

Terms of Reference

Study on ADOPTING INSURANCE AS RISK MANAGEMENT MECHANISM FOR SMEs

Swiss contact is an independent non-profit development organisation established in 1959 by representatives of the Swiss private sector and civil society. Our development work focuses on private sector-led, sustainable economic development with improved quality of life for all in developing and emerging countries. A key focus is to strengthen the skills of individuals and foster the competitiveness of businesses.

Swiss contact, registered as an International Non-Governmental Organisation in Nepal, has been operating in Nepal since 1991. Currently, Swisscontact Nepal has six development programmes across all seven provinces, with a well-functioning country office that employs over 145 staff members.

On-going initiatives of Swisscontact in Nepal include the **Nepal Agricultural Market Development (NAMDP)** project, also known as Sahaj, which contributes to a long-term vision of thriving and inclusive agriculture markets that develop comparative advantages for import substitution and export growth and thereby contribute to poverty reduction.

1. Nepal Agricultural Market Development Programme (NAMDP)

Sahaj is a bilateral project between the Government of Switzerland and the Government of Nepal. It is implemented by a consortium of Swisscontact (as the lead agency) and the Center for Environmental and Agricultural Policy Research, Extension and Development (CEAPRED) on behalf of Swiss Agency for Development and Cooperation SDC. The programme focuses in the Koshi Province.

Sahaj Phase II builds on the work done in the previous phase but shifts focus on growth and investment in forward market linkages, strengthening the country's commercialisation, processing and export of value-added agriculture products. The second phase will run from December 2020 until December 2025. The programme will provide financial and technical support towards increased provision of services and access to innovation for agri-SMEs in the Koshi Province. This will increase demand for smallholders' produce, including them in value-added supply chains and building resilience in rural communities through higher employment and income.

Sahaj Phase II objective is to support market system transformation to achieve the goal: **"women and men, including from disadvantaged groups, find employment and increase income."** Three interlinked outcomes contribute to this goal, with Outcome 2 & 3 acting as steppingstones to achieve the goal.

- **Outcome 1:** Agribusinesses, particularly SMEs increase trade value of agricultural produce in key value chains.
- **Outcome 2:** Agriculture and Non-Agriculture Service Providers offer innovative services/products.
- **Outcome 3:** Sub-national and national government provide a more enabling environment for businesses and SME growth, particularly in agriculture.

2. Context of this assignment

Natural hazards in the insurance industry have been categorised into primary and secondary perils. Primary perils include large scale natural hazards such as earthquakes, tsunamis and cyclones. Secondary perils include smaller-scale events such as floods, storm surges, hailstorms, droughts, wildfires, landslides, snow and freeze.

It is important to note that natural hazards alone do not result in disasters. When they intersect with human activities and vulnerable assets, these hazards turn into catastrophic events. The United Nations Office for Disaster Risk Reduction emphasises that human actions such as deforestation, urbanisation, and inadequate infrastructure worsens the impacts of events like floods, storms and earthquakes.

As per Swiss Re, climate change is complicating the global risk landscape. Climate change is a contributing factor to the increasing frequency of primary and secondary perils. Whilst the institution cannot quantify the effects climate change has on weather related disasters, it is clear that climate change poses a systemic risk to the global and local economies.

As indicated by Professor Adam Sobel of Columbia University, while the full extent of climate change's impact is difficult to predict, lack of proof does not mean that there has been no change. Climate change effects are already showing – warmer average temperatures, rising sea levels due to melting ice caps, more frequent and longer heatwaves, greater weather extremes, and erratic rainfall patterns. We can expect climate variability, warmer temperatures, shifting precipitation patterns to result in the growing frequency and intensity of perils, which is expected to result in rising economic and financial losses in the future.

In Nepal's context, UNDP's 2023 inclusive insurance and risk finance report highlights that Nepal ranks as the 10th most affected country in terms of extreme weather events, with significant impacts on both fatalities and economic losses. Natural disasters such as earthquakes, floods, and landslides have emerged as the most financially damaging hazards in Nepal. As per Government of Nepal's statistics, the country has spent on average USD 50 billion annually for post-disaster response between 2012-2020. As per the National Disaster Risk Reduction and Management Authority, the September 2024 floods in the Rosi Valley, for instance, has caused an economic loss of NPR 46 billion to the country.

