

Amendment to Request for Proposal

Amendment number: 01

Reference Request for Proposal Number: RFP-CATALYZE-217772-PSD-2023-0109

Amendment effective date: January 31, 2024

Description of Amendment:

1. This amendment serves to modify the closing date and time on the cover page of the RFP from February 2, 2024, 17:00 Colombo Time to February 12, 2024 17:00 Colombo Time.

Changes are highlighted in yellow in the attached amended RFP. All other sections and attachments remain unchanged.

Request for Proposal (RFP)

| | |
|--------------------------------------|--|
| Subject RFP #: | RFP-CATALYZE- 217772-PSD-2023-0109 |
| RFP Issue Date: | January 12, 2024 |
| Terms of Reference / Specifications: | Call for proposal for develop credit scoring model for a Micro Finance Institution |
| Project | CATALYZE Sri Lanka Private Sector Development |
| The Company | Palladium International, LLC |
| Country of Performance | Sri Lanka |
| Closing Date and Time | February 12, 2024 17.00 Colombo Time |
| Questions Deadline | <input checked="" type="checkbox"/> Accepted at SriLankaPSD.Procurement@thepalladiumgroup.com by January 23, 2024. 17.00 Colombo Time <input type="checkbox"/> N/A |
| Bidders' Conference | <input type="checkbox"/> N/A |
| Details for Submission | Submissions will be accepted: <input type="checkbox"/> Electronically: email to SriLankaPSD.Procurement@thepalladiumgroup.com |
| Offer Validity Period | 90 days |

Thank you for your interest in the above procurement. As implementer for the CATALYZE Innovative Blended Finance Project funded by United States Agency for International Development (USAID), Palladium invites you to submit a proposal for the scope of work attached in Annex A. Your proposal must be valid for the Validity Period.

Please email your notice of intention to submit a proposal by the Questions Deadline. Answers to questions shall be distributed to all offerors that have indicated an intention to submit a proposal by the deadline.

Please submit your proposal in accordance with the Details for Submission above by the Closing Date and Time. This RFP in no way obligates Palladium to award a contract nor does it commit Palladium to pay any cost incurred in the preparation and submission of a proposal. Palladium bears no responsibility for data errors resulting from transmission or conversion processes.

Yours sincerely,

CATALYZE Procurement Team

Terms and conditions

1. Proposal Conditions

By submitting a proposal, potential suppliers are bound by these terms and conditions. Potential suppliers must submit offers with all details provided in English and with prices quoted in a single currency.

2. Proposal Lodgement

The Company may grant extensions to the Closing Time at its discretion. The Company will not consider any quotes received after the Closing Time specified in the RFP unless the Company determines to do so otherwise at its sole discretion.

3. Evaluation

The Company may review all proposal to confirm compliance with this RFP and to determine the best proposal in the circumstances.

4. Alterations

The Company may decline to consider a proposal in which there are alterations, erasures, illegibility, ambiguity or incomplete details.

5. The Company's Rights

The Company may, at its discretion, discontinue the RFP; decline to accept any proposal; terminate, extend or vary its selection process; decline to issue any contract; seek information or negotiate with any potential supplier that has not been invited to submit a proposal; satisfy its requirement separately from the RFP process; terminate negotiations at any time and commence negotiations with any other potential supplier; evaluate proposals as the Company sees appropriate (including with reference to information provided by the prospective supplier or from a third party); and negotiate with any one or more potential suppliers.

6. Amendments and Queries

The Company may amend, or clarify any aspect of the RFP prior to the RFP Closing Time by issuing an amendment to the RFP in the same manner as the original RFP was distributed. Such amendments or clarifications will, as far as is practicable be issued simultaneously to all parties.

Any queries regarding this RFP should be directed to the Contact Person identified on the cover page of this RFP.

7. Clarification

The Company may, at any time prior to execution of a contract, seek clarification or additional information from, and enter into discussions and negotiations with, any or all potential suppliers in relation to their proposals. In doing so, the Company will not allow any potential supplier to substantially tailor or amend their proposal.

