

A STUDY ON OPPORTUNITIES IN ENHANCING THE REMIT OF CLIENT INFORMATION SHARING IN TANZANIA

TERMS OF REFERENCE

1. BACKGROUND OF THE ASSIGNMENT

Since the issuance by the Bank of Tanzania (BOT) at the end of 2012 of licences to two private companies to act as credit reference bureaux (CRBs), the usage of credit referencing system has remained low particularly in the non-bank financial institutions (Microfinance Institutions and SACCOS). On the other hand, technological changes and financial market developments have opened opportunities for extending credit and other financial services to consumers who do not have traditional credit records. Some lenders have started using alternative information (telco information, social media, non-cash transactions) to make credit and other financial decisions.

Against that background, FSDT would like to procure consultancy services to undertake a survey to review the current opportunities existing in enhancing the effectiveness of client information sharing in Tanzania. It will aim to:-

- Establish gaps that exist between supply and demand,
- Understand the level of integration, available models and potential new opportunities of credit referencing information mechanism into the credit cycle of conventional and unconventional lending institutions,
- Understand the quality of services offered to credit providers by Credit Reference Bureaus and opportunities within the traditional credit bureaux,
- Unearth the potential of news alternative sources of credit referencing or credit scoring other than traditional to which FSPs are already using or can use to make financial decisions.

This assignment is supported by the Financial Sector Deepening Trust (FSDT) a Trust that was incorporated in Tanzania on 1st July 2004. The FSDT's overall aim is to develop a deeper financial system that can provide greater access to finance for more Tanzanians. Among its secondary objectives are:

- I. Provide funding to support the development of new financial products that address the needs of poor households and micro and small enterprises.
- II. Support improvements in the policy, legislative and regulatory framework affecting delivery of services.
- III. Support initiatives aimed at improving financial market integration and access to wholesale forms of finance by financial service providers addressing poor households and micro and small enterprises

2. THE PROJECT

TRADITIONAL AND ALTERNATIVE SOURCES OF CUSTOMER DATA TO SUPPORT FINANCIAL DECISIONS

3. OBJECTIVES OF THE ASSIGNMENT

The objective of the study is to review the current challenges and opportunities existing in enhancing the effectiveness of client information sharing in Tanzania. Specifically, the study aims at establishing gaps that exist between supply and demand in credit referencing systems and recommend appropriate actions or interventions that will need to be implemented to narrow the gaps and increase remittance and usage of credit information system.

4. SCOPE OF WORK

In order to understand the full Credit Referencing System and identify the key gaps in the system, the study will be composed of three levels of analysis: credit provider level, Credit Bureaus level and alternative referencing system.

In order to understand the current full Credit Referencing System, opportunities and potential to utilise other sources of consumer data for credit issuance and identify the key gaps and opportunities in the system, the study will be composed of four levels of analysis: credit provider level, Credit Bureaus level, alternative referencing system that are already existing in the market, regulatory policies and consumer data protection that hinders usage of alternative consumer data as well as scoping of the global experience on potential of identifying alternative sources of consumer data.

4.1. CREDIT PROVIDERS

- a) Seek to map out the credit process within different credit providers (with special emphasis on non-bank financial institutions) such as:
 - i) Organization of the credit appraisal processes within credit providers.
 - ii) How and when appraisal data is electronically captured during the appraisal process.
 - iii) What the CIS touch-points are within the appraisal process.
 - iv) Sources of data for credit processing
 - b) Data submission:
 - i) Determine how data is extracted, reviewed and submitted to the CRBs
 - ii) Establish the technology needs and key challenges.
 - c) Use of Credit Reference Bureaus Products
 - i) Establish the extent of use of credit information within the credit cycle (both the appraisal and collection phases)
 - ii) Establish the extent of use of CRB credit scores within the credit cycle (both the appraisal and collection phases).
 - iii) Establish the existence of institutional credit score cards, the extent of their usage; and the extent to which CRB data is incorporated in development of these score cards
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- iv) Proposal on new use cases that can utilise the information in the CRB's
- d) What are the key challenges in utilization of reporting data to the bureaus?
 - i) Technical capacity of the MIS systems and staff concerned
 - ii) Policies and regulations that are blocking utilization of consumer data for credit including credit scoring
 - iii) Trust in the system: "Will good borrowers be poached?"
 - iv) Debt enforcement
 - v) Models of credit scoring available and the pro and cons of having multiple models Vs. single model

4.2.CREDIT BUREAUS

The study will analyse the gaps, quality of engagement of CRBs with credit providers and the challenges faced in providing meaningful credit reports and scores.

