



Terms of Reference (TOR)

Hiring of Consulting Firm for Designing & Implementing Women's Linkages Program

State Bank of Pakistan

TERMS OF REFERENCE

Designing & Implementing Women Linkages Program

1. Objectives

The key objective of this project is to develop a comprehensive plan for designing and implementing the Women Linkages Program for improving access to finance in Pakistan. The project aims to i) conduct a diagnostic Survey, ii) prepare an action plan to implement the proposed recommendations including a mechanism for monitoring the plan and iii) assist banks in designing women specific products financing & non-financing products & services.

The diagnostic survey on women's access to finance w.r.t. SME financing will include following:

- Define the key impediments faced by women entrepreneurs
- Study the current initiatives taken by various organizations (including banks) in Pakistan to improve financing to women entrepreneurs. Also study the international success stories.
- Identify sectors wherein women entrepreneurs are more involved and identify their needs & financing requirements.
- Prepare a report on key findings of survey.

The Action plan will be prepared with proposed timelines with sequence of actions/ roadmaps prioritized with cost estimates and responsible authorities.

- Design a plan by clearly defining the financial solutions and different activities needed to enhance women's access to finance
- Propose products needed to enhance access to finance to women owned SMEs through formal banking channel
- Propose an action plan in order to create awareness among women entrepreneurs
- Prepare a final report with key findings and recommendations and present to SBP
- Plan and arrange sessions for report dissemination among concerned stakeholders.
- Propose a monitoring mechanism for action plan.

The consultancy will also assist banks in designing women specific financing & non-financing products and services and their dissemination. It will assist in developing products as per needs and business requirements of women owned SMEs as identified in diagnostic survey report.

2. Background

Banking industry of Pakistan started focusing on small and medium enterprise (SME) sector during the period of 2004-2006 because of which SME financing (Rs. 408 billion) reached at 17 percent of total private sector financing in December 2006¹. However, following the economic slowdown since 2007-08, SMEs became less profitable and highly risky ventures for bankers. Due to various regulatory measures and facilitative role, SME financing started rising from 2013. The outstanding SME financing reached Rs 451 billion in December 2017 compared to Rs 284 billion in December 2013.

SBP has recently launched a 'Policy for Promotion of SME Finance' to further prioritize the SME financing. This policy comprises of nine pillars. This policy mainly covers i) improving regulatory framework through revising prudential regulations, strengthening secured transactions framework

¹ Policy for Promotion of SME Finance, issued on Dec 22, 2017

and introduction of SME targets, ii) market development through SME supportive subsidized refinance schemes, risk coverage scheme, Islamic SME financing, cluster surveys and non-financial advisory services , and iii) improving capacity building and awareness creation of bankers and SMEs. It is expected that due to the different measures taken under this policy, SME financing will reach 17 % of private sector financing by CY 2020.

Access to finance for women remains a key challenge in Pakistan. Women in Pakistan face both social and financial challenges in setting up and running a business as the overall environment is not very conducive for female entrepreneurship. Other than the lack of family support, financial constraints act as a major hurdle restricting women from opting for entrepreneurship. Banks in general are hesitant to lend to start ups and in case of females this reluctance increases due to a high risk associated with such financing. The share of female borrowers was a mere 5% in the total outstanding SME borrowers as of December 31, 2017.

Realizing the importance of female contribution towards economic development, different measures have been taken to facilitate women entrepreneurship particularly with respect to increasing access to finance. National Financial Inclusion Strategy (NFIS) of Pakistan was launched in 2015 to increase the access and usage of financial services especially for the under-banked and un-served population of the country. Improving financial inclusion of women is one of the priority areas under NFIS as it aims to enhance formal financial access to 50 percent of the adult population and envisions that 25% of adult females should have a formal bank account by end of 2020.

