

INNER CITY BASIC SERVICES PROJECT

MICROFINANCE OUTPUT-BASED SUPPORT TASK PROCEDURES MANUAL (DRAFT)

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Table of Contents

INTRODUCTION	1
1. APPLICATION PROCESS	2
1.1. GENERAL INFORMATION	2
1.2. GENERAL PROCUREMENT NOTICE AND INVITATION TO PRE-QUALIFY	3
1.3. PRE-QUALIFICATION OF BIDDERS	3
1.4. INVITATIONS TO BID	4
1.5. BIDDING DOCUMENTS	4
1.6. BIDDERS’ CONFERENCE	5
1.7. SUBMISSION OF BIDS	5
1.8. OPENING OF BIDS	5
1.9. SCORING AND SELECTION OF BIDS	6
1.10. LETTERS OF ACCEPTANCE AND NOTICATION LETTERS	7
2. DUE DILIGENCE PROCESS	8
2.1 VERIFICATION VISITS	8
2.1.1 <i>Preparation for Verification Visits</i>	8
2.1.2 <i>Conducting the Verification Visit</i>	8
3. CONTRACTS.....	9
3.1 RECOMMENDATION.....	9
3.2 CONTRACTS	9
4. SELECTION COMMITTEE.....	10
5. WORLD BANK APPROVAL.....	10
5.1 PROCUREMENT PLAN	10
5.2 PRE-QUALIFICATION APPROVAL.....	11
5.3 APPROVAL OF AWARDS.....	11
6. PAYMENT	12
6.1 SCHEDULE OF PAYMENTS	12
6.2 REQUEST FOR PAYMENTS	12
6.3 ADJUSTMENTS TO PAYMENTS	13
7. MONITORING	14
7.1 REPORTING FROM SERVICE PROVIDERS.....	14
7.1.1 <i>Monthly Reports</i>	14
7.1.2 <i>Quarterly Reports</i>	15
7.1.3 <i>Annual Report</i>	15
7.1.4 <i>Failure to Report</i>	15
7.2 MONITORING VISITS	16
7.3 SPECIAL AUDIT VISIT	16
8. MOST FILES	17
8.1 PROGRAM FILES.....	17
8.2 BIDDERS FILES.....	17
8.3 SERVICE PROVIDER FILES	17
ANNEX 1 GENERAL PROCUREMENT ANNOUNCEMENT	19
ANNEX 2 INVITATION TO PRE-QUALIFY	20
ANNEX 3 AGENDA FOR MOST BIDDERS CONFERENCE.....	26
ANNEX 4 BID SCORING SHEET AND GUIDELINES.....	27
ANNEX 5 NOTIFICATION LETTER.....	37

ANNEX 6	SCOPE OF WORK FOR VERIFICATION VISIT.....	38
ANNEX 7	VERIFICATION VISIT LETTER.....	43
ANNEX 8	VERIFICATION VISIT REVIEW FORMAT	44
ANNEX 9	MOST TRACKING SHEETS	45
ANNEX 10	SAMPLE REQUEST FOR PAYMENT	48
ANNEX 11	REPORT TEMPLATES.....	50
ANNEX 12	SAMPLE MONITORING VISIT CHECKLIST.....	55

List of Definitions, Abbreviations and Acronyms

ACT	Alternative Credit Technologies, LLC
CBO	Community Based Organization
FI	Financial Institution
FY	Fiscal Year
MM	Microfinance Manager
GoJ	Government of Jamaica
ICBSP	Inner Cities Basic Services Project
JMD	Jamaican Dollar
JNSB	Jamaican National Society of Builders
JNSBL	JN Small Business, Ltd.
JSIF	Jamaican Social Investment Fund
LC	Local currency
MEFL	Micro Enterprise Financing, Ltd.
MF	Microfinance
MoF	Ministry of Finance
MFI	Microfinance Institution
MOST	Microfinance Output-based Support Task
MIS	Management Information Systems
NGO	Non-governmental organization
NWC	National Water Commission
OBA	Output-based Aid
PIOJ	Planning Institute of Jamaica
PAR	Portfolio at risk
ROA	Return on Assets
ROE	Return on Equity
SME	Small and medium-size enterprise
SMME	Small, medium and microenterprise
USD	United States dollars
YTD	Year to date

Introduction

In accordance with Inner Cities Basic Services Project (ICBSP) Project Appraisal Document, Component 1.2 of the ICBSP is to provide access to financial services the targeted communities. The modest goal of the microfinance (MF) component is to increase outreach of financial services accessible to 1,000 to 3,000 microentrepreneurs over three years within the targeted areas.

The main objective of the MF component is to encourage and support existing financial service providers [including microfinance institutions (MFIs), credit unions, building societies, banks, and other specialized institutions qualified to provide microcredit] to expand their financial service offerings within the targeted communities. The expected result is two-fold: to increase access to credit in the target communities, and to demonstrate that microfinance can be implemented sustainably in unstable inner city communities. The impact of this activity will be greatest if the participating Service Providers continue to serve the ICBSP communities after the MF component ends. If they do, the component will demonstrate to non-participating financial institutions that these communities can be served profitably. Because the outcome is not clear and the size of the target market is limited, this component is only a small part of the ICBSP project.

Description of Microfinance Output-based Support

The structure of output-based aid (OBA) is simple: institutions agree to achieve a certain output for a certain subsidy. This manual refers to output-based aid as “microfinance output-based support task” or “MOST” in order to minimize the public’s perception that MOST is a grants program. In the case of this component, Service Providers agree to disburse, service and collect an agreed-upon volume of Jamaican dollars (JMD) to qualified low-income households in the ICBSP communities. In return they will receive an agreed-upon payment. The payment is made in installments over time, linked to loans disbursement and performance, up to the maximum contract price.

OBA is a new approach to supporting microfinance. Traditionally, donor agency support to microfinance has been either through sector-wide interventions, grants to institutions, or loans to providers—often through a government or commercial wholesale intermediary. OBA has been applied to microfinance for several reasons.

- OBA is results-based—subsidies are only paid if certain targets are reached;
- The lender has a strong incentive to recover loans because they maximize their payments if all loans are repaid in full;
- OBA has an “up-side” potential for lenders rather than just a “down-side” protection (such as with guarantee mechanisms) which encourages lenders to manage risk;
- OBA is simpler than negotiating loans or guarantee facilities and establishing or contracting institutions to manage them;
- OBA is by its nature a temporary intervention and has a clear exit strategy. Once the OBA is exhausted, the intervention ends;
- Any distortions are temporary, as the aid becomes the equity of the grantee to be used as they see fit in the market;
- OBA can be auctioned off to the lowest bidder to the institution(s) that agrees to provide the highest volume of loans for the lowest payment.
- Payments are not linked to specific budget items of the Service provider, which eliminates the need to monitor the use of funds.

JSIF and the World Bank have recommended certain eligibility and selection criteria for the MOST which reflect the goals of the ICBSP MF component and international best practices in microfinance. Alternative Credit Technologies (ACT) and the World Bank have designed a process for choosing and

working with partner MFIs which is in accordance with World Bank Procurement Guidelines for Non-consultant Services and best practices in providing support to microfinance institutions. It consists of the following steps:

1. JSIF will provide all bidding materials to the World Bank for review and approval.
2. JSIF will submit a Bank Withdrawal Application for the amount of OBA to be paid for the round of bidding.
3. JSIF will advertise in at least one newspaper of national circulation in Jamaica asking interested parties to send an Expression of Interest to JSIF if they are interested in bidding.
4. Institutions that submit an Expression of Interest will be asked to pre-qualify to ensure they meet the basic eligibility criteria.
5. JSIF will announce a tender limited to a short-list of pre-qualified potential bidders and supply bidding materials to the same.
6. JSIF will host a Bidders' Conference which all Pre-qualified Bidders must attend to explain the MF component and the bidding procedures.
7. After the deadline for receiving bids, a Selection Committee (See [Section 4 Selection Committee](#)) will review and evaluated bids and make their selection.
8. Selected Bidders will be sent a Letter of Acceptance and Form of Contract to sign.
9. JSIF will submit the list of selected bidders to the World Bank for its "no objection."
10. JSIF will conduct an on-site Verification Visit.
11. Upon satisfactory completion of the on-site visit and evaluation, JSIF will sign the Contracts with Service Providers.
12. Service Providers will commence lending to Qualified Clients. Eligible lending must be completed within 24 months of the Contract date.
13. Service Providers will provide monthly reports and Request for Payments.
14. JSIF will review monthly reports and Request for Payments and request and make payments to Service Providers.
15. On a semi-annual basis, the MF Selection Committee will appoint a person or institution to verify the accuracy of the information reported by Service Providers.
16. After 11 months, JSIF will contract a consultant to evaluate the success of the first round of bids.
17. The Bidding Process will be repeated twice more at intervals of 12 months.
18. JSIF will submit a second Bank Withdrawal Application with summary of expenditures paid to Service Providers when requesting advances for the follow-on rounds of bidding.
19. JSIF will contract a consultant to conduct a final evaluation of the MF Component.

1. Application Process

1.1. General Information

The MF Manager (MM) is responsible for providing information on the MOST. The information provided shall include:

- Purpose of MOST
- Announcements
- Eligibility Criteria
- Selection Criteria
- Bidding Process
- Reporting Requirements

In order to provide information, the MM will do the following:

Maintain electronic and hard copies of information sheets, bidding documents, and other MOST materials.

Organize and conduct the Bidders' Conferences.

Establish a general e-mail box for inquiries on MOST and respond to inquires (MOST@jsif.org)

Send occasional reminders and progress reports to Service Providers registered parties and others in regard to the MOST.

For direct inquires on the MOST:

JSIF staff shall be instructed to direct all interested parties to the MM.

The MM should delegate the handling of inquiries in her/his absence.

1.2. General Procurement Notice and Invitation to Pre-qualify

Timely notification of the bidding opportunity is essential for competitive bidding, and required under World Bank Procurement Guidelines (para. 2.7). Given the specificity of the MOST, a single, notice is recommended and the notice may be posted on the JSIF website and e-mailed to interested institutions. The Notice should be sent out no later than 45 days before the bid submission deadline.

The MM will post a General Procurement Notice that contains information concerning the borrower (the Government of Jamaica), the amount and purpose of the loan, the scope of the procurement, and the name and address of the MM and JSIF. It should also indicate the scheduled date for availability of Bidding Documents. The notice should also include an invitation to submit an Invitation to pre-qualify. The Invitation to Pre-qualify will require those interested in pre-qualifying to submit an Expression of Interest to the MM. The Expression of Interest must include a signed statement from the interested bidder that they meet the following criteria:

Are a legally registered entity under the laws of Jamaica,

Have conducted small business or microlending in Jamaica for a minimum of two years,

Have a minimum asset size of JMD10,000,000.

[Annex 1 General Procurement Notification](#) contains a sample request for expression of interest.

1.3. Pre-qualification of Bidders

Pre-qualification ensures that invitations to bid are only extended to those who have adequate capabilities and resources. It also limits the distribution of the bidding documents which will help keep the details of the MOST from the ICBSB communities. If the borrowers ICSCP communities become aware that World Bank funds are being used to support financial Service Providers, it may discourage repayment of loans. Pre-qualification decisions are made entirely upon the technical, managerial and financial capabilities of prospective bidders. The Pre-qualification determination is made solely on the basis of the signed statement from the MFI that they meet the minimal criteria and review of the evidence.

Within three days of receipt of a signed Expressions of Interest from Prospective Bidders, the MM shall send an Invitation to pre-qualify to all Prospective Bidders. The Pre-qualification letter follows the World Bank Procurement Manual section 1.8.12 and includes:

- Background on ICBSB and MOST
- A description of how MOST will operate as OBA
- The proposed procurement
- Payment terms and schedule
- Eligibility requirements
- A format for Prospective Bidders to respond to the Invitation to Pre-Qualify.

[Annex 2 Invitation to Pre-qualify](#) contains a draft letter and proposed template to respond for Prospective bidders. Bidders are request to provide a response to the Invitation to Pre-qualify by the deadline proposed, no later than five days before the Invitations to Bid are to be sent.

The MM shall review all responses to the Invitations to Pre-qualify.

- If the MM judges to institution to have pre-qualified, the MM shall include the Prospective Bidder in the Invitations to Bid.
- If the MM believes the institution does not pre-qualify, the MM shall draft a letter of response to the Prospective Bidder outlining the reasons. The MM shall first share this letter with the ICBSB Manager and the Managing Director who shall make the final decision. If all are in agreement, the Managing Director shall sign the letter of response and send it to the Prospective Bidder on the same day as the Invitation to Bid.

- If the MM and/or IC BSP Manager and Managing Director require more information, the MM shall contact the institution and request the information.

