

Government of India
Ministry of Commerce & Industry
Department of Commerce
Directorate General of Foreign Trade

Directorate General of Foreign Trade, Department of Commerce, Ministry of Commerce and Industry, Government of India invites proposals for "Study on Trade Finance in India".

Objective of the Proposal:

The objective of this engagement is to benchmark best practices in global trade finance and propose policy recommendations and innovative solutions to enhance the overall efficiency and effectiveness of the trade finance ecosystem in India.

The knowledge partner will be expected to achieve the following objectives:

- Identify global best practices in trade finance, including emerging trends and innovations.
- Study the impact of regulations by RBI, IRDAI in trade finance and trade credit insurance.
- Analyse the current state of the trade finance ecosystem in India, including the role of institutions such as EXIM Bank, ECGC, commercial and public sector banks, and identify gaps and challenges in meeting the financing needs of businesses engaged in international trade.
- Analyse the possibility of merging trade finance policymaking and regulation under one umbrella and explore if such a measure would bring greater efficiency and effectiveness Or suggest other alternatives to ensure development of robust trade finance ecosystem in India.
- Propose policy recommendations and innovative solutions to enhance the efficiency and effectiveness of the trade finance ecosystem in India, including the adoption of emerging technologies such as blockchain, artificial intelligence, and digital platforms and promoting new instruments like factoring, forfaiting, etc.
- Suggest the required legal framework to enable digitalization of trade documents / procedures
- Develop a roadmap for the implementation of the proposed policy recommendations and solutions.
- Build capacity among stakeholders, including government agencies, financial institutions, and businesses, through knowledge-sharing initiatives and capacity-building programs.

Eligibility Criteria for Knowledge Partner:

The knowledge partner should have the following qualifications:

- A strong track record in trade finance research and analysis, relevant to the Indian context. Cumulative team experience of minimum 12 years in the area of trade finance is preferred.

- Experience in benchmarking best practices and proposing innovative solutions for enhancing the efficiency and effectiveness of trade finance ecosystems.
- Experience in building capacity among stakeholders through knowledge-sharing initiatives and capacity-building programs.
- A team of experts with a diverse range of skills and expertise, including trade finance, emerging technologies, policy formulation, and capacity-building.
- Strong communication and collaboration skills, with the ability to engage effectively with stakeholders from government agencies, financial institutions, and businesses.
- A proven track record of delivering high-quality reports and recommendations within agreed timelines.
- Understanding and experience in the area of fintech would be considered an advantage.

Submission of Bids:

The selection process will involve the presentation of proposals and submission of detailed documents and bid.

Bidding Process:

Presentation of Proposals

- i. Interested bidders are invited to submit their proposals, including relevant documentation and information, as outlined in the bid documents.
- ii. Shortlisted bidders, based on the evaluation of written proposals, will be invited to make a presentation to the evaluation committee.
- iii. The presentation should cover key aspects of the proposal, including technical expertise, experience and methodology as well as a discussion of cost considerations.
- iv. Bidders will be provided with the necessary details, such as presentation duration and any specific requirements, well in advance of the presentation date.
- v. The evaluation committee will assess the presentations based on the predetermined evaluation criteria, which include quality aspects and cost considerations and may ask for further submissions and details if required.

QCBS based Evaluation and Selection

- i. Bidders may be asked to provide additional details, such as a comprehensive project plan, financial information, and references.
- ii. The evaluation committee will assess the proposals based on the predetermined evaluation criteria, with a stronger emphasis on quality aspects and a more detailed cost analysis.
- iii. After the evaluation, the committee will select the bidder offering the best combination of quality and cost, considering the weightage assigned to each criterion.
- iv. The selected bidder will be notified, and further negotiations, including contract finalization, may take place.

The EOI document containing the details regarding the brief of the scheme and scope of work can be downloaded from the website of DGFT at <https://www.dgft.gov.in/CP/>. The synopsis of the proposal along with the framework of the study have to be submitted by email to **ddg2egov-dgft@gov.in, tirumala.kv@nic. latest by 20.01.2024**, previous deadline of 29.09.2023, Late submissions will not be considered.

