

TOR for Evaluation of Berendina Micro Investments Company (BMIC) - 2023

Introduction and Background

BMIC is the first microfinance company licenced by the Central Bank of Sri Lanka under the Microfinance act no 6 of 2016. BMIC's history goes back to 2007 when it was established under the name of Berendina Microfinance Institute (Guarantee) Limited and operated until 2017 and relaunched as BMIC in 2018. BMIC provides Micro Credit, Collateral Savings, Enterprise Development Services and many other value added services with the overarching objective of alleviating poverty and improving living standards of low income people in the country. BMIC works in 12 districts and services both groups of clientele speaking Singhala and Tamil as their mother tongue. The district wise branch list is given in the **annexure 1**.

BMIC was operating under a 5 years' strategic plan developed in 2017 for the period 2018 to 2022 which included vertical and horizontal growth plans. However, since 2018 BMIC has to face many challenges in the microfinance industry such as increased over indebtedness among clients, massive microfinance loan write off program implemented by the government, anti microfinance social movements and many other socio economic challenges due to Easter Sunday attack in 2019, COVID -19 related challenges since 2020/21, economic challenges due to government policies such as the ban on inorganic fertilizer in 2021 and the consequences of foreign exchange crisis in 2022. These challenges are external to BMIC which affected BMIC heavily for the implementation of the strategic plan 2018- 2022. BMIC implements an annual business plan for 2023.

In 2023, BMIC initiated an assignment to develop the digitalisation strategy for BMIC. The assignment is progressing and the final report will be available before this evaluation is undertaken.

BMIC expects to develop a new strategic plan in 2023 for the period 2024 - 2026. Prior to the development of the new strategic plan, BMIC has planned an independent evaluation in mid-of 2023. The outcome of the evaluation and lessons learnt will be invaluable input for the next strategic plan.

Objectives of the evaluation

The overarching objective is to assess the impact, effectiveness, efficiency and sustainability of BMIC over the past five years. The evaluation will assess to what extent BMIC realized its Vision, Mission and Goals as formulated in the 2018-2022 BMIC Strategic Plan and subsequent Annual Plans. The evaluation will also assess the flexibility with which BMIC adapted to the changing economic, political and social environment in which it operates.

Specific Objectives:

1. Assess the impact, effectiveness, efficiency, and sustainability of BMIC. The focus will be on the impact, by assessing to what extent BMIC achieved results that helped alleviate poverty, improve living standards, and enhance financial and economic empowerment, of low-income people in the target areas.

2. Assess how BMIC reacted to the challenges faced by the microfinance industry over the period 2018 – 2022, i.e. how it adapted implementation of the 2018 - 2022 strategy to changing circumstances (the macro and micro economic policies, socio-political environment, drought, terrorist attacks, COVID-19 pandemic and the economic crisis situations). Assess to what extent BMIC's flexibility was effective and helped achieve its mission and goals despite challenging times.
3. Assess what aspects of the existing BMIC organization proved to be positive to achieve impact among clients, and whether other aspects hindered effectiveness. Consider e.g. the package of products and services, systems, staff, style of management, stakeholders, unique selling propositions and organizational culture using an integrated organization model for evaluation.

Key Evaluation Questions-

- a) How has BMIC as a micro finance institution contributed to the financial and economic empowerment of the communities and individuals? To what extent, and how, has the strategy of achieving 85% female clients contributed to the empowerment of women? How can the impact on empowerment be improved?
- b) To what extent has BMIC been able to overcome the challenges in the micro finance sector and to build a positive image of micro finance industry as a development actor? Has BMIC effectively made use of the opportunities available in difficult situations?
- c) Is BMIC an effective and efficient organization? How can it be further improved? How can the levels of efficiency, effectiveness and sustainability of BMIC be positioned in the industry standards in Sri Lanka and the South Asian region and any other comparable countries? How can these elements be further improved?

