



# **The Bank of Khyber**

***Request for Proposal (RFP)***  
***Consultancy/ facilitation for the Launch of Micro Finance Business***

**Last Date of submission: 16-04-2019**

**Opening date: 16-04-2019**

## **REQUEST FOR PROPOSAL**

### **Contents of the RFP**

The RFP includes the documents listed below

**Section 1** - Instructions to firms

**Section 2** - Terms of Reference

**Annexure A** – Proposal Submission Form

### **SECTION - 1. INSTRUCTIONS TO FIRMS**

#### **General**

#### **1. Scope of Proposal**

The Bank of Khyber (BOK), Pakistan, issues this Request for Proposal (RFP) for the Consultancy /Facilitation Services for launch of Microfinance Business in BOK through raising of the Micro Finance Banking Division that shall work under the direct supervision of the Managing Director (MD).

Throughout this RFP:

- a. "Microfinance Business" means; business and its related operations undertaken to offer financial products / services to low-income segments, universally called as the "microfinance market", it also includes "S" (small) of the SME. It will be governed by regulations pertinent to commercial / general banking. However, guidance to design the business and its related products may be taken from Microfinance Institution Ordinance 2001 and regulation / instruction issued by State Bank of Pakistan for microfinance.
- b. The "Launch of Business" means, it will be launched in phases and shall be initiated by the Pilot and followed by Mass launch. The required deliberations and staff work for each phase will commence in parallel, however, the learning curve and lessons of Pilot shall be integrated with the Mass Launch during its initiation and currency.
- c. The "Product" means various forms of loans offered to the customers through conventional and Islamic mode, while retaining reasonable ratio between these, however specific ratio between conventional and Islamic for Mass Launch will be decided after the Pilot Phase.
- d. The "Firm" means an organisation or consortium or company having registered office in Pakistan.
- e. "in writing" means communicated in written form (e.g., by mail, e-mail, fax)
- f. The "Day" means calendar day. "Due date" means working days, if it falls on holidays the next working day will be taken as due date.

**2. Eligibility of Firm**

- The firm should have proven experience/ expertise of dealing with microfinance sector.
- The average experience of Firm's dedicated team should have been at least **10 years** of working with microfinance bank /sector.
- The firm should be registered with FBR and be an active tax payer.
- The firm should not have been blacklisted by any of the Provincial / Federal Government or organizations of the State / Federal Government in Pakistan. The firm should not be in litigation with its customers/clients.
- The firm shall have sound financial record with at least Rs.150 Million turnover per annum.
- The applying firm must be registered with Khyber-Pakhtunkhwa Revenue Authority (KPRA).

**3. One Proposal Per Firm**

Each Firm shall submit only one proposal, either individually or as a partner in a joint venture. A firm that submits or participates in more than one proposal shall cause all the proposals with the Firm's participation to be disqualified.

**4. Cost of Preparation of Proposal**

The Firm shall bear all costs associated with the preparation and submission of its proposal. BOK shall not be responsible or liable for those costs, regardless of the conduct or outcome of the bidding process.

**5. Clarification of RFP**

All questions and/or clarifications regarding this RFP must be submitted via email to [asad.ullah@bok.com.pk](mailto:asad.ullah@bok.com.pk) not later than 5:00 pm local time on 05-04- 2019. All inquiries regarding this solicitation must reference the RFP number. No phone calls or in-person inquiries will be entertained; all questions and inquiries must be in writing.

Only the written answers will be considered official and carry weight in the RFP process and subsequent evaluation. Any verbal information received from a BOK employee or other entity should not be considered as an official response to any questions regarding this RFP.

## **Preparation and Submission of Proposals**

### **6. Language of proposal**

All documents relating to the proposal shall be written in the English language.

