



## CALL FOR PROPOSALS FOR FINANCIAL SERVICES PROVIDERS

### DataDisrupt

#### DATA MANAGEMENT AND ANALYTICS CAPABILITIES PROJECT

##### Introduction

Financial Sector Deepening Africa (FSD Africa), in partnership with Financial Sector Deepening Trust – Tanzania (FSDT) and the International Development Research Centre (IDRC) is running an 18-month project that seeks to demonstrate to Financial Service Providers (FSPs) the benefits of using data to make evidence based decisions (DataDisrupt).

FSD Africa, FSDT and IDRC are inviting proposals from FSPs seeking to implement projects that will enhance their capacity to use both internal and external data to make evidence based decisions. The use of data in this process should enable them to sustainably provide relevant financial products to the unserved and underserved market segments. The project will support practical initiatives within identified FSPs, drawing on their supplier services market where necessary, to develop data driven improvements to products or the way products are delivered so that they can be accessed and used by more Tanzanians who normally make little or no use of formal financial services. It will enable institutions to apply established methodologies to leverage multiple sources of data (external, internal and third-party transaction data) to sustainably deliver financial products to the unserved and underserved.

There are a number of areas where data-driven product development methodologies can improve the relevance, quality, uptake and profitability of financial products. These include:

- **creating engaging and relevant products** – by tracking customer transactional behaviour over time thus, identifying their financial needs and catering to those needs with targeted services;
- **improving decisions on who to supply** – by using new digital or alternative data sources, such as mobile call data records, utility payments, social media activity, and others to provide insights into the financial needs of the unserved and underserved segments;
- **customer acquisition and engagement** – by identifying customers in the unserved and underserved segments, developing relevant services for them and continually engaging them to increase uptake of service offerings;
- **increasing customer understanding** – by dynamically segmenting populations to facilitate more targeted product design and marketing;
- **automation of processes** – by using data-enriched feedback loops to ensure a smooth and efficient business workflow including leveraging data from 3<sup>rd</sup> parties to instantly verify customer details

Initial concepts are sought from a range of FSPs – licensed banks, insurance providers (companies and distributors), financial technology (fintech) companies, mobile network operators (MNOs) and payments platform providers – who see potential in any of the areas of data-driven improvement in product design and delivery as described above.

##### **What support will be provided?**

- Data landscaping to identify internal/external data required to provide the evidence base for products and services targeting the unserved and underserved – highlighting data available as well as data that needs to be ‘created’;
- Identification and upskilling of relevant project FSP personnel in data handling/usage, and product development techniques;

- Identification and ‘incorporation’ of local market suppliers who could support research needs and customer-led product development;
- Practical development of the data driven Customer Value Proposition development methodology, via working with identified FSPs to develop/test the materials with live product design, build, launch and monitoring;
- Actual launch of new or revised products/services aimed at unserved and underserved segments addressed by the project FSPs that are relevant to the segment needs and profitable for the FSPs;
- Conducting impact studies to monitor product uptake.

### **Eligibility Criteria**

The general eligibility criteria for institutions seeking support is:

- FSPs should demonstrate a high commitment towards incorporating the use of internal and external data to make evidence-based decisions on product design and delivery;
- FSPs should have demonstrable ownership of data on the end consumers of the product or service being delivered and be able to influence (ideally determine) who gets supplied;
- the proposed product design and delivery improvement must have a clear objective of substantially increasing reach among unserved and underserved client segments and any special emphasis on unserved women and youth is of interest to the DataDisrupt project;
- the proposed concept should have a clear path to long-term commercial viability; DataDisrupt is not aimed at improving existing donor or corporate funded social responsibility initiatives;
- FSPs should be willing to contribute in kind or in cash to the proposed product design/delivery improvement and must demonstrate serious senior executive management commitment<sup>1</sup> to the concept and participation under DataDisrupt; and
- providers must have a track record of supply, be commercially viable and in good standing.

