



UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)

REQUEST FOR APPLICATIONS

Inclusive Innovations for driving financial health of Low- and Moderate-Income Segments Including Small Business

1. INTRODUCTION TO THIS REQUEST FOR APPLICATIONS (RFA)

The United Nations Capital Development Fund (UNCDF) supports the development of new use-cases, products or business models that could drive outcomes around financial health/financial resilience that can be digitally enabled for segments currently left behind, such as smallholder farmers, women, youth, migrants, informal and formal workers, micro enterprises and other vulnerable segments in the low- and moderate-income groups across markets in Asia Region, that includes **Malaysia, China, India, Nepal, Myanmar, Bangladesh, Indonesia, and the Philippines.**

This RFA is for on-boarding partners that would engage with UNCDF and the Financial Innovation Lab (FinLab). UNCDF would will support partners across different rounds spread over year based on availability of funding, by supplementing their project teams with experts who have the know-how in building solutions linked to financial health.

UNCDF can provide technical assistance, mentorship support, enabler engagement, market access support ad grants/capital support on case to case basis to the selected partners. The advisory support would be provided by experts that are experienced in product, business model development, behavioral science, go-to-market strategies, etc. in some of the most challenging markets in Asia and Africa. UNCDF plans to invest half a million USD on this initiative, specific projects will be financed based on business needs and funding allocation for different markets. An average intervention may range from 50,000 to 250,000 USD

UNDF invites to apply banks, financial intermediaries, microfinance institutions, insurance companies technology companies and other firms registered anywhere across the globe and willing to enter or already on ground in one of the above markets with a solution that is focused on driving financial health of any low and moderate income segment (includes small business).

For requests and queries please send an email to finlab@uncdf.org cc uncdf.rfa@uncdf.org with the title **“Q&A Inclusive Innovations for financial health in [Country Name]”**

Applications should be submitted via email to uncdf.rfa@uncdf.org cc finlab@uncdf.org with the title **“Inclusive Innovations for financial health in [Country Name]”**

The RFA will have the following rounds of submission:

| Round | Deadline for submitting proposals |
|-------|-----------------------------------|
| 1 | May 30, 2020. 23:59 GMT |
| 2 | August 30, 2020. 23:59 GMT |
| 3 | November 30, 2020. 23:59 GMT |

Three rounds of submission and selection will be applied. Submissions that have not been selected in previous rounds may be selected in subsequent rounds, depending on the quality and quantity of the overall submissions received during these 3 rounds. For example: a submission received in round 1 **that is technically compliant and passes the technical evaluation** may be granted support during rounds 2 or 3.

A list of the selected companies for support will be updated and shared on the RFA website at the end of the evaluation process for each submission round.

All submissions must respect the following formats:

- ✓ Submission letter
- ✓ Annex 1 Submission Format
- ✓ Annex 2 Workplan and Budget

Submissions that do not respect the above-mentioned formats will not be considered eligible and will not be evaluated.

The overall duration of UNCDF support for the successful applicants will be up to two (2) years, expiring maximum on December 2022 and the reporting period requirement would be till Dec 2024.

2. ORGANIZATION CONTEXT AND BACKGROUND INFORMATION

UNCDF, supports the development of new use-cases, products or business models that could drive outcomes around financial health/financial resilience for segments currently left behind, such as smallholder farmers, women, youth, migrants, informal and formal workers, micro enterprises and other vulnerable segments in the low and moderate income groups.

The Financial Innovation Lab (FinLab) of UNCDF will support at least 12 partners by supplementing their project teams with experts who have the know-how in delivering digital financial services in challenging markets. The range of support is outlined in [Section 5. 'How UNCDF Works with Partners'](#).

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WHY FINANCIAL HEALTH?¹

First, what is financial health? It is a term used to describe the state of one's personal financial situation and assessed through four financial activities: spend, save, borrow, and plan.

- Spend: An individual's ability to successfully manage their cash flow and spend less than their income directly affects their ability to build savings and be resilient in the face of unexpected events. It includes their ability to earn more.
- Save: Having enough liquid savings is important for coping with an unexpected expense, like a car repair, or a sudden drop in income, like losing a family member or getting laid off from a job
- Borrow: Having a manageable debt load suggests that individuals will not be consumed by late fees or become over-indebted which may lead to further financial difficulties, including bankruptcy
- Plan: Having appropriate insurance allows individuals to be resilient in the face of unexpected expenses, such as the death of a loved one or a medical emergency.

ABOUT UNCDF

The United Nations Capital Development Fund (UNCDF) is the only UN agency with the mandate and tools to make catalytic investments in private and public organizations to prove there is a business case in serving last-mile markets. We are on-the-ground in more than 35 least developed countries in Asia and Africa built over five decades.

In digital financial services, UNCDF has more than a decade of experience working with a range of financial and non-financial service providers and policymakers in Asia and Africa to make digital finance accessible and affordable for the under-served segments.

