



UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)
MM4P
SIERRA LEONE

[BUILDING DFS ECOSYSTEM THROUGH G2P – PILOTS]

Request for Application

Deadline to submit the application: **23 April 2018**

1. SUMMARY OF THE REQUEST FOR APPLICATION

Objective

The Financial Lives Survey, conducted in Sierra Leone in 2017-2018, indicates that government employees who received their salaries in bank accounts can be encouraged to avail of digital financial services instead of cashing out. Bulk payment in rural areas can be used to build a business case for digital financial services.

Government employees face significant discomfort with existing solutions to access their salaries and conduct financial transactions. They are aware of the importance of savings and investments, but are unable to generate surplus for traditional savings options. Their distance from brick-and-mortar banks branches is also a deterrent. Not surprisingly, they are aware of and use mobile money.

The objective of this Request for Applications (RfA) is to pilot three use case solutions to create market incentives and supporting ecosystem for digital financial services in rural areas where government employees receive their salaries. The three use cases include: (i) a remittance solution, (ii) a one-stop-shop payment solution, and (iii) a micro-savings solution. UNCDF is seeking applications from a consortium of organizations to design and implement the use cases. The consortium of a network provider (such as an MNO) and a regulated financial intermediary (such as a bank or Other Financial institution (OFI)). The participation of FinTechs and other partners is encouraged.

This initiative is led by the Bank of Sierra Leone and the Office of the Accountant General at the Ministry of Finance, in partnership with the Mobile Money for the Poor (MM4P) project at UNCDF with support from USAID.

Timeline: The overall duration of the work is expected to take up to 8 months.

Applications and RFA Calendar

- Publication date: 3rd April 2018
- Deadline to submit the request for clarification: 12 April 2018
- Publication of Questions and Answers Document Q&A: 14 April 2018
- Final deadline for applications: 23 April 2018

Applications can be submitted to address one, two of the three use cases detailed in the RFA.

You may send questions to mm4p@uncdf.org. A FAQ document will be generated based on enquiries received on or before the 12th of April 2018. The FAQs will be posted on the UNCDF website shortly thereafter by the 14th of April 2018. Applications should be returned to the UNCDF by email at mm4p@uncdf.org no later than midnight on 23rd of April 2018 18 :00 pm GMT. Applications must follow the submission format as outlined in Annex 1 of this RfA.



2. ORGANIZATION CONTEXT AND BACKGROUND INFORMATION

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries (LDCs). With its capital mandate and instruments, UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. This last mile is where available resources for development are scarcest; where market failures are most pronounced; and where benefits from national growth tend to leave people excluded.

UNCDF's financing models work through two channels: savings-led financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. UNCDF financing models are applied in thematic areas where addressing barriers to finance at the local level can have a transformational effect for poor and excluded people and communities.

By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty with a focus on reaching the last mile and addressing exclusion and inequalities of access. At the same time, UNCDF deploys its capital finance mandate in line with SDG 17 on the means of implementation, to unlock public and private finance for the poor at the local level. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile, UNCDF contributes to a number of different SDGs and currently to 28 of 169 targets.

Mobile Money for the Poor (MM4P)

The MM4P programme launched in 2012 because UN Capital Development Fund (UNCDF) saw that the gains in digital financial services (DFS) were not reaching the least developed countries (LDCs). MM4P was created to demonstrate how the correct mix of financial, technical and policy support can build a robust DFS ecosystem that reaches low-income people in LDCs. In doing so, it has helped accelerate growth in several countries, identified some of the levers to help markets develop and supported efforts to reach the last mile.

With lower incomes, economic activity levels and poorer infrastructure and regulatory environments, banks and mobile network operators have been hesitant to invest in these new services in least developed countries (LDCs). MM4P is working intently with banks, mobile network operators, regulators and users of these services to help them reach to millions currently unbanked. In doing so, UNCDF hopes to prove that these services can be offered sustainably by the private sector in LDCs.