For any further information or clarifications, please contact [Shri Md. Moin Afaque (ddg2egov-dgft@gov.in), Shri K.V. Tirumala (tirumala.kv@nic.in)] 20.01.2024 at the following address:

The Directorate General of Foreign Trade, Vanijya Bhawan, 'A' Wing, 16 Akbar Road, New Delhi -110011.

Department of Commerce

Term of Reference for Study on Trade Finance in India

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1. Name of the Project

Benchmarking trade finance best practices for India and suggesting way forward.

2. Background

India has set an ambitious target of achieving \$1 trillion in merchandise exports and \$1 trillion in services exports by 2030. The integration of global economy has shown that as exports grow, the imports also grow as technology, engineering and high end products are part of a larger global value chain. Achieving this target would require improvements in the country's physical, digital and trade finance infrastructure, which are crucial components of a country's trade ecosystem.

The Department of Commerce under the Government of India is responsible for formulating policies and implementing programs related to India's foreign trade. The Department is keen that trade finance activities get more focused attention in coordinating, regulating, and supporting international trade activities.

The trade finance ecosystem in India is facing challenges in meeting the financing needs of businesses engaged in international trade, especially MSMEs. Despite the presence of financial institutions such as EXIM Bank, ECGC, various commercial

banks, and oversight and directions of RBI, businesses continue to face difficulties in accessing easy, timely and cheap finance for cross-border transactions.

EXIM Bank, established in 1982, is India's premier export finance institution. Its mandate includes providing fund and non-fund based assistance to Indian exporters and importers. However, its reach and scope is limited as it is focused on policy business comprising Government of India's guaranteed Lines of Credit and Govt backed project financing and it is perceived that it is unable to provide adequate factoring and other trade finance related services to private businesses on commercial terms, which leaves a significant gap in the trade finance ecosystem.

ECGC, established in 1957, provides export credit insurance services to Indian exporters. Its role is to protect Indian exporters against payment default risks and ensure that they receive payment for their exports. ECGC supports around 20% of India's merchandise exports. However, ECGC needs to broaden sectors it lends to, improve turnaround time and adopt simplified procedures to ensure growth of trade insurance sector in India.

The public and private sector financial institutions and banks play a significant role in the trade finance ecosystem in India. However, private sector banks and financial institutions shy away from supporting trade finance instruments due to the perception that high levels of risks are associated with cross-border transactions. As a result, they are often unable to meet the financing needs of businesses engaged in international trade. The covid period aggravated the situation as lenders felt that there was greater risk in lending.

As seen from above paragraphs, there is no single agency coordinating the market to ensure the development of a robust trade finance ecosystem. As a result, businesses especially MSMEs, which are the top drivers of growth and jobs, especially in developing countries, often face challenges in accessing trade finance solutions that meet their specific needs and requirements.

Integrating trade finance activities under one umbrella can provide a more coordinated and centralized approach to trade finance regulation and policymaking. This can enable the government to address the gaps and barriers in the trade finance ecosystem more effectively, implement targeted initiatives to promote access to

financing, and align trade finance policies with broader trade policy objectives. Additionally, it can foster better coordination among various stakeholders, including banks, financial institutions, and government agencies.

Overall, the current state of the trade finance ecosystem in India is marked by significant gaps and shortcomings. The availability of trade finance instruments, such as factoring and supply chain finance, is limited, which is a major impediment to the growth of businesses engaged in international trade. Additionally, Corporate big ticket lending and growing the retail portfolio has been the primary corporate strategies of banks. Trade finance on account of smaller ticket size, presence of MSMEs, higher risk and lower turnaround period has never been the key growth area for financial institutions. The development of account aggregator model to facilitate sharing of information pertaining to MSMEs in a consent based architecture for facilitating better pre- and post-export credit needs to be well developed in the Indian context.

