Expression of Interest (EOI)

    for Branchless Banking Payment Service Provider for Government Cash Transfers
    For
    Ministry of Federal Affairs and Local Development
    Nepal Food Crisis Response Programme

Loan/Credit/Grant No.: Credit No. 4750-NP H579
Project Name & ID: Social Safety Nets Project (P120538)
First Date of Publication: <mark>11th Febuary 2013</mark>
Contract No.: SSNP-AF/Vital/S/QCBS-01

The Ministry of Federal Affairs and Local Development (MoFALD) *has received* financing from the World Bank toward the cost of the *Social Safety Net Project (SSNP)* and intends to apply part of the proceeds for consultant services. The Consultants (Class A and Class B Banks) will be required to implement the branchless banking system via one of two different technologies depending on the district.

The services include the implementation of branchless banking (also called e-banking or agent banking or mobile banking) payment systems for delivering cash to beneficiaries of the senior citizens' allowance, single women's allowance, widow's allowance, child grant, disability grant, and endangered indigenous grant in six districts in two clusters:

Cluster 1, comprising Surkhet, Banke, Baglung (Only Biometric)
Cluster 2, comprising Sunsari, Morang, and Tanahu (Two factors)

In Custer 1 (Surkhet, Banke, and Baglung), the consultants will be required to use the system that verifies the identity of beneficiaries at the time of payment using fingerprint matching. In Cluster 2(Sunsari, Morang, and Tanahu), the consultants will be required to use a system that verifies the identity of beneficiaries at the time of payment using a combination of two factors (including the use of mobile money and magnetic stripe technology), which the consultant may choose subject to certain restrictions to be detailed in the Terms of Reference (TOR)

The MoFALD now invites eligible consultants to indicate their interest in providing the services. Interested consultants must provide information indicating that they are qualified to perform the services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Consultants may associate to enhance their qualifications. The association/consortium shall be in the form of joint venture (JV) or intended JV with qualified national audit firms where all the JV members shall be jointly and severely liable for the entire assignment.

The Consultant must meet the following <u>minimum selection criteria</u>. Failure to meet and submit the satisfactory documentary evidence will automatically lead to rejection of the proposal. The purchaser shall issue the Request for Proposal (RFP) maximum up to six qualified firms based on the selection criteria below.

S.N.	Minimum Selection Criteria	Supporting Document
1.	The consultant (bank or banks in the case of a joint venture) must be either A or B class institutions (commercial banks or development banks) registered with NRB.	NRB license
2.	The bank(s) must have Any Branch Banking Services (ABBS) in at least half of all the total branches,	Self declaration
3.	The bank(s) each have at least five years experience in the banking	NRB license

	business. In the case of a joint venture, at least one bank must have at least five years' experience in the banking business.	
4.	The bank(s) must not have applied for any Lender of Last Resort facility from NRB in the 12 months prior to the date of publication of this call for expression of interests.	Self declaration
5.	The bank(s) should have a ABBS enabled bank branch in the cluster	Self declaration
6.	Must have experience in delivering financial services to the un-banked in rural areas. Joint Venture Agreement in case of applying as a joint venture, with one Bank identified as the lead Bank.	Bank profile JVA

In case more than six firms are selected based on the above minimum selection criteria, the following detail selection criteria shall be applied to select maximum up to 6 (six) Banks. Therefore, the Banks are encouraged to submit all the relevant supporting documents that clearly substantiate the following detailed selection criteria.

#	Detailed selection criteria	
1.	Total number of years of experience in Core Banking Solution (CBS) for Any Branch Banking Services (ABBS)	
2.	Total number of Branchless banking/Mobile Banking accounts maintained by the Bank	
3.	Average monthly Branchless banking/Mobile Banking transactions over the last six months	
4.	No. of years of Branchless Banking/Mobile Banking experience	
5.	Percentage of non-performing loans (NPL) over the last three years (NPL)	
6.	Total number of officer level and above staffs	
7.	Total number of Management Information System (MIS)/Information Technology (IT) staffs	
8.	Total Number of branches	
9.	Financial capacity-average net operating income over the last three years	

A consultant will be selected in accordance with the procedures set out in the World Bank's *Guidelines: Selection and Employment of Consultants by World Bank Borrowers* (QCBS).

Interested consultants may obtain further information at the address below during office hours. The purchaser shall not be responsible for any costs or expenses incurred by the Consultant for the preparation or delivery of the EOI.

The pre-bid meeting is expected to hold before the final date of submission of EOI (**21 February 2013 in Meeting Hall of DoLIDAR, Pulchowk, Lalitpur, time 1:00 pm**). The bidders are requested to refer the Website: www.mofald.gov.np for all the information or may contact in the following address for information.

Expressions of interest must be delivered to the address below by 13 /03/2013 by 4:PM. If in case application deadline falls on a government holiday, the deadline shall be extended automatically to the next working day.

Ministry of Federal Affairs and Local Development
Attn: The Project Manager, Social Safety Net Project
Vital Event Registration and Management Section
Phone no: 977-1-4200292

GOVERNMENT OF NEPAL
MINISTRY OF FEDERAL AFFAIRS AND LOCAL DEVELOPMENT

Social Safety Net Project (SSNP)
FORMAT FOR EXPRESSION OF INTEREST (EOI)
Loan/Credit/Grant No.: Credit No. 4750-NP H579
Project Name & ID: Social Safety Nets Project (P120538)
First Date of Publication: 11th Febuary 2013
Component applied for-
Contract No.:   SSNP-AF/Vital/S/QCBS-01
Deadline for Submission of EOI: 13 /03/2013 by 4:PM

The Consultant must meet the following <u>minimum selection criteria</u>. Failure to meet and submit the satisfactory documentary evidence will automatically lead to rejection of the proposal. The purchaser shall issue the Request for Proposal (RFP) maximum up to six qualified firms based on the selection criteria below.

S.N.	Minimum Selection Criteria	Supporting Document
7.	The consultant (bank or banks in the case of a joint venture) must be either A or B class institutions (commercial banks or development banks) registered with NRB.	Must be submitted
8.	The bank(s) must have Any Branch Banking Services (ABBS) in at least half of all the total branches,	Must be submitted
9.	The bank(s) each have at least five years experience in the banking business. In the case of a joint venture, at least one bank must have at least five years' experience in the banking business.	Must be submitted
10.	The bank(s) must not have applied for any Lender of Last Resort facility from NRB in the 12 months prior to the date of publication of this call for expression of interests.	Must be submitted
11.	The bank(s) should have a ABBS enabled bank branch in the cluster	Must be submitted
12.	Must have experience in delivering financial services to the under-banked in rural areas. Joint Venture Agreement in case of applying as a joint venture, with one Bank identified as the lead Bank.	Must be submitted

1. CONSULTANT DETAILS

1.1 NAME AND ASSOCIATIONS

Name(s) of Applying entities	Parent Company (if applicable)	Vat and PAN Numbers, if acpplicable
Lead Firm		
J/V Partner, if any		

1.2 CONTACT PERSON (for this application)

Name	
Address	
Telephone	
Fax	
e-mail	

1.3 REGISTERED ADDRESSFOR ORGANIZATIONS

Lead Firm	
J/V Partner, if any	

1.4 YEARS IN BUSINESS AND COUNTRY OF ORGANIZATION REGISTRATION

	Year of Registration
Lead Firm*	
J/V Partner, if any	

1.9 TOTAL NUMBER OF BRANCHES

	TOTAL NUMBER OF BRANCHES
Lead Firm	
J/V Partner, if any	

2. FINANCIAL DATA FOR ORGANIZATIONST

2.1 AVERAGE NET OPERATING INCOME OVER THE LAST THREE YEARS

	TOTAL VERAGE NET OPERATING INCOME OVER THE LAST THREE YEARS
Lead Firm	
J/V Partner, if any	

2.2 PERCENTAGE OF NON-PERFORMING LOANS (NPL) OVER THE LAST THREE YEARS

	PERCENTAGE OF NON-PERFORMING LOANS (NPL) OVER THE LAST THREE YEARS
Lead Firm	
J/V Partner, if any	

3. EXPERIENCE OF CONSULTANTS

3.1 TOTAL NUMBER OF YEARS OF EXPERIENCE IN CORE BANKING SOLUTION (CBS) FOR ANY BRANCH BANKING SERVICES (ABBS)

	TOTAL NUMBER OF YEARS OF EXPERIENCE IN CORE BANKING SOLUTION (CBS) FOR ANY BRANCH BANKING SERVICES (ABBS)
Lead Firm	
J/V Partner, if any	

3.2 TOTAL NUMBER OF BRANCHLESS BANKING/MOBILE BANKING ACCOUNTS MAINTAINED BY THE BANK

	TOTAL NUMBER OF BRANCHLESS BANKING/MOBILE BANKING ACCOUNTS MAINTAINED BY THE BANK
Lead Firm	

J/V Partner, if any	

3.3 AVERAGE MONTHLY BRANCHLESS BANKING/MOBILE BANKING TRANSACTION OVER THE LAST SIX MONTHS

	AVERAGE MONTHLY BRANCHLESS BANKING/MOBILE BANKING TRANSACTION OVER THE LAST SIX MONTHS
Lead Firm	
J/V Partner, if any	

3.4 NO. OF YEARS OF BRANCHLESS BANKING/MOBILE BANKING EXPERIENCE

	NO. OF YEARS OF BRANCHLESS BANKING/MOBILE BANKING EXPERIENCE
Lead Firm	
J/V Partner, if any	

5. HUMAN RESOURCES AND PERSONNEL

5.1 TOTAL NUMBER OF MANAGEMENT INFORMATION SYSEM (MIS)/INFORMATION TECHNOLOGY (IT) STAFFS

	TOTAL NUMBER OF MANAGEMENT INFORMATION SYSEM (MIS)/INFORMATION TECHNOLOGY (IT) STAFFS
Lead Firm	
J/V Partner, if any	

5.2 TOTAL NUMBER OF OFFICER LEVEL AND ABOVE STAFFS

	TOTAL NUMBER OF OFFICER LEVEL AND ABOVE STAFFS
Lead Firm	
J/V Partner, if any	

6. **TECHNUCAL APPROACH AND METHODOLOGY TO THE PROPOSED CONSULTING SERVICES – MAX 5 PAGES ONLY**

Consulting Services for the project
"Delivery of Biometrics-based payments of government cash transfers to the elderly, disabled and marginalized beneficiaries using Branchless Banking/e-Banking"
For Social Protection Initiatives of the Ministry of Federal Affairs and Local Development

A. BACKGROUND

<u>ABOUT THE PROGRAM</u>
The Ministry of Federal Affairs and Local Development (MoFALD) delivers a number of social protection programmes across the country. The Ministry has managed the distribution of these cash transfers designed by central Government for the last 15 years. Although the transfer amounts are described in monthly terms, the money is aggregated and delivered three times a year by the Village Development Committees (VDCs). In FY 2011/12 the five programmes, listed below, disbursed almost Rs. 7.6 billion to 2.12 million beneficiaries across the country. The budget allocation for 2012/13 is Rs. 10.21 billion.

The assistance primarily includes Senior citizen's Allowance (Old Age Pension), Single Women's allowances, Child Grants, Scholarships Widow's Allowance, Disability Allowance, and other programs as outlined in the table below. Besides, MoFALD also plays a leading role in administration of public workfare programs, including both food-for-work and cash-for-work. However, public workfare programs are not part of this scope.

1. Senior citizen's allowance – this allowance was introduced in 1994 and allocates Rs. 500 per month to 783,374 beneficiaries. These transfers are funded through taxes.

2. Single women's allowance – This allowance was introduced in 1997 (previously known as the widow's allowance). 797,885 beneficiaries are allocated Rs. 500 per month. These transfers are funded through taxes.

3. Child grant – This allowance was agreed in 2009 but transfers have still to take place. Around 458,135 beneficiaries in Karnali and poor Dalit children outside Karnali will be allocated Rs.200 per month per child, for up to two children. These transfers are funded through taxes.

4. Disability grant – This allowance pays Rs. 1,000 per month to 19,486 fully disabled beneficiaries and Rs. 300 or Rs. 500 per month to 6,875 partially disabled beneficiaries. These transfers are funded through taxes.

5. Janajati or endangered indigenous people grant – The allowance was introduced in 2009. It pays 21,289 beneficiaries Rs. 500 per month. These transfers are funded through taxes.

Summary details about the cash transfer program are provided below.

Transfer	Eligible Population[1]	Amount (NPR per month)
Senior citizens allowance	All Dalits 60 years old or older. All residents of Karnali 60 years old or older. All others 70 years old or older.	500
Single women's allowance	Single women 60 years old or older.[2]	500
Child grant	All children under 5 in Karnali and poor Dalit children under 5 everywhere else	200 per child (max 400 per household)

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[1] Individuals may not receive more than one transfer and are ineligible if they already receive a salary or pension from the government.
[2] The Supreme Court of Nepal has recently ruled that all widows, regardless of age, should be eligible for this grant. To date this ruling has not yet been implemented.

Transfer	Eligible Population[1]	Amount (NPR per month)
Disability grant	Disabled people who must depend on others for daily life are eligible for full disability grant. Those with disability but who are able to manage daily functions without help from others are eligible for partial disability. Partial disabled are subject to a quota.[3]	1000 for full disability. 300 for partial disability
Endangered indigenous grant	Belong to one of 10 endangered indigenous communities[4]	500 for most groups. 1000 for members of Rauti community

ABOUT THE PROJECT

This proposal is for the Social Safety Net Project (SSNP) programme only.

SSNP, funded by the World Bank, primarily supports a partnership between the Government of Nepal and the World Food Program to bring urgent help to food insecure areas. It provides food and cash for work under this partnership. The Bank has emphasized the need to build country systems to respond to vulnerable areas by focusing more on agriculture production and safety net responses. The project also provides support to building capacity and improving monitoring and response by Government agencies.

As part of the SSNP project, the World Bank and MoFALD conducted a review of the current cash transfer mechanism.