1.4. Invitations to Bid

The Invitation for Bids (see World Bank Procurement Guidelines, para. 2.9) shall be issued to Pre-qualified Bidders no later than 30 days after the General Procurement Notice.

The invitation will include a complete set of Bidding Documents so that potential bidders may decide on their participation. The information contained in the Invitation for Bids should conform to the Bidding Documents, and in particular, to the relevant information in the Instructions to Bidders, Bidding Data and the Special Conditions of Contract. (See Bidding Documents). Pre-qualified Bidders will also be asked to confirm by e-mail or fax if they intend to bid and to RSVP to the MM for the Bidders' Conference.

1.5. Bidding Documents

The Bidding Documents furnish all information necessary for a prospective bidder to prepare a bid. The Bidding Documents are the standard World Bank documents for Procurement of Non-consultant Services. The Bidding documents include the following sections:

Table A Bidding Documents

Section I - Letter of Invitation to Bid	an invitation providing a summary of the Bidding Documents, submission deadlines, time and location of the Bidders Conference, and a request for RSVPs.
Section II – Instructions to Bidders	the standard World Bank Instructions with a customized Bidding Data sheet (Section G).
Section III – Forms of Bid, Qualification Information, Letter of Acceptance and Form Contract	the forms which bidders must complete and submit for their bids and sample Letter of Acceptance which is filled in and sent to the successful Bidder only after evaluation of bids has been completed, subject to any review by the World Bank required under the Loan Agreement, and the standard Lump Sum Remuneration Contract which is completed and sent with the Letter of Acceptance to the selected Bidders.
Section IV - General Conditions of Contract	Standard World Bank clauses for the Lump Sum Remuneration Contract.
Section V - Special Conditions of Contract	Specific conditions for the MOST Contract
Section VI- Performance Specifications	the Terms of Reference for selected Bidders
Section VII – Activity Schedule	the schedule in which the price and proposed lending activity is entered and becomes part of the contract.

Bidding Documents will be supplied to Pre-qualified Bidders no later than 30 days before the deadline for submission of bids (see Clause 20.1 of Instructions to Bidders), both a hard copy and by e-mail.

Before the deadline for submission of bids, JSIF may modify the bidding documents by issuing addenda. Any addendum thus issued shall be part of the bidding documents and shall be communicated in writing, fax, or e-mail to all Pre-qualified Bidders. Pre-qualified Bidders shall acknowledge receipt of each addendum by fax or e-mail to JSIF. To give Pre-qualified Bidders reasonable time in which to take an addendum into account in preparing their bids, JSIF shall extend, as necessary, the deadline for submission of bids, in accordance with Sub-Clause 20.2 of the Instructions to Bidders.

The MM shall maintain hard and electronic copies of the most recent version of Bidding Documents.

1.6. Bidders' Conference

JSIF will conduct a Bidders' Conference at least 15 days prior to the bid submission deadline. It is not required that all qualified Pre-qualified Bidders attend. They may send one or two persons to the conference. The purpose of the meeting is to introduce Pre-qualified Bidders to the ICBSB, identify the ICBSB communities, explain how the MOST works, give a presentation on how to calculate a bid, explain the selection criteria, and a brief training on how to complete the Bidding Documents. The MM will also explain the role of the pre-contract on-site visit and the post-contract verification visits. (see [Annex 3 Agenda for MOST Bidders Conference](#)).

- The MM will determine the date and location of the Bidder's Conference in coordination with JSIF and the World Bank. Meetings may be conducted in or out of the JSIF office.
- The MM will provide an agenda for the conference to the Pre-qualified Bidders two days in advance.
- The MM will be responsible for ensuring that all interested qualified Bidders have sent RSVPs for the Conference and are provided an agenda no later than five days in advance of the Conference.
- The MM or assigned staff member will manage all logistical arrangements utilizing JSIF administrative staff to do so.
- The MM will take attendance at the Bidder's Conference. Those institutions that are not in attendance will be notified in writing by the MM that they are no longer eligible to Bid.

1.7. Submission of Bids

Bidders must deliver their bids to the MM at the address specified in the Instructions to Bidders no later than the time and date specified in Clause 20.1 of the Instructions.

- Any Bid received by JSIF after the deadline prescribed in Clause 20 of the Bidding Instructions will be returned unopened to the Bidder. The Bidder shall seal the original and all copies of the Bid in two inner envelopes and one outer envelope, duly marking the inner envelopes as "ORIGINAL" and "COPIES".
 - All other attachments may be delivered in hard copy only.
 - Bidders may modify or withdraw their bids by giving notice in writing before the deadline. Each Bidder's modification or withdrawal notice shall be prepared, sealed, marked, and delivered with the outer and inner envelopes additionally marked "MODIFICATION" or "WITHDRAWAL," as appropriate.
 - No Bid may be modified after the deadline for submission of Bids.
 - Bids will not be opened until the specified date and time in the Bidding Documents.
 - The MM will acknowledge the receipt of any bid, modification, or withdrawal in writing or by fax or e-mail to the bidder's representative.
 - The MM will ensure that all bids are safely maintained.
 - If the bids are unsealed at any point before the designated time for opening the bids, the MM will immediately notify the Bidder and request that they resend a sealed, original copy of the bid.

1.8. Opening of Bids

The Opening of Bids must be carefully monitored and recorded. While the World Bank suggests that bids be opened in front of Bidders, the scoring of the MOST bids on both cost and technical grounds makes a public Opening difficult. **Instead, the Selection Committee shall open bids and record the proceedings.**

Information relating to the examination, clarification, evaluation, and comparison of bids and recommendations for the award of a contract shall not be disclosed to bidders or any other persons not officially concerned with such process until the award to the successful Bidder is notified of the award. Any effort by a Bidder to influence JSIF's processing of bids or award decisions may result in the rejection of his Bid.

- The Selection Committee will open the bids, including modifications made at the time and in the place specified in the Bidding Data.
- The MM shall be present at the Opening of Bids, but shall not participate in the discussion or scoring of the bids. The MM may provide responses to inquiries from the Selection Committee.
- Envelopes marked “WITHDRAWAL” shall be opened and read out first.
- The Chairman will return any late or withdrawn bids to the MM, who will return them unopened to the bidders.
- The Chairman of the Committee will read aloud the remaining Bidders’ names, the bid prices, the total amount of each bid, any bid modifications and withdrawals and such other details as the Selection Committee may consider appropriate.
- After the bids are read aloud by the Chairman, the Secretary of the Committee will make copies of the following documents for each committee member and the MM:
 - Service Providers Bid,
 - Qualification Information,
 - Audited financial statements,
 - CVs of key personnel.
- The Committee will review the bids and score them
- The Committee will return the Bidding Documents to the MM for safekeeping.
 - Rejected bids will be returned in their entirety the bidder.
 - The MM will create a Bidders’ File (see section 8.2 Bidders Files) for each accepted bid.
- The Secretary or designee will prepare minutes of the Bid opening, including the information disclosed to those present.
- Minutes must be reviewed and signed by all Members of the Selection Committee within three days of the Opening of Bids.

1.9. Scoring and Selection of Bids

- The Committee shall review the Bids for completeness prior to the detailed evaluation of bids, JSIF will determine whether each Bid
 - Meets the eligibility criteria defined in Clauses 3 and 4 of the Bidding Instructions,
 - Has been properly signed, and
 - Is substantially responsive to the requirements of the bidding documents. A substantially responsive Bid is one which conforms to all the terms, conditions, and specifications of the bidding documents, without material deviation or reservation.
- If a Bid does not meet any of these three criteria, it will be rejected by Committee with the stated reason. The Chairman will return the bid to the MM and ask that it be returned to the bidder.
- Bids determined to meet the three criteria will be checked by the Committee for any arithmetic errors. Arithmetical errors will be rectified by the Committee.
- To assist in the examination, evaluation, and comparison of bids, the Committee may ask any Bidder for clarification of the Bidder’s bid, including breakdowns of the prices in the Activity Schedule, and other information that the Committee requires. The request for clarification and the response shall be by phone or in writing or by e-mail, cable, telex, or facsimile, but no change in the price or substance of the Bid shall be sought, offered, or permitted except as required to confirm the correction of arithmetic errors discovered by JSIF in the evaluation of the bids.
- The Committee will score the Bids for all bidders based on the determined to be qualified to perform the services and who has offered the lowest evaluated Bid price with a high technical score on their Qualification Information. The scoring system is located in [Annex 4 Bid Scoring Sheet and Guidelines](#) of this manual and should be identical to Clause 31 of the Instructions to Bidders.
- The point system and weightings listed in Annex 4 may be changed for each bid, provided those changes are incorporate in Clause 31 of the Instructions to Bidders.
- Based on the scoring of bids, the Committee shall rank Bidders.

- The Committee shall determine which bidders shall receive contracts and recommend the maximum Contract Price for each of the selected Bidders taking into consideration each Bidder's minimum and maximum total contract price.
- The Committee shall present this recommendation to the MM and record it in the minutes.

1.10. Letters of Acceptance and Notification Letters

The MM shall notify the Bidders whose Bids have been accepted of the award prior to expiration of the Bid validity period by e-mail or facsimile and confirmed by registered letter. This letter is part of the standard World Bank documents (called the "Letter of Acceptance"). It states the sum that JSIF will pay the Service Provider in consideration of the execution of the Services by the Service Provider as prescribed by the Contract (called the "Contract Price"). The notification of award will constitute the formation of the Contract. The notification will include the following documents:

- Letter of Acceptance
- Contract and Appendices A through D
- General Conditions of Contract
- Special Conditions of Contract (SCC)
- Section VI Performance Specifications
- Section VII Activity Schedule

The Contract incorporates all agreements between JSIF and the successful Bidder. It will be sent to the successful Bidder along with the Letter of Acceptance.

- Within 21 days of receipt of the Contract, the successful bidder shall sign two copies of the Contract and return it to JSIF.
- If any selected Bidder decides not to sign the Letter of Acceptance, the MM shall inform the Selection Committee. The Committee shall meet either in person or by phone and determine how to reallocate the funds. The Committee may:
 - opt not to allocate the funds in this round of bidding,
 - add additional funds to the Contract Price of other selected Bidders,
 - choose the next Bidder(s) in the ranking,
 - or some combination of each of these options.
- After the selected Bidders have returned their Letters of Acceptance, the MM will promptly notify the unsuccessful bidders (See [Annex 5 Notification Letter](#)).
- If, after notification of award, an unsuccessful bidder wishes to ascertain the grounds on which its bid was not selected, it should address its request to MM. The MM will promptly respond in writing to the unsuccessful bidder. Any request for explanation from one bidder should relate only to its own bid; information about the bid of competitors will not be addressed.
- If JSIF receives protests or complaints from Bidders, a copy of the complaint and JSIF's response shall be sent to the World Bank for information.

2. Due Diligence Process

Once MFIs have received Letters of Acceptance they proceed to the due diligence process. Because there are few qualified institutions in Jamaica capable of completing the activities, and most are well-known, the due diligence process shall be limited. The purpose of due diligence is to verify the accuracy of information providing in the Bidder's bid.

2.1 Verification Visits

The due diligence shall be managed by the MM, although the MM may appoint a representative (such as a consultant or auditor) to conduct the Verification Visit ([See Annex 6 SOW for the Verification Visit](#)). The purpose of the Verification Visit is to verify the basic information provided in the bids, determine management's commitment and capability, and discuss the proposed activities. A Verification Visit should be conducted unless:

- the Bidder has received a satisfactory rating within the last year from an internationally recognized rating agency, or
- the Bidder is a former or current MOST Service Provider in good standing, or
- the MM or appointed representative has conducted a verification visit of the Service Provider in the past year and found them to be qualified.

2.1.1 Preparation for Verification Visits

Before the verification visit, the MM or representative must be given sufficient time and information to prepare a successful and effective on-site visit. The following guidelines must be observed in preparation for every verification visit.

- Complete Bid material including attachments should be provided to MM or representative two weeks prior to any scheduled on-site visit.
- The Chairman of the Selection Committee will be responsible for forwarding any concerns to the MM a minimum of 1 week prior to the on-site visit.

2.1.2 Conducting the Verification Visit

The MM or representative shall conduct the visit through a combination of interviews and on-site document review.

