



Unlocking Public and Private
Finance for the Poor

United Nations Capital Development Fund

REQUEST FOR APPLICATION FOR

Innovative digital lending solutions for farmers in Uganda

EXTENDED DEADLINE
25th of June 2020 23:59 pm EAT.

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.

UNCDF is partnering with Uganda Development Bank Limited (UDBL) and Food and Agriculture Organization of the United Nations (FAO) under an initiative called AGRINVEST. The initiative aims to boost private sector investments in the agri-food sectors through increasing the capacity of UDB to de-risk and increase returns on its agriculture lending and investment portfolio. Part of the initiative is a project that involves piloting the use of digital technology to enable access to finance for small holder farmers.

Through this RFA, we are therefore looking for entities legally established in Uganda that can propose an innovative and scalable digital lending solution for small holder farmers. The selected fintech from this RFA process will become a digital lending partner of UDBL.

The targeted small holder farmers are those working under an Apex organization, like an agribusiness (SME), a producer organization or cooperative.

The proposed digital solution and rollout plan should include:

- A solution for digitizing the Apex organization – to capture transactions between the small holder farmer and the Apex organization.
- A credit scoring solution customized for small holder farmers
- A pilot roll out and eventual scaling of the solution with select Apex organizations and small holder farmers in the **regions of Acholi, Lango, West Nile and Kiryandongo.**

The emerging fintech (digital lending partner) will be supported by the AGRINVEST partners with:

- A grant / technical assistance contribution to implement the project – ranging between 100,000 USD and 300,000 USD [UNCDF]
- Lending capital advanced by UDBL for on-lending to the small holder farmers – subject to agreed upon terms and conditions.



Selected applicants will be signing a Performance-Based Agreement (PBA) with UNCDF.

Applicants are invited to request the PBA sample at uncdf.rfa@uncdf.org

Applications about this RFA should be submitted via email at uncdf.rfa@uncdf.org no later than **25 th of June 2020 23:59 pm EAT**



1. INTRODUCTION

UNCDF is the UN's capital investment agency for the 47 world's least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF focuses on Africa and the poorest countries of Asia and the Pacific, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives.

Recently, UNCDF has formulated its strategy 'Leaving no one behind in the digital era' based on over a decade of experience in digital finance in Africa, Asia and the Pacific. UNCDF recognizes that reaching the full potential of digital financial inclusion in support of the Sustainable Development Goals aligns with the vision of promoting digital economies that leave no one behind. The vision of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the Sustainable Development Goals. UNCDF will apply a market development approach and continuously seek to address underlying market dysfunction. For further detail on UNCDF strategy, refer to;

<https://www.uncdf.org/article/4931/global-strategy-leaving-no-one-behind-in-the-digital-era>

The current RFA is framed under "Inclusive Innovation" one of the four identified work streams of UNCDF strategy. The set of activities under this work stream is designed to achieve the outcome: "Support local entrepreneurs and MSME to build inclusive services for the local digital economy making sure that the value offered by digital services improve the livelihoods of those living within the market and is not spirited away to global platform providers."

Inclusive innovation can be accelerated and will deliver the right services to empower vulnerable people if an open, affordable, quality and accessible digital ecosystem is in place.



2. SCOPE OFWORK

2.1 Areas of intervention

For this request for applications (RFA), UNCDF invites applications from registered entities in Uganda that can offer innovative and scalable solutions addressing:

- A solution for digitizing the Apex organization – to capture transactions between the small holder farmer and the Apex organization.
- A credit scoring solution customized for small holder farmers
- A pilot roll out and eventual scaling of the solution with select Apex organizations and small holder farmers in the regions of **Acholi, Lango, West Nile and Kiryandongo**.

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' behaviours, needs, constraints and aspirations. This also includes providing transaction data analysis and training to the business teams.
- **Product design:** Providing human-centred 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 analysing 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-centred 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 the achievement of different results. Below is a non-exhaustive list of key performance indicators (KPIs) to be considered in all proposals:

- Number of Apex organizations digitized;
- Number of loans to small holder farmers, disaggregated by gender;
- (Percentage) Number of default loans;

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 with pre-selected proposals, 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 Uganda

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 digitize Apex organizations and/or develop credit scoring tools for smallholder farmers.
- Applications from consortiums of organizations must show that the partnership was established prior to this call for applications.