Key components of the evaluation:

A) Assess the impact of BMIC products and services on poverty alleviation

BMIC has different types of clients: cluster members, cooperative society members, and individual borrowers, women and men, and these can be in their first, second, third etc. loan cycle. These clients take various services: loans for income generation activities, loans for assets, loans for enterprise development etc. They have the option to obtain non financial services such as training and advice for their income generation activities/small businesses from BMIC. There are certain services clients eligible such as hospitalization cash and scholarships for children education. The evaluation is to analyze the following impact areas, including whether impact differs per type of client, and/or per package of services.

Impact areas

- a) Increasing income of BMIC clients, for the various types of clients and BMIC services

- b) Building assets of client's families
- c) Entrepreneurship development and creating opportunities to start up and improve micro/small enterprises, including growth of enterprises [turnover, employment, profits], lifetime of enterprises and their resilience/sustainability
- d) Skills development, exposure to knowledge and access to markets
- e) Employment creation and retention
- f) Knowledge building on Financial Literacy and Financial Management
- g) Improving wellbeing and quality of life of BMIC clientele and their families, their (sustained) reduction in poverty
- h) Improving resilience to COVID 19 related situations and other socio - economic challenges
- i) Social and economic empowerment of BMIC clients and their family members including empowerment of women (access to income, decision-making in family and community, protection against violence)
- j) Impact of BMIC activities on the socio-economic upliftment of the communities, e.g. through increased economic activity, empowerment, services provided by enterprises
- k) Reduce indebtedness and adverse impacts of unethical competition in the micro finance institutions among the communities in and around BMIC working areas
- l) Trust building in communities and between clients and BMIC
- m) Current positioning in the markets we operate with competitor positioning.

B) Assessment of Cost Effectiveness, Efficiency and Sustainability

It is expected to review those aspects of the overall BMIC Business model that come out as strongly influencing the impact areas (mentioned under A) in a positive or negative sense, and assess their efficiency and sustainability. Aspects may be BMIC's structural design (Ex. Its cluster model), departments, delivery channels, systems, products and services, monitoring, internal control and quality assurance systems and HR and ICT with objective of identification of areas for improvements in the future. (BMIC experience repayments are very well for enterprise loans, and lesser for other individual loans, even less than cluster).

C) Assess the competitive advantages and disadvantages of BMIC over other microfinance institutions from the client's perspective and management (including staff) perspective

The evaluation is to assess BMIC's position in the microfinance industry through a mapping exercise and analyse the current positioning of BMIC with the objective of required repositioning strategies in terms of the overall objectives of BMIC and market trends.

Data on other microfinance institutes to be gathered for comparison with BMIC (to the extent available from public information): Return on Assets, Cost to Income, case load of FOs, overhead fee/FOs, PAR, portfolio growth rates, Return on Equity, Equity/Assets and pricing. Furthermore, we would welcome suggestions for growth of the portfolio.

D) Make due consideration to following Cross Cutting elements

1. Sensitivity and responsiveness to gender equity and equality
2. Environmental protection and climate adaptation (Ex. Need and possibilities to work on climate change/climate-resilient agriculture).
3. Economic resilience of clients
4. Responsiveness to the challenges in the operating environment
5. Customer protection
6. Accountability and transparency
7. Brand building & loyalty to consumers (For consumers and from consumers).

E) Identify key areas for BMIC to focus on next 3 years in its new strategic plan

It is expected that the consultants make recommendations on key areas for BMIC to focus on in the next 3 years, based on the evaluation findings. In addition, they will take into account international experience specially in the South Asian and South East Asian countries.