Financial Inclusion & Infrastructure Project (FIIP):

To support the implementation of Pakistan's NFIS, the World Bank Group (WBG) has approved a Financial Inclusion and Infrastructure Project (FIIP) and has provided financial intermediary loan to Government of Pakistan. Improving access to financial services for microenterprises and SMEs (MSMEs) is one of the key focus of this project. It especially seeks to substantially increase access and usage of financial services by women and support women-owned SMEs

3. Scope of Work

The aim of this project is to provide recommendations on improving access to finance to SME owned women entrepreneurs of Pakistan. It will study the available financing sources (formal and informal) as per needs of women-owned SMEs and recommend financial solutions. However, the main focus will be determining the formal financing solutions for women-owned SMEs. It will also assist banks in designing specific products as per needs of these SMEs. While doing so, the consultancy will survey the existing financial products available for women entrepreneurs through surveys, focus groups, workshops, etc. with at least 10 banks. It will highlight the reasons of a product's success or its failure (as deemed appropriate). It will ultimately contribute to enhancing the ability of women entrepreneurs to pursue economic opportunities and to grow their businesses. The project will focus on addressing the extent to which women are less able to access finance. It is clearly understood that if women cannot access financial resources, they are at disadvantage in comparison to male entrepreneurs. For the purpose, the hired consultancy will do a diagnostic survey in Pakistan. Moreover, the consultancy will also give an overview of international best practices and share success stories of jurisdictions where women financing has been enhanced. It will also do the stock taking of the current initiatives taken by various organizations in Pakistan to improve financing to women entrepreneurs.

4. Cost

The consultancy should estimate the costs for implementation of their recommendations. Costs may include expenses to be incurred to arrange trainings, workshops and skills development programs which can help women entrepreneurs to improve their business output. It may also include cost of development of systems/applications (if recommended), and changes in regulations/laws (where applicable).

5. Core Operational Standards

The consultancy will highlight the best international practice with reference to the women-owned SME financing. In this regard, impediments faced by these SMEs and their financial solutions, available financing schemes for women specific financing, size, sector, type of loan, quality of underlying collateral, risk profile of borrower, will be elaborated.

Further, firm will conduct the diagnostic survey in Pakistan covering a large range of women-owned SMEs and potential entrepreneurs who are financially excluded either because of reluctance or unawareness. It will describe the reasons of their exclusions, their needs & demands and proposed financial solutions. This survey should focus on impediments both financial as well as non-financial (domestic, social, political, geographical, and legal) faced by women owned businesses. Existing sources of financing (including banks) being used by these businesses should be explored along with cost implications of these sources for the businesses Vis a vis cost if formal source of finance are used by these businesses. Special focus shall be given to suggesting non-conventional yet sound forms of collateral that can be offered by women borrowers to secure banking credit. Their recommendations will help banks to develop specific products. Further, firm will also propose programs enabling women to enhance their financial knowledge.

6. Marketing, Awareness Creation and Capacity Building

Women-owned SMEs and potential entrepreneurs will need to be brought on board in terms of creating awareness and capacity building. The consultancy is to outline a comprehensive plan for marketing and awareness that involves all stakeholders from both supply and demand side including trade associations, chambers of commerce and industries, and other trade bodies. It may also target universities and technical education facilities for women entrepreneurship. The consultancy will also ask women entrepreneurs about their views on different areas of capacity building to ensure relevance and usefulness of awareness campaign. It should also help in knowing areas of training, which women entrepreneurs think, are necessary for them.

7. Implementation Plan

The consultancy should provide a proper Implementation Plan of their proposed recommendations along with schedule and cost estimate.

8. Deliverables

Following are the key deliverables of this consultancy:

- Conducting a diagnostic survey on women's access to finance w.r.t SMEs
- Action plan with timelines and sequence of actions/ roadmaps prioritized with cost estimates and responsible authorities. Also, a mechanism to monitor the progress of the plan will be needed
- Assisting banks to design and develop products as per specific financing needs of these women SMEs.