Lastly, the importance of innovation and technology in growing trade finance into new areas and attracting new investors is important. The success of digital platforms like TReDS for MSMEs, which has shown tremendous potential in invoice discounting in the country may be an example to emulate in international trade finance. It is understood that emerging technology in the area of blockchain, digitized trade documents, emerging cross border payment methods and fintech start-ups may disrupt the way the trade finance is carried out. It is important that policymakers understand and encourage the development of technology that would benefit the country in trade finance.

To address these challenges and foster a more robust, technology driven and efficient trade finance ecosystem, the Department of Commerce is seeking to engage a knowledge partner to benchmark best practices in global trade finance and fintech, identify gaps in the current structure and propose policy recommendations and innovative solutions to enhance the overall efficiency and effectiveness of the trade finance ecosystem in India.

3. Scope of Work:

The knowledge partner will be expected to undertake the following tasks:

- a. Benchmark global best practices in trade finance, including emerging technologies and innovative solutions for enhancing the efficiency and effectiveness of the trade finance ecosystem.
- b. Conduct an analysis of the current state of the trade finance ecosystem in India, including the
 - i. Role of financial institutions such as EXIM Bank, Commercial banks, private sector firms, ECGC, and identify gaps and challenges in meeting the financing needs of businesses engaged in international trade. This will include a review of existing policies and regulations related to trade finance and trade credit insurance activities in India.
 - ii. Conduct consultations with key stakeholders, including government agencies, financial institutions, and businesses, to understand their perspectives and identify specific challenges and opportunities in the trade finance ecosystem including factoring and forfaiting. This would also include focus on encouraging MSMEs to have easy access to trade finance through availability of credit and credit insurance. Given the considerable growth in exports through e-commerce platforms, the study may consider analysing the challenges faced by MSMEs and Banks in facilitating credit for such exports and suggest suitable policy initiatives.
 - iii. Analyse the impact of emerging technologies such as blockchain, artificial intelligence, and digital platforms on the trade finance ecosystem in India and propose innovative solutions for adoption. The study may also analyze the need to have common digital platform for comprehensive & seamless interaction amongst exporters, banks and other financial institution, regulator and customs.
 - iv. Analyse the effect of merging trade finance policymaking and regulation under one umbrella and analyse if such a measure would bring greater efficiency and effectiveness. Identify areas where such measure would improve efficiency and areas where such measure may not help or suggest other alternatives to ensure development. In

case the government were to merge the trade finance policy under one umbrella, Roles and responsibilities of all stakeholders may be clearly defined to provide synergy and avoid any overlap /gap.

- c. Suggest the required legal framework to enable digitalization of trade documents / procedures. The study may also review the guidelines for Merchanting Trade Transactions in line with International Standards and suitable risk mitigants may be included in the report.
- d. Some use-cases as suggested below may be included in the study –
 - i. May examine major operational challenges faced by banks relating to closure of shipping bills for low value exports where funds are received in non-AD Bank or wallets provided by eCommerce platforms.
 - ii. The study may examine the difficulties faced in financing of exports to countries which have moderate to high risk rating but are strategically important for India and suggest ways to mitigate the risks perceived for all the stakeholders involved.
 - iii. The study may also include suggestions for contingency events like COVID-19, Russia-Ukraine War etc
- e. Develop a detailed report with specific recommendations and solutions for enhancing the efficiency and effectiveness of the trade finance ecosystem in India, including a roadmap for implementation.
- f. Build capacity among stakeholders through knowledge-sharing initiatives and capacity-building programs, such as workshops, seminars, and training sessions. May in consultation with IRDAI, conduct a stakeholder's workshop to examine facilitation of credit insurance on digital platforms & otherwise, in view of the extant Trade Credit Insurance Guidelines 2021. The workshop may include a benchmarking exercise regarding best practices in trade credit insurance.

