

Cross-border Payments in Africa 2022

Terms of Reference – Request for Information

1. Organizational Background

[AfricaNenda](#) is an independent, African-led organization created to accelerate the growth of instant and inclusive payment systems that will benefit all Africans, including the poorest and currently financially excluded. AfricaNenda believes that instant and inclusive payment systems can play a pivotal role in creating universal access to financial services for many financially excluded adults and are critical to achieving universal financial inclusion in Africa by 2030.

The World Bank Group is one of the world's largest sources of financing and knowledge for developing countries. It consists of five institutions that share a commitment to reducing poverty, increasing shared prosperity, and promoting sustainable growth and development.

AfricaNenda and the World Bank are collaborating to further the payments ecosystem within Africa. To increase the attention paid to the sector by public authorities and private entities, they are co-creating reports and documentation.

2. Background

The African Continental Free Trade Agreement (AfCFTA) aims to reap the collective power of African countries to drive structural transformation and integration. While the pandemic paused progress on trade, it also highlighted the need for deepened regional economic and trade relationships. Increasing velocity and opportunities for the movement of goods and services creates a parallel need to re-imagine the manner in which money moves across borders. Additionally, free movement of people across borders has boosted intra-Africa commerce and associated transactions and transfers. Cross-border intra-African transactions have historically been intermediated by institutions in the US and EU with added cost an inefficiency, however continental hosting is trending.

Financial flows within Africa continue to grow. While the majority of these sums are due to commercial transfers (e.g. international wire between two African banks) and accelerated by the deployment of sub-regional payment systems like the SADC-RTGS, there is a growing need for cross-border retail transactions.

However, market inefficiencies persist, increasing the complexities of cross-border retail transactions by the introduction of intermediaries and thus driving up cost to consumers and pushing significant volume to informal channels. Additionally the total of these financial flows have yet to be fully measured and categorized. Through this effort, AfricaNenda and the World Bank hope to gain further insight on the opportunities to digitize those informal payments, as well as to create a baseline to measure the progress of the AfCFTA integration within financial services.

3. Objectives

The partners seek a consulting firm to co-create an engagement to quantify the volume and value of intra-African cross-border retail payments on annual basis from 2018-2026. Prior years (2018-2021¹) should be based on historical data while 2022-2026 will be projected. The analysis should be developed at a country, regional and continental level.

4. Scope of Work

A detailed assessment of cross-border retail payments in Africa through mixed research methods. Given the paucity of information in this space, AfricaNenda and the World Bank is inviting qualified firms to express interest to be able to collaboratively determine how to best pursue the project.

The analysis should quantify inflows and outflows at a country level and at a regional level. The country level should distinguish between the flows to other countries within their subscribed Regional Economic Communities (RECs) and to the remaining countries in Africa. The report should cover the processes through which money is transferred and the channels used.

¹ We recognize that COVID lockdowns have interrupted the normal flow of people and goods across borders since 2020. We are looking for creative solutions given that the recent data may not be representative of the overall trend.

The report should focus on intra-African retail, herein defined as smaller-value “everyday” payments, initiated by individuals, micro- and small-businesses (MSMEs), and small and medium traders. Commercial transfers, predominantly through sub-regional payment systems like SADC-RTGS and SWIFT are out of scope for this analysis. Additionally, most payments to/from governments should be excluded, except for import duties and taxes that can be paid at the point of origin.

5. Information Requested from Firms – We ask firms to provide responses to the questions included within the call-out boxes that follow.

Staging: Both distinct phases for this project are anticipated to be completed by the same firm. The first will cover the largest intra-African corridors (approximately 5-7). The second will expand the work to cover the entire continent.

- ***What is the anticipated timeline for each phase?***

For the top 5-7 transaction corridors, the firm should comprehensively analyse the involved countries foreign transaction policy schema. Specifically:

- Are the corridors governed by bilateral or multilateral trade agreements? How is it impacted by agreements between mobile money operators?
- What percentage of total cross-border payments is accounted for by cross-border retail payments?
- What is the transaction flow for retail transactions (including intermediaries)?
 - Are specific correspondent banks designated?
 - What is the timing from origination to receipt of the funds?
 - Are the transfers done via banks and/or non-bank financial institutions? If non-banks, what are the types of entities?
- What are the data components that must be attached to the transaction?
- What KYC is required for the senders and recipients, and how is that data collected, verified and stored?
- Is tax/duty collected from the recipient or the sender? Which country collects the payment?
- What challenges do senders/ recipients have in complying with regulations?
- Does the end-user know and understand the terms of service including cost, timing, and the dispute process?
- How does gender of the payer and recipient impact the solution choice/ usability?
- Does the user (individual versus MSME) impact the type of solutions available? Are there different user experiences and requirements?
- How does regulatory compliance impact the efficiency and usage of cross-border retail payments?

- ***How will the firm choose which corridors should be contained in phase 1?***
 - ***Would the firm recommend focusing on a different number of corridors, and is there a natural break in volume?***
 - ***Would looking at trade flows provide a reasonable basis to identify those in the top? If not, what would the firm suggest?***
 - ***What is the firm’s perspective on the questions listed above?***
 - ***What methodology would the firm use to collect this information?***

Analysis Lenses: Our current understanding of cross border payments lies across three domains: instruments, channels, and use cases.

