



Unlocking Public and Private
Finance for the Poor

United Nations Capital Development Fund REQUEST FOR APPLICATION FOR

Innovative Digital Payment Models in Zambia: develop and implement innovative digital solution for the payment of utilities.

EXTENDED DEADLINE: AUGUST 2, 2021

SUMMARY

The United Nations Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries (LDCs).

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.

UNCDF's financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyse participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.

UNCDF is looking for legally established entities in Zambia that can develop innovative digital payment solutions that can address the following focus areas with an aim of increasing adoption and usage of utility services and payment:

- **Area 1:** Support a digital payment solution that will partner with at least one water service provider to increase digital payments for water in the urban, peri-urban and rural areas.
- **Area 2:** Support a digital payment solution that will partner with at least one mini-grid energy provider or a Pay-as-you-go energy provider that will increase digital payment for electricity, solar or cook stove products in the urban, peri-urban and rural areas.
- **Area 3:** Support a digital payment solution that will partner with at least one sanitation service provider to increase digital payments for sanitation services in the urban and peri-urban areas.

Candidates can apply within a single area of intervention (Area 1, Area 2 or Area 3) or propose a project for a combination of areas. Please clearly indicate the areas targeted in your proposal.

The proposed intervention shall target urban, peri-urban and rural populations with focus on women and youth, precisely in the following provinces of Zambia: Lusaka, Central and North-Western.



Moreover, the solutions proposed should create the following effect:

- Strategic partnership with a water service provider in the urban and peri-urban areas to increase the use of digital payment for their services. This can be achieved through the use of technologies such as water ATMs or a prepaid water system integrated with mobile money.
- Strategic partnerships with an energy provider to eliminate the barriers in making digital payments and lead to improved portfolio quality for the organization, for example: collaboration with mini-grid provider, PayGo Solar companies, financial service providers etc.
- Strategic partnership with a sanitation service provider to replace cash payment of bills with a digital one.

UNCDF will provide grant and technical assistance and will sign a Performance-Based Agreement¹ (PBA) with the selected applicants. Please refer to the PBA sample available in this RFA website.

UNCDF's contributions will range from 50,000 USD to 100,000 USD. Grants will be awarded to at least two applicants, depending on the investment readiness level and outreach potential of the solution proposed.

Applicants can apply only once to this RFA, independently or in a consortium, provided that the consortium has a pre-established partnership prior to when this request for applications was issued.

Inquiries to this request for applications may be submitted by email to uncdf.rfa@uncdf.org cc isaac.holly@uncdf.org

All applications must be submitted by 23:59 Eastern Daylight Time (EDT) on EXTENDED DEADLINE: AUGUST 2, 2021 through UNCDF's e-investment platform:

https://apply.uncdf.org/prog/rfa_innovative_digital_payment_models_in_zambia_develop_and_implement_innovative_digital_solution_for_the_payment_of_utilities

¹ A performance-based grant implies that grant amounts that are contingent on the successful achievement of pre-determined milestones. Achieving a milestone will therefore trigger a grant payment. Grant payments will be reimbursements for funds spent by the grantees, according to the project implementation plan and pre-agreed milestones. The Grantee will be responsible of providing a comprehensive and compliant financial report reporting all the financial transactions relating to grant. The Grantee will need to keep supporting documents related to these transactions to justify all actual costs incurred.



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1. INTRODUCTION

Zambia, Africa's second-largest copper producer, achieved middle-income country status in 2011 during a decade (2004-2014) of impressive economic growth, averaging 7.4% per year. However, growth only benefitted a small segment of the urban population and had limited impact on poverty. Zambia ranks among the countries with highest level of inequality globally. As of 2015, 58% of Zambians earned less than the international poverty line of \$1.90 per day (compared to 41% across Sub-Saharan Africa) and three quarters of the poor live in rural areas. Poverty remains widespread with more than 50% of the population living below the international poverty line and a high unemployment and illiteracy levels particularly among youth (more pronounced among females than males) which remains at 44.7% and 17.4 % respectively².

