

THE NATIONAL CREDIT REGULATOR

December 2019

**TERMS OF REFERENCE FOR THE
APPOINTMENT OF SERVICE PROVIDER TO
CONDUCT RESEARCH INTO UNSECURED
LENDING AND CREDIT FACILITIES IN
SOUTH AFRICA**

RFP NUMBER: NCR653.12.2019

DUE DATE: 17JANUARY 2020 @ 11H00

HAND DELIVER AT NCR OFFICES

SECTION 1

GENERAL TERMS OF CONDITIONS

1. General Information for Bidders

The National Credit Regulator (NCR) was established in terms of Section 12 (1) of the National Credit Act (Act 34 of 2005) and came into being on 1 June 2006.

The NCR will determine which bidding organisation (“bid participant”), if any, is appointed in response to this request for submission as stipulated in section 2 of this document.

1.1. General Terms

This tender is issued in terms of the Public Finance Management Act 1 of 1999 (PFMA), the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA), the Preferential Procurement Regulations, 2017 (PPR), Supply Chain Management Regulations issued by the National Treasury and BBBEE Act.

Parties that wish to submit proposals are required to indicate that they are willing to accept the General Conditions and Procedures of the NCR (see Section 4 below and Annexure B.1). Please read this document carefully prior to submitting your proposal.

1.2. The Proposal Format

1.2.1. Economy of proposal preparation

The proposal should be prepared simply and economically, providing a straightforward and concise description of the bid participant’s ability to meet the requirements of the proposal request.

Clear factual responses are required. The content of the proposals shall determine the merit of each participant, not brochures or other marketing material. To facilitate the review of proposals, participants are required to organise their responses according to the format presented below. Should a participant wish to provide additional information, that information should be referred to, and provided for, in a file of Annexures.

1.2.2. Validity of proposals

The proposals must include a statement as to the period for which the proposal remains valid. The proposal must be valid for at least ninety (90) days from the due date for the submission of all bids. Refer to the quarters in the terms of reference (TOR).

1.2.3. Number of proposals

Each bid participant must provide **three (3) hard copies and 1 CD/Stick** of their entire proposal, including all the documentation referred to in 4 below, in the format specified in that section. All submitted proposals will become the property of the NCR, and will not be returned. Receipt of all proposals will be recorded in a register at the point of receipt. One copy of the proposal must be signed and dated in black ink by the bidder or authorized representative of the bidder and initialled on each page.

2. Submission of proposals

2.1. Proposals must reach the offices of the NCR before **11:00 on 17 January 2020, @11H00am** and must be enclosed in a sealed envelope which must be clearly labelled/addressed on the outside:

(a) RFP No: NCR 653.12.2019

**(b) TERMS OF REFERENCE: APPOINTMENT OF SERVICE PROVIDER
TO CONDUCT RESEARCH INTO UNSECURED LENDING AND CREDIT
FACILITIES IN SOUTH AFRICA**

(c) CLOSING DATE: 17 January 2020 AT 11H00 SHARP

2.2. Proposals are to be submitted in the marked tender box, in the reception area, National Credit Regulator, 127-15th Road, Randjiespark, Halfway House, Midrand. The tender box will only be available for the depositing of proposals between 08h00 and 16h30 on weekdays (excluding public holidays).

2.3. Please note that this RFP closes punctually at 11h00 on **17 January 2020**. No late submissions will be considered under any circumstances.

2.4. All the documentation referred to in Section 4 below must be submitted. Failure to submit all the documentation referred to in this section may result in a submission

being discarded, and not considered for evaluation.

- 2.5. If responses are not delivered as stipulated in this Section 2.1, such responses will be considered “late”, and will not be considered for evaluation.
- 2.6. The NCR shall not disclose any details pertaining to the responses received, to any other participant, as this is regarded as confidential information.
- 2.7. Envelopes must not contain documents relating to any RFP other than the one referred to in this RFP.
- 2.8. The responses to the RFP will be opened as soon as is practical after the expiry of the time advertised for receiving them.
- 2.9. Only the participants that are short-listed after the evaluation process will be informed of the results of the submission adjudication process.
- 2.10. After the evaluation process is completed, the Evaluation Committee may, prior to making a final selection, draw up a shortlist of participants and require them to make a detailed presentation to the Adjudication Committee. A minimum of 2 days’ notice will be given to relevant participants in advance of the presentation date.

