

**United Nations Capital Development Fund
REQUEST FOR APPLICATION FOR
Interoperable Domestic Remittance System
Digital Infrastructure for Merchants, Women and Youth**

SUMMARY

The United Nations Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 46 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.

Through this RFA, UNCDF proposes to work with a registered entity in Bangladesh that can develop an interoperable fund transfer platform between banks where a banked customer can remit funds to an unbanked or other bank's customer. Our proposed platform can cater to the otherwise formally financially excluded segment of the customers. Such platform can bridge transactions between the unbanked and the banked/wallet users therefore creating a more inclusive and connected eco-system offering speed and convenience of all. This also aligns with Government of Bangladesh's National Financial Inclusion Strategy 2019-2024 to formally include unbanked-unserved segment of population financially.

The selected entity should use an Open-Source real time payment framework and platform. An open-source platform will allow any technology development and learnings to be passed to Bangladesh Bank or another national scheme operator in the future. Platforms such as Mojaloop are well suited as they are designed specifically for last mile payments across several classes of FSPs (Banks, MFIs, Mobile money operators etc).

The requirement is to support already ongoing efforts by having more of use cases that most clearly serve the poor and the low income first, in particular the most marginalized such as micro-merchants, women and youth.

Selected applicants will be signing a Performance-Based Agreement¹ (PBA) with UNCDF.

The foreseen budget assigned by UNCDF will be up to USD 300,000. Applicants are expected to fund at least 30% of the total project cost in cash (for costs such technical resources, staff, and operational expenses).

The solution proposed must be implementable during 12 months and ending by October 2022.

All applications must be submitted by 23:59 (EST, the New York time zone) on September 1st 2021 via APPLY.

In case of questions write at rfa.ide.asia@uncdf.org

¹ A performance-based grant agreement implies that no advance payments will be made. 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

The UN Capital Development Fund (UNCDF) and its Inclusive Digital Economies practice area provides investment capital and technical support to both the public and the private sector. It provides capital financing - in the forms of grants, soft loans and credit enhancement – and the technical expertise to unleash sustainable financing at the local level. UNCDF's seeks to develop inclusive digital economies in Bangladesh and to achieve this goal it is imperative to make sure financial services providers (FSPs) such as network operators, banks, Microfinance Institutions etc are connected with each other, so that customers, can transact more easily across different providers. In Bangladesh, for example, due to the lack of an end-to-end interoperable system, the poor have to pay quite high fees to convert digital money to cash and vice versa.

Policy makers and FSPs in Bangladesh are proactively seeking and initiating efforts for having an interoperable platform in the country. The ICT Division and Bangladesh Bank (BB) signed a Memorandum of Understanding (MoU) in 2019 aiming to implement an “Interoperable Digital Transaction Platform (IDTP)” in Bangladesh to accelerate FinTech and Digital Financial Inclusion. The IDTP is aimed to facilitate interoperable digital transactions across banks and MFS providers catering to the banked population of Bangladesh. The need of the hour is to support such efforts by having more of use cases that most clearly serve the poor and the low income first, in particular the most marginalized such as micro-merchants, women and youth. UNCDF study under its EU supported Merchants Development Driving Rural Markets” (MDDRM) project showed that lack of interoperability is constraining micro-merchants and its customers in both rural and urban areas to digitalise and fully leverage the existing digital economy ecosystem. Agent banking channels are growing but no banks have the resources to develop the “network effect” to ensure presence in every corner of the country. An interoperable platform which facilitates cash withdrawal from any bank’s agent banking outlet has the potential to develop that network effect. Such platform can cater to the otherwise formally financially excluded segment of the customers.

UNCDF proposes to work with a registered entity in Bangladesh that can develop an interoperable fund transfer platform between banks where a banked customer can remit funds to an unbanked or other bank’s customer. Our proposed platform can cater to the otherwise formally financially excluded segment of the customers. Such platform can bridge transactions between the unbanked and the banked/wallet users therefore creating a more inclusive and connected eco-system offering speed and convenience of all. This also aligns with Government of Bangladesh’s National Financial Inclusion Strategy 2019-2024 to formally include unbanked-unserved segment of population financially.

One of the options could be where the sender shares a cash out code with the receiver, who can use the code to withdraw cash from any bank’s touchpoint. Our objective is to provide last-mile financial access solution catering to otherwise financially excluded or unbanked customers who are currently not serviced by the existing providers such as banks, MFS and PSPs. The proposed platform should leverage open-source real time payment framework and platform to build this solution. An open-source platform will allow technology development and learnings to be passed to Bangladesh Bank or another national scheme operator in the future. The intention is to support Bangladesh Bank’s efforts by having more of use cases that most clearly serve the poor and the low income first, the most marginalized such as micro-merchants, women, and youth.

UNCDF would like to use a phased approach to the development of this interoperable transfer platform. First phase relates to the proof of concept; the second phase to a commercial pilot and the third phase to a commercial expansion. This will allow for the market to demonstrate the value and enable learnings among participants, as well as share those learnings with the wider market, while still making tangible forward progress towards delivery of the product to end clients. The Scope of Work of this RFA relates only to the first phase of the project, as each phase is conditional on validation of hypotheses and reassessment of national payment system progress at the end of each phase.

