

## **TERMS OF REFERENCE (TORS)**

**For hiring the IT consulting firm(s) for IT Procurement and Implementation Support for CDNS through FIIP project**

**Loan No./Credit No./TF No./Grant No:** IDA Credit No. 5989 (Part B)

**Project ID No.** P159428

**Assignment Title:** Hiring of IT Consultancy for CDNS through FIIP Project for IT Procurement and Implementation Support (Consultancy).

**Reference No.** (As per Procurement Plan): ): PK-CDNS - FIIP-106122-CS-QCBS

**Central Directorate of National Savings  
Pakistan Financial Inclusion & Infrastructure Project**

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# 1. BACKGROUND INFORMATION AND CONTEXT

Central Directorate of National Savings (CDNS), is business arm of Government of Pakistan (Ministry of Finance) for promoting savings through sale of prize bonds/savings certificates etc. CDNS is a premier financial institution offering retail government securities and savings products (known as National Savings Schemes (NSS)). It is a crucial contributor towards financial inclusion with an investor base of around 7 Million and a portfolio of over PKR 3300 Billion, which is around 33% of total banking deposits. Its share in domestic debt of the Government of Pakistan (GoP) is around 24%. Most of its products are designed for low-income segments of the society. However due to operational and IT constraints, it is unable to play its role to extend financial services to the low-income segments. The existing NSS product mix ranges from short-term to long-term tenors, for students, youth, widows, senior citizens and pensioners. CDNS comprised of 376 National Savings Centers including 50 offices. Out of 426 offices of CDNS, 50 offices are accounting offices to whom the annual budget is allocated that includes 1 Headquarter (CDNS), 1 Directorate of Inspection and Audit, 12 Regional Directorates, 12 Regional Account Offices, 7 Zonal Inspection and Audit Offices, 1 Training Institute of National Savings (TINS) and 1 Sub-TINS, National Savings Treasuries and Sub treasuries to serve the NSCs of respective regions. At present, NSS are offered through a network 376 NSCs. Apart from offering NSS through National Savings Centers, these are also offered through agency arrangements with Pakistan Post and a network of commercial scheduled banks operating in Pakistan. Thus, NSS has an extended outreach across the country. CDNS is planning to offer its products through multiple services and channels (internet banking, mobile banking, debit/credit cards etc.). To learn more about CDNS and its business, please visit [www.savings.gov.pk](http://www.savings.gov.pk).

The Central Directorate of National Savings (CDNS) has received financing from the IDA/IBRD/World Bank through Government of Pakistan toward the cost of the Financial Inclusion & Infrastructure Project implementation involving procurement of goods and consulting services besides other paraphernalia for which General Procurement Notice (GPN) has been published. At the moment the project administration intends to apply part of the proceeds for consulting services.

CDNS receives funds from savers/investors against sale of prize bonds, saving certificates & accounts of different nature and deposit the funds in Federal Consolidated Account 1 of Government of Pakistan on daily basis. Payment of profit or repayment of principle on maturity of investment are also made out of Account 1. Since CDNS does not charge any spread, establishment/operational expenses of CDNS are met through regular budget allocation by Government of Pakistan. Government envision to make CDNS a modern and state of the art organization through technology driven business solutions and by adopting the modern and efficient ways of doing business.

CDNS conceived the idea to computerize its business back in 2003. M/s Sidat Hyder Morshed Associates (Pvt) Ltd. ("SHMA") was engaged for the development of business solution for CDNS. The distributed and decentralized software solution delivered by ("SHMA") was implemented at 108 Sites including 82 NSCs across the Pakistan through PSDP funded project tilted as Automation Project of CDNS Phase-I during July 2009 to February 2013. Later on, the same solution was replicated at 140 more NSCs throughout the Pakistan through PSDP funded project tilted as Automation Project of CDNS Phase-II during January 2014 to September 2017. Meanwhile, to upgrade the business solution, to cope with modern technology based business operations requirement and to convert the solution from distributed decentralized architecture to centralized architecture, bug fixation and incorporation of new government rules and regulations a contract was awarded to a software firm whose working is in final stages. Right now 223 NSCs have been computerized out of which 196 NSCs are connected through centralized system established at NTC headquarter Islamabad. Remaining 27 NSCs shall also become the part of centralized architecture in a couple of weeks. CDNS has also launched a non-financial mobile application for its valued customers, the financial version of the same will also be launched, shortly. CDNS is currently at an advance stage of introducing Alternative Delivery Channels (ADCs) like ATM card, phone banking, internet banking, mobile banking, Mobile Wallet (MW) Accounts, Digital Prize Bonds/script less securities etc. CDNS is also perusing aggressively for the computerization of remaining 153 NSCs.

