

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA BUSINESS COUNCIL



SHORT TERM CONSULTANCY

**FOR THE CBC DIGITAL FINANCIAL INCLUSION PLAN FOR MICRO SMALL AND
MEDIUM ENTERPRISES (MSME)**

**BUSINESS MODEL ON OPERATION AND IMPLEMENTATION OF REGIONAL
DIGITAL RETAIL PAYMENT SCHEME**

REQUEST FOR PROPOSALS (RFP)

Ref no: CS/CBC/01(01/21)

Closing Date:

16th May 2021

Terms of References

<u>PROJECT TITLE:</u>	SME Digital Financial Inclusion Plan
<u>Assignment title:</u>	Development of the business model on operation and implementation of regional digital retail payment scheme for Micro Small and Medium Enterprises (MSMEs) in COMESA region
<u>Contract Duration:</u>	June 2021- October 2021, (Five months)
<u>Duty station:</u>	Home-based
<u>Travel:</u>	Mainly virtual field missions (with possible travel within COMESA Member States)
<u>Eligibility</u>	Consultancy Firm

1. **INTRODUCTION**

The COMESA Business Council (CBC) is the recognized Business Member Organization, established as a private sector institution of COMESA. We represent the interests of business sectors at a regional level. The services provided go beyond advocacy, to actively promote business participation in regional integration, investment and global trade. This is done by facilitating the growth of strong business synergies, the development of business opportunities, business alliances, legislative and strategic advocacy. Our vision is, “Building Regional, Going Global”. Our three service pillars are: Business Policy and advocacy, Business Facilitation and Membership development. More information can be obtained from the CBC website www.comesabusinesscouncil.org.

CBC is implementing a Digital Financial inclusion program that supports the design, development and deployment of an integrated regional digital financial services infrastructure that is low-cost, interoperable and fraud resistant that serves Micro Small and Medium Enterprises (MSMEs). The program has a keen focus on women and youth, and the customers they transact with at the bottom of the financial pyramid. This would be first developed from a regulatory focus approach, to the business model and finally the actual operational and technical establishment.

The expected result of the program is to streamline cash-based MSMEs into digital markets that enjoy affordable, interoperable, transparent and real-time financial transactions. The expected impact is increased volumes of cross border transactions, financial inclusion, increase visibility of African products within regional markets and the participation of SMEs in regional trade. This will directly respond to the intra- trade deficit in the region.

In the 1st phase of the project, a business case report was produced which guided the development of model policy for regional digital retail payment scheme for MSMEs in COMESA region and guidelines on the operation of digital retail payment scheme for MSMEs. The business case and model policy framework including guidelines are expected to guide the process of development of business model on operation and implementation of regional digital retail payment scheme for MSMEs.

It is against this background that the CBC with the support of Bill and Melinda Gates Foundation is seeking the services of a professional and competent consultancy firm to design Business Model on operation and implementation of regional digital retail payment scheme for MSMEs in COMESA region. The Business Model design is expected to be developed using Level One design principles (<https://www.leveloneproject.org/>) addressing the needs of low-income cross border traders.

2. OBJECTIVE OF THE ASSIGNMENT

To design Business Model on operation and implementation of regional digital retail payment scheme for MSMEs in COMESA region. The proposal should include payment platform design model, role of operators, platform, legal and administrative support, and institutional arrangement, among others and following up the above Level One design principles.

Specific Objectives

- (a) Determine the technical, legal/administrative, and institutional arrangement requirements for the business model on operation and implementation of regional digital retail payment scheme for the MSMEs.
- (b) Design business model on operation and implementation of regional digital retail payment scheme for the MSMEs.
- (c) Develop training materials targeting key stakeholders such as regulators, operators, digital financial services providers, and users
- (d) Design modalities for piloting.
- (e) Develop mechanism for implementation of business model.
- (f) Customize the Rules book to reflect the findings on the ground that are supporting the design of the Business model
- (g) Estimate the cost of piloting and running the scheme on regional digital retail payment for the MSMEs.

