

## REQUEST FOR EXPRESSIONS OF INTEREST CONSULTING SERVICES

**Selection # as assigned by e-Tool:** RG-T2550-P001

**Selection Method:** Simplified Competitive Selection

**Country:** Regional

**Funding – TC #:** RG-T2550

**Project #:**

**TC name:** Development of Guidelines and Roadmap on Government Digital Payments to Foster Financial Inclusion

**Description of Services:** A thorough analysis of financial technology companies (Fintech) in LAC within the digital payments systems.

**Link to TC document:** [Link](#)

The Inter-American Development Bank (IDB) is executing the above-mentioned operation. For this operation, the IDB intends to contract consulting services described in this Request for Expressions of Interest.

Expressions of interest must be delivered using the IDB Portal for Bank Executed Operations ( <http://beo-procurement.iadb.org/home> ) by: **March 28, 5:00 P.M.** (Washington D.C. Time).

The consulting services (“the Services”) include: **A thorough analysis of financial technology companies (Fintech) in LAC within the digital payments systems. The report should be finalized by the end of the third quarter of 2018.**

Eligible consulting firms will be selected in accordance with the procedures set out in the Inter-American Development Bank: [Policy for the Selection and Contracting of Consulting firms for Bank-executed Operational Work](#) - GN-2765-1. All eligible consulting firms, as defined in the Policy may express an interest. If the Consulting Firm is presented in a Consortium, it will designate one of them as a representative, and the latter will be responsible for the communications, the registration in the portal and for submitting the corresponding documents.

The IDB now invites eligible consulting firms to indicate their interest in providing the services described below in the draft summary of the intended Terms of Reference for the assignment. Interested consulting firms must provide information establishing that they are qualified to perform the Services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Eligible consulting firms may associate in a form of a Joint Venture or a sub-consultancy agreement

to enhance their qualifications. Such association or Joint Venture shall appoint one of the firms as the representative.

Interested eligible consulting firms may obtain further information during office hours, 09:00 AM to 05:00 PM, (Washington D.C. Time) by sending an email to:

[fdeolloqui@iadb.org](mailto:fdeolloqui@iadb.org)

Inter-American Development Bank

Division: Connectivity, Markets and Finance

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Selection process # RG-T2550-P001

## **TERMS OF REFERENCE**

Deep-dive into Fintech solutions in digital payments in Latin America and Caribbean  
Regional

### **1. Background and Justification**

- 1.1.** Since the end of the 2007-2008 financial crisis, the financial services industry (FSI) began a process of accelerating change. New business models based on convergent technological developments are challenging the status quo of a long-established and traditional industry.
- 1.2.** In this space, payments deserve special mention, as there are big shortcomings and high costs associated with payment systems. Moreover, governments, central banks, and regulators have been open to the notion that payment systems are antiquated and that technologies and competition could produce much-needed improvements. Furthermore, it is likely that innovations and new business models in the payments space will be a main driver of a general reconfiguration of the FSI.
- 1.3.** There is a great deal of pressure from incumbent firms on the traditional banking payment systems. A fast-growing group of financial technology companies are lining up to challenge the incumbent providers by offering faster, cheaper and easier-to-use services.
- 1.4.** The Connectivity, Markets and Finance Division (CMF), as part of a series of studies on digital finance and the disruption of the FSI, produced a report in 2017 (in conjunction with Finnovista) which overviews the landscape of Fintech in Latin America. The findings of the report state that one quarter of these firms are dedicated to payments<sup>1</sup>. Also, with the support from CMF, a report was undertaken by Cambridge University and University of Chicago that thoroughly examines the alternative finance industry in Latin America and the Caribbean (LAC)<sup>2</sup>. A similar thorough analysis (or deep-dive) is warranted for the alternative payments system industry in LAC.

### **2. Objectives**

- 2.1.** The objective of the consultancy is to conduct a thorough analysis of financial technology companies (Fintech<sup>3</sup>) in LAC working in the different verticals within the digital payments systems.

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<sup>1</sup> Inter-American Development Bank: "FINTECH: Innovations You May Not Know were from Latin America and the Caribbean". Available at:

<https://publications.iadb.org/handle/11319/8265#sthash.CoouwV3t.dpuf>

<sup>2</sup> Ziegler et al. 2017. "The Americas Alternative Finance Industry Report. Hitting Stride". Cambridge, United Kingdom: The Cambridge Centre for Alternative Finance. Available at:

[http://www.jbs.cam.ac.uk/fileadmin/user\\_upload/research/centres/alternative-finance/downloads/2017-05-americas-alternative-finance-industry-report.pdf](http://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2017-05-americas-alternative-finance-industry-report.pdf)

<sup>3</sup> Fintech defined as companies that offer financial services that use digital technology platforms. Such platforms have found a product market fit and are in the process of disruption or of growing in their respective market verticals.