## 2. OBJECTIVES

The objective of hiring IT consultancy firm is to conduct an in-depth assessment and testing of existing risk management practices, internal control systems, and banking/financial services at CDNS. The advisory services will complement the institution's ongoing efforts to improve efficiency, effectiveness, and transparency including through the automation of branch networks, IT modernization, and deployment of narrow core banking system and Enterprise Resource Planning (ERP) solutions. The assessment should propose how the risk management, internal controls, banking services, and all associated systems can be re-engineered in order to strengthen CDNS performance, transparency and increase compliance with regulations and international best practices.

The assessment will:-

- i. To identify current strengths and weaknesses, and improvements needed, including changes in structures, policies, and procedures, and IT systems related to risk management, internal controls, and banking/ financial services.
- ii. To identify opportunities to automate internal processes (for banking, risk management, internal controls) in order to increase efficiency and data accuracy as well as reduce processing time.
- iii. To identify capacity building needs at all levels focusing on general banking and training (e.g. sector and market analysis, client analysis, and financial risk analysis and risk management) and specific training on proposed organizational changes (including on policies, procedures, and systems)

- iv. To Propose an implementation plan, including budget, timeframe, and sequencing for the implementation of the proposed changes and capacity building
- v. To assess business management risk in the relevant area.
- vi. To evaluate those risks and find deficiencies and mitigation strategy

### 3. SCOPE OF THE ASSIGNMENT

#### Part 1: Business Process Evaluation & Re-engineering

The assessment will cover CDNS and all its offices/branches with a focus on three relevant areas as follows:

##### a. Risk Management

- i. Review current risk management policies, procedures, and practices as well as their effectiveness in the identification, measurement, and mitigation of various risks (credit, market, operational, and others)
- ii. Evaluate the current risk governance structures including the role of the board of directors/ risk management committee in defining risk management strategies (e.g. establishing and monitoring of risk limits).
- iii. Assess the level of independence and adequacy of the risk management function including staffing levels and reporting structure
- iv. Review risk management reports (including stress testing practices and reports) and suggest how they could be strengthened (for instance, by improving internal analytical capacity and data quality)
- v. Assess MIS capabilities to generate timely and accurate information
- vi. Suggest and make final recommendations on how risk management can be improved through use of automated assessment and monitoring tools

##### b. Internal controls (including internal audit)

- i. Assess the adequacy of internal controls and procedures in place, including written policies and procedures, accounting and administrative controls, internal audit, and management information and information technology systems
- ii. Determine whether adequate and comprehensive policies exist, have been approved by the board of directors, are documented in writing
- iii. Review and evaluate internal controls systems and checks including internal audit to determine the degree of reliance that can be placed upon them
- iv. Report on weaknesses detected that according to the volume and complexity of transactions and risk profile, have to be corrected in order to ensure prudent detection, measurement, management, and control of risks
- v. Assess auditing skills (including electronic data processing skills), staffing levels, and the independence of the audit function
- vi. Suggest and make final recommendations on how internal controls can be improved through use of automated assessment and monitoring tools
- vii. Prepare and document a comprehensive methodology for information audit with relevant tools and technologies

##### c. General Banking /Financial Services

- i. Assess existing banking/financial services and related business processes and propose changes in-line with standard banking practices and procedures.
- ii. Assess existing KYC and account opening, wealth and investment management, custody, and information management, savings, investments and deposits, cash management, sales and relationship management, product and marketing management, customer feedback, risk and compliance, human resource administration processes, workflows, etc. and propose BPR in line with international banking practices.
- iii. Review existing business processes like account opening, payments, etc. and propose BPR to bring in efficiencies resulting in enhanced customer experience
- iv. Review the current financial system/solution/entire setup
- v. Propose the strategy to be adopted for ADC system which is flexible and scalable and can be configurable with future core banking system (narrow)
- vi. Assess existing administrative, accounting, planning, budgeting and procurement processes and propose streamline processes as per international best practices

## **Part 2: Review of information systems, IT strategy and implementation plan**

### **Scope of Work**

The consultant will review the current IT and systems landscape in CDNS and all its 400 plus branches across Pakistan and develop a strategy and a detailed roadmap for modernizing the IT infrastructure and systems to achieve the business objectives and implement the business strategy.

