

UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF) REQUEST FOR APPLICATIONS

COVID-19 Financial Health Challenge

<https://hackathon-gen.uat.fintechmart.online/financialhealthchallenge/landing>

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).

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
- **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

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/>

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.

COVID-19 is a pandemic of both historic public health and economic proportions. In addition to its health implications, it has exposed and exacerbated the instability of our financial and economic systems. Among the most affected segments are informal and daily wage workers, gig economy workers, and small business owners who are suffering from loss of work and income. The pandemic is, therefore, putting the financial health of individuals, communities and by implication, entire countries at stake.

While most governments are doing the best they can in terms of providing both health-care as well as financial support, times like these require swift global cooperation between both the public and private sector.

With support from MetLife Foundation, UNCDF is launching a COVID-19 financial health challenge. We are looking for solutions that can help build and improve financial health and resilience of individuals and small businesses; as well as solutions that directly address the financial health needs of people who are most impacted by the pandemic, including women, youth and the elderly.

Financial Health is a holistic concept that enables us to define, measure and create end-consumer impact more meaningfully and sustainably. With the covid-19 crisis upending societies and economies, financial health of all individuals is even more relevant. Financial Health is defined as: "The ability to meet one's ongoing commitments, now and in the future, and under adverse circumstances, be in control of one's finances and have the ability to meet one's financial goals and enjoy things one values"

Financial Freedom

The ability to meet one's financial goals and enjoy things one values

Financial Resilience

The ability to meet one's commitments under adverse circumstances - think covid-19 - or the ability to cope with and recover from a financial shock

SCOPE OF WORK

Improving people's financial health is a key enabler for inclusive growth 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 'COVID-19 Financial Health Challenge' in partnership with Singapore FinTech Festival. 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 globally. The challenge will be designed to:

- a. Use **Malaysia and/or China as a test bed to pilot²** 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 a maximum of 3 promising solutions;
- c. Provide opportunity to present at global stage – FinTech Festival.

Problem Statements

I. *Harnessing Digital Innovation to Improve Financial Resilience*

The covid-19 pandemic has particularly brought this notion to the foreground. With billions of people around the globe confined to their homes due to the pandemic, many are experiencing job losses and reduced incomes. In such times, those that are financially resilient are less likely to be severely impacted than those that aren't.

Are there (digital) products and services that could help individuals become more financially resilient and better prepared for adverse and unexpected financial futures? In other words, how could these solutions help people shore up their financial futures, so they are better prepared to weather income losses and/or unexpected emergency expenses? Is there a behavioural aspect we can explore in the way we design and deliver solutions so as to drive positive financial behaviours such as savings, asset-building and risk-mitigation?

We're looking for solutions that can clearly articulate how a product or service can enhance an individual's financial resilience. In doing so, the solution can invoke design thinking, behavioural sciences and other approaches that are not merely product focused. The solution could take the shape of a financial product, a delivery channel or a learning tool. An ideal solution is one that considers data-driven approaches to design and deployment, is user-friendly, has a measurement mechanism to monitor and track progress and deployable at scale in the future.

II. *Utilizing Innovation in Helping People Find Financial Freedom*

After paying off essential expenses and earmarking savings, is sufficient money left over for doing things one enjoys?

Is an individual on track to meet his/her financial goals?

Do individuals demonstrate a reasonable degree of financial capability that allows them to manage their financial lives successfully? For example, research suggests that with credit cards, users can be woefully unaware of the amounts they end up paying, which is a lot more than it should be. This needlessly increases their financial costs, in turn reducing their financial freedom.

Here we ask for solutions that cater to three specific segments. The proposed solution could address financial freedom for one or more of the following segments and one or more of the outcome questions outlined above.

² 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.

Women in the workplace: Women experience different financial challenges than men. With most women juggling household responsibilities while attending to career aspirations, their financial lives in particular are at stake. For example, women many need to balance reproductive care with steady income flows or take up more part-time jobs.

Youth: Research indicates that youth are relatively less inclined to (or even eligible for) use a diverse range of financial services. Youth harbour tremendous financial aspirations but due to limited income flows or dependence on household income need more help with managing their aspirations.

Ageing People: Seniors over the age of 55 are relatively better off financially than their younger counterparts; however, they face new financial challenges such as stretching their lifelong savings to meet ongoing commitments and navigating healthcare costs.

Are there (digital) products and services that could help individuals (women, youth and seniors) be on track to meet their financial goals? What kinds of solutions could enable people to work towards things they value, be they tangible (for example, home ownership) or intangible (for example, education) financial goals? What kinds of solutions make people more financially capable either directly or indirectly (for example, reduced restrictive practices associated with credit cards)?

We're looking for solutions that can clearly articulate how a product or service can enhance an individual's financial freedom. In doing so, the solution can invoke design thinking, behavioural sciences and other approaches that are not merely product focused. The solution could take the shape of a financial product, a delivery channel or a learning tool. An ideal solution is one that considers data-driven approaches to design and deployment, is user-friendly, has a measurement mechanism to monitor and track progress and deployable at scale in the future.

Expected Solutions

We are looking for solutions that improve one's financial health. 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:

- Company registered in any country by 31st August 2020
- Companies having annual revenue less than USD 1,000,000 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/or China and based on their 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 fifteen (15) teams based on written applications. They will then be invited to pitch at the second round of selection where up to ten (10) teams will be selected to attend the virtual bootcamp to test the solution. The final round will be a demo day where up to two (2) teams will be selected to pitch at Singapore FinTech Festival and receive \$S20,000 as stipend for the participation of Global FinTech Hackcelerator. The two (2) teams will also 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 country. 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.
- 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://hackathon.apixplatform.com/financialhealthchallenge/landing>
- 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 26 June 2020 23:59 GMT. A list of Frequently Asked Question (FAQ) is provided on the challenge page at <https://hackathon.apixplatform.com/financialhealthchallenge/landing>
- 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):
$$\text{TP Rating} = (\text{Total Score Obtained by the Offer} / \text{Max. Obtainable Score for TP}) \times 100$$
- Rating the Financial Proposal (FP):
$$\text{FP Rating} = (\text{Lowest Priced Offer} / \text{Price of the Offer Being Reviewed}) \times 100$$
- Total Combined Score:
$$(\text{TP Rating}) \times (\text{Weight of TP, e.g. 70\%}) + (\text{FP Rating}) \times (\text{Weight of FP, e.g., 30\%})$$

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.