

## **Terms of Reference for the Development of Digital Finance Platform Shared by Microfinance Institutions in Benin**

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### **I- Introduction**

The present terms of reference are for the acquisition of a platform that will enable Benin's microfinance institutions (MFI) to offer digital financial services to populations, especially rural ones, easily and at a lower cost. This platform will facilitate the transition of MFI to digital finance so that their clients have access to appropriate financial and non-financial services to increase financial inclusion. With the technical support of UNCDF and other partners, Consortium Alafia supports this project.

#### **1.1 About Consortium ALAFIA**

The Consortium Alafia was created on the 27<sup>th</sup> May 1997 by microfinance practitioners from Benin and Togo. It was at its creation a sub-regional initiative for the development of microfinance in both countries. On the 10<sup>th</sup> March 2000, there was a split between the countries and the Consortium Alafia became the National Association of Microfinance Practitioners of Benin. With the advent of the Law n ° 2012-14 of the 21<sup>st</sup> March 2012 which instituted a professional association of MFI by countries of UEMOA, the Consortium Alafia became the Professional Association of Decentralized Financial Systems of Benin (APMFI-Benin). As of April 30, 2017, it has forty-four (44) institutions and microfinance networks approved as members.

Its vision is to be a long-term professional microfinance association whose MFI members are increasingly efficient and contribute in an effective and sustainable way to the development of MSMEs and to the reduction of poverty in Benin. Thus, it aims to contribute to the protection of MFI members and facilitate their professionalization and development, by continually strengthening their ability to offer services with regard to best practices in one hand, while working to improve the legal, economic and political environment in which they operate in the other hand. This determines the image it would like to build in the microfinance sector in Benin: A healthy and effective microfinance industry in the fight against poverty by offering a varied and comprehensive range of financial services adapted for MSMEs and low income households in both rural and urban areas.

However, the association is responsible, among other things, to promote and defend the collective interests of its members. Specifically, its objectives are:

- ❖ To be a privileged interlocutor in terms of microfinancing in Benin;
- ❖ To ensure its members' compliance with the ethics and regulations applicable to MFIs;
- ❖ To promote and defend the individual and collective interests of its members;
- ❖ To promote cooperation between its members;
- ❖ To train its members;
- ❖ To organize and manage services of common interests for its members;
- ❖ To inform the public about its activities or initiatives taken or undertaken as part of its mission..

To this end, the association acts in concert with national, regional or international organizations pursuing similar goals, and possibly participate to their work. Hence its collaboration with UNCDF is to make the sector more efficient by supporting this initiative of acquiring a shared-platform that belongs to MFIs of the microfinance sector in Benin.

### **II- General introduction**

#### **2.1 Context**

The rapid growth of mobile telephony and its coverage of the national territory are no longer to be demonstrated. In all municipalities of Benin, making and receiving calls from GSM operators' mobile phones are nowadays a reality and the quality of the communications received or emitted is generally good.

In the light of this brilliant success and the large number of people impacted, Mobile Network Operators (MNOs) or GSM operators have developed, as is the case in Kenya, Uganda, Tanzania etc., partnerships with local commercial banks, Ecobank and Banque Atlantique, to offer money transfer services on the basis of their technical facilities called platforms. It is mainly about money transfer services that include MTN Mobile Money done by MTN, which is an MNO in partnership with Ecobank, and Flooz that becomes Moov Money done by the MNO Moov in partnership with Banque Atlantique.

These two MNOs are already impacting more than 02 million Beninese subscribers by mobile phone. MTN Mobile Money and Moov Money operate on the basis of telephone accounts created through subscriber's phone numbers. Thus, in record time, these two MNOs have the possibility to create more than 02 million accounts to ensure fast money transfers throughout the national territory. And so, the Moov subscriber can send and receive money from another Moov subscriber; this is also applied to MTN subscribers.

To accelerate financial inclusion in WAEMU, regulations of the Central Bank (BCEAO) for money transfers on OTM platforms require platform interoperability. So eventually, a Moov subscriber can send and receive money from a MTN subscriber and vice versa. But we are not there yet. However, Moov and MTN subscribers are allowed to create Moov money and MTN Mobile Money accounts and save money. It is effective today that some Moov or MTN subscribers make savings on their Moov Money or MTN Mobile Money account and use it for transactions. As a result, the use of fiduciary money is dematerialized and transformed into electronic money. It is the digitization of financial transactions.