The floods of September 2024 which were caused by one of the heaviest rains of the past 54 years exhibits how the impacts of climate change further blur the line between natural hazards and human-induced disasters. The Nepali Times states that the main cause of the massive destruction in The Rosi Valley was because the overflowing rivers, due to the heavy rains (shifting precipitation), were forced to flow through narrow channels with new human settlements. Quarries, sand and boulder mining in the upstream watershed increased the river's velocity and added a heavy sediment load into the flood waters, resulting in widespread destruction.

Blurred catastrophes also increasingly affect the country's development gains which highlights the need for effective risk mitigation strategies such as insurance to prepare for, cope with and recover from disasters.

According to National Climate Survey 2022, released by National Statistics Office, respondents of the survey reported that drought as the major disaster, affecting 65.4 percent of households, followed by diseases and insects at 54.3 percent, storms at 46.2 percent, hailstorms at 32.6 percent, floods at 28.5 percent, cold waves at 21.7 percent, landslides at 21.5 percent, and inundation at 17.5 percent. Experts believe that due to erratic climate conditions, those who have

escaped poverty may be dragged back into it. Insurance can be a mechanism to prevent them falling back into poverty.

Natural disasters and extreme weather events test the resilience of companies to bounce back from such events. According to a 2022 survey conducted by Nepal Rastra Bank while the 30% of the population have access to insurance, only 9% of the population has access to non-life insurance. Small and medium enterprises (SMEs) contribute approximately 22% of Nepal's GDP but remain highly vulnerable to various risks, including natural disasters, operational disruptions.

Despite these risks, as per anecdotal evidence, the uptake of insurance among SMEs continues to be low.

With respect to insurance as a risk management option, the following reasons, can be considered as pertinent obstacles:

- Lack of insurance product: Currently the non-life insurance companies do not seem to provide insurance against, for example, business interruption, that are caused by perils.
- Demand of insurance: Lack of an understanding of demand of insurance products that mitigate risks against perils.
- Data gaps: The lack of historical data creates a significant challenge for insurers seeking to assess and price risks for climate-related and other emerging risks accurately.
- Actuarial capacity: Shortage of skilled actuaries impact's insurer's ability to assess and price risks accurately.

Lack of awareness and inadequate sales and distribution channel are also thought to contribute towards low uptake of insurance amongst SMEs.

The study is being commissioned to understand how access to insurance could reduce the vulnerability of SMEs and businesses towards natural catastrophic events.

The sectors of agri processing, energy (hydro and solar), tourism and hospitality, manufacturing industries, construction industries have been chosen because they contribute the most to Koshi Province's annual gross domestic product at current prices, 2023/24 as per the National Statistics Office. These sectors also have the highest employment potential and potential to trigger investment as indicated by their contribution to the province's GDP. Equally the PWC's December 2024 study on "Engaging Nepalese businesses in climate change adaptation" highlights these sectors as the main ones that can be affected by natural hazards and climate impacts.

3. Objective of the assignment

The main objective of this assignment is to conduct a study to understand the market for perils related insurance for SMEs and develop recommendations to address gaps and challenges elaborated in the context section and those that arise during the assessment.

This study aims to understand the market demand and supply of insurance related to perils and strategies to address bottlenecks that would increase demand of insurance such as parametric insurance¹ which has shown great potential in addressing the evolving context of risk to local economies.

Additionally, the study seeks to propose policy and regulatory measures, stakeholder analysis, foster stakeholder engagement, and identify innovative insurance products that bolster the resilience of vulnerable businesses, SMEs against various perils.

4. Scope of the work

This study aims to assess how insurance can enhance the resilience of SMEs in Koshi Province. It will analyse both the demand-side and supply-side dynamics, identifying barriers and opportunities for greater insurance uptake among SMEs exposed to natural catastrophic events.

