



Unlocking Public and Private
Finance for the Poor

Extended deadline: 30 november 2020

**United Nations Capital Development Fund
REQUEST FOR APPLICATION FOR**

**Innovations for driving Financial Inclusion and Digital Financial Services in Sepik
region of Papua New Guinea.**

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 supports the development of new use-cases, products or business models that could drive outcomes around financial inclusion and the expansion of DFS for segments currently left behind, such as smallholder farmers, women entrepreneurs and other vulnerable segments in the low income groups.

The inception phase of the Support to Rural Entrepreneurship, Investment and Trade (STREIT) project will provide financial and technical support to at least four partners to deploy and expand on Digital Financial Services interventions in East Sepik and Sandaun Provinces of Papua New Guinea. UNCDF will provide grant funding to the selected partners through a competitive process and the technical support would be provided by an international consultant who is experienced in DFS deployment in Agri-value chains.

UNCDF invites banks, financial intermediaries, microfinance institutions, Savings and Loan Societies, insurance companies, pensions funds, money transfer companies, telecom companies and other firms registered in Papua New Guinea that have digital inclusive solutions that can drive financial Inclusion in Agri Value Chains and in the two provinces to apply.

Candidates can apply within a single area of intervention or propose a project for a combination of areas. The areas are: Rural or Community Banking; Insurance; Pensions and Remittances. Please clearly indicate the areas targeted in your proposal.

Geographical scope: East Sepik and Sandaun provinces of Papua New Guinea. Note that additional areas within the country can be approved under exceptional circumstances /situation where significant value addition is justified.

UNCDF plans to invest a million USD on this initiative, specific projects will be financed based on business needs. Interventions may range from USD 50,000 to 500,000 depending on the investment readiness level and outreach potential of the solution proposed. Additional technical assistance may be provided to the selected recipient institutions. The support will be given to at least 4 and to a maximum of 8 recipient institutions.



Selected applicants will be signing a Performance-Based Agreement¹ (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.

For requests and queries please send an email to uncdf.rfa@uncdf.org cc jagdeep.dahiya@uncdf.org with the title “Queries Innovations for driving financial inclusion and DFS in PNG”.

Applications should be submitted via email at uncdf.rfa@uncdf.org with the Email title: “Innovations for driving financial inclusion and DFS in PNG_Company Name” on or before the application deadline: 30th November 2020 11.59 PM PNG time.

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.



1. INTRODUCTION

UNCDF launched its Financial Inclusion interventions in Papua New Guinea in 2009 through its Pacific Financial inclusion Program (PFIP) 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.

UNCDF is part of joint UN programs including Support to Rural Enterprise Investment and Trade (STREIT) project in Papua New Guinea and is responsible for the financial inclusion component under the project. The STREIT project aims to support – vanilla, cocoa and fisheries value chains through a range of inter-related inputs. As part of its inputs to the project, UNCDF will continue to engage with private sector, regulators and the government to scale up DFS eco-system in the project areas focused on supporting agri-value chains.

In this context, UNCDF plans to partner with banks, financial intermediaries, microfinance institutions, insurance and pensions companies, money transfer companies and other firms registered in Papua New Guinea that have digital inclusive solutions that can drive financial Inclusion in the Agri Value Chains mentioned and in the two provinces.

Why Digitize Agriculture Value Chains in PNG

Agriculture is a central pillar of Papua New Guinea's economy. In 2019 it made up 25% of GDP and contributed to the livelihood of 85% of the population. Currently, the sector remains dependent on export revenues from key crops such as cocoa, vanilla, palm oil, coffee and fisheries. The goal of reaching self-sufficiency in food production goes hand-in-hand with the need to develop self-reliant food systems and sustainable processes. Due to its high reliance on agriculture, digitization of Agri-value chains holds promise to improve the sector and the livelihoods of a large population who depend on it.

A value chain is the range of steps and related actors necessary for an agriculture product to move from the farm to the final customers. Value-chain finance includes any or all of the financial services that flow to and/or through the chain to address the needs and constraints of its participants in accessing finance or procuring products. Although there is enormous variety depending on the particular crop and geographic location, generally agriculture value chains include the following actors:

- Input providers supplying raw materials such as seeds, fertilizer and pesticides;
- Farmers who manage the production of the agricultural product (often called producers or smallholders);
- Associations and cooperatives who often organize many individual smallholder farmers into groups to negotiate better prices with buyers and provide extension services;
- Buyers who purchase the agriculture product and sometimes undertake the processing, packaging and marketing of the final products as well;



- Aggregators, processors or exporters who buy the produce from farmers and cooperatives to further process and export.
- Customers who ultimately consume the products.

