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TECHNICAL LEAD: THE ROLE OF SACCOS AS REMITTANCE PROVIDERS

1. BACKGROUND

FSD Kenya 2022-2026 strategy

The Financial Sector Deepening Kenya (FSD Kenya) is an independent Trust dedicated to the achievement of a financial system that delivers value for a green and inclusive digital economy, while improving financial health and capability for women and micro and small enterprises (MSEs). FSD works closely with Government, the financial services industry and other partners to develop financial solutions that better address the real-world challenges faced by low-income households, enterprises and underserved groups such as women and youth. FSD's current strategy (2022 – 2026) sets to contribute to the development of a financial market offering useful, affordable, and trusted financial solutions for Kenyans and Kenyan enterprises, especially for women and micro and small enterprises. The Strategy focuses on shifting 3 key functions of the financial market towards more inclusive finance. These functions are effective policy, regulation and vision, open financial market infrastructure and value adding financial solutions.

Remittances is recognised as a key enabler to achieving Kenya's long-term development goals as they enable socio-economic growth and transformation of livelihoods through their wide reach, especially to low-income households and rural populations. These flows enable livelihoods to manage day-to-day and increase their resilience through covering medical, educational, and housing expenses as well as covering various emergencies such as crop failure and emergency medical treatment. They are also used to start and sustain small businesses.

IFAD and the PRIME - Africa programme

The International Fund for Agricultural Development (IFAD) has an on-going programme, PRIME Africa - the Platform for Remittances, Investments and Migrants' Entrepreneurship, which focuses on seven African countries (including Kenya). The main objectives of PRIME Africa are to support the cost reduction of diaspora remittances, increase digitisation of the international remittances, foster the adoption of remittances formal channels, and increase the financial inclusion use cases through remittances. The project produced a diagnostic on the Kenyan remittance market in 2021, as well as an accompanying roadmap to guide activities to help make improvements to the market. The implementation activities following this include interventions that support both the private and public sector players.

Remittances in the Kenyan context

Remittances are important for Kenya and is an area that has receiving increased attention in recent years. In many ways, Kenya has been seen as the 'poster child of digital diaspora remittances, due, in many ways, to the widespread adoption of mobile money domestically since 2007. Kenya is a net receiver of remittances. According to data from the Central Bank of Kenya (CBK), remittances inflows to Kenya totalled USD 3.7 billion in 2021, accounting for over 3 percent of GDP. Despite the significant contribution of remittances to Kenya's economy, there still exists constraints in the remittance market that are altogether holding back more efficient outcomes for the broader economy and for downstream recipients. Of these, cost continues to be a major barrier with CBK data showing that the average cost of sending remittances was in the range of 4%-6% of the amount sent depending on the

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remittance corridor. ¹ This is higher than the SDG target of reducing the cost to less than 3% and eliminating remittance corridors with costs higher than 5% by 2030.

Beyond costs, other challenges include lack of publicly available data that provide granular and gendered detail relating to size and value of remittance flows, channels used, both formal and informal, senders and recipients demographics and gender, usage of remittance receipts and other data points that would provide a wholesome picture of the remittance market in Kenya. While CBK publishes monthly data on diaspora remittances, it is aggregated, categorises the inflows as per three corridors: North America; Europe; and the rest of the world and only includes remittances sent through formal channels. However, anecdotal evidence suggests that there are large inflows of remittances through informal channels both into and from Kenya which by-pass the formal channels. Additionally, little is known about Kenya as a remittance-sending market.

The role of SACCOs in remittances

Both IFAD, SASRA and FSD recognise the potential role of SACCOs as significant players in the remittances market. There are currently over 500 SACCO pay points countrywide with some of the large SACCOs rivalling commercial banks in terms of asset size and capital base. Whilst SACCOs currently offer remittance services, it is through agency relationships with commercial banks and other PSPs, mainly FinTechs that leverage mobile money services. This is by design as SACCOs currently cannot participate directly in the national payments system and cannot handle forex transactions. The current arrangements have several limitations: (i) they create several intermediary layers which add costs to the transactions thus making it more expensive to the end consumers; (ii) the integrations through partners create multiple points which cause vulnerabilities in terms of system failures and cyber-attacks, and (iii) banks need to get approvals from CBK before partnering with SACCOs which in turn have to get an approval from their regulator, SASRA, before partnering, a burdensome process. These challenges limit the effectiveness of SACCOs as remittance providers. Addressing these challenges has the potential to:

- a. Increase inclusive finance through efficient and effective transfers, including reduced costs.
- b. Reduce the use of informal channels.
- c. Increase networks into rural areas by linking remittances with the financial services used by rural, low-income people such as women.

