

# **Interest Payment on Mobile Network Operators' Trust Accounts**

## **Term of Reference**

### **1. Introduction**

The Bank of Tanzania (Directorate of National Payment system) and The Financial Sector Deepening Trust (FSDT) are keen to conduct a study to understand more and validate the interest payment to Mobile wallets holders by the providers. 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 Embassy, Embassy of Denmark (DANIDA) and Bill & Melinda Gates Foundation. FSDT provides the following types of support to stimulate the financial sector;

- Funding to support the development of new financial products that address the needs of poor households and micro and small enterprises.
- Support improvements in the policy, legislative and regulatory framework affecting delivery of services.
- 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.
- Support initiatives aimed at enhancing the supply of appropriate business services to financial service providers in Tanzania.

### **2. Parties**

2.1 The Directorate of National Payment System, Bank of Tanzania

2.2 The Financial Sector Deepening Trust, Tanzania

### **3. Background**

3.1. Currently, Mobile Network Operators (MNO's) which provide financial services for customers through mobile accounts own trust accounts in different commercial banks to deposit their customer's money for transfer and payment.

- 3.2. The trust accounts earn interest just like other banking deposit accounts. However, the interest earned is distributed to customers using a formula presented to the Bank of Tanzania and approved. The question arising is, whether the formula for distribution is proper and fair to all MNO customers. Therefore, it is very important that these formulae are studied and harmonised across all e- money issuers as it will impact a lot on promotion of using formal financial services and hence a boost to financial inclusion in the country.

#### **4. Objectives**

- 4.1. The research project will provide studies committed to identifying policy options for making use of interest earned in MNOs' trust accounts. The studies should provide backgrounds on interest pricing structure with detailed data and assessments which cover each option's feasibility, capacity and implications on the current and future MNO's operations and mobile account usage trends.
- 4.2. The results of this project will be used for policy recommendations for standardized usage of interest earned in MNOs' trust account, which are aligned with National Financial Inclusion Framework (NFIF).

#### **5. Project Scope**

- 4.1 The project will identify policy options, seek alignment on, and make recommendations for the interest payment on MNOs' trust account.
- 4.2 The project will conduct studies and assessments that include the scope and consideration of:
- 4.2.1 The current interest pricing structure
  - 4.2.2 Market study to assess customer demand for using mobile accounts as means for saving
  - 4.2.3 Cost and benefit from paying interest on trust account
  - 4.2.4 Impact analysis on issues arising from paying interest for mobile account holders, ranging (but not limited to) from legal

complications, prudential regulations (i.e. deposit insurance scheme), and level playing field for financial service providers

4.2.5 Provide policy options with in-depth cost and benefit analysis

4.2.6 Identify roles and responsibilities for players involved in policy implementation.

4.2.7 Engage Electronic Money Issuers to review their models for interest distribution to gather an understanding for standardization

4.2.8 Provide guidance for monitoring and evaluations for the proposed policy recommendations.

4.3 The project may identify further work needed to successfully implement the recommended strategic approach.

## **5 Methodology**

Consultants are free to propose the most appropriate methodology to conduct this research and will include both primary data gathering and desk review of relevant documents and reports. Consultants should also conduct a deep dive study of areas that were not covered or any of the recent studies (i.e. Digital Financial Services, etc.).

## **6 Deliverables/Specific Outputs Expected from the Consultant**

The Consultants will work with the Parties involved staff and stakeholders to develop and implement the assignment in 6 weeks (48 days). The consultant will be responsible for the following deliverables whose schedule is also indicated below:

- An overview of the context, problem definition, desired outcomes and measures
- The studies with insightful qualitative and quantitative assessments, which at minimum cover the scope mentioned in 4.2.
- A final report detailing the proposed policy intervention packages, a preferred strategic approach and recommendations including necessary changes to achieve implementation.



### Schedule of Deliverables

Contract Signing	November 2016	
An overview of the context, problem definition, desired outcomes and measures	7 days after signing the contract and preliminary start of the assignment	1 <sup>st</sup> deliverable
Submission of the following:  i). First draft report as per scope of work,  ii). An executive summary of findings to be used as a standalone document for dissemination and communication and,  iii). A methodology (including a tool for data collection) to guide a rapid assessment of capacity needs for future use	21 days from deliverable 1	2 <sup>nd</sup> deliverable
Power Point Presentation of final report to stakeholders on the findings, options,	13 days from deliverable 2	3 <sup>th</sup> deliverable

recommendations, priorities and action plan		
A final report detailing the proposed policy intervention packages, a preferred strategic approach and recommendations including necessary changes to achieve implementation	7 days from deliverable 3	4 <sup>th</sup> deliverable

## 7 Timing of this consultancy

The assignment should commence on the 28<sup>th</sup> November 2016 and be completed by 25<sup>th</sup> January 2017. The assignment will take a total of 48 working days (Monday-Friday).

## 8 Management and oversight

Contracting will be done by FSDT who will also help facilitate set up of meetings/interviews with key stakeholders and Financial Services Providers (MNO's Vodacom, Airtel, Tigo, Zantel). In addition, FSDT/BoT will make available to the consultant all the necessary background documents/reports and any support required as and when requested.

## 9 Knowledge and Experience

FSDT is inviting proposals from suitably qualified companies/firms/consultants.