Many subscribers Moov and MTN have opened their Moov Money and MTN Mobile Money accounts, put in their savings, use it for purchases in some supermarkets, send and receive money and for some transactions, they ask to be paid on their mobile money accounts instead of the checks they were supposed to receive as change or payment. It is also effective that Moov Money and MTN Mobile Money accounts help them effectively in their transactions between operators and with some institutions already digital. Some MFIs in partnership with MTN and Moov have started using MTN Mobile Money and Moov Money to disburse loans to customers and receive repayments.

However, one of the current limitations of the MNO system on Moov Money and MTN Mobile Money accounts is fortunately the regulation of the Central Bank (BCEAO) which does not authorize MNOs to take interest on deposits collected and to grant loans to subscribers. But when these MNOs will obtain the license to issue electronic money and create their financial institutions, banks or MFI, they can perform financial operations as intermediary and serve interest on deposits they have collected and grant electronic money loans to the people. As latest news, MTN would have already received its license to issue electronic money and would have already created a financial institution dedicated to this activity.

The propensity of the population to save in the MNO system, Moov Money and MTN Mobile Money, is growing and one of the factors that encourages it is the outstanding agreement that some big billers, like the SBEE, SONEB, the Government..., will want to sign with MNOs, allowing the population to start making their bill payment through MNOs' mobile money system. Also, faced with the resurgence of supermarket robberies, the Prefect of the department of Littoral has, among the palliative measures undertaken, tried to impose customers the electronic payment (Moov Money and MTN Mobile Money) of their purchases for which the amount is beyond certain threshold. But the decision has been reported to be further analyzed. Soon supermarkets will not be able to accept any more cash settlements from a given threshold.

The large number of subscribers served by MNOs, their approval as electronic money issuer and the creation of their financial institutions dedicated to this activity, are undoubtedly factors to conquer significant shares of MFIs' market and constitute real threats for their survival. These threats are hanging over MFIs in the market; and they will hardly be able to avoid them. It is virtually impossible for MFIs to go at their own pace without running the risk of losing their traditional market share.

The limited capacity of MFI to be able to develop a reliable technology of digital finance and obtain the license as electronic money issuer has pushed the Consortium Alafia to develop an approach of a shared digital finance platform having the best characteristics of microfinance. This platform will help the MFIs, member of the Consortium, to make an easy transition to digital finance and not succumb to the increasing threat that MNOs represent in their markets. For more professionalism, transparency and fairness in the management and provision of services, the Consortium Alafia would want to:

- Recruit a partner or entity that can set up, manage and maintain the shared platform, by providing better quality and adapted services to the MFIs who have joined the platform,
- Oversee the supply of services, through an independent entity called FINTOTAL S. A, which will have to make sure of the quality of services offered and reassure that the terms of service delivery contracts are regularly respected. The company FINTOTAL S.A was created by some actors of the sector, of which Consortium Alafia, to alleviate some of the difficulties encountered by the MFI of Benin to transit to digital finance on the one hand, while on the other hand, it is to safeguard the achievements of the microfinance sector, the sustainability of the MFI of Benin, and the increase of their outreach in rural areas by targeting women and young rural entrepreneurs.

In this supervisory role, the entity recruited that will have to set up, manage and maintain the shared platform has the obligation to pay, to the company FINTOTAL S. A, commissions or royalties to ensure its full role of supervision

## 2.2 Objectives

The objective of this tender is to recruit an entity with the capacity to set up, manage and maintain the shared platform that can serve, at least as:

- Shared-platform for all MFI in the microfinance sector in Benin, allowing them to transit to digital finance and serving as a channel for offering a wide range of digital financial services tailored to their customers, especially those in rural areas under-covered and not covered by their operations,
- Switch that helps to automatically compensate and consolidate transactions between MFIs or financial institutions that have joined the platform,
- Data aggregator of the digital finance sector of the structures / MFIs associated with the shared-platform

## 2.3 Components of Platform

### 2.3.1 Description of different components

Taking into account the objectives and key features of the platform we can distinguish three components that are:

Component 1: To serve as a technological platform enabling financial institutions, especially MFIs, to carry out all operations related to the delivery of digital financial services, non-financial services and all other related services to populations, without exception, all over the Beninese territory. The platform can be connected to all MNOs offering a mobile money service (currently there are two of them: MTN and Moov) to broaden the scope of MFI and offer them more opportunities to serve customers regardless of their network. The financial institutions (or MFIs) subscribers to this platform will be able, through this channel and their MIS (Core banking), to satisfy all the regulatory requirements in terms of operation and reporting, without forgetting the satisfaction of their customers especially with regard to the customer service.

