**KARANDAAZ PAKISTAN**

**REQUEST FOR EXPRESSION OF INTEREST**

**This notice is placed by Karandaaz Pakistan. You are requested to direct all your queries to the Karandaaz Pakistan office in Islamabad using the e-mail address provided below.**

**Title of EOI:** Innovation Challenge Fund Round 1: Remittances for Overseas Pakistani Workers

**Date of EOI:** September 25th, 2016

**Closing date of EOI:** October 24th, 2016

**Address EOI response to:** Procurement Team

**EOI Number:** 006/2016

**E-mail Address:** ichallenge@karandaaz.com.pk

**COMPANY OVERVIEW**

Karandaaz Pakistan is a company established under the Section 42 of Companies Ordinance 1984 promotes access to finance for small businesses through a commercially directed investment platform, and financial inclusion for individuals by employing technology enabled digital solutions. Karandaaz Pakistan has financial and institutional support from leading international development finance institutions; principally the United Kingdom Department for International Development (UKAid) and the Bill & Melinda Gates Foundation.

Karandaaz has three core work streams; this particular work will fit under the **Knowledge Management & Communications** work stream which focuses on influencing market change by developing evidence based insights and solutions. To spur innovation and entrepreneurship, Karandaaz is launching an Innovation Challenge Fund (ICF) as a mechanism to provide patient capital, convertible debt or matching grants to potential partners. The overall objective is to invite entities to solve complex problems using innovative yet practicable solutions which will be funded and supported by Karandaaz.

**PROJECT DESCRIPTION**

1. **Background and Objectives**

The first round will focus on improving the current mechanism of foreign remittances from Pakistani workers employed in different parts of the world. Some of the crucial aspects which need improvement are the outreach (specifically rural), speed, security, cost, ease of use and increased awareness. Under the First Challenge Round of the ICF, applications are invited to propose an innovative product, service or approach to improve the current delivery mechanism.

According to The World Bank’s *Migration and Development Brief* (October 2015), remittances to developing countries were estimated at $435 Billion, an increase of 2% from the previous year. Out of this, $123 Billion is attributed to South Asia (including Pakistan) and is forecasted to rise to $139 Billion by 2018. However, growth of remittances is not only slowing down but is showing a negative trend in Pakistan. In FY 2015, remittances into Pakistan were $18.7 Billion. This figure increased to $19.9 Billion in FY 2016 but is expected to decline in FY 2017[[1]](#footnote-1). The World Bank cites dire economic conditions and depreciation of currencies against the US dollar as one of the major sources for the decline in growth[[2]](#footnote-2). There are approximately 7 million Pakistani’s residing overseas in about 140 countries[[3]](#footnote-3). Out of these, 48% are working in the Middle East while around 28% are working in Europe.

On a macro level, foreign remittances provide foreign exchange and help improve the balance of payments. They also help provide income for poor and vulnerable families[[4]](#footnote-4). The World Bank reports Adam and Page’s (2005) finding that a 10% increase in remittances results in a 3.5% decrease in people living in poverty.

The main remittance channels are commercial banks, Exchange Companies (EC) and Pakistan Post. However, some Mobile Network Operators and Microfinance Banks are also providing the service through partnerships.

1. **Scope of Work**

An opportunity exists to design and implement a remittance system which not only promises greater outreach, speed, efficiency and cost but also meets the objectives of the regulators in terms of SBP’s AML and CFT requirements. With high mobile phone penetration[[5]](#footnote-5) and an increased interest in innovative ICT solutions, the financial services ecosystem is ripe for innovation in this specific area. Karandaaz will be looking to support the development and implementation of a product or service that bridges the current gaps and meets the objectives outlined below. The solution can be targeted for a specific region (e.g. Middle East to Pakistan) or for wider services (with specific focus on rural areas). The key will be to propose a product or service which has the potential to be transformational for the remittance market and promises greater outreach.

Karandaaz’s objectives for this Challenge Round are in line with the Addis Ababa Action Agenda (4A)[[6]](#footnote-6) objectives2 related to migration and remittances outlined at the United Nations Third International Conference on Financing for Development. Therefore, one of the key requirements of any proposal is ensuring prevention of money laundering and financing for terrorism as per SBP’s regulations.