Poor water and sanitation services is prevalent in most urban areas of Zambia. According to WHO-UNICEF Joint Monitoring Programme (2015), Zambia reportedly made 'limited or no progress' towards achieving its sanitation targets. Poor water, sanitation and hygiene (WASH) are the main causes of diseases like cholera and diarrhoea. Inadequate WASH continues to be the leading cause of death in children under the age of five in sub-Saharan Africa. According to the World Bank, Poor sanitation results in a 1.3 per cent loss to Gross Domestic Product of Zambia annually. Girls and women are particularly affected by poor WASH conditions. The drudgery of hauling water leads to loss of productivity and leisure time and the lack of toilets negatively impacts their dignity .

Poverty and inequality disproportionately affect women. Achieving gender equality remains a challenge in Zambia. While, women constitute most of the population they have limited access to decision making power, as well as access to and control over resources. Women are highly engaged in agricultural sector. While women make vital contributions, they have little assets, and control over the production thus reducing them to marginal positions when compared to men. Further, Zambia has recorded an average of 7 percent economic growth in the past decade. However, poverty levels are still high at 54.4 percent, with rural poverty at 76.6 percent in 2015. Huge disparities exist between rural and urban areas and this has undermined the capacity of the rural population to significantly contribute to economic growth . The Gini coefficient as a measure of income inequality increased from 0.65 in 2010 to 0.69 in 2015, placing Zambia in the category of the most unequal countries. Inequality in Zambia is potentially a threat to long-term social and economic development.

In November 2017, the Government of the Republic of Zambia launched the National Financial Inclusion Strategy to accelerate financial inclusion in Zambia. The strategy sets forth a series of specific, delineated, and sequenced actions for a wide range of stakeholders. The vision of the strategy is to "achieve universal access and usage of a broad range of quality and affordable financial services that meet the needs of both individuals and enterprises". Achieving this vision has remained a challenge for Zambia due to factors among them low levels of financial literacy and lack of trust and confidence in formal financial products available on the market. Further, cash has been used as predominant form of payment and nonexistence of digitalized delivery channels.³

The UNCDF's global strategy "Leaving no one behind in the digital era." which is to empower people through improved access and usage of services that contribute to the SDGs, by leveraging digital innovation and technology is aligned with the government of Zambia National Financial Inclusion Strategy. The increased access and use of digital payments for utilities

² CSO (2018). Zambia in figures 2018. Government Printers, Lusaka.

³ Government of the Republic of Zambia, Ministry of Finance (2017). National Financial Inclusion Strategy.



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especially among women and the youth is very key to the achievement of both the United Nation’s Sustainable Development goal numbers 5 and 8

2. SCOPE OFWORK

2.1 Areas of intervention

For this request for applications (RFA), UNCDF invites applications from registered entities that can offer innovative and scalable solutions addressing one or more of the following challenges through three areas of intervention:

Areas of intervention		Challenges/ Problem Statement and Objectives for solution
1	Support a digital payment solution that will partner with at least one water service provider to increase digital payments for water in the urban, peri-urban and rural areas.	<p>Challenges: water service providers still rely on cash payments for water from sources us as boreholes. There is a challenge in the collection and leads to loss of revenue.</p> <p>Objectives: The goal is to provide a solution such as water ATMs that will allow water to be paid for via mobile money or a digital means.</p>
2	Support a digital payment solution that will partner with at least one mini-grid energy provider or a Pay-as-you-go energy provider that will increase digital payment for electricity, solar or cook stove products in the urban, peri-urban and rural areas.	<p>Challenges: Mini-grid providers are losing revenue due to postpaid billing and cash payment system. PayGo energy providers have difficulty receiving payments from rural clients who have only cash and commodities.</p> <p>Objectives: The goal for Mini-grids is to have a prepaid billing and digital payment system that will increase revenue. The goal for PayGo energy providers is to have digital payments access extended to all their rural customers.</p>
3	Support a digital payment solution that will partner with at least one sanitation service provider to increase digital payments for sanitation services in the urban and peri-urban areas.	<p>Challenges: Sanitation service providers receive mainly cash payments from their customers.</p> <p>Objectives: The goal is to digitize the customer payment for sanitation services.</p>

