

Terms of Reference

Scoping Study for Pakistan local fund

July 19, 2019

1. Introduction

To support and strengthen the implementation and success of the Better Cotton Initiative ('BCI'), the Better Cotton Growth and Innovation Foundation ('BC GIF') has been incorporated. The BC GIF has assigned a Fund Manager, whose role is currently being fulfilled by IDH The Sustainable Trade Initiative ('IDH') (the 'BC GIF Fund Manager'), who is supervised by BCI. IDH, mandated by the BC GIF through power of attorney to act for and on behalf of the BC GIF, is the contracting party of Project(s) submitted to the BC GIF.

Based on this Terms of Reference, BC GIF aims to select a party to conduct a **scoping study for the development of a local fund in Pakistan**. Pakistan is the fourth largest cotton producer in the world and thus, a key strategic country for BCI. BCI has been present in Pakistan since 2009 and is now approaching a defining and important phase towards establishing Better Cotton as a sustainable mainstream commodity. As BCI is reaching critical mass and thinking about long term sustainability, BCI and the BC GIF are evaluating strategies for securing long term financial self-reliance. Such strategies would increase the institutionalization of the Better Cotton Standard System (BCSS) in Pakistan and potentially increase local funding support (complimentary to BC GIF funding).

The long-term funding model for farmer training programs is a combination of national funding for extension services implementing the Better Cotton Standard System, funding from national farmer associations and volume-based fees from private sector companies (calculated according to procurement levels and charged to retailers and brands only). Supply chain actors are also identified as long-term funders of farm-level programs, as they depend on the availability of more sustainable raw materials to meet market demand.

Over the past season, the BC GIF Secretariat, BCI retailer & brand members together with BCI, have been in discussion with various national stakeholders, particularly mid-stream supply partners to understand the barriers for them to step in with financial support. The outcomes of the discussions have indicated that interest from domestic players may increase if they could contribute to a Pakistan field level fund that would complement the global GIF, with financial support from local partners.

The purpose of the scoping study is to carry out external 3rd party research to understand the requirements and actions needed to set up such funding mechanisms: including the legal, financial and governance requirements, as well as identification of potential funding partners and fund manager.

2. Objectives

The overall objective of this assignment is two-fold. First, it is to understand the legal and financial requirements and overall process for setting up a local fund in Pakistan, to define the associated opportunities, challenges and risks for establishing a local Better Cotton fund to support Better Cotton farmer training programs and Better Cotton production in Pakistan, and to map out the relevant

stakeholders that may be involved and potentially interested in such fund. Second, it is to provide recommendations on the design and structure for operating such a fund (including but not limited to fund objectives, management processes and funding mechanisms, fund manager, roles and responsibilities of other stakeholders).

The specific objectives of this assignment are:

- Evaluate and define the conditions and implications linked to setting up and structuring a local fund through research on legal, financial, governance requirements including a comparison of the different options for a legal structure and a feasibility advice. The comparison should also include the pros and cons per legal entity type and address the following elements:
 - Governance and representation;
 - allowed in- and outgoing financial flows:
 - including from the public as well as the private sector
 - local and foreign financial flows;
 - Remuneration restrictions of the governance bodies;
 - Liability matters
 - Fiscal regime: corporate income tax, withholding taxes and VAT and any other applicable taxes;
 - Dissolution
- Identify and formulate stakeholder interest and value proposition for such a fund through stakeholder engagements with in-country partners and identified industry players.
- Evaluate and draft risk analysis and risk mitigation in relation to the setting up of the fund
- Draft recommendations on next steps for setting up such fund successfully, including legal and financial compliance as well as successful support of Better Cotton production and farmer training.
- Submit a final advise and report summarizing the results of the research and recommendations.
- Ensure that the multi-stakeholder foundation and credibility of BCI are carefully maintained throughout the process.

3. Deliverables

This assignment is expected to produce the following deliverables:

Timeline	Deliverable	Activities
April	Advisory report: conditions and implications for setting up a local fund.	<ol style="list-style-type: none"> 1. Desk research on legal and financial conditions, laws and obligations for setting up a local independent fund 2. Mapping of the current structure of the Pakistan cotton industry and creating an overview of current relevant stakeholders to be involved directly or indirectly (Govt., NGO, private sector). 3. Analysing the initial opportunities and various institutional structures for the Fund.