Approach and Methodology

The approach and methodology shall include but not be limited to

- a) Thorough examination of literature closely related to BMIC's objectives and work
- b) Discussions with senior management and staff in the head office
- c) Analysis of BMIC client data (correlations between client profiles – their products and services - and their performance, e.g. repayment/default, graduation/drop-out, progress out of poverty)
- d) Field visits to selected 5 branches and consultations with staff and communities including Focus Group Discussions and individual meetings with staff
- e) Staff perspective survey and Client's perspective survey
- f) Analysis how enterprises started/improved with BMIC loans/EDS including further analysis of clients' Poverty Probability Index data collected by BMIC
- g) BOD and management perspective studies
- h) Shareholders feedback & perspectives
- i) Competitor study – See **annexure 2** for suggested competitors
- j) Other stakeholder feedback - see **annexure 3**

Profile of Consultants Team (2 to 3-member team capable of addressing the expected outcomes of the evaluation. The consultants should hold following roles, responsibilities and expertise)

- 1. Team leader:** The team leader needs to have a minimum of a post graduate qualification in development studies/finance studies with at least 6-8 years of project management experiences at a senior level. The team leader should have previous experience as a lead evaluator of a similar evaluation. The overall responsibility of the evaluation is with the team leader who is capable of

integrating the expertise and technical capacity of other members to make the evaluation technically sound and comprehensive.

2. **Microfinance Expert 1 or 2:** Should have extensive experience in monitoring and evaluation of MFIs. Experience in Enterprise Development Services (or Business Development Services) is essential. Regional experience in South Asia and significant contributions towards poverty alleviation and improving efficiency and effectiveness and exposure to digitalized environments are elements of expertise foreseen.
3. **Socio – Economists –** Should have extensive experience in evaluating microfinance programs. Strong background in gender in development is required. Understanding on socio economic landscape related to microfinance in Sri Lanka is essential.

Deliverables:

1. Inception Report
2. Draft Report: Should include an executive summary, Methodology/methodologies adopted/ Findings and Analysis in line with the TOR, Recommendations in general and specific recommendations for new phase 2024 to 2026
3. Presentation of findings to BMIC and BS (Debriefing) and incorporating their comments
4. Final Report

Duration:

The evaluation should be completed within 2 months of the assignment. It is expected that the evaluation should be carried out in July and August and report should be available by end of August 2023.

Submission of Proposals:

The technical and financial proposals should be submitted on or before 11th June 2023 to madhusanka@berendina.org

The technical proposal should be a comprehensive proposal that provides understanding of TOR, detailed approach and methodology, tools to be used, indicators of measurement of impact, effectiveness, efficiency and sustainability, the organisation of consultancy team, all other necessary information for the technical proposal of the evaluation including time lines and CVs of consultants. The financial proposal should provide details for consultancy fee with details of daily rates and number of days, other costs such as travel, subsistence and accommodation. All financial figures should be in USD.

Should you have any clarifications on this ToR please send your queries to above email address on or before 18th May 2023.

Note: Please note that our official website www.berendina.org is currently undergoing a revamp. Hence, you may encounter certain challenges while browsing. We extend our sincere apologies for any inconvenience that may be caused.

Annexure 1:

List of Branches



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Annex 2: Essential Competitors for Review

LMCs

- a) Seyjaya
- b) Lakjaya

FCs

- c) HNB – Finance
- d) LOLC finance

Other MFIs

RDB

Co-operatives involved in micro finance industry

Prominent NGOs

2 to 3 unregulated MFIs which will be decided at the begging of the evaluation The bidder is invited to suggest other competitors for the study with justifications

Annex 3: Some of Other stakeholders

- a) Central Bank of Sri Lanka
- b) Lanka Microfinance Practitioners Association
- c) SYIB Association
- d) Partners such as WPF, Stromme, SLSB, HNB
- e) Plantation managers
- f) A desk review of five peer MFIs in the South Asian region selected mutually by the consultants and BMIC

Annexure 4

Annual Report – BMIC 2021



Annexure_4_BMIC
Annual Report 2021.p

BMIC Strategy Plan 2018-2022



Annexure_4_Strategic
Plan 2018-2022.pdf

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