8. Confidentiality

In their proposal, potential suppliers must identify any aspects of their proposal that they consider should be kept confidential, with reasons. Potential suppliers should note that the Company will only agree to treat information as confidential in cases that it considers appropriate. In the absence of such an agreement, potential suppliers acknowledge that the Company has the right to disclose the information contained in their proposal.

The potential supplier acknowledges that in the course of this RFP, it may become acquainted with or have access to the Company's Confidential Information (including the existence and terms of this RFP and the TOR). It agrees to maintain the confidence of the Confidential Information and to prevent its unauthorised disclosure to any other person. If the potential supplier is required to disclose Confidential Information due to a relevant law or legal proceedings, it will provide reasonable notice of such disclosure to the Company. The parties agree that this obligation applies during the RFP and after the completion of the process.

9. Alternatives

Potential suppliers may submit proposals for alternative methods of addressing the Company's requirement described

in the RFP where the option to do so was stated in the RFP or agreed in writing with the Company prior to the RFP Closing Time. Potential suppliers are responsible for providing a sufficient level of detail about the alternative solution to enable its evaluation.

10. Reference Material

If the RFP references any other materials including, but not limited to, reports, plans, drawings, samples or other reference material, the potential supplier is responsible for obtaining the referenced material and considering it in framing their proposal. And provide it to the Company upon request.

11. Price/Cost Basis

Prices or costs quoted must show the tax exclusive price, the tax component and the tax inclusive price.

The contract price, which must include any and all taxes, supplier charges and costs, will be the maximum price payable by the Company for the Goods and/or Services.

12. Financial information

If requested by the Company, potential suppliers must be able to demonstrate their financial stability and ability to remain viable as a provider of the Goods and/or Services over the term of any agreement.

If requested by the Company, the potential supplier must promptly provide the Company with such information or documentation as the Company reasonably requires in order to evaluate the potential supplier's financial stability.

13. Referees

The Company reserves the right to contact the potential supplier's referees, or any other person, directly and without notifying the potential supplier.

14. Conflict of interest

Potential suppliers must notify the Company immediately if any actual, potential or perceived conflict of interest arises (a perceived conflict of interest is one in which a reasonable person would think that the person's judgement and/or actions are likely to be compromised, whether due to a financial or personal interest (including those of family members) in the procurement or the Company).

15. Inconsistencies

If there is inconsistency between any of the parts of the RFP the following order of precedence shall apply:

- (a) these Terms and Conditions;
- (b) the first page of this RFP; and
- (c) the Schedule

so that the provision in the higher ranked document will prevail to the extent of the inconsistency.

16. Collusion and Unlawful Inducements

Potential suppliers and their officers, employees, agents and advisors must not engage in any collusive, anti-competitive conduct or any other similar conduct with any other potential supplier or person or quote any unlawful inducements in relation to their proposal or the RFP process.

Potential suppliers must disclose where proposals have been compiled with the assistance of current or former the Company employees (within the previous 9 months and who was substantially involved in the design, preparation, appraisal, review, and or daily management of this activity) and should note that this may exclude their proposal from consideration.

Potential suppliers warrant that they have not provided or offered any payment, gift, item, hospitality or any other benefit to the Company, its employees, consultants, agents, subcontractors (or any other person involved in the decision-making process relating to this RFP) which could give rise to a perception of bribery or corruption in relation to the RFP or any other dealings between the parties.

17. Jurisdiction

This RFP shall be subject to the laws of the District of Columbia, United States of America. The language of the arbitration will be English.

The Potential Supplier and the Company will use their best efforts to settle amicably any dispute, controversy, or claim arising out of, or relating to this RFP or the breach, termination, or invalidity thereof.

If no agreeable settlement can be found, any dispute, controversy, or claim arising out of or relating to this RFP or the breach, termination, or invalidity thereof, shall be settled by mediation through the American Arbitration Association by filing a request for mediation with the AAA and the other party. The Parties will be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such dispute.

1. Company Information

Palladium is a global leader in the design, development and delivery of Positive Impact — the intentional creation of enduring social and economic value. We work with corporations, governments, foundations, investors, communities, and civil society to formulate strategies and implement solutions that generate lasting social, environmental and financial benefits.

