



Unlocking Public and Private  
Finance for the Poor

## United Nations Capital Development Fund

### REQUEST FOR APPLICATION FOR

**DFS provider to digitize processes and payments in Agri value-chains for digital credit and accelerated access to finance for small holder farmers and underserved communities in Nepal in COVID-19 context.**

#### SUMMARY

The United Nations Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 47 least developed countries. 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.

For this request for applications (RFA), UNCDF invites applications from legal entities in Nepal that can offer or expand inclusive last-mile solutions and financial instruments targeting the rural and underserved communities by scaling-up payment's digitalization and processes digitalization of agriculture value chains. Digitalizing value chains will involve deployment of technological solutions that might include cloud-based ledger solutions and integrated mobile wallets solutions for smallholder farmers. DFS provider shall implement a digital credit product through their mobile wallet with the value proposition to Farmers of Agriculture Value chains to get access to credit for short-term financing needs (mainly livelihood needs).

In order to accelerate the acceptance of these digital financial services offerings, the selected entity shall deploy field-based representatives who engage with DFS stakeholders in selected rural areas, including agents, merchants, customers/farmers and agricultural/multipurpose/rural finance cooperatives. The on-field representative shall engage with recruitment of cooperatives, agents and merchant, along with on-ground support towards handholding and monitoring, digital literacy education and exchange of learning.

The role of selected entity encompasses:

- Offering or Expanding Agriculture Value chain based technical products targeting payments and process digitalization
- Onboarding and digitization of agricultural/ multipurpose/ rural finance cooperatives involved in the Agri-value chain
- Offering Digital Credit Product through Mobile Wallet Solutions to Farmers who require short term credit for household needs and bridge finance for livelihoods.
- Agent network recruitment and management
- Merchant network recruitment and management
- Onboarding Farmers as customer for Digital financial services
- Implementing field-based representatives for accelerating of DFS ecosystem in the Agriculture Value chain.



**Unlocking Public and Private  
Finance for the Poor**

The geographical scope of this RFA is rural areas of Kavre, Bhaktapur and Lalitpur in Nepal.

UNCDF will provide a grant to the selected recipient institution. Selected applicants will be signing a Performance-Based Agreement (PBA) with UNCDF. Please review the PBA model available on this RFA website.

Applicants may apply 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](mailto:uncdf.rfa@uncdf.org) cc [saroj.nepal@uncdf.org](mailto:saroj.nepal@uncdf.org)

All applications must be submitted by November 30, 2020 23:59 EST, the New York time zone, to [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org)



Unlocking Public and Private  
Finance for the Poor

## 1. INTRODUCTION

UNCDF launched its Digital Finance interventions in Nepal in 2013 and focused on creating an inclusive environment for inception and scale up of digital financial services. UNCDF has been supporting the digital financial service providers, banks and other stakeholders in the country to develop the eco-system.

In 2017, Nepal Rastra Bank issued the Payment Service Provider (PSP) license to the first set of non-bank companies. This led to a growing number of registered customers using mobile wallets for a range of payment services. UNCDF worked with its partners IME Digital and Prabhu Pay to implement and scale last mile adoption of digital financial services. Considering Nepal is an agro based economy with more than 60% of population engaged in agriculture, UNCDF with its partners Prabhu Management, SunFarmer and Swift/IME Digital developed use cases around dairy value chain digitization, Pay-as-you-go for solar irrigation pumps, farm operations digitization and digital credit marketplace. These pilots provided in-depth learning on linking digital with agriculture to drive adoption of digital services at the last mile. In 2018, Nepal Rasta Bank launched the Nepal Financial Inclusion Portal with technical support from UNCDF. NFIP is a data reporting and management tool that allows NRB to map level of financial inclusion in the country.

UNCDF's support in introducing innovative models to bring process efficiencies and access to finance in the sector have aided in driving adoption of digital financial services by smallholder farmers. In just the agriculture sector, more than 150,000 smallholder farmers now have access to digital wallets, whereas the combined impact of UNCDF's interventions in Nepal have resulted in the registration of 700,000 digital wallet customers nationwide, of which approximately 30% are women customers.

### **Illustrating Agriculture Value Chain through Dairy Value Chain**

The dairy sector plays a significant role in Nepal's economy, contributing 9% of the GDP and employing more than 1.6 million farmers, many of whom are women.