### **7. Documents Comprising the Proposal**

The proposal shall consist of the following:-

1. Technical proposal consisting of the following;
  - i. Firm's Profile, based on organization and experience, with special reference to practically running microfinance bank / business in Pakistan under regulated environment as explained in the Scope at point 1 above.
  - ii. Description of approach, methodology and business plan in response to the terms of reference.
  - iii. In depth Understanding of credit risk, credit initiation process, verification, regulatory requirements, documentations in line with new regulatory and legal requirements
  - iv. Relationship with State Bank of Pakistan and dealing experience
  - v. Suggestions / recommendation in response to the terms of reference, counterpart staff, and facilities to be provided by BOK.
  - vi. Work schedule and planning for deliverables.
  - vii. Team composition, assignment, and key experts' inputs and Curriculum vitae (CV).
  - viii. Samples of past experience.
  - ix. Financial position of the company
  - x. Proposed Business continuity plan for the project
  - xi. National Taxation Number and Annual Tax returns for the last year
2. Financial proposal. The price structure and its possible breakdown for respective activities/subjects.

### **8. Currencies of Bid and Payment**

Firms shall express the price in PKR (Pak Rupees) only.

### **9. Proposal Validity**

Proposal shall remain valid for ninety (90) days after the proposal submission deadline date established by BOK. A proposal valid for a shorter period shall be rejected as non-responsive.

In exceptional circumstances, prior to the expiration of the proposal validity period, BOK may request all firms, who submitted their proposals to extend the period of validity of their proposal for a specified additional period. The request and the responses shall be made in writing. If the Firm agrees to extend the validity of its proposal, it shall be done without any change in the original proposal and with the confirmation of the availability of the key experts. The Firm has the right to refuse to extend the validity of its proposal, in such case, the proposal will not be further evaluated.

If any of the Key Experts become unavailable for the extended validity period, the firm shall provide a written justification and evidence satisfactory to the Client together with the substitution request. In such case, a replacement of Key Expert shall have equal or better qualifications and experience than those of the originally proposed Key Expert. The technical evaluation score, however, will remain to be based on the evaluation of the CV of the original Key Expert.

If the Firm fails to provide a replacement Key Expert with equal or better qualifications, or if the provided reasons for the replacement or justification are unacceptable to the Client, such Proposal will be rejected.

**10. Alternative Proposals**

Alternative proposals shall not be considered.

**11. Format, Signing, and Submission of Proposals**

The Firm shall prepare the Proposal as described in point 10 on Firm's official Letter head. Each document shall be signed by the person duly authorized to sign on behalf of the Firm; while all pages of the proposal, shall be initialized by the person(s) signing the proposal.

Both Technical and Financial Proposals must be submitted before 12:00 noon Pakistan Standard Time on 15-04-2019. Offers must be prepared in four hard copies of the Technical Proposal and two hard copies of the Financial / Cost Proposals, and submit in separate **sealed** envelopes to the attention of 'The Procurement Division, The Bank of Khyber, 29 A - The Mall, Peshawar Cantonment, 25000 Khyber Pakhtunkhwa. Pakistan

Technical proposal submitted, must also be provided in soft version, preferably in compact disk or flash drive, along with financial proposal.

**12. Deadline for Submission of Proposals**

Proposals must be received at BOK no later than 11:00 AM Pakistan Standard Time **on 16-04-2019**. No proposal shall be entertained after lapse of deadline.

**Proposal Opening and Evaluation**

**13. Proposal Opening**

On receipt of both the Proposals i.e. Technical and Financial, on the given date as per the advertisement in the press, BOK shall open the Technical Proposals, the same day, where the competing firms are welcome to attend the opening of the Technical Proposals. However, the Financial Proposals of only the technically qualified firms will be opened on the date time to be communicated later. The Financial Proposal of not qualified firms will be returned unopened.

**14. Confidentiality**

Information relating to the examination, evaluation, comparison, and post-qualification of proposals, and recommendation of contract award, shall not be disclosed to firms or any other persons not officially concerned with such process until publication of the contract award. Any effort by a Firm to influence BOK in the examination, evaluation, comparison, and post-qualification of the Proposals or contract award decisions may result in the rejection of its Bid. Notwithstanding the above, from the time of proposal opening to the time of contract award, if any firm wishes to contact BOK on any matter related to the bidding process, it should do so in writing at the address indicated in point 11.

**15. Preliminary Examination of Proposals**

Prior to the detailed evaluation of proposals, BOK shall first review each Proposal and check the power of attorney or any other form demonstrating that the representative has been duly authorized to sign the proposal, initialization of all pages, etc.