Overall, the report: "Assessment of Social Assistance Programs Administered by the Ministry of Local Development" – Doug Johnson and Pusphpa Subedi (see attachment SSN Review Report Final.pdf) find that

> " The cash transfer program has been well implemented: there is relatively high awareness of the senior citizens' and single women's allowances; most application procedures are straightforward and easy to comply with; beneficiaries nearly always receive the full transfer amount; it is easy and convenient for beneficiaries to collect their cash; the public nature of the cash payout supports transparency; and the program guidelines are clear and comprehensive.
>
> Yet the cash transfer program also suffers from several weaknesses. The most salient weaknesses are that staff of the Population and Vital Event Registration Section are unable to devote adequate time and resources to the cash transfer program; the village and district level committees overseeing the program often do not play their assigned role; the existing grievance mechanism is not robust; program data is fragmented, incomplete, and only in paper format; cash is often delivered late and less frequently than official guidelines specify; and having the same agency

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[3] The Ministry of Federal Affairs and Local Development allocate quotas for partial disability beneficiaries to districts. Rationing decisions are made by the Social Security District Coordination Committee (see below for more information), in cases where the number of applicants for the partial disability allowances exceeds the district quota,

[4] There are 59 officially recognized Janajati, or indigenous, groups in Nepal. Out of these, ten have been identified as endangered and are eligible for the grant.

both maintain beneficiary lists and delivery payments implies a high potential for "ghost" beneficiaries.

The following changes to the cash transfer program to address these weaknesses are recommended:

- Institutional Recommendations
    - Make vital events registration unit a separate department within MLD. Within this department, tasks related to vital event registration and cash transfer program should be handled by separate teams.
    - Reduce the size and increase the authority of the local identity card recommendation committee.
    - Reduce the size of the social security district coordination committee and increase focus of the committe on monitoring responsibilities.
    - Allocate funds to VDCs/munis/DDCs for administrative expenses related to the cash transfer program.
- Monitoring Recommendations
    - Track fund flow information such as the date of transfer of funds from DTO to DDC and from DDC to VDC at central level.
    - Provide a list of government pensioners to VDCs/munis/DDCs.
    - Establish a robust grievance mechanism.
    - Communication Recommendations
    - Create a short pamphlet with key facts about the cash transfer program and a poster with basic details of the program.
    - Train social mobilizers on the cash transfer program and provide them with the official guidelines, pamphlets, and a list of all beneficiaries in the VDC.
    - Announce yearly application deadline on FM radio and in newspapers.
    - Provide funds to VDCs for communication and a list of suggested communication activities.
    - Print list of basic beneficiary rights, payment amounts / dates, and steps to register complaint in back of all identity cards.
- Data Management Recommendations
    - Develop and test an MIS for managing basic family folder data.
    - Hire dedicated IT staff within MLD.
    - Build data warehousing capacity.
    - Payment Recommendations
    - Test alternate methods for delivering cash to beneficiaries.
    - Evaluate payment models and determine which payment method is most appropriate in which conditions.
- Process Recommendations
    - Print identity cards at district level.
- Policy recommendations
    - Review policies and systems of disability allowances
    - Ensure adherence to Supreme Court regarding single women's allowance. "

ABOUT THIS RFP
The SSNP project seeks to implement the above recommendations of the report.

One component of this project is to launch a pilot to test potential improvements to the cash transfer program. One potential improvement that will be tested in the pilot is the use of independent Payment Service Providers (PSP) to deliver cash to beneficiaries of the program.

The following Terms of Reference (ToR) describes the rules for Payment Service Providers to use a biometric payment system to deliver payments.

B. <u>OBJECTIVES</u>

The objective of this ToR is to select a Payment Service Provider (PSP) who delivers cash payments on time and with minimum of inconvenience to all the beneficiaries, at a low cost, in a secure and transparent way in the pilot locations for one year using biometrics based client authentication technology.

C. <u>HIGH LEVEL SCOPE OF WORK</u>

<u>SCOPE OF WORK</u>
The following are the high level responsibilities of the PSP:
1. Deliver payments to beneficiaries (or recipient nominated by beneficiary) on-time and with a minimum of inconvenience to beneficiaries. Time spent travelling to the payment location, time spent waiting in line, and time spent learning the details of the new payment system are some factors that affect the overall convenience to the beneficiary.
2. Open a "Zero Balance" bank account for each beneficiary
3. Verify beneficiary (or recipient nominated by beneficiary) identity through fingerprint/biometric matching at the time of payment
4. Provide a cost-effective and transparent solution that prevents the transfer of funds to ineligible recipients
5. Address payment relatedissues raised by beneficiaries, VDC, DDC or MoFALD
6. Submit timely reports and other data to MoFALD
7. Maintain close coordination with VDC and DDC.

<u>PILOT LOCATIONS</u>

The pilot will be implemented in all the VDCs of Baglung, Banke, and Surkhet districts. Data on the total number of cash transfer beneficiaries in FY 2011-12 for each of these districts is included in the table below.

Districts	# VDCs	Elderly	Single women	Endangered indigenous	Full Disability	Partial Disability	Child Grant	Total

Baglung	60	14839	3255	0	526	75	25295	43990
Banke	48	9008	4712	344	347	100	4198	18709
Surkhet	51	9146	3524	1294	75	75	4070	18184

<u>**PILOT TIMELINE**</u>

The Payment Service Provider (PSP) will first conduct a proof of concept of payments in one VDC of the bidder's choice by end June 2013.

Past this, the PSP will be required, at a minimum, to deliver three sets of payments to each beneficiary under the cash transfer program in through September 2013.Although the duration of the pilot project ends September 2013, the PSP must commit to continue operating the payment system at the variable fees agreed on for two additional years (three years in total) if MoFALD decides necessary. The decision of whether to continue to use the payment system beyond the first year will be made by MoFALD before the end of FY2012-13.

The first payment transfer in the first year will be made by September 2013. The two subsequent payments will be as per the official guidelines published by MoFALD regarding the cash transfer program.

Biometrics-based Authentication – High Level Process Flow

It is envisaged that at a high level the biometrics based authentication process would work as follows. However, this is for illustrative purposes only and the Bidder is free to propose a different methodology.

Upon receipt of the enrollee list, the Bidder shall coordinate with the DDCs and VDCs to launch awareness campaigns about the enrolment camp, payment approach and how it works to the beneficiaries. It is expected that during enrolment at the VDCs, the enrolment team will compare approved identity proof documents of the recipient against the beneficiary information provided to the Bidder. Satisfied that it is the correct recipient, all ten fingerprints (where preferable, voice based authentication may be used) will be collected, a photograph taken, and the clients details entered into a computer. A smartcard will be personalized on the spot, with the clients photograph and details, while all the data is stored in the smartcard and in the Bidder's servers. The card is given to the client. During each payment cycle, MoFALD transfers the gross amount to be paid out into a pooled account of the bank. The bank may then distribute the amount into individual client accounts or shadow accounts outside the core banking system.

The client is serviced by a payment agent with a Point of Sale (PoS) device or mobile phone with a smartcard reader, who may be a bank staff or an outsourced vendor. The bank gives to the agent, the total amount to be disbursed. The amount to be paid to each client may be downloaded into the agent's PoS device. The client visits the agent with the smartcard. The agent swipes the card on the PoS device, to retrieve the client information such as photograph, name and amount payable on the device. The client then authenticates the payment by swiping his/her fingerprint. The amount to be disbursed is deducted from his/her account and the cash is paid out, along with a printed receipt. The transaction information is updated on the back-end computers ideally in real time over air waves. The technology ensures that the money goes into the right hands, that the client cannot be

shortchanged and all the money is accounted for. If needed, if the agent is using his funds for disbursement, then his account would be credited with the amount he disburses in each transaction.

D. <u>ITEMS TO ADDRESS IN PROPOSAL</u>

The sections to be covered in the proposal are as below. Note that detailed requirements and service levels will be agreed upon at the contracting stage.

Executive Summary - A summary of the Bidder's proposal

Bidder and Partner(s) Overview and Background - The Bidder must provide basic information on the Bidder and any partners or subcontractors participating in the RFP. This information should include, but is not limited to, the history of the organization, its experience in the field, technical capabilities, experience in rural payments or financial services especially using branchless banking, the size of implementations (for example, number of accounts, transaction volumes, etc.) and success stories in the similar nature of assignment. This section should also explain any partnering arrangements that have been made to respond to the Bid. The short biographies of key project personnel along with an annexure of their detailed CVs should be provided

Technical Approach - The Bidder must describe its technical approach and methodology for providing the required services as detailed in the next section. The key concepts and issues, from the Bidder's perspective, need to be highlighted in this section. In addition, the Bidder needs to describe how the project will be organized and carried out. Overall, a compelling case needs to be made that demonstrates that the Bidder's proposed approach will be successfully implemented and supported by the Bidder in a cost effective manner.

The approach should cover the following:

<u>PLAN FOR ENROLMENT</u>

The bidder should supply details of how they will conduct enrolment including information on the number and make-up of the teams that will conduct enrolment.

<u>PLAN FOR AGENT / STAFF RECRUITMENT</u>

The bidder should supply details of how they will recruit agents and/or staff to perform payment to recipients including details on the number of agents / staff for each district, what their profiles would be, including how they will be trusted by their community, their honesty and competence to improve service and decrease frauds, and where the agents will be located. The training program for the agents on the technology and process as well as commission structure should be provided to ensure they will provide a good quality of service.

<u>PLAN FOR DISBURSEMENT AND CASH MANAGEMENT</u>

The bidder should supply details of how cash will be managed to ensure that agents have sufficient cash on hand to make payments during the specified payment dates, what is the protection against theft or fraud, and overall cash management procedure at the agent.

<u>PLAN FOR EDUCATING BENEFICIARIES AND OTHERS ON NEW SYSTEM</u>

The bidder should supply details of how they will educate beneficiaries and recipients on details of the new payment system and, if applicable, any other financial products offered. Additionally

the process for the beneficiary to register complaints regarding the payment system and for the bank to respond to beneficiary complaints should be supplied.

DETAILS OF ADDITIONAL FINANCIAL PRODUCTS OFFERED

Bidders are required to open a "Zero Balance" bank account for each beneficiary. The bank will need to implement "Know Your Customer" procedures. The specific KYC norms will be provided at the contract stage. Bidders are highly encouraged to offer additional financial products to recipients and other residents, particularly financial products tailored to the poor such as savings accounts with no minimum balance and few fees. If the bidder plans on offering any additional financial products to beneficiaries or others, details of these financial products, including the fee structure and whether they will be offered only to recipients or the total population, should be supplied.

PLAN FOR DE-DUPLICATION

The bidder should supply details of how they will conduct de-duplication including, if an outside vendor is used, the name of the vendor.

DETAILS OF TECHNOLOGY USED

The bidder should supply relevant details of technology to be used. In particular, details of how the technology assures security and robustness of the solution, including examples of other successful applications of the technology in financial services elsewhere including its ease of use by the illiterate users should be supplied. The process for failures by biometric or other authentication mechanism, what is the back-up process to tackle this failure, what are the expected failure rates of the technology in identifying the beneficiary, ensuring that the agents strictly use the technology and do not subvert it, and for replacing faulty devices and lost or stolen client instruments should be supplied.

DETAILS OF SUB-CONTRACTING

Bidders should supply details on which activities they plan on sub-contracting to other firms. Bidders should also describe how they will assure that the quality of the work performed by the firms they sub-contract. Bidders may, but are not required to, supply the names of the firms which they will sub-contract work to.

DETAILS OF DATA REPORTING

Bidders should supply details on how the progress of enrolment and payments will be accurately recorded and transmitted to MFALD's database and include how the accuracy of data collected will be validated.

ADDITIONAL INFORMATION

The bidder may supply any additional information related to their bid in this section.

FEES

Bidders should submit fees for each of the following components for three years. Although the duration of the pilot project is only one year, the PSP commits to continue operating the payment system at the variable (enrolment and fund transfer) fees submitted for two additional years (three years in total) if requested by MFALD. The decision of whether to continue to use the payment system beyond the first year will be made by MFALD before the end of FY2012-13. Bidders may indicate a zero cost for any element for which they do not seek to charge a fee. For those VDCs that are in remote regions bidders may submit a different fee structure if a case could be made that travel and other costs are higher for servicing those VDCs.

In some cases when the beneficiary is older than 80 years or is fully disabled, they might not be able to visit a common enrolment or payment area. In these cases, door-step enrolment and payment will be done. This requirement may be relaxed in the case of hilly and hard to reach areas. Bidders may charge a higher fee for these beneficiaries if the justification for higher costs can be made.

1. <u>Project management or fixed fee</u> This amount will be paid to the PSP Once only..

2. <u>Fee for each person enrolled</u> This amount will be paid to the PSP once for each new person enrolled.

3. <u>Fund transfer fee</u> This amount will be paid to the PSP once each time funds are transferred from the government to a recipient. This fee may be expressed as a flat percentage of not more than 0.5%. The amount will be transferred from the government to the PSP <mark>at least one month</mark> in advance of the payment date.

Note that no fees may be charged to the beneficiaries. <mark>Detailed guidelines for the fee structure are provided in later sections of this document.</mark>

SERVICE LEVEL AGREEMENT (SLA)

The must clearly explain the service levels that the various components of the service, the technology platforms and the payment service will offer. MoFALD may add penalty clauses in case not all the beneficiaries are enrolled or paid in time or if the data is not reported in time as per the SLA.

PAST PERFORMANCE / SUCCESSFUL IMPLEMENTATIONS

The Bidder should provide a reference of successful implementation of similar projects, if they have. The mentioned project references must include names, telephone numbers, addresses and email addresses of the respective clients so that MoFALD can contact and verify the project summaries. It should be assumed that the clients of these projects would be contacted during the evaluation of the Bidder's response.

WORK PLAN

Based on the *Section E* below, the Bidder should provide a detailed work plan for the various stages of the project outlining risk areas and methods to mitigate them. The narrative must include all planned deliverables with descriptions and delivery dates including.

It should details of the organizational and project team structure and how it will be managed for successful execution.

DETAILED REQUIREMENTS

The specific responsibilities of the PSP and elements to cover in the proposal are listed below.

As per the MoFALD cash transfer guidelines, payments for the cash transfer program should be made a minimum of three times a year during the months of Ashwin, Magh, and Jestha. Funds will be transferred to the PSP from the government <mark>at least one month</mark> ahead of the date of payment. Funds not disbursed within a specified period of time will be returned back to the

MoFALD. A schedule of payments will be announced by the PSP at the time of enrolment or in a timely manner. The payment period is expected to be about a week and will allow the beneficiaries alternate days to collect payments in case they are unable to collect payment on one specified day.

USE OF STAFF OR AGENTS

The PSP may use either its own staff or outsourced agents to deliver cash and process transactions for beneficiaries. The PSP must conform to Nepal Rashtra Bank (NRB) rules and regulations regarding the use of agents. Aside from the NRB rules and regulations regarding the use of agents, no additional restrictions will be imposed on the PSP's selection of agents. The PSP is solely responsible for the conduct of its agents.

