

**KARANDAAZ PAKISTAN**

**Request for Proposals**

**RFP # 018**

**“RFP for Study on Profiling and Segmenting the Road Transport (Logistics) Sector and Assessment of Informal Financing therein”**

**Issue Date: December 22, 2016**

**Deadline for Questions: January 03, 2017**

**Deadline for Karandaaz Pakistan Responses: January 05, 2017**

**Deadline for Submission of Proposals: January 16, 2017**

**www.karandaaz.com.pk**

**SECTION 1. LETTER OF INVITATION**

**RFP No. 18**

December 22, 2016, Islamabad

1. The purpose of this RFP is to solicit Proposals for Karandaaz Pakistan’s “**RFP for Study on Profiling and Segmenting the Road Transport (Logistics) Sector and Assessment of Informal Financing therein**”
2. Karandaaz Pakistan invites sealed proposals from interested and eligible organizations. More details on the Services required are provided in the Terms of Reference (Section 4 of RFP).
3. The company will be selected under competitive procedures, in accordance with the procurement policies and procedures of Karandaaz Pakistan.
4. Proposals must be submitted before 05:00 pm Pakistan Standard Time on **January 16, 2017**. **A single sealed envelope with three separately sealed envelopes containing the pre-requisites package (one hard copy), technical proposal (three hard copies) and financial proposal (one hard copy)**, must be submitted to the attention of ‘**The Procurement Department**’ 1-E, Mezzanine Floor, Ali Plaza, D Chowk, Nazimudin Road, Blue Area, Islamabad. The Proposals must also be sent via email to **procurement@karandaaz.com.pk****.**
5. Any bidder/potential contractor feeling aggrieved may lodge a written complaint at ProcComplaint@karandaaz.com.pk not later than fifteen (15) days after the completion of evaluation process; however mere fact of lodging a complaint shall not warrant suspension of the procurement/award process.

Yours sincerely,

**The Procurement Department**

Karandaaz Pakistan

**SECTION 2. INSTRUCTIONS TO FIRMS**

**A. General**

1. **Scope of Proposal**

Karandaaz Pakistan issues this Request for Proposal (RFP) for the following services:

“***RFP for Study on Profiling and Segmenting the Road Transport (Logistics) Sector and Assessment of Informal Financing therein***”

Throughout this RFP:

1. The term “in writing” means communicated in written form (e.g., by mail, e-mail, fax)
2. “Day” means calendar day
3. **Fraud and Corruption**

Firms shall comply with Karandaaz Pakistan’s policy regarding fraud and corruption given in Section 3 of the RFP

1. **Eligibility**

The Prerequisites for this procurement are mentioned in Section 24 along with the evaluation criteria. The firm has an obligation to disclose to Karandaaz Pakistan any situation of actual or potential conflict that impacts its capacity to serve Karandaaz Pakistan’s best interests. Failure to disclose such situations may lead to the disqualification of the firm or the termination of its Contract. Karandaaz Pakistan’s policy with regard to conflict of interest is given Section 3 of the RFP. Firms shall provide such evidence of their continued eligibility satisfactory to Karandaaz Pakistan, upon request.

1. **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.

1. **Cost of Preparation of Proposal**

The firm shall bear all costs associated with the preparation and submission of its Proposal. Karandaaz Pakistan shall not be responsible or liable for those costs, regardless of the conduct or outcome of the bidding process.

**B. Request for Proposal**

1. **Contents of the RFP**

The RFP includes the documents listed below and any Addendum issued in pursuant to point 8 of this section ‘Amendment of RFP’.

Section 1 - Letter of Invitation

Section 2 - Instructions to firms

Section 3 – Procurement Policy – vendor conduct

Section 4 - Terms of Reference

Annexure A – Proposal Submission Form

Annexure B – Template for submission of financial proposal

1. **Clarification of RFP**

All questions and/or clarifications regarding this RFP must be submitted via email to **Procurement@karandaaz.com.pk**no later than 5:00 pm local time on **January 03, 2017**. All correspondence and/or inquiries regarding this solicitation **must reference the** **RFP number and name**. No phone calls or in-person inquiries will be entertained; all questions and inquiries must be in writing

Questions and requests for clarification—and the responses thereto—will be circulated to all RFP recipients who have indicated an interest in bidding by 5:00 pm on **January 05, 2017**.

