



Terms of Reference

Assessment of low-cost e-commerce solutions appropriate for low value cross-border trade in the SADC (Southern African Development Community)

July 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 prevents 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 lead to the development of inclusive financial systems that can benefit all sectors.

2. Background and contextual information

FinMark aims to focus on inclusive finance with real sector outcomes, particularly for women, in South Africa and the SADC region. The core objectives of FMT's Financial Inclusion programme are to:

1. Support economic growth and the job creation agenda in the region.
2. Expand access to basic services.
3. Help secure a sustainable future while leveraging the existing and adjacent capabilities of FinMark Trust.

South Africa dominates the region's financial sector and economy, contributing a disproportionately larger share of financial resources, including deposits and loans, to the regional banking system.

Additionally, the migration of workers, especially men, from across the region to South Africa is significant, leaving many female-headed households in rural regions of SADC. Workers' remittances, particularly from South Africa, have become an important source of domestic resources in the region.

Given these historical and economic links, South Africa can significantly contribute to the economic development of its neighbours by integrating the regional financial system to enable the free flow of capital, trade, and much-needed workers' remittances. These cross-border flows are a critical source of income and survival for many small businesses and families who use South Africa as their economic hub across the region. Because of these intra-country linkages, it is important to adopt a regional approach to addressing poverty and unemployment in the SADC region.

Therefore, FMT aims to assess means of formalising informal cross-border trade as a policy intervention area. By bringing small businesses within the realms of formal financial and commerce platforms, the expected benefits include:

1. Demonstrating the feasibility of digital solutions for MSMEs (Micro, Small, and Medium Enterprises) in cross-border trade, including:
 - Safer, easier digital payment solutions for cross-border traders that also provide access to a broader range of financial services.
 - Improved visibility and regulation of cross-border trade at the lower end of the market, reducing illegal foreign exchange activities.
 - Inclusion of low-volume cross-border trade data into formal economy GDP (Gross Domestic Product) calculations.

- Support the poor, specifically women who make up most cross-border traders in the SADC region, in increasing their income and inclusion in the formal economy by formalising cross-border trade using formal financial services. Additionally, this project aims to mitigate the risks women face when crossing borders by leveraging e-commerce platforms, which enhance their safety, save time, and reduce costs.
2. Minimising illicit trade practices, circumventing export protocols, and reducing the exchange of cash with unauthorised parties.

3. Problem statement

The informality of MSMEs in the SADC region presents a significant gap in data regarding the activities of low-value cross-border traders. These traders often rely on informal forex dealers and money transfer service providers, leading to potential AML/CFT risks in the region. Women, who make up a sizeable portion of these traders, face additional risks when crossing borders, including safety concerns and economic inefficiencies. This project aims to explore how e-commerce platforms can offer safer and more efficient alternatives, particularly benefiting women by mitigating these risks, improving their safety, and enhancing their economic opportunities through better time and cost management.

4. Objectives

FMT aims to support the formalization of access to finance – starting with payments but expanding to other financial needs – to provide efficiency, thereby ensuring better livelihoods for cross-border traders and generating the data needed to support additional financial service provision. The overall aim is to:

Note: Our goal is to concentrate specifically on the challenges and opportunities within e-commerce for low-value cross-border trade, distinct from the broader digital payments landscape addressed elsewhere. By honing in on e-commerce, we can provide targeted solutions and insights that directly impact this sector. This approach will ensure that our efforts are more aligned with the unique needs of e-commerce in cross-border trade, enabling us to deliver more effective and actionable outcomes.

- Assess potential logistical and e-commerce mechanisms that can increase efficiency for MSMEs engaged in cross-border trade between South Africa and Zimbabwe, and South Africa and Malawi. This includes evaluating the technological and regulatory barriers to using formal financial services.
- Map the value chain of engaging in cross-border trade to identify opportunities and blockages to e-commerce platforms for cross-border traders.

This project will focus on assessing potential logistical and e-commerce mechanisms to increase efficiency for MSMEs engaged in cross-border trade, particularly focusing on the use of formal and informal financial services. It will include an assessment of technological and regulatory barriers to using formal financial services and map the value chain of engaging in cross-border trade, identifying key logistical aspects and infrastructural constraints faced by women traders. The primary objective is to investigate e-commerce solutions for traders, with digital payment systems being an integral component, ensuring these platforms facilitate seamless transactions and enhance overall efficiency and safety for traders.

5. Methodology

Key project components:

- The investigation will primarily involve qualitative approaches, including Key Informant Interviews (KIIs) with trader associations and a select number of traders. This will be complemented by extensive desk research on similar models implemented in other regions, focusing on documented successes and challenges. The aim is to gather comprehensive insights without the need for a large-scale demand-side survey.
- Supply, regulatory, technological, logistical and policy environmental scan on incentives, enablers and barriers that can impact the use of formal financial services with an emphasis on cross border formal payments mechanisms by MSMEs engaged in cross border trade.

6. Output/ Deliverables

- A comprehensive research report (MS word and PPT), clearly outlining; the methodological approach employed, a detailed description and analysis of each country.
- Submission of structured data from the demand side survey.