The key benefits for buyers of agricultural products to digitize value chains are to lower the costs of withdrawing, transporting, and securing cash and distributing payments, either to farmers directly or via associations or cooperatives. Agriculture value chains are often characterized by a small number of buyers paying a large number of farmers spread out over a vast geographic area - and working through a complex network of middlemen and traders.

Another, often overlooked, benefit of digitization is the increase in trust from farmers when transactions are completed rapidly. After months of high investment in seeds and fertilizer with no return, farmers (often in debt at this point) are desperate to be paid immediately when their crops are ready. Digitization avoids the anxieties created while farmers wait to receive their funds and reduces the temptation for them to sell crops too early for a lower price just to get cash in hand. Also, having historic electronic data on farmers could help more progressive companies make better decisions on who to lend to and eventually lead to access to digital credit.

2. SCOPE OF WORK

2.1 Areas of intervention

For this request for applications (RFA), UNCDF invites applications from registered entities in Papua New Guinea including, but not limited to, banks, financial intermediaries, microfinance institutions, insurance companies, pensions companies, telco, money transfer companies that have digital inclusive solutions that can attain these three objectives.

1. Demonstrate to the market that the low-income segments can be active users of digital financial services (DFS) at scale, and therefore a commercially viable segment to serve.
2. Demonstrate that DFS, when designed and delivered with a rigorous understanding of the Low-income segment in mind, can have an impact on customer lives, in terms of their ability to pursue opportunities, be resilient to shocks, and meet their aspirations.
3. Demonstrate that they have a potential and /or ready-to-go solution(s) for the digitization of agri-value chains namely cocoa, vanilla and fisheries. Including solutions for deployment which will prepare the eco-system for digitization of value chains.

Institutions should also be able to demonstrate interest and focus in the following segments and sectors;

- Women Entrepreneurship.
- Work in rural communities and with community groups ex. Farmer cooperatives and/ or savings groups.
- Work in the Agriculture sector and in close relation to actors in agri-value chains of cocoa, vanilla and Fisheries.
- Use of Simple technology solutions suited to the needs of the people.



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- Work in Financial Literacy and Financial Education space.

In addition, project areas of focus are;

1. **Rural or Community Banking:** Institutions with rural/community banking targeted at the low-income segments in Papua New Guinea are encouraged to apply. UNCDF wants to partner with commercial banks, Micro-finance institutions and Savings & Loans institutions with a track record of delivering financial services at the rural and community level by enabling last mile coverage offering solutions for **savings and access to finance** for farmers, agribusinesses and MSMEs.
2. **Insurance:** UNCDF is looking for a partner in the insurance space who has tailor made insurance products suited to farmers in the agri-value chains of cocoa, vanilla and fisheries. The partner should have digitization at the core of its processes and operations and should have a track record for working with people at the micro level.
3. **Pensions:** In the area of pensions, UNCDF is looking for a partner with easy to understand and easy to use pensions product that will resonate well with farmers in the Agri-value chains mentioned. The partner should also have a user-friendly digitized process in place for the payment of pensions contributions and for payout to clients as and when needed.
4. **Remittances:** Provision of remittance product and services to people within the community in a manner that is user-friendly to both the sender of the funds and the receiver(beneficiary).

****Be it with Rural/community banking, insurance, pensions or remittances, digitization must be at the core of the institution's operations***

**** Solutions offering multiple products services and potential linkage to agri-VCs will be given preference.***



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Areas of intervention		Objectives
1	Rural or Community Banking	Institutions with rural/community banking targeted at the low-income segments in Papua New Guinea are encouraged to apply. UNCDF wants to partner with institutions with a track record of delivering financial services at the rural and community level by enabling last mile coverage offering solutions for savings and access to finance for farmers, agribusinesses and MSMEs.
2	Insurance	UNCDF is looking for a partner in the insurance space who has tailor made insurance products suited to farmers in the agri-value chains of cocoa, vanilla and fisheries. The partner should have digitization at the core of its processes and operations and should have a track record for working with people at the micro level.
3	Pensions	UNCDF is looking for a partner with easy to understand and easy to use pensions product providers that will resonate well with farmers in the Agri-value chains mentioned. The partner should also have a user-friendly digitized process in place for the payment of pensions contributions and for payout to clients as and when needed.
4	Remittances	UNCDF is looking for remittance product and services providers to people within the community in a manner that is user-friendly to both the sender of the funds and the receiver(beneficiary).