The selected partner along with UNCDF will formally engage with Bangladesh Bank and other relevant stakeholders while developing the proof of concept under this project to incorporate their inputs and act in-line with the evolving payment landscape in Bangladesh. It is expected that, if successful, the proof of concept should have the capability to integrate with the Bangladesh Government led Interoperable Digital Transaction Platform (IDTP) subject to appropriate regulatory approvals.

2. SCOPE OF WORK

2.1 Areas of intervention

For this request for applications (RFA), UNCDF invites applications from registered entities that can offer innovative and scalable solutions addressing one or more of the following challenges through the following areas of intervention.

Areas of intervention		Challenges/ Problem Statement and Objectives for solution
1	Digital Payment Ecosystem	<p><i>Challenges:</i> There are a number of disjointed interoperable system development processes within Bangladesh at the moment which negatively impact the more vulnerable groups who have to pay quite high fees to convert digital money to cash and vice versa.</p> <p><i>Objectives:</i> The selected entity will be expected to produce a “fake money/fake rails” interoperable payment solution that allows participants DFSPs to understand the value proposition of an interoperable transfer platform and its impact on their business operations.</p>

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.

Additional fine tuning of the solution could also take place in discussion with the Government of Bangladesh before finalization of the grant funding.

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.
- **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.
- **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 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.

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

Indicators	Disaggregation
# of customers registered to the interoperable platform	Total: Women: Youth:
# and type of DFSPs integrated into the interoperable platform	Total: Type:

# of use cases developed in the interoperable platform	Total:
	Type:

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

- The applicant/ lead applicant must be a registered entity and incorporated in Bangladesh.
- The applicant should be operating in Bangladesh for at least 2 years.
- The applicant should have audited financial statements for at least 2 years.
- Applicants may apply only once under this RFA, whether independently or in a consortium. Applications from consortiums of organizations must show that the partnership was established prior to this call for applications or due to this call for application with a letter of intent.
- The solution proposed must be implementable with a project duration of 12 months and ending by October, 2022.
- Applicants must contribute at least 30% of the project's cash costs (costs may include technical infrastructure, resources, and operations).
- 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 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

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/BERA_Partnerships_UNDP%20private%20sector%20due%20diligence%20policy%202013_FINAL.pdf&action=default

- 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
- Applicants must accept the language of UNCDF Performance Based Agreement.

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.

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.

Evaluation Criteria	Score
INNOVATION - How innovative are the products or services and approach; The level of additional value brought to the market, differentiation from market solutions or technologies used in relation to state of the art and/or context; ability to identify new business models	15
RELEVANCE – To what extent does the product or service address the SDGs/ Problem Statement/ market needs directly? What steps have been taken to validate the market/ segment?	20
SCALABILITY – How sustainable is the solution for long-term growth? To what extent can the solution be scaled? We will look at outreach targets as measured by # of end-users that use 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,)	20
TEAM EXPERIENCE – What is the team composition? Size and roles? Relevant experience in the industry? – human resources, financial, infrastructure, technology, brand recognition, geographical footprint	15
RISK PROFILE – The extent to which the product or service costs are relative to the expected results and impact	15
Financial Feasibility– The extent to which the proposed solution model has potential to become financially viable over time.	15
TOTAL	100

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.

4. 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;
- 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 requirement of the RFA is to support such efforts by having more of use cases that most clearly serve the poor and the low income first, in particular the most marginalized such as micro-merchants, women and youth.

4.3 Geographical scope

Country-wide.

4.4 Project duration

Projects are expected to have a 12 months duration. Activities are expected to be terminated no later than October 2022.

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 be up to 300,000 USD.

Specific projects will be financed based on business needs. Depending on the maturity of the solutions and the success of the pilot, UNCDF would 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.

5. APPLICATION REQUIREMENTS AND PROCESS

5.1 Structure of the application

The applicant must submit a complete application form as per the online submission form available at this link:

https://apply.uncdf.org/prog/interoperable_domestic_remittance_system_digital_infrastructure_for_merchants_women_and_youth_in_bangladesh/

The online application form will entail the following documents:

- i. eligibility screening form that includes:
 - audited financial statements for the past two years, if available or financial statements submitted to the fiscal authorities for the past two years of the lead applicant
 - certificate of incorporation of the lead applicant (organization)
 - partnership agreement between the lead applicant and the other partner organization(s), member of the consortium
 - document certifying that the lead applicant has fulfilled all obligations relating to the payment of social security contributions or obligations relating to the payment of taxes per the legal provisions in its registration country.
- ii. Technical Proposal that includes:
 - company information
 - detailed approach and methodology
 - workplan
 - detailed budget.
 - CVs of the team involved

UNCDF may request additional documentation to accept the reception of submissions.

5.2 Application deadline

All applications must be submitted by 23:59 hours (EST, the New York time zone) on 1st of September 2021.

5.3 Selection process:

- Step 1: Eligibility screening – eligibility will be assessed by the screening team members according to the eligibility requirements as set forth in section 3.1.
- Step 2: Evaluation of eligible applications by the Evaluation Committee – the 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 team members on applications that receive the minimum qualifying score (70/100).
- Step 4: 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 5: Approval of the selected applications by the Investment Committee – applications selected by the 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 6: Notification of applications - all applicants will be notified of the status of their applications after final approval from UNCDF Investment Committee.

5.4 Timeline

4 August 2021	Application window opens
4 August 2021	Questions will be answered until the applications closing date
1 st September 2021	Deadline for submission

5.5 Real-time assistance from UNCDF

For requests and queries, send an email to rfa.ide.asia@uncdf.org