7. Proposal Requirements

Organisations/Individuals must submit a comprehensive technical and financial proposal. The technical proposal should be concise, with a maximum length of 10 pages. It should include the following sections:

Methodology:

- Present an overall methodology to be used in conducting the scoping exercise.
- Describe the research design, data collection methods, and analysis techniques.
- Explain why this approach is most appropriate and how it will help achieve the project objectives.
- Include any original methods or software to be implemented in the data gathering and analysis process.
- Detail the qualitative approaches, including Key Informant Interviews (KIIs) with trader associations and a select number of traders, and extensive desk research on similar models.

Sample Design for the Investigation:

- Provide a detailed overview of the sampling strategy.
- Identify key stakeholders to be engaged in person, how they will be approached, and criteria for their selection.
- Explain the anticipated sample size and reasons for representativeness and reliability of results.
- Detail the participant recruitment and consent procedures.

Timeline:

- Provide a schedule of events to perform all project activities.
- Divide the timeline into phases with clear outcomes, including key milestones and deliverables.

- Include a time-schedule for the project (Gantt chart or similar).
- Review the timeline, highlight areas that might have potential delays, and suggest mitigation strategies.

Risk Management:

- Provide a complete list of expected risks for the project.
- Classify risks by type (e.g., operational, financial, regulatory).
- Outline contingency plans and mitigation strategies for each risk.
- Explain how risks will be assessed and managed as the project progresses through its lifecycle.

Skills and Qualifications:

- Demonstrate technical capability to perform this study.
- Highlight key experience and expertise of the organization or individuals.
- Include previous work or studies to show proficiency within the same field.
- Provide case studies or references from previous clients/partners.

Name and Qualifications of Staff Members Responsible:

- For overseeing the work:
 - Include names, roles, and responsibilities of key staff members.
 - Describe their credentials, expertise, and precise knowledge concerning the project.
- For undertaking the work:
 - List by name, role, and function of those working directly on this project.
 - Attach CVs/Resumes to the proposal.

Output:

- Describe the scope and structure of the comprehensive research report.
- Detail the development of the final report (in terms of format), including sections on methodology, findings, analysis/interpretations, and conclusions/recommendations.
- Include any additional deliverables such as PowerPoints, data sets, or policy briefs.
- Explain how the results will be reported and published to key stakeholders.

Financial Proposal:

- Provide detailed costing for each activity.
- Itemize the budget between professional fees, expenses, and other costs.
- Provide justification for each budget item and how it benefits the project.
- Explain any savings or efficiencies that will be realized.
- Present a financial proposal that is fair and fulfils the project goals.

8. Safeguarding

The selected service provider 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.

9. Required skills and qualifications

Applications from interested individuals must provide evidence of the technical capacity to undertake this exercise. This includes the capacity to deliver the results within the provided period, as well as some indication of prior experience in coordinating large projects and supporting stakeholder engagements. Individuals/core team members' CVs must be included, along with a description of any additional resources. Required skills and qualifications include the following:

- **College or University Degree:**
 - A degree in Economics, International Trade, Social Science, Development Finance, International Development, or another relevant field is essential.
- **Relevant Experience:**
 - A minimum of ten years of relevant experience in the field is required.
 - Experience in finance is advantageous.
- **Gender Analysis:**
 - Demonstrated ability to integrate gender considerations into research and project design.
 - Experience in applying gender analytical frameworks and ensuring gender-sensitive outcomes.
- **Project Management:**
 - Proven experience in project management, with an excellent understanding of project coordination and execution.
 - Ability to manage large-scale projects and effectively engage with stakeholders.
- **Technical Skills:**
 - Excellent computer literacy, including proficiency in research methodologies and report writing.
 - Familiarity with data analysis tools and software.
- **Personal Attributes:**
 - A high level of personal commitment, efficiency, and flexibility.
 - Strong teamwork spirit with the ability to work independently or under minimal supervision.
 - Adaptability and problem-solving skills to address project challenges.

- **Communication Skills:**
 - Excellent written and verbal communication skills in English are essential.
 - Ability to communicate complex ideas clearly and effectively to diverse audiences.

10. Selection criteria

Contract selection criteria and award will be made based on the following scoring mechanism:

	Criteria	Weighting
1	Competence and previous experience	30%
2	Knowledge of low-cost digital payments and e-commerce solutions, knowledge of cross-border trade dynamics within the SADC region, and expertise in financial inclusion and informal sector integration.	30%
3	Local capacity	10%
4	Budget	30%
	Maximum score	100%

11. Submission and timing

Proposals: Proposals for the project should be submitted by 17:00 (SAST) on 31st July 2024 by email to Rashika Panday – rashikap@finmark.org.za . The successful bidder will be notified by 12th August 2024

Timing: It is envisaged that the project duration will be **12 weeks** from the date of contract signature.

The selected consultant must be prepared to meet with FMT on a date to be announced, for a briefing. Once the selection process has been completed, FMT will issue a contract confirming the appointment of the consultant. Any queries relating to the preparation of the application should be referred to Rashika Panday – rashikap@finmark.org.za.

In line with FMT's policy of transparency, answers to queries from one candidate will be circulated to all who indicated their intention to submit a proposal.

12. Important to note

If no communication has been received from FMT after 1 month of your submission, please consider yourself as unsuccessful.

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 offer broad guidance only on how proposals will be evaluated. Bidders may have 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 prove how the firm's collective 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 proven ability (i.e. record of accomplishment) of the key individuals to be involved on the project rather than on the ability 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 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 considered.