The examples of solutions in the identified areas of intervention are not exhaustive. The team at UNCDF is excited to hear what potential applicants have in mind outside these examples as long as your scale, commercial viability and impact objectives are aligned.

2.2 How UNCDF works with partners

UNCDF takes a tailored approach to engagement with partners, working with each throughout to identify business and customer needs, and helping to design, pilot and scale up the solution along the way. Some examples of the ways in which UNCDF works with partners include:



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- **Product Research:** Sharing market research and knowledge to deepen partners' understanding of customers' behaviours, needs, constraints and aspirations. This also includes providing transaction data analysis and training to the business teams.
- **Product design:** Providing human-centered design expertise to better understand the customer journey - physical and financial – for better product design and use-case development tailored to the needs of low-income customers and their families. The efforts may also involve analyzing the transaction data from a customer lens.
- **Provisioning:** Providing technical assistance to help design, pilot, deploy, and scale up solutions for impact. Technical assistance is provided by digital finance experts who are experienced in product design, business model development and go-to-market strategies in some of the most challenging markets in Africa and Asia.
- **Partnerships:** Facilitating strategic partnerships with stakeholders – including cross-border payment hubs, mobile network operators, financial institutions, and non-bank financial institutions – to enable partners to reach last-mile customers, and to grow sustainably. UNCDF is uniquely positioned to be a neutral broker of partnerships and has a record of building strong relationships with private and public organizations across Africa, Asia, and Pacific.
- **Policy and Advocacy:** Convening efforts to support an enabling environment and build policy and advocacy capacity for human-centered products and services to be piloted and potentially scaled.

In the RFA, applicants may identify and suggest areas where the technical support from UNCDF and its network of expertise is sought.

2.3 Expected results.

According to the projects and solutions presented, candidates must include in the proposal a complete list of results, outcome indicators and targets for monitoring achievement of different results. Below is a non-exhaustive list of key performance indicators (KPIs) for the projects. Other indicators would be finalized based on the nature of the project and tracked to ensure its success.

Deliverables would be derived from key project milestones to be agreed mutually between UNCDF and the selected applicant in accordance with the identified milestones, outcomes and targets of the KPIs, during the due-diligence and negotiation phase.

For illustration, milestones can include market research conducted, and go-to-market strategy finalized.

In the application form, candidates will have to provide set reliable and attainable targets for each of the following indicators.



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Indicators	Disaggregation
Numbers of persons using the innovative digital payment model, who previously did not have access or did not use any digital form of payments.	Total: Women: Youth:
Number of new subscribers to the innovative digital payment model on a daily, weekly and monthly basis.	Total: Women: Youth:
Value and volume of payments processed via the innovation digital payment model on a daily, weekly and monthly basis.	Total: Women: Youth:
Number of active versus inactive users of the innovative digital payment model on a daily, weekly and monthly basis.	Total: Women: Youth:

Please note that during the negotiations process of the Performance based- Agreement, applicants shall be required to integrate the monitoring framework with additional KPIs.

3. ELIGIBILITY FOR APPLICATION AND EVALUATION CRITERIA

Only applications that meet the eligibility requirements and minimum criteria for the submission will be scored.

3.1 Eligibility requirements

Entity registration

- The applicant / lead applicant must be a registered entity in Zambia.

Relevant operation licenses (when applicable)

- The lead applicant must be licensed to provide digital financial services in Zambia.

Years of operations

- The lead applicant must have at least one year of operations in Zambia.

