Terms of Reference (ToR)

IsDBI Technical Assistance Number PAK1062

Project Name: IsDBI-SECP Report on Shariah Compliant Agriculture Financing Ecosystem

1. **Objective of the IsDBI-SECP Report on Shariah Compliant Agriculture Financing Ecosystem:**

The primary objective of this project is to highlight the potential Shariah-compliant financial products and services in the non-banking financial industry to support the agriculture sector and Shariah-compliant business models in the agriculture sector. The report of the project is also expected to identify key challenges and propose policy interventions in line with international best practices and research findings, suitable for the local environment.

Key focus areas of the project include, but are not limited to:

* Conducting in-depth research on the existing state of agriculture financing in Pakistan with a special focus on Shariah-compliant financing;
* Surveying of suitable Shariah structures having potential usage in agricultural financing by non-banking financial institutions;
* Conducting research on global practices, use cases, and emerging trends across at least six jurisdictions to identify and assess potential Shariah-compliant financial and business solutions that can be effectively adapted for the local market
* Reviewing the potential leverage of technology and public-private partnerships for Shariah-compliant agricultural financing;
* Identifying strategic gaps and key challenges in agricultural financing and the business ecosystem, with a focus on non-banking financial institutions; and
* Proposing intervention concerning business models, financial products and services, and legal and regulatory reforms.

# Scope and Methodology of the Project:

The project study is expected to explore the potential usage of Shariah-compliant financing by non-banking financial institutions for agricultural financing in Pakistan. The study shall evaluate the existing level of agricultural financing by the non-banking sector and the challenges faced by the sector. Based on the findings of the research, the study will propose policy interventions, including a model for Shariah-compliant businesses and financing products and services, regulatory and legal amendments, structural changes, and reforms.

Specifically, the study is expected to focus on agricultural financing in the following sectors:

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| --- | --- |
| **Sector** | **Potential Shariah-compliant agricultural financing** |
| **Capital Market** | Shariah-compliant agriculture-based capital market products and instruments, i.e., Islamic securities, including green sukuk, electronic warehouse receipts (EWR), Islamic structured financing products, collective investment schemes, |
| **Non-banking financial sector** | Shariah-compliant financing products and services by the Modarabas and non-banking finance companies, including investment finance companies, microfinance companies, digital financing platforms, private funds and venture capitals, leasing companies, |
| **Takaful and Microfinance companies** | Shariah-compliant risk management products for the agricultural sector that include parametric takaful, agricultural produce takaful, disaster risk takaful, etc. |
| **Ideation of technology-led Shariah-compliant financing by the non-bank finance sector** | Development of product models based on emerging technologies to offer Shariah-compliant agricultural financing by the non-banking financial services industry. |

For this purpose, the study shall consist of gathering primary and secondary information through qualitative research, a literature review, consultation with stakeholders, including Shariah scholars, agricultural sector specialists, and industry players, and a and a review of the applicable Shariah structure and existing legal and regulatory regimes. Further, the study shall review the reforms and initiatives undertaken by provincial and federal agricultural ministries to enhance access to finance in the sector.

# Working Modalities:

The Consultant will work with a project team comprising SECP officials and nominated officers from the Islamic Development Bank Institute (IsDBI). A project team focal point from the SECP/IsDBI will be appointed as the main contact point for the consultant. The following sections elaborate on the scope of work of the Consultants.

# Deliverables and Scope of Services:

The main deliverable from the consultant will be IsDBI-SECP Report which will achieve objectives and scope as highlighted above in sections 1 and 2. The report will serve as a policy document that will assist the SECP to devise action plans and financial institutions in developing Shariah compliant products for the agricultural sector. The report is expected to thoroughly cover the subject matter and may include framework diagrams, illustrations, flowcharts, tables and appendix.

1. **Timeline of the project (after the contract signature):**

|  |  |  |
| --- | --- | --- |
|  | **Tasks** | **Due Date** |
| 1 | First draft covering research on existing ecosystem of agri-financing in Pakistan and survey of Shariah compliant structures having potential use in agri-financing | 1 Month |
| 2 | Second draft covering global best practices and use cases of at least 6 jurisdictions, along with potential useage of technology and private partnership for Shariah compliant agri-financing through non-banking sector | 1 Month |
| 3 | Third draft covering strategic gaps, key challenges and proposed policy interventions to create a comprehensive, robust Shariah compliant agri-financing ecosystem through the non-banking sector | 1 Month |
| 4 | Release/Launch of the report | TBD |

1. **Selection criteria**

The submission must demonstrate sufficient information regarding the below criteria. Not providing / meeting / responding to any of these requirements may lead to ineligibility of the Individual consultant.