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

1. **Amendment of RFP**

At any time prior to the deadline for submission of bids, Karandaaz Pakistan may amend the RFP by issuing an Addendum.

If any Addendum to this RFP is issued, it shall be shared with all the companies who are invited to submit proposals.

To give prospective firms reasonable time in which to take an Addendum into account in preparing their bids, Karandaaz Pakistan may, at its discretion, extend the deadline for the submission of bids, pursuant to point 17 ‘Deadline for Submission of Proposals’ of this section.

**C. Preparation and Submission of Proposals**

1. **Language of Proposal**

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

1. **Documents Comprising the Proposal**

**Prerequisites/Qualifying Packet (to be submitted in a separate sealed envelope):**

* Name, address, website and contact information of applying entity(ies)
* Registration certificate
* Tax registration number (NTN) along with GST information/status
* Audited financial statement for last year
* Undertaking of ability to travel to and work across Pakistan

*NOTE: In case of a consortium, these prerequisites will apply to all partners. A lead should be clearly specified. Consortium partnerships will be exclusive i.e., applicants can only apply as part of a single proposal.*

**Technical Proposal (to be submitted in a separate sealed envelope):**

* Company Profile (organogram, team, governance, mission and vision)
* Profiles for proposed team (academic and professional qualifications, experience and proposed role in project)
* Past performance on relevant/similar projects undertaken by applicant(s)
* Project (Technical) Proposal (methodology, proposed work plan including schedule, milestones, deliverables)

*NOTE: In case of a consortium, the role and relevant experience of each consortium partner should be clearly specified.*

**Financial Proposal (to be submitted in a separate sealed envelope)**

* Financial Proposal

Detailed budget outlining the cost for each services mentioned in the Scope of Work.

1. **Currencies of Bid and Payment**

Firms may express the price only in PKR.

1. **Proposal Validity**

Proposal shall remain valid for ninety (90) days after the Proposal submission deadline date established by Karandaaz Pakistan. 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, Karandaaz Pakistan 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 which case such Proposal will not be further evaluated.

1. **Proposal Security**

In this procurement, a bid security is not required.

1. **Alternative Proposals**

Alternative Proposals shall not be considered.

1. **Format, Signing, and Submission of Proposals of Proposal**

The firm shall prepare and email a scanned copy of the documents comprising the Proposal as described in point 10 on official company letterhead. Each document shall be signed by a person duly authorized to sign on behalf of the firm.

The Proposal shall contain no alterations or additions, except those to comply with instructions issued by Karandaaz Pakistan, or as necessary to correct errors made by the firm, in which case such corrections shall be initialled by the person or persons signing the Proposal.

1. **Deadline for Submission of Proposals**

Proposals must be received by Karandaaz Pakistan no later than 05:00 pm Pakistan Standard Time on **January 16, 2017**.

Karandaaz Pakistan may extend the deadline for submission of Proposals by issuing an amendment in accordance with point 8 ‘Amendment of RFP’, in which case all rights and obligations of Karandaaz Pakistan and the firms previously subject to the original deadline shall then be subject to the new deadline.

1. **Late Proposals**

Any Proposal received late by Karandaaz Pakistan will be considered only at the discretion of the evaluation team.

1. **Withdrawal, Substitution, and Modification of Proposals**

Firms may withdraw, substitute or modify their Proposals by giving notice in writing before the deadline for submission of Proposals prescribed in point 16 ‘Deadline for Submission of Proposal’ of this section.

Each firm’s withdrawal, substitution or modification notice shall be prepared, sealed, marked, and delivered in accordance with point 15 ‘Format, Signing, and Submission of Proposals of Proposal’, with the subject line as: Responding to RFP for “**RFP for Study on Profiling and Segmenting the Road Transport (Logistics) Sector and Assessment of Informal Financing therein**” - “WITHDRAWAL,” SUBSTITUTION” or “MODIFICATION” as appropriate. No Proposal may be substituted or modified after the deadline for submission of Proposals.

