

## REQUEST FOR EXPRESSIONS OF INTEREST

### AFRICAN DEVELOPMENT BANK

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Financial Sector Development Department (OFSD)

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**Brief Description of the assignment: Electronic and Digital payments Expert to Provide Consultancy Services to conduct a feasibility study in Uganda**

*Place of assignment:* **Kampala, Uganda**

*Period of assignment:* **February 2017 to July 2017**

*Expected start date of the assignment:* **February 2017**

*Last date for expressing interest:* **15th January 2017**

*Expression of interest to be submitted to:* **[g.kyokunda@afdb.org](mailto:g.kyokunda@afdb.org)**

*Any questions/ clarifications needed to be addressed to:* **[g.kyokunda@afdb.org](mailto:g.kyokunda@afdb.org)**

**Terms of reference for “Electronic and Digital Payments Expert to Provide Consultancy Services to conduct a feasibility study in Uganda”**

Further details are as below.

### **Background**

The 2013 Finscope data indicated a significant improvement in the access to financial services by the adult population (above 16 years old) from 38 percent in 2006 and 70 percent in 2009 to 85 percent in 2013. The percentage of banked population has, however, remained low ranging between 18-21 percent with formal inclusion more prevalent in urban areas compared to rural areas.

The improvement in financial inclusion was mainly driven by mobile money financial services. Mobile technology enables mobile phones to offer convenient and reliable financial services, and thereby provide for the extension of payments, money transfers, savings, and credit to people who previously did not have access to such services. Mobile accounts have also proven to be far cheaper than traditional bank accounts. With Mobile phone accessibility in Uganda estimated at 52.3% (2014), mobile technology plays a key role in ensuring financial inclusion even for the poorest of the poor in the country.

It should be noted however that the larger chunk of financial services utilizing mobile technology cover funds transfer and payments of utility bills. Ministries, Departments and Agencies (MDAs) in Uganda offer a range of services to citizens and other MDAs. Some of these services require payment either directly to the MDAs or to

the Uganda Revenue Authority, collects revenue on behalf of the MDAs. Funds collected are periodically transferred to the respective accounts of the MDAs at the Bank of Uganda (Central Bank). The Central Bank is charged with developing and maintaining efficient, reliable and secure payment systems for Uganda. Currently, the Central Bank operates the following payment systems: Cash, Cheques, Electronic Clearing System (ECS), and Electronic Funds Transfer (EFT). Almost 75% - 85% of all retail transactions are performed with cash and this is supported by all Financial Institutions (FIs). This mode of payment often takes long to effect, requires physical presence and has proven to be costly in the long run.

Citizens, residents and businesses are constantly demanding new innovative payment instruments to effect payments and settlements for services from the Government of Uganda such as: Mobile Money, Credit cards/Debit cards etc. There is an urgent need to develop and support an ecosystem that can tremendously increase online payments and coordinate the current payment arrangements that are isolated through the introduction of widespread interoperability in the country. Such a system should include mobile payment platforms, banking systems, credit/debit card networks and other financial agencies and should cater for Government to Business (G2B), Government to Government (G2G) and Government to Citizen (G2C) payments.

The National Information Technology Authority – Uganda (NITA-U) was established under the NITA-U Act 2009, to coordinate and regulate Information Technology services in Uganda. One of NITA-U's goals is “a rationalized and integrated National Information Technology Infrastructure”. NITA-U is currently in the process of integrating key national databases and systems to improve on service delivery and minimize operation costs. The integration will be through a shared infrastructure which is intended to simplify implementation and management of sector specific e-services.

Key to the integration is the provision of a centralized, secure e-payment platform for all Government of Uganda services between Government Agencies, citizens and businesses. This system could also be linked to the National ID database and other databases. Such a system should have wide interoperability to ensure that many more citizens and businesses can increase their use of digital payments, as it is quicker and contributes in a significant manner to financial inclusion for SMEs and underserved populations at the bottom of the pyramid.

The development of the e-payment platform shall be supported by among others: Presidential directives on use of digital payments, regulatory requirements for participating Financial Institutions, security assurances, adoption of e-payments by citizens and availability of cost-effective technologies.

It is in this context that the African Development Bank intends to procure consultancy services for a feasibility study that shall include the following:

- i. Assessment of governance, safety and efficiency in management of payments in both Government Agencies and private financial institutions.