Component 2: Play the role of switch to automatically compensate and consolidate transactions between financial institutions or MFIs who have joined the platform. Clients of a particular MFI can easily use the payment terminals of all other MFIs in the MFIs network, belonging to the shared - platform, while transactions and accounts clearing are not deficient, but automatically set up and update through the platform.

Component 3: To serve as data aggregator of the digital finance sector for structures / MFIs associated with the shared-platform. Digital finance data needed to analyze or assess trends in the sector through key performance indicators can be aggregated, based on best practices, and used for national research and analysis purposes, while respecting data protection principles for individual MFI and their clients.

### 2.3.2 Users of the Platform

The users of the platform are:

- *MFIs that have joined the shared-platform*: MFIs, through their personnel and equipment, will be able to access, at any time, the platform to execute their operations and transactions necessary for an adequate supply of financial and non-financial services adapted to their clientele. Through the platform, they will also be able to access information enabling them to perform functions of setting up, managing, supervising, reporting and all other functions relating to the good marketing and management of their product.
- *MFI customers*: They could use this channel to access the financial and non-financial services that have been offered to them, as well as the various after sales services (customer care).
- *Agents*: They are part of the agent network linked to the platform. The network of agents would consist of the agencies of the MFIs, members or not of the platform, then individuals whose role is to widen the network to the areas where there are no MFI agencies so that the services are really brought to the door steps. They are called to use the platform to conduct transactions with customers and their MFIs.
- *Company FINTOTAL S.A*: It will oversee the installation, operation of the entire system and management of the platform.. Its responsibilities include:
  - Ensure, by delegation of the Consortium ALAFIA, general supervision and quality assurance of the services of the partner entity.
  - Identify and contract the entity or entities that will ensure the development and management of the agents' network
  - Ensure and defend the interests of the MFIs for a good transition to digital finance on one hand, and then safeguard the achievements of the microfinance sector, the sustainability of the MFIs of Benin, and the increase of their reach in the rural environment by targeting women and Young rural entrepreneurs on the other hand.
- *Consortium Alafia, National Professional Association of MFI in Benin*: It will mobilize all its MFI members that have joined the platform and promote their products.
- *UNCDF*: It will be the lead of the financial and technical partners and supports Consortium Alafia, in the limit of its commitments, in its positioning as meso network and will accompany the entire process of the acquisition, installation and operation of the platform, at FINTOTAL SA and the

MFI's level, to the development of the network of agents associated with the platform without forgetting the technical assistance needed to ensure the operationalization of the entire system.

- *The other external actors:* They are the government and its supervisory entities, the central bank BCEAO, the technical and financial partners, the support service or technical assistance service providers, and other actors whose role is to ensure the visibility, the good operation and professionalism of the entire deployment

### **III- Technical Specifications of the Solution**

#### **3.1 Cadre**

In terms of the operating mode, the Consortium Alafia, wants a solution that can continue to be operational 24hours and 7 days on 7 as the same recruited entity will be in charge of the platform setting up, management and maintenance.

The proposed solution must be in site-hosted mode ("On-premises Installation").

#### **3.2 Technical Environment**

The solution must be totally full web. No installation on the client computers will be necessary. Only the browser will be required to use the software. No specific components should be deployed on the workstation except for the software needed to read the associated documents. The web solution must also use standard formats, languages and protocols.

The solution must be compatible with the technical environment of the users:

- Operating system: Windows XP and higher
- Browsers: Internet Explorer (v8 and above), Mozilla Firefox, Google Chrome
- Office tools: Adobe Acrobat Reader, Microsoft Office

It is expected that one or more mobile applications will be available for some features, which are detailed in the functional specification section. This mobile application must be able to work at least under:

- Android version 5 and above
- Minimum resolution of 320 x 480px

#### **3.4 Hosting**

The Consortium / FINTOTAL SA wants the hosting of the software and data to be done in Benin. However, it is open to any other hosting propositions as per the best practices in the industry (make sure the quality matches the proposed price). Regardless of the solution chosen by the provider, the hosting conditions will be described in the proposal, and must include:

- The name and address of the host.
- The location and storage address of the database, as well as the technical conditions.
- The location and storage address of the software, as well as the technical conditions.

#### **3.5 Availability**

The software solution must be available without interruption 24 hours a day, 7 days a week.