**E. Proposal Opening and Evaluation**

1. **Proposal Opening**

Karandaaz Pakistan shall open the Proposals, including modifications made pursuant to point 18, within 5 working days after the deadline.

1. **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 Karandaaz Pakistan in the examination, evaluation, comparison, and post-qualification of the Proposals or contract award decisions may result in the rejection of its Proposal. Notwithstanding the above, from the time of Proposal opening to the time of contract award, if any firm wishes to contact Karandaaz Pakistan on any matter related to the bidding process, it should do so in writing at the address indicated in point 7 ‘Clarification of RFP’.

1. **Clarification of Bids**

To assist in the examination, evaluation, and comparison of Proposals, Karandaaz Pakistan may, at its discretion, ask any firm for clarification of the firm’s Proposal. The request for clarification and the response shall be in writing, but no change in the price or substance of the Proposal shall be sought, offered, or permitted except as required to confirm the correction of arithmetic errors discovered by Karandaaz Pakistan in the evaluation of the Proposals in accordance with point 25 ‘Correction of Errors’.

1. **Preliminary Examination of Proposals**

Prior to the detailed evaluation of Proposals, Karandaaz Pakistan 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 etc.

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

Karandaaz Pakistan shall determine whether the firm meets the eligibility and qualification requirements (Prerequisites) of the bidding documents. Firms failing to comply with the eligibility criteria indicated in point 3 ‘Eligibility’ shall be disqualified.

Further, Karandaaz Pakistan shall determine whether the proposal is substantially responsive to the requirements of the bidding documents. The companies meeting the minimum qualification criteria will be evaluation on the criteria mentioned in the Section No. 27.

Karandaaz Pakistan’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, Karandaaz Pakistan’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.

1. **Evaluation of Technical Proposals**

**Prerequisites:**

* Officially registered
* Has an NTN/ tax registration details
* Audited financials
* Company website with complete list of projects
* Ability to travel to and work across Pakistan

***A firm that does not meet the prerequisites for application will be excluded from the RFP process. Please note that firms must submit the above-mentioned documents in a separate envelope to the Procurement department at Karandaaz Pakistan. Only companies fulfilling the prerequisites will be evaluated on the following criteria:***

**Evaluation Criteria:**

**Technical Score (80 %)**

1. **Project proposal**
* **Company Profile** (geographic presence, organogram and governance structure, existing network, complimentary skills in the case of consortium) (15%)
* **Proposed methodology and work plan**/project schedule (early identification and knowledge of available financial products is an added advantage which can be used to gather at least preliminary feedback during data collection meetings) (30%)
* **Past experience** (designing sector strategies and implementing field research, including surveys, and financial product design) (15%)
* **Proposed team and study lead** (highly recommended to be inclusive of an economist, regulation expert and a financial sector expert familiar with designing debt instruments) (20%)

**The firms that receive 65% (52 marks out of 80) will proceed to the financial evaluation stage.**

**Financial Score (20%)**

* Detailed budget outlining the cost of each of the services mentioned in the Scope of Work/TOR.
1. **Correction of Errors**

Proposals determined to be substantially responsive shall be checked by Karandaaz Pakistan for any arithmetic errors. Errors shall be corrected by Karandaaz Pakistan as follows:

Where there is a discrepancy between the amounts in figures and in words, the amount in words shall govern.

The amount stated in the Proposal shall be adjusted by Karandaaz Pakistan in accordance with the above procedure for the correction of errors and, with the concurrence of the firm, shall be considered as binding upon the firm. If the firm does not accept the corrected amount, the Proposal shall be rejected.

1. **Currency for Price Evaluation**

PKR only.

1. **Evaluation of Proposal Price and ranking:**

**Financial Score (20 marks)**

* Detailed budget outlining the cost of each of the services mentioned in the Scope of Work/TOR

20 points will be awarded to the lowest responsive bidder while rest of the bids will be allocated points according to following formula:

Points of a Bidder = (P1/ P2)\* 20

Where:

P1= Price of Lowest Responsive Bidder

P2= Price of the Bidder

**F. Award of Contract**

1. **Award Criteria**

Subject to 31 below, Karandaaz Pakistan shall award the contract to a responsible firm with a complete financial and technical Proposal.