In addition to inclusive innovation under which this RFA falls under, UNCDF works with market facilitators such as the government and regulators to support innovation and open frameworks that could drive creation of plug-and-play models between start-ups and

¹For more information <https://finhealthnetwork.org/>



- Planning for expenses indicates that an individual is future-oriented and interested in improving their financial situation.

Financial health improves when any one or a combination of any of the four actions help people to **build resilience and pursue opportunities in life**.

The objective of the RFA is to identify new partners that can attain these two objectives

- Demonstrate solutions that are beyond simply payments and are aimed to improve financial health of the low-to-moderate income (LMI) segments by way of improving there savings, investments, etc.
- Demonstrate that solutions, when designed and delivered with a rigorous understanding of the LMI segment in mind, can an impact on customer lives, in terms of their ability to pursue opportunities, be resilient to shocks, and meet their aspirations.

3. SCOPE OF WORK

Applicants shall demonstrate that they have the capacity, skills and expertise to provide digital products and services designed and delivered to improve the financial health of the low-to-moderate income segment in the proposed market of implementation at scale. Providers can propose digital finance and related innovations ready for deployment or in early stage of roll-out but that address the outcomes of financial health.

Below are some examples of how digital technology can be used to achieve any of the four components of spend, save, borrow, and plan.

- Digital identity that is secure and can make identity verification easier for the LMI user;
- Micro-financial products that caters to the nature of the cash flow (fluctuating), occupation (informal, holding multiple jobs), and financial pressures and goals that LMIs experience. For example, micro-savings, insurance, lending, pension, investment, pay-as-you-go financing for assets and services.
- Open or common platforms and tools that will make the LMI user experience more seamless when it comes to comparing and subscribing to financial products, such as open APIs.
- Marketplace for micro and small entrepreneurs, part-time, informal workers. These can be platforms that make job and consumer markets more accessible for micro and small businesses.
- Education tools that can improve people's awareness about financial health, such as their spending habits against their income, having sufficient savings for shocks and long-term life goals, having a sustainable debt load, planning ahead for expenses, and value of having insurance for unforeseen shocks in life.
- Data analytics that is used by the provider to understand their customers in more granularity, as well as supplement or replace standard processes and requirements that hinder access and usage of digital financial services among the LMI. For example, alternative credit scoring for youth, women, micro and small businesses, gig economy workers, and farmers. Data can also be used to make customized product referrals and useful information available to existing customers.

These solutions can be delivered in many ways. Such as:

- Increasing the offline presence and outreach in underserved areas of the country. This can be through the expansion of proprietary channels or by growing agent/merchant networks with third parties.
- Strategic partnerships with organizations that have a captive LMI customer base that could help overcome trust barriers and lead to economies of scale. For example, a tie up with a commodity exporter that has a large captive farmer base with a range of financial needs; job platforms that have a large pool of informal, part-time workers;



or public institutions (e.g. government, schools, health clinics) or NGOs that are serving LMIs at scale;

- Strategic partnerships between banks and other financial intermediaries; or between DFS providers and digital infrastructure providers to overcome network connectivity and KYC challenges at the last-mile.

These examples are not exhaustive, and UNCDF team is excited to hear what potential applicants have in mind even outside these examples if your scale, commercial viability, and impact objectives are aligned. We encourage applicants to think big, think commercial, think last mile.

a. Expected Results

Applicants shall give evidence that their inclusive solutions are aligned to the parameters listed below:

- Target segment: Smallholder farmers, women, youth, migrants, informal and formal workers, micro and small enterprises and other vulnerable segments in low- and moderate-income groups.
- Geographical scope: Nationwide, with a focus on under-served segments in the low-to-moderate income bracket; weighted points for projects that have a goal and clear strategy to go outside their core customer base and area of operation, especially to peri-urban and rural areas.
- Expected results: Below are indicative key performance indicators for the projects. The indicators will be finalized based on the nature of project and tracked to ensure success of the project.
 - New customers added
 - New active customers
 - Average transaction amount/customer
 - Average transaction volume/customer
 - Average revenue/customer
 - Profitability
 - Increase in savings at individual and household level (long-term, short-term and emergency savings)
 - Qualitative changes in people's financial health

Other KPIs would be based on nature of solution and what aspect of financial health is it impacting.

- Expected outputs and deliverables: The partner would work closely with the UNCDF team in the respective implementation market in the design and implementation of a new business model, new products or services, process optimization, etc. Deliverables will be derived from key project milestones and will be mutually agreed between UNCDF and the partner at the contract negotiation stage. For illustration purposes,



milestones can include market research conducted, products deployed, and marketing activities conducted, and deliverables are those that best demonstrate the milestones have been achieved.

- Project duration: up to two (2) years, expiring maximum on December 2022 and the reporting period requirement would be till Dec 2024.