3. SCOPE OF WORK AND TASKS

In order to achieve the above objective of the assignment, the Consultancy firm will undertake the following tasks:

Part I: Technical requirements

- 1.1 Determine the technical requirements for business model on the operation of regional digital retail payment scheme for the MSMEs taking into account the business case report and model policy framework including guidelines, while drawing from best practice.

The proposed business model should cover the following aspects, among others.

- (a) It should contain key building blocks for low value/retail/cross-border clearing and settlement systems and options for currency conversion in line with real time payments for MSMEs and same day settlement principles.
- (b) It should be interoperable with different platforms in existence and upcoming initiatives in COMESA region at minimal configuration of Application Programming Interfaces (APIs) and integrated messaging standards with flexible addressing protocols

- (c) It should be able to be easily integrated with initiatives such as e-commerce tools to serve as a payment gateway for MSMEs needs.
- (d) It should share investment approaches for fraud risk mitigation between Digital Financial Service Providers (DFSPs) involved in the transactions.
- (e) It should have basic features and guiding principles of digital retail payment scheme such as irrevocability, user friendliness and others.
- (f) It should be able to establish most appropriate digital payment scheme governance model where banks and non-bank operators like Mobile Network Operators (MNOs) and Fintechs are well represented and participating with the goals of Level One Project that will be pro-MSMEs.
- (g) It should include regulatory oversight from central banks.
- (h) It should be an innovative business model that provides opportunities for women and young entrepreneurs that are not digitally financially included at the bottom of the pyramid in financial eco system.
- (i) It should be focused on supporting retail transactions and to be based on cost recovery approach with high volume of transaction to sustain the scheme as commercial players use Value Added Services (VAS) to get their profit margins.

The consultancy firm will be required to propose additional requirements where it is deemed fit.

Part II: Legal, Administrative and Institutional arrangement

- 1.2 Determine legal and administrative requirements and governance and institutional arrangement for the regional digital retail payment scheme for the MSMEs.
- 1.3 Design legal and administrative requirements and any other related requirements for the operationalization of the scheme.
- 1.4 Design governance and institutional arrangement to support the implementation of the scheme,

Part III: Design Business Model on operation and implementation of regional digital retail payment scheme for MSMEs in COMESA region.

- 1.5 Design the business model on operation and implementation of regional digital retail payment scheme for the MSMEs based on the above requirements under Part I and II.
- 1.6 Assessment framework to capture cost drivers and benefits of parties with the aim of developing business model prototype on regional digital retail payment scheme for the MSMEs;
- 1.7 Develop implementation guide or framework on the roll out of the Business model.
- 1.8 Develop user friendly training materials targeting regulators, operators, digital financial services providers, and users.

Part IV: Modalities for piloting

- 1.9 Propose modalities on how countries will be selected to participate in the pilot exercise .
- 1.10 Propose modalities on how the pilot exercise will be undertaken in the selected countries.

Part V: Development mechanism to guide the operationalisation of the Business Model (scheme)

This will involve developing a framework to guide the operationalisation of Business Model. It will include setting up oversight and supervision committee, defining its role and determining its

membership. Based on implementation guide/framework, the committee will guide the operationalisation on Business Model.

- 1.11 Propose an oversight and supervision committee to oversee and govern the implementation of the scheme.
- 1.12 Develop TOR for the Committee including criteria for selection of the Committee members.

Part VI: Financial implications

- 1.13 Estimate the cost of piloting the scheme in the selected countries.
- 1.14 Estimate the cost of setting up and running the scheme at regional level including for human resources.

PART VII: Customising the Rule book

1.15 Based on the working document of the Rules book submitted to the firm, the rules will be customised to reflect the business model mechanisms and the implementation requirements needed to drive the payment scheme.