**16. Determination of Firm’s Eligibility and Qualifications**

Then BOK shall determine whether or not the firm meets the eligibility and qualification requirements of the bidding documents. Firms failing to comply with the eligibility criteria indicated in point.2 ‘Eligibility’ shall be disqualified.

Further, BOK shall determine whether the proposal is substantially responsive to the requirements of the bidding documents.

BOK’s determination of a proposal’s responsiveness is to be based on the contents of the proposal itself. A substantially responsive proposal is one, which conforms to all the terms, conditions, and specifications of the RFP, without material deviation or reservation. A material deviation or reservation is one (a) which affects in any substantial way the scope, quality, or performance of the service; (b) which limits in any substantial way, inconsistent with the RFP, BOK’s rights or Firm’s obligations under the contract; or (c) whose rectification would affect unfairly the competitive position of other firms presenting substantially responsive Proposals.

**17. Evaluation of Technical Proposal**

BOK shall evaluate the technical aspects of the proposals received, applying the evaluation criteria specified in this section. Each proposal that is not rejected for reasons stated in these Instructions will be given a technical score.

The evaluation criteria, relevant sub-criteria, and point system to be used to evaluate the Technical Proposals shall be:-

Technical Proposal shall be scored out of score 100% whereas Qualifying Marks in Technical Bid shall be 70 marks its weightage shall be 80% of the total score,

	Description	Total	Marks obtained	Remarks	Remarks (Attachment of relevant evidence in each case is mandatory)	<u>Annexure</u>
	Competencies/expertise of the consultant(s), expert (s). of the Firm called as members.	20		The team comprising of maximum members with educational qualification: Ph.D and Masters Professional expertise based on numbers of years in microfinance having higher weightage as compared with other banking fields.	Detailed profiles of members(consultant / associate’s) reflecting professional qualification and experience in relevant fields.	
		15		The team comprising of members with educational qualification of Masters / Bachelors Professional expertise based on number of years in field Microfinance or other banking fields.		

		10		The team comprising of members with educational qualification of Masters and Bachelors. With relevant expertise in banking fields.		
Prior relevant microfinance experience in MFB / MFI, or in commercial bank		30		At least 20 years of cumulative working experience of the members in microfinance banks/ sector	Detailed profile of members (experts/ consultants) reflecting their past experience along with supporting reference.	
		20		At least 15 years of cumulative working experience of members in microfinance banks/ sector		
		10		At least 10 years of cumulative working experience of members in microfinance banks/ sector		
Hands on experience of managing MF portfolios with performance results in delinquency		20		Managed MF portfolio for 10 years.	<u>Documentary evidence of the portfolio</u> management along with supporting reference.	
		15		Managed MF portfolio for 6 years		
		10		Managed MF portfolio for less than 6 years.		
Quality of proposed approach, methodology, and work plan		30			Complete business plan along with presentation *	

\*A comprehensive presentation covering the salient aspects of the Proposal will be prepared on Power- Point, and shall be presented, whenever BOK calls any Firm for presentation.

**18. Evaluation of Financial Proposal (Price):**

Financial Proposal shall also be scored out of out of 100 whereas weightage shall be 20% of Total Score. Price proposals submitted will be evaluated according to price reasonableness determination under full and open competition and known market conditions.

Evaluation of the price proposal will consider, but will not be limited to, the following:

- Cost reasonableness;
- Consistency with the technical proposal.

## **Award of Contract**

### **19. Award Criteria**

BOK shall award the contract to the Firm whose proposal has been determined to be substantially responsive to the RFP and which has the highest combined technical and financial score, provided that such firm has been determined to be eligible in accordance with point.2. Since the Proposal calls for raising / establishment of Micro-Banking Division at BOK and launch of Microfinance Business, therefore technical evaluation will be the main criteria for awarding the contract.

### **20. Notification of Award and Signing of Agreement**

The Firm whose Proposal has been accepted shall be notified of the award by BOK prior to expiration of the proposal validity period in writing. This letter (hereinafter and in the contract called the “Letter of Acceptance”) shall state the sum that BOK shall pay the Firm in consideration of the services as prescribed by the contract.