The scope of work for this assignment can be divided into below nine key activities:

A. *Define Objectives and Scope:*

- Geographic focus on Koshi Province, covering both rural and urban business environments.
- Examine insurance coverage for various perils, including both primary and secondary perils.
- Review of insurance types relevant to SMEs, including business interruption insurance, property insurance, and engineering insurance, amongst other appropriate products.

B. *Market Segmentation and Profiling:*

- Identify key segments/sectors in Koshi that are most vulnerable to climate-induced risks and climate variability such as agri processing, energy (hydro and solar) sector, tourism and hospitality, manufacturing industries, construction industries in the province.
- Profile each sector based on its economic significance, exposure to natural hazards, existing risk mitigation strategies, and current insurance coverage

C. *Literature Review and Data Analysis:*

- Gather existing studies, reports, and data on insurance for natural catastrophic events in Nepal, the current insurance market, and SME behaviours.

¹ As per Swiss Re, parametric (or index based) insurance covers the probability (or likelihood) of a loss-causing event happening (like a flood) instead of indemnifying the actual loss incurred from the event. It is an agreement to make a payment upon the occurrence of a covered event meeting or exceeding a pre-defined intensity threshold, as measured by an objective value (or parameter – hence the name 'parametric insurance'). A suitable parameter or index is any objective measure that is both reported by an independent third party (neither the insured nor the insurer) and correlated to the underlying hazard which can result in financial loss for the insured.

- Analyse data from sources like government reports, I/NGOs, insurance industry studies, and climate impact studies to understand the baseline situation and trends along with the systemic risks posed by perils.

D. Primary Data Collection (Demand Side Analysis):

- Conduct surveys and interviews with at least 20 SMEs of each of the 5 sectors (100 SMEs), mentioned in the market segmentation and profiling bullet point, in the Koshi Province to assess their awareness, attitudes, and willingness to invest in insurance to cope with and recover from disasters.
- Ensure that at least 10% are women-owned and women-led SMEs in each sector.
- Investigate current coping mechanisms of business against perils, risk perception, and barriers to adopting insurance solutions.

E. Primary Data Collection (Supply Side Analysis)

- Identify and engage key stakeholders such as government agencies, insurance companies, climate experts, development partners and (I)NGOs involved in climate adaptation and mitigation, and insurance for businesses.
- Conduct interviews and focus groups to understand stakeholder perspectives, their roles, and their experiences related to natural catastrophic events.
- Engage insurance providers (14 non-life insurance companies), intermediaries could include agents, brokers, financial technologies (fintechs) (2 from each non-life insurance), and experts (6 experts from industry/sector/climate related) to understand the supply side of insurance, including available products, pricing, and distribution channels.
- Evaluate actuarial capacity, availability of relevant index data, and regulatory frameworks that affect insurance sector.
- Assess the regulatory and operational challenges faced by insurers in providing insurance against perils and any innovations or partnerships in development.

F. Gap Analysis:

- Analyse gaps between existing supply and potential demand, identifying unmet needs, pricing barriers, or misalignments in product design.
- Look for regulatory or policy gaps that may be hindering the supply or uptake of insurance for natural catastrophe in Nepal.
- Analyse the collected data using appropriate quantitative and qualitative methods to identify trends, gaps, and actionable insights.

G. Develop Recommendations:

- Synthesize findings to address the study objectives, focusing on market dynamics, challenges, and potential solutions.
- Based on findings, propose actionable recommendations for stakeholders, including but not limited to strategies for product development, pricing, awareness campaigns, or regulatory adjustments.
- Identify potential partnerships and collaborations between insurers, government, NGOs, and international agencies to promote adoption of insurance against natural catastrophes.
- Identify and recommend innovative insurance solutions that address both primary and secondary perils affecting SMEs.
- Draft a comprehensive report detailing:

- Key findings from the data analysis.
- Strategic recommendations to address identified gaps and challenges.
- Proposed policy and regulatory interventions and innovative insurance products. Ensure clarity and coherence in the report, supported by relevant data visualizations and case studies.

H. Dissemination /Validation:

- Organise a multi stakeholder workshop to validate findings, receive feedback and gather insights.
- Foster dialogue among insurers, regulators, and insurance ecosystem groups to ensure recommendations are practical and inclusive.
- Explore potential synergies between insurers, government agencies, and other stakeholders to enhance insurance adoption.