4. APPROACH AND METHODOLOGY

The consultancy firm is expected to explain the approach and methodology that it will use to undertake the assignment. The proposed approach and methodology should include, among others, the following: -

4.1 **Desk review:** The firm is expected to undertake in-depth review of relevant documents, literature and reports related to digital retail payment scheme at national, regional and international levels;

The firm will also consult various business models that are designed for cross border trading that involves MSMEs. Regional lessons will be from SADC Integrated Regional Electronic Settlement System (SIRESS), COMESA Regional Payment and Settlement System (REPSS) and others. The focus will mainly be on regional and international sources or portals on digital financial inclusion and cross border regional payment systems.

The firm will also be able to recommend and craft the most widely used business modelling techniques for MSMEs involved in cross border trading at the bottom of the financial pyramid and customize for COMESA region

4.2 **Virtual Field missions and stakeholder engagements:** The firm will be required to undertake consultations with key and relevant stakeholders in the selected 9 countries, which will inform the design of the business model. The countries to be considered will be trading partners, with a grouping as follows;

- (a) The North-South corridor : Malawi and Zambia.
- (b) The Northern Corridor : Tanzania, Kenya, Rwanda and Uganda.
- (c) Horn of Africa – Ethiopia
- (d) Northern Africa- Egypt
- (e) Island State- Mauritius

In developing the business model, the research and requirements gathering will be carried out through stakeholder engagement and consultation, field works and multi- stakeholder and focused stakeholder dialogues.

The consultancy firm will also be required to propose lists of regional training for regulators, operators, digital financial services providers, and users per country to be trained with proposed training plan

The business case report based on the field work from 9 countries as well as model policy and regulation guidelines/rulebook are expected to guide this assignment.

- 4.3 **Report writing.** The firm will draft reports on Business Model on operation and implementation of regional digital retail payment scheme. The reports should be specific sections of Chapter 3, of this report. The firm will work closely with CBC DFI Team when drafting the report requirements.
- 4.4 **Presentation of the reports for validation:** The firm will be expected to present the draft report to stakeholder during the validation workshop and Public Private Dialogue. One day national stakeholders' consultative workshop to be organized on agreed date, where consultant(s) will present the report and incorporate the inputs.

5. PERFORMANCE PERIOD AND OUTPUTS

The performance period for the assignment is from the date of signing, for a period of 5 months starting in June 2021 up to October 2021.

6. DELIVERABLES

- (a) Inception report on Business Model on the operation and implementation of regional digital retail payment scheme for MSMEs in COMESA region which should include:
- Background – Objective and description of the consultant's understanding of the tasks;
 - Approach and Methodology – Explain approach and methodology, data collection and interview questions. Provide a list of stakeholders to be interviewed etc.;
 - Work plan – Sequencing of the activities with timelines including meeting schedules and field visits;
 - Survey instrument
 - Report format/structure.
- (b) Draft report including designed Business Model on the operation and implementation of regional digital retail payment scheme for MSMEs in COMESA region, governance, institutional arrangements, oversight arrangements of the business model (mechanism to guide operationalization of model), Budget (financial implication) and implementation guide/framework.
- (c) Draft report on the draft rules book , customized on the business model requirements
- (d) Draft budget on the cost estimations of the pilot phase
- (e) Draft report on country criteria requirements for the launch of the business model infrastructure pilot project. All the draft reports under (b), (c), (d) and (e) are submitted after doing consultative virtual/physical missions with 9 COMESA member countries.
- (f) Presentation of draft report to the stakeholders at validation workshop and Public-Private Dialogue(PPD);

- (g) Final report including designed Business Model on the operation and implementation of regional digital retail payment scheme for MSMEs in COMESA region, governance, institutional arrangements, oversight arrangements of the business model (mechanism to guide operationalization of model) ,Budget (financial implication) and implementation guide/framework.
- (h) Training materials for regulators, operators, digital financial services providers, and users

7. TIMELINES FOR UNDERTAKING THE ASSIGNMENT

The table below shows the expected outputs and the timeline for the assignment.