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' 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.

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) 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 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.



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

Indicators	Disaggregation
Number of registered customers	Total: Women:
Number of active customers	Total: Women:
Number of beneficiaries trained	Total: Women:

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

- Applicant(s) shall be duly incorporated and registered according to the rules of Papua New Guinea.
- Applicant(s) should be operating in PNG for at least 1 year;
- Applicant(s) should have audited financial statements for at least 1 year;
- Applicant(s) must 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 PNG;

Consortiums (when applicable)

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



Exclusionary criteria:

- Applicants and any of their staff or member of their board of directors shall not be included in the United Nations financial sanctions lists,⁵ particularly in the fight against the financing of terrorism and against attacks on international peace and security²; and
- Applicants must not be involved in any of the following activities³
 - 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

² See: <https://www.un.org/securitycouncil/sanctions/information>

³ 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



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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.

	Expertise of the Firm/Ability to Implement	Points obtainable
Current customer base	Applicant already has customers in the under-served segments (e.g. women, farmers, MSME's) or demonstrates ability to quickly penetrate the market directly or through partnerships.	15
Current resources	Current resources (e.g. HR, financial, infrastructure, technology, brand recognition, geographical footprint) demonstrates ability to implement the project.	15
	Maximum score	30

	Understanding of the RFA and proposed approach	Points obtainable
Customer knowledge & Impact	Demonstrates in-depth understanding of the customer to be served • Contribution to the financial inclusion of low income people in at least one of the following segments: smallholder farmers, women, micro enterprises, youth and other vulnerable segments including low income groups or agri-VC actors • Contribution of the project to reach at least one of the UN Sustainable Development Goals.	15
Degree of innovation and additionality	Level of innovation in the product and approach proposed; level of additional value to be brought to the market through linkages to other ongoing initiatives.	15
Scalability and financial viability	Innovation and Business model has potential to scale and become financially viable right from the start of the project. In case of completely new initiatives – approvals under BPNG regulatory sandbox etc. will be required.	15
Organizational capacity, commitment, & Implementation readiness	Applicant Project team has relevant expertise and demonstrates ability to implement towards project goals; Project lead has experience in managing projects that involve multiple parts of the organization.	15
Value for money	We will look at outreach targets as measured by # of end-users that use (and at what frequency) or are impacted by the product, and evaluate whether the proposed target is backed by sound logic (e.g. current user base, applicant's ability to deliver,	10



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	financial and human resources that applicant is committing to this project etc.)	
	Maximum Score	70

Additionnaly, all eligible proposals will be evaluated by the Value for Money they propose, using a ratio between the overall USD grant budget requested divided by the end number of customers to be reached by the financial solutions supported.

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

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 UNCDF⁴;
- 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

- Women
- Rural communities such as farmer cooperatives and/ or savings groups
- Agriculture value chains of cocoa, vanilla and Fisheries.

4.3 Geographical scope

Sepik region of Papua New Guinea.

⁴ Include a link with the agreement template where applicant can download the template



4.4 Project duration

Projects are expected to have a duration from 3 months up to a maximum of 18 months, starting in January 202.

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 50,000 to 500,000 depending on the investment readiness level and outreach potential of the solution proposed.

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 may 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 composed by:

- ✓ Submission letter
- ✓ Annex 1 Submission form
- ✓ Annex 2 Workplan and Budget
- ✓ Certificate of registration of the candidate
- ✓ Most recent audited financial statements of the candidate
- ✓ Power point deck that visually outlines the project (optional)

All submissions must be completed in English

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

5.2 Application deadline

Applications should be submitted via email at uncdf.rfa@uncdf.org with the Email title: “Innovations for driving financial inclusion and DFS in PNG_Company Name” on or before the application deadline: 30th November 2020 11.59 PM PNG time.



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 – the Programme’s Evaluation Committee will evaluate the 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 by the Remittance Programme’s review team members 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 finalise the scope of the grant and finalise 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 by the Programme’s Evaluation Committee 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

November 9, 2020	Application window opens
November 19, 2020	Deadline for questions
November 20, 2020	FAQ document published
November 30, 2020	Deadline for submission

5.5 Real-time assistance from UNCDF

For requests and queries please send an email to uncdf.rfa@uncdf.org cc jagdeep.dahiya@uncdf.org with the title “Queries Innovations for driving financial inclusion and DFS in PNG”.

A document answering frequently asked questions will be updated on this RFA website.