3. Timetable

Date	Activity
02.12.2019	Issue tender document
17.01.2020	Closing date at 11h00
20.01.2020- 24.01.2020	Evaluations – functionality criteria
27.01.2020	Adjudication committee
29.01.2020	Appointment of a supplier
01.02.2020	Contract start date

The National Credit Regulator reserves the right to determine the structure of the process, the right to determine the number of short-listed participants, the right to withdraw from the proposal process, and the right to change this timetable at any time without notice.

4. Documentation to be submitted

Please Note

All of the documentation described below must be submitted, with no omissions whatsoever. Where a particular form or format of documentation is stipulated, this is the only form or format in which these documents must be submitted. Failure to adhere to these requirements may result in the rejection of the entire submission.

All of the documentation referred to below (in Parts One – Twelve) must be acknowledged and submitted. For ease of reference and to facilitate the evaluation process, you are requested to clearly mark each part of the submitted documentation as it is referred to below.

4.1. Table of content

Introductory letter by the bidder with authorized contact person and details for this specific tender

4.2. SBD 1 – should be the completed and inserted after the introductory letter

One – Proposal drafted in response to Terms of Reference

Section 2 of this document below, contains the terms of reference (TOR) for the above mentioned tender. Bid participants are required to draft a proposal that will clearly indicate to the Evaluation Committee how they will fulfil the requirements as set out in the TOR.

Bid participants should include the following information when drafting their proposals:

- Proposals should make clear the relevant skills, experience and capacity of the participant, in respect of this particular TOR. This is an important evaluation criterion. Bid participants should ensure that their proposals focus on how they will address the requirements of this TOR, rather than on achievements.
- Proposals must contain the details of the proposed approach to be adopted in order to deliver the service in accordance with the TOR.
- Proposals should clearly indicate whether or not bid participants have the internal capacity to meet the requirements of the TOR.

4.3. Two – Pricing Proposal- SEPERATE ENVELOPE

SBD 3.3 Pricing Schedule together with signed off detailed pricing on the company's letter head. They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected. Additional information may be added on a separate page if necessary.

The total price that the participant will charge to deliver services in accordance with the TOR must be clearly indicated. The pricing proposal should contain sufficient information to allow the Evaluation Committee to estimate the cost of the service, to a high degree of accuracy.

Please note that a financial proposal must be submitted in a separate sealed envelope together with your submission. The financial Proposal will be opened once all technical proposals have been evaluated. This appointment will be made in line with QBS. All prices provided must be inclusive of Value-Added Tax (VAT).

Please note that the prices contained in the pricing proposal are the only charges that may be levied if the participant's proposal is successful, unless explicitly agreed to in writing by the National Credit Regulator, and in terms of the General Conditions of Contract, no additional cost will be accepted after the bidding documents have been submitted and the tender closing date has expired. Any cost for additional parts and peripherals needed for the successful implementation of the project shall remain and form part of the bidding price.

4.4. Three – General Conditions and Procedures of the NCR

Annexure B and B1 - General Conditions and Procedures of the NCR. Bid participants must indicate clearly that they have read this document, and have no objections to being bound by its contents. In cases where any provisions of the General Conditions and Procedures conflict with this General Information for Bidders and/or Terms of Reference, the latter will take precedence over the General Conditions of Contract.

4.5. Four – Contract Form: Rendering of Services

Annexure C - Contract Form: Rendering of Services. This will only be completed by the successful bidder once a selection has been made by NCR. Participants do not, therefore, need to complete this form at the bidding stage but their proposals must clearly indicate that they have read this form, and have no objections to signing it as is, if selected as the successful participant.

4.6. Five – Tax Clearance Certificate

Annexure D - Please complete form SBD 2. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Failure to submit a valid, original tax clearance certificate issued by SARS will result in a proposal being rejected.

A CSD print out must also be attached.

4.7. Six – Preference Points Claim Form

Annexure E – form SBD 6.1. Bid participants must complete Sections 8 and 9 in full. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected. **## Please note that a *BBBEE certificate/ sworn affidavit* must also be attached to the bid documents. None submission will result in zero scoring in this competitive bidding process**

4.8. Seven – Declaration of Interest

Annexure F – form SBD 4. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected.

4.9. Eight – Declaration of past Supply Chain Management Practices

Annexure G – form SBD 8. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected.

4.10. Nine – Non-Disclosure Agreement

Annexure H – Non-Disclosure Agreement. Participants must indicate clearly that they have read this agreement, and have no objections to signing it, as is.

4.11. Ten – Certificate of Independent Bid Determination

Annexure I – Certificate of Independent Bid Determination Participants. They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected.

4.12. Eleven – SLA draft version for supplier review

Annexure K – SLA draft version for supplier review. The participants must indicate clearly that they have read this agreement, and have no objections to signing it, as is. If not objections should be outlined separately in a letter.