Key players in Nepal's dairy value-chain are approximately 2,000 Milk Producing Cooperatives (MPCs), each of which have 200 to 2,000 members, depending on the cooperative's size. Not only do these MPCs perform vital value chain functions that include input supply, collection, chilling, processing, trading and marketing/sales, but also offer financial services (credit and savings services) to its members. Therefore, significance of MPCs in the dairy sector is multiplied by its role of an aggregation point, and an important influencer for driving smallholder's adoption of formal financial services.

However, the traditional value-chain dynamics prevalent in Nepal lead to numerous inefficiencies, risks and issues that negatively impact overall productivity, competitiveness and efficiency. Numerous internal researches isolated two major constrains confronting the sector: inefficient processes and payments through the dairy value-chain. These challenges not only limit the production potential of Nepali farmers but also are a major bottleneck in the development of sector, and in turn the national economy.



Unlocking Public and Private  
Finance for the Poor

## 2. SCOPE OFWORK

### 2.1 Areas of intervention

For this request for applications (RFA), UNCDF invites applications from legal entities in Nepal that can offer or expand inclusive last-mile solutions and financial instruments targeting the rural and underserved communities by scaling-up payment's digitalization and processes digitalization of agriculture value chains. Digitalizing Value chains will involve deployment of technological solutions that might include cloud-based ledger solutions, and integrated mobile wallets solutions for smallholder farmers. DFS provider shall implement a digital credit product through their mobile wallet with the value proposition to Farmers of Agriculture Value chains to get access to credit for short-term financing needs (mainly livelihood needs).

In order to accelerate the acceptance of these Digital Financial Services offerings, the Selected Entity shall deploy field-based representatives who engage with DFS stakeholders in selected rural areas, including agents, merchants, customers/farmers and agricultural/multipurpose/rural finance cooperatives. The On-field representative shall engage with recruitment of cooperatives, agents and merchant, along with on-ground support towards handholding and monitoring, digital literacy education and exchange of learning.

The role of selected entity encompasses:

- Offering or Expanding Agriculture Value chain based technical products targeting payments and process digitalization
- Onboarding and digitization of agricultural/ multipurpose/ rural finance cooperatives involved in the Agri-value chain
- Offering Digital Credit Product through Mobile Wallet Solutions to Farmers who require short term credit for household needs and bridge finance for livelihoods.
- Agent network recruitment and management
- Merchant network recruitment and management
- Onboarding Farmers as customer for Digital financial services
- Implementing field-based representatives for accelerating of DFS ecosystem in the Agriculture Value chain.

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:

- Product Research: Sharing market research and knowledge to deepen partners' understanding of customers' behaviors, 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



**Unlocking Public and Private  
Finance for the Poor**

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 minimum 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.

<b>Indicators</b>	<b>Targets</b>
Numbers of onboarded Financial Cooperatives/rural Cooperatives/Agriculture Cooperatives	10
Total number of unique Farmers as Customer acquired and registered	5,000
Total Number of unique Agents onboarded	50
Total Number of unique Merchants onboarded	50
Total Number of Unique Digital Credit Offered	1500
Value of Loans disbursed through Digital Credit	90,000 USD

Deliverables would be derived from key project milestones to be agreed mutually between UNCDF and the selected applicant in accordance to 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.



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 Nepal as Payment Service Provider

##### **Relevant operation licenses**

The lead applicant must be licensed to operate as Payment Service Provider by NRB in Nepal.

##### **Country of operation**

The applicant is based and duly registered in Nepal and having at least one year of operations in Nepal.

##### **Consortiums**

- Applicants may apply only once under this RFA, whether independently or in a consortium;
- Joint applications between market players in the country are encouraged if the solution proposed will expand delivery networks and promote rural and/or other last-mile access to digital finance;
- Applications from consortiums of organizations must show that the partnership was established prior to the submission to this call for applications;
- The lead applicant must be registered entity with at least one year of operations, and must have statutory accounts and audited financial statements for at least one operating year;



Unlocking Public and Private  
Finance for the Poor

## 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 lists,<sup>5</sup> particularly in the fight against the financing of terrorism and against attacks on international peace and security<sup>1</sup>; and
- Applicants must not be involved in any of the following activities<sup>2</sup>
  - 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.