### **3. Scope of Services**

- 3.1.** The consulting service must detail the emergence and evolution of Fintech firms in the digital payments space in LAC as well as the respective emerging ecosystem, examining its actors and main business models, the current state of the industry in terms of use cases, network and application deployments, as well as key challenges.

### **4. Key Activities**

- 4.1.** Establish a baseline taxonomy for the study based on the existing digital payments landscape in LAC and its Fintech service providers. This segmentation, which should include Mobile payments and wallets, International money transfers and remittances, Mobile points of sales, and Payment gateways and aggregators, will be utilized for subsequent data collection through industry survey/case-specific work.
- 4.2.** Systematic review of the main business models in the space, including (but not limited to) the use of different platforms or channels for payments and transfers, use cases, and payment service providers. Within the review of business models, an extended sub-segmentation of the services will be required. For this purpose, an industry survey will be conducted that will allow to gather data on market size, penetration and snap-shot of the existing ecosystem. This survey will provide key data points by model and country. The study will comprehend all LAC countries (only IDB members) and will focus on highlighting interesting and relevant cases and models.
- 4.3.** The review will: provide an understanding of how the Fintech payments landscape connects to the existing financial systems; identify trends in the region; analyze main client focus and user experience (UX) innovations; and analyze partnerships with established intermediaries and financial entities in the financial system.
- 4.4.** Identify and analyze the main regulatory gaps and deliver general recommendations aiming to reduce them and to foster innovation in the payments ecosystem. Also, survey and understand the perception on regulation from Fintech companies on the current regulations for the payments ecosystem.
- 4.5.** Analyze main regulatory, infrastructure and institutional obstacles in LAC for Fintech companies in payments. Also, compare main innovations and trends in LAC with important developments in other regions and countries, which may help identify lags or potential trends in LAC.
- 4.6.** At the conclusion of the report, support CMF in organizing an international conference on Fintech in digital payments, that will highlight findings and enable a dialogue of key players. Support would be provided through delivering a presentation of the report and advising on possible participants and agenda for the event.
- 4.7.** The consultant will coordinate actively and maintain constant dialogue with the IDB supervisory team (detailed below). Also, it is expected that the consultant work with local Fintech associations.

**5. Expected Outcome and Deliverables**

- 5.1. Presentation of the work plan, outline and activity 4.1 of the report. The work plan will include the methodology, based on activities mentioned above, which can be altered as long as the overall objective of the study is respected.
- 5.2. Report that includes activities 4.2-4.4, described above.
- 5.3. Powerpoint (or similar) presentation of the report, described in 4.5.

**6. Project Schedule and Milestones and Reporting Requirements**

- 6.1. The consultancy is estimated to last 6 months, from April to October of 2018.
- 6.2. The first deliverable will be presented no later than 3 weeks from the signing of the contract.
- 6.3. The first draft of the final report will be expected after the 5<sup>th</sup> month. The final report is expected to be delivered at the end of the 6<sup>th</sup> month.
- 6.4. While there is no specified schedule for the launching event specified in 4.5, the consultant shall have the commitment to support CMF as stated.

**7. Acceptance Criteria**

- 7.1. All deliverables will be reviewed by the supervisory team. The consultant must address the comments and modifications to first drafts before submitting the final deliverable.

**8. Other Requirements**

**9. Supervision and Reporting**

- 9.1. The supervisory team is constituted by: Fernando de Olloqui, team coordinator, Gabriela Andrade and Diego Herrera (IFD/CMF). The firm will report to the team.

**10. Schedule of Payments**

- 10.1. Payment terms will be based on project milestones or deliverables. The Bank does not expect to make advance payments under consulting contracts unless a significant amount of travel is required. The Bank wishes to receive the most competitive cost proposal for the services described herein.
- 10.2. The IDB Official Exchange Rate indicated in the RFP will be applied for necessary conversions of local currency payments.

Payment Schedule	
Deliverable	%

1. <i>Signing of the contract and delivery of work plan</i>	20%
2. <i>Delivery and approval of the first draft of the Report</i>	50%
3. <i>Delivery and approval of the final version of the Report that includes the reviews requested by the IDB and the material for the organization of the conference</i>	30%
<b>TOTAL</b>	100%

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