The project will support efforts to build, improve or expand initiatives seeking to use data to make evidence based decisions. We are not seeking proposals for feasibility studies or market research.

There are also a number of specific criteria that relate to whether an FSP is likely to be able to benefit from and assimilate the methodologies that will be part of the support on offer:

1. Systems	Viable core systems, including settlement and clearing, payment histories and customer characteristics (including KYC) collected and stored digitally.
	Ownership of, or commitment to acquire, a data warehouse and/ or business intelligence platform (ability to handle Big Data is ‘nice to have’)
	Ability to integrate into 3 <sup>rd</sup> party systems or providers such as MNOs, credit bureaus or social media (via APIs and FTPs for instance)
	Some sort of existing digitally-enabled customer service channel(s) (such as mobile banking, insured item tracking app., etc.)
	Any evidence of digitised customer acquisition and/or facility origination system(s) (such as tablet-based account opening, loan/policy origination, etc.)
2. Skills and structure	Candidate’s experience with product marketing (use of various marketing channels, digital marketing to attract new customers)
	State and use of technology – ability to integrate various internal and 3 <sup>rd</sup> party systems, systems security, channels to customer
	Ability to use data strategically (presence of data governance team, data scientists, etc.)
	Ability to audit and govern the systems and use of data, data standards and policies, including client data protection.
	Evidence of customer support systems and existence of a client support department

<sup>1</sup> Senior management support should include allocating sufficient staff resources and designating specific staff to be internally accountable for the success of the project.

## Selection Process

We will follow a two-step process. As a first step, FSPs should submit a short proposal that includes a brief description of the project, objectives and organisational capacity. We will select a short-list of FSPs to evaluate further. In the second step, we will visit the short-listed FSPs and work with them to finalise the project proposal that will be submitted to the selection committee.

## Selection Criteria

The following selection criteria will be used by the evaluators of the submitted concepts:

<b>Selection Criteria</b>	<b>Weight</b>	<b>Information to assess</b>
Alignment with DataDisrupt priorities and objectives	20%	<ul style="list-style-type: none"><li>• Supporting innovation and institutional change for the purpose of capitalising on opportunities to serve the unserved and/or underserved market segments</li><li>• Commitment to using both internal and external data to make evidence-based decisions</li><li>• Focus on developing financial solutions for women and youth</li></ul>
Capacity to implement	30%	<ul style="list-style-type: none"><li>• The institution's activities, how long the entity has been in business, turnover, registration details</li><li>• How does the project fit within the strategic goals of the institution? How will the project facilitate the achievement of goals?</li><li>• Commitment of the institution to provide human resources, management team etc for the project</li></ul>
Commercial viability	20%	<ul style="list-style-type: none"><li>• Project information – How will the project contribute to improved efficiency/ profitability of the FSP?</li></ul>
Development impact (direct and indirect)	30%	<ul style="list-style-type: none"><li>• How will the project contribute to direct development impact on unserved and underserved client segments (better savings options, more credit options etc?)</li><li>• How likely will the implementation of the project influence industry trends? (demonstration effect)</li></ul>

To apply, submit a proposal to [bids@fsdafrica.org](mailto:bids@fsdafrica.org), cc'ing [dmac@opml.co.uk](mailto:dmac@opml.co.uk), using the application form attached.

Applications to be received no later than **midday 12 noon East Africa Time on Friday 16<sup>th</sup> March 2018**.

Questions will be taken up to 1<sup>st</sup> March and a common set of shared answers provided by 6<sup>th</sup> March.

## **ANNEX 1: APPLICATION FORM**

### **1. Applicant information (150 words maximum)**

- 1.1 Applicant name (e.g. name of company) and contact information;
- 1.2 Type of organisation (e.g. bank, insurance company, MNO/aggregator, fintech);
- 1.3 Size and scale of operations (e.g. number of customers, delivery channels, Assets under Management);
- 1.4 Mission;
- 1.5 Data strategy;
- 1.6 Start date of operations.