- a. Determine the level of engagement with credit providers, and establish the existence of a feedback mechanism on their product offering
- b. Obtain an opinion from the CRBs on the adequacy and quality of data from credit providers for provision of rich credit reports and for credit score development.
- c. Establish the extent of usage of alternative data (including non-credit data) in the development of credit scores
- d. Determine the frequency of reviews of credit scores and if credit providers are consulted in such reviews
- e. What are the key challenges faced by the bureaus
 - i. Credit Providers
 - ii. Regulatory Framework
 - iii. Others

4.3.ALTERNATIVE REFERENCE SYSTEM AND MODELS

The study to establish the extent of usage of alternative data (including non-credit data) in the credit decision process. And potential new models that can utilise the consumer data for credit decisions

- i. List institutions using alternative referencing system to make credit decisions and document the types of data they use to develop credit scores.
- ii. Establish the extent to which credit providers are substituting traditional credit history data and scoring with behavioural data (Psychometric Lending) such as borrower's personal characteristics, like honesty, ethics, drive, motivation, optimism, intelligence and business skills.
- iii. Conduct a SWOT analysis in using Alternative referencing system to make credit decision
- iv. Global best practices on alternative reference systems

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- vii. Conduct a SWOT analysis in using Alternative referencing system to make credit decision
- viii. Global best practices on alternative reference systems

5. METHODOLOGY

The consultants are free to design/suggest a suitable methodology. However, it should be a participatory approach and it is expected that the consultant will review relevant documents/reports, perform observations, consultative meeting, focused group discussions, conduct interviews with relevant key stakeholders and organize validation workshop(s) and research on global best practices/opportunities.

6. CONDUCT OF THE WORK

The consultant will report to Executive Director or Operations Director of FSDT and on regular basis work with the Head of SME Finance. FSDT will provide Staff to work hand in hand with the consultant particularly during the fact findings. Additionally, the consultant will be required to avail him/her selves to and relevant documents.

7. DELIVARABLE FROM THIS ASSIGNMENT

The Facilitator is expected to deliver the following during this assignment.

- i. Inception report indicating tentative detail work-plan, methodology for achieving objectives of the assignment.
- ii. A draft report on findings from the initial findings of the research; that will form the basis of deliberations for the stakeholder's workshop
- iii. Final report incorporating stakeholder's comments in electronic form (both PDF and Word file format).
- iv. Clear recommendations/actions on and strategy to minimize
- v. Expertise needed with FSPs, Credit references to improve utilization

8. TIMETABLE

The duration of this work is 90 days with estimated man-days/consulting days (**30 days**). The expected start date will depend on the date of signing the Contract.

9. PAYMENT SCHEDULES

The FSDT will make payments for this assignment as follows:

- i. 25% of the fees upon signing of the contract
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- ii. 50% of the fees upon submission of draft report and presentation to stakeholders and accepted by FSDT.
- iii. 25% of the balance upon submission of Final report incorporating stakeholder's comments and accepted by FSDT.

The FSDT will be reimburse all agreed travel and other expenses upon submission of relevant receipts within ten days of approval of invoices submitted by the consultant.

10. PROFILE OF THE FACILITATOR KNOWLEDGE AND EXPERIENCE

The consultant should have a strong knowledge in Banking/ Financial Sector Development and understanding of credit risk management, credit related prudential guidelines and general financial institutions regulations with not less than 10 years' experience in Banking and Financial Sector Development. The selected consultant must show substantial experience in the design and development of Credit Reference Systems, Information Sharing and Financial Sector Development.

Considerable experience and exposure in developing, analysing and reviewing credit reference bureaus, Customer profiling, data analytics, big data modelling, traditional and alternative data sources and usage, exposure in Fintechs and new financing models. Having worked with well-established Credit Reference Bureaus and widely consulted in the area would be a distinctive advantage and particularly if such experience is drawn from operations in East, Central or Southern Africa. Experiences drawn from Asia and Eastern Europe will also be given due attention. Specifically, the consultant should have a minimum of a Bachelor's degree in either: Banking, Economics, Information Technology, Commerce, Business Administration and/or related fields

11. PROPOSAL FORMAT AND SCOPE

Consultant should submit technical and financial proposals for undertaking the baseline study. The deadline for submissions is the 10th of December, 2017.

12.1 TECHNICAL

Technical proposals should be no longer than five pages, excluding any appendices. The technical proposal should focus on the approach to the work, as well as relevant experience. Bidders are invited to comment on the ToRs and suggest value adding amendments.

Technical proposals should also include a detailed breakdown of person-days allocated to each main task, as well as a Gantt chart showing the main tasks, their expected time-frames and links between them.

Any corporate capabilities, reference projects and detailed CV should be appended. Reference projects should (where appropriate) detail the length of time over which the firm performed that project, key tasks performed in an assignment, geographical location and contact person(s). CVs must be no more than five pages.