MM4P is currently engaged in eight LDCs: Benin, Lao PDR, Malawi, Nepal, Senegal, Sierra Leone, Uganda and Zambia each of which offers unique opportunities and challenges.

For more information, visit mm4p.uncdf.org or follow [@UNCDFMM4P](https://twitter.com/UNCDFMM4P) and [UNCDF MM4P](https://www.facebook.com/UNCDFMM4P).

About the Sierra Leone G2P Project

The Government of Sierra Leone, through the Accountant General Office based in the Ministry of Finance and Economic Development (MoFED), pays approximately 80,000 government employees/consultants SLL 150 billion each month via their bank accounts¹. At least 50% of these payments are to recipients based outside Freetown (the Capital) and District Capitals in rural areas and hard to reach areas where there is limited or no

¹ A bank account is a requirement as part of the Government of SL's reforms under IMF



banking infrastructure. These recipients, many of them women, have to travel long distances to District Capitals, taking time off their jobs to check if their salaries have been deposited and most of them withdraw their salary in full in order to avoid the costly journey to the bank for withdrawal or payments. Often, they face thefts and other hardships of transporting relatively large sums of money. They are also users of mobile phones (~95%)²

There is an opportunity to leverage the volume of government salary payment to build a business case for digital financial services to expand access points and ultimately the availability of a wide range of financial services to these underserved communities. This opportunity is also identified in the National Strategy for Financial Inclusion 2017 – 2020 under Digital Financial Services: “Identify and digitise routine use cases that will lead to habitual usage, including digitising government programs, both G2P and P2G, to drive inclusion and adoption, and achieve Sierra Leone’s commitments to the Better Than Cash Alliance’.

UNCDF believes that the volume of government salaries shall be used to drive and build out the digital financial services ecosystem. Digital financial services will positively improve the financial lives of salaried employees, but also catalyse the expansion of financial services in hard-to-reach areas and in turn contribute to the sustainability of the services.

This initiative is led by the Bank of Sierra Leone and the Office of the Accountant General at the Ministry of Finance, in partnership with UNCDF with the financial support from USAID.

From September 2017 to March 2018, a Financial Lives Survey for Sierra Leone government -to-people (G2P) payments was conducted to understand how Sierra Leoneans engage with financial products and services. The survey aimed at attaining the following results:

1. understanding how government employees utilize salaries transferred into their bank accounts;
2. analysing the different aspects of financial behaviour of government employees;
3. understanding the financial needs and aspirations of government employees;
4. understanding their awareness of and access to digital financial services and avenues to use them;
5. understanding the perspectives of government employees about financial system and cashless transactions.

The company interviewed and analysed the answers of 302 respondents from different regions and districts of the country: (i) Eastern area (Kailahun and Kono); (ii) Southern area (Bonthe), (iii) Northern region (Tonkolili and Port Loko). For further details on the main findings for the Financial Live Survey refer to Annex 3 “Sierra Leone G2P Financial Lives Survey Findings”.

Further to the mapping of the different use cases, the financial live survey identified three use cases to be piloted based on two key criteria: (i) ease of implementation of the use case and (ii) Ability of the use case to fill a critical white space. Based on this prioritization framework, three use cases were identified:

1. Remittances (domestic and international)
2. One-stop shop payments (bill payments and merchant payments)
3. Micro-savings

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3. SCOPE OF THE WORK

The present RfA aims at piloting digital solutions for the three use cases as outlined below. The consortiums who are interested in applying must provide a technical and financial proposal for one of the three lot/ use cases. The section below provides an overview of the scope of the work, objectives and target for each of three lots.

1. Lot 1: piloting a remittance solution

UNCDF is looking for a consortium to develop a technical solution to offer a digital domestic remittance service to government employees and their families/friends.

A customer using this service after receiving salary in the bank account can transfer money to his/her mobile wallet and then on to the recipient's mobile wallet. The recipient can either store money in his/her wallet or cash out with an agent. The districts may be chosen from Kono, Kailahun and Port Loko which had significant number of survey respondents who remit money informally through people travelling to their home locations.