PAYMENT LOCATIONS AND ACCESSIBILITY

Payments under the cash transfer program should be made at a central point in each VDC. A staff person or agent should be available to process withdrawals and other transactions at this central point in each VDC for at least two days during each payment period to ensure every beneficiary is given enough of an opportunity to withdraw. Those beneficiaries that are fully disabled might not able to come to the central point in the VDC. In this case, door-step delivery of payments will be made to those clients only. However, in hilly, remote and hard-to-reach villages, and in cases when the beneficiary nominates a separate recipient, this requirement may be relaxed.

While the PSP is not required to recruit staff or an agent for each VDC, a single staff person or agent should not be responsible for disbursing cash to more than 800 recipients. In addition, the PSP should ensure that its staff or agents are reasonably accessible, in terms of both the distance the person must travel as well as the hours of operation, to residents of the VDC at times other than payment dates.

The bank should implement measures to ensure the safety of the money being transported.

BENEFICIARY EDUCATION

A majority of the beneficiaries of the cash transfer program are over the age of 60 and thus substantial education and outreach will be required to ensure that the beneficiaries understand how to use the new payment system. The PSP should educate beneficiaries on how to collect their benefits using the new payment system, their entitlements, grievance reporting and details of any other financial product they are offering.

ENROLMENT

Two months prior to date of the first payment, MoFALD will provide an electronic list of all beneficiaries from the government with the following information:

- District
- VDC
- Name
- Citizenship card number (except in the case of beneficiaries under the age of 16)
- Name and citizenship card number of recipient who should receive cash on beneficiary's behalf (in the case of beneficiaries under the age of 16)
- Benefit type

Note that the PSP is not responsible for verifying that the individuals listed as official beneficiaries according to the government meet the eligibility criteria for the cash transfer program.

The PSP should conduct enrolment in each VDC. The VDC's office may potentially be used for this purpose. Hundred percent of the beneficiaries will be enrolled. If the PSP is unable to enroll a beneficiary or recipient, the reason should be recorded. VDCs will assist PSPs in raising awareness of enrolment and will provide a suitable location for enrolment to be conducted. The PSP should share details of its schedule for enrolment with the DDC and beneficiaries in advance of enrolment.

During enrolment, the PSP should verify beneficiaries' identities by checking either their identity card or their citizenship card and collect, at a minimum, a photo, the mobile number (if applicable), and all ten fingerprints. In addition, if the PSP plans on offering any financial products to the beneficiaries KYC data should be collected as well. Preference will be given to PSPs which use fingerprint scanners which meet either the FBI IAFIS or PIV standards. In addition, care should be taken to ensure that lighting is suitable so that features of the face are distinguishable.

The PSP will have two months to complete enrolment. All enrolment data including fingerprint images and minutiae should be shared with MoFALD within a month of the completion of enrolment through a software interface provided by MoFALD or through other methods. Fingerprint images, fingerprint minutiae, and photos shared with the government should adhere to the ISO 19794 standard.

If MoFALD decides to continue to use the payment system after the first year the PSP must conduct one new enrolment camp/drive each additional year in which the payment system is used. At the time of new enrolment, the PSP should

a) Enroll all new beneficiaries

b) Verify that existing beneficiaries who nominated a recipient to collect payments on their behalf in the previous year are alive and present in the VDC (For example, if a beneficiary nominated a relative to collect cash on his or her behalf in year one, the PSP should verify that the beneficiary is alive and present during enrolment for the second year. The PSP is not required to verify the presence of beneficiaries who collect payments on their own behalf.)

DE-DUPLICATION

Fingerprint data collected during enrolment should be analyzed and compared to ensure that no individual is receiving more than one cash transfer benefit and that no single recipient is collecting cash for more than three beneficiaries.

UPDATES TO BENEFICIARY LIST

MoFALD may provide lists of beneficiaries for whom payments should be discontinued on a periodic basis. The PSP should halt all payments to these beneficiaries in future payment cycles. Furthermore, the PSP shall have the ability to alter the validity dates of the recipient based on updated information from MoFALD, without the need for a new card and perform other card lifecycle management such as termination of the card of a deceased beneficiary.

BIOMETRIC VERIFICATION OF BENEFICIARY AT TIME OF PAYMENT

The identity of recipients should be verified at the time of payment by comparing the fingerprint of the person seeking payment with the fingerprint of the recipient collected during enrolment. The choice of technology for performing this matching, for example through the use of smartcards or by storing the fingerprint on a POS, is left to the PSP. The algorithm used for verification of recipients at the time of payment should adhere to the NIST MINEX standard.

For a small share of recipients, fingerprint verification may be impossible due to insufficient fingerprint quality. In such cases, the PSP may use voice biometrics as a backup to fingerprint biometrics to authenticate the recipient. If the PSP does not use voice biometrics as a backup, or if both fingerprint and voice biometrics fail, the transaction should be processed manually according to the following process:

a) The PSP staff person or agent should verify the person's identity. (In the case of a manual transaction, the PSP staff person or agent is solely responsible for verifying this person's identity.)

b) The PSP should prepare two receipts for the transaction. One receipt, with the agent's signature, should be given to the recipient. The other receipt, with the recipient's right thumb print, should be retained by the PSP agent. This receipt should be forwarded to bank staff later.

If more than 5% of transactions are processed manually in any given VDC in any given payment cycle, the bank should send a staff person to interview a random selection of recipients whose payments were processed manually.

RECEIPTS AND UPDATE OF IDENTITY CARD

The recipient should be provided a printed receipt with details of the transaction and current balance after each transaction. The receipt should contain, at a minimum, the POS ID number and a systems trace audit number which should be unique for each transaction on each POS (though not necessarily across POSs). In addition, information regarding the payment and the signature of the agent should be entered into the beneficiary's identity card as per existing norms. It is encouraged that the technologies used be of open standards so that it is interoperable with other government payments and services which may be included in the future.

MINIMUM ACCOUNT ACTIVITY

One potential benefit of a branchless banking payment system is that it provides increased flexibility to the recipient with regard to when they withdraw their funds. As such, the PSP will not be required to ensure that all recipients withdraw all funds during each payment period. For example, a recipient may choose instead to withdraw a portion of his or her funds and keep the remainder in a savings account (in the case that the PSP also offers a savings account to recipients).

All recipients should conduct at least one withdrawal transaction, on the account serviced by the PSP, with the PSP during the one month period after a new payment is made available though. A list of all recipients who have not performed at least one transaction during this period should be provided to MoFALD along with the reason why the PSP was unable to reach the recipient.

An *inception report* is due 30 days after signing the contract with MoFALD. The inception report must detail how the PSP will roll out their payment mechanism to ensure that the first payments can be undertaken within the agreed timelines. The PSP will need to agree on this comprehensive work plan with MoFALD, specifying key milestones for the successful delivery of payments and appropriate outlining co-ordination mechanisms. The PSP may be required to use a web-based MIS developed by the MoFALD to obtain the list of beneficiaries and to upload the enrolments and payments reports apart from other methods.

A *VDC payment report* should be submitted to each VDC in the pilot districts within 15 working days after completion of each payment cycle. The VDC payment report should include details on which beneficiaries have received their payment and which haven't.

A *minimum account activity report* should be submitted to each district within two months after each payment date. This report should list all recipients who have not performed at least one transaction during the one month period after the payment date along with the reason why the PSP was unable to reach the recipient.

A *DDC payment report* should be submitted to each DDC in the pilot districts within 15 working days after completion of each payment cycle. The DDC payment report should include details on the share of beneficiaries that have received payments by VDC as well as information on any challenges encountered during the payment process, complaints, etc.

A *national payment cycle report* should be submitted to MoFALD within 15 working days after the completion of each payment cycle. This report should include information on field operations, payments made, challenges encountered any adjustments to the payment process, non collection of funds, complaints received, case management etc.

Detailed payments data should be submitted to MoFALD's MIS for reconciliation within 15 working days after the completion of each payment cycle. Payments data should be supplied in a format agreed on by MoFALD and the PSP and the data should be transmitted via a reliable and secure channel agreed on by MFALD and the PSP.

Detailed transactions data should be provided to MoFALD on a monthly basis for any additional financial products offered through the new payment system. Payments data should be supplied in a format agreed on by MoFALD and the PSP and the data should be transmitted via a reliable and secure channel agreed on by MoFALD and the PSP.

FUNDS FLOW

The PSP must have a dedicated account in a Nepali bank into which the aggregate amount of transfers to recipients, as calculated by the DDC, will be transferred. This transfer will be made at least ten working days prior to the each payment date. The fee for the provision of the payment service is expected to be paid after the completion of each payment cycle, following the presentation of evidence that delivery of payments to recipients has been successful. The PSP will be responsible for completing a full reconciliation between the amounts due and paid to each registered recipient within 15 working days after the last day of payments (see payment cycle report in the reporting section above). Any anomalies must be followed up on and reported to the MoFALD for further action within an additional seven days from completion of the reconciliation. In such circumstances the actions must be recorded in the PSP report to the MoFALD.

COMPLAINTS

The PSP will be expected to coordinate with the MoFALD to resolve complaints that have been received regarding the payment system, if any, and agree on any corrective measures that may be necessary in the payment system to avoid or reduce such complaints in the future. The PSP is responsible for responding to complaints that have been lodged by recipients or beneficiaries directly with the PSP's staff or agents, by VDC staff directly with the PSP's staff or agents, by district officials with the PSP, or by MoFALD with the PSP. The PSP should establish standard timelines for resolving such cases and disputes.

LOST OR STOLEN PAYMENT INSTRUMENTS

If the PSP solution uses a payment instrument, the PSP must have a mechanism for promptly replacing damaged, lost or stolen instruments. The PSP may incentivize recipients to care for their payment instrument by charging a reasonable fee to the recipient for replacement of a payment instrument.

AUDITING

The PSP should record key details for all transactions for the lifetime of the pilot. Transaction information should be searchable by date and location, name of beneficiary, citizenship card number, and POS ID plus systems trace audit number. The PSP should furnish relevant transaction details to MoFALD upon request.

TRAINING

The PSP should provide comprehensive training to members of enrolment teams, staff, and agents regarding the new payment system. The PSP should share details of training including dates and curricula to MoFALD in advance of the training.

REGULATORY APPROVAL

The bidder is expected to secure any approvals required by the Nepal Rastra Bank.

INTEGRATION TO MoFALD'S MIS

MoFALD is currently developing a web based software system that will house the nation's list of beneficiaries and their payment history. It is expected that the PSP's systems and processes will be integrated to the MIS. Firstly to download the list of beneficiaries for enrolment and secondly for the PSP to upload details on the progress of enrolments as well as ongoing payments along with details such as date, etc for reconciliation and record keeping. It is expected that a bulk download and upload facility would be available on the website for this purpose. The details of this integration may be gathered during bidders' orientation or in a requirements workshop.

TECHNOLOGY STANDARDS

It is expected that the technology solution should be a robust one that can handle the current requirements and be usable for a good period of time in the future, as well as be on par with international standards of quality and interoperability for similar financial services projects. The bidder should enter technical details of the specific technologies used in the Table format below in order to address specific concerns and requirements of MoFALD. This list is for guidance. Other factors may be added in addition in order to prove the case that the technology being offered is of a high quality. Please refer to Appendix G for a list of indicative best practices expected in the technology being proposed.

Technical specifications – Smart cards/PoS device

No.	Device	Requirement	Indicate technology being used to

			address this requirement along with justification to prove that technology matches requirement
1	Smartcard	1. Is it rugged and last for 5 years of use? 2. What ISO standards does it follow? 3. Does it have adequate memory to store all client data necessary? 4. is it Mastercard/visa compliant? 5. Is it interoperable with other cards?	
2	PoS device	1. What ISO standards does it follow? 2. Does it have PKI support? 3. Does it have offline and online modes? 4. What error rate of biometric correct identification does it support? 5. How many transactions/beneficiary data can it hold? 6. Is it interoperable with other cards?	
3	Fingerprint scanner	1. What ISO standards does it follow? 2. What is the pixel density? 3. What encryption does it support? 4. How much backup power does it have? 5. Is it rugged for rural environments? 6. How are software upgrades done?	
4	All	List 2 reference site where this technology has been used for a payment service of comparable number of customers preferably in Nepal, failing which, in South Asia	
5	Backend	How will transactions and enrolment details be uploaded to MFALD's MIS website, in a error free and reliable manner?	

E. KEY DELIVERABLES

The Bidder is expected to submit the following key deliverables or may propose deliverables based on Bidder's own proposed approach and methodology.

- **Project Inception Report** – Provides, at a minimum, the Bidder's plan for completing the project, describes the manner in which the Bidder's team will work with MFALD, provides a timeline for project execution including dates, resources, and dependencies, provides a plan for communications/issue resolution with the Project Team, and agreed Terms of Reference.

- **Detailed Requirements Document** – Provides a detailed description of the features and functionalities offered in the payment service.

- **Technical solution** – Provides the technology platform and the rationale for its selection, the nature of the solution being offered, the service level agreement on the services that will be provided.

- **Technology proof of concept** – There will be a demonstration to MoFALD on a mock payment cycle with a mock beneficiary to demonstrate that working of the technology using a sample smartcard and biometric card reader and integration to the back-end. Both enrolment and payment cycles will be demonstrated in this proof of concept.

- **Mini Pilot** – The service would be launched in 1 VDC per district in June 2013and scaled up to all districts in the financial year 2013-14. All beneficiaries in each of the villages will receive their payments.

- **Pilot** – Payments to all beneficiaries in the pilot period to end September 2013, and if requested additionally in 2014-15 and 2015-16.

- **Biweekly Status Reporting** – Copies (electronic) of all status reports provided by the Bidder during the execution. Each status report should include, at a minimum, the current period's activity, current issues, and planned activity for the next period.

F. ITEMS REQUIRED TO BE SUBMITTED IN THE FINANCIAL PROPOSAL

The Bidder must provide its financial proposal breakdown for each task in the format indicated in sub-sections A and B below. Sub-section A describes the fees structure that will be charged to MFALD while, sub-section B lists the justification for the fees by explaining the source of the expenses incurred by the bank to provide this service. The totals of the two tables must equal each other. The Bidder may add any other line items that have cost implications as deemed necessary, besides the following items and/or indicate zero in this format as necessary.