2. Project Background

The CATALYZE Sri Lanka Private Sector Development (PSD) activity is designed to bolster Micro, Small- and Medium-Enterprises (MSMEs) in high growth potential sectors (tourism, information, and communication technology (ICT), apparel, and food processing) in Sri Lanka. These sectors were selected for their potential to generate growth opportunities for MSMEs and for women in the workplace and as entrepreneurs. To do this, PSD will support MSMEs to access technical assistance (TA) and financing needed to increase MSME revenues, generate productive employment opportunities (including and especially for women), and ultimately contribute to economic diversification. The Activity is organized under three outcome areas:

- 1) Strengthen MSME competitiveness in target sectors (i.e., tourism, ICT, food sector);
- 2) Expand financial services to MSMEs;
- 3) Increase women's labor force participation.

3. Purpose

The purpose of this procurement initiative under the PSD program is to secure the services of a qualified consultant/consultancy firm capable of supporting a local Microfinance Institution to:

- 1) **Develop a robust, computer-based credit scoring model/matrix** to enhance the MFI's capacity to appraise loan transactions, particularly those associated with micro and small businesses. assess small-value loan transactions across various product categories, ensuring a comprehensive evaluation that includes individual factors, socio-economic considerations, and other pertinent parameters identified during a thorough gap analysis.
- 2) **Develop and operationalize a web-based solution** that uses artificial intelligence (AI) and/or virtual assistance (VA) to streamline implementation of the Credit Scoring Model/Matrix developed earlier. The web-based solution should be designed to function independently while maintaining the flexibility to interface seamlessly with the MFI's Core Banking System (CBS) through an Application Programming Interface (API).

While this scope only covers tasks that fall under the first activity outlined above (Develop a robust, computer-based credit scoring model/matrix), due to the interconnected nature of the activities, the PSD seeks an offeror capable of executing tasks under both.

A complete Scope of Work for this contract (Activity 1) is attached as **Annex A**. Illustrative activities expected under Activity 2 (potential future work) are included as reference as **Annex B**.

4.Type of Contract

Palladium intends to issue a firm fixed price subcontract to the selected offeror.

5. Anticipated Contract Period of Performance

From the last week of February 2024 to July 2024, over 150 calendar days.

6. Place of Performance

The activities to be performed under this contract will take place in: Sri Lanka. See the Instructions for Submission of Cost Proposal for travel assumptions.

7. Key Deliverables and Timelines

Key Deliverables and anticipated timeline for milestones **under Activity 1 - Develop a robust, computer-based credit scoring model/matrix** are outlined in the table below:

| No. | Milestone | Deliverable | Delivery timeline |
|-----|--|--|--|
| 1. | <p>Conduct an analysis of the MFI's internal credit risk framework that:</p> <ul style="list-style-type: none"> Identifies and highlight gaps a computer-based credit scoring model (e.g., Excel based) can help address; Determines the credit scoring model/matrix internal baseline requirements and technical capacity; and Identifies the scoring segment, including type of customers and products for which the scoring model will be used (cluster loans, individual loans, enterprise development loans granted to micro and small businesses, etc.) | Approved gap analysis report / presentation | 1 month from award date |
| 2 | <p>Selection, customization, and designing of the selected scoring model including deviation approval matrix based on specific requirements of the subject MFI to match their internal risk management profile as identified in the gap analysis report with flexibility to address any aspect of credit risk in micro financing for deciding the creditworthiness and suitable to be conveniently used by the designated MFI.</p> | <p>Progress Updates (i.e. meeting minutes, etc.)</p> <p>Submission of finalized scoring model</p> | 2 months from award date |
| 3 | <p>Pilot testing of the credit scoring model and the deviation matrix based on a scope document setting out test scenarios and expected test results.</p> | <p>Submission of proof of pilot testing completion with confirmation from key MFI staff.</p> | 3 calendar months from the date of commencement of agreement |
| 4 | <p>Conduct a minimum of 3 workshops for the MFI officials, assist them in understanding the model and adopting the model as identified in the gap analysis report.</p> | <p>Copy of workshop agenda, presentation, and sign-in sheet documenting attendance of selected key bank staff as identified by initial gap analysis.</p> | 4 calendar months from the date of commencement of agreement |

Anticipated Milestones and Deliverables Under **Activity 2 - Develop and operationalize a web-based solution for the credit scoring model/matrix** are included in **Attachment B** for reference.