### **2. Overview of suggested initiative (150 words maximum)**

- 2.1 Title;
- 2.2 Brief description;
- 2.3 Total duration (not to exceed 18 months);
- 2.4 Target in terms of customer acquisition (in unserved or underserved market segments).

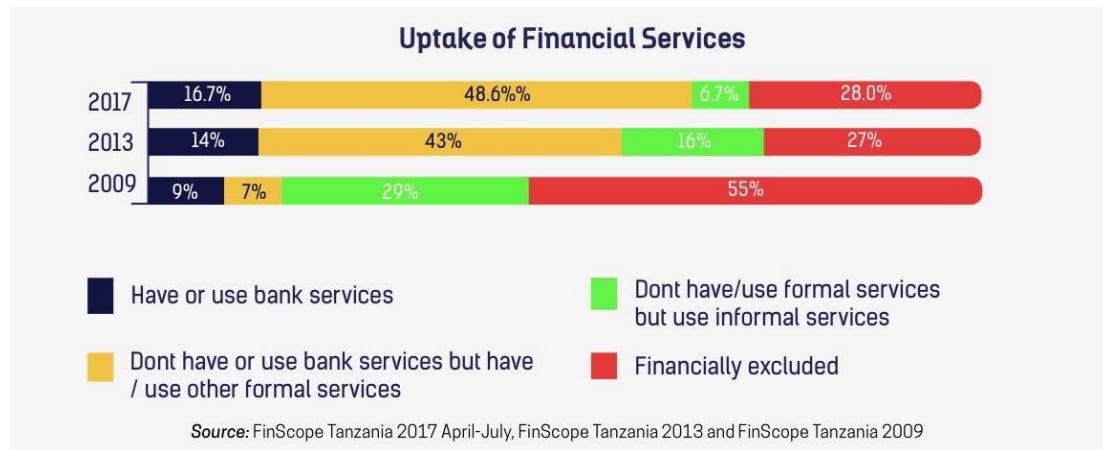
### **3. Rationale and existing capabilities (700 words maximum)**

- 3.1 Why is this initiative being proposed? What problem are you trying to solve?
- 3.2 State the 3-5 key challenges the initiative is designed to address, and what you expect to learn by undertaking it;
- 3.3 Explain your capabilities/experience related to data, and the factors that will make this project a success;
- 3.4 What are the main risks associated with the project and how will they be mitigated or addressed?

## ANNEX 2: TANZANIA: MARKET POTENTIAL AND AVAILABLE DATA SOURCES

### FinScope Tanzania 2017

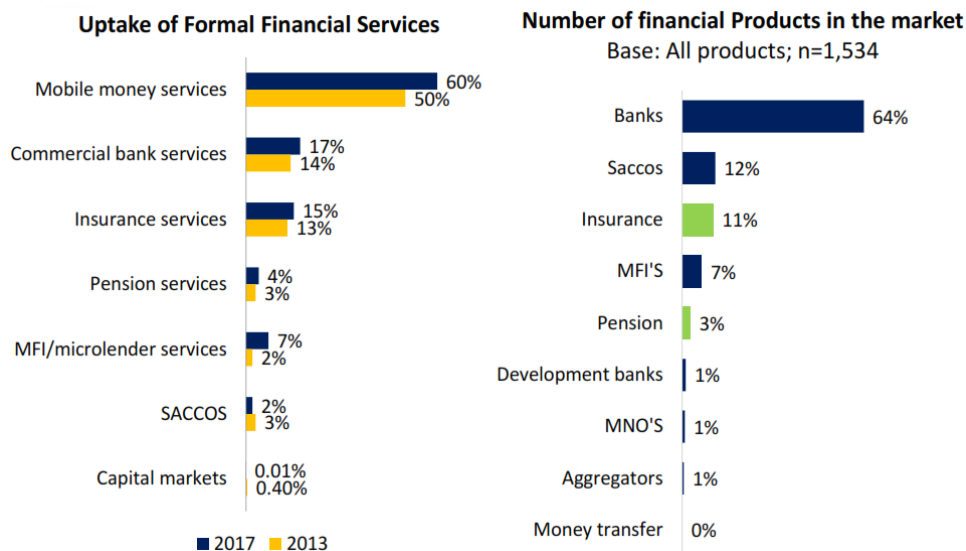
Uptake of formal financial services in Tanzania, including banking and insurance products, has reached 65% in 2017<sup>2</sup> compared to 57.7% in 2013.<sup>3</sup> Accessibility, measured by the proportion of the population living within 5km from where financial services are provided, has grown from 45% to 86%.