1. **Karandaaz Pakistan’s right to accept any Proposal and to reject any or all Proposals**

Notwithstanding point 28 above, Karandaaz Pakistan reserves the right to accept or reject any Proposal, and to cancel the bidding process and reject all bids, at any time prior to the award of contract, without thereby incurring any liability to the affected firm or firms or any obligation to inform the affected firm or firms of the grounds for Karandaaz Pakistan’s action.

1. **Notification of Award and Signing of Agreement**

The firm whose Proposal has been accepted shall be notified of the award by Karandaaz Pakistan prior to expiration of the Proposal validity period in writing.

Karandaaz Pakistan will also promptly notify in writing each unsuccessful firm. After publication of the award. Also, Karandaaz Pakistan shall entertain a complaint from any firm that claims to have suffered or that may suffer, loss or injury due to a breach of a duty by the company in the conduct of this bidding process. Any bidder/potential contractor feeling aggrieved may lodge a written complaint at ProcComplaint@karandaaz.com.pk not later than fifteen (15) days after the completion of evaluation process; however mere fact of lodging a complaint shall not warrant suspension of the procurement/award process.

**SECTION 3. PROCUREMENT POLICY – VENDOR CONDUCT**

1. **Corrupt or fraudulent practices**

Bidders, suppliers, contractors and their agents (whether declared or not), contractors, sub-consultants, firms or suppliers, and any personnel thereof, shall observe the highest standard of ethics during the procurement and execution of contracts.

Karandaaz Pakistan shall not award contract if it is determined that the bidder, or any of its personnel, or its agents, or its consultants, sub-contractors, firms, suppliers and/or their employees, has, directly or indirectly, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for the contract in question. As part of bidding/ solicitation documents, Karandaaz Pakistan will seek declaration of ‘Non collusive non corrupt practices’ from each bidder. Format for such declaration is prescribed in section 3 of the standard bidding document. In pursuance of this policy, following terms are defined as follows:

1. “Corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;
2. “Fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
3. “Collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
4. “Coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
5. “Obstructive practice” is deliberately destroying, falsifying, altering, or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation.
6. **Avoidance of conflict of interest**

Any firm participating in the procurement process should disclose any actual or perceived conflict of interest situation/condition. Any firm found to have a conflict of interest shall be ineligible for award of a contract.

A firm shall be considered to have a conflict of interest in a procurement process if:

1. Such firm is providing goods, works, or non-consulting services resulting from or directly related to consulting services for the preparation or implementation of a project that it provided or were provided by any affiliate that directly or indirectly controls, is controlled by, or is under common control with that firm; or
2. Such firm submits more than one bid, either individually or as a joint venture partner in another bid, except for permitted alternative bids. This will result in the disqualification of all bids in which the bidder is involved. However, this does not limit the inclusion of a firm as a sub-contractor in more than one bid. Only for certain types of procurement, the participation of a bidder as a sub-contractor in another bid may be permitted subject to the company’s no objection and as allowed by the standard bidding documents applicable to such types of procurement; or
3. Such firm (including its personnel) has a close business or family relationship with a professional staff of the company who: (i) are directly or indirectly involved in the preparation of the bidding documents or specifications of the contract, and/or the bid evaluation process of such contract; or (ii) would be involved in the implementation or supervision of such contract unless the conflict stemming from such relationship has been resolved in a manner acceptable to the company throughout the procurement process and execution of the contract; or
4. Such firm does not comply with any other conflict of interest situation as specified in the standard bidding documents relevant to the specific procurement process.
5. **Duty of care**

The supplier in performance of services for Karandaaz Pakistan shall exercise duty of care. Duty of care holds the supplier responsible for the safety and well-being of its personnel and any third party affected by its activities.