It is expected to attain the following objectives:

- incentivizing mobile money agents to deliver mobile based remittances;
- transitioning target government employees from cash based remittances to mobile money based transfers;
- refining the model and build evidence for further replication across Sierra Leone

The expected targets of this first module are:

- at least 2,000 government employees adopt the digital remittance solution on a regular basis
- at least 2,000 government employees conduct on average at least 2 payment transactions per month for 4 months using the solution, amounting to at least 16,000 transactions by the end of the pilot.
- At least 50% of the government employee executing digital transactions are women

2. Lot 2: piloting a one-stop merchant payment

Pilot a digital one-stop-shop payments solution in one district by bringing together key stakeholders to facilitate a range of merchant and bill payment options for 500 government employees. A customer using this service after receiving salary in the bank account can transact with a local merchant for not only his merchandise but also to buy airtime, to make routine payments like transport charges for commute to work and school fees. The merchant in turn, pays his suppliers, the MNO, schools and transport operator either in their bank accounts or mobile wallets. They can choose to cash out with agents.

Kailahun can be chosen as the pilot district as it reflects the maximum number of survey respondents who have used mobile money for bill payments and merchant payments, but not through a one-stop solution and not on a frequent basis.

It is expected to attain the following objectives:

- Incentivizing local merchants specifically schools and transport operators to accept cashless payments and deliver other merchant and bill payment services
- At least 500 government employees transition from cash transactions to mobile money payments



- Refining the business model, by building evidence for further replication across Sierra Leone and add more merchant and bill payment options

The expected targets of this second module are:

- at least 500 government employees conduct digital payments among different merchants
- Each of the government employees on an average conduct at least 5 payment transactions per month for 4 months using the solution, amounting at least 10,000 transactions by the end of the pilot.
- At least 50% of the government employee executing digital transactions are women

3. Lot 3: piloting a micro-savings product like a short term fixed or recurring deposits to the target government employees

Create a partnership between an MNO and banks (either commercial bank and/or community banks in target districts), mobile money agents and a fin-tech company to offer a micro-savings product like a short term fixed or recurring deposits to the target government employees.

The purpose will be to pilot a digital savings solution in two districts by bringing together key stakeholders to provide a micro-savings option for 1,000 government employees. A customer using this service after receiving salary in the bank account can remotely view their bank balance on a dashboard, cash-in and cash out with an agent and save. Kailahun and Tonkolili can be chosen as the two pilot districts as they had the maximum number of respondents who said they are able to save on a monthly basis.

It is expected to attain the following objectives:

- transitioning target government employees to adopt mobile money based savings
- refining the business model, by building evidence for further replication across Sierra Leone and add more savings products to the portfolio
- incentivizing mobile money agents to popularize and drive uptake of mobile based savings

The expected targets of this third module are:

- At least 1 000 government employees adopt the micro-saving solution
- Each government employee conducts at least on average 1 savings transactions per month for 4 months using the solution, amounting at least 4,000 transactions by the end of the pilot.
- At least 50% of the government employee adopting micro-saving solutions are women.

4. EXPECTED ACTIVITIES AND WORKING PLAN

Based on the objectives and targets listed above, the consortiums applying shall provide a workplan for each of the lots that it intends to apply. Please note that the activity listed below are just an indicative and not exhaustive list of the foreseen activities.

- **Phase A – Pilot Design (1 month)** prior to the signature of the Performance Based Agreement
 - o identify suitable pilot locations (refer to Financial Lives Survey results document accompanying this RFA);
 - o Ensure gender lens in design, marketing and data analyses;
 - o develop the operational and financial model;



