A. Intangible Assets:

(i) Accounts Receivable or Invoices (“A/Rs”):

Based on established eligibility criteria, the subcontractor should determine which A/R are eligible for financing based on international best practices, adapting them to the Colombian market. The subcontractor will develop templates, processes, and procedures for evaluating the A/R of SMEs, and calculating the appropriate level of financing based on the A/R collateral.

Expected A/Rs that should be reviewed in determining eligibility criteria for the Colombian market may include:

- Past due A/Rs
- A/Rs that exceed 90 days since issued (the actual days will vary depending on the country in which the financing takes place) and still unpaid.
- If the SME has A/Rs and accounts payable (A/P) with the same entity (since the A/R payor might net out the Exposure from A/Rs and A/Ps, and the lender will not be able to collect the full A/R value)
- Amount of A/Rs that exceed the concentration limit defined by the lender
- Contra accounts, when a preestablished percentage of A/Rs to a payor are past due, the remaining current amount will be deemed ineligible

- A/Rs derived from exports to a foreign company
- Intercompany A/Rs (if the A/R payor is from the same economic group or has common shareholders with the borrower)
- Percentage completion A/Rs (for partial completion of a project)
- Other criteria

For the A/R analysis, the Field Exam or Field Audit templates for the ABL loans must cover the following aspects:

1. Ensure that the A/R amounts in the SME invoicing system are the same as the amounts stated in the SME's financial statements: To do this, the subcontractor should develop the processes that the entity that will perform the Field Exams or Field Audits will follow to confirm that the amounts are equal. Such analysis processes should include the information sources to use (including information that will be requested that the SME delivers before the actual visit takes place), the methods employed to confirm the A/R existence and ensure that the A/R amounts are accurately reflected in the SME financial statements.
2. Validate the authenticity of the SME's A/R's: the subcontractor should define the procedures that the entity performing the Field Exam or Field Audit should follow to: confirm that the A/Rs do exist, determine which A/Rs are ineligible, and, for eligible A/Rs, ensure that the product or service has been delivered to the end customer and that the SME client is aware of its payment obligation.
3. Calculate the amount that can be borrowed by the SME based on its A/Rs: After verifying the existence and value of A/Rs, and eliminating ineligible A/Rs, the subcontractor will define the processes that the entity to perform the Field Exam or Field Audit must follow to determine the possible advance under a line of credit. This calculation is based on 100% of A/Rs, after deducting ineligible A/Rs arriving to the (eligible A/R amount), and then multiplying eligible A/Rs times the advance rate defined by the lender. The result will be the total A/R funding amount).

Processes and templates for assessing and recording the above components should be developed by the subcontractor in alignment with international best practices and adapted to the Colombian market and regulations.

B. Tangible assets:

Inventory (raw materials, work in process and finished products):

As part of its deliverables, the subcontractor shall review and define the inventory eligibility criteria, based on international best practices, and adapt them to the Colombian market and regulatory framework.

Inventory types that should be reviewed in determining eligibility criteria for the Colombian market may include:

- Inventory that consists of the goods in process (in the conversion process from raw material to finished goods)
- Inventory held in remote or rented warehouses (i.e. lender with no access)
- Perishable Inventory (i.e. fruits and vegetables)

- Obsolete Inventory (i.e. goods over a year in the warehouse)
- Samples or tooling
- Inventory received on consignment
- Inventory subject to copyright (or which requires permission or licensing to be sold)
- Other criteria

Additionally, the Field Exam or Field Audit templates for ABL credit lines require the following with respect to inventory:

1. Ensure that the Inventory amounts in the SMEs warehouse controls are the same as the amounts stated in the SME's financial statements: For this purpose, the subcontractor should define the processes that the entity that will perform the Field Exam or Field Audit will follow for validation and valuation. Such processes should validate the data sources (including information that will be requested to the SME before the actual visit takes place), the systems to check, and the methods to be used to confirm accuracy of the inventory information in the SME financial statements.
2. Verification and validation of the inventory information provided by the SME: the subcontractor should develop the procedures that the entity that will perform the Field Exam or Field Audit shall follow to ensure accuracy of the type of inventory stated and also that the inventory amount and value stated by the SME is accurate and supported by physical inventory held by the SME. This verification could include physical counts, sampling of products, review of inventory reports, among others.
3. Calculate the amount that can be borrowed by the SME based on its Inventory: Once the accuracy of the inventory information is verified and, considering the eligibility criteria determined for inventory, the subcontractor should establish the procedures that the entity that will perform the Field Exam or Field Audit shall follow to arrive at the amount that the SME can borrow based on its inventory (this calculation starts with 100% of the Inventory, minus ineligible Inventory arriving at the (eligible inventory amount), multiplied by the Inventory advance rate as defined by the lender, to finally obtain the final inventory funding amount). Finally, the Inventory Funding amount will be compared with the liquidation value (see below) for those inventory items. The advance shall consist in the lower of these two values.