I. Final Reporting:

- Develop a comprehensive final report consolidating findings, analysis, and actionable recommendations.
- Ensure that the report includes data visualizations, case studies, and practical policy recommendations.
- Incorporate insights from the validation workshop to strengthen the final recommendations and provide a roadmap for implementation.

5. Mode of implementation/Methodology

The bidder is suggested to submit the methodology.

The bidder is expected to design and develop comprehensive study tools, and a robust methodology tailored to the objectives of the assignment. This includes defining data collection methods, sampling strategies, and analytical frameworks. A detailed plan of action to be prepared, outlining key activities, timelines, and resource requirements to ensure the effective execution of the study.

6. Deliverables

The deliverables for this assignment will be as per the table outlined in the duties and responsibilities (section 4, scope of work). Additionally, the bidder will provide following deliverables to Sahaj:

- The inception report with structure and process of the study, methodology, as well mapping tools including checklists/questionnaires for the different stakeholders and key informants and a detailed workplan outlining timelines, milestones and responsibilities.
- Draft report with findings and actionable recommendations.
- Oral presentation/meeting and debrief with Sahaj team on the findings of the study for feedback and finalization of report (including raw data).
- A presentation summarizing key findings and recommendations for sharing with relevant stakeholders.
- Organise and share the study findings and recommendations with relevant stakeholders through a workshop.
- A final comprehensive report detailing findings, analysis, and recommendations.

7. Required expertise

- A thorough understanding and work experience in research and analysis on perils and its challenges, insurance market, insurance products, reinsurance market, applicable government laws and policies
- Strong ability to analyse and integrate diverse and complex quantitative and qualitative data from various sources using for instance various data visualization, compilation, analytical tools
- Proven record of undertaking similar assignments
- Legally registered in Nepal with at least 5 years standing experience
- Exemplary network with insurance companies, government bodies, relevant actors, associations, stakeholders etc. Ability to demonstrate this network would be crucial
- Ability to handle tasks independently
- Availability of resources to conduct the activities efficiently
- Excellent analytical, communication and report writing skills
- Understanding of business, economic, financial and risk management aspects
- Prior experience working with development partners would be an added advantage

8. Request for Proposal

The potential and interested bidders are requested to submit documents showing their keen interest in undertaking the proposed assignment as listed below. The proposal should include following:

1. Cover letter expressing interest
2. Eligibility criteria list (documents mentioned in section 9)
3. Technical proposal along with CV of proposed consultant/team
4. Financial proposal

9. Selection method

Both technical and financial proposals must be submitted in two separate PDF files. The cover letter expressing interest and eligibility criteria documents listed below shall be included in the files of technical proposal. The financial proposal will be opened only after the technical proposal is rated. Technical proposals with score less than 70 percentage will not be further evaluated.

The bidders are required to submit both the technical and financial proposal within the stipulated deadline. Sahaj shall employ Quality-Cost-Based-Selection (QCBS) method [Technical Proposal Weightage: 70% and Financial Proposal Weightage: 30%].

Following legal/statutory documents need to be submitted along with technical and financial proposals within the date stipulated in this RfP:

- Organisational profile
- Registration certificate along with latest renewal/update letter issued by Office of the Company Registrar
- VAT registration certificate
- Tax clearance certificate 2080/81
- Declaration of Independence (template attached)

10. Structure of Proposals For Technical Proposal

Cover Page

Table of Content

List of Tables (If required)

List of Figures (If required)

Abbreviations

A. Organisational Profile

- Provide an overview of bidder.
- Highlight relevant knowledge and work experiences (experience letters will be preferred).
- List of previous clients
- Highlight your proficiency in relevant activities.

B. Methodology and detail work plan along with timelines for conducting the study (section 4).

C. CV/s of the proposed consultant/team who will be in this assignment.

D. Annexes (If required)

For Financial Proposal

The financial proposal should at least include the following details and breakdown. Bidders can submit a supplementary document/sheet for specific and detailed breakdown or description to support/clarify the proposal.