- List of essential trainings with reasons and justifications why the proposed trainings/ awareness campaigns are important. Some of such training may include non-financial advisory services (business plan development, feasibilities, filing tax return, product branding, product packing, etc)
- Proper targeting of women entrepreneurs with growth potential and identification of relevant programs.
- A comprehensive Report of the survey including the points mentioned in scope of work and core operational procedure.
- The comparison may be made with other economies of comparable scale and nature.
- The report should seek to fully understand the barriers for women in use of deposit, loan, payment and insurance products. These barriers can be classified into demand side, supply side and legal & regulatory barriers.
- The report should also recommend appropriate product design features that can be helpful in overcoming these barriers.
- The report should also take stock of different initiatives/ programs being implemented by different agencies in Pakistan for promotion of Women based SME financing, clearly highlighting the success cases. There should be at least 15 such programs or products with recommendations.
- An Implementation Plan to execute the proposed activities as mentioned in report
- Financial requirements to execute the plan
- A presentation to the IH&SMEFD team
- For monitoring the progress of the consultancy, following reports shall be submitted:
 - a) Inception Report of the Project – (after 1 month of project initiation). It will include the outline of plan conducting a diagnostic survey, dissemination of its finding and outline for assisting banks in developing women specific financing products based on finding and recommendations of diagnostic survey.
 - b) First Draft of Diagnostic Survey Report (after 5 months of project initiation)
 - c) Final Draft of Diagnostic Survey Report – (after 7 months of project initiation). This report will include the finding of diagnostic survey and its dissemination plan. This report will also include the action plan based on recommendation of findings of diagnostic survey along with monitoring mechanism.
 - d) Progress Report of the Project -Post Diagnostic Survey (after 9 months of project initiation) – This report will also include plan and implementation for assisting banks in developing women specific financing products.
 - e) Final Project Report (after eleven months of project initiation) -This report will include the progress and findings after assisting banks in developing women specific products.
 - f) Presentation to State Bank – within two weeks of submission of Final Project Report.

9. Methodology

The methodology will be at the discretion of the Consulting Firm. However, it is recommended that the following secondary material should be reviewed for this exercise:

- National Financial Inclusion Strategy (including relevant Technical Notes)
- SME Financing Data Tables, State Bank of Pakistan

- FIP Annual Reviews
- Report on : “State of Financial Inclusion of Women in Pakistan”

Key informants for this exercise will include:

- State Bank of Pakistan, IH&SME Finance Department
- State Bank of Pakistan, FIIP Secretariat
- SBP BSC- Development Finance & Support Department
- Small and Medium Enterprise Development Authority (SMEDA)
- Securities and Exchange Commission of Pakistan (SECP)
- Commercial Banks
- Microfinance Banks
- World Bank, Financial Inclusion and Infrastructure Programme Team
- Karandaaz
- International Finance Corporation (World Bank)
- Women chambers of commerce & industries
- Relevant federal and provincial ministries/ departments

10. Duration of Consultancy

It is anticipated that this work will be undertaken and completed within the space of 11.5 months.

11. Payment Terms

Following are the proposed payment terms:

- 10 % payment will be released on the submission and approval of inception report of the project.
- Further 15% payment will be provided after the submission and approval of First Draft of Diagnostic Survey Report.
- 25 % payment will be released on the submission and approval of Final Draft of Diagnostic Survey Report.
- 15 % payment will be released on the submission and approval of Progress Report of women specific products.
- 25% payment will be released on the submission and approval of Final Project Report of women specific products
- 10% payment will be released after presentation to the State Bank.

12. Reporting & Coordination

The main point of contact for this exercise during execution of contract from SBP will be:

Mr. Shahid Ali Khan
 Additional Director
 Infrastructure, Housing & SME Finance Department
 State Bank of Pakistan
 Karachi
 Email: shahid.Ali3@sbp.org.pk
 Ph: +92-21-32453552

13. Ownership of Confidential Information

The consulting firm would ensure that all the data/ information collected under this consultancy is kept confidential and will be the sole and exclusive property of SBP. The consulting firm will not, acquire any right, title or interest in or to any of the confidential information collected for this consultancy.