



**UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)
REQUEST FOR APPLICATIONS**
GIG Economy Challenge: Driving Financial Health for the Gig Workers
<https://spark.adobe.com/page/Qzn2g7vE0STfj/>

NEW DEADLINE: May 11th, 2020

ORGANIZATION CONTEXT AND BACKGROUND INFORMATION

UNCDF, through a partnership with Metlife Foundation under i3 program, 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 (B40 and lower half of M40) in Malaysia.

The Financial Innovation Lab (FinLab) is the anchor of the work on Financial Health globally.

I. WHY FINANCIAL HEALTH?¹

First of all, 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 sufficient 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

WHO IS 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 Malaysia, UNCDF started operating in August 2018 to combine its expertise and know-out in the development of financial solutions for low and moderate-income people with the rich experience of Malaysian institutions in the digital economy. Despite significant progress in Malaysia in providing financial access as measured in registered accounts, there are many challenges facing the development of digital financial solutions and digital tools that can reach all levels of the market.

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

- **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. Planning ahead 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.

Why is it important in the Malaysia context?

While doing economically well as a country, there is a sizeable population who struggle to make ends meet in Malaysia. According to Bank Negara Malaysia (BNM)²,

- 70% of low-income Malaysians surveyed claim they would have issues sourcing emergency cash of RM 1,000 (US\$240); it is 52% for the general population;
- 14% of low-income Malaysians surveyed claim they can sustain themselves for more than 3 months after losing their main source of income; it is 24% for the general population;

Despite significant progress in providing financial access as measured in access points and registered deposit accounts, the up-take of financial products among the masses is still moderate and the level of usage is still low. According to BNM³, 39% of adults have financing accounts, including credit cards, and 17% of adults have life insurance/takaful policies.

At the same time, while mobile and internet penetration and usage is relatively high, when it comes to using mobile and internet for banking, more can be done. Despite having a vibrant e-wallet industry, cash is still king for many segments of the society.

While among all of this digital economy is opening up new horizons of business opportunities and increasing demand for newer economic model that is appealing to the women, younger and also elderly population. Alternative work arrangements like freelancing, independent contracting and gig economy allow workers in APEC economies to gain clients and establish foothold in the market from anywhere through digital platform.⁴

With the rise of internet and mobile technology and new business models leveraging these technology rails, the gig economy⁵ has skyrocketed over the past few years. Digitally-enabled platforms that allow exchanges of goods and services and sharing of assets, such as Grab, FoodPanda and Upwork, have become household names. These platforms are creating on-demand or temporary work arrangements for the so-called “gig” or independent workers with jobs ranging from food delivery to ride sharing and much more.

The nature of work on these platforms are characterized by flexible working hours, bite-sized work, and greater autonomy to choose what and how many jobs to hold in a given time. The gig economy is allowing more people to enter and continue engaging in the job market, such as low-skilled workers, women with caretaking responsibilities, students, and the elderly.

However, the short-term nature of the jobs and non-binding nature of the relationship between the platform operators and its jobs seekers, is also eroding a sense of security that people would have in

² Demand side survey, BNM, 2018

³ *ibid*

⁴ APEC 2020 Background Paper – Priority Area 2: Inclusive Economic Participation Through Digital Economy and Technology

⁵ The gig economy is characterized by temporary work arrangements and flexible working hours, distinct from traditional employer-employee relationships.

a traditional employer and employee relationship. This **hits hard especially for gig workers who are financially insecure** and do not have the means to protect themselves from risks such as sickness and accidents and secure a better future for themselves.

SCOPE OF WORK

Improving people's financial health is a key enabler for inclusive growth in the APEC community⁶ and to achieve the Sustainable Development Goals. According to the Consumer Financial Protection Bureau (CFPB), financial well-being is defined as “a state of being wherein you:

- Have control over day-to-day, month-to-month finances
- Have capacity to absorb a financial shock
- Are on track to meet your financial goals
- Have the financial freedom to make the choices that allow you to enjoy life.