NB: all the SBD documents can be downloaded from our website - <https://www.ncr.org.za/tenders-download/current-tenders>

5. Evaluation Criteria

Proposals will be evaluated on the 80/20 preference points scoring system: that is, 80% of the points awarded will be based on price, as indicated in the table below; and 20% of the points awarded will be based on B-BBEE codes system, allocated as indicated in the table below:

B-BBEE status level of contributor	Number of points	Price
Total maximum points	20	80

Functionality will be evaluated in terms of Section 2 point 10

6. Conflict of interest

Service providers are required to provide services that are professional, objective and impartial. Service providers must ensure that there is no conflict of interest between existing assignments, obligations and responsibilities to other clients and the services set out in the TOR. In the event of any uncertainty in this regard, full disclosure in the submitted proposal should be considered. Non-disclosure of a conflict of interest may be grounds for termination of any contract.

7. Confidentiality agreement

The successful service provider may have access to confidential data or information. The appointment of a successful bidder is subject to that bidder agreeing to the contents of, and signing, the NCR's standard Non-Disclosure Agreement.

8. Contact details

This no-contact policy does not apply to any information deemed to be in the public domain, or which is readily available from organs of State, which are repositories of such information. All communications and enquiries/requests for clarification relating to this proposal should be directed to procurement@ncr.org.za.

TERMS OF REFERENCE FOR THE APPOINTMENT OF SERVICE PROVIDER TO CONDUCT RESEARCH INTO UNSECURED LENDING AND CREDIT FACILITIES IN SOUTH AFRICA

1. Introduction

The National Credit Regulator (NCR) was established under the National Credit Act (NCA) No. 34 of 2005 and is responsible for the regulation of the South African credit industry. The NCR is mandated to undertake research on the nature and dynamics of the consumer credit market by providing guidance on the credit market and monitoring socio-economic patterns of consumer credit activity in South Africa.

The NCR is commissioning a study that explores and quantifies the growth in unsecured credit and credit facilities ¹across South Africa, with a particular focus on the effects this growth might have on historically disadvantaged persons. The project aims to achieve its objectives by conducting an in-depth research into unsecured credit and credit facilities in South Africa for the period covering 2012-2019. The study will assist to gauge the trends in credit market and to understand factors that lead to the demand for these credit types. This exercise will ultimately assist the NCR to inform policy makers on consumer lending practices and relevant intervention.

2. Project Background

The South African credit market has 25.10 million credit active consumers, of which 10.23 million (40.7%) had impaired credit records, implying that only 59.3% of credit-active consumers were in “good standing” as at June 2019 (NCR). This is an indication that South African consumers are struggling to keep up with repayments. In addition, the household debt as percentage of disposable income was 72.7% at the end of June 2019, indicating that 73% of available household’s funds are spent on debt. A worrying sign for an economy whose consumers contribute almost 60% to Gross Domestic Product. The Debt-service cost to disposable income was 9.4%, an indication of faster growth in household indebtedness (SARB Quarterly Bulletin, 2019).

¹ A credit facility is an agreement that meets all the criteria as set out in section 8 (3) of the NCA.

The NCR's second quarter consumer credit market report (CCMR) highlighted the strong growth in unsecured credit and credit facilities granted, year on year. Unsecured credit and credit facilities granted recorded an increase of 10.14% and 13.37, respectively when compared to an increase of 0.02% for mortgages and a decrease of 0.81% for secured credit, year on year. Moreover, the gross debtors book for both unsecured credit and credit facilities increased by 15.17% and 8.04% year on year, respectively. An indication that the unsecured credit and credit facilities gross debtor's books are growing faster than other credit types. Thus, the observable growth in unsecured credit and credit facilities is expressed with concern and needs to be investigated.

In view of the recent trends in credit granted for both unsecured lending and credit facilities, economic conditions and the highlighted consumer performance from credit bureaux, the study aims to examine the growth of these credit markets and the implications this growth might have on the entire credit market. For meaningful solutions to this phenomenon, an in-depth research needs to be conducted in exploring and determining the factors that are causing increases in unsecured credit and credit facilities and the implications thereof.