8. Instructions to Offerors

Separate technical and cost proposals must be submitted by email no later than the time and date specified on the cover page.

8.1 Technical Proposal

For the technical proposal, the offeror must submit:

- (a) Cover letter with the following information:
1. Firm contact info and address

2. Type of company or organization
 3. Unique Entity Identification (UEI) Number (Company must have a UEI number or obtain one within 5 days of being notified of selection)
 4. Signed by an authorized representative of the company
- (b) Background on the firm and relevant expertise relevant to **Activity 1** (max 2 pages)
 - (c) Technical Proposal & Management Approach to implement **Activity 1** (max 3 pages)
 - (d) Proposed **Activity 1** work plan showing how the firm would execute tasks under activity 1 including a timeline (max 2 pages)
 - (e) Past Experience Information/Capability Statement, including a description of relevant projects previously performed by the firm relevant to **Activity 1** (max 3 pages)
 - (f) Contact details for three referees (max 1 page)
 - (g) All supporting documentation specified below in the pass/fail evaluation criteria.

Note: GSA has developed a useful interactive PDF tool that guides through the most common scenarios about UEI (https://www.fsd.gov/sys_attachment.do?sys_id=af05f8fb1b44851006b09796bc4bcb6d)

8.2 Cost Proposal

Offerors must submit a cost proposal. CATALYZE will provide a budget template upon request through catalyze.procurements@thepalladiumgroup.com. The cost proposal consists of:

- (a) Budget in Microsoft Excel with all formulas visible (unlocked)
- (b) Accompanying Word Document with all cost assumptions and explanations

Key assumptions

- Budget in Sri Lankan Rupees (LKR)
- All prices are to be inclusive of relevant taxes
- Separate unit cost and number of units
- Break down activity costs into as much detail as possible
- Offeror should budget for:
 - Defence Base Act (DBA) insurance in accordance with FAR 52.228-3, as applicable.

The selected offeror will be required to complete the Due Diligence Questionnaire (attachment 1) and provide a UEI number within 5 days of being notified of selection.

8.3 Activity 2 Illustrative Approach (supplemental annex)

Offerors should outline how they would develop and operationalize a web-based solution for the credit scoring model/matrix, provide an estimated total cost for said work, and briefly summarize and relevant capabilities or experience producing similar products. The Activity 2 Annex should include the following:

- (a) Background on the firm and relevant expertise relevant to **Activity 1** (max 1 page)
- (b) Illustrative **Activity 2** work plan showing how the firm would execute tasks under activity 2 including an estimated timeline (max 2 pages)
- (c) Past Experience Information/Capability Statement, including a description of relevant projects previously performed by the firm relevant to **Activity 2** (max 2 pages)
- (d) Topline cost estimate/budget figure for to complete all tasks under **Activity 2**.

SOW for Activity 2 is included in **Annex B** for reference.

9. Submission of Offers

Electronic proposals must be submitted by sending two separate emails, one for technical proposal and one for cost proposal with the RFP number in the subject lines. If submitting in hard copy, the technical proposal and cost proposal must be in separate sealed envelopes. Mark envelopes with the RFP number and offeror's name. Ensure all required documents are attached. The RFP number can be found on the cover page.

Offers received past the deadline stated on the cover page will be deemed non-responsive and will not be considered for award.

10. Evaluation and Award Process

Proposals will be evaluated using a best value trade off methodology. This is a three-stage process.

