

# Karandaaz Digital Financial Services Pilot to Scale – Value Chain Digitization (VCD) Projects Terms of Reference (ToRs)

All applications will be submitted through email at [programofficedfs@karandaaz.com.pk](mailto:programofficedfs@karandaaz.com.pk)

## Overview:

Karandaaz Digital Financial Services (DFS) private sector engagement unit has formalized its strategy for 2020-2024 under which there will be multiple categories of programs run to support DFS industry of Pakistan in building models and solutions for the financial inclusion of the unbanked and underbanked population. In addition to empowering those who do not have an account, the review states that the underbanked population should be targeted with pilots that introduce financial deepening to such segments.

Private sector engagements are divided in two major domains: DFS Industry Engagements and Fintech Ecosystem Interventions. DFS Industry Engagements comprise of two categories: “Pilot to Scale” projects and “Digital Experiments”. Karandaaz Pakistan is accepting proposals under this pilot to scale category, details of which are given below.

## Purpose of the Document

This document describes in detail the category “**Digitizing Payments in Value Chains**” under the private sector engagements vertical. It shall be used to take a direction on creation of projects that may support the financial services industry that fall under this category.

## Introduction to Pilot to Scale Category

Karandaaz Pakistan aims to partner with different private sector entities to build on the “**Pilot to Scale**” category with a refined approach to adapt pilots focusing on the uptake, adoption and subsequent scalability of digital financial services. The idea behind this category is to test pilots around digitizing financial services for viability in Pakistani market and scale the successful ones in partnership with the DFS private sector players and disseminate learnings for wider use. The pilot to scale category is further distributed into three main types of domains:

1. Digital Payments
2. **Sectoral Lens: Digitization of Payments in Value Chains**
3. Identification of product white spaces in DFS – Creation of financial use-cases on digital channels

The above three categories have emerged as focus areas based on the learnings from the past interventions undertaken by DFS department with the private industry from 2016 to 2019 and also based on the white spaces in the market. The objective of focusing on these categories is to broaden the horizon of Karandaaz interventions and include all major efforts (in addition to the payments only) that are a pre-requisite to digital payments in different industries and value chains.

## Pilot to Scale Category

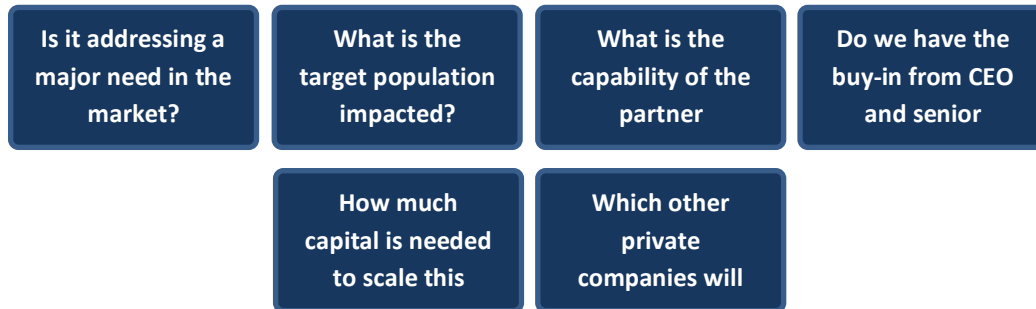
Digital Payments

Digitizing  
Payments in Value  
Chains

Use-cases for  
Digital Channels

The following matrices shall be used to conduct a quick scalability assessment for shortlisting of the Pilot to Scale based projects.

***Scalability Assessment Matrices for Pilot to Scale Project***



**Introduction to Value Chain Payments Digitization Project**

The efficiency of the value chain is driven by interconnectivity of key elements like exchange of goods, information flow and payments. While digitization of information has picked up in major industries, Payments, for long in Pakistan, has remained non-digital and dis-integrated with the information flow mainly due to cash-based payments and banks acting as closed systems. Globally, Fintechs and Service Aggregators have played an important role in not only digitizing information but also linking digital payments to information flow which has resulted in efficiency at both up-stream and down-stream of value chains.

Karandaaz anticipates to fill this gap in Pakistan through allocating grants on projects where an entity can take a role of aggregation and digitization of payments to link information flow with seamless payments. Banks stay close to their core function and tends to remain within their ambit of payments which means linking critical information with digital payment process flow has not happened through banks. This gap can be filled by larger entities sitting at the core of the value chain like the large manufacturers and distributors or digital platforms that can connect all value chain stakeholders.

**Karandaaz Objectives for the Project**

Karandaaz’s objective through this grant is to demonstrate value in the digitization of payments at different nodes of the value chain through supporting the above-mentioned key entities and unfold information and behaviors critical in digitizing payments. The grant will be directed towards entities that already have a play in the value chain, have a focus on innovative solutioning for digitizing payments either in down-stream part or up-stream part or both of the value chain and commit to use learnings from this pilot to scale their operations.

**Value Chains in-focus:**

- Agri Value Chains
- Retail Value Chains
- Manufacturing Value Chains

**Pre-requisites for applying:**

- Private Sector Institutions who can apply include – Banking and non-banking financial institutions, FMCGS, Logistics’ Companies, Fintech, B2B service providers, Value chain aggregators and platforms etc.
- The proposal must demonstrate a link to financial inclusion/usage of digital financial services/adoption of digital payments and should address some of impact areas given below:
  - Potential for Innovation in digital financial services space
  - Impact on Women’s financial Inclusion
- The proposal must clearly highlight the gap it’s addressing along with quantifiable impact numbers demonstrating link to financial inclusion
- Applicant should be willing to run required analysis & share trends with Karandaaz that would present a holistic view of the impact pre-& post project execution
- Share insights on the resulting trends during & after the project execution
- The proposal must highlight partner’s ability and willingness to execute projects with the objective of financial inclusion for excluded segments

**Information about Grant**

<b>Grant Amount?</b>	
<i>Based on the project, the scope it covers and the impact that can be capitalized through pilot to scale, Karandaaz anticipate to remain flexible and is open for proposals.</i>	
<b>Grant Utilization</b>	<b>Out of Scope</b>
<ul style="list-style-type: none"> <li>• Segment research</li> <li>• Creating Awareness</li> <li>• Digitizing information flow</li> <li>• Incentives for adoption in a pilot</li> <li>• Testing multiple payment options</li> <li>• On-ground activation for adoption</li> </ul>	<ul style="list-style-type: none"> <li>• Activities outside regulatory ambit</li> <li>• Long-term consumer or channel incentives</li> <li>• Expense on capital expenditure more than \$5,000</li> <li>• Expense on resources not working directly on the project</li> </ul>

*\*Above information is just for direction; this document must not be used as definitive guideline*