S.No.	Particulars	# days	Quantity	Rate NPR	Amount NPR	Remarks
1	Human Resources					
1.1	Team Leader					
1.2	Climate Expert					
1.3	Insurance Expert					
1.4	Policy Expert					
1.5	Data Analyst					
1.6	Enumerators					
1.7	Others (Specify)					
	Total					
2	Stakeholder Engagement					
2.1	Focus Group Discussions/Key Informant Interviews					
2.2	Materials					
2.3	Others (Specify)					
	Total					
3	Data Collection					
3.1	Survey tools					
3.2	Software					
3.3	Materials					
3.4	Others (Specify)					
	Total					
4	Fieldwork Expenses					
4.1	Trainings to enumerators					
4.2	Transportation					
4.3	Accommodation					

4.4	Meals (in case of DSA not provided)					
4.5	DSA					
4.6	Others (Specify)					
	Total					
5	Validation Workshop					
5.1	Venue (including meal/snack)					
5.2	Workshop materials					
5.3	Others (Specify)					
	Total					
6	Other Cost					
6.1	(Specify)					
6.2	(Specify)					
	Total					
	GRAND TOTAL					
	VAT					
	GRAND TOTAL incl. VAT					

The number of days is left open to the bidders.

11. Scoring criteria

For technical proposal

S.N.	Instructions	Full Marks
1	<ul style="list-style-type: none"> Overall understanding of the assignment by the proposer and alignment of the proposal with the ToR. Key challenges and opportunities associated with study Overall concord between ToR requirements and proposal 	<p>Overall Understanding: 5</p> <p>Concord with ToR: 5</p>
2	<p>The organisational and relevant skills and past work experience of the bidder:</p> <ul style="list-style-type: none"> Review of Organisational Profile and General work experience: relevancy, organisational structure incl. engagement and investment of key persons, work experience Specific work experience: Relevant work experience in mentioned activities under scope of work. References from previous similar clients if any 	<p>General: 5</p> <p>Specific: 5</p>
3	<p>Relevant skills and past work experience of the key personnel</p> <ul style="list-style-type: none"> Qualifications of the proposed team for the assignment Specific work experience: Relevant work experiences climate, research, analysis, reports, <p>Relevant experience and qualifications of the proposed team for the assignment. May include:</p> <p>Team Leader/Focal Point-responsible for project, thought leadership and liaison with Sahaj.</p>	<p>Qualifications: 7</p> <p>Work experience: 8</p>

	Subject matter experts: In depth knowledge in the relevant field and demonstrated experience in designing related insurance products. There can be climate expert, insurance expert, policy expert, data expert/statistician, GESI consultant, Enumerators: Skills in data collection and reporting	
4	Proposed Methodology and Approach	25
	Work plan showing detail deliverables, implementation plan in line with the assignment stated under scope of work (section 3). Risk and its mitigation strategies. How challenges will be addressed In addition, the proposal should also include the following: -Concept plan -Strategies and modality of execution -Activity details, action plan and workplan	
5	Gender Equality and Social Inclusion (GESI)	5
	Relevant GESI personnel and GESI related work experiences <ul style="list-style-type: none"> • Organisation structure (Board/Management/Senior level) • Internal GESI policies/strategies • GESI related work experiences in the past • Team composition for this assignment from GESI perspective 	
6	Capacity and Resources	5
	Availability of necessary tools, technology and other resources to effectively manage and execute the assignment on time	
	Total	70

For financial proposal

SN	Basis for Scoring/Criteria	Marks	Remarks
1	Total budget	10	Lowest will get highest score.
2	Consistency with technical proposal: Is the budget in line with the technical proposal? Are there enough resources allocated to be able to implement the proposed activity? Are there enough experienced teams to be able to implement the assignment?	20	Highest consistency will get higher scores.
	Total	30	

In terms of scoring the total budget criteria (SN 1), the lowest bidder of the total budget will get 10 marks. Financial proposals from the other bidders will receive pro-rated points on the relationship of the bidder's prices to that of the lowest evaluated cost. In case of scoring the consistency of the proposed budget with the technical proposal criteria (SN 2), assessment panel members shall use their judgement to provide scores. The bidders will ensure that activities are allocated a reasonable and qualitative budget and align with the technical proposal.

