

**Terms of Reference (ToR)**  
**Impact Assessment Study**  
**(SMILE III Revolving) Loan Scheme**

Ministry of Industry and Entrepreneurship Development

**1. Background**

SMILE III Revolving Fund Loan Scheme was implemented in 2012 with the participation of ten selected Participatory Credit Institutions (PCIs), including Bank of Ceylon, People's Bank, Regional Development Bank, Sanasa Development Bank, Sampath Bank, Seylan Bank, Hatton National Bank, National Development Bank, DFCC Bank, and Commercial Bank. As of 2022, the total loan disbursement under the scheme amounted to Rs. 16.2 billion.

The objective of the SMILE III loan scheme is to provide low-cost loans to micro, small and medium sized industrialists, including those who are engaged in the production of import substitutes, value-added goods and goods produced using modern technology for the export market, with a view to uplifting high-yielding industries within the macroeconomic framework of the government.

As per the agreement between Japan Bank for International Cooperation and Government of Sri Lanka (GoSL), periodic evaluations should be carried out to assess the success of the joint project of SMILE III Revolving Fund after implementing the project. Therefore, the Ministry of Industry and Entrepreneurship Development (hereinafter referred to as “the client”) has decided to conduct an impact assessment of the SMILE III Loan Scheme. The Impact Assessments Study should mainly focus on evaluating the overall success of the SMILE III loan scheme, with particular emphasis on assessing its efficiency, effectiveness, and convenience. This study should aim to identify the existing challenges faced by entrepreneurs in accessing and utilizing the loan facility. Furthermore, it is expected to evaluate the operational performance to ensure its smooth functioning and to provide insights and recommendations for enhancing service delivery to micro, small, and medium enterprises (MSMEs) in the future.

**2. Objectives of the SMILE III Revolving Fund Loan Scheme**

To promote a more dynamic micro, small, and medium enterprise (MSME) sector and foster balanced economic growth in Sri Lanka by:

- I. Providing capital to micro, small and medium enterprises throughout Sri Lanka
- II. Developing the strength of business capabilities
- III. Creation of new entrepreneurial culture in the rural economy
- IV. Increases in jobs thereby reducing rural poverty
- V. Training for unemployed and under employed youth in rural areas
- VI. Formation of new enterprises
- VII. Enhance inter and intra-regional trade including increases in foreign exchange earnings
- VIII. Strengthening institutional capabilities of Intermediary Financial Institutions.

### **3. Objective of the Study**

To assess the impact of the SMILE III Loan Scheme provided to the micro, small and medium entrepreneurs across Sri Lanka, with a focus on improvement in efficiency, effectiveness and convenience in accessing loan facilities.

### **4. Scope**

4.1 The study should cover the entire country, and following areas are required to be covered in the impact assessment.

- I. Number of employment generation, value addition to products/economy
- II. Incremental production volume
- III. Application of IT,
- IV. Comparison of the effectiveness and cost efficiency of products,
- V. Impact on financial assistance to end users,
- VI. Impact to the regional economic development
- VII. Recommendations and suggestion to improve the organizational, administrative and managerial structures of the projects,
- VIII. Other attributes that are necessary to carry out existing and future projects of similar nature to the MSMEs.
- IX. Number of Industries entered into foreign markets

It is required to consider the loans granted during the period from 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2022. During this period, a total of 742 projects were granted loans under the SMILE III Revolving Fund.

#### **4.2 Period of the assignment**

The assignment should be completed within 90 days from the date of signing the contract.

### **5. Approach and Methodology**

The consultant/s are required to submit a detail report on approach and methodology elaborating the deployment of field staff, monitoring mechanism of the study and quality assurance. The consultants should develop indicators for different criteria to assess the improvement from the baseline situation in consultation with the client. The consultants also should develop the questionnaires to be used in the field study which shall be shared with the client and make necessary improvements. The questionnaires are required to be field tested before commencing the survey and the approval of the client is required for the final questionnaires. The questionnaires are required to be printed in all three languages, Sinhala, Tamil and English.

Survey sample-The sample should be selected using acceptable sampling techniques with 95% confidence limits covering different strata which include provinces, districts and different

sectors. The client will provide the total number of loans granted province wise and sector wise enabling the consultants to draw up the sample.

### **Field survey**

There are two options available for the field study

- a) The consultants to use their own enumerators
- b) To use the services of government officers arranged by the client for which the cost to be borne by the consultant.

The consultant can submit financial proposals covering both options, the cost of utilizing the government officers could be negotiated.

The field survey staff should be trained prior to assigning the task.

### **6. Staffing**

The proposal should include a detailed staffing schedule, clearly outlining the role and responsibilities assigned to each experts and key staff members. A brief summary of each individual's qualifications and relevant experience must be provided to demonstrate their ability for the assignment. Additionally, the Curriculum Vitae (CVs) of the key experts should be annexed for reference. A comprehensive staffing plan outlining the mobilization schedule of field staff and coordinators, along with the measures to be implemented for cross checking and verification should be included to the proposal.

### **7. Work plan**

A detailed activity and milestone chart should be prepared and submitted for the client's approval prior to the commencement of the study.

### **8. Inception Report**

The consultant shall submit a detailed Inception Report outlining the proposed methodology and approach, work plan, staffing schedule to the Client, and obtain formal approval prior to commencing the assignment.

### **9. Deliverables**

<b>Ser.</b>	<b>Deliverable</b>	<b>Time line</b>
01	Inception report	Within three weeks on signing the contract
02	1 <sup>st</sup> draft of the report	Within 60 days of signing the contract
03	Review of the 1 <sup>st</sup> draft by the client and feedback on the draft	Within two weeks of receipt of the 1 <sup>st</sup> draft
04	Presentation of the 2 <sup>nd</sup> draft	Within one weeks on receiving the feed back
05	Final Draft incorporating the changes & Presentation	Within one week after submission of the 2 <sup>nd</sup> draft.
06	Submission of the Final report And data base	Within 90 days after signing the agreement.

The final report should be submitted in Sinhala/English with two well bound hard copies and two soft copies in a CD.

The data base in a software format such as SPSS, or any other user friendly software where data can be filtered should be submitted along with the final format.

## 10. Payment terms

The payment will be made as follows:-

- i. 20% upon signing of the Agreement as advance payment  
(With the submission of bank guarantee).
- ii. 30% upon presentation and submission of the first draft report  
(Deliverable of 2 and 3)
- iii. 20% upon presentation and submission of the final draft report  
(Deliverable of 4 and 5)
- iv. 30% upon submission of the comprehensive final report as per the deliverables.

## 11. Selection Criteria

11.1 The consultant will be selected on Quality and Cost Basis Selection (QCBS) method.

11.2 The minimum technical point required is 70 to consider for selection.

11.3 The breakdown of marking scheme is as follows.

a) Consultant/company experience	10%
b) Qualifications of Key experts	30%
c) Adequacy in Approach & Methodology	60%
	100%
Final evaluation	
Total Technical proposal	80%
Financial proposal (net value)	20%

11.4 The following formula will be used to calculate the net price for evaluation

The lowest price quoted among the qualifying bidders (X) = 100 points

The price quoted by the bidder under consideration =(Y)

The net price for evaluation=  $\frac{\text{Lowest price quoted among the qualifying bidders (X)} * 100}{\text{Price quoted by the bidder under consideration (Y)}}$