4. Deliverables

The knowledge partner will be expected to deliver the following:

- A comprehensive report on global best practices in trade finance, emerging fintech and technology solutions in the space, and an analysis of the current state of the trade finance ecosystem in India, including the role of financial institutions and the challenges faced by businesses engaged in international trade. Special focus could be on MSMEs integration with global market through easy access to financing instruments.
- A set of policy recommendations and innovative solutions for enhancing the efficiency and effectiveness of the trade finance ecosystem in India, including the adoption of emerging technologies such as blockchain, digital documents, artificial intelligence, and digital platforms.
- Suggestions for legal amendments to enable the recommendations made above.
- A roadmap for the implementation of the proposed policy recommendations and solutions, including timelines, milestones, and key performance indicators.
- Capacity-building initiatives, including workshops, seminars, and training sessions, aimed at building knowledge and awareness among stakeholders.

5. Qualifications

The knowledge partner should have the following qualifications:

- A strong track record in trade finance research and analysis, relevant to the Indian context.
- Experience in benchmarking best practices and proposing innovative solutions for enhancing the efficiency and effectiveness of trade finance ecosystems.
- Experience in building capacity among stakeholders through knowledge-sharing initiatives and capacity-building programs.
- A team of experts with a diverse range of skills and expertise, including trade finance, emerging technologies, policy formulation, and capacity-building.
- Strong communication and collaboration skills, with the ability to engage effectively with stakeholders from government agencies, financial institutions, and businesses.

- A proven track record of delivering high-quality reports and recommendations within agreed timelines.

6. Reporting

The knowledge partner will report to the DGFT/Department of Commerce and will be required to provide regular updates on progress, including quarterly progress reports and a final report at the end of the engagement.

7. Intellectual Property

All intellectual property generated as part of this engagement will be the property of the DGFT/Department of Commerce, and the knowledge partner will be required to transfer all intellectual property rights to the Department of Commerce upon completion of the engagement.

8. Confidentiality

The knowledge partner will be required to maintain the confidentiality of all information obtained during this engagement and ensure that any information provided to them is used solely for the purpose of this engagement.

9. Evaluation Criteria

Proposals will be evaluated based on the following criteria:

- Expertise Weightage: The quality to cost ratio may be 70:30, with expertise evaluation carrying a higher weightage.
 - Experience and expertise in trade finance research and analysis relevant to the Indian context.
 - Demonstrated experience in benchmarking best practices and proposing innovative solutions for enhancing the efficiency and effectiveness of trade finance ecosystems.
 - Experience in building capacity among stakeholders through knowledge-sharing initiatives and capacity-building programs.
 - Quality and feasibility of proposed methodology.
 - Proposed team composition and their experience.

- Minimum Qualifying Points: A benchmark for the quality/expertise in the proposal may be specified in the ToR, ranging between 7-8 out of 10 points.
- Evaluation Criteria: Points will be allotted for various expertise criteria/attributes. Each responsive bid will be assigned a quality score out of 10 points based on the evaluation scheme. Score may be provided based on prior experience of similar projects.
- The teams would make a presentation about their proposal to Department of Commerce, Government of India before a final decision is made.
- Responsiveness: Consultants/service providers meeting the qualifying expertise evaluation criteria shall be considered technically responsive. Those not meeting the criteria will be considered non-responsive and excluded from further consideration.
- Financial Proposals: Financial proposals shall be opened for eligible and responsive offers. Unopened financial offers may be returned to bidders.
- Cost-Score: Financial proposals will be given a cost-score based on relative ranking of prices, with the lowest bid receiving 10 points. Higher-priced offers will be pro-rated with lower point.
- Total Score: The total score will be obtained by weighting the quality and cost scores and adding them together. The weightage for the expertise score will be between 60-70% (not exceeding 70%), while the remaining weightage will be allocated to the cost score.
- Weightage Consideration: The choice of weightage for cost and expertise score should take into account the complexity of the assignment and the relative importance of quality. The proposed weightings for quality and cost may be defined.
- Selection: The consultancy firm obtaining the highest total score will be selected for the project.
- Other terms of conditions as determined by Department of Commerce, Government of India.

10. Proposal Submission

Interested knowledge partners should submit a proposal that includes the following:

- a. Company profile, including track record and relevant experience.
- b. Methodology for undertaking the scope of work, including proposed timelines and deliverables.
- c. Proposed team composition and expertise.
- d. Detailed budget, inclusive of all expenses related to research, analysis, and capacity-building initiatives.