A. FEE STRUCTURE

As mentioned, the Bidder will be paid a fixed project management fee per year and variable fees per enrolment and for each payment made. The requested fee payment structure should be given as shown in the table below:

S. No	Item	Notes (provide costs/ assumptions per district)	Year one		Amount (NPR)	Year Two			Year Three			Total
			Unit cost	No. Units		Unit cost	No. units	Amount (NPR)	Unit cost	No. units	Amount (NPR)	
1	Project Management		NA	NA		NA	NA		NA	NA		
2	Enrolment fee		Enter fee per enrolment	No. of planned enrollees								
3	Payment fee		Enter fee per payment	No. of planned payments per cycle times 3								

B. COSTING

S. No	Item	Notes costs/assumptions (provide per district)	Year one				Amount towards project management fee	Amount towards total enrolments fee	Amount towards total payments fee
			Unit cost	No. units	Amount (NPR)	Total			
1	**Front end technology**								
1.1	Cards	Indicate number of cards anticipated							
1.2	PoS device	Includes bio metric reader, printer, card reader, etc							

1.3	Annual maintenance cost for device	Add line items for consumables and vendor AMC
1.4	Connectivity costs	Per year
2	**Back-end technology**	
	Integration to Bank's Core Banking System	Indicate basis for costing per account or lump sum
	Integration to MFALD's MIS system	
3	**Staff**	
	Wages	See accompanying resource table for details
	Training	
4	**Insurance if applicable**	
5	**Transportation costs**	Vehicle etc, include assumptions especially for remote villages
6	**Other**	Pl. detail in each row
	6.1	Financial education of clients
	6.2	
	6.3	
	TOTAL	

S. No	Item	Notes (provide costs/assumptions per district)	Unit cost	No. units	Amount (NPR)	Total	Amount towards project management fee	Amount towards total enrolments fee	Amount towards total payments fee fee
									Year Two
1	**Front end technology**								
1.1	Cards	Indicate number of cards anticipated							
1.2	PoS device	Includes bio metric reader, printer, card reader							
1.3	Connectivity costs	Annual maintenance cost for device Per year							
2	**Back-end technology**								
	Integration to Bank's Core Banking System	Indicate basis for costing per account or lump sum							
	Integration to MFALD's MIS system								
3	**Staff**								
	Wages	See accompanying resource table for details							
	Training								
4	**Insurance if applicable**								
5	**Transportation costs**	Vehicle etc, include assumptions especially for remote villages							
6	**Other**	Pl. detail in each row							
6.1		Financial education of clients							
6.2									
6.3									
	TOTAL								

Year Three

S. No	Item	Notes (provide costs/assumptions per district)	Unit cost	No. units	Amount (NPR)	Total	Amount towards project management fee	Amount towards total enrolments fee	Amount towards total payments fee fee
1	**Front end technology**								
1.1	Cards	Indicate number of cards anticipated							
1.2	PoS device	Includes bio metric reader, printer, card reader							
1.3	Connectivity costs	Annual maintenance cost for device Per year							
2	**Back-end technology**								
	Integration to Bank's Core Banking System	Indicate basis for costing per account or lump sum							
	Integration to MFALD's MIS system								
3	**Staff**								
	Wages	See accompanying resource table for details							
	Training								
4	**Insurance if applicable**								
5	**Transportation costs**	Vehicle etc, include assumptions especially for remote villages							
6	**Other**	Pl. detail in each row							
	6.1	Financial education of clients							
	6.2								
	6.3								
	TOTAL								

G. PAYMENT TERMS

The payment terms will be as follows:

No.	Payment Milestones	Amount
1.	Advance Payment of bid price	10% of estimated project management amount for year one
2.	Submission of inception report	15% amount quoted for project management for year one
3.	Delivery of intermediate deliverables outlined in the project inception document such as detailed staffing plan, including agents contracted, dates and method of each project activity, commissions to agents, details of technology and other deliverables mutually agreed upon in the project inception document.	15% amount quoted for project management for year one
4.	Demonstration of technology proof of concept, integration to MIS as described in "Section F: Key deliverables"	15% amount quoted for project management for year one
5.	Upon successful proof-of-concept payment in one village per district	35% amount quoted for project management for year one
6.	Completed enrolments and enrollees data uploaded into MIS	Fee per enrolment times the number of people enrolled
7.	First payment cycle with list of beneficiaries and proof of payment submitted	Fee per transaction times the number of payments made at the end of first payment cycle
8.	Second payment cycle with list of beneficiaries and proof of payment submitted	Fee per transaction times the number of payments made at the end of second payment cycle
9.	Third payment cycle with list of beneficiaries and proof of payment submitted	Fee per transaction times the number of payments made at the end of third payment cycle.

| 10. | End of year 1 | 10% of project management fee |

<mark>Penalty clauses</mark>

The key goals of the project are to avoid ghost beneficiaries and to provide convenient on-time payments. Hence MoFALD reserves the right to levy penalties to ensure that the PSP places sufficient effort to reach hard to reach customers, on doorstep transactions and hard to reach villages. Total penalties will be a maximum of 20% of the size of the contract as per the structure below.

Penalty structure		
1	Number of beneficiaries not enrolled electronically without justification.	Maximum of 20% of the enrollment fee requested
2	Number of beneficiaries not paid on time electronically without justification.	Maximum of 20% of the fee for payments requested
3	Report on enrollment and payments delayed in being uploaded into MoFALD's MIS past the date per Service Level Agreement.	Maximum of 20% of the fee for enrollment or payments requested

H. **TEAM COMPOSITION**

Illustrative project structuring

S. No	Staff role	Numbers	Key responsibilities	Locations covered
1	Project Director			
2	Project Manager			
3	District Manager			
4	VDC Manager			
5	Enrolment staff			
6	Customer service			
7	Agent			
8	Vendor/consultants			

Potential responsibilities include, high level project management, escalation mechanism, requirements/business analyst, technology design, customer service, support staff, accounts/finance for receiving cash and returning unspent cash, reports, agent management, cash handing, device maintenance, etc.

Additionally please list the resource/staff and time needed from MoFALD, VDC, DDC staff and the stages in the project where they would be needed.

It is expected that experienced staffs shall be used for this (first)of project.

Illustrative staff experience is:

Project Manager
- Minimum Qualifications - Master's Degree in Finance, Banking or related field
- 10 years' experience of working in the financial sector
- Experience in expanding banking services to new areas
- 5 years working as a team leader
- Excellent in speaking and writing English and Nepali

Enrolment Staff
- Minimum Qualifications - Bachelor's Degree in Finance, Banking or related field
- 5 years' experience of working in the financial sector
- Excellent in speaking and writing English and Nepali

I. <u>SELECTION CRITERIA</u>

MoFALD will adopt the Quality and Cost Based Selection method for procurement. 80% weightage is given to quality and 20% to cost.

A two-stage procedure is utilized for evaluating the proposals, with technical (quality) evaluation being completed first. The price (cost) evaluation of the proposals will be considered only for submissions that passed the minimum technical score of 70% (560 points) of the obtainable score of 800 points in the evaluation of the technical proposals. The technical proposal is evaluated on the basis of its responsiveness to this Term of Reference (TOR).

In the Second Stage, the price proposal of all Bidders that have attained a minimum of 70% score in the technical evaluation will be compared.

The points for the Financial Evaluation are computed as per the following formula:

Financial evaluation score = 200*Lowest Bid Offered/Bid of the Firm

"Lowest Bid Offered" refers to the lowest price offered by Bidders scoring at least 70% points in technical evaluation. Hence the maximum score in the Financial Evaluation is 200.

The contract will be awarded to the technically qualified Bidder that obtains the highest combined score equal to financial evaluation plus technical evaluation.

<u>TECHNICAL EVALUATION CRITERIA</u>

Criteria
IMPLEMENTATION CAPACITY
CLIENT VALUE
BRANCHLESS BANKING EXPERIENCE
TECHNOLOGY SPECIFIC QUESTIONS
PRICE

	Total		

Evaluation forms for technical proposals follow on the next two pages.

J. <u>RFP ASSESSMENT CRITERIA</u>

	Category	Sub-category	Question
IMPLEMENTA-TION CAPACITY			
1.1	Capacity to deliver solution	Enrolment plan	Does enrolment plan contain following details? (i) Number of enrolment teams, (ii) staff and technology to be included in each enrolment team, (iii) timeline for enrolling all beneficiaries which ensures overall project timeline may be achieved and which is based on realistic estimates of number of beneficiaries that may be enrolled by each team in a given period of time, (iv) measures to ensure accuracy of data collected such as through periodic site checks of enrolment team by managers
1.2		Agent recruitment plan	Does agent recruitment and training plan contain following details? (i) Types of people or firms bank will attempt to recruit as agents along with anecdotal evidence to suggest that such people or firms are capable of serving as agents and trusted by local communities, (ii) process for screening potential agents to ensure that selected agents are competent and honest, (iii) plan for training each agent including details of any training materials to be developed (iv) Incentives for agents
1.3		Cash management plan	Does cash management plan contain the following details? (i) Process for ensuring agents has sufficient cash ahead of payment date. If plan specifies that agents themselves are responsible for obtaining cash from bank branch, plan should specify process for dealing with cases of theft or fraud and plan should ensure that agents receive sufficient compensation to ensure they are willing to perform this function. If plan specifies that cash is to be delivered to agent locations, plan should include details describing how the cash will be delivered and the staff that will be assigned to perform the delivery. (ii) Process for managing cash at agents at times other than before the

1.4		Exception handling	Does proposal contain the following details? (i) Process for dealing with cases in which beneficiary's fingerprint does not match fingerprint on record due to technical fault along with realistic estimate of how often this is likely to occur and what steps will be taken to ensure that the exception process is not abused. (ii) Process for replacing broken or compromised POS in a reasonable amount of time, (iii) Process for replacing beneficiary payment instrument that has been lost or stolen
1.5		Beneficiary grievance	Does proposal contain following details? (i) Process for beneficiary to register complaint regarding payment system, (ii) Process for bank to respond to beneficiary complaints
CLIENT VALUE			
2.1		Accessibility	Number of VDCs with an agent
2.2	Value to beneficiaries	Access to savings account	Will beneficiaries be offered a savings account in which there is no minimum balance and beneficiaries are not charged any fees if they conduct fewer than 3 transactions a month?
2.3		Days of operations	Number of days that the agent will be open for payments in each disbursement
BRANCHLESS BANKING EXPERIENCE			
3.1	Experience in branchless banking		Bank currently (at time of bid submission) operates branchless banking solution with at least 500 customers and an average of 50 transactions per day. (Please note only transactions conducted at agents should be considered. Mobile banking transactions conducted on the phone or at a branch should not be counted. Mobile banking transactions conducted at an agent should be counted though.)
TECHNOLOGY SPECIFIC QUESTIONS			
	Biometric-specific questions		
4.1	Technology		Does fingerprint scanners used for enrollment meet either FBI IAFIS or PIV standards?
4.2			Will smartcards be provided to all beneficiaries?

4.3			Will all POSs be capable of performing transactions offline without access to mobile network?
4.4			Has the de-duplication software to be used by the bank been used in other large-scale applications?
4.5	Reports		Will the technology support automated creation of reports?
4.6	Robustness		Is it demonstrated anywhere in the world that the technology is a proven and robust one?
PRICE			
5	Price		"Effective price" as calculated by the following formula: Effective Price = (Project management fee) + (POP x Enrolment fee) + (Cost of making TXN transfers of 2,000 NPR each)

K. TECHNICAL SPECIFICATION

It is highly recommended to stick to standards and facilitate replacement of hardware, retain independence of smart card or reader manufacturers, minimize costs.

The technological details indicated suggestive are as follows:

Smart card specification

- Should conform to ISO 14443/ ISO 7816 standards for contactless/ Contact Smart cards and support read and write operations.

- Support Mifare Protocol

- The card should be of best quality PVC/polycarbonate material. Should be durable and should withstand flexing/ abrasion/ static electricity/ humidity/ magnetic field.

- Should be of standard dimension

- Key Length Supported (1024 to 2048)

- Symmetric Key Support (DES/ Triple DES Algorithm)

- EMV (Europay, MasterCard and Visa) compliant

- Should have a minimum of 32 K EEPROM (Electrically Erasable Programmable Read-Only Memory) memory, PKI enabled. By international standards, this memory should retain data for up to 10 years without electrical power and should support at least 10,000 read-write actions during the life of the card.

- Provision for Unique number for card serial number.

- Should guarantee card work life of at least 5 years.

- The card should allow the reader to compare the fingerprint template stored on the card and the live finger print of the card holder read by the fingerprint reader.

- Should specify the breakup of the space allocated in the smart card for various requirements like User Certificates, Smart Card Operating system, Applications provided by the smart card vendor, Customized application and future applications.

Handheld devices

General Requirement

- The device may be a single integrated system or could be in maximum of 2/3 components.

- All required devices should be freely (easily) available to carry out the activity on a large scale.

Handheld Device Specifications

- Should conform to ISO 14443/ ISO7816 and ISO 18092 standards for read and write operations.

- Should have built-in PKI support

- EMV compliant.

- Multilingual support.

- Should have online connectivity possible, and also have ability to transfer data using offline methods.

- All communications with the handheld devices should be by secured modes.

- Should be battery operated with several days in standby, and at least 8 hours of continuous operations.

- Fingerprint system should be able to match the live fingerprint against templates stored on the customer card.

- Application should be upgradeable in the field.

- Agent based rule definition.

- Should have capability to store required amount of data

- Should have ample available memory for application

Capability of hand held device

The device should be capable of undertaking the following functions:-

- Reading fingerprint of customer

- Comparison of the above fingerprint with fingerprint template stored on the smart card

- Validation of cards with respect to authorized hand held device

- Authentication of the customer

- Secure storage of transactions

- Facility for online connectivity

- Uploading and/or downloading of transactions to/from Intermediate system through online connectivity as well as through offline modes

- Secure communication between handheld device and all other devices/systems

- In case of any communication failure, it will ensure that no data is lost during transmission

- Printing reports/ mini-statements, receipts with a printer

- Maintenance of full traceability and audit trail of the transactions

- Locking the device from further usage whenever the business agent failed to upload the day's transactions to the intermediate server even at the End Of Day or reached the permissible limit of transactions

- The handheld device should be able to maintain a database of linked customer accounts, and to transfer/upload the transactions either through online connectivity or offline modes. These downloaded transactions from the backend should be written subsequently in the respective smart cards during the next visit of the cardholder.

- Device may also have Voice Interactive facility (Regional Languages are also to be enabled)

Fingerprint scanner

The Fingerprint Scanner to be deployed needs to have following minimum technical specifications –

- Minimum requirement for image acquisition should be the Setting Level 31, as defined in the ISO/IEC 19794-4 and Scanner device needs to generate clear distortion free images using the advanced optical methods. Protection from strong ambience lights should be provisioned for this.

    o Contact Area - 1x1 square inch.

    o Minimum Capture Size – 13 mm wide x 17 mm high

    o Pixel density of 500 ppi with ±5 ppi.

    o Pixel Depth – 8 bits

- Dynamic Range of Scanned image – minimum 200 grey levels prior to comparison.