Work order is to be issued after approval of the competent authority. Agreements will be signed once the work order is issued. The Agreement will have an initial tenure of 3 years.

The Agreement shall incorporate all agreements between BOK and the successful Firm. It shall be signed by BOK and sent to the successful Firm.

For any Inquiry Please feel free to Contact Mr. Asad Kakakhel  
Tel: 091-5284244



## **SECTION 2. TERMS OF REFERENCE**

<b>Thematic Area:</b>	<b>Microfinance</b>
<b>Project Title:</b>	<b><u>Launch of Microfinance Business by BOK through the establishment/strengthening of Microfinance banking Division.</u></b>
<b>Expected Start Date:</b>	August 2019
<b>Task Manager:</b>	Asad Kakakhel

### **21 About BOK**

The Bank of Khyber was established in 1991 through an Act passed by the KPK Provincial Legislative Assembly. It was awarded status of a scheduled bank in September 1994. The Bank enjoys a unique position and stands out amidst other banks operating within Pakistan as it has the privilege of being bracketed amongst the only four government banks in the country.

The Bank has long been associated with business and commercial circles and has been actively engaged in catering to the financial demands of all sectors. It has successfully been involved in extending funded and non-funded facilities to its customers for various business needs including microfinance.

Today, BOK is an “A-1” rated commercial bank, operating across the country with a network of 169 ranches having both conventional and Islamic services/mode of business, and continues to expand its geographic outreach. The provincial government is the major stakeholder; and during our 27 years’ history, the Bank has played a vital role in the development of KPK in particular and participated in the economic development of Pakistan in general.

### **22. About the Program**

The Bank of Khyber intends to enhance financial inclusion in KPK area through the introduction of Microfinance Banking Products and Services for maximum districts, largely reaching the unbanked jurisdictions, and in particularly the remote areas of KPK. BOK will be able to initiate and expand this Program, as:-

1. BOK has a strong organizational and infrastructure base that can assist in the launching and integration of the Micro-Banking Division with the core banking services with efficiency and within the given time frame.
2. BOK is already in process of hiring of external IT providers for core banking software. The software will cater to the needs of microfinance operations. The firm will work closely with the assigned Firm for all IT related requirements and solutions needed for the implementation of the program with the field staff and in the back offices.
3. BOK has a well-developed Islamic Services Segment under the supervision of qualified Shariah Board; hence, all proposals related to Islamic services under the MF Business will be developed by the assigned Firm in accordance with the Microfinance Business requirements and with the assistance and under the supervision of Shariah Board. This may obviate the need for the assigned Firm to have an Islamic representation on its Team.
4. BOK had undertaken the microfinance lending businesses earlier, apart from ongoing schemes in coordination with the Government of KPK. The existing database of Microfinance customers will be available to the assigned Firm for evaluation to draw objective conclusions and inferences that can

help to articulate the prospective focus / direction of the Business Proposal / facilitation process for launch of Microfinance Business.

## 23. Scope of Work

The Firm and its consultants / personnel shall follow the Scope of Work that includes the following activities:

