

# Cross-border Payments in Africa

Terms of Reference – Request for Proposal  
September 12, 2022

## 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.

The United Nations Capital Development Fund (UNCDF) is the UN's capital investment agency for the world's least developed countries. It creates new opportunities for poor people and their communities by increasing access to inclusive finance and investment capital. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

AfricaNenda, the World Bank, and UNCDF 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 and 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, these financial flows are rarely fully measured and categorized. Through this effort, AfricaNenda, UNCDF, 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 quantify and predict the volume and value of select intra-African cross-border retail payments on annual basis from 2018-2026 and analyze the root causes that explain the current landscape. The initial years (2018-2021<sup>1</sup>) should be based on historical data while 2022-2026 will be projected. The analysis should be performed at a Regional Economic Community level.

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<sup>1</sup> 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.

#### 4. Scope of Work

A detailed assessment of cross-border retail payments in Africa through mixed research methods.

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.

The report should focus on intra-African retail payments, herein defined as smaller-value “everyday” payments, initiated by individuals, micro- and small-businesses (MSMEs), and small and medium traders. These retail payments encompass payments for goods and services and intrapersonal payments. 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.

The project will only cover the intra-African corridors expected to have the largest volume of cross-border retail payments within each REC (8 overall). In the case of duplicates, alternative corridors should be selected.

For the selected corridors, the firm should comprehensively analyze the root causes leading to the current landscape. Specifically:

- Are the payment corridors governed by bilateral or multilateral trade agreements? How is it impacted by agreements between banks and non-bank payment service providers (e.g., mobile money operators)?
- What, if any, exchange controls exist in the participating nations?
- What is the total estimated cross-border retail payment volume and values?
- 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 this data disaggregated?
- Is tax/duty collected from the recipient or the sender? Which country collects the payment?
- What market challenges exist among senders/ recipients and providers in complying with regulations that govern cross-border payments (e.g., capital adequacy, reserve requirements, consumer rights, required disclosures)?
- Does the end-user know and understand the terms of service including cost breakdown, timing, and the dispute process?
- How does gender of the payer and recipient (both individual and MSME) impact the solution choice/ usability?
- Does the user (individual versus MSME) impact the type of solutions available? Are there different user experiences and requirements?

Analysis Lenses: Cross border payments should be assessed across three domains: instruments, channels, and use cases.

Within the use case domain, flows should be analyzed for the purpose, senders and recipients. The list that follows is intended 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. Additional context should be provided on each of the use cases through the course of the project.

- eCommerce Marketplaces: Online sites, including social networks, 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 areas of commerce that is split between neighboring 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.
- **Remittance:** Payments from a resident in one African country to a recipient in another country, typically a family member or friend, can be recurring or one-time.
- **Other:** Any other payment uses cases that do not fit into the above and may include duties, taxes, cash-in-transit, supply chain payments, and/or gig payments.

Within the channel domain, the volumes should be broken out. Channels include: cash payments, mobile money, money transfer operators, bank-to-bank (including card payments), payment aggregators, and others. 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) and interoperability are used to process the clearing and settlement 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.

Further, the report should include:

- The description of the cross-border payments landscape and ecosystem with specific emphasis on intra-Africa payments and provide details on: estimates and forecasts for the volume and value of cross-border payments (with break-downs for intra-Africa payments); the available payment mechanisms and their levels of usage, terms of service, and specific quantitative and qualitative information on the payment mechanisms.
- Case studies: Which entities are actively promoting and managing cross-border payments (excluding card networks)? Who are common initiators/ receivers of cross-border transactions? What are the preferred channels of vulnerable and/or marginalized segments (inflows and outflows)?
- Barriers to usage: What restricts the poor and MSMEs 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?

## 5. Project Outputs

The consulting firm will prepare all the reports and deliverables to the highest standard as required, stating all actions taken during the project. The outputs of the project will be as follows:

- a. Inception report that provides details of the project approach and clear project timelines
- b. Detailed research plan, including a replicable methodology for identifying corridors and the selected corridors
- c. Leading payments corridor in Africa report, with a comprehensive root cause analysis (20-25 pages)

## 6. 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 should demonstrate significant commitment to quality assurance procedures and risk mitigation measures for the project
- The project team should have rich experience in payments in Africa
- Fluency in English and French, working knowledge of Arabic preferred

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 analyzing 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 in 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

## 7. Timeline

The maximum project duration is 3-4 months after contract signing.

## 8. Proposal Content

Consulting firms should submit a proposal that addresses the objectives outlined above. While there is no minimum page limit for the proposal, the maximum page limit is 20 pages (including project team member backgrounds).

## 9. Process

### ***Submissions***

Proposals should be submitted electronically by **October 10, 2022**, to [info@africanenda.org](mailto:info@africanenda.org). The technical proposal and the financial proposal shall be provided in separate documents. Any proposals 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 **September 26, 2022**.

### ***Notification And Contracting***

All bidders will be notified of the outcome of their proposals by **November 1, 2022**. AfricaNenda will issue a contract once the selection process has been completed.

## 10. Evaluation Criteria

All proposals will be evaluated based on the criteria listed in the table below. The technical bids will be opened immediately and reviewed by a panel of AfricaNenda and their partners, and scored according to the criteria below. Upon completion of the scoring of technical proposals, the financial proposals shall be opened. With an overall score calculated.