- Grayscale finger image data should be stored, recorded and transmitted in uncompressed – bit packed form.

- Scanner Surface should be dust and humidity resistant, in the form that the dust and humidity levels should not be damaging the scanner surface.

- Scanner device should be capable of sensing the Live-scan plain Finger impression. This would require the Scanner Device to have strong anti-spoofing features, whereby only live fingerprints will produce an image & also protect from use of residual images

- Scanner device should use precise and fast processing algorithm to ensure efficiency and reliability.

- Scanner device and algorithm used for developing minutiae shall be configured to address security requirements of the bank and protected from unauthorized changes

- Scanner device must encrypt the finger minutiae with 3DES or equivalent strong encryption algorithm before transmitting it over the network for authentication.

- Scanner Device should be ready to use with ease of integration and interoperability

- The Scanner Device must confirm to ANSI-378 standard to meet the Data Interchange requirements set by the standard.

- Scanner device must be resistance to impact and shocks.

- Scanner Device must be immune to Electronic Discharge.

- Scanner device should be protected from strong ambience light, temperature variations, humidity and similar environmental variables.

- Scanner device should have temper resistant design; to avoid alterations to the physical device and/or connectivity modes with the various components to prevent relay or bypass attacks.

- Scanner device must have broader range of applicability, especially for use in extreme conditions and climates.

- Scanner device must be capable of generating audit logs and customizable reports of security events that should be reported to the central repository. Adequate security measures are desired to protect this data.

Image Acquisition Requirements

- Scanner device should be capable of capturing and transmitting either minutiae or raw image as required.

- Number of Fingers of which images needs to be taken should at least be two fingers.

- Each record shall pertain to a single subject and shall contain an image record (consisting of single view) for each of one or more fingers; multiple fingers (single image records).

INTERMEDIATE SYSTEM

The Intermediate software will have the capability of switching and connecting the front-end devices with the backend in a secure manner. It will also have following additional functionalities.

- Only Authorized or registered devices can connect to the Intermediate System

- Intermediate System will push software upgrades, if any, to the handheld device during every BOD (Bandwidth on demand) and ensure that all the handheld devices are having the latest version of the software

- Ensure that the entire upload done from the various handheld devices/Laptops is properly accounted in the system with various status flags.

- Ensure that the entire download done reach the appropriate handheld device and the update is done in the corresponding smart card.

- Secure communication between all devices/systems end-to-end.

Card Personalization

This software will include following functionalities:

- Although currently one card would be issued per account, there should be provision for linking multiple cards to single account, multiple accounts to single card and multiple accounts to multiple cards.

- Photographs, Documents of proof of identity / residential address, entitlement to receive remittances under various schemes, application form, raw finger print images etc that are scanned at the time of registration or thereafter have to be securely stored. The physical copies of documents etc that have been collected from the beneficiaries should so be securely stored.

- Card personalization infrastructure should be located within the premises of the Village Development Council (VDC). In case VDC chooses to allow the IT Kiosk to run these operations at IT Kiosk's premises; in such an event VDC would be given access to conduct audit of the systems and processes.

Overall the Smart Cards and the devices described above should allow interoperability with other standard devices and readers.

Section 5 Draft Terms of Reference

<div align="center">**Consulting Services for the Project**</div>

"Delivery of Two Factor Authentications-based Payments of Government Cash Transfers to the Elderly, Disabled and Marginalized Beneficiaries using Branchless Banking/e-Banking"

For

Social Protection Initiatives of the Ministry of Federal Affairs and Local Development

A. Background

<u>**ABOUT THE PROGRAM**</u>

The Ministry of Federal Affairs and Local Development (MoFALD) delivers a number of social protection programmes across the country. The Ministry has managed the distribution of cash transfers designed by the central government for the last 15 years. Although the transfer amounts are described in monthly terms, the money is aggregated and delivered three times a year by the Village Development Committees (VDCs). In FY 2011/12 the five programmes, listed below, disbursed almost Rs. 7.63 billion to 2.124 million beneficiaries across the country. The budget allocation for 2012/13 is Rs. 10.21 billion.

The assistance primarily includes Senior Citizen's Allowance (Old Age Pension), Single Women's allowances, Child Grants, Scholarships, Widow's Allowance, Disability Allowance, and other programs as outlined in the table below. Besides, MoFALD also plays a leading role in administration of public workfare programs, including both food-for-work and cash-for-work. However, public workfare programs are not part of this scope.

1. Senior Citizen's Allowance – this allowance was introduced in 1994 and allocates Rs. 500 per month to 783,374 beneficiaries. These transfers are funded through taxes.

2. Single Women's Allowance – This allowance was introduced in 1997 (previously known as the Widow's allowance). 797,885 beneficiaries are allocated Rs. 500 per month. These transfers are funded through taxes.

3. Child Grant – This allowance was agreed in 2009 but transfers have still to take place. Around 458,135 beneficiaries in Karnali and poor Dalit children outside Karnali will be allocated Rs. 200 per month per child, for up to two children. These transfers are funded through taxes.

4. Disability Grant – This allowance pays Rs. 1,000 per month to 19,486 fully disabled beneficiaries and Rs. 300 or Rs. 500 per month to 6,875 partially disabled beneficiaries. These transfers are funded through taxes.

5. Janajati or Endangered Indigenous People Grant – The allowance was introduced in 2009. It pays 21,289 beneficiaries Rs. 500 per month. These transfers are funded through taxes.

Summary details about the cash transfer program are provided below.

Transfer	Eligible Population[5]	Amount (NPR per month)
Senior citizens allowance	All Dalits 60 years old or older. All residents of Karnali 60 years old or older. All others 70 years old or older.	500
Single	Single women 60 years old or older.[6]	500

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[5] Individuals may not receive more than one transfer and are ineligible if they already receive a salary or pension from the government.
[6] The Supreme Court of Nepal has recently ruled that all widows, regardless of age, should be eligible for this grant. To date this ruling has not yet been implemented.

Women's Allowance		
Child Grant	All children under 5 in Karnali and poor Dalit children under 5 everywhere else	200 per child (max 400 per household)
Disability Grant	Disabled people who must depend on others for daily life are eligible for full disability grant. Those with disability but who are able to manage daily functions without help from others are eligible for partial disability. Partial disabled are subject to a quota.[7]	1000 for full disability. 300 for partial disability
Endangered Indigenous Grant	Belong to one of 10 endangered indigenous communities[8]	500 for most groups. 1000 for members of Rauti community

ABOUT THE PROJECT

This proposal is for the SSNP programme only.

SSNP, funded by the World Bank, primarily supports a partnership between the Government of Nepal and the World Food Program to bring urgent help to food insecure areas. It provides food and cash for work under this partnership. The Bank has emphasized the need to build country systems to respond to vulnerable areas by focusing more on agriculture production and safety net responses. The project also provides support to building capacity and improving monitoring and response by Government agencies.

As part of the SSNP project, the World Bank and MoFALD conducted a review of the current cash transfer mechanism.

Overall, the report: "Assessment of Social Assistance Programs Administered by the Ministry of Local Development" – Doug Johnson and Pushpa Subedi (see attachment SSN Review Report Final.pdf) find that

> " The cash transfer program has been well implemented: there is relatively high awareness of the senior citizens' and single women's allowances; most application procedures are straightforward and easy to comply with; beneficiaries nearly always receive the full transfer amount; it is easy and convenient for beneficiaries to collect their cash; the public nature of the cash payout supports transparency; and the program guidelines are clear and comprehensive.
>
> Yet the cash transfer program also suffers from several weaknesses. The most salient weaknesses are that staff of the Population and Vital Event Registration Section are unable to devote adequate time and resources to the cash transfer program; the village and district level committees overseeing the program often do not play their assigned role; the existing grievance mechanism is not robust; program data is fragmented, incomplete, and only in paper format; cash is often

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[7] The Ministry of Federal Affairs and Local Development allocate quotas for partial disability beneficiaries to districts. Rationing decisions are made by the Social Security District Coordination Committee (see below for more information), in cases where the number of applicants for the partial disability allowances exceeds the district quota,

[8] There are 59 officially recognized Janajati, or indigenous, groups in Nepal. Out of these, ten have been identified as endangered and are eligible for the grant.

delivered late and less frequently than official guidelines specify; and having the same agency both maintain beneficiary lists and delivery payments implies a high potential for "ghost" beneficiaries.

The following changes to the cash transfer program to address these weaknesses are recommended:
- Institutional Recommendations
  - Make vital events registration unit a separate department within MLD. Within this department, tasks related to vital event registration and cash transfer program should be handled by separate teams.
  - Reduce the size and increase the authority of the local identity card recommendation committee.
  - Reduce the size of the social security district coordination committee and increase focus of the committe on monitoring responsibilities.
  - Allocate funds to VDCs/munis/DDCs for administrative expenses related to the cash transfer program.
- Monitoring Recommendations
  - Track fund flow information such as the date of transfer of funds from DTO to DDC and from DDC to VDC at central level.
  - Provide a list of government pensioners to VDCs/munis/DDCs.
  - Establish a robust grievance mechanism.
  - Communication Recommendations
  - Create a short pamphlet with key facts about the cash transfer program and a poster with basic details of the program.
  - Train social mobilizers on the cash transfer program and provide them with the official guidelines, pamphlets, and a list of all beneficiaries in the VDC.
  - Announce yearly application deadline on FM radio and in newspapers.
  - Provide funds to VDCs for communication and a list of suggested communication activities.
  - Print list of basic beneficiary rights, payment amounts / dates, and steps to register complaint in back of all identity cards.
- Data Management Recommendations
  - Develop and test an MIS for managing basic family folder data.
  - Hire dedicated IT staff within MLD.
  - Build data warehousing capacity.
  - Payment Recommendations
  - Test alternate methods for delivering cash to beneficiaries.
  - Evaluate payment models and determine which payment method is most appropriate in which conditions.
- Process Recommendations
  - Print identity cards at district level.
- Policy recommendations
  - Review policies and systems of disability allowances
  - Ensure adherence to Supreme Court regarding single women's allowance. "

ABOUT THIS RFP

The SSNP project seeks to implement the above recommendations of the report.

One component of this project is to launch a pilot to test potential improvements to the cash transfer program. One potential improvement which will be tested in the pilot is the use of independent payment service providers (PSP) to deliver cash to beneficiaries of the program.

The following Terms of Reference (ToR) describes the rules for Payment Service Providers to use a "TWO FACTOR based Authentication System" to deliver payments.

B.   OBJECTIVES

The objective of this ToR is to select a Payment Service Provider (PSP) who delivers cash payments on time and with minimum of inconvenience to all the beneficiaries, at a low cost, in a secure and transparent way in pilot locations for one year using "TWO FACTOR" based client authentication technology.

C.   HIGH LEVEL SCOPE OF WORK

SCOPE OF WORK

The following are the high level responsibilities of the payment service provider:

8. Deliver payments to beneficiaries (or recipient nominated by beneficiary) on-time and with a minimum of inconvenience to beneficiaries. Time spent travelling to the payment location, time spent waiting in line, and time spent learning the details of the new payment system are some factors that affect the overall convenience to the beneficiary.

9. Open a "Zero Balance" bank account for each beneficiary

10. Verify beneficiary (or recipient nominated by beneficiary) identity through 2 factors identification matching at the time of payment

11. Provide a cost-effective and transparent solution that prevents the transfer of funds to ineligible recipients

12. Address issues raised by beneficiaries, VDC, DDC or MoFALD

13. Submit timely reports and other data to MoFALD

14. Maintain close coordination with VDC and DDC.

PILOT LOCATIONS

The pilot will be implemented in all the VDCs of Sunsari, Morang, and Tanahu. Data on the total number of cash transfer beneficiaries in FY2011-12 for each of these districts is included in the table below.

District	# VDCs	Elderly	Single women	Endangered indigenous	Full Disability	Partial Disability	Child Grant	Total
Morang	66	24411	9532	0	958	150	10170	45221
Sunsari	53	14896	8944	1	117	150	4365	28473
Tanahu	47	15865	4385	3	270	100	4735	25358

PILOT TIMELINE

The Payment Service Provider (PSP) will first conduct a proof of concept of <mark>payments in one VDC of the bidder's choice by end June 2013.</mark>

Past this, the PSP will be required, at a minimum, to deliver three sets of payments to each beneficiary under the cash transfer program through September 2013. Although the duration of the pilot project ends September 2013, the PSP must commit to continue operating the payment system at the variable fees agreed on for two additional years (three years in total) if requested by MoFALD. The decision of whether to continue to use the payment system beyond the first year will be made by MoFALD before the end of FY 2012-13.

The first payment tranche of the first year will be made by September 2013. The two subsequent payments will be as per the official guidelines published by MoFALD regarding the cash transfer program.

TWO FACTORS-BASED AUTHENTICATIONS – HIGH LEVEL PROCESS FLOW

It is envisaged that at a high level the Two Factor based authentication process would work as follows. However, this is for illustrative purposes only and the Bidder is free to propose a different methodology.

Upon receipt of the enrollee list, the <mark>Bidder</mark> would <mark>coordinate with the DDCs and VDCs to launch awareness campaigns</mark> about the enrolment camp to the beneficiaries about this new payment approach and how it works. It is expected that during enrolment at the VDC, the <mark>enrolment team</mark> will compare approved identity proof documents of the recipient against the beneficiary information provided to the Bidder. Satisfied that it is the correct recipient, a photograph will be taken, and the client's details entered into a computer.

A client instrument to be determined by the Bidder will be issued to the beneficiary. However, the two factors used in the payment solution must meet the following requirements

1. Authentication factors are from one of the three following groups: things the customer knows (such as a PIN or password), things the customer physically possesses (such as a magnetic stripe card or mobile phone), and things the customer is (such as a fingerprint). The two factors used should not be from the same group.

2. The factor must be automatically verifiable.

A magnetic stripe card or a mobile money account will be created for the client either onsite or offsite with the data stored in the Bidder's servers. During each payment cycle, MoFALD transfers the gross amount to be paid out into a pooled account of the bank. The bank may then distribute the amount into individual client accounts.

The client is serviced by a payment agent with a Point of Sale (PoS) device with a card reader, or simply by using a mobile phone as the case may be. It may be a bank staff or an outsourced vendor. The bank gives to the agent, the total amount to be disbursed. The amount to be paid to each client may be downloaded into the agent's PoS device or accessed over GPRS.