Your proposal should contain:

- Names and CVs (maximum 3 sides of A4 paper each) of lead consultant (s) including:
  - Qualifications and relevant experience in providing the kind of assessment required; outline of team structure. Proposed team of key personnel/consultants must:-
- A summary of you/your firm's experience in providing the kind of analysis called for in these terms of reference.
- A description of you/your firm's understanding of the role of the Consultants as outlined in these terms of reference.
- A description of how you/your firm intend to fulfil the Services within the suggested timeline.
- A financial proposal: an estimated budget for both professional fees and reimbursable expenses.

## 10 Basis of award (Qualifying and Proposal Scoring Criteria)

FSDT will award a contract to the most economically advantageous proposal based on the following criteria:

Mandatory requirements
Firm/individuals must be able to demonstrate a deep understanding of professional education skills development, conducting feasibility studies and market assessments and business models, Especially of such / similar studies
Firm/individuals involved in the team must demonstrate that conducting research is a core competence. This might involve demonstrating regular and recent successful examples of assignments conducted.
Firm/individuals must have good knowledge of the mobile money market in Sub Sahara Africa. Knowledge of mobile money operations in Tanzania will be an added advantage.

## Technical Proposals Scoring Grid

<i>Criteria</i>	Bidder	Max Marks
Experience of the nominated consultants in:		
• In-depth understanding financial sector especially mobile money operations and digital finance		20
• In-depth understanding of conducting market assessments and feasibility studies.		15
• Undertaking similar projects or demonstrating regular and recent successful examples of assignments conducted and business.		15
Consultant's knowledge and experience on the financial sector especially mobile money operations and digital finance in:		
• Tanzania		15
• East Africa and Beyond		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 in approaching the assignment		10
Total marks		<b>100</b>

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:

- $(\text{Lowest total financial cost} / \text{Bidder's total financial cost}) \times 0.2$
- 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:

Nkundwe Mwakiluma,

Deloitte Consulting Limited,

[nmwakiluma@deloitte.co.tz](mailto:nmwakiluma@deloitte.co.tz)

With a copy to [dmhina@fsdt.or.tz](mailto:dmhina@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.

#### **11. Submission of proposal:**

The Consultant should submit a letter indicating their commitment to undertake this assignment. The letter should indicate availability and be supported by a capability statement of similar assignments conducted elsewhere. A full CV should be attached.

The letter should indicate the daily professional fees in US Dollars and should demonstrate that the daily fee rate quoted is internationally competitive. This consultancy will be subject to local taxes (including Withholding Taxes).

### 11.1 Financial Proposal

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	Rate (US\$)	Total (US\$)
Person days of consultant A			
Person days of consultant B .... etc			
<b>Total Fees</b>			
Air travel from home base to Dar			
Air travel within Tanzania			
Airport transfers			
Costs of any vehicle hire and related expenses within Tanzania			
Hotel nights			
Daily subsistence (includes food, drink and local transport)			
Communications and internet access			
<b>Total Expenses</b>			
<b>Total Cost</b>			

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.

All proposals should be submitted electronically to:

Nkundwe Mwakiluma,

Deloitte Consulting Limited,

[nmwakiluma@deloitte.co.tz](mailto:nmwakiluma@deloitte.co.tz)

Proposals are to be received not later than 1630 hours Dar es Salaam time, on **17<sup>th</sup>** November 2016.

### **11.2 Payment Schedules**

The FSDT will make payments for this assignment as follows:

- 20% of the fees upon signing of the contract
- 25% of the fees upon submission of the draft report, executive summary and methodology to guide rapid assessment of capacity needs.
- 25% of the fees upon completion of presentations to stakeholders.
- 30% balance of fees on completion of the final version of the report incorporating the comments made, acceptable to 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.

## **12 Confidentiality Statement**

All data and information received from client for the purpose of this assignment are to be treated confidentially and are only to be used in connection with the execution of these Terms of Reference. All intellectual property rights arising from the execution of these Terms of Reference are assigned to the client. The contents of written materials obtained and used in this assignment may not be disclosed to any third parties without the expressed advance written authorization of the client.

## **13 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.

## **APPENDIX A: FSDT’S SUBSISTENCE ALLOWANCES**

### **ACCOMMODATION CHARGES ON BED & BREAKFAST BASIS IN USD**

#### **ACCOMMODATION RATES ON BED & BREAKFAST BASIS** **(in US\$)**

<b>Group A</b>		<b>US\$</b>
Dar es Salaam		200.00
<b>Group B</b>		
Arusha		170.00
Mwanza		
Zanzibar		
Mbeya		

<b>Group C</b>		
Tanga		150.00
Dodoma		
Morogoro		
Iringa		
<b>Group D</b>		
Any other place not mentioned above		130.00

#### **DAILY ALLOWANCES ON DAILY BASIS (in TSh)**

Groups	Lunch	Dinner	Incidental	Total
A&B	25,000.00	40,000.00	35,000.00	<b>100,000.00</b>
C&D	20,000.00	30,000.00	25,000.00	<b>75,000.00</b>

#### **14 Suggested references**

- Policy/Strategy documents from GoT/financial institutions
- Supply side reports available in the market

- FinScope, AgFiMS, MSME and other reports
- Any other documents requested (if available)