1. Should have at least a master’s degree in economics, finance, Islamic finance, or related fields with 10 years or more experience in Islamic finance, non-banks financial intermediation, agriculture financing and other related areas.
2. Should have a clear understanding of agriculture financing products, with demonstrated experience in innovative product structuring within the context of non-banks financial intermediation, and in the Islamic financial services industry.
3. Should be well familiar with the existing state of agriculture financing in Pakistan with a special focus on Shariah-compliant financing, and experience in policy advice and recommendations in the country’s context is an added advantage.
4. Should have an in-depth understanding of views of all major schools of Shariah law with regards to the subject matter.
5. Should have demonstrated experience and background in identifying strategic gaps and key challenges in agricultural financing and the business ecosystem, with a focus on non-banking financial institutions; and demonstrate ability to provide feasible recommendations to the regulatory and supervisory authorities of Pakistan.
6. List of all projects/assignments performed so far directly relevant to the topic of this assignment

The selection will be based on criteria comprising the below factors with a maximum total score of 100 points. The minimum qualifying score will be 8**0%**. The highest scored consultant will be awarded the contract for the assignment, subject to contract negotiations within allocated budget.

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| --- | --- | --- | --- |
| **S.No** | **Evaluation Criteria** | **Maximum Score** | **Scoring Criteria** |
| **1** | **GENERAL QUALIFICATION** | **30** |  |
| 1.1 | Academic Qualification  (maximum score will be given only on the basis of higher degree qualification / degree of candidate) | 10 | Master’s in relevant specified fields = 05 Marks  PhD in relevant specified fields = 10 Marks |
| 1.2 | General Experience | 20 | Below 10 years = 5 Marks  Between 10 to 15 years = 10 Marks  Above 15 Years = 20 Marks |
| **2** | **ADEQUACY OF THE CONSULTANT’S EXPERTISE AND EXPERIENCE FOR THE**  **ASSIGNMENT** | **50** |  |
| 2.1 | Similar reports prepared before | 10 | Below 5 Nos = 5 Marks  5 and Above Nos = 10 Marks |
| 2.2 | Clear understanding of agriculture financing products, with demonstrated experience in innovative product structuring within the context of non-banks financial intermediation, and in the Islamic financial services industry. | 10 | 2.5 Marks per project |
| 2.3 | Familiar with the existing state of agriculture financing in Pakistan with a special focus on Shariah-compliant financing, and experience in policy advice and recommendations. | 10 | Below 10 years = 5 Marks  10 years and Above = 10 Marks |
| 2.4 | In-depth understanding of views of all major schools of Shariah law with regards to the subject matter | 10 | 2.5 Marks per project |
| 2.5 | Demonstrated experience and background in identifying strategic gaps and key challenges in agricultural financing and the business ecosystem, with a focus on non-banking financial institutions; and demonstrate ability to provide feasible recommendations to the regulatory and supervisory authorities.. | 10 | 2.5 Marks per project |
| **3** | **EXPERIENCE IN THE REGION AND SECTOR** | **10** |  |
| 3.1 | Familiar with the financial sector and Islamic finance services industry in Pakistan, and experience in policy advice and recommendations in the country’s context is an added advantage | 10 | 01 project =5 marks  2 and Above projects: 10 marks |
| **4** | **LANGUAGES** | **10** |  |
|  | Technical skills and proficiency in English language | **10** | Fluency as demonstrated by written outputs i.e. in the English Language |

1. **Instructions to Consultants and Payment Terms**

The contract will be a lump-sum based on payment and performance milestones as follows:

|  |  |
| --- | --- |
| Payment details | Payment terms |
| 50% | Upon completion of the first three milestones as specified above in para no. 5. |
| 50% | Upon the approval of the final version of the report |

The estimated effort required from the individual consultant for this project is 30 working days based on an 8 hours per day working basis. However, the project implementation and approval timeline are as per Section 5 of this ToR.

Other general instructions include as follows:

* Taking parts of the different phases of report development
* Committing with the agreed timeline and keep the Secretariat informed with any unforeseen delay.
* Preserve the confidentiality of the shared information related to the project.
* Adhere with the agreed clauses in the Service Consultancy agreement.

For any technical queries or clarification, the consultant may send an email to the focal person on the contact details below:

[isdbinstitute@isdb.org](mailto:isdbinstitute@isdb.org)

CC: [info@isdbinstitute.org](mailto:info@isdbinstitute.org)