To get a better understanding of the current and potential role of SACCOs as remittance providers, it is imperative to first undertake a review and analysis of the market, policy and regulatory landscape to identify the constraints and opportunities in the remittances market and the SACCO sector and the potential intersections between the two. This would then generate market insights and policy recommendations to enhance the role of SACCOs as remittance providers. FSD Kenya through funding from IFAD and the support of SASRA seeks to recruit the services of two consultants to undertake the market research and analysis (market analyst) and the policy and regulatory review (regulatory consultant). This Terms of Reference is for the **technical lead**. The ideal candidate must have in depth understanding of Kenya's financial sector landscape especially the SACCO sub-sector, the policy and regulatory environment and an understanding of the payments ecosystem in Kenya.

¹ CBK Diaspora Remittances Survey, December 2021.

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2. OBJECTIVE

The technical lead is responsible for planning, managing and providing overall leadership for the market, policy and regulatory review and analysis of the remittances landscape and the examination of the role of SACCOs as remittance providers.

3. SCOPE OF WORK

The specific tasks to be undertaken are:

3.1 Ensure timely deliverable of project activities and outputs.

The project manager will review the activities and expected deliverables from the workstream and working closely with the consultants and other project team members, to ensure that these are done. These outputs must be of high quality and delivered in a timely manner. This will require review of the project documents including the Grant document, consultant's ToRs and project schedule among others as shall be discussed at the inception meeting. Some of the tasks include:

- Provide technical inputs to guide all project activities and deliverables
- Ensure timely delivery of assigned deliverables
- Tracking project related risks
- Track project deliverables and progress
- Based on input from consultants, initiate and undertake procurement within agreed SLAs as shall be required
- Where required arrange meetings for technical staff with stakeholders or consultants and diarise accordingly.

3.2 Project monitoring, measurement and reporting.

The project manager will administer, monitor, and evaluate the project regularly, in accordance with the regulations set forth in the grant agreement signed by FSD Kenya and IFAD. This will include:

- Develop a monitoring and evaluation tracking sheet/system to ensure that milestones, outputs and outcomes are achieved in due time. Progress will be tracked against the baseline data that should be available at project inception.
- Produce and share internal monthly and quarterly progress reports as well as milestone or checkpoint reports.
- Co-ordinate stakeholder physical and/or online meetings where key partners will be kept abreast of progress of the project. It is proposed that these are done weekly.
- Act as secretariat for project meetings and circulate minutes within 72 hours
- Report and track project results and outputs quarterly
- Track contract and vendor performance
- Coordinating evaluation and project reviews
- Tracking and enforcing contractual obligations
- Co-ordinate the project knowledge and learning events and gatherings.

Below is a summary of the project target outcomes and outputs

Outcome 1	Related outputs
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<ul style="list-style-type: none"> Recommendations to unleash the role of SACCOs as rural remittance providers are derived from the analysis of customers' preferences to receive remittances through SACCOs, current and potential models to distribute remittances and regulatory issues faced by SACCOs <p>Indicators:</p> <ul style="list-style-type: none"> Evidence-based recommendations collated in demand-side, supply-side and regulatory reports (3) 	<ul style="list-style-type: none"> Demand-side report showcasing the results of qualitative interviews and FDGs Kenya's First National Remittances Household Study enhanced with additional questions on the role of SACCOs (4,400 households interviewed under the National Remittance Survey, 1 ad-hoc webinar to disseminate the findings from the household survey) 200 SACCOs and remittance users interviewed (120 interviewed and 80 participated in FDGs) Supply-side report showcasing current and potential SACCO models used to pay out remittances and related partnerships analyzed. 35 stakeholders interviewed (10 key informant stakeholders, 10 SACCOs, 15 SACCOs' partners) Regulatory Diagnostic Report. 2 regulatory bodies involved through ad-hoc meetings
<p>Outcome 2</p> <p>Stakeholders involved in the SACCO sector and remittance value chain are aware of business opportunities under the current regulatory framework. Stakeholders validate and take ownership of recommendations made to bring the offer of international remittances through SACCOs at a broader scale with higher impact on rural financial inclusion for the benefit of a potential SACCOs clientele of 600 000 customers (50% rural).</p> <p>Indicators:</p> <p>Recommendations and research insight including an estimate of the untapped potential market for SACCOs validated by key stakeholders and broadly shared in a final report and workshop</p>	<p>Related outputs</p> <ul style="list-style-type: none"> 3 workshops (divided by audience: remittances users, providers and regulators) to validate and refine the report analysis and recommendations and generate ownership 200 persons involved at the consultative workshops (50 from demand-side, 125 from supply-side and 25 from regulatory bodies) 3 summary documents outlining opportunities challenges and recommendations prepared for the demand-side, supply-side and regulatory recommendations. 1 final publication with the research findings and recommendations 1 dedicated in-person event to disseminate the knowledge findings; at least 100 relevant participants attending final event. At least 2 National Remittances Stakeholders Network (NRSN) Community of Practise (CoP) meetings