Inventory value assessment: Once the eligible inventory has been established, the inventory liquidation value should be determined (derived from the sale price that can be obtained from the sale in a secondary market less the costs attributable to such sale process), considering the following criteria:

- Regulations from the Superintendency of Banks in Colombia;
- Databases or Market Valuations existing in Colombia;
- Past valuations for such type of assets in Colombia;
- Past sale of such assets in the Colombian market;
- Likelihood to sell such inventory in foreign markets;
- New technologies and existing apps (local and foreign) to liquidate such inventory;
- Experience in comparable valuations by existing Colombian firms.

C. Borrowing-base calculation and other important criteria to review

The subcontractor should design the procedures to review and deliver the A/R funding amount, inventory funding amount, as well as how these calculations feed into the borrowing-base calculation and other important financial considerations to review as a part of their field-based audit procedures.

Depending on the approach proposed by the subcontractor, it is anticipated that they will submit templates concerning the borrow-based calculation and/or actual borrowing-base calculations based on field audits of SMEs.

Borrowing-base calculation: After calculating (i) the total A/R funding amount; and (ii) the final inventory funding amount, the entity performing the Field Exam or Field Audits in Colombia should calculate the Borrowing-base of the SME by adding the sum of the amounts obtained in stages (i) and (ii) above, and such information will be sent to the lender. The Borrowing-base is the actual monetary amount that the SME can borrow given its current collateral position (final A/R and inventory funding amounts). Such amount will vary as time goes by.

Other important criteria to review: In addition to the detailed review of the SME's A/Rs and Inventory, the subcontractor shall establish other aspects to be reviewed in the Field Exam or Field Audit, such as: (i) SME's tax payment status, and (ii) SME's compliance on payment related to social security or other labor derived obligations. These aspects are deemed important to detect potential credit deterioration that can affect the SME's capacity to comply with the payment obligation of an ABL credit line.

In addition, the Field Exam or Field Audit should be developed and delivered by the subcontractor to INVEST in both Spanish and English so that the developed materials can be disseminated among, adapted by and implemented by lenders in Colombia.

Phase 3: Search and delivery of pipeline of entities capable to perform Field Exams or Field Audits in Colombia

Based on the criteria and requirements above, the subcontractor should conduct a search for and develop a pipeline of interested firms that are capable of offering and executing these field audit services for lenders in Colombia. Firms to be included in this pipeline should comply with the following criteria:

- Firms that are familiar with or have experience in performing Field Exams or Field Audits in the United States, United Kingdom, Canada, Australia or other countries in which ABL is a mature business. Colombian entities that are subsidiaries of a company that has the prior experience and that could obtain the support of a parent company to implement Field Audits should be considered.
- Entities or companies that have experience in inventory repossession and liquidation in Colombia or Latin America.
- Companies that perform accounting audits in Colombia (and that are aware of the differences between Field Exams and accounting audits).

- Consultants that have 15+ experience in ABL or Field Audits and that don't have conflict of interest with prior employer to perform the requested advisory.
- Authorized Colombian asset appraisers with experience in the type of advisory required.

Timeline

The activities outlined above are estimated to take place over an approximate 12-16 week period starting around February or March 2019. INVEST will work in close collaboration the selected firm to determine the sequencing and timing of each activity, but offerors are expected to propose a timeline, workplan, level of effort and a schedule of deliverables associated with the various components of the activity appropriate for their proposed technical approach.

Desired Qualifications

- Demonstrated experience in Asset-Based Lending and conducting ABL Field Exams
- Ability to perform comparisons and detect deviations in accounting systems and reports with actual levels of A/R and inventory
- Familiarity with international best practices in movable property lending/ABL and valuing non-traditional assets
- Demonstrated expertise in valuations, particularly in SMEs, in Colombian or other Latin American markets.
- Presence within Colombia strongly preferred, or ability to travel to Colombia, as required for the completion of the Field Exam or Field Audit templates and processes.
- Knowledge of Colombian electronic invoicing procedures.
- Capacity to perform statistical analysis of past behavior of A/R collections (% of collection vs. amount invoiced; actual term to receive payment vs. stated term in A/R, etc.), A/R aging calculations (0-30 days, 30-60, 60-90, etc.), among others.
- Knowledge of accounting criteria for banks and financial institutions in Colombia.
- Inventory liquidation experience in Colombia or Latin America.
- Capacity to perform checks to ensure stated inventory actually reflects physical inventory at the borrower's facilities.
- Knowledge of the Secured Transactions Law of Colombia (Law 1676 of 2013) ("Ley de Garantías Mobiliarias de Colombia (Ley 1676 del 2013)"), as well as other relevant banking regulations
- Experience in valuations or liquidations for Financial Institutions in Colombia preferred
- Having an affiliate or corporate that has experience in performing Field Exam or Field Audits in the United States
- Asset liquidation experience (preferably in inventory) in Latin America or the United States
- Fluency (reading, speaking, and writing) in both English and Spanish, as all deliverables will be expected in Spanish and English.

Contract Type

DAI anticipates awarding a Firm Fixed Price subcontract.