- The MM provides a Verification Visit Introduction Letter outlining the agenda and expectations of the visit, as well as a list of documents that will be reviewed on-site (see [Annex 7 Verification Visit Letter](#)).
- Should either the MM or representative the Service Provider need to cancel or reschedule the Verification Visit, the requesting party must notify the other party at least five days prior to the scheduled visit.
- Visits should be conducted within 30 days of the Opening of the Bids, whenever possible.
- Visits should not exceed one day. Bidders should be asked to arrange all on-site meetings in advance to complete the agenda in one day.
- The MM or representative meets with the Finance Director to review the budget assumptions in the proposal budget. All inquiries into the Service Provider MIS and accounting systems should be conducted through employees of the Service Provider.
- All original documents must be analyzed on-site in the Service Provider offices. JSIF does not have the right to take original document out of the Service Provider's office. Any off-site examination must be made on photocopies.
- Within five days of the Verification Visit, the MM will give a one-page review of key findings of the visit with the MFI manager. (A sample review form may be found in [Annex 8 Verification Visit Review Form](#).)
- The MM will add the Verification Visit Review Form and note notes of the visit to the Bidder's Files.

3. Contracts

Upon completion of the Due Diligence Process, and the receipt of the Letters of Acceptance and signed Contracts from the Service Providers, the Selection Committee will make their official recommendations to the Managing Director.

3.1 Recommendation

The MM shall complete the recommendation within 15 days after the completion of the Due Diligence Process and/or receipt of the Letter of Acceptance and Contract. The recommendation shall be based on information received in the Bidding Documents and Verification Visits.

- For each Service Provider, the MM will draft a recommendation to Selection Committee that includes the following information:
 - Institutional Summary
 - Selection Committee Decision
 - Contract Price
 - MM Signature
- Recommendations shall be submitted to the Selection Committee by the MM in hard copy.
- The Selection Committee shall review the Recommendations, make changes as necessary, and then sign them. They are then forwarded to the Managing Director for signature.

3.2 Contracts

Contracts consist of four sections:

1. Form of Contract
 2. General Conditions of Contract
 3. Special Conditions of Contract
 4. Appendices, including:
 - a. Description of Services
 - b. Schedule of Payments and Reporting Requirements
 - c. Key Personnel and Subcontractors
 - d. Breakdown of Contract Price in Local Currency
- With the minutes from the Selection Committee and the Bidding Documents, the MM shall finalize the contract documents.
 - Completed contracts are included with the Letter of Acceptance to the selected Bidders. Contracts must not materially differ from those provided in the Bidding Documents. If they do, the Contracts must be resubmitted to the World Bank for approval (see section 5 World Bank Approval).
 - Bidders are requested to sign two original copies of the Contract and Appendices and return them to the MM no later than 21 days after their issuance.
 - The MM shall provide copies of the Contract Recommendations, and two original copies of the Contracts signed by the Service Providers to the Managing Director of JSIF.
 - The Managing Director will secure World Bank no objection for the Contracts (see Section 5 World Bank Approval). Once World Bank approval has been received, the Managing Director will return the copies of the contracts to the MM.
 - The MM will provide one copy to the Service Provider and one conformed copy shall be provided to the World Bank.
 - Modifications may be negotiated between the JSIF and the Service Provider.
 - Any modification to the Contract that results in a material extension of time or an aggregate increase of the original Contract Price by more than 15% requires a no objection from the World Bank.
 - A copy of all amendments must be provided to the World Bank.
 - The MM will create a file for each Service Provider. Documents from the Bidder Files will be transferred to the appropriate Service Provider Files.

- Contracts will be maintained securely by JSIF for no less than two years after the closing date of the World Bank Loan Agreement.

4. Selection Committee

All MOST participants must be approved by the MOST Selection Committee. The committee shall consist of three members including the ICBSP Project Manager, a Financial Advisor, and a Community Advisory. The committee is selected as follows:

- The list of potential committee members shall be determined by the Managing Director.
- The Managing Director shall invite individuals to participate on the Selection Committee. Invitations shall be made annually. Committee members must:
 - Not be employees of the Government of Jamaica
 - Not be a current MOST Service Provider or Bidder
 - With the exception of the ICBSP Manager, not be related to an employee of JSIF or any MOST Service Provider or Bidder.
 - Be available to meet on a quarterly basis.
 - Be familiar with microfinance and or SMME development in Jamaica.
- Selection Committee meetings shall be arranged by the MM. At a minimum, meetings shall be held quarterly no later than 15 days after the end of the calendar year quarter.
- The MM shall draft the agenda for Selection Committee meetings. The meeting agenda shall include:
 - Review and approval of previous meeting minutes
 - Review of previous period activity
 - Number of current MOST Service Providers
 - Review of Bidding Procedures and Results
 - Highlight of MOST Service Providers
 - Remaining Resources under MOST
 - Discussion of next Bidding Process
- The Chairperson of the Selection Committee shall be appointed by the Managing Director. The Chairperson shall appoint a secretary from the other two members.
- Decisions shall be made by a majority vote.
- The MM does not have a vote and is not a member of the committee.
- The MM shall complete the meeting minutes no later than five days after the Selection Committee meeting. Meeting minutes shall be circulated to:
 - Selection Committee Members
 - JSIF
 - World Bank
- The MM shall file Selection Committee Meeting Minutes

5. World Bank Approval

The World Bank has many approval requirements for the use of proceeds of a World Bank Loan. The specific requirements will be negotiated in the final Loan Agreement. This section should be reviewed from time to time to ensure that the specific provisions of the Loan Agreement are followed.

5.1 Procurement Plan

In accordance with the World Bank Procurement Procedures, JSIF must provide a procurement plan. The initial procurement plan should be developed prior to the approval of the Bank Loan and be valid for a period of 18 months. The World Bank must review the procurement arrangements proposed by JSIF in the Procurement Plan.

- The MM (or if the MM is not yet hired, the ICBSP Manager) should develop the initial procurement plan. The plan should include a request for all total value of funds to be disbursed through MOST in the first round of bidding.

- Based on the MOST procurement plan, JSIF will prepare a Bank Withdrawal Application to advance funds into a project deposit account.
- At the end of the Fiscal Year, the MM will provide the ICBSM Manager and the Managing Director copies of all Requests for Payment and a summary of payments made to Service Providers.
- The MM will prepare a procurement plan for all future MOST tenders at least 30 days prior to the Invitation to Bid. The MM will deduct the value funds that remain in the deposit account.
- Should MOST require additional funds prior to the next tender, the MM should inform the ICBSM Manager and the Managing Director through written memo informing them of the amount of the anticipated shortfall.

5.2 Pre-qualification Approval

In the case of pre-qualifying bidders, the Managing Director must furnish the World Bank with a draft of the documents to be used including:

- the text of the invitation to pre-qualify,
- the Pre-qualification questionnaire,
- evaluation methodology,
- description of the advertising procedures.

The World Bank reserves the right to request modifications in the procedures.

- Once the list of Pre-qualified Bidders is developed, the MM must prepare a report for the World Bank that includes:
 - list of the proposed Pre-qualified Bidders
 - a statement of their qualifications
 - reasons for the exclusion of any applicant for Pre-qualification.
- The report must be signed by the Managing Director and provided to the World Bank. The World Bank reserves the right to request additions, deletions or modifications to the list.
- Before bids are invited, JSIF must furnish the draft Bidding Documents for to the World Bank for comment. The World Bank reserves the right to request modifications in the Bidding Documents.

5.3 Approval of Awards

- After bids have been received and evaluated, but before the Contracts are signed by JSIF, the MM must prepare a detailed report on the evaluation and comparison of the bids received together with the recommendations of the Selection Committee. The report must be signed by the Managing Director.
- In response to the report, the World Bank shall either:
 - Provide its no objection for the contract award, or
 - Inform JSIF of its determination that the intended award would be inconsistent with the World Bank Loan Agreement.
- Upon receiving a “no objection” from the World Bank, JSIF may sign the contracts.
- If a protest or complaint from a Bidder(s) leads JSIF to change its contract award recommendation, the reasons for the decision must be provided to the World Bank for no objection.

6. Payment

In output-based aid agreements, payment is made after the Service Provider has achieved certain milestones and submitted the required documentation (see Section 7. Reporting Requirements). MOST payments are designed to reward institutions that take calculated risks and are successful. In microfinance, this implies that the Service Provider makes loans to qualified clients, monitors them carefully, diligently collects, and maintains a credit relationship with good clients.

6.1 Schedule of Payments

The payment schedule is made according to the Special Conditions of Contract Clause 6.4. Progress payments in accordance with the milestones established as follows, subject to certification by JSIF, that the Services have been rendered satisfactorily, pursuant to the performance indicators:

- 50% of the value of qualified loans upon the disbursement of qualified loans
- 20% of the value of qualified loans on the three month anniversary of the loans disbursement for all qualified loans that do not have a payment past due more than 30 days, and
- 30% of the value of qualified loans upon the disbursement of a follow-on loan to the client receiving the original qualified loan, provided the follow-on loan is for an amount no less than 50% of amount of the original qualified loan.

Qualified Loans are defined in Appendix A of the Form of Contract, section A.2. They are defined as:

- Client must be first-time borrower from the Service Provider,
- The client's domicile must be in the ICSBP communities,
- The client's business must be located in or primarily operate in the ICSBP communities,
- The loan size must not exceed J\$100,000
- The loan must be used for one of the following purpose: Working capital for a micro or small enterprise, equipment purchase for a micro or small enterprise other than motor vehicle

The payment schedule or the definition of qualified loans may not be modified by JSIF after the Bidding Documents are released in the Invitation to Bid.

Any modification to future tenders may be recommended by the MM, but must be approved in writing by the Selection Committee.

- The modification must be incorporate in the Bidding Documents prior to their release to Pre-qualified Bidders.
- The revised Bidding Documents must be submitted by the Managing Director to the World Bank in accordance with Section 5.2 of this manual.

6.2 Request for Payments

Payments are made according to the Payment Calculation Worksheet that is part of the Request for Payment (see [Annex 10 Sample Request for Payment](#)). Payments should be made no more than 30 days after the Request of Payment is received, provided that the Request for Payment is accurate and accompanied by the required documents. Payments are made after the MM reviews the documentation but are made prior to the verification of outputs described in Section 7 Monitoring.

- Service Providers may choose to submit a signed Request for Payment form to the MM no later than five business days after the end of the month. At the discretion of the Service Provider, a Service Provider does not need to submit a Request for Payment each month provided that the amount due is not significant and there are no payments accrued more than 90 days.
- The MM shall review each Request for Payment within ten business days of receipt. The MM will verify that payments are calculated correctly and that the information on the Progress Report matches that on the payment request.

- The MM shall draft a payment request memo to the Managing Director, which must be signed by the ICBS Project Manager. The request memo should include:
 - The name and address of the Service Provider
 - The amount of the payment
 - The total Contract Price
 - The remaining funds under the Contract after the payment is made
 - A copy of the Request for Payment

NOTE: JSIF will have to determine how it wishes payments to be approved internally.

- The MM will file the original Request for Payment and all copies of supporting documents in the Service Providers file.
- The MM will maintain a ledger of all payments made to each service provider and monitor the remaining funds available under their Contract.

NOTE: At some point, copies of the Request for Payments and summaries of payments made to Service Providers will need to be provided to the World Bank. These payment records are part of the overall liquidation of the ICBS Project. I'm not sure of the process or where to put this.

6.3 Adjustments to Payments

Occasionally, JSIF may have to adjust the payment amount due to findings from on-site monitoring. In accordance with the Contract Clause 3.8 Liquidated Damages, the Service Provider is obliged to return a portion of past payments if they are subsequently determined to have been paid in error. The Service Provider shall pay liquidated damages to JSIF calculated as stated in the SCC for any fraudulent or incorrect reporting of activities or fraudulent or incorrect request for payments. The total amount of liquidated damages shall not exceed the amount defined in the SCC, which is the total contract price. JSIF may deduct liquidated damages from payments due to the Service Provider.

- Upon the completion of an on-site Monitoring Visit and receipt of the Monitor's Report, the MM will determine if any payments were made in error to the Service Provider.
- The MM will calculate the value of the payment that should be repaid to JSIF as liquidated damages.
- The MM will draft a letter to the Service Provider explaining the reason for the amount of the Adjustment to Payment, the findings of the Monitor, the required remedy by the Service Provider, and the steps JSIF will take in order to verify that the Lack of Performance has been remedied. The letter will also explain steps for appeal which include:
 - A request for response within 30 days,
 - A signed statement from the Service Provider's legal representative that they feel JSIF has made the adjustment in error,
 - An explanation of their cause for appeal,
 - Copies of documents that support their appeal, and
 - The amount of adjustment they feel was incorrectly made by JSIF.
- Any adjustment not appealed in thirty days shall not be considered.
- The MM will review the appeal letter and supporting documentation against the Service Provider file, including the Monitor's Report. The MM shall draft a recommendation to the ICBS Project Manager and Managing Director on the best resolution of the appeal.
- The Managing Director will decide whether to make the Service Provider whole for the Adjustment to Payment, provide a partial refund of the Adjustment, or to reject the appeal.
- The Managing Director will inform the Service Provider in writing no later than 30 days after the receipt of the Appeal Letter.
- If the Service Provider is to be refunded some or part of the Adjustment, the MM shall calculate this refund upon the next Request for Payment.
- If the Adjustment is not repaid within 90 days, the Service Provider shall be paid interest on the overpayment, calculated from the date of payment to the date of repayment, at the rates specified in Clause 6.5 of the Contract.