1. Consultation / Facilitation Program. The launch of Microfinance Business in BOK will have three phases in terms of tasks and time. These will have operational overlap and will run concurrently to meet the periodic deliverables and end results. The Business Proposal will accordingly include and reflect these as:-
  - a. **Phase-1:** Pilot for initial launch to validate the conceptual/operational framework for mass launch, having one-year tenure, extendable on need basis.
  - b. **Phase-2:** Mass launch with due refinement based on the results / lessons of the Pilot. May be launched upon completion of Pilot, or when deemed favourable in view of the results of the Pilot.
  - c. **Phase-3:** This will cover the facilitation process on an ongoing basis, having overlap with Phases 1 and 2, for facilitation of leadership and management alignment, training of staff, refinement of all technical and operational matters, conflict resolution, performance reviews and tweaking of strategy / business plans, or any additional needs / services arising during the implementation process.
2. The Consultation / Facilitation Program, broadly based on the above Phases will comprise of the following main components:-
  - a. **Strategic and Business Planning:** Proposed structure for Micro-banking Division, sources of funding, products and delivery methods. The Business Plan for Pilot and Mass Launch will be based on the following parameters:-
    - i. Pilot (Phase-1). Will cover branches in selected branches in Peshawar and rural areas. It will have loan portfolio size of Rs 200 million with maximum client base of 2000 accounts. Loans will be offered to customers in good standing from the existing MF database. To test and validate the process, loans will also be offered to new customers. The tenure of Pilot will be one year and will phase out through a merger with the Mass Launch; however, under special circumstances, it may be extended. The Pilot Phase shall have well defined criteria to evaluate the success or failure of the Pilot, as it will have direct implications for the Mass Launch. Separate business plan for Pilot Phase will be submitted.
    - ii. Mass Launch (Phase-2). Will extend over 100 branches with special focus on MF markets and fresh opportunities [NMDs and northern areas]. The Business Plan will be based on 5 years covering all aspects relevant to the success of the business launch.
    - iii. During Phase 1 and 2, existing branches will house the MF Team, whose cost to branches will be apportioned based on the proposed strength of the Team in each branch. However, the Teams will be under the operational and administrative control of the Regional / Area Managers.
    - iv. The Business Plan will cover the details of the loan products in terms and conditions for both conventional and Islamic services. During the Pilot the ratio may be kept at 50:50, however, the results of the Pilot will determine the actual ratio between conventional and Islamic portfolios, and it is anticipated to be 70% conventional and 30 % Islamic. . The same will be planned for mass launch; however, the projections will be adjusted based on the results of the Pilot. The portfolio shares of the MF products are envisioned per the below:-

- (a). Individual Loans 45 % - loan size Rs 50 to 100K.
  - (b). Microenterprise Loans 45 % - loans size Rs 100 to 500K.
  - (c). Gold backed Loans 10 % - Loan size Rs 50 to 500K.
- v. Based on the results of Pilot, other product offering will be considered for the mass Launch.
  - v. It is anticipated that the Microfinance Business Division will have its own budget, achieving sustainability as outreach expands, with bottom line results focussed on profitability.
  - vi. BOK can provide the additional information required for the preparation of the Business Plan, including mechanism to apportion cost to MF Teams, Windows in branches, covering people, space, connectivity, transaction, training, etc. Funding available for both conventional and Islamic services, or other such requirement request, will have to be put in writing to the assigned Task Manager of the Program.
3. **Operational System and Delivery Methods:** Set up the operational policies, operational guidelines, credit administration and its methodology, risk assessment and management, product development, delinquency management, and internal controls and audits, Collection policy and mechanism as well as monitoring systems for portfolio management. Application development that mirror and track the workflow originating in the field from loan promotion to the final credit approval and portfolio management, at the field officers level as well as management level, would be The integrated part of deliverables.
4. **Human Capital Development:** Identify the needs in human resources, support requirements for recruitment, and develop training modules and delivery guidelines, in addition to capacity building of front line staff and middle management. During the Pilot Phase, human resources may be employed from existing outfits, however, the fresh hiring may be done as per requirement. For Mass Launch main reliance will be on fresh hiring, inclusive of internal job posting.
5. **IT Systems:** Propose an appropriate framework for:-
- a. Initiation of loan application process by field staff through conventional means and gradual change over to tablet-based data input after developing a refined application.
  - b. Develop the MIS and essential Reports and Key Performance Indicators (KPIs) to monitor and manage the portfolio performance on regular basis.
  - c. For delivery of loans and collections use the existing means in BOK, gradually switch over to mobile / branchless banking platforms for all loan related services.
  - d. The assigned Firm will work in close coordination and harmony with BOK IT, for design/ development of various applications and algorithm for field and back office staff, for which the requirement will be highlighted in the Business Plan.
  - e. The process for Digitization should be initiated during Pilot phase at the basic level, while gradually moving towards full digitisation by third year of Mass Launch.
6. **Monitoring and Evaluation:** Develop an appropriate structure and MIS to monitor the progress and growth of Microfinance Business Division. At the end of three years of Mass Launch, the process and methods/indicators should be in place especially pertaining to:-
- a. The evaluation and implementation of the social impact indicators of the Microfinance Business Division customers.
  - b. The strategy that is in place for transforming the Microfinance Business Division into an independent MF Bank fully digitized in the delivery of financial services.