**TERMS OF REFERENCE**

**Thematic Area**: Karandaaz Knowledge Management & Communications Team

**Project Title: Study on Profiling and Segmenting the Road Transport (Logistics) Sector and Assessment of Informal Financing therein**

**Expected Start Date:** January 2017

**End Date:** August 2017

**Task Manager:** KMC Director, Karandaaz Pakistan

**About Karandaaz Pakistan**

KARANDAAZ PAKISTAN, established in August 2014, promotes access to finance for small businesses through a commercially directed investment platform, and financial inclusion for individuals by employing technology enabled digital solutions. The company has financial and institutional support from leading international development finance institutions; principally the United Kingdom Department for International Development (DFID) and the Bill & Melinda Gates Foundation.

Karandaaz Pakistan has three core work streams:

1. **Corporate Investment and Credit (CIC)** focuses on providing credit and capital to high impact small and medium-size businesses, and business models that have potential to generate sustainable employment and offer attractive risk-adjusted financial returns.
2. **Digital Financial Services (DFS)** focuses on expanding the poor’s access to digital financial services in Pakistan by working across the ecosystem of local actors – policy-makers, regulators, government departments, businesses, researchers and academics. The DFS team facilitates digitization of government and other payment streams, encourages experimentation with businesses, and provides support to innovative DFS start-ups.
3. **Knowledge Management and Communications (KMC)** focuses on developing and disseminating credible insights to inform the core themes of the Company, including DFS innovation, women’s empowerment and youth employment.

**About the Project**

Karandaaz Pakistan wants to hire a firm to conduct a research study to improve understanding of the road transport sector (logistics sub-sector), and especially the role improved access to formal sources of finance can play in improving productivity and growth. To achieve this objective, a sector profiling and segmentation exercise will be conducted, supplemented with an in-depth assessment of access to formal and informal sources of finance. The primary aim is to provide formal financial institutions insights into the sector in order to enable the design of suitable products and services to formalize lending and grow the portfolio of financial services available to the sector.

**Objectives**

The primary objective of the research is to inform the following questions:

* Is the road transport sector bankable?
* What are the primary segments in road transport (large, medium and small by freight and passenger and geography and product)?
* Is the road transport sector poised for growth i.e., the underlying economics of the sector? How much of the growth will result from improving access to finance versus other complimentary interventions (policy and regulation, technology, education, etc.).

These over-arching questions will be informed by a systematic review and assessment of the following:

1. Size of the road transport sector (contribution to GDP, employment, etc.)
2. Sector segmentation (large, medium and small players for freight and passenger, no and type of vehicles, etc.)
3. Public Sector Stakeholders in the sector (Federal and Provincial)
4. Players in the sector (transport service providers, vehicle producers/OEMs, sellers, complementary service providers/associated vendors e.g., mechanics, informal producers, etc.)
5. Major routes – segmented by >500km and <500 km or highways versus major link roads, type of product (e.g., farm, manufactured goods, etc.)
6. Sector economics by segment (pricing, quality, productivity) i.e., revenue and cost structures
7. Current financing arrangements and products (formal and informal for working capital, fixed asset), risk profile, cost of cash assessment and financing gap (including formal sector input to barriers in financing i.e., perception of FI).

Where relevant, comparison to international benchmarks and standards will be made.

**Background**

The logistics sector in Pakistan is estimated to contribute around 11% to GDP, while accounting for 6% of employment and 15% of the public sector development programme (PSDP). Logistics in Pakistan rely mainly on road networks—96% of total national freight is carried by road transport. Major commodities transported by road include the following categories: agriculture, food and animal, mining and quarrying, raw materials and bulk manufactures, fuel and lubricants and basic manufactures and general merchandise. Road transport has seen major expansion: according to the Economic Survey of Pakistan 2015-16, the number of registered trucks increased from approximately 148,600 in 2000 to more than 251,000 by 2014; similarly, the number of registered buses increased from 154,000 to more than 223,000 during the same time period. According to the Planning Commission, there were about 7 million vehicles on-road in 2007, projected to increase by a factor 3 to 21 million by 2030.[[1]](#footnote-1) The road sub-sector directly impacts Pakistan’s global competitiveness and plays a major role in ensuring the functioning of domestic commerce and supply chains.