- ii. Assessment of the national and private payment systems infrastructure in the country including: payment instruments, service providers, operating procedures and ICT technologies and recommendation of potential business models and identifying critical success factors.
- iii. Given that there is no payments system law in place, assess other legal and regulatory framework elements in terms of the operational and institutional framework, laws and regulations supporting payment instruments and processes and institutional roles of key Government Agencies in the payments arena.
- iv. Assessment of the technological infrastructure such as; telecommunications, interoperability of systems, licensing of software, hardware, disaster recovery and network facilities.
- v. Assessment of economic, political and social factors such as; wealth distribution, education, industrial infrastructure, population size and urbanization, levels and distribution of resource endowments, cultural and religious beliefs and financial literacy.
- vi. Assessment of cooperation and partnerships amongst Government Agencies (Central Bank --- supervision and payments system departments and Treasury) and between Government and the private sector/international partners to leverage impact of payment systems.
- vii. Development of a business plan and Project assessment.
- viii. Detailed Project Implementation Plan, including sustainability options such as private and public management of the platform.
- ix. Preparing of procurement documentation of the implementation of an e-Payment System.
- x. Design of a Public awareness and communication strategy to enhance usage of the platform, including consumer protection and financial literacy elements associated with the use of the e-payment system

## **PROJECT RATIONALE**

Access to financial services in Uganda is on the rise especially because of emerging mobile technologies. This progress should be leveraged to enable online payments and collections for G2C, G2G and G2B services. The e-Payment gateway for Government of Uganda will;

- i. Promote further financial inclusion for certain segments of the population.
- ii. Promote sound, efficient and transparent management of public financial resources.
- iii. Improve National Payment Systems and link it to the national ID program
- iv. Spur economic development by providing an affordable payment platform to promote e-commerce.

## **Objectives of the Feasibility Study**

The overall objective is to assess the requirements for the development of an e-Payment platform for the Government of Uganda.

### **Specific Objectives**

- A. Conduct a Political, Economic, Social, Technological, Environmental and Legal (PESTEL) analysis
- B. Conduct a Strength, Weaknesses Opportunities and threats (SWOT) analysis

- C. Analysis and recommendation of the most suitable project implementation and management plan of an e-Payment platform for all Government payments
- D. Undertake cost benefit analysis - include comparison of development costs and maintenance costs
- E. Propose an e-payment ecosystem that has wide interoperability, which will then contribute to the overall financial inclusion agenda of Government
- F. Propose revenue generating models of implementing the platform in terms of Public Private Partnership (PPP) arrangements
- G. Analyze and design an e-payment solution that supports all available payment options such as mobile money, prepaid cards, e-wallets, etc.

### **Scope of Feasibility**

The following areas should be covered during the feasibility study, as well as new areas based on consultants' expertise and experience, specifically the consultant will:

- A. Undertake stakeholder engagement and review their experience with existing payment platforms/solutions, their specific roles in the payment process, legal framework and regulatory environment —both public and private. The key stakeholders are: Government Agencies with experience in e-payment systems, Non-Government Organizations, payment service providers and private sector associations.
- B. Assess risk management and governance issues at key Government agencies in charge of payments such as: The Central Bank, Uganda Revenue Authority, National Social Security Fund, Treasury and the Ministry of Finance and recommend appropriate measures.
- C. Review the legal and regulatory framework supporting payments including:
  - a. Operational and institutional framework
  - b. Laws, regulations supporting payment instruments, payment systems, competition, consumer protection etc.
  - c. Specific legislation on scope of Treasury Single Accounts (TSA)
  - d. Legal restrictions on innovation and creativity
  - e. Restrictions on payments to specific agencies
  - f. Use of particular payment instruments
  - g. Involvement of intermediaries
  - h. Recognition of digital signatures and digital records associated with payments
- D. SWOT and PESTEL analysis should be conducted that includes:
  - a. Assessment of Government transfers and the central treasury system, Government expenditures, details of Government payment programs, legal and regulatory framework, payment infrastructure, risk management, Governance and transparency, cooperation and partnerships between Government Agencies concerned with payments and financial inclusion.