Consortiums (when applicable)

- Applicants may apply only once under this RFA, whether independently or in a consortium.
- Joint applications between market players in Zambia is encouraged if the solution proposed will expand delivery networks and promote rural and/or other last-mile access to digital payments for utilities.
- Applications from consortiums of organizations must show that the partnership was established prior to this call for applications.



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- The lead applicant and their financial service provider partner must be registered entities with at least one year of operations and must have statutory accounts and audited financial statements for at least one operating year.

Solutions to be supported

- Applicants must have an existing solution having tested a proof of concept that is ready to undergo pilot testing for a duration of 6 to 12 months.

Exclusionary criteria:

- Applicants shall not have been the subject of bankruptcy, liquidation, judicial settlement, safeguarding, cessation of activity or any other similar situation resulting from a similar procedure.
- Applicants and any of their staff or member of their board of directors shall not be included in the United Nations financial sanctions lists⁴, particularly in the fight against the financing of terrorism and against attacks on international peace and security⁵; and
- Applicants must not be involved in any of the following activities⁶
 - Manufacture, sale or distribution of controversial weapons or their components, including cluster bombs, anti-personnel mines, biological or chemical weapons or nuclear weapons.
 - Manufacture, sale or distribution of armaments and/or weapons or their components, including military supplies and equipment.
 - Replica weapons marketed to children.
 - Manufacture, sale or distribution of tobacco or tobacco products
 - Involvement in the manufacture, sale and distribution of pornography
 - Manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products regulated under the CITES.
 - Gambling including casinos, betting etc. (excluding lotteries with charitable objectives)
 - Violation of human rights or complicity in human rights violations
 - Use or toleration of forced or compulsory labor.
 - Use or toleration of child labor.
- Applicants shall have fulfilled all the obligations relating to the payment of social security contributions or obligations relating to the payment of taxes in accordance with legal provisions in force in the country of incorporation.

UNCDF will conduct due diligence on selected applicants. Applicants must have documents ready for confirmation that they meet the eligibility criteria including certificate of compliance with the tax authorities and any other documentary evidence that might be requested by UNCDF besides the application form.

⁴ <https://www.un.org/securitycouncil/sanctions/information>

⁵ See UNDP Policy on Due Diligence and Partnerships with the Private Sector (2013): https://popp.undp.org/_layouts/15/WopiFrame.aspx?sourcedoc=/UNDP_POPP_DOCUMENT_LIBRARY/Public/BERA_Partnerships_UNDP%20private%20sector%20due%20diligence%20policy%202013_FINAL.pdf&action=default

⁶ See UNDP Policy on Due Diligence and Partnerships



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3.2 Evaluation criteria

The Evaluation panel will score the applications according to the below evaluation criteria.

Only applications that score at least 70 out of 100 will be considered successful and move to the due-diligence stage.

Evaluation Criteria

	Criteria	Max Score
1	Organization profile and experience <i>Score the applicant's profile, track record, reputation, experience in similar projects and in the country/region, also if the applicant has successfully implemented other projects with UNCDF.</i>	15
2	Team <i>Score if the applicant's proposed team structure and experience is suited for the purpose of the RFA (skills for management, technical know-how, on the field foot print, monitoring and RM capacities...)</i>	15
3	Methodology <i>Score the applicant's proposed methodology and approach: if it is suited for the purpose of the RFA, if the workplan is realistic, that the project strategy covers risk management, quality control, reporting and other project management good practices.</i>	15
4	Additionality <i>Score if UNCDF funding to the applicant will create:</i> <ul style="list-style-type: none"> - Financially additionality: <i>If the applicant cannot obtain funding from local or international private capital markets with similar terms or quantities without official support.</i> - Non-financial value: <i>Value that the private sector is not currently offering and which will lead to better outcomes e.g. by providing or catalyzing knowledge and expertise, promoting social or environmental standards or fostering good corporate governance...</i> - Impact: <i>Faster, larger or better development impacts than the applicant would be able to achieve working alone.</i> 	20
5	Gender perspective <i>Score if the applicant has foreseen a gender focus in the proposed intervention, to have women both external (users) and internal (staff) benefited equally than men.</i>	10
6	Sustainability and business plan <i>Score if the applicant's proposal has a sustainable financial perspective and business plan that could generate an investment pipeline for UNCDF.</i>	15
7	Result Measurement <i>Score if the applicant has provided coherent measurement plan and data management plans.</i>	10
TOTAL		100



