

REQUEST FOR PROPOSALS (RFP) TO EVALUATE BANK AND NON-BANK AGENTS ECOSYSTEM AND DISCUSS THE AGENT MODEL SUITABLE FOR MOZAMBIQUE (BANOBAE)

Ref.: BANOBAE

Title of the RFP: Evaluation of Bank and Non-bank Agent Ecosystem and Discussion of the Agent Model Suitable for Mozambique

Date of this RFP: September 03rd 2018.

Closing Date for Receipt of RFP: September 30th 2018.

Individual / Organisation: Consulting firm.

Language required: Portuguese and English.

1. Background

The use of agents to expand financial inclusion in Mozambique has been adopted by banks and electronic money institutions, while for other non-bank financial institutions such as Fintechs, legislation does not yet exist which forces them to partner with a bank to operate under their licence.

Agents are typically small merchants that exchange e-money for physical cash and vice versa instantaneously, on-demand, for a commission. They are also used to open accounts on behalf of banks, electronic money institutions and Fintechs. This may (as is the case from some Fintechs) or may not be the exclusive businesses of these merchants, and the agents may also not be exclusive to any one bank or electronic money institution. A mobile payment system typically relies on a network of cash merchants numbering typically in the thousands, as well as bank ATMs. In Mozambique, super agents also exist to support the smaller agents with cash. The banks and electronic money institutions also use promoters or hunters to sign on clients.

The agent networks ecosystem in Mozambique is enabled by recent changes in bank regulations but further reforms will be required. In 2011, the Central Bank of Mozambique licensed the first Electronic Money Institution (mKesh - Mcel), in 2013 the second one (Mpesa- Vodacom) and in 2016 the third one (E-Mola - Movitel). Each of the three electronic money institutions has its own agent networks and there is no specific regulation for this type of agents. The central bank also issued a regulation for the establishment of commercial bank led agent networks, and each bank can create its own network of agents. Both electronic money and commercial banks have deployed the direct model for agent network management, that is, they conduct all agent management functions in-house.

Using agents is a cost effective way to reach the largely financial unserved or underserved rural population and to bring them into the formal financial ecosystem. It helps financial service providers to take their services directly to customers without the costly investment of setting up a branch.

Currently agent models permit cash in and cash out for mobile payments, as well as opening of bank accounts. Other services such as credit, savings and making insurance payments is still under-

developed in Mozambique. FSDMoc is collaborating with a number of financial services providers to extend the reach and effectiveness of agents into remote areas, and also to introduce new business cases for digital payments (insurance, asset finance using PAYGO), which should increase agent activity.

As is well documented in the literature, creating the ecosystem for an electronic payment system that does not rely on a bank branch or ATM system takes time. It requires a complex web of players including, but not limited to:

- **persons** sending/receiving money (P2P);
- **businesses** transactions between businesses or with consumers (P2B, B2B, B2P);
- **governments** making or receiving payments (G2P, P2G) for social grants payments, tax collections;
- **utilities and other large services** providers to receive payments (P2B); as well as
- **merchants** who provide cash for electronic payments, or accept electronic payments for goods and services (Cash in Cash Out – CICO, P2B)
- **Business correspondents**, such as NGOs or others acting on behalf of banks for added services such as credit, savings deposits.

These web of players are still quite nascent in Mozambique. However, the amounts of cash payments managed by large merchants, agricultural businesses, enterprises, and government entities suggests opportunities to include these players into the digital finance ecosystem. Building the electronic payment system also requires the nuts and bolts to permit the multitude of transactions through interoperability and APIs.

2. Problem Statement

Despite the recent developments in the legal and regulatory environment for the provision of financial services to the population through agents, especially in rural areas, and the adoption of agents by banks and non-banks in their operations, the business case for agency model has not lifted off the ground. What we are seeing in Mozambique, among other challenges, is:

- Dormant agents and inactive accounts;
- High rotation of agents that cannot sustain the activity;
- Limited uptake of agent services by the population;
- Long distance customers travel to be serviced
- Negative impact of the low levels of financial literacy on the uptake of financial services provided by the agents;
- Insufficient liquidity of the agent;
- Lack of trust in the services

3. Project Objective and Scope

FSDMoç is seeking to hire experts with the main objective of evaluating bank and non-bank agent ecosystem and discussing the agent model suitable for Mozambique's financial sector landscape, and social and economic fabric.

The Scope of work will require the following:

- Conduct a diagnosis on agent network operations (bank and non-bank), including an assessment on both supply and demand side, as well as the ecosystem to understand the

- root causes of the low level of uptake and transactions;
- Based on desk research and results from the diagnosis, conduct an in-depth assessment of existing successful agent network models that can be adjusted to the Mozambican context;
- Propose key measures (at macro, meso and micro levels) and an action plan, which will enable the deployment of agent network models; and
- Identify potential interventions to be supported by FSDMoç (Specify phases, roles and responsibilities, resources, monitoring and evaluation parameters)

More specifically, FSDMoç is expecting to see the following included:

- Review of existing materials and data. FSDMoç will make available information from its partners on a confidential basis, and with the approval of partners;
- Consultations with financial sector players, and the financial regulator facilitated by FSDMoç;
- Consultations with agents, super agents, and other potential participants (large merchants, utilities, agribusiness, transport companies) in the digital finance ecosystem and their significance as key transactional players;
- Interviews with consumers, promoters, hunters and agents (qualitative analysis on the experience);
- Collection of data on agent networks obtained from banks, electronic money and other non-bank providers;
- Travel to different locations in the country to meet with these different stakeholders; and
- At least two workshops to discuss findings and perspectives with financial sector stakeholders.