<p>May</p>	<p>Identify and formulate stakeholder interest and value proposition for a local fund through stakeholder engagements with in-country partners and identified industry players.</p> <p>Evaluate and draft risk analysis and risk mitigation in relation to the setting up of the fund.</p>	<ol style="list-style-type: none"> 1. Based on the scoping research above: <ol style="list-style-type: none"> a. mapping possible partners that could be interested to be part of the Fund governance structure. b. indicative list of stakeholder groups to consider for: independent fund manager, funders (private and public), implementing partner (recipients of funds), supply chain partners (can also be funders). 2. Discussing potential partners with BCI GIF/BCI, and based with approval: <ol style="list-style-type: none"> a. Conducting stakeholder interviews and consultations to map the interest and value proposition of their future involvement. 3. Finalising the design of different institutional structures of the fund, including but not limited to objectives, fund management processes & mechanisms, fund manager candidates and other required stakeholders, roles & responsibilities, etc. 4. Evaluating and assessing the risks for BCI and possible mitigation strategies.
<p>May</p>	<p>Draft and finalise Report</p>	<ol style="list-style-type: none"> 5. Submitting a final report.
<p>Ongoing</p>	<p>Coordination with BC GIF Secretariat</p>	<ol style="list-style-type: none"> 6. Ongoing coordination with the BC GIF secretariat to inform and receive approval of the deliverables above, based on a developed timeline with clear milestones and reporting dates: <ol style="list-style-type: none"> a. Draft and final version of the desk research report b. Coordination & liaising with stakeholders c. Draft and final suggested version of institutional design and governance structure of the fund with respective risk assessment and risk mitigation strategy. d. Draft and final advisory report on overall results against questions listed above, recommendation and suggested next steps.

4. Proposal guidelines

In the proposal, please provide the following:

- A succinct, clear methodology for delivering the required results
- Inclusion of activity timeline with milestones of deliverables and review points
- Inclusion of a budget with a break-down of man days/rate per consultant
- Clear description of the project team, relevant experience of team members and time allocation per team member
- Statement of experience (only experience from the suggested team members is relevant)
- When providing the budget proposal of the study, please segregate the costing as per the deliverables enlisted in section 3.

5. Consultant/Consultancy profile

The consultant(s) need to have the following experience / knowledge/skills:

- Clear track record in conducting legal and financial assignments in Pakistan
- Good understanding of the BCI standard is preferred
- Ability to understand the cotton and textile sector, and the players in it.
- Knowledge of Urdu is required.

6. Tender Procedure

All consultants are invited to submit a proposal. The deadline for submission is **16 August 2019**.

The procedure will be as follows:

- Invite consultants to present a full proposal based on the TOR
- Evaluate proposals by an evaluation committee consisting of BCI GIF secretariat and relevant BCI staff.
- Decision on selection of consultant
- Inception meeting with the selected consultant

IDH will reject offers if any illegal or corrupt practices have taken place in connection with the award or the tender procedure.

7. Evaluation Method

The selection of the consultant for the assignment will be based on a process of elimination according to the needs and requirements as defined in this TOR.

8. Confidentiality

The Consultant will ensure that all its contacts with IDH, with regards to the Tender, during the tender procedure take place exclusively in writing by e-mail to Amy Ching via ching@idhtrade.com. The Consultant is thus explicitly prohibited, to prevent discrimination of the other Consultants and to ensure the diligence of the procedure, to have any contact whatsoever regarding the tender with any other persons of IDH than the person stated in the first sentence of this paragraph.

The documents provided by or on behalf of IDH will be handled with confidentiality. The Consultant will also impose a duty of confidentiality on any parties that it engages. Any breach of the duty of confidentiality by the Consultant or its engaged third parties will give IDH grounds for exclusion of the Consultant, without requiring any prior written or verbal warning.

All information, documents and other requested or provided data submitted by the Consultant will be handled with due care and confidentiality by IDH. The provided information will after evaluation by IDH be filed as confidential. The provided information will not be returned to the Consultant.

9. Terms and conditions

IDH reserves the right to update, change, extend, postpone, withdraw or suspend the Terms of Reference, this tender, or any decision with regard to the selection or contract award. IDH is not obliged in this tender procedure to make a contract award decision or to conclude a contract with a participant. IDH reserves the right to suspend or annul the tender procedure at any moment in time.

Participants cannot claim compensation from IDH, any affiliated persons or entities, in any way, in case any of the aforementioned situations occur.

By handing in a proposal, participants accept all terms and reservations made in these Terms of Reference, and subsequent information and documentation in this tender procedure.

10. Contact information

Interested candidates can submit a proposal until **16 August 2019** to Amy Ching at ching@idhtrade.org.