(1) The first set of criteria is graded on a pass/fail basis. Offerors must meet the following minimum eligibility qualification criteria and provide supporting documentation:

| | Requirement | Supporting Documentation |
|-----|---|---|
| (a) | Must be a registered legal entity in Sri Lanka for a minimum of one year | Copy of certificate or articles and memorandum of associate |
| (b) | Must not have any active exclusions from the working with the US government (www.sam.gov), the UN (Sanctions List), or the US Department of the Treasury Office of Foreign Asset Control | N/A |
| (c) | Palladium Due Diligence Questionnaire (Attachment 1). | Signed copy of Palladium due diligence Questionnaire |
| (e) | Responsiveness to the RFP and compliance to specified proposal guidelines under Section 8. | Technical Proposal and Cost Worksheet |

(2) If these minimum criteria are met, the offer's technical proposal will be evaluated as follows:

| Evaluation Criteria | Documents Evaluated | Marks |
|--|---------------------------------------|--------------|
| Prior experience working with financial institutions, with special focus on micro lending, credit appraisal (Based on the detailed information provided in the Technical Proposal) | Technical Proposal | 20 |
| Proven track record in developing and successfully implementing credit scoring systems | Submitted CVs of Key Resource Persons | 20 |
| In depth knowledge and exposure in developing credit scoring methodology and technological aspects pertaining thereto and experience in technical modelling skills and practical knowledge of the credit risks associated with borrowers in the micro segment | Details of project implementation | 20 |
| Familiarity with the Sri Lankan business enabling environment including key challenges faced by MSMEs and MFIs in availing financial solutions to MSMEs and in-depth understanding of financial sector policy, regulation, and operating landscape with emphasis on the micro finance industry | | 10 |
| Experience and exposure in training, presentation, and delivery skills to deliver training to staff of MFI | | 10 |
| Excellent verbal and written communication skills in English and local languages | | 10 |
| Experience presenting quantitative and qualitative data for decision-makers and relevant stakeholders | | 10 |
| TOTAL | | 100 |

(3) The offeror's cost proposal will be evaluated for:

- Proposed total price, relative to other offers received.

- Realism and reasonableness of the work to be performed.
- Price reflects a clear understanding of the requirements.
- Price is consistent with various elements of the technical proposal.
- Compliance with USAID cost principles (select one: Non profit entities – Cost Principles in 2 CFR 200 Subpart E or For profit entities – Cost Principles in FAR Part 31)

Palladium reserves the right to award under this solicitation without further negotiations. The offerors are encouraged to offer their best terms and prices with the original submission.

11. Procurement Integrity and ethics

It is Palladium's Policy that no gifts of any kind and of any value be exchanged between vendors/contractors and Palladium personnel. Discovery of the same will be grounds for disqualification of the vendor/contractor from participation in any Palladium's procurements and may result in disciplinary actions against Palladium personnel involved in such discovered transactions.

12. Resulting Award

This RFP in no way obligates Palladium to award a contract. Palladium may opt to select multiple offers in response to this RFP.

Any contract/purchase order resulting from this solicitation must be signed by both parties in order to be considered valid and in force. All costs associated with, but not limited to, production, preparation and/or delivery of goods or services, including deliveries, accepted by Palladium staff, without a fully executed (signed by both parties) contract/purchase order, are at the vendor's risk only. Palladium shall not pay for any costs, without limitation, associated with production, preparation or delivery of goods and/or services under this or any other contract/purchase order, which has not been signed by both parties.

If your proposal is successful, you will be required to enter into the Company's standard contract for the types of goods or services being provided. In the provision of the Goods and Services, you will be required to comply with the Company's policies, including (without limitation) its Business Partner Code of Conduct and any relevant client terms and conditions. Potential suppliers must also comply with the Company's Business Partner Code of Conduct in the submission of any proposals pursuant to this RFP.

If you are bidding as part of a joint venture, partnership or similar, please make this clear in your submission. Likewise, if you propose to subcontract any part of the goods or services provision, then disclose this fact within your submission. The Company may require additional information from you and approval for subcontracting will not be automatic as subcontractors will be subject to Palladium's Due Diligence process.

13. Attachments

Please review the additional documentation and proposed contracts terms and conditions which should be given consideration when preparing your proposal. By submitting your bid you will certify that that you are in agreement with the contract terms and conditions as included in this solicitation and that all prices include all aspects of the required compliance with the terms and conditions of the proposed contract.