Despite the sustained growth, the logistics industry is reported to account for losses of 4–8.5% of GDP due to overall poor performance. In addition to consuming 35% of total energy, causing damage tonational road infrastructure due to faulty design and loading norms, 30–40% wastage of agricultural produce has also been reported due to poorly equipped and inefficient vehicles. Of the 209,000 registered trucks, 65-70% are fuel inefficient, double-axle trucks.[[2]](#footnote-2) The 2007 Trucking Policy of the MOI&P and EDB[[3]](#footnote-3) listed replacement of the obsolete double-axle and triple-axle trucks as a key objective, but according to a recent report by the EU and Competition Commission of Pakistan, double-axle and triple-axle trucks continue to dominate freight transport statistics.

The sector is dominated by private players who handle 95% of total freight. The majority of businesses can be categorized as small, employing less than 10 employees on average. Despite its fragmented and largely informal nature, employment in the transport sector is provided on a full-time basis, with few part-time hires.

In a sector survey commissioned by The Ministry of Commerce in 2007, the taxation and regulation system (licensing, permits, etc.), law and order, lack of access to finance, quality of public services (electricity, communications, etc.), and corruption were identified as major barriers to growth.[[4]](#footnote-4) The lack of an organized database through which particular transporters can be accessed and limited use of technology are also considered to be major limitations.

Despite the constraints, Pakistan’s road transport has continued to grow:

* The industry is backed by growing demand, evident from the increase in domestic production of light commercial vehicles (LCVs) from less than 7,000 in 2000-01 to over 29,000 in 2015-16; and less than 1,000 trucks in 2000-01 to nearly 4,000 in 2015-16.[[5]](#footnote-5)
* 96% of transport enterprises surveyed in 2007 observed an expansion/improvement in their business over the last year.
* According to the Economic Survey 2015-16, total length of metaled roads (high and low quality) increased from 249,972 km in 2000-01 to 263,356 km in 2014-15. Continued investment in road infrastructure, and especially with development work on the China Pakistan Economic Corridor (CPEC) picking up pace, this trend is likely to result in opportunities for further expansion in the transport sector. Of key importance will be link roads connecting into the main CPEC corridor—roads that are less than 300km in length are especially well-suited to the road transport option versus rail or aviation.

In addition to the direct impact of expanding/improving road transport services due to greater efficiencies in the road sub-sector, it can be argued that investment in the sector will have significant multiplier effects on overall GDP, employment and domestic and international trade and commerce

**Scope of Work**

**Scope of Work**

The research will be divided over five major phases (described in detail below). Karandaaz Pakistan will finalize each stage before the contractor progresses to the next stage.

**Step 1: Sector Profiling and Segmentation**

This section will size, profile and segment the transport sector, with a focus on road transport, inclusive of trucking as well as light weight vehicles (vans, pickups, tractors, etc.). Key segments will include large, medium and small by:

* Passenger and freight transport service providers
* Key routes (national highways and major farm-to-market nodes, especially less than 500km in length)
* Product (agriculture, livestock, durables (mining and raw material), manufactured goods, etc.)

The findings will be based on both primary and secondary research and will include the following information:

* Develop sector size, profile and segmentation strategy (clearly identifying segment suited to SME financing). This section will include:
	+ Updated sector statistics (number of vehicles, employment including proportion of youth employed, freight and passenger estimates)
	+ Contribution to GDP (including rationale and methodology for estimate)
	+ Major routes and corridors (including major farm-to-market routes; farm produce/raw material aggregation hubs, national/cross-country highways)
	+ Major transport hubs (trucking hubs, etc.)
	+ Products transported (segregated by farm-to-market and highways and/or segment)
	+ Competitive elements; barriers to entry; contract enforcement
* Contribution to local economy

Based on the above, the contractor will provide a final sector segmentation strategy and a primary research methodology focused on three transport hubs (Karachi, one hub in Punjab, and one hub in Khyber Pukhtunkhwa or Balochistan); the contractor will present a preview of their expected analysis and hypotheses.