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	<ul style="list-style-type: none"> SASRA, IFAD and FSD Kenya websites disseminate the project knowledge
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4. CONDUCT OF THE WORK

The technical lead will be contracted by FSD Kenya who will handle all contractual matters including payments. The technical lead will manage and work alongside two other consultants: a market research analyst and a regulatory consultant, both of whom will be contracted separately by FSD Kenya to support other aspects of this work. S/he will report directly to the FSD Kenya's senior payments specialist while working closely with the project team comprised of FSD Kenya and SASRA staff. The role does not require full-time physical presence in the FSD office, but from time to time, in-person meetings will be required. Overall, this work will require a flexible and agile working arrangement to adapt to an operating environment or policy priorities that might change, sometimes on short notice.

5. OUTCOMES AND DELIVERABLES

The key outcome sought from this assignment are ensuring the delivery of quality and timely deliverables. The table below specifies the expected deliverables.

Activity	Deliverables
1. Inception meeting to clearly outline the expectations including full understanding of the deliverables and timelines	<ul style="list-style-type: none"> Detailed Implementation plan
2. Ensure timely deliverable of project activities and outputs	<ul style="list-style-type: none"> Deliverables from the consultants s/he received on time and within the agreed timeframe and are of high quality.
3. Project monitoring, measurement and reporting.	<ul style="list-style-type: none"> Monitoring and evaluation tracking sheet/system Quarterly progress reports Weekly progress meetings Track contract and vendor performance Coordinating evaluation and project reviews Tracking and enforcing contractual obligations Co-ordinate the project knowledge and learning events and gatherings. Track the budget spend. Regular reports to IFAD

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6. REQUIREMENTS

Mandatory requirements	
1.	A relevant qualification (minimum bachelor's degree, masters preferred)
2.	At least five years of experience in a similar role with a reputable organisation working with SACCOs and remittances
3.	A solid understanding of the remittances and payments regulatory system in Kenya as well as understanding the associated policies, industry stakeholders, channels, solutions etc).
4.	At least 5 years of experience managing projects using project management best practices
5.	Proficiency in Microsoft Office applications
6.	Ability to work independently and deliver against deadlines.
7.	Strong stakeholder co-ordination skills
8.	Excellent spoken and written English with good communication and presentation skills
9.	Experience working in the development field (preferably with a market development lens) will be an added advantage

7. EVALUATION CRITERIA

Evaluation criteria (provide response in TECH FORM)		
Criteria, sub-criteria, and point system for the evaluation of Technical Proposals		Weighting (%)
1	Experience and qualification of the Consultant (evaluated via forms TECH-2)	
1.1	Track record and experience with project management	15
1.2	Experience working with SACCOs and remittances	15
1.3	Experience in collecting and analysing data	5
1.4	Understanding of the regulatory payments and remittance ecosystem of Kenya	5
	Experience working in the development field	5
	Proven experience of working with highly technical and specialised organisations	5
	Total Points for this criterion	50
2	Approach and methodology (evaluated via forms TECH-4)	
2.1	Quality and relevance of the implementation plan	10
	Total Points for this criterion	10
3	Staff schedule, work and deliverable schedule (evaluated via form Tech 6,7 & 8)	
3.1	Ability to work independently	5
3.2	Availability and responsiveness to deliver the work	5
	Total Points for this criterion	10
4	Key Professional Personnel Qualification for the Assignment	

