



Call for Proposals

Project: Digitalising income for informal and low-income workers

April 2024

Prepared by FinMark Trust

1. About FinMark Trust

FinMark Trust (FMT) is an independent trust whose purpose is to make financial markets work for the poor by promoting financial inclusion and regional financial integration. FMT does this by conducting research to identify the systemic constraints that prevent consumers from accessing financial markets, and by advocating for change based on research findings. Thus, FMT has a catalytic role, driven by its purpose to start processes of change that ultimately lead to the development of inclusive financial systems that can benefit all sectors.

2. Background and contextual information

The South African economy remains stagnant due to a combination of international and domestic factors such as low and weak economic growth, persistently high unemployment rates, lower commodity prices, higher consumer prices (especially for energy and food), and lower investment levels to name a few. The COVID-19 pandemic has further exacerbated the negative economic climate and the country's unemployment rate continues to rise. The unemployment rate increased from 31.9% to 32.1% in the fourth quarter of 2023 and more households are likely to fall below the poverty line.

While poverty is felt most acutely by those who are unemployed, there are significant categories of workers who, while gainfully employed, continue to struggle with the specter of poverty due to low wages and not being able to keep up with the rising cost of living. These workers tend to be unskilled and employed in service industries (e.g., car guards, petrol attendants, etc.) and rely on discretionary tips from customers they serve to augment their basic salaries. However, as digital payment mechanisms become more popular, customers are reducing the levels of cash they carry and therefore their ability to pay cash tips.

The results of the FinScope SA Consumer 2022 showed that there are about 4,8 million adults who receive tips. 42% of those receiving tips derive between 20% to 50% of their total earnings from tips and 20% derive between 10% to 19% of their total earnings from tips. The top three services that attracted the most tips were caregivers/cleaners, waitrons/bartenders, and trade persons. The results also showed that 15,4 million adults pay tips of which 5,1 million pay tips always and 10,2 million pay tips sometimes. Below are some tipping dynamics that were highlighted by the research:

- 13,4 million people preferred to pay tips in cash.
- 7,6 million people felt obligated to leave a tip.
- 5,9 million people add tips when paying with bank cards, phone apps or computers.
- 4,1 million people tend to tip more if paying digitally.

FinMark Trust further conducted interviews with petrol attendants, fuel station management, and waiters to understand tipping dynamics and how the introduction of digital payments has impacted the tipping culture. The common finding from these interviews was that the income derived from tips

was reducing as a result of more customers transacting digitally and this has negative implications on the workers' livelihoods because they are using income from tips to supplement their income. The common uses for tips include covering transport costs, basic household items, buying lunch, etc. Therefore, those who rely on tips prefer cash tips for ease of access. There was a consensus that a digital tipping solution would allow workers to have control of their tips. However, the solution would need to be easily accessible, offer a store of value that may be used to transact digitally and include cash-out options, affordable fees, etc. Therefore, to ensure that the promotion of digital payments does not negatively impact those who rely on tips, a suitable solution must be sought to address the issues stated above.

3. Problem Statement

- 3.1 The increasing usage of digital payment solutions has negative implications for workers in service industries such as petrol attendants and car guards who rely on cash tips to augment their meagre salaries as well as waitrons who although are said to be able to receive tips digitally, experience challenges in accessing them.
- 3.2 There are existing digital tipping solutions; however, where they are available, their adoption has not reached scale. Therefore, there is a need to assess why this is the case i.e. identify gaps and the support that is required to address the gaps identified.

4. Objectives of the project

The project aims to identify and implement, in a pilot, a solution that will enable those employed in the services industry and who rely on tips to receive their tips digitally. The project will further seek to understand tipping dynamics from the perspective of the tipping customers, their attitudes towards tipping, and the impact tipping has on the financial lives of those who receive them.

The pilot will be rolled out in Johannesburg, Midrand and will target forecourt attendants, waitrons, and car guards with the possibility of scaling up the intervention and targeting other sectors, provinces, and the region.