7. Monitoring

MOST is designed to be a flexible instrument that does not impose difficult reporting requirements on Service Providers. The primary measurement of the participants' success is the Service Providers outputs, namely the volume of Qualified Loans made in IC BSP communities.

Reporting requirements are listed in Appendix B of the Contract. At a minimum, Service Providers are required to submit quarterly progress reports and an annual financial report (see [Annex 9 MOST Tracking Sheet](#) for Monitoring Tools). The quarterly reports shall include basic activity information, financial data, and outreach statistic. The annual report consists of a full financial report including audited year-end financial statements.

7.1 Reporting from Service Providers

Service Providers are required to provide the following reports.

Table B Required Reports from Service Providers

	<u>Report/Document</u>	<u>Purpose</u>	<u>Frequency</u>
1*	List of approved qualified loans	Used for payment calculation	Monthly within ten business days of the end of the month
2*	Aging schedule of qualified loans	Used for payment calculation	Monthly within ten business days of the end of the month
3*	List of qualified follow-on loans	Used for payment calculation	Monthly within ten business days of the end of the month
4*	Request for Payment	Initiates Payment	Monthly within ten business days of the end of the month
5*	Break-down of new approved qualified loans by type of business	Track business activities in communities	Monthly within ten business days of the end of the month
6*	List of qualified loans repaid in full	Track repayment rate	Monthly within ten business days of the end of the month
7	Financial Statements (Income statement, Balance Sheet, Portfolio Report, Quarterly Indicators Report)	Review financial condition	Quarterly within 30 days of the end of the fiscal quarter
8	Report on loan recovery activities of qualified loans	Review overall asset quality	Quarterly within 30 days of the end of the fiscal quarter
9	Audited financial statement	Review financial condition	Annually within 60 days of the end of the contractors' fiscal year

A sample of Reports 1, 2, 3, 5, 6 are included in [Annex 11 Report Templates](#).

7.1.1 Monthly Reports

Monthly reports are limited to those necessary to for the MM to verify the Request for Payment. JSIF realizes that not every month may have sufficient activity to justify a Request for Payment from the Service Providers. At the Service Provider's option, they may inform JSIF that they prefer to provide Reports 1, 2, 3, 4, 5, and 6 listed in Table B on a quarterly basis rather than a monthly basis. This also requires that they receive payments on a quarterly basis.

- At the beginning of the contract, the MM shall ask the Service Provider if they prefer to submit monthly or quarterly. The MM shall document their responses and inform the ICBSM Manager and the Managing Director.
- Monthly reports shall be submitted no later than ten business days after the end of the month.
- The MM shall maintain a schedule of all Service Providers and their reporting due dates. The MM will record the receipt of each Report.
- The MM shall review all monthly reports for accuracy (see Section 6 Payment).
- The MM shall file all reports in the Service Providers File

7.1.2 Quarterly Reports

Quarterly reports shall be due each quarter, including the quarter when annual reports are due.

- If the Contract is signed during the first two months of a fiscal quarter, the first quarterly report is due no later than 30 days after the end of that fiscal quarter. As an example, if the agreement is signed in May and the end of the fiscal quarter is in June 30, the first quarterly report is due on July 30.
- If the Agreement is signed during the last month of a fiscal quarter, the first quarterly report is due no later than 30 days after the end of the next fiscal quarter. Using the same example, if the agreement is signed in June, then the first quarterly report is due 30 days after the end of the next quarter, or October 30.

Participants must provide the following signed and stamped documents with their quarterly reports:

- Balance sheet, income statement, and portfolio for the previous quarter, signed by a managing director and an accountant.
- Report on loan recovery activities of qualified loans.

7.1.3 Annual Report

Annual Reports shall coincide with the participants own reporting schedule, but should be submitted no later than 60 days after the end of fiscal year.

- If MFI's fiscal year ends December 31, the MFI is required to file its annual report no later than February 28. This is true for an MFI that signed an agreement at any point between January and February.
- If the MFI signs an agreement in within 30 days of the end of its fiscal year, it is not obliged to file a MOST Annual Report until 60 days after the end of the following fiscal year.

Participants must also provide the following signed and stamped documents with their quarterly reports:

- Balance sheet and income statements for the fiscal year, signed by a managing director and an accountant.
- Copy of annual report to regulatory authority.

7.1.4 Failure to Report

The MM shall contact any Service Provider whose report has not been received with five days of the report due date.

- If reports are not received within 30 days of the due date, the MM will send an letter to the participant.
- If a participants does not submit required reports within 60 days of the due date, the MM shall inform the ICBSM Manager and recommend the following actions:
 - Suspension of the MOST Contract including discontinuing any further payments (if applicable)
 - Request an Special Audit Visit, to be conducted by the MM and/or representative
 - Declare the Contract void as permitted in Clause 2.6 of the Contract, and pursuing any legal means possible to recover any liquidate damages.
 - Any combination of the above
- The Management Director must approve the MM's recommendation.

- The MM shall execute the chosen option with the assistance of the ICBSM Manager.

7.2 Monitoring Visits

A minimum of every six months the MM must arrange a monitoring visit of each Service Provider. The purpose of the monitoring visit is to verify the accuracy of Service Provider reports and determine the progress made according Activity Schedule of the Service Provider.

- The MM recommends a date for the monitoring visit. Visits will be conducted by the MM or appointee. All visits require the approval of the ICBSM Manager.
- Monitoring Visits shall be arranged with the participant no less than five days in advance by the MM or appointee.
- Monitoring visits should be no longer than one day in duration, unless the MM or appointee has been requested to provide additional technical assistance or training during the visit. Such extended visits must be approved by the Chief Advisor.
- At a minimum, the agenda of a monitoring visit should include:
 - A review of the information provided in reports
 - Progress made under the Contract
 - Review of the challenges faced by the Service Provider
- The Monitoring Visit must also include a visit to clients with Qualified Loans. The purpose of the client visits is to verify that the Loan is qualified and the information providing in the Service Provider reports is accurate.
 - At a minimum, the MM or appointee must visit 20% of the clients' who have had active loans since the last Monitoring Visit. A checklist for clients visits is included in [Annex 12 Sample Monitoring Visit Checklist](#).
 - Verification may be done through trusted third parties, as determined prudent by the MM and the ICBSM Manager.
- The MM must complete a brief Monitoring Report no later than five days after the on-Monitoring Visit. The report should be place in the Service Provider file. The report should be provided in electronic format to:
 - Selection Committee
 - ICBSM Manager
 - Managing Director

7.3 Special Audit Visit

In accordance with the Contract Appendix A, JSIF reserves the right to conduct a Special Audit Visit of the Service Provider if they fail to remedy a Defect within the time specified in the SCC (30 days). Unlike Monitoring Visits, Special Audit Visits are reserved for participants whose actions or performance indicate that inappropriate activity may be occurring. Such indications include:

- Failure to report within 30 days of due date
- Submission of unclear or dubious financial or programmatic information
- Submission of falsified documents
- Legal or regulatory trouble
- Poor financial performance
- Reports of possible illegal activity

Special audit visits may be recommended by the MM and must be approved by the Chief Advisor.

- Special audit visits may be conducted by the MM or appointee and should be conducted with little or no advance notice.
- Special audit visits should last no more than 2 days, unless otherwise authorized by the Managing Director. At a minimum, the agenda of a monitoring visit should include:
 - A discussion with senior management over the problem
 - A review of reports or activities in question
 - A review of loan files and records
 - A meeting with local authorities (if appropriate) or other interested parties which may have information on the problem.

- Failure of the Service Provider’s senior management to respond to the visitor or provide the requested information shall result in the immediate termination of the visits.
 - The MM will immediately notify (within 1 day) the ICBSP Manager and Managing Director of the mission’s failure.
 - The Managing Director will declare the Contract Void and authorize legal action, if appropriate.
- Upon successful completion of the mission, the MM must complete a Special Audit Report no later than five days after the visit. The report should be provided in electronic format to:
 - Selection Committee
 - ICBSP Manager
 - Managing Director
- If necessary, the MM will request the Service Provider to draft a letter outlining the steps the Service Provider agrees to take to remedy the Defect, copied to the ICBSP Manager and the Managing Director. The letter, signed by the Service Providers’ legal representative, must be provided to the MM no later than two days after the completion of the Special Audit Visit. The MM will share the letter with the Selection Committee.
- All Special Audit Report and any letter in response from the Service Provider should be added to the Service Provider File.

8. MOST Files

The MM shall remain a paper file and electronic file of all original documents. Files shall be divided between Program Files, Bidders Files and Service Providers Files,

8.1 Program Files

Program Files are to maintain all Program Documents, Document templates, and Correspondence. The Files can be organized by the MM according to JSIF Filing Procedures. At a minimum the files should include:

- Bidding Documents
- Contract Template
- Correspondence (including general, internal and World Bank correspondence)
- Selection Committee (including minutes and preparation materials)

8.2 Bidders Files

The MM will create a Bidders file for all Bidders. The MM is responsible for ensuring an original copy of all submitted Bidding Documents is kept securely in the JSIF office at all times. At a minimum, the Bidder’s Files should include.

- Pre-qualification materials
- Original Bidding Documents and Modifications
- Notification of Rejection (if any)

8.3 Service Provider Files

The MM will create a partner file after sending a Letter of Acceptance. The MM is responsible for ensuring an original copy of all documents is kept securely in the JSIF office at all times. At a minimum, the Service Provider Files should include:

- Letter of Acceptance
- Signed Contract and Appendices
- Verification Visit Review
- Financial Analysis Sheets
- Service Provider Reports
- Payment Requests
- Monitoring Reports and other Information
- Annual Financial Statements

- Correspondence

Files will be kept current until the at least two years after end of the World Bank Loan Agreement.

Annex 1 General Procurement Announcement

REQUEST FOR EXPRESSIONS OF INTEREST

The Government of Jamaica has received *[is negotiating]* a loan from the International Bank for Reconstruction and Development (IBRD) toward the cost of the Inner Cities Basic Services Project (ICBSP). This project will be implemented by the Jamaica Social Investment Fund. The project aims to improve access in targeted poor inner-city communities to basic services, strengthen community capacity to develop, manage and maintain basic infrastructure, and to facilitate a reduction in the incidence of crime and violence in targeted inner city communities. Project implementation will commence in 2006. A total of fifteen target communities have been identified by the Government in the Parishes of Kingston and St Andrew, St Catherine, Clarendon and St James with an estimated total population of 65,000. Some of these communities are contiguous while others are geographically dispersed. The fifteen communities identified for inclusion in this project are:

- Whitfield Town
- Dunkirk (Passmore Town)
- Federal Gardens
- Jones Town
- Tawes Pen
- Africa
- Andrews Lane
- Little Lane
- Big Lane
- Detroit
- Shelter Rock
- Lauriston
- Bogwalk (Knollis)
- Bucknor
- Flankers

*Some neighborhoods may be added or eliminated for the actual bid.

The project has a Microfinance Component, known as the Microfinance Output-based Support Task (MOST). The purpose of MOST is to provide increased access to microcredit in the ICBSP communities listed above.

JSIF is seeking expressions of interest from institutions that are capable and interested in providing sustainable microfinance services on a contractual basis to these communities. Interested institutions will be invited to submit bids for output-based support based on the volume of lending to new clients in these communities in the next two years. Eligible institutions include, any institution which is:

1. Legally registered entity under the laws of Jamaica
2. Has conducted small business or microlending in Jamaica for a minimum of two years
3. Has a minimum asset size of JMD10,000,000
4. Have audited financial statements for the past two years.

Interested institutions should contact [insert name], Microfinance Manager, Jamaican Social Investment Fund, IC-IF Pawsey Road, Kingston 5, Jamaica. Expressions of interest may be made by fax or e-mail at (879) 9293784 or most@jsif.org. They should include the Name, address, phone number, fax number, and e-mail address of the institution as well as the name and contact information of the institution's legal representative. Pre-qualification letters will be sent to the person specified in the institution's legal representative.

Last Revised 15 December 2005

Annex 2 Invitation to Pre-qualify

Last Revised 15 December 2005

Dear [insert name of legal representative]

Thank you for your Expression of Interest in the Microfinance Output-based Support Task (MOST). This letter provides information to your institution about this procurement opportunity and request your institution to provide information that will enable us to pre-qualify your institution for bidding. The purpose of the pre-qualification is to limit the bidding process to those institutions that have the capacity to provide the services described below and meet some minimal eligibility criteria. This Pre-qualification letter is developed in accordance with Section 18.1.2 of the World Bank Procurement Manual.