**Step 2: Regulatory Environment**

Identify and analyse regulatory and policy environment including:

* Relevant regulations (including federal and provincial tax laws)
* Regulatory bodies and departments (federal and provincial)
* Regulatory and policy bottlenecks

**Step 3: Sector Economics**

This phase will provide insight into underlying sector economics (by segment) and the distribution of value/earnings across players/actors:

* Identify primary and secondary actors (associated vendors), inclusive of owner/operator profiles
* Ownership structures (sole proprietorships, partnerships, etc.)
* Costs and margins for each participant in the value chain (inclusive of cash conversion cycle)
* Service quality (demand side analysis, including seasonality)
* Barriers to entry and contract enforcement, including role of transport sector/trade associations[[6]](#footnote-6)

**Step 4: Sector Financing**

This section will cover details on the formal and informal financing options available. It will be based primarily on primary research (inclusive of formal sector perceptions) which will be complimented by secondary research.

Formal Finance

* + What are some of the formal financing services available (leasing, credit, etc.) and recent trends (growth, defaults, etc.)?
		- Ideally, the firm will carry out early identification of financial products which can be discussed with the respondents during data collection meetings
	+ Do firms in the sector have knowledge of these services?
	+ Perception of formal services, including some of the following:
	+ Cost of services
	+ Collateral requirements
	+ Paperwork and documentation requirements
	+ Possibility/probability of getting loan

Informal Finance

* What are the forms of informal finance available?
* What is the source of the informal finance and what sort of services are provided (including but not limited to loans, savings and transfers)?
* What are some of the characteristics of informal financing services in terms of:
	+ Size of the informal sector
	+ How are financing limits calculated?
	+ Cost – more, similar or less?
	+ Levels of default
	+ Contract enforcement
	+ Ease of getting finance – collateral, paperwork, guarantee etc.
	+ Trends over time
* What are the perceived advantages and disadvantages of informal financing for the borrowers and for the lenders?

**Step 5: Growth Potential, Multipliers and Recommendations**

In the fifth and final step, the contractor will determine the financing gap, the resultant growth potential based on increased access to finance, and multiplier impact on GDP, employment, associated sub-sectors, etc.

* Sector financing gap (by segment)
* Link of access to finance with sector growth
	+ How important is finance to growth in the sector? Assess redistribution of profits as opposed to growth of the entire sector (also known as increase in supply chain surplus).
	+ Relative importance of other factors that need to improve concurrently for there to be an overall economic effect?
* Potential impact on growth with improved access to finance, and complementary interventions needed, including multipliers.
* Recommendations on bankability, financial products, and the way forward

**Methodology**

The study will be conducted in stages. First, an analysis and profiling of the sector based on primary and secondary research will be completed. Based on this, the sector will be segmented with specific focus on segments relevant to SMEs. Second, an analysis of the policy and regulatory frameworks, including bottlenecks will be completed, followed by determining the underlying economics underpinning the road transport sector. In the fourth stage, a deeper look will be taken to analyses the formal and informal financing practices in the sector, with a focus on the small and medium segments. All the preceding stages will inform the fifth and final stage which will provide an estimation of the financing gap, the bankability of the sector and expected increase in growth and productivity if access to finance is improved. The final stage will also provide recommendations of the key value propositions that need to be targeted while trying to move individuals and SMEs from informal to formal finance.

Karandaaz Pakistan envisions background research on publically available documentation. However, given the nature of this study, it is expected that the scope for desk research will not be sufficient and will have to be supplemented with significant amounts of primary research—structured interviews, surveys and focus group discussions. The results of the study will be presented to Karandaaz Pakistan (and other interested parties to be agreed with Karandaaz).

The required language for written deliverables is English.

**Reporting, Timeline, Deliverables and Location**

The Contractor will report to Director Knowledge Management and Communications (KMC). Karandaaz Pakistan may designate another qualified task manager. The Task Manager have final sign off on deliverables and invoices.