12.2 FINANCIAL

This will be a fixed priced contract. Financial proposals should be quoted in US dollars, set out in the following format:

<i>Component</i>	Units/days	Rate	Total (US\$)
Mandays of consultant A			
Mandays of consultant B ... Etc			
Total mandays & Fees	30		
Travel from home base to Dar and field			
Airport transfers (if any)			
Hotel nights			
Daily subsistence (includes food, drink and local transport)			
Communications and internet access			
Total Expenses			
Total Cost			

Daily rates for hotels and subsistence are fixed by FSDT policies. The FSDT's daily subsistence rates for Dar es Salaam and other parts of Tanzania are shown in Appendix A.

The actual time spent on field trips should be included in the fixed priced contract, but the location and therefore the final expense budget will be agreed with FSDT before the start of field work. Nonetheless, consultant is required to put in expenses based on the estimated time spent on field trips and the detailed unit costs shown on Appendix A.

Financial proposals should be denominated in US dollars. This consultancy will be subject to local taxes. It is the sole responsibility of the Consultant to meet all the tax liabilities arising out of this assignment. Financial proposals will be evaluated on a basis net of any local taxes.

12. EVALUATION AND SELECTION

13.1 METHOD USED

Overall, the preferred bidder will be selected on the basis of presenting the most economically advantageous tender. This means that bidders will be evaluated on a combination of technical and financial criteria. In this case, the ratio between technical and financial scores will be 70/30.

The technical component of each proposal will be scored first using a grid that assesses a number of key attributes. This is set out below.

Technical Proposals Scoring Grid

<i>Criteria</i>	Bidder	Max Marks
Experience of the nominated consultant in:		
• Experience in Banking/Financial Development and exposure in credit risk management/prudential		20

Criteria	Bidder	Max Marks
guidelines, etc (5 to 10 years experience)		
• Experience and exposure in working with Reference Bureaus, customer profiling, data analytics, big data modelling, Fintechs and new financing models		30
• Good understanding of credit information systems principles and practices, with special emphasis on emerging country implementation.		15
• Experience in Research work and Knowledge Generation		10
Understanding of and adherence to the ToRs, response to and comments on them, including any suggested amendments (with justifications)		15
Clear and concise methodology, availability of the firm to commence the assignment and presentation of technical proposal		10
Total marks		100

To be considered further, a minimum total technical score of 70/100 is required. Only financial proposals from bidders scoring at least that level will then be evaluated. The total financial cost in US\$ will be weighted according to the formula:

- i) $(\text{Lowest total financial cost} / \text{Bidder's total financial cost}) \times 0.2$
- ii) Total technical marks weighted by a factor of 0.8.

The weighted technical and financial scores for each proposal that passes the minimum technical threshold will then be added to produce a total score. The preferred bidder will be the one producing the highest total combined score.

All bidders will be informed of the combined weighted scores for all proposals that pass the minimum technical threshold. The FSDT will also separately inform the bidder of any proposal that fails to meet this threshold.

Any queries relating to this ToR should be submitted in writing to FSDT under the following address: procurement@fsdt.or.tz

These questions and the answers will be shared with all short listed candidates. The deadline for any queries is 2 days before the proposal submission deadline date.

13. PAYMENT SCHEDULES

Consultants are required to recommend a payment schedule based on the expected outputs.

14. CONFIDENTIALITY

All information contained in the terms of reference and attachments is provided on a strictly confidential basis solely for the use of Tenderers in connection with a competition for the supply of services for the above contract. It is a condition of this competition that Tenderers (and any sub-contractors) shall:

- i) take all reasonable measures to protect this confidentiality and avoid the unauthorized use, disclosure, publication, or dissemination of confidential information;
- ii) not use this information other than for the purposes of preparation of a tender, and shall disclose it only to officers, directors, or employees on a specific need to know basis; and
- iii) not disclose, publish or otherwise reveal any of the information contained herein except with the specific prior written authorization of FSDT.

15. CONFLICT OF INTEREST

Tenderers (and any sub-contractors) must disclose in their tender details of any circumstances, including personal, financial and business activities that will, or might, give rise to a conflict of interest, if they were awarded this contract. Where Tenderers identify any potential conflicts they should state how they intend to avoid such conflicts. FSDT reserves the right to reject any tender which, in its opinion, gives rise, or could potentially give rise to, a conflict of interest.

16. TAXATION MATTERS

The Consultants may be subject to local taxes. Any such tax amounts shall be the responsibility of the consultant.

APPENDIX A - FSDT ACCOMMODATION RATES FOR BED & BREAKFAST BASIS AND DAILY ALLOWANCES (IN TSh)

Group A Dar es Salaam Arusha Mtwara	TZS 400,000
Group B Mwanza Zanzibar Mbeya	 340,000
Group C Tanga Dodoma Morogoro Iringa	 300,000
Group D Any other place not mentioned above	 260,000

DAILY ALLOWANCES (in TSh)

Groups	Lunch	Dinner	Incidental	TOTAL (TSh)
A&B	25,000.00	40,000.00	35,000.00	100,000.00
C&D	20,000.00	30,000.00	25,000.00	75,000.00