OUTPUT	DESCRIPTION	PERIOD	LOCATION DETAILS
Inception report	Submission of inception report	3 rd week of June, 2021	Home based
Draft 1 reports approved	Submission of draft 1 reports approved by CBC, stated on section 6, sub sections b, c ,d, and e	1 st week of August, 2021	Home based with possible travel to pilot countries
Draft 2 Reports stated above approved	Submission of second draft reports approved by CBC, that will be presented at the meeting	3 rd week of August, 2021	Home based with possible travel to pilot countries
Presentation of draft 2 reports stated above to validation workshop and incorporate comments	Presentation of draft reports stated above to stakeholders at a workshop and capturing inputs of stakeholders on them	1 st week of September, 2021	Home based
Draft 3 report submitted	Submission of draft 3 reports approved by CBC, stated on section 6, sub sections b, c, d, and e, incorporating inputs from the meetings	2 nd week of September, 2021	Home based
Final draft report and annexes submitted approved	Final draft reports submitted as approved, in accordance to requirements of the contract	4 th week of September, 2021	Home based
Training materials	Submission of training materials for regulators,	2 nd week of October	Home based with possible travel to pilot countries

	operators, digital financial services providers, and users, submission of costing budget for the business model	
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8. PAYMENT SCHEDULE

The budget ceiling for this assignment lump sum is \$30,000. But firms competing for this proposal are encouraged to submit their own preferred & competitive price. This amount entails professional fees only.

All other costs of the project will be covered by the CBC. CBC will coordinate and pay for direct travel, logistical and related expenses for the entire duration of the project. CBC will also cater for economy class tickets in the region as well as allowances for field missions in accordance with the CBC rules and regulations.

Payment to be made according to the payment schedule on the table below:

OUTPUT	DESCRIPTION	PAYMENT SCHEDULE
Inception report	Submission of inception report	10% Payment
Draft 1 reports approved	Submission of draft 1 reports approved by CBC, stated on section 6, sub sections b, c, d, and e	N/A
Draft 2 Reports stated above approved	Submission of second draft reports approved by CBC, that will be presented at the meeting	20% Payment
Presentation of draft 2 reports stated above to validation workshop and incorporate comments	Presentation of draft reports stated above to stakeholders at a workshop and capturing inputs of stakeholders on them	N/A
Draft 3 report submitted	Submission of draft 3 reports approved by CBC, stated on section 6, sub sections b, c, d, and e, incorporating inputs from the meetings	20% Payment
Final draft report and annexes submitted approved	Final draft reports submitted as approved, in accordance to requirements of the contract	30% Payment
Training materials	Submission of training materials for regulators, operators, digital financial services providers, and users,	20% Payment

9. **EXPERTISE REQUIRED**

A professional services firm with experience in business modelling for regional digital payment scheme for MSMEs. The firm should have expertise in digital financial inclusion, Regional Integration, and payment systems that involve bank and non bank operators like MNOs and Fintechs, with a specific focus on the Infrastructure and ecosystems for Common cross border payment platforms. The firm should also have legal/regulatory expertise.

The required qualifications and competencies are highlighted below:

Core and Technical Competencies:

- Business modelling experience in regional payment schemes for low market segments that involves cross border traders dominated by youth and female traders with real time transaction and same day settlement principles
- Good understanding of financial services regulation for cross border payments and regional payment systems
- Extensive experience in supporting implementation of an interoperable platform in sub-Saharan Africa and a good understanding of different digital payment solutions in other emerging economies e.g. Mobile money, agency banking and merchant payments. This involves their business models and general operations.
- Good understanding of the different platforms and initiatives that are undergone in COMESA region regarding the payment scheme
- A good understanding of the business models and operational frameworks of banks and non-bank operators like MNOs and Fintechs and easily integrate them to work in a seamless manner with their wide variety of payment methods
- Experience in business model design for interoperable payment schemes where various regional players and stakeholders are involved with currency conversion scheme
- Experience in design of integrated mobile payment schemes with inhouse systems and initiatives
- Ability to establish and maintain effective working relations with public and private sector stakeholders across several countries.
- Good understanding of regional integration, private sector development, trade and the various processes in engaging payment system officials in member countries with multi lingual payment designs
- Excellent communication, negotiation and drafting skills.