7. Consultants shall remain accessible to provide explanations/answers to the queries of SBP and BOK for an additional period of no less than six months after the successful completion of the Program.

## 24. Deliverables

The work of the assigned Firm will be driven by milestones and deliverables as defined in the scope of work under point no. 23 section 2, terms of references, and subject to meeting the requirements of the Steering Committee as appointed by BOK for the Microfinance Business Division. The Firm shall provide progress status report at the end of every quarter, full report upon the completion of respective tasks, and the final integrated report of all the deliverables. For the purpose of this RFP the Firms shall provide the following within the deadlines specified in the RFP. The brief of the deliverables are reproduced below for ready reference.

1. Development of Policy, Strategies and business plans.
2. Develop detailed framework of micro financing in view of industry best practices (local & international)
3. Development of operational systems and delivery methods including but not limited to operational policies, operational guidelines, Credit Administration and its methodologies, Risk Assessment and Management, Product Development & its framework according to market segments, Delinquency Management, Internal Control and Audit, Monitoring Systems for portfolio Management, Application Development, collection policy & mechanism etc.
4. Human Capital Development
5. Development of IT system for Micro Finance Business.
6. Development of Mechanism for monitoring and Evaluation.
6. The Business Proposal covering all elements as enumerated in the scope of work at Section-3-35 above.
7. Table of assumptions considered in preparing the financial projections and Business Proposal. This may be essential to establish the basis of the Proposal, as BOK may not be able to provide the complete information at this stage.
8. Proposed schedule of work and related milestones with timelines, to support the implementation of the Proposal.
9. Assistance required from BOK IT to development of system process, mobile applications, and other such requirements to facilitate the field staff and back office.
11. Certificate for undertaking of non-disclosure of all information related to BOK.

## 25. Ownership/Control of Work and Product/Publication

The ownership of all copyright and other intellectual property rights in respect of any data compilations, research, spreadsheets, graphs, reports, diagrams, designs, work products, software, or any other documents, developed in connection with this Contract will exclusively vest in and remain with BOK, which shall have all proprietary rights therein, notwithstanding that the Firm or its employees may be the author of the intellectual property. All documents relating to the intellectual property or otherwise connected with this Contract, the services, or duties must be returned or delivered to BOK at the time of the expiration or termination of this Contract. The Firm agrees not to publish or make use of any of the intellectual property, or documents relating thereto, without the prior written approval of BOK, and where approval is granted, without proper attribution to BOK.

#### **26. Project Payment Structure**

The Bank Khyber shall make payments to the firm (vendor) in phase/ stage wise manner, where payment shall be made upon successful completion of each phase and satisfactory response of the concerned stakeholders. The ratio of payment for each phase completed shall be defined in the contract/ Service level agreement upon

#### **27. Project Consultation Tenor**

It is anticipated that the contract/agreement will initially be awarded for a period of three [03] years, which may be extended based on the mutual agreement. The project can be terminated in case the firm fails to deliver the desired results within the given period.

#### **28. Task Manager/Reporting**

Mr. Asad Kakakhel of BOK will be the resource person for this Program.

**PROPOSAL SUBMISSION FORM**

Dear Sir/Madam,

Having examined the Solicitation Documents, the receipt of which is hereby duly acknowledged, "THE FIRM NAME" undersigned, offer to provide consulting/facilitation for "INSERT REFERENCE NUMBER" to BOK in accordance with the Price Schedule attached herewith and made part of this proposal. "THE FIRM NAME" undertake, if our proposal is accepted, to commence and complete delivery of all services specified in the contract within the time frame stipulated.

"THE FIRM NAME" agree to abide by this proposal for a period of 90 days from date fixed for opening of proposal in the invitation for proposal, and it shall remain binding upon us and may be accepted at any time before the expiration of that period.

We understand that you are not bound to accept any proposal you may receive.

Dated: this-----day of -----2019.

**Name, Designation and Signature of the "firm Representative"**