Attachment 1- Due Diligence Questionnaire

Attachment 2- FFATA Form (will be required only for successful offeror, where applicable – included for awareness only)

Attachment 3- Internal Anti-Corruption Questioner (will be required only for successful offeror, where applicable – included for awareness only)

Palladium Business Partner Code of Conduct and Child Protection Guidelines can be downloaded in full at: <http://www.thepalladiumgroup.com/policies> or request through email from Catalyze.procurements@thepalladiumgroup.com

Annex A: Activity 1 Scope of Work

SCOPE OF WORK USAID CATALYZE SRI LANKA PRIVATE SECTOR DEVELOPMENT PROGRAM Credit scoring model for a Micro Finance Institution – Activity 2

1. Scope of Work

PSD seeks a qualified consultant/consultancy firm capable of supporting a local Microfinance Institution to develop a robust, computer-based credit scoring model/matrix to enhance the MFI's capacity to appraise loan transactions, particularly those associated with micro and small businesses. assess small-value loan transactions across various product categories, ensuring a comprehensive evaluation that includes individual factors, socio-economic considerations, and other pertinent parameters identified during a thorough gap analysis.

2.Objectives

The overall objective of this scope of work is to improve operational efficiency and increase the profitability and/or the outreach of microlending through the subject MFI, thereby providing more access to finance to unbanked and underbanked segments in the economic pyramid.

The primary objectives to be achieved through the proposed credit scoring system include:

- Streamlining the lending process.
- Improving loan officer efficiency.
- Increasing the consistency of the evaluation process.
- Reducing human bias in the lending decision.
- Enabling MFI to vary the credit policy according to risk classification, such as underwriting or monitoring some lower risk loans without on-site business inspections.
- More accurately quantify expected losses for different risk classes of borrowers.
- Improving collections ratio and reducing portfolio risk.

3. Requirements or Tasks

Specific responsibilities of the consultancy include, but are not limited to:

- Conduct a credit model gap analysis on the MFI to determine internal baseline requirements and technical capacity which includes identification of the scoring segment (including type of customers and products) for which the scoring model will be used. This would include loans granted under different loan product categories including but not being limited; cluster loans, individual loans and enterprise development loans granted to micro and small businesses.
- Selection of the type of scoring model (whether based on historical data, hypothetical factors etc.) with flexibility to address any aspect of credit risk in micro financing for deciding the creditworthiness and suitable to be conveniently used by the designated MFI.
- Customize the selected scoring model based on individual MFI requirements to match their internal risk management profile as identified in the gap analysis report.
- Design the credit scorecard including deviation approval matrix closely linked to verifiable individual factors (such as income, credit history checks with the MFI, credit bureau information), socio economic factors relevant for the sub sector, country and region as well as relevant demographic factors (such as age, education, and homeowner status etc.).
- Pilot testing of the proposed credit scoring model and the deviation approval matrix based on a scope document setting out test scenarios and expected test results.
- Prepare, plan, implement and conduct workshops for officials of the MFI and assist them in understanding the credit model and help driving adoption the credit model as identified in the gap analysis report.

4. Required Qualifications

The consultant/firm should possess the below minimum qualifications to apply for this position:

- Experience working with financial institutions with special focus on micro lending, credit appraisal.
- Proven track record in developing and successfully implementing credit scoring systems.

- In depth knowledge and familiarity in developing credit scoring methodology and technological aspects pertaining thereto.
- Experience in technical modeling skills and practical knowledge of the credit risks associated with borrowers in the micro segment.
- In-depth understanding of financial sector policy, regulation, and operating landscape with emphasis on the micro finance industry.
- Familiarity with the Sri Lankan business enabling environment including key challenges faced by MSMEs.
- Excellent training, presentation, and delivery skills to deliver training to staff of MFI.
- Excellent verbal and written communication skills in English and local languages.
- Experience presenting quantitative and qualitative data for decision-makers and relevant stakeholders.

5. Payment Terms

The consultant/consultancy firm will be compensated based on the completion of milestones based on the deliverable schedule below independently from each deliverable.