4. APPLICATION REQUIREMENTS

Only applicants that meet the eligibility requirements for the submission will be scored.

a. Eligibility requirements to apply

- Applicant(s) shall be duly incorporated and registered according to the rules of the market;
- Applicant(s) should be operating in one of the markets globally for at least 1 year;
- Applicant(s) should have audited financial statements for at least 1 year;
- Applicant(s) must have fulfilled obligations relating to the payment of social security contributions or obligations relating to the payment of taxes according to the legal provisions in their country of operations or registered market whichever applicable;
- Applicant(s) shall not be in a state of repair or to have been the subject of bankruptcy, liquidation, judicial settlement, safeguarding, cessation of activity or any other similar situation resulting from a similar procedure;
- Applicant(s) and any of their staff or member of their board of directors shall not be included in the United Nations financial sanctions lists, particularly in the fight against the financing of terrorism and against attacks on international peace and security; and

UNCDF will conduct a due diligence on selected applicants. Applicants must have documents ready to confirm they meet the eligibility criteria, including audited financial statements, certificate of registration, certificate of compliance with the tax authorities and any other documentary evidence that might be requested by UNCDF.

b. Minimum requirements for proposal to be evaluated

- All submissions must respect the following formats:
 - ✓ Submission letter
 - ✓ Annex 1 Submission Format
 - ✓ Annex 2 Workplan and Budget
- Submissions that do not respect the above-mentioned formats will not be considered eligible and will not be evaluated.
- The strategy and project objective proposed by the applicant are aligned to the [UNCDF strategy 'Leaving no one behind in the digital era'](#) which is about driving financial health so that marginalized populations can access a range of financial and non-financial services in order to become active participants in their local economies;
- Application proposes a clear methodology, plan and project team.

c. Evaluation criteria

Only the applicants that will score at least 70 out of 100 will be considered successful and move to the due diligence stage. The evaluation criteria are as follows:

| | Expertise of the Firm/Ability to Implement | Points obtainable |
|-----------------------|--|--------------------------|
| Current customer base | Applicant already has customers in the under-served segments (e.g. youth, women, migrants) or demonstrates ability to quickly penetrate the market directly or through partnerships. | 15 |
| Current resources | Current resources (e.g. HR, financial, infrastructure, technology, brand recognition, geographical footprint) demonstrates ability to implement the project. | 15 |
| | Maximum score | 30 |

| | Understanding of the RFA and proposed approach | Points obtainable |
|---|--|--------------------------|
| Customer knowledge & Impact | <ul style="list-style-type: none"> • Demonstrates in-depth understanding of the customer to be served. • Contribution to the financial health of low or moderate income people in at least one of the following segments: smallholder farmers, women, youth, migrants, informal and formal workers, micro enterprises and other vulnerable segments including low and moderate incomes groups. • Contribution of the project to reach at least one of the UN Sustainable Development Goals. | 15 |
| Degree of innovation and additionality | Level of innovation in the product and approach proposed; level of additional value bring brought to the market. | 15 |
| Scalability and financial viability | Business model has potential to scale and become financially viable over time. | 15 |
| Organizational capacity, commitment, & Implementation readiness | Applicant Project team has relevant expertise and demonstrates ability to implement towards project goals ; Project lead has experience in managing projects that involve multiple parts of the organization. | 15 |
| Value for money | We will look at outreach targets as measured by # of end-users that use or are impacted by the product, and evaluate whether the proposed target is backed by sound logic (e.g. current user base, applicant's ability to deliver, financial and human resources that applicant is committing to this project etc.) | 10 |
| | Maximum score | 70 |

d. Application process

i. Structure of the Application

- All submissions must respect the following formats:
 - ✓ Submission letter
 - ✓ Annex 1 Submission Format
 - ✓ Annex 2 Workplan and Budget
- Submissions that do not respect the above-mentioned formats will not be considered eligible and will not be evaluated.
- The applicant **may** supplement the submission with 1) power point deck that outlines in a visual manner what the project and/or product is; and 2) latest annual report.
- All submissions must be completed in English.

ii. Submission of the Application

Applications should be submitted via email to uncdf.rfa@uncdf.org cc finlab@uncdf.org with the title ***“Inclusive Innovations for financial health in [Country Name]”***

iii. Application deadline:

The RFA will have the following rounds of submission:

| Round | Deadline for submitting proposals |
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iv. Selection process and timeline

- Proposals will be reviewed and selected by an evaluation Committee;
- Due diligence will be conducted on the selected applicants to finalize the selection and supplement information on the company and proposal;
- Successful applicants will be asked to sign a Technical Assistance and/or Performance Based Agreement with UNCDF which will outline mutually agreed upon milestones and deliverables. Sample agreement available upon request, email finlab@uncdf.org



v. Real-time assistance available from UNCDF²:

For requests and queries please send an email to finlab@uncdf.org cc uncdf.rfa@uncdf.org with the title ***“Q&A Inclusive Innovations for financial health in [Country Name]”***

² UNCDF team will provide assistance and feedback to companies throughout the application process. Any feedback or recommendations provided are suggestions and it is at the discretion of the applicant as to whether apply them or not. 2) Receiving UNCDF guidance during the application process does not guarantee that the proposal will be selected. UNCDF will provide the same level of support to all companies that request assistance.