- define social outcomes and design the monitoring and evaluation (M&E) framework
 - Estimate resource requirements and finalize pilot plan
 - Secure approvals from government and/ or regulator
- **Phase B - Pilot Preparation (2 months)**
- To build an integrated technical solution to link the different partner of the consortium and their users
 - Finalise the technical integration and sign-off User Acceptance Testing (UAT)
 - To design marketing campaigns and stakeholder incentives
 - To build capacities of mobile money agents and provide them working capital (for cash out
 - To conduct marketing and consumer education campaigns
 - To ensure incentives are passed on to customers and merchants
 - To set up customer redressal feedback loop with clear responsibilities of each member of consortium
- **Phase C: Pilot Implementation: (4 months)**
- To pilot the identified solution for at least 4 months
 - To capture and analyse transaction data and consumer behaviour
 - Review and update procedures and processes based on the findings from the filed
- **Phase D Pilot Assessment (1 month)**
- Development of the roll-out strategy
 - Knowledge Management shall include compiling a comprehensive detailed learning emanating from the project and further copies of the studies circulated to the relevant stakeholders.
 - End of project evaluation seeks to evaluate and measure whether the project key performance indicators are being religiously being met and if not suggest interventions on how to best accelerate them going forward.

5. FORESEEN BUDGET

The total foreseen budget for this Request for Application equals US \$ 270,000 with matching contribution, cash or in-kind from the winning bids.

It is foreseen to assign for each lots an average amount of US \$ 90,000. Interested consortiums might apply to one or more of each of the three lots.

Pilot 1 Remittances	\$90,000
Pilot 2 Payments	\$90,000
Pilot <i>Micro savings</i>	\$90,000



6. PARAMETERS OF THE AGREEMENT

Outputs and deliverables

The written outputs and deliverables of the work are considered a public good unless otherwise agreed. Thus, all the outputs and deliverables will be placed in the public domain with the intent that they can and should be freely and widely used by other parties.

Agreement

The leader of the consortium(s), who will be selected is expected to sign a **Performance Based Financing (Grant) Agreement** with UNCDF (see Annex 2 for a sample of our legal language in this regard).

The signature of the agreement between UNCDF and the consortium is expected at the latest in May 2018.

Duration of the agreement: The agreement is planned for a period of 8 months.

Language

The deliverables, as well as all related correspondence exchanged by the organization and UNCDF, shall be written in English.

7. ELIGIBILITY REQUIREMENTS AND EVALUATION CRITERIA

7.1 DOCUMENTS TO BE PROVIDED BY THE CONSORTIUM / PARTNERSHIP

The leading company of the consortium shall provide the following documents when applying for this RfA:

- i. A copy of its legal registration documents including the certificate of registration and the articles of association, or an equivalent document if the applicant is not a company;
- ii. The list of the members including function and CVs of the Board of directors and management team;
- iii. The list of shareholders and other entities that hold at least 5% of the shares and other equity or its equivalent if the bidder is not a company;
- iv. A copy of the tax or payment certificate issued by the relevant taxing authority attesting that the tenderer complies with its obligations as regards the payment of taxes or an attestation of tax exemption, if the tenderer is entitled to such a privilege;
- v. Audited financial statements for the last three (3) years if the entity has been in business for more than 3 years;
- vi. References on similar projects;
- vii. Letter from the applicant organization's executive director, CEO, or board, expressing its commitment to the execution and participation in this process
- viii. A partnership agreement or a memorandum of understanding duly executed between the lead partner and the other group members, which designates the leader of the consortium as principal entity, duly empowered to legally bind the members of the consortium.
Once the bid is filed with UNCDF, the lead entity designated to represent the consortium / partnership cannot be changed without the prior written consent of UNCDF. In addition, neither the principal entity nor the legal entities that are members of the joint venture will be able to: (i) submit another bid individually; (ii) or as a principal or member of another consortium / partnership submitting another submission.
- ix. Annex 1 duly completed and signed by the tenderer (and each member of the group).



