



Terms of Reference

South Africa to the Rest of SADC Remittances Market Assessment

25 June 2024

Prepared by FinMark Trust

1. About FinMark Trust

FinMark Trust (FMT) is an independent non-profit trust with the purpose of making financial markets work for the poor, by promoting financial inclusion and regional financial integration. FMT pursues its core objective through two principal programmes. The first happens through the creation and analysis of financial services demand side data to provide in-depth insights on the served, underserved and unserved consumers – individuals and micro, small and medium enterprises (MSME's) - across the developing world. The second is through systematic financial inclusion and deepening programmes to overcome regulatory, supplier, and other market level barriers hampering the effective provisioning of financial services. Through a symbiotic relationship these programmes unlock financial and economic inclusion.

2. Background and contextual information

Recognising the importance of remittances in increasing financial inclusion and economic development in developing countries, international development bodies are working together to ensure affordable and reliable remittance services. The United Nations Sustainable Development Goal 10.c aims by 2030 to reduce the transaction costs of migrant remittances to less than 3% and to eliminate remittance corridors with costs higher than 5%. Additionally, the G20 countries have developed a set of targets to be achieved by the end of 2027 with regards to making cross-border payments faster, cheaper, more inclusive, and more transparent.

According to FinMark Trust's "Remittances Market Assessment" 2021 report, 12,425 million rands worth of remittances flowed out of South Africa into other SADC nations between January and October in 2021 at an average cost of 7.4%. The report further identified that ADs control the largest remittance market share, although remitters face higher transaction costs through these channels, such as undisclosed additional fees levied at unpredictable intervals of the transactions.

This project aims to update the pricing information for the South Africa to SADC remittances corridor, continuing the work from previous reports dating back to 2011. These reports have consistently highlighted the importance of this corridor for remittance flows and identified key trends and cost structures over time (FinMark Trust 2011-2021). Historical data and trends will be incorporated to provide a comprehensive analysis of the current state of remittance services and to identify areas for improvement and innovation. This TOR integrates insights from the Inclusive Payments Digitalisation Programme, SECO's objectives, and the SADC CCBG Strategic Focus Area

to expand the usage of formal remittances through reducing pricing, increasing digitisation, speeding up transactions, and ensuring transparency of product attributes.

3. Objectives

The primary objective of this project is to comprehensively assess the access, pricing, speed, and transparency of remittance services from South Africa to the rest of the SADC region. This market assessment will include tracking the key drivers influencing these factors and estimating the size of the formal and informal remittance market within the SA-SADC corridor. The study aims to:

- **Assess Access:** Evaluate the ease with which users can access remittance services, including physical access points and digital platforms.
- **Analyse Pricing:** Examine the cost structures of remittance services, identifying variations across different service providers and corridors.
- **Evaluate Speed:** Measure the time taken for remittance transactions to be completed from initiation to receipt by the beneficiary.
- **Ensure Transparency:** Assess the clarity and comprehensibility of pricing information provided to customers, ensuring that fees and exchange rate margins are transparently communicated.
- **Support CCBG and FSB Goals:** The assessment will support the CCBG in constructing analyses for the regional building blocks implementation plan, leveraging priority areas outlined in the recent G20 BBs survey and the 15 priority areas defined by the FSB (with support from the Bank of England). This will contribute to achieving the G20 targets for making cross-border payments faster, cheaper, more inclusive, and more transparent.

Additionally, the market assessment will serve as a critical input to the CCBG's regional building blocks implementation plan. By providing detailed insights and data, this assessment will help identify key areas for improvement, align with the recent G20 BBs survey findings, and address the 15 priority areas defined by the Financial Stability Board (FSB), supported by the Bank of England. This will ensure that the strategies developed are data-driven and aligned with international best practices.

4. Scope of Work / Approach

The insights gained from this market assessment will be pivotal in informing the CCBG's strategies and action plans, particularly in relation to the implementation of the regional building blocks as outlined in the G20 BBs survey and the FSB's 15 priority areas.

Output/Deliverables

This revised TOR incorporates the G20 and FSB targets and supports the CCBG's efforts in constructing analyses for the regional building blocks implementation plan, leveraging insights from the recent G20 BBs survey and the 15 priority areas defined by the FSB.

Phase 1: Inception and Planning

Inception Meeting

- Task: Participate in the kick-off meeting with all key stakeholders.
- Deliverable: Inception report.
- Timeline: 15 August 2024

Stakeholder List for Remittances Market Assessment Project

- Regulators: Financial Surveillance Department (Finsurv); Financial Intelligence Centre (FIC), National Payment System Department (NPSD)
- Financial Institutions: Authorised Dealers (ADs); Authorised Dealers in Foreign Exchange with Limited Authority (ADLAs); Commercial Banks
- Agent Networks: Remittance service provider agents; Mobile Money agents
- Community-Based Organizations: Migrant communities; NGOs supporting financial inclusion
- Third-Party Service Providers such as Technology providers for digital payments; Financial service aggregators
- International Organizations and Partners: World Bank; FSD Africa; SECO
- Government Agencies: Ministry of Home Affairs (MoHA); Communications Authority (Data Protection)
- Other Financial Service Providers (FSPs): such as Microfinance Institutions (MFIs); Cooperative Banks and Savings Groups
- Research and Academic Institutions: such as Universities and think tanks specializing in financial inclusion and economic development
- Consumer Protection and Advocacy Groups such as Consumer protection agencies and Advocacy groups for migrant and low-income workers

Stakeholder Engagement

- Task: Assist in identifying and engaging relevant stakeholders.
- Deliverable: Stakeholder engagement plan and engagement with stakeholders