12. Deadline for submitting the proposal

Cover letter, eligibility criteria along with technical and financial proposals along with other details and documents must be submitted in PDF format addressed to info.namdp@swisscontact.org by 11:59 PM of 10th March, 2025. The technical and financial proposal should be submitted in a separate pdf file or envelope, if submitting hardcopy.

13. Time Duration of Services

The assignment is expected to be completed within five months from the date of signing of the agreement.

The detailed timeline depends on the proposed work plan and will be discussed after the first meeting with the selected bidder and is subject to change as per need.

14. Selection Process and Negotiation

The bidders that do not/fail to submit both or any of technical and financial proposals within the mentioned period will be outrightly disqualified.

Before awarding and signing the contract with the selected bidder, Sahaj may undertake an assessment of the bidder's financial and management capacity and the relevant practices, through one or more meetings and visits.

Sahaj reserves the right to negotiate with the bidders prior to awarding the contract.

15. Terms of payment and Contractual Arrangements

The payments will be made as per Sahaj's rules and regulations and will be discussed with the winning bidder before signing the contract. There will be a formal contract for the service. The payments will be made on a milestone basis as mentioned in section 4 and the total value of the service will be paid by a bank transfer to the firm's bank account.

The project will release payment to the bidder after the satisfactory completion of the assignment as mentioned in the timeline (section 4) by the Sahaj. Applicable taxes will be deducted before making payment to the bidder.

16. Rejection of proposals, tender cancellation

Should any proposal fail to comply with terms and conditions stipulated in this RfP, or be incomplete, conditional or obscure, or contain additions not called for or irregularities of any kind or does not respond to important aspects of the RfP, or if the bidder does not meet the eligible criteria, or if it fails to achieve the minimum technical score, it may be rejected as non-responsive.

Sahaj reserves the right to accept or reject any proposal, and to annul the bidding process and reject all proposals at any time prior to contract award, without thereby incurring any liability to the participating bidder(s).

17. Reporting and communication

The bidder shall prepare and submit the deliverables as within the stipulated deadline and a project completion report after the completion of the assignment. The project team will review and provide feedback and comments if any to incorporate in the deliverables and report.

Annex 1

Re: Declaration of Independence for Bidders/Suppliers

We hereby declare that we as an organisation and our staff do not have **any conflict of interest**² with Swisscontact/ (NAMDP project), its key management team or its staff directly related to the execution of the proposed assignment (Assignment name, detail on published date).

We further declare that we do not have any business, professional, personal, or other interest, including, but not limited to, the representation of other clients, that would conflict in any manner or degree with the performance of its obligations under the proposed assignment. (In case of any conflict of interest, please specify)

In addition, we further declare that we have not been punished for an offense relating to the concerned profession or business and that our Company/Firm has not been declared ineligible by any law of the land. (In case of any offense, please specify)

We ensure that if any such actual or potential conflict of interest arises during this assignment, we shall immediately inform Swisscontact/(NAMDP) in writing.

We are aware and accept that if we fail to declare any information mentioned above or if, in the reasonable judgment of Swisscontact/(NAMDP), such conflict poses a material risk to the performance and obligations under this Agreement, then Swisscontact/NAMDP may terminate the Agreement immediately upon written notice to Contractor.

Authorized Signature:

Name and Title of Signatory:

Name of Firm/Company/Institute:

Address:

Telephone:

Email:

² “Conflict of Interest” refers to a situation in which an organisation or individual or close relative of such individual has competing personal or financial interests that could potentially compromise their ability to make impartial decisions or act in the best interests of others.

“Close relative” means a partition shareholder in a joint family or husband, wife, father, mother, mother-in-law, father-in-law, elder brother, younger brother, elder sister, younger sister, sister-in-law,(elder or younger brother’s wife), brother-in-law, sister-in-law, brother-in-law, (husband of elder sister), uncle, aunt, maternal uncle, maternal aunt, son, daughter, daughter-in-law, grandson, grand-daughter, grand-daughter in-law or son-in-law