Institutions interested in pre-qualify are asked to submit their Pre-qualification Response no later than [insert date].

General Information

The Government of Jamaica has negotiated loan with the World Bank for the Jamaica Inner City Basic Services Project (ICBSP). The project aims to improve access in targeted poor inner-city communities to basic services. Additional objectives are to strengthen community capacity to develop, manage and maintain basic infrastructure and to facilitate a reduction in the incidence of crime and violence in targeted inner city communities. The project is being implemented by the Jamaican Social Investment Fund (JSIF).

In addition to the need for improved basic services, a survey conducted for the ICBSP revealed that there is a strong demand for enterprise development and microfinance in the target communities. The survey shows that 62% of households are interested in accessing microenterprise loans. The project design team decided to encourage a small microfinance component to the ICBSP as a pilot. There are an estimated 11,000 households in the ICBSP communities less than 5% of which are believed to have access to formal financial services. There is no conclusive survey of how many of the interested households are qualified to receive microenterprise loans. A basic estimate is that 10-33% of the total households (1,100 to 3,500) may be qualified.

The main objective of MOST is to encourage and support existing financial Service Providers to expand their financial service offerings within the targeted communities. The expected result is two-fold: to increase access to credit in the target communities, and to demonstrate that microfinance can be implemented sustainably in unstable inner city communities. The component is small relative to the larger ICBSP project. The impact of MOST depends on whether or not Service Providers choose to continue to serve these communities after the subsidies end.

Proposed Procurement

JSIF is seeking Service Providers that are interested in providing small loans to households in the ICBSP communities. Clients who would qualify under a MOST contract include:

- client's who are first-time borrowers from the Service Provider, and
- whose domicile is in the ICSBP communities, and
- whose business is located in or primarily operates in the ICSBP communities
- receives a loans \leq JMD100,000 for one of the following purposes:
 - working capital for a micro or small enterprise
 - equipment purchase for a micro or small enterprise other than motor vehicle

The Service Provider is expected to:

- market their products and services in the communities,
- conduct due diligence of loan applicants from the communities,
- evaluate and approve loans for microenterprise activities to qualified applicants in the communities,
- monitor and collect loans from those individuals,
- manage the collection proceedings and enforce contracts on delinquent loans,
- as deemed prudent, provide repeat loans to those individuals.

The Service Provider is NOT required or expected to:

- Open an office in one or more of the communities,
- Offer loans at below market rates,
- Lend to high risk borrowers,
- Approve loans recommended by JSIF or other groups,
- Offer repeat loans to unsuccessful borrowers.

Procurement shall be done through competitive bidding according to the standard World Bank Procurement for Non-consulting Services.

Location of Work

A total of fifteen target communities have been identified by the Government in the Parishes of Kingston and St Andrew, St Catherine, Clarendon and St James with an estimated total population of 65,000. Some of these communities are contiguous while others are geographically dispersed.

The fifteen communities identified for inclusion in this project are:

- Whitfield Town
- Dunkirk (Passmore Town)
- Federal Gardens
- Jones Town
- Tawes Pen
- Africa
- Andrews Lane
- Little Lane
- Big Lane
- Detroit
- Shelter Rock
- Lauriston
- Bogwalk (Knollis)
- Bucknor
- Flankers

Eligibility Criteria

Eligible institutions include, any institution which is:

1. Legally registered entity under the laws of Jamaica
2. Has conducted small business or microlending in Jamaica for a minimum of two years
3. Has a minimum asset size of JMD10,000,000
4. Have audited financial statements for the past two years.

Institutions must provide a statement signed by their legal representative that they meet there criteria and some evidence of their lending operations, including but not limited to: an annual report and audited financial statements for the past two years.

Estimated Value of Contract(s)

The total amount available under this tender is estimate to be [insert amount]. JSIF may choose to provide more than one award under this tender in which case the total amount of the tender would be divided among Service Providers.

Quantities to be Procured

The quantity (volume) of loans made will depend on the bids received by the Bidders. A total of [insert amount] in payments may be made throughout the life of this tender.

Description of Output-based Support

The structure of Output-based Support is simple: institutions agree to achieve a certain output for a certain payment. For the MOST, Service Providers will agree to disburse, service and collect an agreed-upon value of loans. In return JSIF will make an agreed-upon fixed payment. Output-based support is a new approach to supporting microfinance. Traditionally, donor agency support to microfinance has been either through sector-wide interventions, grants to institutions, or loans to providers—often through a government or commercial wholesale intermediary. The Output-based approach has been applied to microfinance for several reasons.

- It is results-based rather than a means institutional strengthening—subsidies are only paid if certain targets are reached. This simplifies both the application and monitoring process.
- The same incentive is paid regardless of whether the loan is fully or partially repaid so the lender has a strong incentive to recover loans in full.¹
- It has an “up-side” potential for lenders rather than just a “down-side” protection which encourages lenders to manage more risk.
- It is simpler than negotiating loans or guarantee facilities and establishing or contracting institutions to manage them.
- It is by its nature a temporary intervention. Once the subsidies are exhausted, the intervention ends.
- Any distortions are temporary, as the aid becomes the equity of the grantee to be used as they see fit in the market.

Procurement Schedule

Bids are Scheduled to be sent to pre-qualified Bidders on or about [insert date]. Bidders will have 30 days to prepare and submit bids. Bids will opened, evaluated and Service Providers selected on or about [insert date]. Contracts should be negotiated, finalized and approved by the World Bank no later than 60 days after the Opening of the Bids. The contract period is 24 months.

Main Conditions of Contracts

Agreements with Service Providers will be based on the standard World Bank lump-sum remuneration contract and are output-based. The Form of Contract, General Conditions of Contract and Special Conditions of Contract will be included in the Bidding Documents.

Bidders will agree to provide up to a certain amount of Qualified Loans in Jamaican in return for a certain payment. The amount of the payment constitutes the Bid. For example, a Bidder may offer to disburse, monitor, and secure repayment of up to \$15,000,000 Jamaican dollars for a fixed payment of \$5,000,000 Jamaican dollars. Service Providers will disburse loans using their own funds and will accept the full default risk of those loans.

Payment Terms

Payments directly depend on the Bidder’s bid. Payment shall be made to the Service Provider when certain benchmarks are achieved.

- 50% upon disbursement of Qualified Loans,

¹ The OBA can be structured to pay LESS to lenders with poorly performing portfolios, if necessary. However, this may discourage institutions from bidding. A better tactic is to offer follow-on Output-based auctions that would favor those FIs with a track record.

- 20% after three months provided the loan does not have a payment that is more than 30 days past due,
- 30% when the client has been approved for a second loan from the FI.

Under this schedule, Service Provider receives the bulk of the award up-front (50%) and a cumulative sum of 80% of the total possible award provided the loan has performed well in the first three months. The additional 20% is paid only if the client becomes a repeat borrower of the Service Provider. The purpose of this is to encourage the Service Providers to evaluate these clients with a long-term perspective and discourage them from taking on marginal clients for the sake of the subsidy.

The table below provides an example of a payment of a single loan. The Service Provider has bid \$0.30 for each dollar disbursed.

- **Scenario 1** The Service Provider makes a J\$40,000 loan that is paid on time in the first three months and in full. The Service Provider signs the client for a new loan. It receives the full J\$12,000 of the payment.
- **Scenario 2** The Service Provider makes a J\$40,000 loan that is paid on time in the first three months and in full. The FI decides not to sign the client for a new loan. It receives 70% or J\$8,400 of payment.
- **Scenario 3** The Service Provider bids a service fee of \$0.30 of each dollar disbursed. The Service Provider makes a J\$40,000 loan that is not paid on time in the first three months or in full. The Service Provider receives \$6,000 of the payment.

Table 1 Scenarios for Repayment

	Formula	in Jamaican Dollars (J\$)	Scenario 1	Scenario 2	Scenario 3
a.		Service Fee Bid per \$ lent	0.30 per \$1	0.30 per 1\$	0.30 per \$1
b.		Loan Amount Approved to qualified clients	40,000	40,000	40,000
c.	(a x b)	Total Possible Payment for Loan	12,000	12,000	12,000
d.	(c x 50%)	(50%) First Payment upon Loan Disbursement	6,000	6,000	6,000
e.	(c x 20%)	(20%) Second Payment at Three Months	2,400	2,400	
f.	(c x 30%)	(30%) Third Payment upon new Loan Contract with Client	3,600		
g.	(d+e+f)	Total Payment	12,000	8,400	6,000

Additional information on the output-based payments will be provided at the Bidders’ Conference.

Implementation Schedule

Service Providers are expected to commence operations in the communities as soon as contracts are signed.

Requirements for Bid and Bid Security

All bidders are required to send a representative to the Bidders’ Conference, to be held on [insert date] at [insert time] in [insert location]. Bidders must submit complete bids to be considered. No bid security is required.

Borrower and Implementing Agency

The borrower from the World Bank is the Government of Jamaica, which has assigned JSIF as the implementing agency.

Your institution is invited to use the template for the Pre-qualification Response Letter (see attached) on your own letterhead and signed by your legally designate representative. Other documents that provide support or clarification to your Pre-qualification are also welcome. Please remit all documents to:

Jamaican Social Investment Fund
 Attn: Microfinance Manager

IC-IF Pawsey Road,
Kingston 5

Sincerely,

Managing Director, JSIF

Pre-qualification Response Letter Template

Date:

Jamaican Social Investment Fund
Attn: Microfinance Manager
IC-IF Pawsey Road,
Kingston 5

Dear Sir or Madame:

In accordance with your Pre-qualification Invitation, we hereby certify that our institution meets the following eligibility criteria (please check each that applies and indicate the evidence attached in the Evidence Attached column):

<input type="checkbox"/>		<u>Recommended Evidence</u>	<u>Source Attached</u>
<input type="checkbox"/>	Registration under the law of Jamaica	Copy of original documents defining legal status, place of incorporation and principal place of business	
<input type="checkbox"/>	Minimum asset size of JMD10,000,000.	Copy of audited financial statements for the past two years	
<input type="checkbox"/>	Has conducted small business or microlending in Jamaica for a minimum of two years	Annual report Description of services List of branch offices and locations	
<input type="checkbox"/>	Other Documents Included	Copy of designation of the Individual authorized to act for the organization	

If you required additional information, please do not hesitate to contact me at the [phone number] or [e-mail address].

Sincerely

Name
Title
Address

Annex 3 Agenda for MOST Bidders Conference

Activity/Session	Person Responsible	Duration
Coffee, Introduction and Welcome	ICBSP Manager Microfinance Manager	0-0:30
Explanation of MOST <ul style="list-style-type: none"> o Purpose o Eligibility Criteria o Explanation of OBA o Payment Schedule 	Microfinance Manager	0:30-1:30
Break		1:30-1:50
Overview of Bidding Process <ul style="list-style-type: none"> o Bidding Process o Selection Criteria (Cost and Qualification) o Submission Criteria 	Microfinance Manager	1:50-2:30
Exercise on How to Calculate a Bid		2:30-3:30
Lunch Break	Microfinance Manager	3:30-4:30
Consultations at the discretion of the MM		
Questions and Answers Session <ul style="list-style-type: none"> o General Q and A o Consultations at the discretion of the MM 	Microfinance Manager	
Review of MOST Bidding Documents <ul style="list-style-type: none"> o Instructions to Bidders o Bid Sheet o Qualification Information o Attachments o Questions and Answers 	Microfinance Manager/ JSIF Procurement Officer	4:30-5:45
Break		5:45-6:00
Review of MOST Contract <ul style="list-style-type: none"> o Letter of Acceptance o Lump sum remuneration Contract o General Conditions of Contract o Special Conditions of Contract o Appendices 	Microfinance Manager/ JSIF Procurement Officer	6:00-7:15
Final question and Answers		7:15-8:00

Last Revised: 15 December, 2005

Annex 4 Bid Scoring Sheet and Guidelines

Scoring Guidelines

I. Minimal Qualification

The Scoring Guidelines in this annex are taken from Clause 31 of the Instructions to Bidders of the Bidding Documents. If the Scoring methodology is changed for future bids, the changes must be made in Clause 31 and presented to the World Bank for approval.

