



Terms of Reference

BRAC UK

Digital Finance Technology for Solar Lighting Value Chain in Tanzania

1. Objectives/ Purpose of the Assignment

This Terms of Reference is for the procurement of digital technology provider/ firm (s) ("Vendor") to provide services to BRAC UK's the Women Entrepreneurship through the Solar Value chain for Economic development (WE SoLVE) initiative in Tanzania. The objective is to support BRAC Tanzania Finance Limited (BRAC TF) to develop a set of digital tools and platform ("Toolset") to support the approval, disbursement and collection of Solar Loan product(s) in collaboration with our sales and service agent partner Solar Sister. The consultancy will prioritise the utilisation of any existing technology platform(s) capable of servicing three finance/ transaction models (details will be provided to shortlisted vendors). Where components of the toolset do not exist or are not suitable in the Tanzania context, development of new digital tools should be recommended. The toolset should also incorporate functionality in respect to credit scoring algorithm(s), and interfaces to BRAC TF's back end systems and Solar Sister's sales and order processing applications capable of creating efficiencies and data in each of the finance/ transaction models. The Vendor will work in collaboration with subject matter experts from BRAC Tanzania Finance Limited (BRAC TF), Signify and Solar Sister Inc and will be supervised by the WE SoLVE Project Manager based in Dar-Es-Salaam. The Vendor should be licensed to operate in Tanzania.

Although we expect the intellectual property for the toolset to reside with the BRAC TF business, we are looking for Vendor(s) who can provide proven on-going toolset refinement, service and support. Consideration should be given by the Vendor to their proposal for being BRAC's technology partner in this space. As well as, solutions in respect to data security and disaster risk management.

About the Project

'WE SoLVE' is a 4-year programme (launched in Sept 2018 and runs until October 2022) funded under DANIDA's 'Market Development Partnerships' (DMDP) funding arrangement, with co-financing (cash & in-kind) provided by Signify (formerly Philips Lighting) & the Signify Foundation. The project seeks to pilot and test three innovative business and technology model(s), delivered in partnership, to overcome the current market failures that considerably limit sales and jobs growth in last mile solar lighting value chains, and catalyse the sustained growth of the Tanzanian solar lighting sector.

The partnership seeks to overcome existing market barriers through segmentation of the value chain, It combines Signify's product range, BRAC (largest NGO in the world & one of the biggest micro-finance operators in Tanzania), and a local distribution network (Solar Sisters) capable of significantly increasing sales. We believe that supporting disbursements of BRAC TFs Solar Loan Product(s) - transacted through digital financial technology – will bring efficiencies and reduce costs necessary to scale. The project aims to overcome the critical financial, knowledge, transaction cost and capacity barriers faced within the solar lighting sector. Our goal is to generate significant learning and best practice which in turn has the potential to unlock the clean lighting market for 40 million people in Tanzania, and enable scale across sub-Saharan Africa, creating a further sustainable 20,000 jobs over the next 5 – 7 years.

Envisioned Approach of Digital Finance and transaction processing for Solar Lighting

Our thesis is that the experimentation and introduction of at three new transaction (sales, credit checking, order processing, delivery and settlement) and financial models will bring down transaction costs through the utilisation of existing networks and digital financial and transaction processing technology whilst leveraging the incentives and means for each value chain actor to support their business and mission. A brief overview of each of the three models is provided below and detailed Flow Charts will be shared with shortlisted vendors.

Model 1: Solar Sister Entrepreneurs (SSE's) generate sales by pitching to BRAC TF micro-finance group members in areas where Solar Sister and BRAC TF geographies overlap. Our assumption is that this represents the least risky model for growth. It will operate in peri-urban, semi-rural and rural areas where population density supports a viable microfinance branch.



Model 2: SSE's referring potential clients to BRAC TF & BRAC TF aggregate referrals and assess clients' credit capacity and need to create new BRAC TF "Solar" Groups in off-grid semi-rural and rural areas. It is forecast that these will be formed in 'pockets' between BRAC TF micro-finance Groups or within 'a viable distance' surrounding a current BRAC TF MF Branch – the 'viable distance' metric may or may not be extended by the use of the digital toolset.

Model 3: facilitates "on the spot" loans utilising the digital toolset using a 1-to-1 approach between SSE's and consumer to offer an on the spot loan – the "on the spot" timescale may or may not be anywhere between immediate to an acceptable time lag to all actors i.e. how long will consumers wait for their loan and solar product whilst BRAC TF and Solar Sister ensure their business guarantees are in place. This model is perceived to be the most risky to BRAC TF and will require a suitable mechanisms including a credit-scoring algorithm to satisfy the risk profile of BRAC TF.

If proven successful during the project R & D phase and pilot phase (18 months from September 2018 until February 2020), we will seek to operate all three models through utilising the digital toolset and accompanying value chain, enabling us to reach where the demand for solar is highest in a way that brings down transaction costs for all value chain actors and the client.

The proposed solution needs to be more than existing mobile money offerings – but may utilise these in some way for all three models. We require a toolset that is capable of gathering, storing and analysing critical client financial data (to use for credit worthiness) and borrowers can manage their loans in the same, familiar, way they do with cash but with less risk whilst building a financial identity. We seek solutions from the successful vendor regarding this functionality. Importantly, the toolset should not require a smart phone or a feature phone in the hands of the client/borrower to engage.