- Timeline: 20 July – 15 August 2024

Project Planning

- Task: Contribute to developing detailed project plans including timelines, resource allocation, and risk management strategies.
- Deliverable: Comprehensive project plan.
- Timeline: 15 August 2024

Phase 2: Data Collection and Analysis

Mystery Shopping

- Task: Conduct mystery shopping exercises covering all licensed remittance service providers in the SA-SADC corridor to track pricing and transparency.
- Deliverable: Mystery shopping report focusing on the outcome of the mystery shopping analysis to track pricing and transparency
- Timeline: 16 August – 31 October 2024

Pricing Estimation

- Task: Gather and detail costs for remittance transactions of USD 55 and USD 200, including direct costs and exchange rate margins.
- Deliverable: Pricing estimation report.
- Timeline: 16 August – 31 October 2024

Transparency and Speed Assessment

- Task: Assess the transparency of pricing information and the speed of transactions from initiation to receipt.
- Deliverable: Transparency and speed assessment report.
- Timeline: 16 August – 31 October 2024

Qualitative Information Gathering

- Task: Conduct interviews with service providers to gather insights on cost drivers such as cash handling, capital investment, and exchange rate costs.
- Deliverable: Qualitative insights report.
- Timeline: 16 August – 31 October 2024

Phase 3: Reporting and Review

Draft Report

- Task: Prepare a comprehensive draft report including findings from mystery shopping, pricing estimation, transparency assessment, and qualitative insights.
- Deliverable: Draft report.
- Timeline: 30 November 2024

Stakeholder Review

- Task: Present draft findings to stakeholders for feedback and incorporate suggestions.
- Deliverable: Revised draft report.
- Timeline: 30 November 2024

Pilot Testing Report

- **Task:** Compile and analyze data collected during the pilot testing phase.
- **Deliverable:** Pilot Testing Report.
- **Timeline:** 1 January – 31 March 2025

Final Report

- Task: Submit the final report incorporating feedback from the stakeholder review.
- Deliverable: Final report.
- Timeline: 30 June 2025

Presentation

- Task: Present final findings to FMT staff and stakeholders.
- Deliverable: Presentation materials.
- Timeline: June 30, 2025

5. Output/ Deliverables

A comprehensive market assessment and research report, clearly outlining; the methodological approach employed, a detailed description and analysis of each country. Furthermore, the following deliverables will be expected against the following timelines:

- Inception Report: 15 August 2024
- Stakeholder Engagement Plan: 15 August 2024
- Comprehensive Project Plan: 15 August 2024
- Mystery Shopping Report: 31 October 2024
- Pricing Estimation Report: 31 October 2024
- Transparency and Speed Assessment Report: 31 October 2024
- Qualitative Insights Report: 31 October 2024
- Draft Report: 30 November 2024
- Revised Draft Report: 13 December 2024
- Pilot testing report: 31 March 2025
- Final Report: 30 June 2025
- Presentation Materials: 30 June 2025

6. Proposal Content

Organizations'/Individuals should submit a detailed technical and financial proposal. The technical proposal is expected to be clear and concise and should be a **maximum of 10 pages**. It should include:

- Methodology: the approach to be implemented in conducting the scoping exercise;
- Sample design for the mini-demand and supply side diagnostic: a detailed overview of key stakeholders who will be approached for in-person engagements;
- Timeline: a detailed timeline for executing all project activities;
- Risk management: a comprehensive list of anticipated project risks and contingency plans;
- Skills and qualifications: evidence of technical capacity to undertake this study;
- Name and qualifications of staff members responsible (i) for overseeing the work; (ii) for undertaking the work;
- Output: outline and structure of the comprehensive research report, and
- Financial proposal: detailed costing for each activity, broken down by professional fees and expenses.

7. 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. All participants in the research and pilot projects should provide informed consent. The service provider must maintain confidentiality and privacy of all participants data and conduct all activities ethically, ensuring accountability to all stakeholders.

8. Required skills and qualifications

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

- Advanced University degree (Masters or PhD) in Economics, Finance, Data Science, Public Policy, International Trade, Social Science, Development Finance, International Development, or other relevant field;
- A minimum of 5-7 years of relevant experience in conducting research related to SADC regional integration, financial inclusion, digital payments, regulatory frameworks, or gender-disaggregated data is advantageous;
- Demonstrated capacity to apply gender analytical frameworks and results uptake and usage;
- Experience in project management is required with an excellent understanding of large-scale multi-stakeholder research projects funded by international organizations or development agencies;
- Ability to develop innovative research methodologies and solutions to address complex challenges in financial inclusion and digital finance;

- Excellent computer literacy, including qualitative and quantitative research and report writing skills, data collection and statistical analysis;
- Personal commitment, efficiency and flexibility, teamwork spirit with the ability to work independently or under minimum supervision; and
- Excellent communication, written and verbal skills **in English is essential and knowledge of other languages spoken in the SADC region is advantageous.**

9. Selection criteria

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

	Criteria	Weighting
1	Competence and previous experience in financial inclusion, gender studies, digital finance or cross-border remittances	30%
2	Knowledge of digital payment systems, or informal cross-border remittances in SADC	30%
3	Local capacity	10%
4	Budget	30%
	Maximum score	100%

10. Submission and timing

Proposals: Proposals for the project should be submitted by close of business on **5 July 2024 at 17:00 (SAST)** by email to **Rashika Panday at rashikap@finmark.org.za**. The successful bidder will be notified by **15 July 2024**.

Timing: It is envisaged that the project duration will be **12 months** 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 at 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.

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.

11. Important to note

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