

## **Sierra Leone Financial Inclusion Project (SLFIP)**

*(IDA Project No.: P166601)*

### **Consulting Services: A RURAL PAYMENT SYSTEMS CONNECTIVITY ASSESSMENT FOR THE FINANCIAL INCLUSION PROJECT**

SL-MOFED-161815-CS-CQS

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#### **REQUEST FOR EXPRESSIONS OF INTEREST**

##### **BACKGROUND**

The Government of Sierra Leone has received a loan of USD\$12M from IDA/World Bank to implement the Sierra Leone Financial Inclusion Project. The Project has a development objective to increase the interoperability of digital payments and access to financial services. The Project is an Investment Project Financing (IPF) and comprised of three components. Component 1 – Ensuring interoperability of digital payments; finances the hardware, software, and consulting services required to implement a switch successfully. Component 2 – Ensuring the viability of the payments system through increasing usage thereof by financing access points for the switch, including Point of Sale (POS) terminals, mobile wallets, and government payments. The component has a particular emphasis on increasing access in areas of the country with particularly low levels of financial inclusion, and in particular, rural areas. The component also supports other barriers to the usage of the payments system, including legal and regulatory barriers and financial awareness. Component 3 – Project Implementation Support; finances a project coordinator and oversight mechanisms for the project to ensure private sector stakeholder involvement.

In particular, component 2 aims to support linkages to the switch, mainly through rural financial institutions, but there are some infrastructural challenges, which hinder achieving this objective. For example, Microfinance Institutions (MFIs) are constrained in their ability to provide Digital Financial Services (DFS) given the poor GSM network and lack of communication infrastructure. In fact, 54 of the country's 59 rural Financial Service Associations (FSA) are within reach of currently existing telecommunication towers, but the quality of their connectivity varies, and the reliability for financial transactions is yet another issue of concern. In the absence of additional and improved MNO towers, v-satellite connections, and other telecommunications infrastructure may be necessary investments to stimulate DFS in rural areas. MFIs in Sierra Leone also lack the requisite infrastructure, including payment systems, to facilitate electronic payments. At present, MFIs are not connected to each other with financial sector infrastructure. Thus consumers cannot process transactions between different institutions. For example, a member of a Community Bank (CB), currently cannot access their funds at another CB, or at an MFI, FSA, or even a commercial bank.

Consequently, MFI clients (almost 190,000) remain dependent on cash transactions, in part, since they cannot process transactions between other financial institutions. To facilitate MFI linkages to the country's payment system's infrastructure, including the Automated Clearing House (ACH), Real-Time Gross Settlement System (RTGS), and national retail payment switch, they must have the requisite telecommunications connectivity and core banking applications (CBAs). Lastly, a better understanding of how banks located in the provinces using DFS could better cater to consumers outside of the cities, and for example, in agriculture, requires further study.

Beyond MFIs and banks, there are an array of opportunities to promote usage of the payment system's infrastructure in rural areas. BSL is on the cusp of issuing regulations to permit agent banking, including super agents. To allow super agents to transact across financial institutions, switch POS terminals would be critical and yet also a barrier to entry for agents given the cost. Relatedly, the usage of POS terminals in rural areas requires investigation as to how their strategic placement could help drive the digitization of sales. Additionally, there are few ATMs and cardholders in the country and the switch could play a role in helping to drive ATMs and the use of cards. Fintech companies are beginning to develop products and services which cater to rural markets, but challenges to profitability, network connection, and DFS sensitization, among others, require analyzing, assessment and creativity to provide effective solutions.

To better understand how the project's limited resources could be used to leverage rural connectivity to the country's electronic payment systems and DFS, the project will finance an assessment to understand the nature of the barriers to facilitating rural financial institutions linkages to the switch and identifying alternate solutions to overcome these barriers with corresponding budgets and proposed pilots.

## **2. GOAL AND OBJECTIVES OF THE ASSIGNMENT**

The main objective of the assignment is to engage the services of a firm to conduct a comprehensive technical and financial and data-driven field analysis on the challenges and solutions to enhance rural connectivity to the countries' payment systems (e.g., switch (planned), ACH, and RTGS), and increasing usage thereof.

## **3. SCOPE OF WORK**

Specifically, the assessment will examine the following challenges and provide concrete and costed solutions thereto via 2-3 different comprehensive effective, reliable, and sustainable costed options to facilitate rural connectivity to the countries' payment systems and usage thereof.

- 1) Network connectivity (e.g., expanded V-satellite and modem connections) for rural financial institutions and other DFS providers
- 2) Investments in CBAs, connections to the ACH and RTGS-, POS/API systems, and ATMs
- 3) Potential products and services (e.g., national mobile wallet, USSD access, POS/API, etc.) to obtain volume on payment systems
- 4) Assessment and proposal for institutions to host payment services for rural institutions and Non-Bank Financial Institutions (NBFIs) more broadly given their rural presence
- 5) Incentives for financial institutions to expand to rural areas

**Assignment Deliverable:** Comprehensive technical and financial report that is data-driven on the current challenges, and also the different solutions thereto (including proposed costed options), for rural financial institutions' and NBFIs' connectivity to the countries' payment systems and usage thereof.

## 6. QUALIFICATION AND EXPERIENCE

The firm will be expected to possess the following qualifications and experience:

- At least three years in existence as a firm
- Proven experience delivering at least three similar assignments for Government, the private sector, or international development partners
- Has good knowledge of payment systems
- Experience in network security requirements and standards in the financial industry
- Has experienced staff in ICT (Internet and Communication Technology)

The selected firm will need to have at least two individuals, the manager and deputy manager, dedicated to this task. Their qualifications are as follows:

The manager of the assessment from the firm, who will oversee the desk and field work as the technical and managerial lead, should possess the following qualifications and experience:

- A minimum of a Master's Degree in Business Administration, Finance, Agriculture, Economics, or equivalent
- At least five years of experience in the financial sector
- At least five years of experience in rural development
- Strong technical experience in financial inclusion, with particular regards to rural areas and electronic payment systems
- Expertise in core banking systems and telecommunications connectivity
- Work experience with international entities, such as the World Bank, NGO's, INGO'S, donor-funded projects, and other relevant institutions will be an added advantage
- In-depth knowledge of the prevalent international standards in the area of payment systems, in particular, the Principles of Financial Markets Infrastructures (PFMI) for their impact on risks and innovations in retail payments
- Fluency in both oral and written English language
- Excellent oral and written communication skills in substantive and technical areas
- Strong interpersonal and communication skills, commitment to teamwork and to work across disciplines
- Excellent writing, editing, and analytical skills

The deputy manager of the assessment will support the manager by contributing to the desk and field work on a managerial and technical level, and should possess the following qualifications and experience:

- A minimum of a Master's Degree in Business Administration, Finance, Agriculture, Economics, or equivalent
- At least three years of experience in the financial sector
- At least three years of experience in rural development
- Strong technical experience in financial inclusion, with particular regards to rural areas and electronic payment systems
- Expertise in core banking systems and telecommunications connectivity