However, a large segment of the population remains financially excluded. Only 17% of the population is currently using bank services. 49% rely instead on other forms of formal financial services (particularly mobile money but also standalone insurance and microfinance) although many also use informal services. Just under 7% of adults use only informal financial services while 28% are not using any financial services at all.

### Products

There are 1,534 financial products in Tanzania, 64% of which are offered by banks, followed by SACCOs (12%), Insurance companies (11%) and MFIs (7%).



Source: FinScope Tanzania Report 2017

Despite cumulatively offering 75% of the financial products in the market, the banking and insurance sectors serve barely one in five of the total population. MNOs and fintechs /platform-providers serve 60% of the

<sup>2</sup> FinScope Tanzania 2017, FSDT

<sup>3</sup> FinScope Tanzania 2013, FSDT

population yet only contribute to 2% of all products in the market. This presents an opportunity for the banking and insurance sectors to partner with MNOs and fintechs to reach more clients.

### Opportunities for the Financial Sector:

#### Banks

The above data points to a significant opportunity for banks to reach 83.3% of the unbanked population. FSDT analysis of FinScope data suggests that of the 23.2 million unbanked adults, 6.6 million are potentially 'bankable' and 9 million, with some changes and further development, could become bankable.<sup>4</sup>

#### Insurance

15% (4.3 million) of adults (over 16 years old) have taken up insurance but of these, just over 3.8 million only took up publicly-mandated health insurance, and around 300,000 took up private health insurance and another 300,000 other types of insurance. 35% of adults reported they had large unforeseen expenses during the past 12 months which points to an opportunity for appropriate and affordable insurance and savings products. Affordability and awareness are seen as the biggest barriers to uptake.

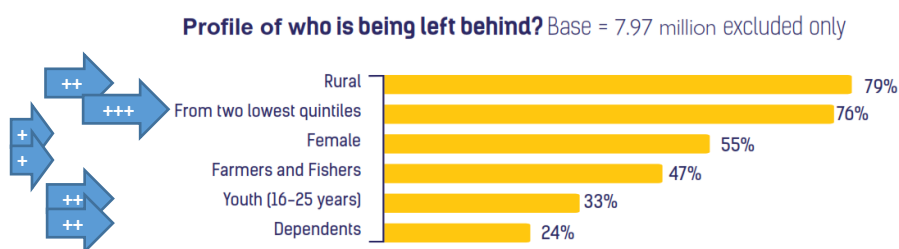
#### Mobile money and payments services

60% of Tanzanian adults – over 16 million people – use mobile money and although a proportion of this represents adults with access to a mix of financial services, much more than half of the 60% only use mobile money for basic transfers and maybe payments. The opportunities identified above for the banking and insurance sectors also present opportunities for other FSPs to collaborate with these institutions to identify patterns of transactions that point to unmet or only partially met need. Fintechs and platform-providers can sometimes see value that mobile operators and financial institutions struggle to find, especially where the activity is via social media rather than phone-specific: a quarter of Tanzanian adults now have internet access-

#### Meeting the Financial Inclusion Challenge in Tanzania – doing good by doing business

The focus of the DataDisrupt project is to improve the usability of financial service products and deliver them better and the National Financial Inclusion Framework 2018-2022 (see below) calls for exactly this shift of emphasis from access to usage. Data analytics plays a crucial role in identifying who signs up for a product/service but then stops using it – internal data is an obvious starting point but often lacks the depth of customer characteristics that big access survey data sets such as FinScope offer; the two need to be put together to get real insights.