In this context, the assignment will cover:

- i. Review of the current IT infrastructure of CDNS including LAN, WAN, data center strategy, enterprise computing environment, overall systems architecture (enterprise architecture), etc.
- ii. All relevant business applications, e.g. financial management systems, etc.
- iii. Review existing (if any) or new alternate delivery channels including internet and mobile banking, phone banking, debit/credit card management, etc. to be integrated with core banking application
- iv. Data center, disaster recovery site, data warehousing, business intelligence tools and CRM, etc.
- v. Review of middleware, database server and database management software/system in use
- vi. Review of business application server / software / system in use
- vii. Review of existing information system's security , tools, policies, topologies besides IS audit
- viii. Review of existing business continuity planning and disaster recovery strategy
- ix. Review and monitoring of database and other applications performance tuning
- x. Review of existing status of system integration across different applications/ interfaces
- xi. Review of existing IT organization and IT human resource strategy
- xii. Based on the review of current IT infrastructure and IT human resources of CDNS, consultant will do a cost benefit analysis of building a data center and DR site in house versus outsourcing in managed services mode. Consultant will present pros and cons including setup cost and annual operational cost for both options with a recommendation for CDNS with justification.
- xiii. Consultant will draft EOIs and RFPs for the following IT activities for CDNS:
  1. In-house tier III data center & DR site or outsourced managed services whichever is recommended in xii
  2. Narrow banking software solution including alternate delivery channels (ADCs)
  3. Data warehousing and business intelligence solution
  4. Enterprise Resource Planning solution covering accounting, asset management, and procurement processes
- xiv. Consultant will be responsible for assisting in the procurement process and implementation of various IT systems for FIIP at CDNS

## **4. DELIVERABLES**

### **Two weeks after award of contract:**

- I. Inception report outlining an action plan for the assignment including resources, milestones, and deliverables

### **Two months after the beginning of the work:**

- i. Draft report with findings and recommendations on how to strengthen process, risk management, internal controls (including internal audit) and banking/ financial/ business processes
- ii. Draft implementation plan with detailed activities, milestones, and sequence
- iii. Draft budget estimates for the implementation of proposed recommendations/changes

### **Three months after beginning of the work:**

- i. Final report with findings and recommendations on how to strengthen process, risk management, internal controls (including internal audit) and banking/ financial/ business processes
- ii. Final implementation plan with detailed activities, milestones, and sequence
- iii. Final budget estimates for the implementation of proposed recommendations/changes

### **Six months after award of contract:**

TORs, EOIs, and RFPs for different software, hardware, and services to be procured according to the implementation plan

## **5. DURATION OF THE ASSIGNMENT**

The total duration of the assignment from the date of signing of the contract will be for three years as follows:

First 6 months: Reports and RFPs for different IT activities of CDNS as mentioned in scope of work

7-12 months: Bidding, evaluation, vendor selection, and contracts

13-36 months: Supervision of vendors for procurement and implementation, progress monitoring and removal of any bottle necks, besides other allied IT consultancy based activities/tasks/assignments given by the Project Director / executing agency for unforeseen/ unpredictable situations that may arise in future, etc.

## 6. QUALIFICATIONS

**The firm will be selected through a competitive selection process. The firm is expected to have:**

- i. Proven track record in the assessment and development of a comprehensive IT strategy and systems implementation plan for large banks with a network of at least 200+ branches
- ii. Proven experience in implementation of IT systems in commercial banks – core banking, alternate delivery channels, customer help desk systems, etc.
- iii. Minimum annual revenue of PKR 40 million (submit financial statements for last 3 years)
- iv. The consulting firm/team will assign a project manager/ team leader, equipped with experienced team members, to coordinate the required project work both at CDNS and its offices/branches across the country. The team leader should have minimum 15 years of bank management experience, particularly in standard banking systems, risk management, and internal controls.
- v. Experience in similar assignments with developing IT strategy and implementation roadmaps for at least 3 large commercial banks operating in developing countries (with over 2 million clients and 200+ branches) in the last 5 to 8 years, preferably in the South Asia.
- vi. Experience in BPR and change management, configuration management related to IT implementation in large financial institutions. Preference will be given to those having experience of working with public sector banks/ financial institutions.
- vii. Experience in developing and implementing the technology based business strategy for financial institutions shall be given preference.
- viii. Must have adequate qualified staff with minimum five years of experience in all relevant areas: ICT, business strategy, change management, outsourcing, and banking applications in order to conduct the assignment in professional way.
- ix. Thorough understanding of the local IT and banking industry including various service providers will be a plus. If necessary, the consultant can partner with other firms in the form of a joint venture for undertaking this assignment.
- x. Experience in developing state of art IT enterprise architecture & information security system as per international standards.