6.Task Deliverables

The deliverables, sub deliverables, criteria for acceptance, and indicative timelines are set out in Deliverable Table below.

| No. | Milestone | Deliverable | Due |
|-----|--|--|--------------------------|
| 1. | <p>Conduct an analysis of the MFI's internal credit risk framework that:</p> <ul style="list-style-type: none"> • Identifies and highlight gaps a computer-based credit scoring model (e.g., Excel based) can help address; • Determines the credit scoring model/matrix internal baseline requirements and technical capacity; and • Identifies the scoring segment, including type of customers and products for which the scoring model will be used (cluster loans, individual loans, enterprise development loans granted to micro and small businesses, etc.) | Approved gap analysis report / presentation | 1 month from award date |
| 2 | <p>Selection, customization, and designing of the selected scoring model including deviation approval matrix based on specific requirements of the subject MFI to match their internal risk management profile as identified in the gap analysis report with flexibility to address any aspect of credit risk in micro financing for deciding the creditworthiness and suitable to be conveniently used by the designated MFI.</p> | <p>Progress Updates (i.e. meeting minutes, etc)</p> <p>Submission of finalized scoring model</p> | 2 months from award date |
| 3 | <p>Pilot testing of the credit scoring model and the deviation matrix based on a scope document setting out test scenarios and expected test results.</p> | Submission of proof of pilot testing completion with confirmation from key MFI staff. | 3 months from award date |

| No. | Milestone | Deliverable | Due |
|-----|---|---|--------------------------|
| 4 | Conduct a minimum of 3 workshops for the MFI officials, assist them in understanding the model and adopting the model as identified in the gap analysis report. | Copy of workshop agenda, presentation, and sign-in sheet documenting attendance of selected key bank staff as identified by initial gap analysis. | 4 months from award date |

7. Period of Delivery

From the last week February 2024 to July 2024, over 150 calendar days and is expected to take no more than 4 calendar months for delivery from date of commencement.

Task 02 is expected to commence consequent to the successful completion of Task 01 (subject to the satisfaction of the subject MFI) and is expected to take no more than 10 calendar months for delivery from date of commencement of Task 02.

8. Monitoring

The Consultant/consultancy firm shall be required to submit the following documentation / information to PSD /subject MFI on the progress of the project to enable delivery oversight and management. This will include submission of:

- Bi-Weekly Status Report
- Recordings/Meeting Notes of Progress Meetings with the MFI's
- Timeline detailing planned activities and deliverables for the consultancy duration.

9. Miscellaneous

All information, survey findings, promotional material etc. proposed or developed or recommended under the consultancy shall be the property of the Program and more specifically source code control which should be handed over to PSD & the subject MFI upon the completion of each task.

The consultant/consultancy firm will be required to enter into Non-Disclosure Agreements / Data Use Agreements pertaining thereto as may be deemed necessary. In the event of unsatisfactory delivery, PSD will submit a contract termination notice in writing 30 days prior to the vendor.

Annex B: Activity 2 Scope of Work

SCOPE OF WORK USAID CATALYZE SRI LANKA PRIVATE SECTOR DEVELOPMENT PROGRAM Credit scoring model for a Micro Finance Institution – Activity 2

2. Scope of Work

PSD seeks a qualified consultant/consultancy firm capable of supporting a local Microfinance Institution to:

Develop and operationalize a web-based solution that uses artificial intelligence (AI) and/or virtual assistance (VA) to streamline implementation of the Credit Scoring Model/Matrix developed earlier. The web-based solution should be designed to function independently while maintaining the flexibility to interface seamlessly with the MFI's Core Banking System (CBS) through an Application Programming Interface (API).

2.Objectives

The overall objective of this scope of work is to improve operational efficiency and increase the profitability and/or the outreach of microlending through the subject MFI, thereby providing more access to finance to unbanked and underbanked segments in the economic pyramid.

The primary objectives to be achieved through the proposed credit scoring system include:

- Streamlining the lending process.
- Improving loan officer efficiency.
- Increasing the consistency of the evaluation process.
- Reducing human bias in the lending decision.
- Enabling MFI to vary the credit policy according to risk classification, such as underwriting or monitoring some lower risk loans without on-site business inspections.
- More accurately quantify expected losses for different risk classes of borrowers.
- Improving collections ratio and reducing portfolio risk.