The big access survey data sets are also the only source of information on the not insignificant numbers of Tanzanian adults – almost 10 million in total – who are still not using formal financial services in any way, 80% of whom can be considered entirely financially excluded because they use neither formal nor informal alternatives. Obviously these people are relatively marginalised in society, and the chart below shows proportions of those adults who class as fully financially excluded by different socio-economic and demographic characteristics, all of which are raised relative to the population overall but flagged where they are particularly heightened.

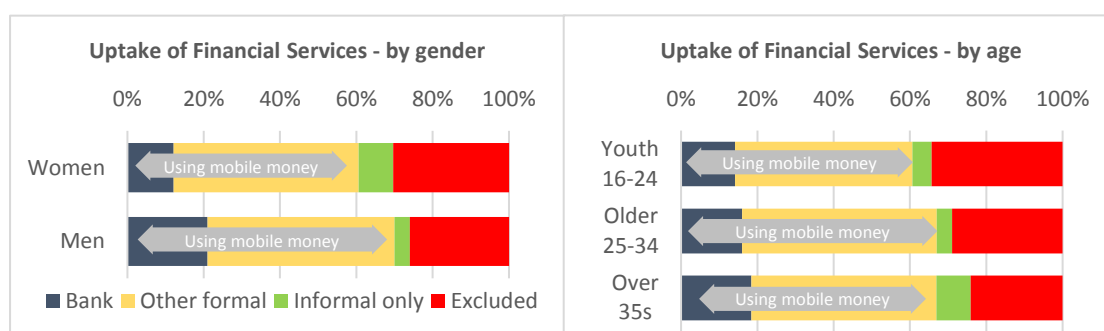


Source: FinScope Tanzania 2017 April-July

<sup>4</sup> FSDT looked at the characteristics of the currently unbanked (in terms of connectivity, education levels achieved, numeracy levels, wealth) and divided them into 3 segments: Bankable – with current products on offer these individual should be bankable; Development – lack some of the characteristics that would make them bankable – some changes are needed; and Unbankable – so significantly different from the current bank adults that they will most likely not be banked in the short term and no changes in the market.

The reasons for these lower levels of uptake are complex:

- Despite 78% of rural adults now having a financial services touch point within 5km of where they live and work this may not constitute access for anything more than P2P mobile money transfers (5km is long way to walk to deposit a spare dollar or two when it's not needed for immediate spending). The disproportionate presence of rural adults among the excluded may also be driven by income inequality, which is itself a particularly rural-urban divide;
- Women generally feel less comfortable going into financial institutions, are less aware of the different institution types and products and services available, do not perceive a need to use financial services, and are also less likely to own a mobile phone.



- More than half (14.6 million) of the Tanzanian adult population (16 years and above) are aged below 35 years, split roughly 50:50 between the 16-24 versus 25-34 age bands. Only 14% of the (16-24) younger age band have a bank account but approaching 60% are using mobile money. The 25-35 year old age bracket is slightly more financially included and the heaviest users of mobile money (66%).

DataDisrupt's objective is to reach the unserved and underserved in significant numbers, with less of a focus on who is reached, but the overall goal will not be reached without at least beginning to address the excluded.

### National Financial Inclusion Frameworks and public domain data/information sources

National priorities for the financial sector in Tanzania are laid out in the following frameworks:

- *National Financial Inclusion Framework 2018-2022* (launched on 21 December 2017) – it shifts emphasis for financial inclusion from access to usage. The DataDisrupt project will contribute to two of the four outcome areas identified in the framework:
  - *Usage* – i) usage of relevant, appropriate, affordable and convenient products, and ii) adults save, borrow, transact and mitigate risks.
  - *Satisfaction* – services and products meet consumer needs
- *National Financial Education Framework* – important because according to FinScope 2017, lack of literacy and financial incapability were reported to be among the main challenge to financial inclusion and this is disproportionately true among women and youth.
- *National Insurance Education Strategy* – aims to move the sector beyond health insurance.