- The lead applicant 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.

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, particularly in the fight against the financing of terrorism and against attacks on international peace and security¹; and
- Applicants must not be involved in any of the following activities²;
- 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.

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

² 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

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.

Assessment Criteria		Points Obtainable
1	Solution readiness: The applicant already has already a digital lending solution tailored to the needs of small holder farmers, and a digitisation solution for APEX organisations. The applicant is ready to go to market or requires minimum effort to become ready to roll out.	0-15
2	Applicant's capacity and track record. The applicant demonstrates a good track record of developing and taking innovative digital solutions to the market. Namely, the current resources (HR, financials, infrastructure, technology, brand recognition, geographical footprint, etc.) of the applicant demonstrates ability to roll-out the solution in the selected geography with the target segments.	0-15
3	Experience with lending business: Demonstrated capacity / experience of the applicant in lending business, including the financial capacity to attract and manage lending capital from a wholesale lender.	0-10
3	Business model: The applicant has a viable and realistic business model for the deployment and rollout of the solution to the target customers. Including an understanding of the proposed loan origination, management and recovery processes.	0-15
4	Market traction and scale: The level to which the solution has been rolled out on the market, results achieved so far.	0-10
7	Development Impact: (i) Level of contribution of the solution towards alleviating the key challenges in the relevant sectors (agriculture, health, education,) (ii)contributing to the Sustainable Development Goals.; (iii) number of users to be reached.	0-15
8	Innovation and Additionality The applicant has to demonstrate the level of innovation and uniqueness in the product and approach proposed as well as its ability to improve upon the speed, security, affordability, accessibility, ease of use, intuitiveness of the solution. The applicant is able to propose new features/ modules to the solution in order to serve the needs of the target market	0-10
9	Scalability the proposed solution has potential to be scalable across geography , market segments. The applicant is able to demonstrate that the solution can be delivered/ adapted to address the problem directly and quickly.	0-10
Total		100



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 UNCDF³;
- 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 is small holder farmers are those working under an Apex organization, like an agribusiness (SME), a producer organization or cooperative.

4.3 Geographical scope

The geographical scope of this RFA is Uganda, **regions of Acholi, Lango, West Nile and Kiryandongo.**

4.4 Project duration

Projects are expected to have a duration of maximum 30 months duration. Activities are expected to be terminated no later than December 2022

4.5 Language

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

³ Applicants should request a PBA sample at uncdf.rfa@uncdf.org



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 100,000 USD to 300,000 USD.

Applicants should provide budgets indicating how they would contribute to produce high quality expected results with their technical approach.

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 they 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

- Applications about this RFA should be submitted via email at uncdf.rfa@uncdf.org no later than **25th of June 2020 23:59 pm EAT** with the subject **“Application for RFA Innovative digital lending solutions for farmers in Uganda”**
- **All applications need to send the following documents:**
 - ✓ Submission form
 - ✓ Annex 1 Budget template (excel format)
 - ✓ Legal registry of the lead applicant and partners if consortium (PDF)
 - ✓ Audited financial statements of last year of lead applicant (PDF)
 - ✓ CVs of the employees involved in the project **in one combined document**. max file size 16MB. (UNCDF will allow changes to staffing to be updated as appropriate during the process.) (PDF)
 - ✓ If consortium, a copy of the consortium agreement (PDF)
 - ✓ Deck or presentation of your solution (PDF, Max 10 slides)

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

Applications about this RFA should be submitted via email at uncdf.rfa@uncdf.org no later than **25th of June 2020 23:59 pm EAT**.

5.3 Selection process:

- Step 1: Eligibility screening.
- Step 2: Evaluation of eligible applications by the Evaluation Panel.
- Step 3: Due diligence – due diligence on the 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 6: Approval of the selected applications by the Investment Committee
- Step 5: Pre-Grant negotiation and Performance-based Agreement –
- Step 7: Notification of applications - all applicants will be notified of the status of their applications after final approval from UNCDF Investment Committee.

