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## Terms of Reference (TOR)

# Diagnostic Study on Transactional Clearing and Interbank Payment System (TCIB) Adoption Challenges

August 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

TCIB is a middle mile, instant retail payment scheme that was developed and launched in November 2021 with Namibia and Zimbabwe. This initiative aims to address the identified four main cross-border payments challenges, namely cost, access, transparency and speed – by the BIS Committee on Payment and Market Infrastructures (CPMI) and FSB<sup>1</sup>. The pilot phase entailed using South African rand (ZAR)-denominated transactions between a non-bank in Namibia and a bank in Zimbabwe resulting in a successfully processed and settled processes. This showed the feasibility of a loop retail payment system within the SADC (Southern African Development Community) region where interoperability between a bank and a non-bank was successfully tested. This regional payment scheme provides the means of further reducing the average cost of intra-SADC cross border payments and enhancing the uptake of fully digital remittance services to drive digital financial inclusion. As of 2021, the average pricing of remittance from South Africa to the rest of SADC was 9.5% of a USD55 transaction. The average price drops to 8.5% of a USD55 transaction for transactions between South Africa and the four SADC countries that make up over 90% of the volumes and values in the same corridor. It is estimated that about 80% of SADC migrants in South Africa are irregular and are likely to be economic migrants in the cash based informal economy.

The NPS Regulatory and Oversight Report 2023<sup>2</sup> pointed out low adoption levels of the TCIB highlighting regulatory requirements, commercial and technical challenges between banks that are allowed to have settlement accounts and non-banks that require banks in settling their TCIB

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<sup>1</sup> <https://www.fsb.org/2021/10/targets-for-addressing-the-four-challenges-of-cross-border-payments-final-report/>

<sup>2</sup> <https://www.resbank.co.za/content/dam/sarb/what-we-do/payments-and-settlements/regulation-oversight-and-supervision/regulatory-and-oversight-reports/NPS%20Regulatory%20and%20Oversight%20Report%202023.pdf>

obligations. The SADC Financial Inclusion and SME Access to Finance 2023 -2028 also highlight the need for policy that allows non-banks to take part in settlement systems and offer low risk digital store of value services to expand access to digital payment services. These challenges are addressed in the SADC CCBG (Committee of Central Banks Governors) Payment subcommittee Strategy 2023 – 2026.

BankServAfrica, the authorized SADC Regional Clearing and Settlement Operator for the TCIB Payment Scheme in collaboration with FinMark Trust is looking for a diagnostic report to develop policy interventions-based insights on the possible solutions to the challenges in the adoption of the TCIB. FMT 2021<sup>3</sup> found that fully digital cross border remittance services can result in the cost of cash handling and agent management which can lead to a further decrease in the weighted average price of remittance in the SADC region. The following is a summary of the areas of concern:

#### Lack of Traction:

- Non-banks may lack digitization capabilities for integration.
- Limited understanding of the TCIB ecosystem and its benefits.

#### Ecosystem Understanding and Blockages:

- Insufficient comprehension of factors influencing TCIB adoption.
- Identification and removal of bottlenecks within regional payment flows.

#### Cost-Benefit Analysis:

- Clarity on the end-to-end cost implications of TCIB adoption.
- Comprehensive analysis of benefits and cost reduction opportunities.

#### Regulatory Framework and Inclusivity:

- Assessment of the current regulatory environment and its impact on ADLA eligibility.
- Identification of areas for improvement to ensure inclusivity and foster collaboration.

#### Value Proposition and Market Growth:

- Strengthening the TCIB value proposition to appeal to a broader range of ADLAs.
- Leveraging the South African market potential to drive network expansion.

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<sup>3</sup> [https://finmark.org.za/Publications/Remittances\\_Market\\_Assessment\\_2021.pdf](https://finmark.org.za/Publications/Remittances_Market_Assessment_2021.pdf)

Business model appeal to ADLAs and MTOs:

- Identifying and addressing the specific needs and concerns of ADLAs and MTOs.
- Convincing established players to adopt TCIB by proving cost-effectiveness and market share growth.

Inefficient first and last mile transactions:

- Digital inefficiencies in first- and last-mile transactions increasing costs.
- Demand for efficient solutions in these areas.
- Improve regional verification of identity to improve compliance with AML/CFT rules.

### 3. Objectives

To identify interventions that can address the challenges of widespread adoption of the BankServAfrica TCIB service, thereby enabling a more inclusive and fully interoperable network with the following desired outcomes:

Business Development:

- Articulate a compelling commercial value proposition to non-banks.
- Pursue prospective participants to join the scheme.

Support participants with education, awareness, regulatory guidance, and advocacy:

- Product Development Plan:
- Enhance the commercial proposition with new features.
- Consider a white-labeled wallet for ecosystem use.

Scheme Development Plan:

- Establish governance rules and participant models to reduce friction, lower risk, and align with regulators.

#### 4. Methodology

The final report of this diagnostic is expected to address issues related to,

- Lack of traction in the adoption of the TCIB
- Ecosystem understanding and blockages
- Cost-Benefit analysis of utilising the TCIB
- Regulatory framework and inclusivity gaps
- Value proposition and market growth prospects of TCIB
- Business model appeal to ADLAs and MTO (non-banks)
- Inefficient First- and Last-Mile Transactions

The geographical focus of the diagnostic includes Mozambique, Zambia, Tanzania, Zimbabwe and South Africa with a detailed list of stakeholders to interview in the diagnostic study. It is expected that this list will be informed by desktop research on identifying the TCIB market ecosystem players. This process will also be used to develop a coherent conceptual framework for which a proposed research design will aim to implement. This is expected to mostly be qualitative but quantitative research approaches will be considered.

#### 5. Outputs

Comprehensive research report in Microsoft Word and include an executive summary, detailed methodology, findings, analysis/interpretations, and conclusions/recommendations.

Supporting documents which include appendices with raw data, interview transcripts, survey results, and any additional relevant materials.

Presentation of findings in a PowerPoint presentation summarizing key findings, insights, and recommendations.

#### 6. Proposal Requirements

Methodology: Present an overall methodology to be used in conducting the diagnostic study, including detailed descriptions of 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.

**Sample design:** Provide a detailed overview of the sampling strategy, identify key stakeholders to be engaged, how they will be approached, and criteria for their selection. Explain the anticipated sample size and reasons for representativeness and reliability of results. Detail 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. Include names, roles, and responsibilities of key staff members. Describe their credentials, expertise, and precise knowledge concerning the 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.

**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.

## **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.

## 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 another 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	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%
	<b>Maximum score</b>	<b>100%</b>

## 10. Submission and timing

Proposals: Proposals for the project should be submitted by the close of business on 30 August 2024 at 17:00 (SAST) by email to Rashika Panday – [rashikap@finmark.org.za](mailto:rashikap@finmark.org.za). The successful bidder will be notified by 06<sup>th</sup> September 2024.

Timing: It is envisaged that the project duration will be **8 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](mailto: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 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.*

**11. Important to note**

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