Other public domain sources include the following publications

	Year	Source
FinScope	2006/09/13/17	FSDT
Sub-Divisional Population Projection	2016/17	NBS
Micro-insurance Landscape; Inclusive Insurance Focus Note Series	2015	FSDT
Financial Diaries with Smallholder Households	2014/15	CGAP/FSDT
Statistical Business Register Report	2014/15	NBS
National Panel Survey Wave 4	2014/15	NBS
Findex – Global Financial Inclusion Survey	2013 (2017 coming)	World Bank
GIS Mapping of Financial Access Points High Level Report	2013	FSDT
Population & Housing Census 2012	2012	NBS
Tanzania Gender Dimensions Monogram	2015	NBS

## ANNEX 3: FURTHER DETAIL ON THE DATADISRUPT INITIATIVE

### About FSD Africa

FSD Africa is a non-profit company which aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in sub-Saharan Africa (SSA) and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households.

FSD Africa's Competitive Strategies Pillar offers consultancy style services to financial sector players committed to innovative financial services offerings which seek to increase the depth and breadth of financial services usage in SSA. We leverage our expertise in strategy support, change management, market building and digital finance to walk the journey with FSPs during project implementation.

FSD Africa has identified an existing skills gaps amongst FSPs in SSA in using data management and analytics to obtain insights on customers within their operating environments. Through our capacity building initiatives, we seek to partner with FSPs to enhance their data management and analytics capabilities in order to facilitate evidence based decision making. Through these technical assistance initiatives, we will enable FSPs to become more responsive to the financial needs of customers within their operating environments.

### About FSDT

The Financial Sector Deepening Trust (FSDT) was incorporated in Tanzania in 2004 with the overall aim to develop a deeper financial system that can provide greater access to finance for more Tanzanians. FSDT is supported by the Canadian Department of Foreign Affairs, Trade & Development (DFATD), Department for International Development (DFID), Swedish International Development Cooperation Agency (SIDA), DANIDA, Embassy of Denmark (DANIDA) and Bill and Melinda Gates Foundation.

**Our Goal:** to have all Tanzanians, including businesses, derive value from regular use of financial services which are delivered with dignity and fairness.

**Our Purpose:** to nurture a financial sector in which stakeholders implement policies, regulations and solutions which are innovative and responsive to the needs of MSMEs, Individuals and small holder farmers.

**To ensure that all Tanzanians derive value from regular use of financial services, the FSDT is committed to:**

- Advocate for an improved policy, legal and regulatory framework at national and sub-national levels
- Promote more relevant market infrastructure and ways to reduce transaction costs between FSPs and potential clients
- Stimulate improved access to financial products and services that respond to the needs of MSMEs
- Stimulate improved access to financial products and services that respond to the needs of households and individuals

FSDT's overall research vision is to see a financial sector whose players use evidence when making decisions that results in solutions that meet the needs of market and contribute to economic growth.

### About IDRC

As part of Canada's foreign affairs and development effort, IDRC invests in knowledge, innovation, and solutions to improve lives and livelihoods in the developing world. Bringing together the right partners around opportunities for impact, IDRC builds leaders for today and tomorrow and helps drive large-scale positive change.

### What does the project expect from partners?

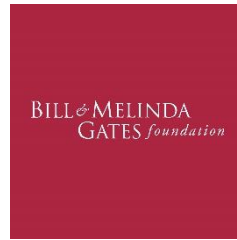
A key activity of the project is to document and disseminate lessons learned. Partners are expected to participate in an action research process that analyses and documents the lessons from project activities. This process includes providing financial reports and regular updates of the project, and reflecting why certain outcomes occurred (or did not). Partners may be asked to allow consultants on site to collect data and conduct studies.



**FSD Africa Funder:**



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