The Selection Committee must first make sure that the Bidder has been determined to be (a) eligible in accordance with the provisions of Clause 3 and qualified in accordance with the provisions of Clause 4 of the Instructions to Bidders. These include:

Clause 4.2

- All bidders shall provide in Section III, Forms of Bid and Qualification Information, a statement that the Bidder (including all members of a joint venture and subcontractors) is not associated, nor has been associated in the past, directly or indirectly, with the consultant or any other entity that has prepared the design, specifications, and other documents for the Project or being proposed as Project Manager for the Contract. A firm that has been engaged by the Borrower to provide Consultant Services for the preparation or supervision of the Services, and any of its affiliates, shall not be eligible to bid.
- Government-owned enterprises in Jamaica may only participate if they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of JSIF.
- The loan agreement prohibits a withdrawal from the loan account for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council, taken under Chapter VII of the Charter of the United Nations.
- Bidders shall not be under a declaration of ineligibility for corrupt and fraudulent practices issued by the Bank in accordance with ITB clause 37.1.
- All bidders shall provide in Section III, Forms of Bid and Qualification Information, a preliminary description of the proposed work method and schedule, as necessary.
- All bidders shall include the following information and documents with their bids in Section III, unless otherwise stated in the Bidding Data:
 - copies of original documents defining the constitution or legal status, place of registration, and principal place of business; written power of attorney of the signatory of the Bid to commit the Bidder;
 - experience in Services of a similar nature and size for each of the last five years, and details of Services under way or contractually committed; and names and address of clients who may be contacted for further information on those contracts;
 - qualifications and experience of key personnel proposed for the Contract;
 - reports on the financial standing of the Bidder, such as profit and loss statements and auditor's reports for the past two years;
 - evidence of adequacy of working capital for this Contract (access to line(s) of credit and availability of other financial resources);
 - information regarding any litigation, current or during the last five years, in which the Bidder is involved, the parties concerned, and disputed amount; and
 - proposals for subcontracting components of the Services amounting to more than 10 percent of the Contract Price.
 - a portfolio report including the data listed in Annex 11 for the past two fiscal years and the current year to date;

- financial ratios listed in [Annex 11](#) Quarterly Report for the past two fiscal years and the current year to date;
- an organizational chart;
- a list of board members, titles and professions;
- a list of branches or agencies and locations.

Clause 4.4

- the bidder must have a Gross Loan Portfolio no small than 50% of the maximum amount of amount bid;
- the bidder must have managed a loan portfolio of at least J\$10,000,000 in the past two years;
- the bidder must have maintained an adjusted write-off ratio of less than 10% in the past two years;
- the bidder must have a liquid ratio of no less than 5%

II. Scoring the Bids

Bids will be scored on a technical and cost basis. Proposals will be ranked according to their combined technical (St) and financial (Sf) scores using the weights

T = the weight given to the Technical Qualification Information

P = the weight given to the Price;

$T + P = 1$

The weighting of cost and technical qualifications may vary in each tend provided the new weighting is properly noted in Clause 31 of the Instructions to Bidders and approved by the World Bank. As indicated in the Data Sheet: $S = St \times T\% + Sf \times P\%$.

The firm or firms achieving the highest combined technical and financial score will be invited for negotiations.

A. Cost Scoring

The lowest evaluated Bid (Fm) will be given the maximum financial score (Sf) of 100 points. The financial scores (Sf) of the other Bids will be computed as indicated in the Data Sheet.

For instance, if a Bidder A is the lowest bidder and bids 0.25 and Bidder B bids 0.35, then the scores are as follows:

Bidder A = $0.25/0.25 \times 100 = 100$

Bidder B = $0.25/0.35 \times 100 = 71$

Numbers are rounded to the nearest whole number.

B. Technical Scoring

The method and content of technical scoring may change for each tender provided it is disclosed in Clause 31 of the Instructions to Bidders. For the first bid, the technical scoring is done as follows:

The Technical Score is worth 100 points. The criteria, sub-criteria, and point system for the evaluation of Qualification Information are:

Specific experience of the Consultants relevant to the assignment Points [60]

Specific experience is the only qualitative scoring section, and therefore the most difficult. The following guidelines are to assist the Selection Committee.

Experience managing microcredit portfolio Points [25]

The easiest way to rank the experience in managing a portfolio is to look at the following aspects of the Bidder:

- § How large is the bidder's microcredit portfolio
- § How long has it been in business
- § How appropriate is its lending methodology for the ICBSP neighbourhoods

The Selection Committee is encouraged to rank Bidders relative to each other. For instance, if there are five bidders, the Selection Committee would first rank the Bidders in order of experience. The highest ranked Bidder would receive 25 points. The Committee would then subtract five points from the score of each Bidder as they descend in the ranking such that the least experienced bidder would receive only five points.

Presence or proximity in the ICBSP Communities Points [20]

The presence in the ICBSP Communities rewards those institutions that are actively serving members of the ICBSP with financial services. Bidders should receive one point for each community listed in the Qualification Information 1.3. In addition, Bidders will get a bonus of 5 points if they have a branch or agency physically located in one or more of the ICBSP communities.

Cost to client Points [15]

This component of scoring reflects the World Bank's interest that clients receive a competitive rate on loan products. The annual percentage rate on the microcredit portfolio is provided in the Financial Ratios (see **Annex 11**). Similar to the cost scoring, the lowest evaluated APR (Rm) will be given the maximum financial score (R) of 100 points. The APR of the other Bids will be computed as indicated in the Financial Information Sheet.

For example, if the APR of the Bidder A is the lowest at 15% and the APR of Bidder B is 35%, then the points are as follows:

$$\begin{aligned} \text{Bidder A} &= 0.15/0.15 * 15 = 15 \\ \text{Bidder B} &= 0.15/0.35 * 15 = 6 \end{aligned}$$

Financial Condition of the Bidder Points [25]

The Financial Condition score is based on quantitative information. Three key ratios are measured to determine the Bidder's profitability, liquidity and portfolio quality. The scoring system is as follows:

Profitability Points [10]

The ratio used is operational self-sufficiency. While not as comprehensive as financial sustainability², it can be easily calculate from information contained on the Bidder's audited financial statements. Operational self-sufficiency is measured as:

$$\frac{\text{Financial Revenue}}{(\text{Financial Expense} + \text{Impairment Losses on Loans} + \text{Operating Expense})}$$

The target operational self-sufficiency is 125%.

To score Bidders, the Committee verifies the operational self-sufficiency on the Financial Information Sheet for the previous year. The Selection Committee then subtracts 25% (0.25) and multiplies the result by 10 so that the highest possible score is 10. As an example, Bidder A has an operational self-sufficiency ratio of 75% and Bidder B has a ratio of 115%.

$$\begin{aligned} \text{Bidder A} &= (75\% - 25\%) * 10 = 5 \\ \text{Bidder B} &= (115\% - 25\%) * 10 = 9 \end{aligned}$$

Numbers are rounded to the nearest whole number.

Liquidity *Points [10]*

Liquidity reveals the solvency of the institution as well as the availability of cash resources to make the loan disbursements required in the Bid. World Council of Credit Union's PEARLS, the required liquidity ratio is 10% of assets. The liquidity ratio is calculated as:

$$\frac{(\text{Cash} + \text{Current Accounts} + \text{Short-term Investments})}{\text{Assets}}$$

The target liquidity ratio for scoring is 15% which takes into consideration the need to have extra liquidity for loan disbursements. To score this, the Selection Committee first verifies the calculation of the liquidity ratio on the ratios. The committee then divides the liquidity ratio by 1.5% (0.015) so that the 15% achieves the maximum of 10 points. No more than 10 points may be awarded. For example, Bidder A has a liquidity ratio of 12% and Bidder B has a ratio of 7%.

$$\begin{aligned} \text{Bidder A} &= 12\% / 0.015 = 8 \\ \text{Bidder B} &= 7\% / 0.015 = 4.6, \text{ rounded to } 5 \end{aligned}$$

Adjusted PAR Portfolio at Risk > 30 days *Points [20]*

Adjusted Portfolio at Risk (PAR) measures the quality of the Bidder's loan portfolio. PAR is the value of loans outstanding that have one or more installments of principal past due more that 30 days. This item includes the entire unpaid balance, including both past due and future installments, but not accrued interest. It does not include renegotiated loans. The portfolio at risk is usually divided into categories according to the number of days that have passed since the first missing principal installment, with 30 days being the most common.

Adjusted PAR takes into consideration the loans that have been renegotiated and loans that have been written off. It helps reveal portfolio problems that are hidden by through rescheduling loans or aggressively writing off loans. It is calculated as:

$$\text{PAR} > 30 \text{ Days} + \text{Value of Renegotiated Loans} + \text{Write-Offs}$$

² Financial sustainability includes adjustments for inflation, subsidized cost of funds, and loan loss. While these are important adjustments, it is not easy to verify the information provide by the Bidder that is necessary for their calculation.

Adjusted Gross Loan Portfolio

The Selection Committee can take the Adjusted PAR > 30 Days from the Financial Information Sheet. PAR is difficult to verify using off-site reports, but it will be checked during the Verification Visit.

To convert the Adjusted PAR > 30 days to a score, the Selection Committee subtracts the ratio from the threshold of 10% and multiplies the result by 100. 10% is considered to be unacceptable and scores a 0. As an example, Bidder A has an Adjusted PAR > 30 days of 8% and Bidder B has an ratio of 2%.

$$\begin{aligned} \text{Bidder A} &= (10\% - 8\%) * 100 = 2 \\ \text{Bidder B} &= (10\% - 2\%) * 100 = 8 \end{aligned}$$

Once all of the scores for Technical Scoring are completed, they are totalled. The total should not equal more than 100.

In accordance with Clause 31, the minimum technical score S_t required to pass is: 60 Points

C. Final Score

The final step is to apply the weighting and total the score. As noted above, the weighting is calculates as:

$$\text{Score} = (S_t * T\%) + (S_f * P\%)$$

Where

- S_t = Technical Score
- S_f = Financial Score
- T = Technical Weighting
- P = Price Weighting

Once the scoring is complete, the Selection Committee can rank each of the Bidders. The ranking and the final scores should be included in the minutes.

Bidder Qualification Criteria Checklist

Date _____

Name of Bidder _____

	Name	Initials
Selection Committee Members	_____	_____
	_____	_____
	_____	_____
Secretary	_____	

Check all criteria that have been fulfilled

All bidders shall provide in Section III, Forms of Bid and Qualification Information, a statement that the Bidder (including all members of a joint venture and subcontractors) is not associated, nor has been associated in the past, directly or indirectly, with the consultant or any other entity that has prepared the design, specifications, and other documents for the Project or being proposed as Project Manager for the Contract. A firm that has been engaged by the Borrower to provide Consultant Services for the preparation or supervision of the Services, and any of its affiliates, shall not be eligible to bid.

Government-owned enterprises in Jamaica may only participate if they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of JSIF.

The loan agreement prohibits a withdrawal from the loan account for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council, taken under Chapter VII of the Charter of the United Nations.

Bidders shall not be under a declaration of ineligibility for corrupt and fraudulent practices issued by the Bank, in accordance with the Bidder's Instructions clause 37.1.

All bidders shall provide in Section III, Forms of Bid and Qualification Information, a preliminary description of the proposed work method and schedule, as necessary.

All bidders shall include the following information and documents with their bids in Section III, unless otherwise stated in the Bidding Data:

- copies of original documents defining the constitution or legal status, place of registration, and principal place of business; written power of attorney of the signatory of the Bid to commit the Bidder;
- experience in Services of a similar nature and size for each of the last five years, and details of Services under way or contractually committed; and names and address of clients who may be contacted for further information on those contracts;
- qualifications and experience of key personnel proposed for the Contract;
- reports on the financial standing of the Bidder, such as profit and loss statements and auditor's reports for the past two years;
- evidence of adequacy of working capital for this Contract (access to line(s) of credit and availability of other financial resources);

information regarding any litigation, current or during the last five years, in which the Bidder is involved, the parties concerned, and disputed amount; and proposals for subcontracting components of the Services amounting to more than 10 percent of the Contract Price.

a portfolio report including the data listed in Annex 11 for the past two fiscal years and the current year to date;

financial ratios listed in [Annex 11](#) Quarterly Report for the past two fiscal years and the current year to date;

an organizational chart;

a list of board members, titles and professions;

a list of branches or agencies and locations.