If the client visits the agent with the card, the agent swipes the card on the PoS device, to retrieve the client information such as photograph, name and amount payable on the device. The client then authenticates the payment by entering a PIN code. The amount to be disbursed is deducted from

his/her account and the cash is paid out, along with a printed receipt. The transaction information is updated on the back-end computers ideally in real time over air waves.

In the case of mobile money, the client initiates the account debiting at the time of disbursal using a software application on his/her mobile phone or through USSD, with the help of the agent. The display reads the amount to be disbursed. The client enters her password to authenticate the transaction. The remaining procedures are as before.

The technology ensures that the money goes into the right hands, that the client cannot be shortchanged and all the money is accounted for. If needed, if the agent is using his funds for disbursement, then his account would be credited with the amount he disburses in each transaction.

D.   <u>ITEMS TO ADDRESS IN PROPOSAL</u>

The sections to be covered in the proposal are as below. Note that detailed requirements and service levels will be agreed upon at the contracting stage.

Executive Summary - A summary of the Bidder's proposal

Bidder and Partner(s) Overview and Background - The Bidder must provide basic information on the Bidder and any partners or subcontractors participating in the RFP. This information should include, but is not limited to, the history of the organization, its experience in the field, technical capabilities, experience in rural payments or financial services especially using branchless banking, the size of implementations (for example, number of accounts, transaction volumes, etc.) and success stories in the similar nature of assignment. This section should also explain any partnering arrangements that have been made to respond to the Bid. The short biographies of key project personnel along with an annexure of their detailed CVs should be provided

Technical Approach - The Bidder must describe its technical approach and methodology for providing the required services as detailed in the next section. The key concepts and issues, from the Bidder's perspective, need to be highlighted in this section. In addition, the Bidder needs to describe how the project will be organized and carried out. Overall, a compelling case needs to be made that demonstrates that the Bidder's proposed approach will be successfully implemented and supported by the Bidder in a cost effective manner.

The approach should cover the following:

PLAN FOR ENROLMENT

The bidder should supply details of how they will conduct enrolment including information on the number and make-up of the teams that will conduct enrolment.

PLAN FOR AGENT/STAFF RECRUITMENT

The bidder should supply details of how they will recruit agents and/or staff to perform payment to recipients including details on the number of agents / staff for each district, what their profiles would be, including how they will be trusted by their community, their honesty and competence to improve service and decrease frauds, and where the agents will be located. The training program for the agents on the technology and process as well as commission structure should be provided to ensure they will provide a good quality of service.

PLAN FOR CASH DISBURSEMENT AND MANAGEMENT

The bidder should supply details of how cash will be managed to ensure that agents have sufficient cash on hand to make payments during the specified payment dates, what is the protection against theft or fraud, and overall cash management procedure at the agent.

PLAN FOR EDUCATING BENEFICIARIES AND OTHERS ON NEW SYSTEM

The bidder should supply details of how they will educate beneficiaries and recipients on details of the new payment system and, if applicable, any other financial products offered. Additionally the process for the beneficiary to register complaints regarding the payment system and for the bank to respond to beneficiary complaints should be supplied.

DETAILS OF ADDITIONAL FINANCIAL PRODUCTS OFFERED

Bidders are required to open a "Zero Balance" bank account for each beneficiary. The bank will need to implement "Know your customer" procedures. The specific KYC norms will be provided at the contract stage. Bidders are highly encouraged to offer additional financial products to recipients and other residents, particularly financial products tailored to the poor such as savings accounts with no minimum balance and few fees. If the bidder plans on offering any additional financial products to beneficiaries or others, details of these financial products, including the fee structure and whether they will be offered only to recipients or the total population, should be supplied.

PLAN FOR DE-DUPLICATION

The bidder should supply details of how they will conduct de-duplication including, if an outside vendor is used, the name of the vendor.

DETAILS OF TECHNOLOGY USED

The bidder should supply relevant details of technology to be used. In particular, details of how the technology assures security and robustness of the solution, including examples of other successful applications of the technology in financial services elsewhere including its ease of use by the illiterate users should be supplied. The process for failures by biometric or other authentication mechanism, what is the back-up process to tackle this failure, what are the expected failure rates of the technology in identifying the beneficiary, ensuring that the agents strictly use the technology and do not subvert it, and for replacing faulty devices and lost or stolen client instruments should be supplied.

DETAILS OF SUB-CONTRACTING

Bidders should supply details on which activities they plan on sub-contracting to other firms. Bidders should also describe how they will assure that the quality of the work performed by the firms they sub-contract. Bidders may, but are not required to, supply the names of the firms which they will sub-contract work to.

DETAILS OF DATA REPORTING

Bidders should supply details on how the progress of enrolment and payments will be accurately recorded and transmitted to MoFALD's database and include how the accuracy of data collected will be validated.

ADDITIONAL INFORMATION

The bidder may supply any additional information related to their bid in this section.

FEES

BIDDERS SHOULD SUBMIT FEES FOR EACH OF THE FOLLOWING COMPONENTS FOR <mark>THREE YEARS</mark>. ALTHOUGH THE DURATION OF THE PILOT PROJECT IS ONLY ONE YEAR, THE PSP COMMITS TO CONTINUE OPERATING THE PAYMENT SYSTEM AT THE VARIABLE (ENROLMENT AND FUND TRANSFER) FEES SUBMITTED FOR TWO ADDITIONAL YEARS (THREE YEARS IN TOTAL) IF MoFALD DECIDES TO CONTINUE. THE DECISION OF WHETHER TO CONTINUE TO USE THE PAYMENT SYSTEM BEYOND THE FIRST YEAR WILL BE MADE BY MoFALD BEFORE THE END OF FY2012-13. BIDDERS MAY INDICATE A ZERO COST FOR ANY ELEMENT FOR WHICH THEY DO NOT SEEK TO CHARGE A FEE.

In some cases when the beneficiary is fully disabled, they might not be able to visit a common enrolment or payment area. In these cases, door-step enrolment and payment will be done. This requirement may be relaxed in the case of hilly and hard to reach areas. Bidders may charge a higher fee for these beneficiaries if the justification for higher costs can be made.

4. Project management or fixed fee This amount will be paid to the PSP Once only..

5. Fee for each person enrolled This amount will be paid to the PSP once for each new person enrolled.

6. Fund transfer fee This amount will be paid to the PSP once each time funds are transferred from the government to a recipient. This fee may be expressed as a flat percentage of not more than 0.5%. The amount will be transferred from the government to the PSP at least one month in advance of the payment date.

Note that no fees may be charged to the beneficiaries. Detailed guidelines for the fee structure are provided in later sections of this document.

SERVICE LEVEL AGREEMENT (SLA)

The must clearly explain the service levels that the various components of the service, the technology platforms and the payment service will offer. MoFALD may add penalty clauses in case not all the beneficiaries are enrolled or paid in time or if the data is not reported in time as per the SLA.

PAST PERFORMANCE / SUCCESSFUL IMPLEMENTATIONS

The Bidder should provide a reference of successful implementation of similar projects, if they have. The mentioned project references must include names, telephone numbers, addresses and email addresses of the respective clients so that MoFALD can contact and verify the project summaries. It should be assumed that the clients of these projects would be contacted during the evaluation of the Bidder's response.

WORK PLAN

Based on the *Section E* below, the Bidder should provide a detailed work plan for the various stages of the project outlining risk areas and methods to mitigate them. The narrative must include all planned deliverables with descriptions and delivery dates including.

It should details of the organizational and project team structure and how it will be managed for successful execution.

Detailed Requirements

The specific responsibilities of the PSP and elements to cover in the proposal are listed below.

PAYMENT DATES

As per the MoFALD cash transfer guidelines, payments for the cash transfer program should be made a minimum of three times a year during the months of Ashwin, Magh, and Jestha. Funds will be transferred to the PSP from the government at least one month ahead of the date of payment. Funds not disbursed within a specified period of time will be returned back to the MoFALD. A schedule of payments will be announced by the PSP at the time of enrolment or in a timely manner. The payment period is expected to be about a week and will allow the beneficiaries alternate days to collect payments in case they are unable to collect payment on one specified day.

USE OF STAFF OR AGENTS

The PSP may use either its own staff or outsourced agents to deliver cash and process transactions for beneficiaries. The PSP must conform to Nepal Rashtra Bank (NRB) rules and regulations regarding the use of agents. Aside from the NRB rules and regulations regarding the use of agents, no additional restrictions will be imposed on the PSP's selection of agents. The PSP is solely responsible for the conduct of its agents.

PAYMENT LOCATIONS AND ACCESSIBILITY

Payments under the cash transfer program should be made at a central point in each VDC. A staff person or agent should be available to process withdrawals and other transactions at this central point in each VDC for at least two days during each payment period to ensure every beneficiary is given enough of an opportunity to withdraw. Those beneficiaries that are fully disabled might not able to come to the central point in the VDC. In this case, door-step delivery of payments will be made to those clients only. However, in hilly, remote and hard-to-reach villages, and in cases when the beneficiary nominates a separate recipient, this requirement may be relaxed.

While the PSP is not required to recruit staff or an agent for each VDC, a single staff person or agent should not be responsible for disbursing cash to more than 800 recipients. In addition, the PSP should ensure that its staff or agents are reasonably accessible, in terms of both the distance the person must travel as well as the hours of operation, to residents of the VDC at times other than payment dates.

The bank should implement measures to ensure the safety of the money being transported.

BENEFICIARY EDUCATION

A majority of the beneficiaries of the cash transfer program are over the age of 60 and thus substantial education and outreach will be required to ensure that the beneficiaries understand how to use the new payment system. The PSP should educate beneficiaries on how to collect their benefits using the new payment system, their entitlements, grievance reporting and details of any other financial product they are offering.

ENROLMENT

Two months prior to date of the first payment, MoFALD will provide an electronic list of all beneficiaries from the government with the following information:

- District

- VDC

- Name

- Citizenship card number (except in the case of beneficiaries under the age of 16)

- Name and citizenship card number of recipient who should receive cash on beneficiary's behalf (in the case of beneficiaries under the age of 16)

- Benefit type

Note that the PSP is not responsible for verifying that the individuals listed as official beneficiaries according to the government meet the eligibility criteria for the cash transfer program.

The PSP should conduct enrolment in each VDC. The VDC's office may potentially be used for this purpose. Hundred percent of the beneficiaries will be enrolled. If the PSP is unable to enroll a beneficiary or recipient, the reason should be recorded. VDCs will assist PSPs in raising awareness of enrolment and will provide a suitable location for enrolment to be conducted. The PSP should share details of its schedule for enrolment with the DDC and beneficiaries in advance of enrolment.

During enrolment, the PSP should verify beneficiaries' identities by checking either their identity card or their citizenship card and collect, at a minimum, a photo, the mobile number (if applicable), and all ten fingerprints. In addition, if the PSP plans on offering any financial products to the beneficiaries KYC data should be collected as well. Preference will be given to PSPs which use fingerprint scanners which meet either the FBI IAFIS or PIV standards. In addition, care should be taken to ensure that lighting is suitable so that features of the face are distinguishable.

The PSP will have two months to complete enrolment. All enrolment data including fingerprint images and minutiae should be shared with MoFALD within a month of the completion of enrolment through a software interface provided by MoFALD or through other methods. Fingerprint images, fingerprint minutiae, and photos shared with the government should adhere to the ISO 19794 standard.

If MoFALD decides to continue to use the payment system after the first year the PSP must conduct one new enrolment camp/drive each additional year in which the payment system is used. At the time of new enrolment, the PSP should

c) Enroll all new beneficiaries

d) Verify that existing beneficiaries who nominated a recipient to collect payments on their behalf in the previous year are alive and present in the VDC (For example, if a beneficiary nominated a relative to collect cash on his or her behalf in year one, the PSP should verify that the beneficiary is alive and present during enrolment for the second year. The PSP is not required to verify the presence of beneficiaries who collect payments on their own behalf.)

DE-DUPLICATION

Fingerprint data collected during enrolment should be analyzed and compared to ensure that no individual is receiving more than one cash transfer benefit and that no single recipient is collecting cash for more than three beneficiaries.

UPDATES TO BENEFICIARY LIST

MoFALD may provide lists of beneficiaries for whom payments should be discontinued on a periodic basis. The PSP should halt all payments to these beneficiaries in future payment cycles. Furthermore, the PSP shall have the ability to alter the validity dates of the recipient based on updated information from MoFALD, without the need for a new card and perform other card lifecycle management such as termination of the card of a deceased beneficiary.

TWO FACTOR VERIFICATION OF BENEFICIARY AT TIME OF PAYMENT

The PSP may use any method which employs at least two factors to verify the identity of the recipient at the time of payment. The two factors used in the payment solution must meet the following requirements

1. Authentication factors are commonly divided into three groups: things the customer knows (such as a PIN or password), things the customer physically possesses (such as a card or mobile phone or other token), and things the customer is (such as a fingerprint). The two factors used should not be from the same group.

2. The factor must be automatically verifiable. For example, possession of a magnetic stripe card may be verified by a POS and thus is an eligible factor. Possession of a paper identity card may be verified by the agent but cannot be automatically verified and thus is not eligible.

For a small portion of cases, Two Factor verification may be impossible due to a lost or stolen magnetic stripe card. In such cases, the PSP may process the transaction manually. Manual transactions should adhere to the following basic process:

c) The PSP staff person or agent should verify the person's identity. (In the case of a manual transaction, the PSP staff person or agent is solely responsible for verifying this person's identity.)

d) The PSP should prepare two receipts for the transaction. One receipt, with the agent's signature, should be given to the recipient. The other receipt, with the recipient's right thumb print, should be retained by the PSP agent. This receipt should be forwarded to bank staff later.

If more than 5% of transactions are processed manually in any given VDC in any given payment cycle, the bank should send a staff person to interview a random selection of recipients whose payments were processed manually.

RECEIPTS AND UPDATE OF IDENTITY CARD

The recipient should be provided a printed receipt with details of the transaction and current balance after each transaction. The receipt should contain, at a minimum, the POS ID number and a systems trace audit number which should be unique for each transaction on each POS (though not necessarily across POSs). In addition, information regarding the payment and the signature of the agent should be entered into the beneficiary's identity card as per existing norms. The card shall belong to MoFALD. It is encouraged that the technologies or cards used be of open standards so that it is interoperable with other government payments and services which may be included in the future. There shall be the ability to extend the expiry period of the card.