7.2 ELIGIBILITY CRITERIA

- i. Confirm in writing (Annex 1) that the applicant has read and accepted the model of the Performance Agreement to be signed with UNCDF and without objection to the standard language.
- ii. The leader of the consortium shall have its legal seat in Sierra Leone and carry out its activities there.
- iii. The leader of the consortium shall have the legal authorization to carry out activities related to mobile telephony and or digital financial services in Sierra Leone. The consortium shall include a network provider (such as an MNO) and a regulated financial intermediary (such as a bank or Other Financial institution (OFI)). The participation of FinTechs and other partners is encouraged.
- iv. The member of the consortiums should have activities such as branches or registered agents in the pilot locations (Kailahun; Kono; Bonthe; Tonkolili and Port Loko).
- v. Not to 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.
- vi. Not to 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;
- vii. To have fulfilled obligations relating to the payment of social security contributions or obligations relating to the payment of taxes according to the legal provisions of Sierra Leone where the leader of the consortium is established.

7.3 EVALUATION CRITERIA

The evaluation will follow the weighted scoring method for each of the three lots listed above:

<p><u>Rating the Technical Proposal (TP):</u> TP Rating = (Total Score Obtained by the Offer / Max. Obtainable Score for TP) x 100</p> <p>The financial proposals will be assessed for those technical scores, which pass the minimum threshold of 70%,</p> <p><u>Rating the Financial Proposal (FP):</u> FP Rating = (Lowest Priced Offer / Price of the Offer Being Reviewed) x 100</p> <p><u>Total Combined Score:</u> (TP Rating) x (Weight of TP, e.g. 70%) _____ + (FP Rating) x (Weight of FP, e.g., 30%) _____</p> <p>Total Combined and Final Rating of the Proposal</p>
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Technical proposal (including CVs of team): (up to 100 Points)

Expertise of the consortium		Points Obtainable
	The consortium of a network provider (such as an MNO) and a regulated financial intermediary (such as a bank or Other Financial institution (OFI)). The participation of FinTechs and other partners is encouraged.	10
	Evidence of expertise or knowledge in digital financial solutions (remittances, payments, micro-saving)	10
	Evidence of geographic coverage and network connectivity in the pilot area as well as national level from each of the members of the consortium	10
	Prior collaboration between the consortium	10
Total Part 1		40

Methodology, approach and understanding of the mandate		Points Obtainable
	Methodology	10
	Workplan	5
	Key Performance indicators (<i>to be indicated in Annex 1 as part of the proposal submitted by the Consortium</i>)	15
Total Part 2		40

Personnel		Points Obtainable
	Prior expertise in mobile money market	7
	Expertise in digital financial solutions (remittances, payments, micro-saving)	7
	Demonstration of technical quality capability) Good technology (open source data, API, USSD channels)	6
Total Part 3		20

Financial Proposal (up to 100 points)

The financial proposal:

- Up to 50 points the cheapest financial offer. To be computed as a ratio of the Proposal's offer to the lowest price among the proposals received by UNCDF.
- Up to 50 points can be co-funding from the consortium in-kind is accepted (staff and infrastructure costs).

Target subsidy on reducing transaction costs can be accepted as part of the grant if the consortium can demonstrate the break-even point.



8. APPLICATION REQUIREMENTS

Structure of the Application

The application includes a suggested template for submissions in Annex 1: *Submission Format*. Applications may choose a format for sections 2 to 7 provided all the necessary information is included.

Additional documents or links to documents may be included at the applicant's discretion.

Technical proposal:

The technical proposal shall be structured as follows:

- Overview of past examples of similar projects linked to the scope of this RfA., including references
- Methodology and approach to achieve the objectives of the project
- Detailed work plan with timeline of major activities
- Key performance indicators, gender disaggregated
- Proposed team (with CVs in Annex)

Financial proposal:

Budget quotation for the entire project, with detailed line items

The Financial proposal must provide a detailed price breakdown. Please provide separate figures for each functional grouping or category. The budget shall include all the costs of the project and the level of co-financing by the members of the consortium. Target subsidy on reducing transaction costs can be accepted as part of the grant as long as the consortium can demonstrate the break-even point.

Submission of the Application

- Applications and any consultation about this RFA should be submitted via email at mm4p@uncdf.org

The subject line of the email should be: RFA: Sierra Leone BUILDING DFS ECOSYSTEM THROUGH G2P – PILOTS”