All bidders shall meet the minimum financial criteria:

√	Line		
—		Bid < of the amount bid	Clause 4.4a
	A		enter gross loan portfolio for the current year to date
	B	-	Multiply by 50%
	C		enter maximum bid amount
	D	No	If line Line C -Line B > 0, enter Yes
—		Gross Loan Portfolio > J\$10,000,000	
	E	No	Clause 4.4b
—		Average Adjusted Write-Off Ratio < 10%	
	F		Clause 4.4b
	G		enter total write-offs for previous year
	H		enter PAR > 365 days for previous year
	I		enter gross loan portfolio for beginning of previous year
	J		enter gross loan portfolio for end of previous year
		(Line F + Line G)/(Line I + Line J)/2	#DIV/0!
—		A liquidity to assets ratio of >10%	
	K		Clause 4.4c
	L		enter cash and bank accounts for most recent month
	M		enter short-term (trade investments) for most recent month
			enter total assets for most recent month
	N	(Line K + Line L)/Line M	#DIV/0! Liquidity Ratio for most recent month

Bidder Scoring Sheet

Cost Proposal

1	F	<input type="text"/>	enter amount of bid per \$
2	Fm	<input type="text"/>	enter lowest bid per \$
3	Sf = Line 2/Line 1 * 100	<input type="text"/>	Score out of 100 possible points

Technical Qualifications

Part I

4	Capacity	<input type="text"/>	Experience managing microcredit portfolio [25 points]
5	Proximity	<input type="text"/>	Presence and/or activity in the ICBSP communities [20 points]
6	Pricing	<input type="text"/>	Cost to Client [15 points]
		<input type="text" value="-"/>	Score out of 60 possible points

Specific Experience relative to assignment

Part II

Profitability

7		<input type="text"/>	enter total Financial Revenue for previous year
8		<input type="text"/>	enter (Financial Expense + Impairment Loss on Loans + Operating E: the previous year
9	(Line 7/Line 8)		divide Line 7 by Line 8 enter average operation self-sufficiency for th year
10	Line 9 - 25%		Subtract 25%
11	Line 10/ 0.1	<input type="text"/>	divide by 0.1 for score out of possible 10 points

Financial Condition

Liquidity

15	from Line		Liquidity Ratio for most recent month
17	Line 16/0.015	<input type="text"/>	divide by 0.015 for Score out of 10 possible points

Portfolio Quality

18		<input type="text"/>	enter portfolio at risk > 30 days for most recent quarter to date
19		<input type="text"/>	enter value of loans written off for most recent quarter to date
20		<input type="text"/>	enter value of loans recovered for most recent quarter to date
21		<input type="text"/>	enter gross loan portfolio for beginning of year
22		<input type="text" value="-"/>	enter gross loan portfolio for end of most recent quarter
23	(Line 18+Line 19-Line 20)/(Line 21+Line 22)/2		calculate adjusted portfolio at risk > 30 days
24	(10%-Line 23)*100	<input type="text"/>	subtract ratio from 10% and multiply by 100 for score out of 10 possi

Scoring Calculation

25	Sf	
26	St	
27	P%	0.5
28	T%	0.5
29	Score	<input type="text"/>

Sample Bid Scoring Sheet

Line	Minimum Financial Qualification Criteria	
	In \$'000	
	Bid < of the the amount bid	
A	1,358,740	enter gross loan portfolio for the end of the most recent quarter
B	679,370	multiply by 50%
C	150,000	enter maximum bid amount
D	Yes	If line Line C -Line B > 0, enter Yes
	Gross Loan Portfolio > J\$10,000,000	
E	Yes	
	Average Adjusted Write-Off Ratio < 10%	
F	8,311	enter total write-offs for previous year
G	450	enter PAR > 365 days for previous year
H	983,320	enter gross loan portfolio for beginning of previous year
I	1,258,849	enter gross loan portfolio for end of previous year
J	(Line F + Line G)/(Line I + Line J)/2	0.2% Must be < 10%
	A liquidity to assets ratio of >10%	
K	59,837	enter cash and bank accounts for most recent month
L	103,923	enter trade (short-term) investments for most recent month
M	2,059,143	enter total assets for most recent month
N	(Line K + Line L)/Line M	8.0% Liquidity Ratio for most recent month must be > 5%

Cost Proposal

1	F	0.35	enter amount of bid per \$
2	Fm	0.25	enter lowest bid per \$
3	Sf = Line 2/Line 1 *	71	Score out of 100 possible points

Technical Qualifications

<u>Part I</u>		<u>Specific Experience relative to assignment</u>	
4	Capacity	15	Experience managing microcredit portfolio [25 points]
5	Proximity	7	Presence and/or activity in the ICBSB communities [20 points]
6	Pricing	12	Cost to Client [15 points]
		34	Score out of 60 possible points

Part II

Financial Condition

<u>Profitability</u>			
7		354,387	enter total Financial Revenue for previous year
8		285147	enter (Financial Expense + Impairment Loss on Loans + Operating Expenses) for the previous year
9	(Line 7/Line 8)	124%	divide Line 7 by Line 8 enter average operation self-sufficiency for the previous year
10	Line 9 - 25%	99%	Subtract 25%
11	Line 10/ 0.1	10	divide by 0.1 for score out of possible 10 points
<u>Liquidity</u>			
15	from Line	8%	Liquidity Ratio for most recent month
17	Line 16/0.015	5	divide by 0.015 for Score out of 10 possible points
<u>Portfolio Quality</u>			
18		17,731	enter portfolio at risk > 30 days for most recent quarter to date
19		8,311	enter value of loans written off for most recent quarter to date
20		7,198	enter value of loans recovered for most recent quarter to date
21		1,258,849	enter gross loan portfolio for beginning of year
22		1,358,740	enter gross loan portfolio for end of most recent quarter
23	(Line 18+Line 19-Line 20)/(Line 21+Line 22)/2	1%	calculate adjusted portfolio at risk > 30 days
24	(10%-Line 23)*100	9	subtract ratio from 10% and multiply by 100 for score out of 10 possible points

Scoring Calculation

25	Sf	71	Financial Score
26	St	59	Technical Score
27	P%	0.5	Financial Weighting
28	T%	0.5	Technical Weighting
29	Score	65	

Annex 5 Notification Letter

Date

Name of Contact
Name of Institution
Address

RE: MOST Bid

Dear <insert name>

We are writing to inform you that your Bid for the Microfinance Output-based Support Task (MOST) was opened on [insert date].

After careful review by the Selection Committee, we regret to inform you that your institution was not chosen in this round of the bid because:

<insert reason for rejection>

_____ it does not meet the established criteria in the Bidding Instructions Clauses 3 and 4.

_____ it ranked lower than other Bids received.

We are returning your bid materials. We encourage your institution to participate in the next tender, currently schedule for [insert date]. If you feel that your rejection is in error, you may contact us at the following address and we will investigate your concern.

Sincerely,

Microfinance Manager
Inner Cities Basic Services Project
Jamaican Social Investment Fund

Last Revised: 15 December, 2005

Annex 6 Scope of Work for Verification Visit

**MOST
Scope of Work for Team Leader**

Name of Verification Visit Appointee

Prepared By: [Name of the MOST Microfinance Manager]

Prepared on: Date

Salary Range: \$XX per day

Reports to: Managing Director

MAJOR ACTIVITIES

Lead the conduction of the MOST due diligence process, including Verification Visit, Diagnostic in accordance with MOST Program Procedures. The total number of days expected will be (Specify number of days, including travel days)

The Consultant shall responsible all of the following components of the due diligence and/or Project Design Mission

Y/N	Area of Analysis
	Bid Document Review
	Verification Visit

The due diligence process and/or Project Design Mission shall consist of two parts, namely off-site work and on-site work.

Off-site work shall consist of:

Y/N	Activity to be Conducted	Estimated number of hours/days
	Manage logistical and scheduling preparations for on-site visit	
	Review and analysis of Bid Documents by Bidder	
	Review and analysis Financial Statements of Bidder	
	Conduct on-site visit	
	Draft written reports based on review and/or on-site visits	
	Draft Recommendations for MOST Manager	
	Debriefings with MOST management and staff	

On-site work shall require the evaluator to travel to the MOST applicant and complete the following tasks under the supervision of the Team Leader for the diagnostic:

Y/N	Activity to be Conducted	Estimated number of hours/days
	Manage logistics and schedule of on-site visit	
	Manage and conduct interviews with Service Provider managers and staff	
	Visit and conduct interviews with clients	

	Conduct interviews at Service Provider posts/agencies	
	Conduct compliance review	
	Conduct exit meeting with Service Provider management	

PERSONNEL SPECIFICATIONS

Knowledge and Education

Masters degree, or equivalent in business administration, economics, or other related field.
Fluent English (oral and written).

Job Skills

Working knowledge of Microsoft Word and Excel
Financial and/or Credit analysis training
Aptitude with numbers and attention to detail
Sense of teamwork, cooperative and adaptable to change
Discretion and confidentiality
Ability to work under pressure and problem solving abilities
Excellent written and oral communication skills

Exposure

Minimum four years of experience in banking or microfinance, including on-site operational experience.

Annex 1 Key Issues for Diagnostic Evaluation

Title	Key Issues
Market	<p>A clear understanding of the external market should be a priority of any MFI. There are usually many sources of information, both formal (such as government or business association market surveys) and informal (direct experience with clients and competitors). MFI's should demonstrate knowledge of the potential of the market. They should attempt to define their target market, both in terms of demographic data and market segment, including a profile of a typical MFI client. It is constructive to collect data on the MFI's competitors, including other formal operations and informal service providers such as moneylenders. In addition, the MFI should have some mechanism for measuring client satisfaction and monitoring client turnover.</p>
Products and Services	<p>An MFI should be able to provide a clear description of each product and service, including all terms and conditions. Descriptions should be written and widely available to MFI staff and clients. It should also be able to analyze the performance of each product in terms of client satisfaction and profitability. The best MFIs combine standardized products (to help reduce processing and administration cost) with flexible terms (to meet client needs). The trade-off between flexibility and standardization should be understood, such that the MFI is able to adapt its current product offerings to meet the needs of clients at minimum cost. Adapting terms and conditions and new product introduction should be done through a defined process that allows for testing and monitoring of results to determine if the changes were successful. Pricing of products should consider not only market conditions, but also the profitability goals of the MIF.</p>
Legal Environment and Governance	<p>The major external factor affecting MFIs is the local legal and regulatory environment. In difficult legal environments, the MFI must pay extra attention to the legality of its operations. It should be aware of recent or proposed changes in the law and how they affect operations. It is recommended that the MFI have legal counsel or other person that is responsible for ensuring the institution is in compliance with local law. Similarly, the governing body of the institution is vital in providing direction and support to MFI management. An institution should have a governing body that is well qualified and has an interest, financial or otherwise, in the success of the institution. The governing body should limit its role to management oversight, and should be well informed by management. It should be empowered to make key decisions related to strategy and key personnel, but it should not be involved in daily operational decisions. It is also important to identify who is the key decision-maker in the institution. If there are conflicting responsibilities, how does the MFI address them?</p>
Management and HR	<p>People are the greatest resource of any institution. Management should have experience and authority to manage their departments. There should be a clear hierarchical structure and decision-making authority throughout the institution as well as mechanism to provide for communication and cooperation between departments. The MFI should seek to minimize the number of levels of management.</p>

	<p>Human resource management should be a priority for the institution, such that good employees are hired, retained, motivated, and well compensated through performance-based incentives. The MFI should be clear as to which areas are profit centers and which are support staff, in order to maximize income-generating employees. Management should provide for the smooth flow of information, both horizontal and vertical. Information flows should be analyzed so that decision-makers have access to needed information on a timely basis. All staff should be aware of the institutions performance and have some stake in that performance. The MIS system should be able to provide the key financial data required on a daily basis. The MFI should be able to map the flow of information to show how decision-makers use it.</p>
<p>Planning and Budgeting</p>	<p>The institution should have a participatory process for developing short-term and long-term plans. The strategic (or business) plan should incorporate an analysis of the institution as well as the clear goals and objectives that are attainable and coherent. Annual plans should also contain a number of planned activities that are linked to specific objectives and that indicate the human resources required. Staff should be aware of the plan and know their part in it. The budgeting process should support the plan, so that the MFI recognizes the costs associated with activities. All plans should be monitored frequently and adjusted according to an agreed upon process with the staff and governing body (i.e. quarterly or semi-annually). Monitoring reports should be widely available and decisions made on adjusting operating in order to meet planned targets.</p>
<p>Policies and Procedures</p>	<p>The MFI's key policies and process should be documented and updated as needed. Policies state the requirements of each area of operation. They should be communicated to personnel who use them in their daily activities. Policies and procedures should reflect the organizational structure of the institution, such that exceptions to policies and procedures require the necessary level of approval. Procedures provide a guideline to staff so that there is limited confusion as to how processes are completed. They should allow for sufficient flexibility as long as the key policies of the institution are not violated. There should be clear penalties for not following policies that reflect the need for the institution to avoid any fraud or abuse by any employee or manager. Financial policies should address the financial risks to the MFI, such as delinquency, secure funding, interest rate or foreign currency mismatches, and over all asset/liability management. In particular, portfolio at risk and write-off policies should be examined to determine if they are adequate.</p>
<p>Controls and Audit</p>	<p>An MFI should be able to identify the areas of greatest risk for fraud or abuse. Controls in these areas should be incorporated in the institution's policies and procedures. An MFI should communicate the intent behind the controls and show no tolerance for any intentional abuse of controls. An MFI should have an on-going internal audit function that is independent, thorough, and reports regularly directly to the governing body. The MFI should take action based on internal audit findings. The internal auditor should demonstrate independence from management and have total access to all institutional records and personnel. The MFI should be audited</p>