5. Scope of Work / Approach

FinMark Trust (FMT) seeks to appoint a technology partner that has an existing solution with capabilities to facilitate digital tipping and the capacity and willingness to, in collaboration with FMT, design and implement a pilot project to fulfil the objectives stated above. The scope of the work that will be carried out includes but is not limited to:

- Demonstrating that there is an existing solution that has been tested to some degree,
- In collaboration with FMT, developing a pilot implementation plan that will cover:

- Identification of pilot sites in Johannesburg, Midrand,
- Stakeholder engagement processes to ensure buy-in before pilot implementation, this should include engagements with industry bodies, regulators, government departments, etc.,
- Roll-out of solutions in the identified pilot sites,
- Monitoring, evaluation, learning and adjusting where required,
- Communication and marketing strategies, and
- A business case for scale-up.

6. Selection Criteria

The applicant should demonstrate that they have:

- An existing technology that will enable the digitalisation of tips or other forms of income for informal and low-income workers.
- Full rights to the technology or in partnership with the owners of the technology. Proposals submitted in partnership with other companies will be accepted. However, the partnership arrangements should be clearly defined in a formal agreement.
- A compliant registered company.
- A team of qualified individuals to support the pilot roll-out.

7. Proposal Content

Applicants should submit a proposal that does not exceed 10 pages. The proposal should highlight and demonstrate the following items:

- a. A brief background on the applicant and its partners where applicable.
- b. A description of the technology and its capabilities. This should detail the technology's accessibility (i.e. does it require internet to be accessed), fee structure i.e. transaction costs, user registration process, ease of transacting including cashing out, etc.
 - Clearly articulate challenges hindering scale of the technology and the mitigating actions.
 - Identify existing opportunities for scale and support required to achieve this.
- c. The applicant's competency to take on this assignment including:
 - A brief background of the proposed project team specifying their experience and role in the project. CVs of all team members are to be included as an annexure.
 - If available, references of documented work that demonstrates similar previous assignments or details of where you have tried to roll out the solution(s) and the outcome of that.
- d. The financial proposal specifying the cost of implementing the pilot in one pilot site.

8. Submission and timing

Proposals: Proposals for the project should be submitted by the close of business on **24 May 2024** at **17:00 (SAST)** by email to **Ms. Phumelele Ngcobo**, Phumelele@finmark.org.za. Any queries relating to the application preparation should also be referred to Ms. Ngcobo.

In line with FMT's policy of transparency, answers to queries from one candidate will be circulated to all the applicants.

9. Safeguarding

The selected partner has the responsibility to consider and be aware of potential safeguarding issues and the project's potential to integrate gender dimensions and contribute to the advancement of gender equality in addressing the Terms of Reference and be able to demonstrate due diligence in relation to the protection and safeguarding of children and vulnerable groups as per strategies designed to support and manage ongoing risk and abuse, exploitation or neglect of participants in this research project.

Guidance notes to bidders

FinMark Trust reserves the absolute right to use its discretion in the interpretation of these award criteria. The following notes are intended to provide broad guidance only on how proposals will be evaluated. Bidders may be required to clarify their proposals by way of a telephone call or presentation.

"Relevant, demonstrated competence of firm(s) in this area" - you should aim to demonstrate how the firm's collective past experience can be applied (or adapted) to address the specific brief set out in the terms of reference. You are welcome to describe the firm's general experience of financial sector development issues (e.g., in other geographies or topical areas) but the evaluation will focus particularly on the application of that experience for the specific task at hand.

"Demonstrated expertise of key individuals to be involved in this project" – the evaluation places considerable emphasis on the role and demonstrated expertise (i.e., track record) of the key individuals to be involved on the project rather than on the expertise of the firm itself.

"Use of local professional capacity (consulting, analysis, coordination etc.)" – FinMark Trust wishes to ensure that local capacity is used and developed. International firms are therefore encouraged to partner with local organisations.

"Content, quality and originality of proposal" – proposals should address the brief set out in the terms of reference in a comprehensive manner. Bidders should aim for innovation as well as professional presentation. Whilst similar, relevant experience in other markets will be an advantage for a bidder, each market is different and so proposals need to reflect the particular characteristics of that market, as well as the challenge set by the terms of reference.

"Fee basis" – value for money, as well as absolute cost, will be taken into account.

10. Important to note

If no communication has been received from FMT after 3 months of your submission, please consider yourself unsuccessful.