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VALUE FOR MONEY

UNCDF will also assess the Value for Money proposed by the applicants passing the minimum technical evaluation score. Value for Money is calculated as follows:

Grant amount in USD (A)

Total number of end beneficiaries (B)

Value for Money = A / B



3.3 Eligible costs

The criteria for eligible expenditure determine whether a cost qualifies for funding under UNCDF rules and procedures.

The general criteria for eligibility of costs under UNCDF funding include the following.

- Eligible costs must be incurred by the applicant **during the project** (after the signature of the Performance-based Agreement and up to the end of the Grant period).
- Eligible costs should be indicated in the estimated overall budget of the action attached to the Performance-based Agreement.
- Costs must be identifiable and verifiable, in particular being recorded in the accounting records of the applicant and determined according to the applicable accounting standards of the country where the lead applicant is established.
- Costs must comply with the requirements of applicable tax and social legislation.
- Costs must be reasonable, justified and comply with the principle of sound financial management, in particular regarding economy and efficiency.
- Consultancy costs – under studies, technical assistance and other advisory services under the programme carried out by international and national consultants – are eligible as follows. Professional and consultancy services are services rendered by people with a special skill, and who are not officers or employees of the organization applying for the grant. Consulting services must be justified, with information provided on their expertise, primary organizational affiliation, normal daily fee, and number of days of expected service. Consultants' travel costs, including for subsistence, are to be shown as travel expenditure. The applicant may be required to justify the daily fee.
- Workshop costs are eligible, for the workshop venue, food and beverages, and publication material.
- Training expenditure (financial education, digital education, soft skills) for the project's final beneficiaries is eligible. If applicable, this will include all related expenditure, such as the cost of the venue, participant travel, and so on. Training for the employees of the institution applying for the grant is also eligible as long as it has been demonstrated that it will link directly to the project output.
- Investment costs directly attributable to the project, relating to research and innovation, are allowable.

3.4 Ineligible costs

The following costs are ineligible and not accepted:

- Returns on capital and dividends paid by a beneficiary.
- Debt and debt service charges.
- Provisions for losses or debts.
- Interest owed.
- Costs declared by the applicant in the framework of another action receiving a grant financed from another donor.
- Indirect costs, also called overheads.



AGREEMENT PARAMETERS

Applicants shall give evidence that their solutions are aligned to the following parameters.

4.1 Applicants

Eligible candidates can apply alone or as lead applicant in a consortium of firms, as long as they comply with the eligibility requirements set forth in section 3.1 in case of a consortium of entities applying to the RFA, the lead applicant shall comply with the eligibility requirements. The lead applicant will be responsible of:

- i. submitting the application form on behalf of the consortium
- ii. ensuring that each partner is fully aware of the composition of the partnership and of the contents of the Application Form.
- iii. signing the Performance-based Agreement with UNCDF;
- iv. fulfilling all obligations set out in the Performance-based Agreement.
- v. ensuring the allocation and the fulfilment of the funds amongst the partner in the consortium in compliance with the Performance-based Agreement.
- vi. ensuring the allocation and the fulfilment of the tasks amongst the partner in the consortium in compliance with the Performance-based Agreement

4.2 Target segment

The target group will be customers (with focus on women and youth) of the following utility companies:

- Energy: Mpata mini grid, Kabamba mini grid, Kasanjiku mini grid and Fenix international.
- Water and Sanitation: Lusaka water supply and sanitation company, Lukanga water supply and sanitation company.