MINIMUM ACCOUNT ACTIVITY

One potential benefit of a branchless banking payment system is that it provides increased flexibility to the recipient with regard to when they withdraw their funds. As such, the PSP will not be required to ensure that all recipients withdraw all funds during each payment period. For example, a recipient may choose instead to withdraw a portion of his or her funds and keep the remainder in a savings account (in the case that the PSP also offers a savings account to recipients).

All recipients should conduct at least one withdrawal transaction, on the account serviced by the PSP, with the PSP during the one month period after a new payment is made available though. A list of all recipients who have not performed at least one transaction during this period should be provided to MoFALD along with the reason why the PSP was unable to reach the recipient.

REPORTING

An *inception report* is due 30 days after signing the contract with MoFALD. The inception report must detail how the PSP will roll out their payment mechanism to ensure that the first payments can be undertaken within the agreed timelines. The PSP will need to agree on this comprehensive work plan with MoFALD, specifying key milestones for the successful delivery of payments and appropriate outlining co-ordination mechanisms. The PSP may be required to use a web-based MIS developed by the MoFALD to obtain the list of beneficiaries and to upload the enrolments and payments reports apart from other methods.

A *VDC payment report* should be submitted to each VDC in the pilot districts within 15 working days after completion of each payment cycle. The VDC payment report should include details on which beneficiaries have received their payment and which haven't.

A *minimum account activity report* should be submitted to each district within two months after each payment date. This report should list all recipients who have not performed at least one transaction during the one month period after the payment date along with the reason why the PSP was unable to reach the recipient.

A *DDC payment report* should be submitted to each DDC in the pilot districts within 15 working days after completion of each payment cycle. The DDC payment report should include details on the share of beneficiaries that have received payments by VDC as well as information on any challenges encountered during the payment process, complaints, etc.

A *national payment cycle report* should be submitted to MoFALD within 15 working days after the completion of each payment cycle. This report should include information on field operations, payments made, challenges encountered any adjustments to the payment process, non collection of funds, complaints received, case management etc.

Detailed payments data should be submitted to MoFALD's MIS for reconciliation within 15 working days after the completion of each payment cycle. Payments data should be supplied in a format agreed on by MoFALD and the PSP and the data should be transmitted via a reliable and secure channel agreed on by MoFALD and the PSP.

Detailed transactions data should be provided to MoFALD on a monthly basis for any additional financial products offered through the new payment system. Payments data should be supplied in a format agreed on by MoFALD and the PSP and the data should be transmitted via a reliable and secure channel agreed on by MoFALD and the PSP.

FUNDS FLOW

The PSP must have a dedicated account in a Nepali bank into which the aggregate amount of transfers to recipients, as calculated by the DDC, will be transferred. This transfer will be made at least ten working days prior to the each payment date. The fee for the provision of the payment service is expected to be paid after the completion of each payment cycle, following the presentation of evidence that delivery of payments to recipients has been successful. The PSP will be responsible for completing a full reconciliation between the amounts due and paid to each registered recipient within 15 working days after the last day of payments (see payment cycle report in the reporting section above). Any anomalies must be followed up on and reported to the MoFALD for further action within an additional seven days from completion of the reconciliation. In such circumstances the actions must be recorded in the PSP report to the MoFALD.

COMPLAINTS

The PSP will be expected to coordinate with the MoFALD to resolve complaints that have been received regarding the payment system, if any, and agree on any corrective measures that may be necessary in the payment system to avoid or reduce such complaints in the future. The PSP is responsible for responding to complaints that have been lodged by recipients or beneficiaries directly with the PSP's staff or agents, by VDC staff directly with the PSP's staff or agents, by district officials with the PSP, or by MoFALD with the PSP. The PSP should establish standard timelines for resolving such cases and disputes.

LOST OR STOLEN PAYMENT INSTRUMENTS

If the PSP solution uses a payment instrument, the PSP must have a mechanism for promptly replacing damaged, lost or stolen instruments. The PSP may incentivize recipients to care for their payment instrument by charging a reasonable fee to the recipient for replacement of a payment instrument.

AUDITING

The PSP should record key details for all transactions for the lifetime of the pilot. Transaction information should be searchable by date and location, name of beneficiary, citizenship card number, and POS ID plus systems trace audit number. The PSP should furnish relevant transaction details to MoFALD upon request.

TRAINING

The PSP should provide comprehensive training to members of enrolment teams, staff, and agents regarding the new payment system. The PSP should share details of training including dates and curricula to MoFALD in advance of the training.

REGULATORY APPROVAL

The bidder is expected to secure any approvals required by the Nepal Rashtra Bank.

INTEGRATION TO MoFALD'S MIS

MoFALD is currently developing a web based software system that will house the nation's list of beneficiaries and their payment history. It is expected that the PSP's systems and processes will be integrated to the MIS. Firstly to download the list of beneficiaries for enrolment and secondly for the PSP to upload details on the progress of enrolments as well as ongoing payments along

with details such as date, etc for reconciliation and record keeping. It is expected that a bulk download and upload facility would be available on the website for this purpose. The details of this integration may be gathered during bidders' orientation or in a requirements workshop.

TECHNOLOGY STANDARDS

It is expected that the technology solution should be a robust one that can handle the current requirements and be usable for a good period of time in the future, as well as be on par with international standards of quality and interoperability for similar financial services projects. The bidder should enter technical details of the specific technologies used in the Table format below in order to address specific concerns and requirements of MoFALD. This list is for guidance. Other factors may be added in addition in order to prove the case that the technology being offered is of a high quality. Please refer to Appendix G for a list of indicative best practices expected in the technology being proposed.

Technical Specifications – Magnetic Stripe Cards

No.	Device	Requirement	Indicate technology being used to address this requirement along with justification to prove that technology matches requirement
1	Card	1. Is it rugged and last for 5 years? 2. What ISO standards does it follow? 3. Does it have adequate memory to store all client data necessary? 4. Is it MasterCard/VISA compliant? 5. Is it interoperable with other cards/PoS devices? 6. Is it identical to a regular banking customer's card?	
2	Card Reader	1. What ISO standards does it follow? 2. Does it have PKI support? 3. Does it have offline and online modes? 4. What error rate of correct identification does it support? 5. How many transactions/beneficiary data can it hold? 6. Is it interoperable with other cards?	
4	All	List 2 reference site where this technology has been used for a payment service of comparable number of customers preferably in Nepal, failing which, in South Asia	
5	Backend	How will transactions and enrolment details be uploaded to MoFALD's MIS website, in error free and reliable manner?	

Technical Specifications – Mobile Phone Solution

No.	Device	Requirement	Indicate technology being used to address this requirement along with justification to prove that technology matches requirement
1	Client mobile phone	1. Is it inexpensive enough for the client to reasonably have (< Rs. 5,000)? 2. What measures are taken to ensure that it is easy for an illiterate client? Will it be menu based or SMS or USSD based? 3. Will password be encrypted or stored in the open say in sent box? Is it possible for someone else to authorize transactions if a thief steals the phone? 4. What happens if the password if lost?	
2	Agent's phone/PoS device	1. Will it download transactions and enrolment details? 2. Will it work on online and offline mode?	
3	Smartcard (If applicable)	1. Is it rugged and last for 5 years of use? 2. What ISO standards does it follow? 3. Does it have adequate memory to store all client data necessary? 4. Is it MasterCard/VISA compliant? 5. Is it interoperable with other cards?	
4	PoS device (If applicable)	1. What ISO standards does it follow? 2. Does it have PKI support? 3. Does it have offline and online modes? 4. What error rate of biometric correct identification does it support? 5. How many transactions/beneficiary data can it hold? 6. Is it interoperable with other cards?	
5	Fingerprint scanner (If applicable)	1. What ISO standards does it follow? 2. What is the pixel density? 3. What encryption does it support? 4. How much backup power does it have? 5. Is it rugged for rural environments?	

		6. How are software upgrades done?	
6	Backend	How will transactions and enrolment details be uploaded to MoFALD's MIS website, in error free and reliable manner?	
7	All	List 2 reference site where this technology has been used for a payment service of comparable number of customers preferably in Nepal, failing which, in South Asia	

E.   KEY DELIVERABLES

The Bidder is expected to submit the following key deliverables or may propose deliverables based on Bidder's own proposed approach and methodology.

- **Project Inception Report** – Provides, at a minimum, the Bidder's plan for completing the project, describes the manner in which the Bidder's team will work with MoFALD, provides a timeline for project execution including dates, resources, and dependencies, provides a plan for communications/issue resolution with the Project Team, and agreed Terms of Reference.

- **Detailed Requirements Document**– Provides a detailed description of the features and functionalities offered in the payment service.

- **Technology proof of concept** – There will be a demonstration to MoFALD on a mock payment cycle with a mock beneficiary to demonstrate that working of the technology using a sample smartcard and biometric card reader and integration to the back-end. Both enrolment and payment cycles will be demonstrated in this proof of concept.

- **Mini Pilot** – The service would be launched in 1 VDC per district in June 2013 and scaled up to all districts in the financial year 2013/14. All beneficiaries in each of the villages will receive their payments.

- **Pilot** – Payments to all beneficiaries in the pilot period to end September 2013, and if requested additionally in FY 2014/15 and FY 2015/16.

- **Biweekly Status Reporting** – Copies (electronic) of all status reports provided by the Bidder during the execution. Each status report should include, at a minimum, the current period's activity, current issues, and planned activity for the next period.

F. ITEMS REQUIRED TO BE SUBMITTED IN THE FINANCIAL PROPOSAL

The Bidder must provide its financial proposal breakdown for each task in the format indicated in sub-sections A and B below. Sub-section A describes the fees structure that will be charged to MoFALD while, sub-section B lists the justification for the fees by explaining the source of the expenses incurred by the bank to provide this service. The totals of the two tables must equal each other. The Bidder may add any other line items that have cost implications as deemed necessary, besides the following items and/or indicate zero in this format as necessary.

C. FEE STRUCTURE

As mentioned, the Bidder will be paid a fixed project management fee per year and variable fees per enrolment and for each payment made. The requested fee payment structure should be given as shown in the table below:

			Year one			Year Two				Year Three			
S. N o	Item	Notes (provide costs/ assumptions per district)	Unit cost	No. Units	Amo unt (NP R)	Un it co st	No . uni ts	Amo unt (NP R)		Un it co st	No . uni ts	Amo unt (NP R)	Tot al
1	Project Management		NA	NA		N A	N A			N A	N A		
2	Enrolment fee		Enter fee per enrolment	No. of planned enrollees									
3	Payment fee		Enter fee per payment	No. of planned payments per cycle times 3									

It is expected that project management is a fixed cost largely for project design and one-time costs such as appointing a project staff, requirements gathering, set-up costs, mobile gateway servers, switches if applicable, technology integration with the core banking system and with MoFALD's MIS, purchase of a few devices for the proof of concept and the mini-pilot. Enrolment fees are expected to subsume the variable costs such as VDC specific managers, agents, PoS devices, cards and travel costs, while payment fees are expected to include staff costs, agent fees, travel costs, connectivity, customer service, insurance if applicable and maintenance/card replacements.

D. COSTING:

The fee structure indicated in the previous section must be justified using the format below giving the break-down of the cost of operations under different heads. The following table is illustrative and rows may be added. The totals of each fee head should be equal between tables in section A and section B. It is expected that there will be total transparency in the manner in which fees are charged based on the costs of undergoing specific project activities.

Note that these items are indicative and for listed for illustrative purposes. A listing of other items missing here should be added.

S. No	Item	Notes (provide costs/assumptions per district)	Year one						
			Unit cost	No. units	Amount (NPR)	Total	Amount towards project management fee	Amount towards total enrolments fee	Amount towards total payments fee
1	**Front end technology**								
1.1	Cards	Indicate number of cards anticipated							
1.2	PoS device	Includes bio metric reader, printer, card reader, etc							
1.3	Annual maintenance cost for device	Add line items for consumables and vendor AMC							
1.4	Connectivity costs	Per year							
2	**Back-end technology**								
	Integration to Bank's Core Banking System	Indicate basis for costing per account or lump sum							
	Integration to MoFALD's MIS system								
3	**Staff**								
	Wages	See accompanying resource table for details							
	Training								
4	**Insurance if applicable**								
5	**Transportation costs**	Vehicle etc, include assumptions especially for remote villages							
6	**Other**	Pl. detail in each row							
	6.1	Financial education of clients							
	6.2								

6.3									
TOTAL									

		Year Two							
S. No	**Item**	**Notes (provide costs/assumptions per district)**	**Unit cost**	**No. units**	**Amount (NPR)**	**Total**	**Amount towards project management fee**	**Amount towards total enrolments fee**	**Amount towards total payments fee**
1	**Front end technology**								
1.1	Cards	Indicate number of cards anticipated							
1.2	PoS device	Includes bio metric reader, printer, card reader, etc							
1.3	Annual maintenance cost for device	Add line items for consumables and vendor AMC							
1.4	Connectivity costs	Per year							
2	**Back-end technology**								
	Integration to Bank's Core Banking System	Indicate basis for costing per account or lump sum							
	Integration to MoFALD's MIS system								
3	**Staff**								
	Wages	See accompanying resource table for details							
	Training								
4	**Insurance if applicable**								
5	**Transportation costs**	Vehicle etc, include assumptions especially for remote villages							

							Amount towards project management fee	Amount towards total enrolments fee	Amount towards total payments fee
6	**Other**	Pl. detail in each row							
	6.1	Financial education of clients							
	6.2								
	6.3								
	TOTAL								

			Year Three						
S. No	Item	Notes (provide costs/assumptions per district)	Unit cost	No. units	Amount (NPR)	Total	**Amount towards project management fee**	**Amount towards total enrolments fee**	**Amount towards total payments fee**
1	**Front end technology**								
1.1	Cards	Indicate number of cards anticipated							
1.2	PoS device	Includes bio metric reader, printer, card reader, etc							
1.3	Annual maintenance cost for device	Add line items for consumables and vendor AMC							
1.4	Connectivity costs	Per year							
2	**Back-end technology**								
	Integration to Bank's Core Banking System	Indicate basis for costing per account or lump sum							
	Integration to MoFALD's MIS system								
3	**Staff**								
	Wages	See accompanying resource table for details							
	Training								
4	**Insurance if applicable**								

5	**Transportation costs**	Vehicle etc, include assumptions especially for remote villages							
6	**Other**	Pl. detail in each row							
	6.1	Financial education of clients							
	6.2								
	6.3								
	TOTAL								

G.   **PAYMENT TERMS**

The payment terms will be as follows: -

No.	Payment Milestones	Amount
1.	Advance Payment of bid price	10% of estimated project management amount for year one
2.	Submission of inception report	15% amount quoted for project management for year one
3.	Delivery of intermediate deliverables outlined in the project inception document such as detailed staffing plan, including agents contracted, dates and method of each project activity, commissions to agents, details of technology and other deliverables mutually agreed upon in the project inception document.	15% amount quoted for project management for year one
4.	Demonstration of technology proof of concept, integration to MIS as described in "Section F: Key deliverables"	15% amount quoted for project management for year one
5.	Upon successful proof-of-concept payment in one village per district	35% amount quoted for project management for year one
6.	Completed enrolments and enrollees data uploaded into MIS	Fee per enrolment times the number of people enrolled
7.	First payment cycle with list of beneficiaries and proof of payment submitted	Fee per transaction times the number of payments made at the end of first payment cycle

8.	Second payment cycle with list of beneficiaries and proof of payment submitted	Fee per transaction times the number of payments made at the end of second payment cycle
9.	Third payment cycle with list of beneficiaries and proof of payment submitted	Fee per transaction times the number of payments made at the end of third payment cycle.
10.	End of year 1	10% of project management fee

Penalty clauses

The key goals of the project are to avoid ghost beneficiaries and to provide convenient on-time payments. Hence MoFALD reserves the right to levy penalties to ensure that the PSP places sufficient effort to reach hard to reach customers, door step transactions and hard to reach villages. Total penalties will be a maximum of 20% of the size of the contract as per the structure below.