The engagement shall commence in January 2017 and expected to be concluded by August 2017. The Contractor shall provide the following deliverables by the end of the engagement and remain available to respond to any queries thereafter, including one presentation at the research launch event:

* Findings of Sector Sizing, Profiling and Segmentation (draft section(s) written up)
* Policy and Regulatory Assessment and Sector Economics (draft section(s) written up)
* Sector Financing, Financing Gap and Growth Potential (draft section(s) written up)
* Compiled Final Report (including final recommendations)
* Interim presentation relating key findings – profiling and segmentation strategy (15-20 slides)
* Final Presentation (30-35 slides)
* Two blog posts
* Participation and Presentation in Study Launch Event

The Karandaaz Knowledge Management team shall coordinate the engagement and participate in primary research activities where possible. The Contractor shall be responsible for making all logistical arrangements for their team required with respect to the engagement.

The ideal contractor will bring the following key elements:

* A team of experts including economists with strong quantitative skills, financial economists and financial sector specialists
* A track record in similar data gathering initiatives
* Deep understanding of conducting similar sectoral research studies with prior understanding of the logistics sector in Pakistan and the financial industry of Pakistan and/or other countries being a significant advantage
* Prior banking experience, particularly knowledge of how product development, and pipeline creation works
* Early identification of financial products which can be discussed with survey respondents during data collection
* Prior experience in developing quantitative and qualitative research
* Prior experience in value chain mapping
* Availability of key staff within the stipulated time frames for this work. Specific names and resumes (relevant experience only) of the team should be included

**Documents to be submitted**

All applicants should submit a:

* **Qualifying Packet** (with all relevant official documents bound in report form)
* **Technical Proposal** – no more than 25 pages (additional 10 pages for Annexes)
* **Financial Proposal** – no more than 5 pages, complete with budget narrative

Document specifications: Font Calibri, Font Size 11.

Late proposals or those that exceed the page limit will not be entertained.

Each document will be separately sealed and then included in one sealed package. Soft copy and hard copies must be mailed to the following office and email addresses no later than **January 16, 2017**:

**Office Address:** 1 E, Ali Plaza, Nazim ud din Road, D-Chowk, Islamabad

**Email:** procurement@karandaaz.com.pk

Envelops should be marked: “***“RFP for Study on Profiling and Segmenting the Road Transport (Logistics) Sector and Assessment of Informal Financing therein”***.

All queries should be directed to procurement@karandaaz.com.pk no later than **January 03, 2016**.

**Annex - A**

**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 for “INSERT REFERENCE NUMBER” to Karandaaz Pakistan 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 -------2016

**Name, Designation and Signature of the “firm Representative”**

**Annex - B**

**Template for Submission of cost proposal:**

|  |  |  |
| --- | --- | --- |
| **No.**  | **Description** | **Cost in PKR** |
| **Personnel Cost**  | **Logistics Cost** |
| 1 | Step 1  |  |  |
| 2 | Step 2  |  |  |
| 3 | Step 3  |  |  |
| 4 | Step 4  |  |  |
| 5 | Step 5 |  |  |
|  | **Total Cost in PKR with Taxes** |  |  |

Please provide complete budget narrative.

1. Planning Commission of Pakistan. Annual Plan 2007-08. Chapter 13: Transport and Communication. <http://www.pc.gov.pk/annual%20plans/2007-08/13-T%20and%20C.pdf> [↑](#footnote-ref-1)
2. European Union and Competition Commission of Pakistan. *Road Freight Transport Sector and Emerging Competitive Dynamics.* <http://trtapakistan.org/wp-content/uploads/2016/01/Road-freight-transport-sector-and-emerging-competitive-dynamics_final.pdf> [↑](#footnote-ref-2)
3. <http://www.engineeringpakistan.com/EngPak1/trucking/EXECUTIVE%20SUMMARY.pdf> [↑](#footnote-ref-3)
4. Ministry of Commerce, Government of Pakistan. *Study on the State of Domestic Commerce in Pakistan. Study 7: An Overview of the Transport Sector.* November 2007. <http://www.commerce.gov.pk/Studies_Domestic_Commerce/study_9_transport_VOL1.pdf> [↑](#footnote-ref-4)
5. Pakistan Economic Survey 2015-16. *Chapter 13: Transport and Communications.* <http://www.finance.gov.pk/survey/chapters_16/13_Transport.pdf> [↑](#footnote-ref-5)
6. A trucking sector survey in 2007 revealed that 3 of 4 truckers were part of a truckers’ association. [↑](#footnote-ref-6)