**TERMS OF REFERENCES (TORS)**

**FOR**

**HIRING OF TECHNICAL CONSULTANT FOR FEASIBILITY AND FRAMEWORK DEVELOPMENT OF A SEED FUND.**

**Reference No. PK-KPITB-216034-CS-FBS**

**1: PROJECT BACKGROUND:**

Khyber Pakhtunkhwa Information Technology Board (KPITB) is a public sector autonomous organization established under an Act of the Khyber Pakhtunkhwa (KP) Assembly in May 2011, for the promotion, planning, execution, supervision, evaluation and regulation of Information and Communication Technology, Information and Communication Technology enabled services and education for public and private sector of the Province of Khyber Pakhtunkhwa, Pakistan.

The KPITB is undertaking a project titled “Digital Jobs in Khyber Pakhtunkhwa” for promoting inclusion of women and youth in the digital economy and for creation of employment opportunities through digital means. The project is funded through a grant by the Multi Donor Trust Fund (MDTF), administered through the World Bank.

Access to capital is one of the biggest hurdles faced by the young entrepreneurs in the nascent startup ecosystem of Khyber Pakhtunkhwa. The startups incubated in the Durshal network in Khyber Pakhtunkhwa find it increasingly difficult to transition from startup stage to early-stage tech companies.

This is primarily due to the lack of support network including existence of angel investors, venture capitalists etc. both from the public and private sector. Furthermore, conventional financial institutions including banks etc. make it further difficult for startups and early-stage companies to access funds due to the strict prudential regulations by the central bank.

The objective of this component is to promote the inclusion of young entrepreneurs from the marginalized communities of Khyber Pakhtunkhwa in the digital economy through a seed fund.

**2:** **SCOPE OF SERVICES**

KPITB has taken a step to accelerate the growth of startups by establishing a seed fund primarily targeting the early-stage startup businesses. KPITB requires services of a firm to determine a fund structure that is aligned with global best practices and has the ability to sustain through the returns on investments made. The selected specialist firm will define the selection criteria of the tech startups for the award of seed fund, fund management, investment models, value of maximum and minimum investments, disbursement mechanisms and monitoring methodology.

The objective of this project is to promote the inclusion of young entrepreneurs from Khyber Pakhtunkhwa in the digital economy through a seed fund. A fund management firm will be hired to manage the seed fund, the consultant/consultancy firm will be responsible to carry out the activities necessary to manage the seed fund, and the activities shall include but may not be limited to the following:

* 1. Total budget of the assignment is $82,381 which includes service fee of the funconsultancy firm along with all sorts of expenses incurred by/for the advisory board.
  2. Design a fund structure that is aligned with global best practices and has the ability to sustain itself through the return on investment.
  3. Define the selection criteria, including eligibility criteria and due diligence process, of the start-ups for the award of seed funds.
  4. Conduct the selection process of start-up in close coordination with Project team.
  5. Create an investment thesis keeping in mind the local context of this fund.
  6. Define the duration/timeline for which the seed fund is allocated.
  7. Design investment models best suited to KP start-ups
  8. Define average ticket size for investments.
  9. Devise disbursement mechanisms, monitoring methodology and perform due diligence process of the fund to be disbursed by KPITB project “Digital Jobs in KP”.
  10. Perform business valuation from different perspectives and negotiate term sheets.
  11. Commit to doing upstream work in the KP ecosystem to strengthen the pipeline of start-ups and deal flow.
  12. Commit to supporting portfolio companies in the long term, advising and helping in follow on rounds, growth, and scale.
  13. A time-bound advisory board has to be created for each portfolio company to help them grow.
  14. The firm should be able to help the start-ups raise external investment from angels and VCs, local as well as international institutional and individual investors.
  15. The firm should have experience in performing due diligence and risk management.

**3. DELIVERABLES**

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| 1 | **First Deliverable** | **Policy Document**   * Fund Structure * Plan for promotion of investment ecosystem in KP * Mode of operation * Selection Criteria of Start-ups. * Investment Criteria * Investment Plan * Risk Management Plan |
| 2 | **Second Deliverable** | **Operations Plan**   * KPIs for Startups * Disbursement mechanisms * Startups Evaluation * Monitoring methodology * Startups Valuation |
| 3 | **Third Deliverable** | List of Startups selected for Seed Fund along with Evaluation Report/Relevant Documents |
| 4 | **Forth Deliverable** | Biannual evaluation report of all selected startups |

**4. ADDITIONAL RESPONSIBILITIES**

Focus on risk management as per the below options:

* + - 1. **Capability Risk:** The risk that the start-up is unable to scale its capability on a timely basis and at levels required.
      2. **Design Risk:** The risk that the product or service design does not meet the required performance standard
      3. **Development Risk:** The risk that the development of the product or service is not completed on time, within budget, or to defined specifications.
      4. **Economic Risk:** The risk that the company’s success is sensitive to external economic factors
      5. **Economic Life Risk:** The risk that the product or services useful life in the marketplace is shorter than originally anticipated or projected
      6. **Funding Risk:** The risk that funding will not be available at a level or timing required for the start-ups to succeed.
      7. **Legislative and Policy Risk:** (a.k.a. “Regulatory Risk”) The risk that legislative and policy changes will result in higher costs to the start-ups
      8. **Maintenance Risk:** The risk that maintaining the company’s assets at appropriate levels will cost more than anticipated.
      9. **Management Risk:** The risk that the management team lacks the skillsets and experience to execute the start-up’s business plan
      10. **Operations Risk:** The risk that operating costs are greater than budgeted, or that the service cannot be provided at the projected costs.
      11. **Procurement Risk:** The risk relating to the ability of the start-ups to procure quantities and pricing of required scarce resources.
      12. **Research Risk:** The risk that the quality of the initial research upon which key company assumptions were based was flawed in an impactful way
      13. **Technology Risk:** The risk that less than optimal technology is developed or utilized or that a competitor leapfrogs the start-up’s technology
      14. **Volume / Demand Risk:** The risk that the actual market’s demand for the product or service will not yield the projected sales volumes
      15. Competitor analysis
      16. Market sizing and analysis

**5. ELIGIBILITY**

* 1. The consultancy firm must have prior experience in deploying at least 50% of the total available fund with KPITB to its own portfolio companies.
  2. The firm has to be registered with national or international relevant authorities.
  3. The firm must have a well-connected, committed bench of Advisors to act as consultants and mentors for start-ups. Travelling expenses, Boarding & Lodging and Honoraria of the seed fund management committee comprising of advisors/consultants/mentors/experts has to be included in the proposal, and an understanding of how advisors will be selected and assigned for portfolio companies.

# 6. LAST DATE FOR SUBMISSION OF APPLICATION AND OPENING:

Sealed envelope marked as **“REOI Hiring of Technical Consultant for Feasibility and Framework Development of a Seed Fund.”** along with requisite documents shall reach at the address mentioned below, not later than **1400 hour, dated: March 15, 2021**. REOI would be opened on the same day at **1430 hour** in the presence of participating consultants or their agents, who wish to be present.

**Khyber Pakhtunkhwa Information Technology Board (KPITB)**

Attn: Procurement Manager (Digital Jobs in Khyber Pakhtunkhwa)

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