Qualifications of the Firm

The assignment will be led by the Team leader with the following key competences and qualifications:

- Academic: Masters or Advanced degree in Business, Economics, Banking, Payment System, Finance or areas related to financial services.
- Work Experience: Minimum 10 years relevant work experience at national, regional or international level in business modeling of payment schemes related to digital financial inclusion

- Demonstrable knowledge and experience related to modelling payments schemes for low transactions involving cross border trading between countries.

The firm should be able to exhibit the CVs of the team leader and the following expertise required for this assignment:

IT Technical expert

- Academic: Masters or advanced degree in Computer Science, Computer Engineering or Information Technology
- Work Experience: Minimum of 6 years relevant work experience at national, regional or International level in rolling out payment systems in the financial eco system incorporating different stakeholders, payment methods and switches
- Demonstrable knowledge in implementation and support of payment systems for retail transaction in real time manner

Business model expert and integrator

- Academic: Masters or advanced degree in Business, Economics, Banking, Payment System, Finance or areas related to financial services
- Work Experience: Minimum of 6 years relevant work experience at national, regional or International level in rolling out payment systems in the financial eco system/ diverse financial services operators (banks, mobile money operators, fintechs) incorporating different stakeholders, payment methods and switches
- Demonstrable knowledge in modelling aspect of payment systems that targeted retail transaction with integration requirements of different real time payment modalities and switches

Legal drafter

- Academic: Masters or Advanced degree in Law with relevance to Business, Economics, Trade or areas related to financial services.
- Work Experience: Minimum 6 years relevant work experience at national, regional or international level in legal drafting of rulebooks for payment systems
- Demonstrable knowledge and experience related to payments systems regulations at national and regional level and customization of them into modelling and operational requirements

The firm should be able to demonstrate the following:

- Knowledge of various payment schemes and methods amongst COMESA countries;
- Business modelling experience related to interoperable and low-cost payment schemes for Digital Financial Inclusion;
- At least two complimentary or similar projects delivered by the Consultancy firm;
- Relevant back-end staff to support with different areas of expertise for the business modelling of CBC digital integrated common payment scheme.

Language Requirements:

Proficiency in written and spoken English. French and or Arabic is an added advantage.

10. EVALUATION CRITERIA AND PAYMENT MODALITIES

The consultancy firm is expected to submit standard technical and competitive financial proposals not exceeding the budget ceiling that is indicated in section 9 above. The firm will be evaluated against a combination of technical and financial criteria. The firm should score a minimum of 70% of the 100% technical grade which will then qualify the firm for the next stage of financial grading. Both financial and technical scores will be added for the final grade.

To assist in the examination, evaluation and comparison of proposal, CBC may ask the Consultant for clarification of its Proposal. The request for clarification and the response shall be in writing and no change in price or substance of the Proposal shall be sought, offered or permitted.

CBC will examine the Proposals to determine whether they are complete, whether any computational errors have been made, whether the documents have been properly signed, and whether the Proposals are generally in order.

Arithmetical errors will be rectified on the following basis: If there is a discrepancy between the unit price and the total price that is obtained by multiplying the unit price and quantity, the unit price shall prevail and the total price shall be corrected. If the firm does not accept the correction of errors, its Proposal will be rejected. If there is a discrepancy between words and figures, the amount in words will prevail.

Prior to the detailed evaluation, the Procurement Committee will determine the substantial responsiveness of each Proposal to the Request for Proposals (RFP). For purposes of these Clauses, a substantially responsive Proposal is one, which conforms to all the terms and conditions of the RFP without material deviations. CBC's determination of a Proposal's responsiveness is based on the contents of the Proposal itself without recourse to extrinsic evidence.