Technical Proposal Criteria	Weighting
<b>Quality of proposal:</b> Technical understanding of TOR, mechanisms for quality assurance, innovative approaches to data collection, assessment of risks and contingency planning	40%
<b>Competence and experience of the firm(s):</b> Experience/reputation of firm and existing client portfolio or consultant	10%
<b>Project resources and proposed team member CVs:</b> Demonstration of expertise for all key roles, Core and Technical Competencies required for the project	30%
<b>Capability:</b> Demonstrated industry experience related to payments systems and the ability to conduct large scale assessments in Africa	20%
<b>Maximum Score</b>	<b>100%</b>

Overall Criteria	Weighting
<b>Technical Proposal</b>	<b>70%</b>
<b>Financial Proposal:</b> Comprehensive breakdown with justifications	30%
<b>Maximum Score</b>	<b>100%</b>

## Queries – RFP Cross Border Retail Payments

1. Given the large geographical coverage of the project, is there any guidance on sample sizes, focus countries with the REC's that we should consider? Or is it purely based on the largest payment corridors?

The RFP specifies that the corridors should be selected based on volumes. Is there a specific reason for this, or can it be based on values instead?

Kindly confirm if you will be stating the countries that need to be assessed as part of the research or if this is at the discretion of the consulting company?

The countries will be selected by the vendor in consultation with AfricaNenda, the WB, and UNCDF. The completed justification for selection should be included in the "Detailed research plan" project output. A focus on volume (the number of transactions) is important, as retail payments are low-value.

2. The RFP states: "The project will only cover the intra-African corridors expected to have the largest volume of cross-border retail payments within each REC (8 overall). In the case of duplicates, alternative corridors should be selected." Does this mean the focus will be on the 8 largest corridors (e.g. the South Africa - Zimbabwe corridor in SADC) for each REC?

It will be 8 corridors overall for the project (one for each REC), and the specific corridors will be selected by the vendor in consultation with AfricaNenda, the WB, and UNCDF.

3. There are specific research questions for individuals and MSMEs in the SOW e.g. How does gender of the payer and recipient (both individual and MSME) impact the solution choice/ usability? Can you provide estimated sample sizes for both segments?

Would it be possible to do this project without consumer qualitative research, given the short timelines? This would mean most data would be supply-side and tested against focus groups. This approach would heavily depend on potentially untested, innovative proxies.

The type of consumer research and the size of consumer research should be based on the vendors' approaches. If consumer research was employed, we would not expect samples to be large enough to yield statistically significant findings.

4. Will AfricaNenda and the partners support the request to the various Central Banks when requesting research information?

Yes, when appropriate and possible. However, vendors should not be reliant on AfricaNenda or partners to facilitate information gathering from central banks and other entities.

5. As the engagement is run as a partnership between AfricaNenda, The World Bank and UNCDF, who will be responsible for payment of fees?

AfricaNenda, and its financial sponsor Rockefeller Philanthropy Associates, will administer this contract and pay the fees. All fees will be paid in USD.

6. In addition to AfricaNenda, UNCDF and the World Bank, who else is the intended audience of the final report for dissemination purposes?

Does this report primarily aim to support AfCFTA and other pan-African institutions advocacy efforts to further integration of financial services by improving existing policies and assessing the barriers affecting cross-border payments?

This report aims to provide information in an arena where this is little available today, and to understand both the market and challenges of cross-border retail payments. It is intended to lend support to integration efforts across the continent, and to shed light on the diverse and vibrant intra-African economy. This report is intended for private and public stakeholders who focus on retail payments and digital financial services in Africa, including but not limited to, central banks, ministerial staff in Africa, financial service providers, multi-laterals, and academics.

7. Given the 20 page limit restriction, can a proposing firm include summarized versions of team member backgrounds within the proposal and attach full CVs in an annex excluded from the page limit?

You are welcome to include summarized versions of team backgrounds, but they will be included in the total page limit. We will not review annexes that exceed the 20 page limit. We reserve the right to ask for additional details during the evaluation process.

8. Current RFP timelines do not support our view on the time needed to conduct the qualitative research in 8 corridors; could the timeline be extended to 8 months, or would there be scope to limit the number of corridors to 3?

We may consider a maximum additional duration of 1-2 months. However, expediency will be evaluated among the proposals, and we encourage consulting firms to find ways to be as efficient as possible. The number of corridors cannot be limited to 3.

9. There are various ways to scope this study across multiple geographies based on the level of granularity to incorporate in the analysis. Therefore it would be helpful to know the budget range allocated to this engagement to appropriately assess all feasible options while maintaining strong quality standards.

Is there guidance on the overall budget?

Part of the evaluation will be based on the best value for money. We encourage vendors to consider this in their proposal.

10. Please clarify what is meant by bilateral and multilateral trade agreements

Bilateral trade agreements are in force between two countries only (e.g. the trade agreement between Kenya and Tanzania). A multi-lateral trade agreement is signed by several countries and may exist at a multi-country, regional, continental, or global level (e.g., Protocol for the Establishment of the East African Community (EAC) Customs Union).