- b. Assessment of income levels in the country
  - c. Competition in the market for provision of payment services
  - d. Understanding emerging payment needs and capabilities of the economy
  - e. Environment and geographical factors, eg population and urbanization, level and distribution of resource endowments
  - f. Economic factors, eg wealth distribution, education, industrial infrastructure and innovation
  - g. Public policy factors including laws, policies and performance of Financial Institutions.
  - h. Social factors that incorporates the views of citizens on the cost of services and time taken to access services.
  - i. Technological framework
- E. Conduct analysis of the relevant legislation governing Government payments and collections including Anti-Money laundering, use of agents or middlemen and acceptance of e-value for online transactions
- F. Analyze the current payment processes and procedures in government and recommend optimized e-payment processes and payment options for government.
- G. Assess the interoperability of current financial systems and recommend an optimal integration approach based on international best-practice
- H. Undertake an assessment of necessary financial services infrastructure, payments infrastructure and telecommunication/network infrastructure required for establishment of an e-Payment platform for Government. This should cover the following:
- a. Business processes for government payments and collections
  - b. Payment instruments
  - c. Payment systems such as inter-bank systems
  - d. Operating procedures and rules
  - e. ICT technologies (licenses, hardware and disaster recovery and inter-operability) and security
  - f. Spread of financial Institutions around the country
  - g. Regulation and supervision of banking and financial services
  - h. Financial transaction costs
  - i. Transaction infrastructure i.e. clearing and settlement
- I. Assess the status of financial inclusion in the country especially among the least privileged communities including;
- a. Affordability of services to citizens
  - b. Usage of payment services by citizens
  - c. Profit potential for Financial Institutions from Government to People (G2P) payments
  - d. Volumes of transactions country-wide by region
- J. Propose a feasible strategy of implementing an e-Payment platform for Government taking into considerations of the current, medium and long-term e-payment needs and recommend a feasible architecture and design.

- K. Propose an operations strategy for management of the e-payment platform. This should indicate if Government, a private entity or Public Private Partnership runs the operations of the e-payment platform. The advantages and disadvantages of all approaches should be stated.
- L. Review the EAC –countries’ payment systems and harmonization of these.

## **Deliverables**

### **A. Feasibility study report**

Detailed technical and economic feasibility studies, assessing different alternatives and estimated costs for each of the following components:

- i. Development: Requirements analysis, solution design, testing and deployment strategies
- ii. Core Infrastructure: Technical description/requirements of the required infrastructure – including hosting, network and security requirements.
- iii. Training and sensitization plans for staff and the general public

### **B. Financial and Business model report**

The Consultancy team will assess the strengths and weaknesses of an appropriate model envisaged by the government to ensure the efficient maintenance of the e-Payment platform within the framework of an efficient regulation.

### **C. Entire Procurement Documentation**

The consultancy team must prepare a complete set of procurement documents in compliance with public sector procurement law, policies and guidelines and in accordance with best international practice. These documents include the Request for Proposals with indications on optimal solutions based on the studies listed above and other contractual agreements.

## **Required Qualifications and Experience**

The consultancy firm will have to meet the following minimum criteria as summarized:

- a) The firm should have experience in conducting feasibility studies of this magnitude
- b) Experience in development of e-Payment and digital solutions
- c) A team with strong background in any area of digital finance or at least Masters’ Degrees in other fields relevant to digital finance or in Finance /Accounting or a related relevant qualification. This would include, but is not limited to; computer sciences, information technology, telecommunication, law and finance. Additional certifications in electronic and/or digital platforms or related fields would be an advantage;
- d) Solid understanding of digital finance including hardware, software, products, systems, platforms, players and other relevant aspects of digital finance;

- e) Proven additional training in planning, monitoring and evaluation of projects and programs.
- f) Experience working in implementing e-Payment Systems with particular experience in developing policies, frameworks and strategies for e-Payment systems, integrated solutions etc at national and regional levels; and ICT strategic planning, implementation and monitoring and evaluation
- g) Solid knowledge of policies, laws and regulations governing digital financial services as well as global and regional best practices in the field;
- h) Solid knowledge of banking and the operations of financial intermediaries;
- i) A minimum of 10 years of relevant professional experience;
- j) Experience in working with international development finance institutions and governments;
- k) Fluency in English or French; working knowledge of the other would be an advantage;
- l) Proven capacity to work in a team and to deliver measurable outputs in a timely manner;
- m) Candidates are also expected to have very good writing skills and strong computer skills. Financial modelling skills would be an advantage; and
- n) Be a national of one of the member countries of the Bank.

### **Duration of the Assignment**

The overall duration of the consultancy will be six months, commencing in February 2017, with the specific full time and part time aspects to be confirmed at the start of the assignment. Depending on specific tasks being handled at various junctures, the assignment may require full time presence in Uganda, for specific days. Several tasks are expected to be performed remotely from the consultant's location. Field travel will be required.

### **Remuneration for the Assignment**

The payment schedule and the conditions for the consultancy will be negotiated with the recruiting department. The Bank will cover relevant travel costs in line with its rules and as authorized by the Bank in connection with the contract.