2. Scope of Work & Deliverables

We expect the selected vendor(s) to support BRAC Tanzania Finance Limited (BRAC TF) to develop a digital toolset to support the disbursement of its new Solar Loan product(s). If existing toolsets are not capable of servicing the three finance/ transaction models, we will need to work with vendor(s) to create a new set of tools. During the pilot phase (ending 28th February 2020) we are not seeking full API integration with BRAC's ERP; the vendor should propose a solution that allows for semi-automatic testing (through utilising downloadable/ up loadable data). During the transition to scale phase (March 2020 – October 2022) we utilise API integration (once the toolsets are proven); this is outside the scope of this Terms of Reference. We are also seeking to learn lessons from the process to support the digital disbursement of other micro-finance products in Tanzania (and internationally). We are looking for vendor(s) with proven capacity and capability in this space, who can demonstrate previous success and product(s) and who will utilise the latest best practice in application and software development including user needs and user experiences. Note, there may be more than one vendor selected; for example a software development vendor and a credit scoring algorithm vendor.

We expect the selected Vendor to start work in March 2019, delivering the following key outputs:

- Developing/ refining the back-end for the digital toolset for Models 1 and 2 between March–June 2019; including the development of a functional specification and necessary rapid prototyping to ascertain user need and behaviour;
- Delivering Models 1 and 2 through an integrated digital platform (not full API integration) from July 2019 onwards, if the Models are proven (offline).
- Refining and tweaking the toolset integration and supporting digital disbursements and settlements through Model 1 and Model 2 from July 2019 until 28th February 2020
- Testing Model 3 (using any existing technology) to determine whether we can operationalise solar loans & repayments through technology alone (with no direct engagement from BRAC Credit Officers) from July 2019 until 31st December 2019
- Finalisation of a fully digitised toolset by 28th February 2020
- Supporting full API integration & other supports for the remainder of the project (TBD and outside the scope of this Terms of Reference)

Deliverable	Forecast Completion Date
Closed tender disbursement of Terms or Reference	29 th January 2019
Initial response from vendors	15 th February 2019
Shortlisting of 3 vendors	25 th February 2019
<p>Presentation from shortlisted vendor and due diligence and visits to existing users and clients of any of the vendors' clients.</p> <p>During the presentation, we expect the potential vendor to explain their understanding of market context during the presentation. It should also include demonstrations of existing software and vendors licensing and maintenance costs.</p>	1 st March 2019
Vendor(s) Selection	4 th March 2019
Create function specification and detailed problem definition to frame development	8 th March 2019
Technical platform integration workshop with partners; refine functional specification	15 th March 2019
Rapid development and prototyping for Model 1 and 2 including user experience testing and feedback for BRAC TF, Solar Sisters and customers	15 th March 2019 – 30 th April 2019
Refine prototype and lessons from user experiences & field test Model 1 and 2	30 th April 2019 – 30 th June 2019
Test and refine platform integration using semi-automatic solution (not full API integration) – (to connect customers, SSEs, SS BRAC branch officers and BRAC TF Head Office)	15 th March 2019 – 30 th June 2019
The first functional iteration for Model 1 and 2 is complete	30 th June 2019
Supporting Model 1 and 2 field operations including training staff & refining technology	30 th June 2019 – 28 th February 2020
Rapid development and prototyping of Model 3 (digital credit product) (including user experience testing and feedback). This could be either through adapting an existing technology in the market or creating a new digital toolset (including algorithm development)	30 th June 2019 – 31 st October 2019
Refine prototype and lessons from user experiences & field test Model 3 (including training staff)	31 st October 2019 – 31 st December 2019
Finalisation of digital toolset to support all three Models	31 st December 2019 – 28 th February 2020
Delivery of high quality manuals outlining digital toolset functionality & system integration (API)	28 th February 2020
Final agreements and service level agreements for on-going support and refinement of toolset	15 th March 2020



3. Timeline

The assignment is expected to start in March 2019 and be completed by 28th February 2020 in the 12 months within the pilot phase of WESolve. This period will cover preparation (including review of background documents), field work including visits to BRAC TF branches and meetings with WESolve & BRAC TF management/staff, and completion of all the deliverables including revision/submission of a functional specification, user experience testing, functional testing and refinements, and ongoing learning, adapting and refinement during the development period.

4. Request for Proposal

Interested vendors are requested to submit their proposal at the latest by 15.02.2019 via email (to sam@bracuk.net). The proposal should consist of:

MAXIMUM 5 PAGES ON:

- Remarks to this ToR and the proposed methodology, as far as the vendor proposes to take a different approach;
- A sketch or outline of digitization options for each of the three proposed models
- Summary profiles of proposed staff;
- Planning and budget, according to the methodology described in this ToR and showing staff deployment per activity;
- Organisations Annual Accounts for past two years
- CVs of the proposed staff.

5. Confidentiality and Project Delivery

All materials produced or acquired under this project, which are not already in the public domain shall be held by the vendor, in strict confidence and shall not be disclosed to any party whatsoever without the express written consent of BRAC UK.