---

<sup>1</sup> See: <https://www.un.org/securitycouncil/sanctions/information>

<sup>2</sup> 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/BE\\_RA\\_Partnerships\\_UNDP%20private%20sector%20due%20diligence%20policy%202013\\_FINAL.pdf&action=default](https://popp.undp.org/_layouts/15/WopiFrame.aspx?sourcedoc=/UNDP_POPP_DOCUMENT_LIBRARY/Public/BE_RA_Partnerships_UNDP%20private%20sector%20due%20diligence%20policy%202013_FINAL.pdf&action=default)



Unlocking Public and Private  
Finance for the Poor

### 3.2 Evaluation criteria

The Evaluation Committee 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.

	<b>Expertise of the Firm/Ability to Implement</b>	<b>Points obtainable</b>
Current Partnership base	Applicant already has its own presence, or through partnership, in the perspective geographical scope or demonstrates ability to quickly penetrate the market directly or through partnerships	<b>15</b>
Current resources	Current resources (e.g. HR, financial, infrastructure, technology, brand recognition, geographical footprint) demonstrates ability to implement the project	<b>15</b>
	<b>Maximum score</b>	<b>30</b>

	<b>Understanding of the RFA and proposed approach</b>	<b>Points obtainable</b>
Organizational capacity, commitment, & Implementation readiness	Applicant presents a clear implementation methodology, planning and team structure. The proposed business model demonstrates efficacy for achieving project goals and empowering underserved segments that are sustainable.	<b>15</b>
Customer knowledge & Impact	Demonstrates in-depth understanding of the stakeholders targeted by the booster team.  The project's contribution to achieving at least one of the Sustainable Development Goals	<b>15</b>
Degree of innovation and additionality	Level of innovation in the proposed approach; level of additional value brought to the project	<b>15</b>
Scalability and financial viability	Business model has potential to scale and become economically viable and scalable over time.	<b>15</b>
Learning Sharing	Partner Willingness to share learnings of project and transfer knowledge to UNCDF and other UNCDF Partners	<b>10</b>
	<b>Maximum score</b>	<b>70</b>





Unlocking Public and Private  
Finance for the Poor

**Additionally, the Value for Money component will be evaluated for all submissions passing the minimum score using the following criteria:**

- **Overall budget (A)**
- **Total number of end beneficiaries (B)**
- **Value for money: A / B**

### 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.



Unlocking Public and Private  
Finance for the Poor

### 3.3 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

Potential 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<sup>3</sup>;
- 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 segment of this RFA are smallholder farmers (Primarily Dairy Farmers) and cooperatives (Financial/Agriculture/Rural/Dairy).

#### 4.3 Geographical scope

The geographical scope of this RFA is rural areas of Kavre, Bhaktapur and Lalitpur in Nepal.

#### 4.4 Project duration

Projects are expected to have a duration of maximum 6 months duration. Activities are expected to be terminated no later than April 2021.

---

<sup>3</sup> Include a link with the agreement template where applicant can download the template



#### 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 to the Evaluation Criteria as set forth in section 3.2 UNCDF contributions may range from USD 40,000 to USD 50,000.

Specific projects will be financed based on business needs. Depending on the maturity of the solutions and the success of the pilot, UNCDF may 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 the following documents:
  1. Annex 1 - Submission letter
  2. Annex 2 – Technical proposal
  3. Annex 3 – Financial proposal
  4. Certificate of incorporation
  5. Most recent audited financial statements
  6. 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 (vi) Deployment of UNCDF funding, (vii) Business model and financial projections;

All submissions must be completed in English.

Only applications that follow the Submission Format and include all the necessary documentation will be considered.

#### 5.2 Application deadline

All applications must be submitted by November 30, 2020 23:59 EST, the New York time zone, to [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org)



Unlocking Public and Private  
Finance for the Poor

### 5.3 Selection process:

- Step 1: Eligibility screening – eligibility will be done according to the eligibility requirements as set forth in section 3.1.
- Step 2: Evaluation of eligible applications 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 .



Unlocking Public and Private  
Finance for the Poor

## 5.4 Timeline

November 13, 2020	Application window opens
November 23, 2020	Deadline for questions
November 30, 2020	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](mailto:uncdf.rfa@uncdf.org)  
cc [saroj.nepal@uncdf.org](mailto:saroj.nepal@uncdf.org)