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Evaluation criteria (provide response in TECH FORM)		
Criteria, sub-criteria, and point system for the evaluation of Technical Proposals		Weighting (%)
	Note: Bidders to include CVS using TECH FORM-9 and supporting certifications of ALL KEY PERSONNEL. Bidders to respond in relation to the Key personnel requirement and evaluation criteria in this section	
4.1	Relevant academic qualifications	5
4.2	Expertise and skills in stakeholder co-ordination	10
4.3	Expertise and skills of the consultant to communicate and disseminate	15
	Total Points for this criterion	30
	Total Points for the four (4) technical criteria (St)	100
	The minimum technical score St required to pass for financial proposal to be scored is	75
	<p>Financial Evaluation</p> <p>The formula for determining the financial scores is the following:</p> <p>$FS = 100 \times FL / FP$, in which FS is the financial score, Fm is the lowest price and FP the price of the Proposal under consideration.</p> <p>The weights given to the Technical (T) and Financial (F) Proposals are:</p> <p>T = 80% and F = 20%</p>	

8. TIMETABLE

The outputs are expected over a period of 18 months beginning July 2023 and completed in Dec 2024. A summary schedule is included below, which will be agreed on once the lead is on board:

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Activity	2023							2024												
	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Component 1: Diagnostic study																				
1.1	Sub-component - Demand Side Analysis																			
1.1.1	Demand side analysis - Leveraging Kenya's First National Remittances Household Study																			
1.1.2	Interviews of both senders and recipients																			
1.1.3	Interviews with key stakeholders																			
1.1.4	demand side – analysis and report																			
1.2	Sub-component - Supply Side Analysis																			
1.2.1	Mapping active SACCOs remittance models																			
1.2.2	Identifying alternative SACCOs' partners in the remittance value chain																			
1.2.3	Scoping opportunities on the new Central Liquidity Facility and Shared Services Platform for SACCOs																			
1.2.4	Analysis and Report Demand side research																			
1.3	Sub-component Regulatory Diagnostic																			
1.3.1	Legal and regulatory framework for remittances offered through SACCOs																			
1.3.2	Regulatory breaches and challenges faced by existing and alternative models																			
1.3.3	Recommendations to develop compliant partnerships and enabling regulations																			
1.3.4	Analysis and Regulatory diagnostic report																			
Component 2 – Validation and dissemination of research findings																				
2.1	Stakeholder Validation Workshops																			
2.2	Validated Final Report																			
2.3	Industry-level in-person dissemination event																			
2.4	Broad online knowledge dissemination																			
2.5	Internal reporting/co-ordination																			

9. SUBMISSION

Interested bidders should send proposals by email to tenders@fsdkenya.org on or before **June 30th, 2023, at 17:00HRS (EAT)** with the subject line **“REMITTANCE PROJECT TECHNICAL LEAD**.

If you have any clarification questions, please email us at tenders@fsdkenya.org no later than 26th June 2023. Responses to clarification questions shall be sent on 28th June 2023.

FSD Kenya will undertake a due diligence assessment and screening of the preferred Bidder to include reference checks. FSD Kenya will share a Third-party screening questionnaire to aid in processing the assessment and screening. FSD Kenya reserves the right to proceed or reject Bidder(s) depending on the outcome of this assessment and consider the next ranked bidder. The findings of this assessment will be kept confidential and used internally for the purposes of this evaluation.

FSD Kenya reserves the right to accept any tender (s) or to reject all tenders at any time. FSD Kenya also reserves the right to cancel this procurement at any point in time prior to award of the contract.

If you would like to lodge a complaint regarding this procurement process, please write to tenders@fsdkenya.org with the Subject **“remittance project technical lead”**. FSD Kenya procurement team will acknowledge receipt of the complaint in writing within three (3) working days.

During the course of this procurement if you come across any issues of bribery, corruption or wrong doing on FSD Kenya part, please feel free to contact Julius Anyega, FSD Kenya Chief Operations Officer at Julius.Anyega@fsdkenya.org or transparency@fsdkenya.org

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Tender security is NOT required. Issuance of this request for proposals in no way obligates FSD Kenya to award a contract. Applicants will not be reimbursed for any costs associated with their application.