

## **Financial Inclusion Program**

### **Terms of Reference – Scoping Study and Workshop for Financing of Hybrid Value Chains**

#### **Technical Assistance Expert**

#### **Background<sup>1</sup>**

Hybrid Value Chains represent such collaborations between businesses and the citizen organizations which create income generating and growth opportunities that can only be realized by combining the capabilities of both. Microfinance sector in Pakistan has been in search of innovative approaches to increase the access of financial services for lower ends of the market and to deploy finances for productive income generation and asset creation activities.

Value Chain concept involves choosing, providing and communicating the value. It examines the relationship between benefits and price. HVC also focuses on the relationship between benefits and price but on the other hand it creates an environment where both businesses and citizen sector entities understand and accept risk and rewards.

#### **Vision**

Within three years, £100 million of private and commercial finance is invested in markets created by hybrid value chains (HVCs) as a direct result of the Financial Inclusion Programme support for productive, sustainable, and scalable hybrid value chain business model in Pakistan.

#### **Scope**

To review the opportunities for the micro and SME finance in Pakistan to leverage their outreach and join hands in HVCs with cottage industry/ agri-producers and marketers.

#### **Objective:**

The objective of this assignment is to facilitate FIP and develop a quality Technical Assistance (TA) report to take forward ideas on Hybrid Value Chains for quality financial inclusion with a particular focus on end-users.

#### **Deliverables**

(Three weeks) Analysis and report writing containing;

- i) based on international and regional experience, identification/elaboration of at least five successful HVC business models preferably from the developing world to demonstrate HVC successes;
- ii) list of potential opportunities for several subsectors serving micro/SME clients in Pakistan and identifying at least three most promising business models for

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<sup>1</sup> <http://hbr.org/2010/09/a-new-alliance-for-global-change/ar/1>

<sup>1</sup> <http://www.nextbillion.net/blog/how-are-hybrid-value-chains-different-from-csr#>

- Hybrid Value Chains in the country, where the Financial Inclusion Programme could lead or support the development of such business models;
- iii) Conduct a complete process mapping for each HVC business model from input supply to final sale.
  - iv) Economic, social and environmental impact analysis as well as sustainability for each business model
  - v) recommendations for the FIP instruments/components to facilitate further investment dialogue and promote the creation of HVCs identified in the review
  - vi) Design of HVC Finance workshop including session and budget details
- (One week) Conduct and report of the workshop

### **Desired Tasks**

1. Identification of the most promising sectors within cottage industries/ agro-producers and where usual business practices are costly and/or ineffective;
2. An analysis of appropriate financial solutions to support HVCs;
3. A complete process mapping for each HVC business model from input supply to final sale including a financial analysis of the downstream market.
4. Economic, social and environmental impact analysis as well as sustainability for each business model
5. Identification of skill enhancement requirements for beneficiaries under each business model.
6. Identification of non-traditional partners, particularly with respect to the private sector as potential partners to FIP;
7. A strategy for working with micro and SME finance providers to help players understand how HVCs can be applied in the context of Pakistan and FIP;
8. Identification of what are the most attractive opportunities for financial institutions to invest in markets created by HVCs, and how in particular, micro and SME finance providers can viably invest in HVCs;
9. Analysis as to how business models for HVCs can be delivered at scale;
10. Analysis of where hybrid ventures can be housed, outside of SBP and FIP structures;
11. Analysis of potential leaders and leadership roles in HVC ventures.

### **Timeline**

The assignment will commence in September 2011. We anticipate the work requires 20 days of consultants' time, and the duration of work will last no more than 100 days. The last date for receiving expressions of interest is **August 20, 2011**.

### **Qualification and Experience:**

- 1) Postgraduate degree in business administration, finance, economics, development Studies or equivalent;
- 2) Evidence of previous engagement with the financial services industry on developing HVCs;
- 3) A minimum of 10 years work experience in the business/development sector, preferably with a leading consultancy or business strategy firm preparing TA work plans and implementation of the same.
- 4) Well versed on HVCs and their application in Pakistan or comparable economies.
- 5) Evidence of working on relevant issues relating to the cottage industries and/ or agri-producers and marketers in Pakistan or comparable countries;
- 6) Must have an international profile to be able to identify and engage international experts required for quality inputs.

- 7) A detailed understanding of the issues on financial sector development and challenges in Pakistan.

### **Team Composition**

The consultant will report to DFID and SBP jointly, and will be overall in charge for the delivery of outputs.

### **Finance and Administration**

DFID/SBP will not provide services to the consultant for transport, office space, computing facilities, etc. The consultant will manage all aspects of the contracted work, including the logistics and administration.

Payment will be made on reimbursement basis. The consultant will provide one final invoice after the completion of work detailing actual fees and charges to be reimbursed supported by original invoices and receipts. The invoice will be reimbursed upon the satisfactory completion of the deliverables.

### **Security and Timing**

The consultants under the terms of this contract are responsible for ensuring their own safety and security.

### **Background**

State Bank of Pakistan in partnership with DFID is implementing the Financial Inclusion Program (FIP) to improve access to financial services for poor and marginalized groups, and for small enterprises in Pakistan. The programme is being implemented with grant assistance of £ 50 million from DFID over five years (2008-2013).

2. The underlining principle of Financial Inclusion Program (FIP) is to develop market-based approaches to deliver financial services to the poor and marginalized groups in Pakistan. FIP aims to transform the financial market through better regulation, availability of information, provision of long term commercial financing, improving the technology infrastructure and skills development. SBP has launched the following funding facilities under the program:

- i. **Institutional Strengthening Fund (ISF: GBP 10 million)** to enhance capacity of MFBs and MFIs which are undergoing transformation to maximize potential for growth and achieve depth in outreach by developing human resource capacity, and increased availability and quality of financial services to potential clients. ISF has identified priority areas for providing grant support to the potential beneficiaries.
- ii. **Microfinance Credit Guarantee Facility (MFCG: GBP 10 million)** to develop market and improve availability of wholesale funds to ease credit constraints of MFBs/ MFIs for greater microfinance outreach;
- iii. **Credit Guarantee Scheme for small and rural borrowers (CGS: GBP 10 million)** to improve availability of credit by enhancing credit rating of small and rural borrowers through guarantees for greater outreach to the poor and rural segments; and

- iv. **Technical Assistance Component (TA: GBP 10 million)** to promote remittance, and technology driven solutions and enhance SBP capacity to promote development finance/financial inclusion in the country.
- v. The fifth and final component **Financial Innovation Fund (FIF: GBP 10 million)** is in design phase, expected to be launched on 9<sup>th</sup> May 2011.