A Proposal determined as not substantially responsive will be rejected by the CBC and may not subsequently be made responsive by the firm by correction of the non-conformity.

The bids will be evaluated as follows:

- The email that has technical and financial offers will be opened.
- The "TECHNICAL PROPOSAL" will be opened and the technical proposal will be evaluated.
- If the technical proposal is evaluated as 70 per cent or above the "FINANCIAL PROPOSAL" will be opened.
- The firm that has offered what is adjudged to be the best technical and financial offer will be offered the contract.
- If the firm that offered what was adjudged to be the best technical and financial offer declines to accept the offer, then the firm that is adjudged to have offered the second best technical and financial offer will be offered the contract.

In evaluating the relative merits of firm's bidding for the project, the evaluation panel will consider:

- Understanding of the terms of reference and requirements of the assignment (10%),
- Demonstrated experience of the firm and sample of past assignments carried out by the firm in the field of study at regional level (Africa) (25%),

- The proposed approach and methodology to be applied by the Consultancy firm, including workplan with timelines (35%),
- Qualification, competence and relevant experience of lead consultant and rest of the team (30%).

11. REPORTING AND MANAGEMENT

The consultancy firm will work under the direct supervision of the CBC Digital Services Manager, to develop business model on operation and implementation of regional digital retail payment scheme, under the overall management of the Chief Executive Officer.

- The Chief Executive Officer will provide quality assurance and ensure that the documentation produced is reviewed and approved.
- The Chief Executive Officer will ensure that the firm receives all relevant documentation with respect to CBC Guidelines, Rules and Regulations necessary for the execution of his/her tasks.

12. CONTRACT

A formal contract specifying the scope of the assignment shall be prepared and signed between the Secretariat and the firm prior to the beginning of the assignment. The contract shall also clearly spell out the responsibilities of the two parties.

13. PAYMENT PERIOD

The period for payment shall be 30 days from acceptance of the report, based on the payment outputs.

14. PRICING

All prices MUST be indicated in USD. There will be a no price variation of the contract after signing of contract except upon a mutual written agreement between the two parties. Prices must be exclusive of all taxes within Zambia.

15. AWARD OF CONTRACTS

COMESA Business Council reserves the right to wholly or partially reject or award this contract to any bidder and has no obligation to award this contract to the lowest bidder.

16. CLOSING DATE OF PROPOSALS

Proposals must be **emailed** to the COMESA Business Council Secretariat on or before 16th of May 2021 at latest by 1500hrs.

17. REJECTION OF PROPOSALS

Any proposal received by the Secretariat after the closing date and time shall be rejected.

18. TECHNICAL QUERIES

For any technical queries related to the specifications of work or TORs, kindly contact: procurement@comesabusinesscouncil.org

19. DISCLAIMER

COMESA Business Council does not bind itself to accept any proposal and reserves the right to accept the whole or partially any of the submitted proposals.

20. SUBMISSION

Proposals from consultancy firms must be **emailed** to the address below on or before 16th May 2021 at 15.00 hours, Zambia time.

The Chairperson- Procurement Committee
COMESA Business Council
COMESA Secretariat Building
Ben Bella Road
P.O. Box 30051 Lusaka, Zambia.
Tel: (260) 211 229725.
Fax: (260) 211 225107
Email: procurement@comesabusinesscouncil.org

- a) The Technical Proposal should include the following:
 - i. Updated profile of the firm including CV's of key experts who will work on the project;
 - ii. Detailing their understanding of the task and highlighting experience and expertise in similar works as well as a detailed approach and methodology for carrying out the assignment including an outline of the supporting documents/ projects and their references;
 - iii. Copies of academic and professional qualifications of key experts.
- b) The Financial Proposal shall be in line with Article 11 of this RFP.