4. Required skills and qualifications

Respondents should be able to demonstrate prior experience with market development projects, show ability to come up with new approaches, while demonstrating how these achieve the intended outcomes. The following credentials will be evaluated:

- Experience of work using M4P approach in market assessment in financial sector;
- Experience in the design, delivery and evaluation of bank and non-bank agent networks;
- Strong analytic and strategic planning capacity;
- Knowledge and practical experience of work using the Human Center Design approach; with financial sector regulators/supervisors, and with formal financial institutions;
- Experience with participatory design activities and stakeholder engagement;
- Evidence on the effectiveness of previously executed projects;
- Knowledge of, and experience working in Mozambique's financial sector;
- Experience with commercial or strategic planning development in the financial sector;
- Ability to demonstrate the potential effectiveness of proposed methodology; and
- Fluency in Portuguese and English.

5. Deliverables

The consultant will be requested to deliver on the following:

- Quantitative and qualitative mapping of current agents (by banks, electronic money and other non-bank institutions) showing number of agents, location of agents, type of agents, the types of agreements they have entered into, daily volumes of business and types of transactions,

training requirements, etc. (It is expected that this information will be collected from institutions using agent networks)

- Analysis of the challenges faced by the current agents and clients.
- Mapping of other players in the agent network ecosystem and potential volumes and types of transactions.
- Recommendations on building out the agent network model that includes new players
- Identification of areas to be addressed at the policy, regulations, and financial infrastructure;
- Recommendations on industry level initiatives
- Recommendations on specific interventions for FSDMoç to support the implementation of the proposed agent network model at all levels.
- Recommendations on the requirements to allow agents to operate (agent profile), including but not limited to: type of agent, eligibility criteria, KYC procedures and associated economic activity, if any.
- Recommendations on data collection and storage mechanism for agents (organized by districts, localities and type of economic activity), that will ensure data integrity and non-duplication. This is to be done in consultation with the financial sector regulator.

All deliverables should be in English and Portuguese, except where specified, including:

- Kick-off live presentation (ppt format);
- Draft report on the diagnosis (doc and pdf formats);
- Live presentation of draft report (ppt format);
- Final detailed report and supporting documents (doc and pdf formats);
- 2 live presentations of final report (ppt format)

6. Level of Effort

It is expected that the present assignment will take place between October and December 2018, and will include consultations in Maputo as well as travel across the country. It will require a team that can provide the strategic oversight, and also data collection and analysis. The consultants will be responsible for structuring the work plan, in line with the above timeline. The contract may be extended and scope revised pending the outcome of the strategy. The final report is to be submitted latest by February 2018. The Total Financial Proposal should not exceed the equivalent of GBP (British Pounds) £ 100,000.

7. Information Required for RFP Submissions

FSDMoç invites eligible and experienced consultants to send their proposals for the project. Interested consultants must provide information indicating that they are qualified to perform the task.

The proposals must contain a maximum of 8 pages A4 (excluding CVs and accompanying company profiles) with the information below:

- Name of company and place of business;
- Contact information (email, Skype, cell phone, etc.);
- A description of company's expertise in relation to the project scope, including description of similar assignments undertaken, and evidence of their effectiveness;
- A description of how the assignment will be performed;
- Proposed methodology and approach and indicative work plan with timeline to undertake the present assignment;

- Financial proposal; the costs must be broken down into professional fees and expenses, which will incorporate travel and accommodation, if necessary.
- Description of company profile; and
- CVs of key team members proposed; (maximum 2 pages each).

8. Selection criteria

The proposals will be evaluated against the selection criteria listed in the table below.

Selection Criteria	Weighing
Technical capabilities	35%
Proposed methodology and approach	30%
Work plan	15%
Budget	20%
TOTAL	100%

9. Submission of proposals

Your proposals must be emailed to FSDMoç at fsdmoc@fsdmoc.com with the subject line “**Technical and Financial Proposals for Agency Networks Evaluation**”. The e-mails must be received by 5:00 PM (CAT), on Sunday, September 30th 2018.

Questions or comments in respect to this RFP should be addressed to FSDMoç also through the fsdmoc@fsdmoc.com no later than Wednesday, September 19th 2018.

About FSDMoç

The Financial Sector Deepening-Mozambique (FSDMoç), a 5 year (2014 - 2019) program funded by the UK Government’s Department for International Development (DFID supports financial sector development with a focus on expanding levels of inclusion. FSDMoç directs its investments and insights to address constraints in the financial market, helping the diversification of Mozambique’s economy and bringing prosperity and economic resilience to Mozambique’s people. At the core of its strategy, are women, youth and the rural low-income population, as well as small businesses that lack access to appropriate and accessible financial services.

FSDMoç support key financial sector stakeholders to both innovate and expand financial services, using technical expertise and targeted funding to boost their capacity and the people they serve. FSDMoç uses an M4P, ‘making markets work for the poor’ (M4P) approach assessing comprehensively all key constraints to market system development from policy through to institutional and demand side issues, identifying the most appropriate levels of intervention. As part of this facilitative approach, FSDMoç seeks out appropriate partnerships that can drive change in the market system rather than a grant based approach. As part of this approach, technical assistance and grants via FSDMoç can be offered to private sector partners in order that the interventions deliver their objectives.

Three core themes drive FSDMoç activities: (I) Innovation and Expansion; (ii) Human Centre Design (HCD); and (iii) Policy and Regulation. FSDMoç is partnering with a number of financial service providers to design and test innovative financial products, using a HCD approach, for rural poor and small scale farmers. An integral part of the successful piloting and expansion of new financial services is educating the target market about how the product works, and how it can benefit the user.