3. Objectives

Given the potential effects of increases in unsecured lending and credit facilities to the entire credit market. It is imperative to find measures that can enhance the sustainability of the unsecured credit and credit facilities, without having negative implications on the entire credit market. This will be achieved by determining factors that are causing the increases in unsecured credit and credit facilities (from both the supply and demand side perspectives) and the implications thereof for consumers and credit providers. To unpack this, the following considerations need to be explored:

- Identify trends that lead to increases in unsecured credit and credit facilities;
- Identify the implications of unsecured credit and credit facilities to the entire credit market in South Africa (i.e. credit providers and consumers);
- Identify the reasons for the demand and the usage of unsecured credit and credit facilities by low, middle and high income groups and;
- Identify possible gaps and grey areas in the current legislation that may lead to the growth in the unsecured credit and credit facilities.

4. Scope of work

In order to keep the scope of the research manageable and in the light of the project timelines, the study will focus on **unsecured credit , credit cards and store cards**². Therefore, the scope of work shall include but not limited to the following:

- Identifying the growth in the unsecured credit, credit cards and store cards and the prevailing market conditions leading to such. The focus period shall be from 2012 to 2019 mainly to gauge the trends in the credit market. The last in-depth research conducted on unsecured credit was in 2012, hence the focus period is from 2012-2019. The aim of investigating the unsecured credit, credit cards and store cards for the past seven years is to evaluate key statistical data trends outlined below
 - New credit granted, gross debtors book, consumer income levels, demographics, consolidated loans, etc.
 - Credit supply dynamics with regards to different income categories (using the Socio-economic measure/ Living Standard Measure as a base). This will assist with identifying the income group/s that experienced higher credit extension, during this period.
- Assessing the total cost of credit relating to unsecured credit, credit cards and store cards, and taking into account all the components of the cost of credit.
- Due consideration must also be given to the cost element prevailing in the informal sector in comparison to the formal sector, specifically for unsecured credit;
- Identify possible gaps and grey areas in the current legislation that may be leading to the growth in the unsecured credit, credit cards and store cards;
- Identify the general usage of unsecured credit and credit cards by consumers from various income groups;
- Key drivers from all perspectives that lead to increases in unsecured credit, credit cards and store cards;
- Socio economic impact of unsecured credit, credit cards and store cards to consumers across all income groups and economic spectrum;
- Recommendation on possible policy or legislative intervention if that may be necessary.

² The study will focus only on Credit cards and Store cards due to the recent spike in these two credit facility products.

5. Research Methodology

It is expected that the research methodology for proposals submitted will involve:

- A comprehensive literature review;
- Collection and collation of data specific to the issues alluded to in the scope of work on page 3. Moreover, data and information can be gleaned from various sources that provide consumer accounts and related information;
- Analyses of the data; and
- Conduct interviews with **key credit providers**:
 - A sample of **7** Banks that offer unsecured loans and credit facilities should be interviewed.
 - A sample of **7** retailers that offer unsecured loans and credit facilities to be interviewed.
 - Finally, The NCR would like **8** other credit providers who offer unsecured loans and credit facilities to be interviewed.
 - The **sample period** for the statistical data to be requested as per scope of work on page 3, must be from 2012-2019.
 - With regards to how the interviews will be conducted is at the discretion of the appointed service provider.
- Conduct interviews with **5 industry stakeholders** (e.g. BASA, MFSA, SACRRA, DCASA and Retailers Association), specifically chosen for their insight and their knowledge into the unsecured credit, credit cards and store cards.
- Conduct interviews with relevant **consumers** whom have been identified by credit providers:
 - Interviews conducted with consumers should cover all the provinces with a mixture of both **rural** and **urban** areas; **10** consumers need to be interviewed in all the **9** province in South Africa. More importantly to note is that the NCR requires **10** positive responses from the interviews conducted in each province.
 - An individual to be interviewed should specifically be interviewed for one credit type. A situation of having one individual being interviewed for all the three specified credit products, is not allowed;
 - The sample of consumers to be interviewed in total will be **1 980** and will be sourced as follows:

- The sample of **10** individuals in each province to be interviewed, will comprise of **5** individuals who have /had unsecured credit. And **5** individuals who have/had credit facilities.
- The data source for consumer to be interviewed who have /had **unsecured loans**, will be sourced as follows: **5** consumers from each of the **7** Banks that will be interviewed; **5** consumers from the **7** retailers and finally **5** consumers from the **8** other credit providers.
- The same scenario applies for credit facilities, that is consumers to be interviewed who have/ had **credit facilities**, will be sourced as follows: **5** consumers from each of the **7** Banks that will be interviewed; **5** consumers from the **7** retailers and finally **5** consumers from **8** other credit providers.
 - The interviewer should take into account demographics. The person interviewed: must be between 21-60 years, mixed income brackets and gender;
 - The NCR prefers in-depth face-to-face interviews and telephone interviews can be conducted but as a last resort.
 - The NCR discourages focus groups as they inhibit individuals from expressing themselves due to the sensitive nature of debt and income.
- Other research methods may also be considered.