4.3 Geographical scope

The proposed intervention shall target urban, peri-urban and rural populations precisely in the following provinces of Zambia: Lusaka, Central and North-Western.

4.4 Project duration

Activities are expected to be terminated no later 31st May 2022. Final and assessment report will have to be submitted 31st July 2022.

4.5 Language

The deliverables and any correspondence between the applicant organization and UNCDF must be in English.



4.6 Budget

UNCDF will provide a grant to the selected applicants which are technically compliant in accordance with the Evaluation Criteria as set forth in section 3.2 UNCDF contributions may range from 50,000 USD to 100,000 USD.

Specific projects will be financed based on business needs. Depending on the maturity of the solutions and the success of the pilot, UNCDF would be able to continue its support for the mobilization of investment capital (loan and guarantee) and further technical assistance.

Applications will need to describe how applicants will deploy the Grant and if any technical assistance or mentorship services are being sought. Additional technical assistance services will be provided by UNCDF through a separate budget line.

APPLICATION REQUIREMENTS AND PROCESS

5.1 Structure of the application

The applicant must submit a complete application form online through UNCDF e-investment platform:

https://apply.uncdf.org/prog/rfa_innovative_digital_payment_models_in_zambia_develop_and_implement_innovative_digital_solution_for_the_payment_of_utilities

Please prepare the following documents before applying:

- Certificate of incorporation
- Latest management accounts
- Latest audited financial statements
- An official document certifying that your organization has fulfilled all obligations relating to the payment of social security contributions or obligations relating to the payment of taxes per the legal provisions in Zambia
- Technical proposal (using the template attached to this RFA)
- Budget and workplan (using the template attached to this RFA)
- CV declarations (using the template attached to this RFA)
- (Optional): A deck that visually outlines what the project and/or product is (15 slides maximum and as a PDF). The deck shall include the following headed sections: (i) Executive summary, (ii) Problem statement and market need; (iii) Solution, (iv) Milestones and go-to-market strategy, (v) Team and (vi) Deployment of UNCDF funding, (vii) Business model and financial projections.

All submissions must be completed in English.

Only applications that use the Submission Formats and include all the necessary



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documentation will be considered.

5.2 Application deadline

All applications must be submitted by 23:59 Eastern Daylight Time (EDT) on EXTENDED DEADLINE: AUGUST 2, 2021 through UNCDF's e-investment platform.

5.3 Selection process:

- Step 1: Eligibility screening – eligibility will be assessed according to the eligibility requirements as set forth in section 3.1.
- Step 2: Evaluation of eligible applications by the Evaluation Committee based on the evaluation criteria set out in section 3.2.
- Step 3: Due diligence – Due diligence on the applications and their applicants will be conducted on applications that receive the minimum qualifying score (70/100).
- Step 4: Notification of applications – all applicants will be notified of the status of their applications.
- Step 5: Pre-Grant negotiation and Performance-based Agreement – the selected applicants will finalize the scope of the grant and finalize budgets, indicators and targets, workplan and disbursements of the Grant that will be released on achievement of each milestone.
- Step 6: Approval of the selected applications by the Investment Committee – applications selected will be reviewed, discussed and approved by the Investment Committee. Any further due diligence requirements, risk analysis or milestone recommendations from the Investment Committee will be followed in later steps.
- Step 7: Notification of applications - all applicants will be notified of the status of their applications after final approval from UNCDF Board / Investment Committee.

5.4 Timeline

30th June 2021	Application window opens
14th July 2021	Deadline for questions
August 2, 2021 at 23:59 Eastern Daylight Time (EDT)	Deadline for submission

5.5 Real-time assistance from UNCDF

Inquiries to this request for applications may be submitted by email to:
uncdf.rfa@uncdf.org cc isaac.holly@uncdf.org