	<p>annually by an external firm, the terms for which should be determined by the governing body. External auditors should be independent, abide by established standards, and produce constructive recommendations to management.</p>
Financial Performance	<p>An MFI should be covering all of its costs, including financial, operational, and the cost of maintaining the value of its equity in real terms. It should be able to segregate financial operations from non-financial operations. Management should have clear profitability targets that enable the institution to meet its obligations, pay a return to its shareholders (if any), and generate surplus funds to build its equity base. The MFI should recognize the profitability of its assets and the cost of its liabilities and attempt to maximize the spread between the two. If it is not profitable, it should have a clear realistic plan that outlines how it intends to be so. Any institution should demonstrate strong growth in its earning assets. All donor or other support should be quantified and recognized on the MFI's statements.</p>
Financial Condition	<p>The MFI has a formal portfolio classification system broken down by level of risk and by aging. The institution should take a conservative approach measuring its portfolio at risk, rather than past due payments. This measure should be less than 5% for accounts > 30 days past due. Portfolio at risk should be adequately provisioned to reflect (at minimum) historical loss rates. Actual loan losses (write-offs) should be less than 2%. An institution should monitor the sufficiency of its reserves to ensure that it has sufficient reserves and capital to cover all potential losses. It should also ensure that there is no mismatch in the term, price, or currency of its liabilities and assets such that changes in its funding costs will be offset by changes in its revenue.</p>
Efficiency	<p>The MFI should monitor how efficiently it deploys its resources. It should determine the realistic productive capacity of its human resources and physical assets and set targets. As an institution grows, it should seek to minimize the overall administrative burden relative to total revenue and total assets, such that a greater percentage of revenue is used to pay for costing funds and shareholder returns. It should analyze its asset structure and ensure that it has a high percentage of performing assets (revenue generating) to non-performing assets. The MFI should seek leverage its equity base by raising costing funds at the lowest cost possible. Its financing strategy should reflect its growth strategy so that it may productively deploy all cash resources raised.</p>

Annex 7 Verification Visit Letter

Date

Name of Contact
 Name of Institution
 Address

RE: MOST Verification Visit

Dear <insert name>

In accordance with MOST policies, we would like to confirm our visit with your institution to verify the accuracy of the financial and operational information which you have provided to MOST. We would also like to discuss your strategy for working in the ICBSP communities.

Our visit is scheduled for <insert date>.

We ask that you make the following persons available to us for meetings:

Meeting	Attendees	Documents Required
Introductory Meeting	Director, Senior Management	Strategic or Operating Plan
Credit Operations	Operations or Credit Manager Loan Officer	Credit Policies Loan Applications Loan Contracts Loan Files
Financial Condition	Finance Manager or Accountant MIS Manager	Financial Statements Financial Reports Accounting System Tax Receipts Computer/MIS System
Legal and Governance	Director, Board Member (s)	Minutes of Board Meetings Resolutions
Project Design/Closing Meeting	Director, Senior Management	Application

We expect that each meeting will take approximately 1 – 2 hours. As a result, we ask that you please do not schedule any lengthy meals or other activities which are not included in this proposed agenda. Our representative will consist of <insert name> (and <insert name>).

We will be contacting you by phone to confirm the meeting and discuss our travel details. If you have any questions, please do not hesitate to contact me at [insert contact information].

Sincerely,

Microfinance Manager
 Inner Cities Basic Services Project
 Jamaican Social Investment Fund

Last Revision:
 15 December, 2005

Annex 8 Verification Visit Review Format

Date:

Name of Institution		Name of MOST Representative (s)	
Name of Contact		Date of Verification Visit	

1. Summary of Verification Visit

- a) Please see attached minutes from the Pre-Visit Preparation Meeting.
- b) Personnel Attending Visit

<u>Name</u>	<u>Title</u>

c) Summary of Visit Findings

- 2. In your opinion, how accurate is the information provided by the Service Provider in the Bid? Did you believe the Management and Staff were being completely honest with you?
- 3. Are any issues unresolved or information that is still pending?
- 4. What recommendations would you make for improving or changing the Bid? Is the Service Provider in agreement with these changes?
- 5. Would you recommend that this project be approved? Please explain.

Signed by: <insert name>	Signed by: <insert name>
Title (Representative 1)	Title (Representative 2)

Last Revision: 15 December, 2005

Annex 9 MOST Tracking Sheets

Last Revised: 15 December, 2005

Name of Service Provider: _____

E-mail _____

Name of Contact: _____

Contact Number _____

√	Step	Comment	Date	Days Allowed	Actual Days	Initials	Filed √
q	Expression of Interest Received						
q	Pre-qualification Letter Sent						
q	Pre-qualification Response Letter Received						
q	Bidding Documents Sent						
q	Confirmed Attendance for Bidder's Conference						N/A
q	Attended Bidder's Conference						N/A
q	Bid Received	Date _____					
q	Amendments or Withdrawal Received	Date _____					
q	Selection Committee Approval/Rejection						N/A
q	Rejection Notification Letter Sent with Bid Materials						
q	Letter of Acceptance and Contract Materials Sent	Date _____					N/A
q	Letter of Acceptance Received	Date _____					
q	Signed Contract Received	Date _____					
q	Bid information sent to World Bank for No Objection	Date _____					
q	No Objection from World Bank Received	Date _____					
q	Verification Visit Date Set	Date _____					N/A
q	Verification Visit Completed						N/A
q	Verification Memo Completed						
q	Contract Signed by JSIF						

Monitoring Documents

Name of Service Provider _____

	Document	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date	Date
1*	List of approved qualified loans																
2*	Aging schedule of qualified loans																
3*	List of qualified follow-on loans																
4*	Request for Payment																
5*	Break-down of new approved qualified loans by type of business																
6*	List of qualified loans repaid in full																
7	Financial Statements (Income statement, Balance Sheet, Portfolio Report)																
8	Report on loan recovery activities of qualified loans																
9	Audited financial statement																

Annex 10 Sample Request for Payment

Date:

To: Microfinance Manager
 Microfinance Outreach Support Task (MOST)
 Inner Cities Basic Service Project
 Jamaican Social Investment Fund

From: Name
 Service Provider
 Address
 Address
 E-mail
 Telephone

Invoice No.

Loan No.	Name of Client	Value of Loan Disbursed	New Disbursement? (Y, N)	Loan at 3 months, Past due > 30 days? (Y, N)	Loan Repaid in Full (enter Value)	Client Signed for New Loan (Y, N)	Value of New Loan Disbursed	50% Payment for Disbursement	20% Payment at 3 Months	30% Payment for Repeat Loan	\$
24	Smith, John	\$ 400,000	y	n	\$ 400,000	y	\$ -	\$ 100,000	\$ -	\$ -	\$
12	Johnson, Mary	\$ 200,000	n	y	\$ 200,000	n	\$ -	\$ -	\$ 20,000	\$ -	\$
1	Jones, Nancy	\$ 400,000			\$ 400,000		\$ 500,000	\$ -	\$ -	\$ 60,000	\$
								\$ -	\$ -	\$ -	\$
								\$ -	\$ -	\$ -	\$
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								\$ -	\$ -	\$ -	\$

Annex 11 Report Templates

List of Approved Qualified Loans

Service Provider _____ Date _____

Loan No.	Name	Personal I.D. No.	Date Disbursed (DD/MM/YYYY)	Due Date	Value of Loan Disbursed	Value of Loan Outstanding	Value of Loan at Risk	Number of Days at Risk	Purpose of Loan*
Newly Reported Loans									
25	Smith, John	125-9854	22-Jan-2005	21-Aug-2005	350,000	275,000	25,000	15	M
Previously Reported Loans									
0					-	-	-		

* M = Microenterprise, H=Home Improvement

Aging Schedule of Qualified Loans

Def.*		Current Period		Previous Period	
		Number of Loans	Value of Portfolio	Number Of Loans	Value of Portfolio
Portfolio Activity					
P1, P2	Loans Disbursed during the period				
P3, P4	Loans Outstanding, end of period				
		Number of Loans	Value of Portfolio	Number of Loans	Value of Portfolio
P5 ⁰	Loan Loss Allowance, beginning of period				
P5 ¹	Loan Loss Allowance, end of period				
P7, P8	Loans Written Off during the period				
	Provision Expense for Loan Impairment				
	Year to Date	Number of Loans	Value of Portfolio	Loan Loss Allowance Rate	Loan Loss Allowance
P11, P12	Current Portfolio				-
P13,P14	Portfolio at Risk 1 to 30 days				-
	Portfolio at Risk 31 to 60 days				-
	Portfolio at Risk 61 to 90 days				-
	Portfolio at Risk 91 to 180 days				-
	Portfolio at Risk over 180 days				-
P15,P16	Renegotiated Portfolio				-
	Renegotiated Portfolio over 31 days				-
P3, P4	Gross Loan Portfolio	-	-		-

*Definitions can be found in Measuring Performance of Microfinance Institutions A Framework for Reporting, Analysis and Monitoring, The SEEP Network and Alternative Credit Technologies, LLC. Available at www.seepnetwork.org.

Breakdown of Loans by Business Type

Type of Business	No. of Loans Disbursed, Current Period	Value of Loans Disbursed, Current Period	No. of Loans Disbursed, Cumulative	No. of Follow-on Loans Disbursed	Value of Follow-on Loans Disbursed
Microenterprise					
Home Improvement					

SEEP Def.	Quarterly Report	Current Year to Date	Previous Year End
Outreach and Activity			
N1	Number of Active Clients		
N3	Number of Active Borrowers		
N5	Number of Deposit Accounts		
P1	Number of Loans Disbursed		
P2	Value of Loans Disbursed		
N7	Number of Personnel		
	Number of Branches/Agencies		
Profitability			
I1	Financial Revenue		
I19	Net Operating Income		
R1	Operational Self Sufficiency		
R2*	Return on Assets (ROA)		
R3*	Return on Equity (ROE)		
Portfolio Quality			
R9	PAR Ratio > 30 Days		
	Adjusted PAR Ratio		
R10	Write-off Ratio		
	Adjusted Write-off Ratio		
Asset/Liability Management			
B4	Gross Loan Portfolio		
R5	Portfolio to Assets		
R4*	Yield on Gross Portfolio		
R6*	Cost of Funds Ratio		
R7	Debt to Equity		
Liquidity			
B1	Cash and Due from Banks		
C12	Cash Flows from Operating Activities		
C22	Net Change in Cash and Due from Banks		
R8	Liquid Ratio		
Efficiency and Productivity			
I14	Operating Expense		
R12*	Operating Expense Ratio		
R13*	Cost per Active Client		
R15	Active Clients Per Staff Member		
R17	Average Outstanding Loan Size		
R18	Average Loan Disbursed		

* Must be annualized if current period is less than 12 months

*Definitions can be found in Measuring Performance of Microfinance Institutions A Framework for Reporting, Analysis and Monitoring, The SEEP Network and Alternative Credit Technologies, LLC. Available at www.seepnetwork.org

Annex 12 Sample Monitoring Visit Checklist

JSIF should try to monitor no less than 25% of the qualified loans to clients that have been made by the Service Provider. The purpose of monitoring is to ensure that the Service Provider is accurately reporting disbursements, payments, and follow-on loans.

Service Provider

1. Was the application full with all documents for the loan cycle checked
2. Was there a copy of the client's identification
3. Was there a copy or proof of the client's residence
4. Was there a copy of the client's business registration document
5. Did the amount requested on the application match the amount on the loan agreement
6. Did the signatures on the loan application and identification match the signature on the loan request
7. Was the analysis of the repayment capacity complete (including excels spreadsheet)
8. Was the loan agreement securely maintained by someone other than the loan officer
9. Did the signatures on the loan agreement match that on the loan request
10. Does the amount disbursed to the client match the Service Provider's Report
11. Do the payment records in the MIS and/or accounting system match the Service Provider's Report
12. Was there a cosigner signature (not required in all cases)

Client

1. Does the amount received by the client match the amount in the Service Provider's Report
2. Do the clients payment records match that of the Service Provider
3. Does the client live at the address listed
4. Does the client have a business
5. Were the proceeds of the loan used for the business
6. Did the client get a follow-on loan (not in all cases)