6. Project Outputs

Outputs from the project include:

- A project plan detailing key milestones to be delivered;
- An inception report, that covers:
 - Literature review;
 - An overview of key issues that the study should tackle and;
 - Detailed work plan and proposed methodology.
- A draft and the final report, which includes, among others:
 - An executive summary of the report;
 - A section addressing methodologies;
 - Sections addressing all the research objectives and;
 - Concluding remarks and recommended interventions.
- A presentation, which includes:
 - A brief and accessible overview of the findings of the final report and;
 - Representation of key data.

7. Project Timelines

It is expected that the duration of this project will be 36 weeks from the time the contract is awarded.

8. Functionality Evaluation

Bids will be evaluated strictly according to the technical bid evaluation criteria stipulated in the table below:

The Bidder's capacity will be evaluated according to the following evaluation criteria

No	Evaluation Criteria	Weight
1.	<p>Company's practical experience in research services.</p> <p>Kindly provide details in the company track record.</p> <p>5=> 8 years</p> <p>4=>4- 7 years</p> <p>3= >2-3 years</p> <p>2= >1 year</p> <p>1= < 1 year</p>	20%
2.	<p>Experience of the team The team member's competency levels should be provided: preferably the team leader must have a minimum of 3 years' experience related to research and a degree in related field of study.(Additionally the proposal should: include CV's of staff members responsible for overseeing and undertaking the work; clearly indicate that the team leader has experience in operating at a strategic level and the proposal should include capacity statement</p> <p>5 = >5 years</p> <p>4= >4 years</p> <p>3= >3 years</p> <p>2= >2-1 years</p> <p>1= <1 year</p>	30%

<p>3.</p>	<p>Approach and methodology</p> <p>Content and quality of proposal detailing the approach to be adopted, clear understanding of the TOR to enable delivery of the project timeously and methodology in undertaking this project as stipulated in page 4 of this TOR.</p> <p>5 = Exceed the requirements (Provided a work plan indicating expansion on the proposed methodology on page 4 above and key issues for consideration in the project as stated above on the scope of work on page 3.)</p> <p>4= Meet the requirements (Demonstrated familiarity with the subject matter by providing a detailed project plan, with clear timelines on the scope of work stated above on page 3 and research methodology stated on page 4, above)</p> <p>3= Partially met the requirement (No clear timeless and proper plan on the proposed approach in relation to the scope of work stated above on page 3 and the research methodology stated on page 4, above)</p> <p>2=Did not meet the requirements (Proposed approach is not aligned to the scope of work and the project outputs stated above on page 3 and 4.)</p> <p>1= Poor (Unacceptable , does not meet set criteria)</p>	<p>40%</p>
<p>4.</p>	<p>References</p> <p>At least three reference letters for the similar work conducted in the last 24 months with contact details including telephone numbers and email addresses.</p> <p>(Reference letters will be evaluated against the scope, relevance, complexity, and value and time span of similar projects. Letters must therefore contain the relevant information.)</p> <p>4= 3 Reference letters (meet the requirements)</p> <p>3= <3 Reference letters (partially met the requirement)</p>	<p>10%</p>
	<p>TOTAL SCORE</p>	<p>100%</p>

Bidders are required to score a minimum of 70% points on functionality to qualify to be evaluated for the next level (BBBEE and price). Bidders who do not score the minimum of 70% points on functionality will be disqualified and not be evaluated on price and BBBEE.

1. Additional information/documents to be submitted

- Brief company profile, as relevant to the above mentioned terms of reference.
- Experience in the relevant areas and Clientele
- Site visits to both the appointed supplier and sub-contractor (if applicable) will be conducted.
- All sub-contractor information (if applicable) needs to be disclosed in the proposal by the bidder for e.g. BEE certificate, SARS Tax Clearance etc.
- **NB: The BEE level of the sub-contractor (if applicable) needs to be equivalent to that of the bidder.**
- CV/Resumes of the technicians, highlighting experience relevant to this exercise. Individual CVs should not exceed 3 pages along with confirmation that the proposed team members will in fact be available to undertake this exercise at the appropriate time.
- Work plan, showing tasks, timelines etc.
- Contact details of at least three references from among recent clients with whom similar work has been conducted in the past 12 Months.
- Financial proposal- full and detailed pricing must be on the company's letter head and signed off by the delegated and authorised person, the total cost must link to SBD 3.1 attached.

The end -----