3. Requirements or Tasks

Specific responsibilities of the consultancy include, but are not limited to:

- Development of a web-based solution based on the Credit Scoring Model/Matrix Embedded with AI and VA (Artificial intelligence and Virtual Assistance) and the Deviation Approval Matrix developed by the MFI (as the successful outcome of the Task 01 above) which will initially operate as an independent system with flexibility of interfacing with the Core Banking System of the MFI via an API.
- Ensure that the platform has the capability to cater to both existing and future clients of the entire branch network of the MFI and the needs of the existing/products in the pipeline as well as compliance with the regulatory /statutory requirements.
- Migration of relevant files and text formats of the current customer portfolio at the initial stage and on intervals as may be mutually agreed between the consultant/consultancy firm and the subject MFI.
- Pilot testing (User Acceptance Testing) of the Credit Scoring Model/matrix and the deviation approval matrix based on a scope document setting out test scenarios and expected test results.
- Promote the credit scoring model to drive wider adoption /outreach through trainings and workshops targeting the officials of the MFI and assist them in understanding the credit scoring model.
- Usage of Artificial Intelligence (AI) and Virtual Assistance (VA) to give results in a more productive manner.
- Platform maintenance and resolution of any teething issues (bugs) which may arise in the live scenarios for a minimum period of 06 months from going live.

4. Required Qualifications

The consultant/firm should possess the below minimum qualifications:

- A reputable software development company with experience and proven track record in development, operationalization, and successful deployment of credit scoring systems for financial institutions.

- In depth knowledge and familiarity in developing credit scoring methodology and technological aspects pertaining thereto.
- Excellent training, presentation, and delivery skills to deliver training to staff of MFI.
- Excellent verbal and written communication skills in English and local languages.
- Experience presenting quantitative and qualitative data for decision-makers and relevant stakeholders.

5. Payment Terms

The consultant/consultancy firm will be compensated based on the completion of milestones based on the deliverable schedule below independently from each deliverable.

6. Deliverables (Illustrative)

Expected deliverables under activity 2 are outlined below. Deliverables may be subject to change based on outcomes of Activity 1

| No. | Milestone | Deliverable |
|-----|--|--|
| 1 | Development of a web-based solution based on the Credit Scoring Model/matrix Embedded with AI and VA (Artificial intelligence and Virtual Assistance) and the deviation approval matrix developed by the MFI as the outcome of the Agreement 1 (referred to above) which will initially operate as an independent system with flexibility to interface with the Core Banking System of the MFI via an API. | Confirmation by a designated representative of the subject MFI on the successful development of a standalone system based on the Credit Scoring Model /matrix and the deviation approval matrix |
| 2 | Migration of relevant files and text formats of the current customer portfolio at the initial stage and on intervals as may be mutually agreed between the consultant and/or firm and the subject MFI. | Confirmation by a designated representative of the subject MFI |
| 3 | Pilot testing (User Acceptance Testing) of the Credit Scoring Model /matrix and the deviation approval matrix based on a scope document setting out test scenarios and expected test results. | Proof of pilot testing completion through submission of a QA certificate with all details confirming the acceptance of the system based on test results by a designated representative of the subject MFI. |
| 4 | Facilitate uploading of customer data from the core banking system through an API to the web-based system to be developed to ascertain credit history checks, customer behavioral traits etc. | Confirmation by a designated representative of the subject MFI on the facilitation of free flow of customer data between the two systems. |
| 5 | Promote the credit scoring model to drive wider adoption/outreach through training/workshops (minimum 3) targeting the officials of the MFI and assist them in understanding the credit scoring model. | Copy of training/ workshop agenda and presentation signed off by a designated representative of the subject MFI. Sign-in sheet documenting attendance of selected key staff nominated by the subject MFI at each of the 3 workshops/trainings |
| 6 | Platform maintenance and resolution of any technical issues which may arise in the live scenarios for a minimum period of 6 months from going live. | Submission of Agreement signed between the subject MFI and the consultant/consultancy firm undertaking resolution of any technical issues (bugs) which may arise in the live scenarios for a minimum period of 06 months from going live. |