Consulting firms can form consortiums with other firms in the form of a joint venture. However, there should be a lead partner for the consortium who will be responsible for signing the contract and delivery. All payments after completion of milestones will be made to lead partner.

## 7. FORMAT OF EOI SUBMISSION

EOIs submitted by interested consulting firms should contain at least the following components:

- i. Complete historical profile of the organization/ firm with the information on incorporation certificate, experience, affiliation with different bodies and ratings, if any, corporate profile indicating years of operations, core competencies, and management structure, etc.
- ii. Details of completed projects of similar nature and size with requisite information i.e. project description, cost of the project, client, duration, results, etc.
- iii. Details of requisite technical competence to carry out the intended services.
- iv. Detailed information requested in shortlisting criteria below.

## 8. SHORTLISTING CRITERIA

In evaluating the relative merits of consulting firms bidding for the project, the evaluation committee will take into account:

- 1) Demonstrated experience in carrying out similar projects, as outlined above, and understanding of the terms of reference.(attached relevant documents)
- 2) Demonstrated experience and projects carried out in the South Asia region. (attached relevant documents)
- 3) Mention the number of similar projects completed and the projects in hand along with detail.(attached relevant documents)
- 4) The quality, intelligence, efficiency, sustainability and viability/feasibility of the proposed approach and methodology to be applied for this assignment shall be evaluated by the procuring agency, hence consulting firms are required to prepare a comprehensive document. (attached relevant documents)
- 5) The quality and relevant experience of individual staff members proposed by the consulting firm including the leadership quality for accomplishment of this assignment shall be minutely examined while shortlisting the consultant by the procuring agency.
- 6) The ability of the consulting firm to propose various teams with diversified skillset for accomplishment of different assignments under contract with separate team leaders.
- 7) The consulting firm must be registered with tax department. (Please relevant documents)
- 8) The firm must submit an affidavit on Rs.100/- stamp paper of non-blacklisting from any government / semi-government/ autonomous departments / bodies duly notarized and latest
- 9) Each paper of expression of Interest should be signed and stamped by the authorized person of the firm
- 10) Core business of consulting firm (Please mention detail)

- 11) Number years in the business (please mention)
- 12) Past Performance (Please mention detail and along with evidence )
- 13) General Experience (Please mention Number of years and nature of experience)
- 14) Relevant Experience (Please mention Number of years and detail of experience and client contact detail)
- 15) Experience in Government Sector (Please mention detail)
- 16) Experience in Government Sector for similar nature assignment. (Please mention detail)
- 17) Technical capabilities of the firm (Please mention detail)
- 18) Managerial capabilities of the firm (Please mention detail)
- 19) Should have offices in Islamabad and 4 provincial capitals
- 20) Should have at least 50 full-time employees
- 21) How much staff will be dedicatedly engaged for this specific assignment.(attach resume) No CVs at EOI stage. CVs will be demanded at RFP stage
- 22) Please mention the association / affiliation/ certification with relevant bodies / entities like PEC, SECP, PSEB, P@SHA, relevant standards of ISO / TQM /CMMI (level), IEEE etc. (relative grading for shortlisting will be carried out so please mention all kind of association / affiliations/ certifications that the consulting firm may have along with documentary evidences)

**NOTE:** Minimum qualification score for shortlisting is 60%. RFP will be shared with those firms who will be shortlisted.

## 9. REPORTING & COORDINATION

The main point of contact for this exercise will be:

**Project Director, Financial Inclusion & Infrastructure Project**

Central Directorate of National Savings

23-N, Savings House, G-6 Markaz, Civic Centre

Islamabad, Pakistan 44000

Email: [project.director.fiip@gmail.com](mailto:project.director.fiip@gmail.com)

Tel: +92-51-9215748(x247)

## 10. OWNERSHIP OF CONFIDENTIAL INFORMATION

The consulting firm would ensure that all the data/ information collected under this consultancy is kept confidential and will be the sole and exclusive property of CDNS. The consulting firm will not, acquire any right, title or interest in or to any of the confidential information collected for this consultancy.

**End of Document**

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