Penalty Structure		
1	Number of beneficiaries not enrolled electronically without justification.	Maximum of 20% of the enrollment fee requested
2	Number of beneficiaries not paid on time electronically without justification.	Maximum of 20% of the fee for payments requested
3	Report on enrollment and payments delayed in being uploaded into MoFALD's MIS past the date per Service Level Agreement.	Maximum of 20% of the fee for enrollment or payments requested

H.   TEAM COMPOSITION

Illustrative Project Structuring

S. No	Staff role	Numbers	Key responsibilities	Locations covered
1	Project Director			
2	Project Manager			
3	District Manager			
4	VDC Manager			
5	Enrolment staff			
6	Customer service			
7	Agent			
8	Vendor/consultants			

Potential responsibilities include, high level project management, escalation mechanism, requirements/business analyst, technology design, customer service, support staff, accounts/finance for receiving cash and returning unspent cash, reports, agent management, cash handing, device maintenance, etc.

Additionally please list the resource/staff and time needed from MoFALD, VDC, DDC staff and the stages in the project where they would be needed.

It is expected that experienced staff would be used for this first of a kind project.

Illustrative staff experience is:

Project Manager

- Minimum Qualifications - Master's Degree in Finance, Banking or related field

- 10 years' experience of working in the financial sector

- Experience in expanding banking services to new areas

- 5 years working as a team leader

- Excellent in speaking and writing English and Nepali

Enrolment Staff

- Minimum Qualifications - Bachelor's Degree in Finance, Banking or related field

- 5 years' experience of working in the financial sector

- Excellent in speaking and writing English and Nepali

I. <u>SELECTION CRITERIA</u>

MoFALD will adopt the Quality and Cost Based Selection method for procurement. 80% weightage is given to quality and 20% to cost.

A two-stage procedure is utilized for evaluating the proposals, with technical (quality) evaluation being completed first. The price (cost) evaluation of the proposals will be considered only for submissions that passed the minimum technical score of 70% (560 points) of the obtainable score of 800 points in the evaluation of the technical proposals. The technical proposal is evaluated on the basis of its responsiveness to this Term of Reference (ToR).

In the Second Stage, the price proposal of all Bidders that have attained a minimum of 70% score in the technical evaluation will be compared.

The points for the Financial Evaluation are computed as per the following formula:

Financial evaluation score = 200*Lowest Bid Offered/Bid of the Firm

"Lowest Bid Offered" refers to the lowest price offered by Bidders scoring at least 70% points in technical evaluation. Hence the maximum score in the Financial Evaluation is 200.

The contract will be awarded to the technically qualified Bidder that obtains the highest combined score equal to financial evaluation plus technical evaluation.

Technical Evaluation Criteria

Criteria	MAX TOTAL	% weight

IMPLEMENTATION CAPACITY	400	40%	
CLIENT VALUE	200	20%	
BRANCHLESS BANKING EXPERIENCE	120	12%	
TECHNOLOGY SPECIFIC QUESTIONS	80	8%	
PRICE	200	20%	
Total	1000	100%	

Evaluation forms for technical proposals follow on the next two pages.

J.   RFP ASSESSMENT CRITERIA

	Category	Sub-category	Question
IMPLEMENTA-TION CAPACITY			
1.1	Capacity to deliver solution	Enrolment plan	Does enrolment plan contain following details? (i) number of enrolment teams, (ii) staff and technology to be included in each enrolment team, (iii) timeline for enrolling all beneficiaries which ensures overall project timeline may be achieved and which is based on realistic estimates of number of beneficiaries that may be enrolled by each team in a given period of time, (iv) measures to ensure accuracy of data collected such as through periodic site checks of enrolment team by managers

| 1.2 | | | Agent recruitment plan | Does agent recruitment and training plan contain following details? (i) types of people or firms bank will attempt to recruit as agents along with anecdotal evidence to suggest that such people or firms are capable of serving as agents and trusted by local communities, (ii) process for screening potential agents to ensure that selected agents are competent and honest, (iii) plan for training each agent including details of any training materials to be developed (iv) Incentives for agents |
| 1.3 | | | Cash management plan | Does cash management plan contain the following details? (i) Process for ensuring agents have sufficient cash ahead of payment date. If plan specifies that agents themselves are responsible for obtaining cash from bank branch, plan should specify process for dealing with cases of theft or fraud and plan should ensure that agents receive sufficient compensation to ensure they are willing to perform this function. If plan specifies that cash is to be delivered to agent locations, plan should include details describing how the cash will be delivered and the staff that will be assigned to perform the delivery. (ii) Process for |

			managing cash at agents at times other than before the payment dates
1.4		Exception handling	Does proposal contain the following details? (i) Process for dealing with cases in which beneficiary's fingerprint does not match fingerprint on record due to technical fault along with realistic estimate of how often this is likely to occur and what steps will be taken to ensure that the exception process is not abused. (ii) Process for replacing broken or compromised POS in a reasonable amount of time, (iii) Process for replacing beneficiary payment instrument that has been lost or stolen
1.5		Beneficiary grievance	Does proposal contain following details? (i) Process for beneficiary to register complaint regarding payment system, (ii) Process for bank to respond to beneficiary complaints
CLIENT VALUE			
2.1		Accessibility	Number of VDCs with an agent
2.2	Value to beneficiaries	Access to savings account	Will beneficiaries be offered a savings account in which there is no minimum balance and beneficiaries are not charged any fees if they conduct fewer than 3 transactions a month?
2.3		Days of operations	Number of days that the agent will be open for payments in each disbursement

BRANCHLESS BANKING EXPERIENCE			
3.1	Experience in branchless banking		Bank currently (at time of bid submission) operates branchless banking solution with at least 500 customers and an average of 50 transactions per day. (Please note only transactions conducted at agents should be considered. Mobile banking transactions conducted on the phone or at a branch should not be counted. Mobile banking transactions conducted at an agent should be counted though.)
TECHNOLOGY			
4.1	Reports		Will the technology support automated creation of reports?
4.2	Technology		Will all technology be capable of performing transactions offline without access to mobile network?
4.3	Ease of use		How difficult would a illiterate person find the solution to use?
4.4	Robustness		Is it demonstrated anywhere in the world that the technology is a proven and robust one?
PRICE			
5	Price		"Effective price" as calculated by the following formula: Effective Price = (Project management fee) + (POP x Enrolment fee) + (Cost of making TXN transfers of 2,000

			NPR each)

K.   TECHNICAL SPECIFICATION

It is highly recommended to stick to standards and facilitate replacement of hardware, retain independence of smart card or reader manufacturers, minimize costs.

The technological details indicated suggestive are as follows:

Smart Card Specification

- Should conform to ISO 14443/ ISO 7816 standards for contactless/ Contact Smart cards and support read and write operations.

- Support Mifare Protocol

- The card should be of best quality PVC/polycarbonate material. Should be durable and should withstand flexing/ abrasion/ static electricity/ humidity/ magnetic field.

- Should be of standard dimension

- Key Length Supported (1024 to 2048)

- Symmetric Key Support (DES/ Triple DES Algorithm)

- EMV (Europay, MasterCard and Visa) compliant

- Should have a minimum of 32 K EEPROM (Electrically Erasable Programmable Read-Only Memory) memory, PKI enabled. By international standards, this memory should retain data for up to 10 years without electrical power and should support at least 10,000 read-write actions during the life of the card.

- Provision for Unique number for card serial number.

- Should guarantee card work life of at least 5 years.

- The card should allow the reader to compare the fingerprint template stored on the card and the live fingerprint of the cardholder read by the fingerprint reader.

- Should specify the breakup of the space allocated in the smart card for various requirements like User Certificates, Smart Card Operating system, Applications provided by the smart card vendor, Customized application and future applications.

Handheld devices

General Requirement

- The device may be a single integrated system or could be in maximum of 2/3 components.

- All required devices should be freely (easily) available to carry out the activity on a large scale.

Handheld Device Specifications

- Should conform to ISO 14443/ ISO7816 and ISO 18092 standards for read and write operations.

- Should have built-in PKI support

- EMV compliant.

- Multilingual support.

- Should have online connectivity possible, and also have ability to transfer data using offline methods.

- All communications with the handheld devices should be by secured modes.

- Should be battery operated with several days in standby, and at least 8 hours of continuous operations.

- Fingerprint system should be able to match the live fingerprint against templates stored on the customer card.

- Application should be upgradeable in the field.

- Agent based rule definition.

- Should have capability to store required amount of data

- Should have ample available memory for application

Capability of hand held device

The device should be capable of undertaking the following functions:-

- Reading fingerprint of customer

- Comparison of the above fingerprint with fingerprint template stored on the smart card

- Validation of cards with respect to authorized hand held device

- Authentication of the customer

- Secure storage of transactions

- Facility for online connectivity

- Uploading and/or downloading of transactions to/from Intermediate system through online connectivity as well as through offline modes

- Secure communication between handheld device and all other devices/systems

- In case of any communication failure, it will ensure that no data is lost during transmission

- Printing reports/ mini-statements, receipts with a printer

- Maintenance of full traceability and audit trail of the transactions

- Locking the device from further usage whenever the business agent failed to upload the day's transactions to the intermediate server even at the End Of Day or reached the permissible limit of transactions

- The handheld device should be able to maintain a database of linked customer accounts, and to transfer/upload the transactions either through online connectivity or

offline modes. These downloaded transactions from the backend should be written subsequently in the respective smart cards during the next visit of the card holder.

- Device may also have Voice Interactive facility (Regional Languages are also to be enabled)

Fingerprint scanner

The Fingerprint Scanner to be deployed needs to have following minimum technical specifications –

- Minimum requirement for image acquisition should be the Setting Level 31, as defined in the ISO/IEC 19794-4 and Scanner device needs to generate clear distortion free images using the advanced optical methods. Protection from strong ambience lights should be provisioned for this.

    o Contact Area - 1x1 square inch.

    o Minimum Capture Size – 13 mm wide x 17 mm high

    o Pixel density of 500 ppi with ±5 ppi.

    o Pixel Depth – 8 bits

- Dynamic Range of Scanned image – minimum 200 grey levels prior to comparison.

- Grayscale finger image data should be stored, recorded and transmitted in uncompressed – bit packed form.

- Scanner Surface should be dust and humidity resistant, in the form that the dust and humidity levels should not be damaging the scanner surface.

- Scanner device should be capable of sensing the Live-scan plain Finger impression. This would require the Scanner Device to have strong anti-spoofing features, whereby only live fingerprints will produce an image & also protect from use of residual images

- Scanner device should use precise and fast processing algorithm to ensure efficiency and reliability.

- Scanner device and algorithm used for developing minutiae shall be configured to address security requirements of the bank and protected from unauthorised changes

- Scanner device must encrypt the finger minutiae with 3DES or equivalent strong encryption algorithm before transmitting it over the network for authentication.

- Scanner Device should be ready to use with ease of integration and interoperability

- The Scanner Device must confirm to ANSI-378 standard to meet the Data Interchange requirements set by the standard.

- Scanner device must be resistance to impact and shocks.

- Scanner Device must be immune to Electronic Discharge.

- Scanner device should be protected from strong ambience light, temperature variations, humidity and similar environmental variables.

- Scanner device should have temper resistant design, to avoid alterations to the physical device and/or connectivity modes with the various components to prevent relay or bypass attacks.

- Scanner device must have broader range of applicability, especially for use in extreme conditions and climates.

- Scanner device must be capable of generating audit logs and customizable reports of security events that should be reported to the central repository. Adequate security measures are desired to protect this data.

Image Acquisition Requirements

- Scanner device should be capable of capturing and transmitting either minutiae or raw image as required.

- Number of Fingers of which images needs to be taken should at least be two fingers.

- Each record shall pertain to a single subject and shall contain an image record (consisting of single view) for each of one or more fingers; multiple fingers (single image records).

INTERMEDIATE SYSTEM

The Intermediate software will have the capability of switching and connecting the front-end devices with the backend in a secure manner. It will also have following additional functionalities.

- Only Authorized or registered devices can connect to the Intermediate System

- Intermediate System will push software upgrades, if any, to the handheld device during every BOD (Bandwidth on demand) and ensure that all the handheld devices are having the latest version of the software

- Ensure that all the upload done from the various handheld devices/Laptops is properly accounted in the system with various status flags.

- Ensure that all the download done reach the appropriate handheld device and the update is done in the corresponding smart card.

- Secure communication between all devices/systems end-to-end.

Card Personalization

This software will include following functionalities:

- Although currently one card would be issued per account, there should be provision for linking multiple cards to single account, multiple accounts to single card and multiple accounts to multiple cards.

- Photographs, Documents of proof of identity / residential address, entitlement to receive remittances under various schemes, application form, raw finger print images etc that are scanned at the time of registration or thereafter have to be securely stored. The physical copies of documents etc that have been collected from the beneficiaries should so be securely stored.

- Card personalization infrastructure should be located within the premises of the Village Development Council (VDC). In case VDC chooses to allow the IT Kiosk to run these operations at IT Kiosk's premises; in such an event VDC would be given access to conduct audit of the systems and processes.

Overall the Smart Cards and the devices described above should allow interoperability with other standard devices and readers.