Against this backdrop, UNCDF under its Financial Health work is proposing to launch the ‘Gig Economy Challenge’ as part of APEC 2020 “Optimizing Human Potential Towards a Future of Shared Prosperity”. The objective of the challenge is to raise awareness and inspire collective action toward improving the financial health of this new breed of workforce by crowdsourcing viable solutions from start-ups and MSMEs in 21 APEC countries. The challenge will be designed to:

- a. Use **Malaysia as a test bed to pilot**⁷ the solutions in the market, iterate quickly and gather insights over a couple months of intense bootcamp, field testing, mentoring and judging;
- b. Provide seed capital and technical assistance to top 3 promising solutions; and
- c. Draw early insights on how solutions work and their impact on users to share during the APEC 2020 Summit in October.

Problem Statements

I. *Risk to Economic Wellbeing*

The gig/independent workers are exposed to the risk to economic wellbeing that falls under the four pillar of financial health – spend, save, borrow and plan.

i. Spend: Volatility of Income and Uncertainty of Future Revenue

Although the temporary and short-term gig work provides the workers income when there was none, the work also carries the risk of volatility of income and uncertainty of future revenue, leading to worker anxiety and stress and inability to regularize spending.

ii. Save: Lack of Income Protection Benefits

As gig/independent workers are not in traditional employer-employee relationships, they do not receive benefits of automatic pension deductions. Thus, they are more vulnerable to short-term thinking that precludes long-term financial planning, leading to inadequate social security net.

⁶ The Asia-Pacific Economic Cooperation (APEC) Finance Ministers' Process has prioritized “Financial Inclusion: Closing the Gap through Digitalization” as one of its main workplans in 2019

⁷ The pilot for those entities which needs to be regulated by any regulator shall have the approval from the said regulator for it to be piloted. The organizers shall support by providing access to the relevant regulators and assist with engagement.

iii. Borrow: Inability to Access and Use Credit

Since gig/independent workers do not earn consistent revenue, they are often unable to provide income documentation to satisfy the requirements of lenders. With the traditional lenders shy away from lending, these workers only have limited access to funds to smooth income, gather assets or manage contingencies.

iv. Plan: Inability for Financial Planning and Risk Mitigation

Gig/independent workers do not enjoy the benefits of employer-provided insurance schemes or assistance with tax-filing due to their temporary status, and they often face obstacles when aggregating their income across gigs, filing taxes and creating income documentation.

II. *Risk to labor mobility*

The gig/independent workers are also prone to the risk of labor and economic mobility, as they have fewer opportunities to enhance their professional development and their working conditions and social support systems are fragile.

i. Limited Opportunities for Training and Development

The non-permanent association of gig/independent workers with their employer limit the opportunities for them to train and upskill. This undermines the gig worker's ability to deepen expertise which affect their labour and economic mobility and precludes a sense of belonging.

ii. Untapped Opportunities for Job Creation

Start-ups and SMEs utilize digitally-enabled platforms to find gig workers, creating a large number of decent jobs in the gig economy. However, the ask of the demand side does not match adequately with the needs, aspirations and challenges of the workers, such as decent working conditions.

Expected Solutions

We are looking for solutions that improve the financial health of gig economy. The 4 pillars of financial health are the following:

- Saving: able to cope with an unexpected expense as have liquid savings; build long term savings for financial goals for retirement, children's education etc
- Spending: able to manage cash flow, pay bills on time and spend less than income; includes access to and use of bank account and digital payment channels
- Borrowing: able to access credit and the ability to pay it back; have a manageable debt load
- Planning: able to cope with unexpected expenses as covered for assets and potential shocks; ability to budget and plan ahead financially

Challenge Eligibility and Selection Process

Eligibility

- The challenge invites applications from companies and teams based on the following criteria:
- Companies registered in one of the 21 APEC Economies (Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong; Indonesia; Japan; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Philippines; Russia; Singapore; Republic of Korea; Chinese Taipei; Thailand; Viet Nam; and the United States) AND
- Has a minimum viable product (MVP) or a product in the market that addresses the problem statement.