- ***Would the firm propose a different analysis approach?***
 - ***What level of granularity is feasible without a significant trade off on accuracy?***

Our proposed view of the use cases includes the below. Note that this list is meant to be considered for intra-African transactions only and within an African context, where transactions tend to be cash-based and may have additional intermediation.

- **eCommerce Marketplaces:** Online sites that aggregate sellers of goods, providing opportunities for independent sellers to list their goods to be sold to residents of other countries. The sellers and buyers are both in Africa, but the marketplace may be hosted in Africa or abroad.
- **Border Trade/Sales:** Sales within an areas of commerce that is split between neighbouring countries. Merchants are located in one country and the payer is located in another.
- **SMB Exports:** Exported sales (i.e., products, services), by small and medium enterprises.
- **Supply Chain:** Products that are purchased from independent suppliers and used within a larger supply chain. May be aggregated across several countries to a regional hub, may be exporting a raw input (i.e., agriculture), or may be exporting an intermediary input.
- **Duties and tax:** In cases where import duties and tax can be paid while abroad to a government entity. May be collected through digital windows.
- **Gig Payments:** Payments to workers for services delivered in one country funded by a payer's account located in another country (e.g., ride-sharing pay-outs, remote services work).
- **Remittance:** Payments from a resident in one African country to a recipient in another Acountry, typically a family member, can be recurring or one-time

- ***Would the firm propose any modifications, additions or removals to these use cases?***
- ***How could mutually exclusive, comprehensively exhaustive use cases be identified?***
- ***How will the firm quantify/ estimate informal and unreported flows?***

Within the channel domain, the volumes should be broken out. Our initial list as follows: cash payments, mobile money, money transfer operators, bank-to-bank (including card payments), payment aggregators, and other. Special consideration should be paid to informal transaction leveraging a third party, decoupled transactions (where an intermediary in a third country collects and disburses funds), and clearing and settlement processes.

The instrument domain will consider what underlying infrastructure(s) are used to process the clearing of the transaction. These may include proprietary mobile money networks, card networks, RTGS, EFTs, real-time payment switches, bilateral switches, regional switches. Recognizing that cash-based transfers exist outside of these digital methods.

- ***Would the firm propose any modifications, additions or removals to these channels and instruments?***
- ***How could mutually exclusive, comprehensively exhaustive categories be identified?***
- ***How would the firm differentiate between clearing systems and settlement systems?***
- ***How will the firm quantify and/or estimate the cash volumes?***

Further, the report should include:

- **Mapping of transaction corridors:** Which are the main corridors today? Which have the most potential to grow? Which countries are most under-served.
- **Case studies:** Which entities are actively promoting and managing cross-border payments (excluding card networks)? Who are the most common initiators/ receivers of cross-border transactions? What are the preferred channels of vulnerable segments (inflows and outflows)?
- **Barriers to usage:** What restricts the poor from taking advantage of the existing channels? Are there gender differences in usage? Are there regulatory constraints?
- **Projections through 2026:** What are the primary drivers of growth in transaction volume? How will this be impacted by regional economic community-integration and progress on AfCFTA?

- ***Who are they key stakeholders to involve in this project?***
- ***What recommendations does the firm have to make this report as actionable as possible?***
- ***Are there any additional topics that should be included within the report?***
- ***Does the firm suggest any other changes to the scope of the effort?***

5. Project Expertise Required

- Having successfully conducted at least 3 similar research assignments at a regional and/or continental , such as on digital financial services economic modelling, cross-border commerce, foreign exchange, digital trade, and electronic payments
- Evidence of high quality of documentation and disseminating technical knowledge to a wide range of audiences.
- Prior experience working in Africa
- The consulting firm demonstrates significant commitment to quality assurance procedures and risk mitigation measures for the project
- The project team should have rich experience in payments in Africa

The required qualifications and competencies are highlighted below:

Core and Technical Competencies:

- Significant regulatory and industry experience related to payments systems, such as card payments, mobile money, interoperability and with a specific focus on inclusive digital payments
- Demonstrated understanding of the components of payments systems in Africa, including experience in analysing such systems.
- Demonstrated understanding of payment processes, trends and recommended practices for governments, businesses and development partners.
- Experience in facilitating a research process across the financial sector that includes both managing and coordinating senior level interface with a range of governments, business and donor agencies as well as engaging with non-government organizations
- Experience planning and executing national and/or regional level research on payments.
- Expertise in complex data analysis, data modelling and forecasting.
- Expertise in conducting surveys, data modelling and forecasting.
- Strong and rigorous research skills, leading to reports, manuals or handbooks which can be understood by non-experts, as evidenced by previous publications.
- Excellence in technical writing for report dissemination

6. EOI Content

Consulting firms should submit an EOI that address the objectives outlined above. While there is no minimum page limit for the proposal, the maximum page limit is 10 pages (including project team member backgrounds) for the EOI which is expected to be clear and concise. The EOI should outline the firm's proposed approach to deliver the project and provide responses to the questions contained within the call-out boxes herein.

7. Process

Submissions

Proposals should be submitted electronically by **June 24, 2022**, to info@africanenda.org. Any EOIs received after the deadline will not be considered.



Queries

Any queries relating to the preparation of the proposal should be submitted to AfricaNenda by email, to the above-provided email by June 8, 2022.

Notification

Following review of the EOs AfricaNenda will alert short-listed firms by July 31, 2022 and issue an RFP. AfricaNenda will issue a contract once the selection process has been completed.