Proposals should be submitted by email to ddg2egov-dgft@gov.in , tirumala.kv@nic.in in **latest by 20.01.2024**, previous deadline of 29.09.2023. Late submissions will not be considered.

For any further information or clarifications, please contact [Shri Md. Moin Afaque (ddg2egov-dgft@gov.in), Shri K.V. Tirumala (tirumala.kv@nic.in)] 20.01.2024 at the following address:

The Directorate General of Foreign Trade, Vanijya Bhawan, 'A' Wing, 16 Akbar Road, New Delhi -110011.

11. Project Duration:

The engagement is expected to be completed within 06 months from the date of signing the contract. The knowledge partner will be expected to submit progress reports every 2 months and a final report at the end of the engagement.

12. Special Terms & Conditions:

- A. Regular progress reports to be provided to Department of Commerce.
- B. The organization will complete the activity within the prescribed time and submit report to the competent authority in the mutually agreed format.
- C. The last instalment will be released only after the study report is submitted and approved by the competent authority.

- D. Details accounts of each payment shall be kept together with the documents/vouchers etc., as evidence of actual expenditure.
- E. The grant shall not be diverted to or utilized for the purpose other than for which it is sanctioned.
- F. The accounts of the project shall be open for audit by the sanctioning authority and by the Pay & Accounts Office of the Department of Commerce as per Rule 236 of the GFR, 2017 and is subject to audit by C&AG of India.
- G. The organization will submit their accounts for audit promptly whenever required to do so whether they are completed or not.
- H. Any unspent amount shall be surrendered to the Government with interest @ 10% from the date of release of funds. Such recovery shall also be applicable for failure to comply with ToR framed for the study.
- I. The organization/institute shall send to the Government a statement of accounts separately for each item of expenditure duly audited together with the auditors' certificates that the conditions attached to grant have been fulfilled.
- J. The Department of Commerce reserves the right to accept or reject any report and annul the submission process without assigning any reasons and without incurring any liability whatsoever.
- K. The organization/institute will be liable for damage, loss incurred by the Department due to the misconduct, non- performance, breach of duties and obligations, negligence, fraud wilful default or omission on the part of the organization/institute subject to limitation of liability specified in the contract signed by both parties.
- L. All disputes or differences whatsoever arising between the selected organization and the Department out of or in relation to the construction, meaning and operation or effect of the ToR document or breach thereof shall be settled amicably with mutual consultation. If, however, the two parties are not able to resolve the dispute amicably, the same shall be settled by arbitration in accordance with the applicable Indian Laws, and the arbitration award made in pursuance thereof shall be binding on both the parties.
- M. The selected organization shall continue to work as per the existing ToR document during the arbitration proceedings unless otherwise directed in writing by the Department or unless the matter is such that the work cannot possibly be continued until the decision of the arbitrator, as the case may be, is obtained.

- N. The selected organization shall not assign or sublet, in whole or in part, its obligations to perform under the ToR document, except with the prior written consent of the Department.
- O. Force Majeure: Neither party shall be deemed to have defaulted in the performance of its contractual obligations whilst the performance thereof is prevented by force majeure factors including acts of god, strike, lock-outs, war, legislative changes or any other circumstances beyond the anticipation or control of the parties, provided that the party effected gives notice in writing of such occurrence to the other party within 15 days of such occurrence.
- P. The agreement would constitute the entire understanding between the parties with regard to the subject matter hereof and there have not been and there are no understanding, agreements, representation or warranties between the parties other than those specifically set forth herein. The selected organization shall not be entitled to cede or assign any rights in terms of this to any third party without prior written consent of the Department.
- Q. No variation or modification of this ToR document shall be of any force or effect unless the same shall be confirmed in writing by way of an addendum and signed by all the parties and then such variation or modification shall be effective only for the purpose and to the extent for which it was made and given.
- R. Secrecy of data or any other information shared by the Department will be maintained by the organization/institute.
- S. The organization/institute will be accountable for collection, compilation and evaluation of data. No data will be public unless approved by the Department of Commerce.