The restart conditions in case of failure must be defined in terms of:

- Technical solution envisaged,
- Accessibility recovery Time.
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### **3.6 Backup**

The proposal should indicate the conditions of backup:

- Type of backup (total, incremental ...).
- Frequency.
- Support used and storage conditions.

At a minimum, the proposal should include the completion and storage on site and on a secondary site of incremental daily backups, and monthly total backups.

### **3.7 Safety**

Security measures for the access and data protection when using the user interface and APIs will be described in the proposal. In particular, the widespread use of TLS is required

### **3.8 Language**

The solution will be provided in French language, with the possibility to be converted in English language.

## **IV- Functional Specifications of the Solution**

This section concerns some functional specifications of the solution expressed by some actors of the sector; however, the solution would not be limited to these functions, but should be designed while respecting the best practices and requirements of the digital finance industry.

### **4.1 Ensure the Delivery and Management of Digital Financial Services**

To ensure the provision of digital financial and non-financial services, the solution must meet the following requirements:

#### **4.1.1 Regarding the Provision of Digital Financial Services**

The solution must allow to:

- Mobilize savings and make the withdrawal; disburse and ensure credit repayment; money transfer, insurance / micro-insurance and financial education through secured mobile technology using POSs, Smartphones or Tablets,
- Offer various payment services (Merchant payment – bill payment - P2G mass payment - G2P etc.)
- Offer a wide range of financial and non-financial products tailored to different types of clients throughout the territory,
- Offer flexibility in the setting of products allowing the development of new products adapted to different segments of customers,
- Provide affordable financial and non-financial services that significantly reduce the operating costs of regular microfinance.

### 4.1.2 Regarding System Functioning

In terms of the functioning of the system, it is necessary to:

- Have two separate access interfaces for the agents: One interface for the internal agents of the MFI (i.e. MFI agencies or branches) and another for specific agents (shop, supermarket, station, etc.)
- Offer APIs for integration with the institution's MIS or database
- Have the possibility to work in online and offline mode
- Be able to perform deposit, withdrawal, credit repayment, credit disbursement, tontine, enrollment of clients, entry of real-time loan applications.
- Have a geolocation feature
- Have a liquidity management module with agents (MFI branches and third-party or private agents)
- Have a third-party commission management module
- Interconnection of the various point of service
- Allow SMS banking, especially for customers (reminder, information after each transaction, various messages, etc...)
- Be functional on POS, tablet or Android phone
- Offer the ability to operate in USSD and Android mode
- Secure access to the platform from the terminals with MAC and IMEI addresses. Each user has only the possibility to connect from a single terminal registered at the start
- Require the customer to enter a pin code for authentication or use his biometric data or make available to him a magnetic card
- Arrange in the client version of emoticons to facilitate transactions to illiterate customers
- Offer the possibility of directly integrating and communicating with the MTN Mobile Money and Moov Money platforms and / or any other GSM operator offering mobile money services
- Allow the operator to do his ticketing
- Provide a summary of operations for the operator
- Edit a ticket to the client at each operation
- Have a log of operations /transaction

### 4.1.3 Regarding the MFIs

It should:

- Allow each MFI to easily integrate their MIS into the platform to better synchronize certain MIS functions with those of the platform
- Facilitate cooperation between the MFIs who have joined the platform by setting up a system facilitating interoperability between the different systems
- Preserve the autonomy of each MFI on the platform as well as the protection of their data and that of their clients,
- Secure the system and make it available at any time (24 hours a day, 7 days a week) to facilitate continuous operation by the member MFI and their clients
- Offer a high-performance computer operating system that can ultimately allow common use by MFI
- Have a platform with a reliable system that can be within the scope of an average MFI in terms of cost

- Develop modules that can allow the regular generation of information/reports required by the regulation in relation to microfinance and digital finance

#### **4.2 Platform Seen as Switch**

The shared platform must act as a switch to automatically compensate and consolidate transactions between financial institutions or MFIs who have joined the platform. Clients of a particular MFI can easily use the payment terminals of all other MFIs in the MFIs network, belonging to the shared - platform, while transactions and accounts clearing are not deficient, but automatically set up and update through the platform.