The objectives of this Challenge Round are similar to the objectives outlined above:

1. Provide fast, cheap, reliable and secure foreign remittance services to workers living outside Pakistan
2. Improve accessibility for people in all parts of Pakistan including rural and remote areas
3. Improve accessibility for women and youth
4. Increase awareness among current and potential users of the services available and/or proposed
5. Provide a solution that overcomes challenges or low literacy and lack of understanding of benefits of financial services
6. Leverage private sector interest and investment
7. Leverage ICT and other innovations in financial services delivery
8. **Evaluation Criteria for EOI**

The EOI’s will be evaluated primarily on the innovativeness of the approach and on the operational viability given environmental and regulatory constraints. Once shortlisting of applications has been done, the applicants will be asked to submit a detailed business plan within an agreed deadline.

1. **Expected Timeline and Process Flow**

The tentative timeline for applicant selection is as follows:

**Expected Timeline**

|  |  |
| --- | --- |
| Shortlist applicants based on EOIs | 4th week of October |
| Submission of Detailed Business Plan by shortlisted applicants | 3rd week of November |
| Business Plan Presentation to Advisory Committee and Review Business Plans | 2nd week of December |
| Inform applicants of final decision | 1st week of January |
| Award of Funds | 1st week of January |

**Process Flow**

**RESPONDING TO THIS REQUEST**

Applicants are requested to complete the EOI form as specified in the format below. EOIs must be submitted by **12:00 noon on 24th of October, 2016** (Pakistan Standard Time) by e-mail at ichallenge@karandaaz.com.pk, or by courier at 1 E, Ali Plaza, Nazim ud din Road, D-Chowk, Islamabad. **EOIs submitted after the deadline will not be considered for shortlisting**.

All queries on the process and EOI form for Round 1 of the Innovation Challenge Fund may be sent to ichallenge@karandaaz.com.pk no later than the **20th of October 2016**.

The following documents and information must be provided with the EOI:

**ADDITIONAL DOCUMENTS**

|  |  |  |
| --- | --- | --- |
| **Sr. No** | **Required Documents** | **Checkbox** |
| 1 | Company Profile (1 Page) | ☐ |
| 2 | Copy of License/Authorization to handle cross border remittances | ☐ |
| 3 | National Tax Number Certificates | ☐ |

**EOI Form**

|  |
| --- |
| **Name of Applicant(s)****Consortiums may apply. Please clearly specify consortium lead.**  |
| **Proposed Solution** (no more than 500 words)**Describe your proposed solution (product, service, process), including the problem being addressed. In case of a consortium, please specify role of each player.**  |
| **Evidence of Success of Proposed Solution** (no more than 300 words)**Provide evidence of success (if available) in the form of self-run pilots or based on secondary evidence of successful implementation by other parties (globally).**  |
| **Innovative Aspect of the Solution** (no more than 250 words)**Describe how your proposed solution is different from the current remittances products or services.** |
| **Impact of Proposed Solution** (no more than 250 words)**Impact may include increase in value of remittances, number of users and/or other qualitative improvements such as ease of use for customers.**  |
| **Suitability of the Applicant to Implement Proposed Solution** (no more than 250 words)**Explain the comparative advantage of the applicant(s) in executing the proposed solution.**  |
| **Sustainability and Expansion of Proposed Solution** (no more than 300 words)**Explain how the solution will become self-sustaining and scalable with utilization of funding i.e., the business model.**  |
| **Proposed Implementation Timeline****Specify the duration of the project (in months or years) and the proposed start and end dates.**  |
| **Budget Summary** **Clearly specify the total budget with break-up of capital expenditure, operational expenditure. Also specify the applicant contribution.**  |

1. State Bank of Pakistan Home Remittances Data, Pakistan Remittance Initiative [↑](#footnote-ref-1)
2. *Migration and Development Brief 25*, The World Bank, October 2015 [↑](#footnote-ref-2)
3. Ministry of Overseas Pakistanis [↑](#footnote-ref-3)
4. *Bringing Finance to Pakistan’s Poor*, The World Bank, 2009 [↑](#footnote-ref-4)
5. 69.12% according to PTA in 2015-16. [↑](#footnote-ref-5)
6. <http://www.un.org/esa/ffd/ffd3/press-release/countries-reach-historic-agreement.html> [↑](#footnote-ref-6)