AGREEMENT PARAMETERS

Outputs and deliverables

The engagement under this challenge is aimed at creating a catalytic affect and develop solutions which are targeted to the needs of specific segment. The solutions developed would be tested in Malaysia and based on there potential shared with other markets. Thus, the applicant would work closely with UNCDF team under Finlab in the design/refinement and implementation of the solution.

Selection Process

In the first round of selection, there will be a selection of up to three (3) teams from each Economies (with a maximum of 63 teams = 21 x 3) based on written applications. They will then be invited to pitch at the second round of selection where only ten (10) teams will be selected to attend the bootcamp in Malaysia to do on-the-ground testing. The final round will be a demo day where up to three (3) teams will be selected from the ten (10) teams to receive the technical supports and grants. The participants would be needed to get into specific agreements based on the requirement during the journey.

Duration

Maximum expected date for the full completion of the pilot is December, 2020. Based on subject of availability of resources or requirement, the project period could be extended beyond the pilot.

Agreement size

UNCDF will provide technical assistance support and/or grants and/or mentorship services to the applicants selected under this RFA. The sample of the Clauses Applicants will have to abide by when signing a PBA (Grant) is provided under Annex II

UNCDF contributions may vary from 5,000 to 130,000 USD per partner.

Language

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

APPLICATION REQUIREMENTS

Eligibility requirements of the Applicant(s) and/or the leading applicant of the consortia:

- The participating team/company needs to be duly incorporated and registered in any of the APEC countries. In case of MVPs which are yet not registered, before the signing off the technical and grant agreement, they would be required to incorporate and register. Support would be provided by MDEC, in case the company is willing to register in Malaysia.
- 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;
- 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;
- 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 in the market of registration or incorporation or working as required per the tax norms.

Minimum qualification criteria:

- Submit a complete Commitment Letter (Annex 1) that the organization has reviewed the UNCDF legal document templates (available upon request), is prepared to sign it without revision to standard language.
- Submit a complete application (Annex 2). Have confirmed human resources to cover all planned/required activities.

Structure of the Application:

- The application should follow the template provided in the online application form which is available at <https://spark.adobe.com/page/Qzn2g7vE0STfj/> or <https://www.surveymonkey.com/r/gigeconomychallenge>
- Only applications that follow the format provided in the online application and include all the necessary documentation will be accepted.
- Applicants are requested to present their innovative ideas, business models and solutions and to provide evidence of their social and environmental impact.

Submission of the Application:

- Queries to this challenge can be submitted via email at finlab@uncdf.org no later the 11th of May 2020 23:59 GMT. A list of Frequently Asked Question (FAQ) is provided on the challenge page at <https://spark.adobe.com/page/Qzn2g7vE0STfj/> or uncdf.org/finlab on the UNCDF website.
- Applications about this challenge would only be accepted online through the application page. In case there is a problem been faced by the participant on submission, they may reach out at finlab@uncdf.org.

Evaluation of the Application

The challenge would follow an innovation journey to longlist and further select the partners for the engagement. The eligibility framework has been laid out on the webpage of the challenge.

During the journey and bootcamps, based on the judging criteria laid out top participants would be selected for further providing technical and financial support. An example of how the evaluation scoring method works is provided below:

The evaluation will follow the combined scoring method:

- Rating the Technical Proposal (TP):
$$TP \text{ Rating} = (\text{Total Score Obtained by the Offer} / \text{Max. Obtainable Score for TP}) \times 100$$



- Rating the Financial Proposal (FP):
FP Rating = (Lowest Priced Offer / Price of the Offer Being Reviewed) x 100
- Total Combined Score:
(TP Rating) x (Weight of TP, e.g. 70%) + (FP Rating) x (Weight of FP, e.g., 30%)
Total Combined and Final Rating of the Proposal

UNCDF will provide a grant and sign a Performance-Based Agreement (PBA) with selected applicants to manage projects and deliver as per the scope of engagement agreed during the innovation journey.