#### **4.3 Data Collection and Analysis**

The solution must finally allow the collection and analysis of data. This function should allow us to store and consolidate the data concerning each MFI member of the shared-platform and aggregate data that can be accessed and analyzed according to the goals or objectives. The data to be collected and analyzed come mainly from the operations / transactions of the MFI and their clients. They are related to digital finance and will allow analysis or appreciation of trends in the sector through key performance indicators that are aggregated, based on best practices, and used for national research and development purposes. This will be done by respecting the data protection principles of individual MFI and their clients. The solution provider will need to highlight in our proposal the types of data to collect in detail, their management and the conditions for an external user to have access to this data. A privacy and data access or sharing policy will be developed by the provider to provide data management.

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#### **V- Further Functions**

If the proposed solution offers other functionalities, the supplier will detail these additional functionalities by specifying the technical modalities that are related to them.

#### **VI- Personal Data Protection (Customers and MFIs)**

The solution must respect the standard data protection rules in microfinance as well as in digital finance, in force in the sub region. Recognized international standards, such as the Data Protection Act (United Kingdom) or the Data Protection Act (France) may also be used. In any case, the supplier will specify in his proposal the standards he implements in terms of protection of personal data.

#### **VII- Expected Services**

The solution provider must take into account the three (3) components and propose its solution while considering the characteristics and criteria mentioned in the terms of reference. The expected services are detailed below:

- Installation of the shared-platform
- Update and parameterization (functional and technical) of the platform
- Development of protocols and procedures manuals, training manuals and documentations necessary to facilitate the use of the platform

- Training and transfer of competence to the staff of FINTOTAL in charge of managing the platform
- Make the pilot test
- Improvement and deployment of the solution
- Proposition of the after-sales support service (on the site - on the phone - through other communication channels)
- Provide maintenance modalities / procedures
- Design training modules of FINTOTAL staff and key users including MFI staff, agents and clients.

### **VIII- Expected Results**

The expected results of this service are:

- The shared platform is realized and operational, while respecting, at least, the three components and their requirements
- Protocols and procedures manuals, training manuals and documentation necessary to facilitate the use of the platform are developed and available
- The capacity of FINTOTAL staff is strengthened and it is able to ensure the management and supervision of the platform
- After-sales service support is assured
- The maintenance procedures of the platform are defined and validated, then the contract is signed
- Training modules of FINTOTAL staff and key users including MFI staff, agents and clients are developed.

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### **IX- Project Deliverables**

Deliverables will include the following:

- The shared platform acquired and made operational
- Protocols and procedures manuals, training manuals and documentations necessary to facilitate the use of the platform
- Reports of the trainings carried out for the staff of FINTOTAL SA
- Protocol of agreement to ensure the after-sales trainings and service support
- Maintenance contract
- Training modules of FINTOTAL staff and key users including MFI staff, agents and clients
- The monthly performance reports of the services

This list is non-exhaustive and any other relevant element may be added.

### **X- Planning**

The supplier will detail in his offer the planning of implementation of the solution. It will also detail the schedule of maintenance and training.

### **XI- Budget**

The proposal should detail the following costs:

- License costs, and how the license system works

- Hosting
- Specific developments
- Installation
- Start (parameter setting, pilot test, etc ...)
- Systems updates (if not included in maintenance)
- Support services after-sales
- Training
- Operations and maintenance
- Unit prices and user service billing modalities,
- The return on investment threshold,
- The amount and manner of repayment of commissions or royalties to the Consortium ALAFIA / FINTOTAL SA;
- Etc.

If relevant, the costs related to the different key functionalities of the solution can be distinguished by components if possible.

#### **XII- Duration of the Mission**

Each bidder may propose an estimated duration of the assignment, depending on the tasks to be performed and his / her understanding of the assignment.

#### **XIII- Bidders' Proposal and Closing Date**

The tender is composed of a technical offer, a detailed work plan and a financial offer. The tender dossier is to be submitted in French, electronically to the Consortium Alafia at [contact@alafianetwork.org](mailto:contact@alafianetwork.org) and [ignace.dovi@alafianetwork.org](mailto:ignace.dovi@alafianetwork.org) with copy to [ignace.dovi@gmail.com](mailto:ignace.dovi@gmail.com) before **28 February 2018 at midnight** (Cotonou time or GMT + 1). The subject of the email must include the references of this invitation to tender as follows:

**« PROPOSITION A L'APPEL A CANDIDATURES POUR LA CONCEPTION D'UNE PLATEFORME DE FINANCE DIGITALE MUTUALISEE DES MFI DU BENIN. ».**

Any offer received after the deadline will be automatically rejected without being evaluated.

**Note: This RFP is open to all firms with equal competition opportunity. Interested firms can obtain additional information by writing to the email addresses showed above by February 20, 2018.**