

United Nations Capital Development Fund REQUEST FOR APPLICATION FOR

Development of Financial Product to enhance savings

1. 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.

UNCDF's Financial Health programme (FHP) has partnered with the Government of Odisha to strengthen the financial lives of women entrepreneurs under the aegis of Mission Shakti Programme- a state government initiative to empower women through organizing them in self-help groups (SHGs). The initiative provides the women livelihood promotion opportunities through better market access and access to resources for enhanced financial health. Under the partnership, FHP has set up the Mission Shakti Living Lab in the state that aims to define and improve the financial health of these women by designing and rolling out a suite of financial health-centric (digital) products and tools in the state. One of the key digital intervention to be rolled out under Mission Shakti Living Labs is Financial service marketplace for SHG women/ low and moderate income households in the state. Through the establishment of this digital platform, FHP aims to improve access to financial services and products for the SHG women and low-moderate income households in the state.

Comprehending the needs of the target users for the financial service marketplace, it is envisioned to develop/ customize a financial product which can cater to of saving needs of the users. This product is expected to provide single stop saving solution to its users for their long-term and short term financial goals and shall also provide financial security in case of immediate and urgent financial needs. The product will be co-branded with Mission Shakti and would be rolled out through Financial service marketplace.

The purpose of this Request for Applications (RFA) is to invite financial institutions, Non-Banking Financial Companies (NBFC), development banks, or a consortium of firms (regulated and approved organisation which can create financial product) to develop a financial product targeted toward SHG women and poor/middle income households in Odisha. The scope of work for the selected partner would be to design and create blueprint, undertake all regulatory and legal compliances for registration and ensure operationalisation of the financial product. The selected applicant (s) will be supported by the Programme Management Unit (PMU) of FHP for development of the product blueprint. The insights of the PMU will be supplemented by behavioural science experts that have partnered with UNCDF. Additionally, PMU will support the selected applicant in liaisoning with Mission Shakti, facilitate exchange of data, documents, clarifications, share insights from other interventions on-going in the state and support in execution.

Specifically, the selected applicant would be responsible for undertaking the following activities:

- Development of the blueprint of the financial product in consultation with FHP and Mission Shakti
- Preparation of Financial Product Documentation as per legal and regulatory compliances
- Registration of Financial product
- Operationalisation of the financial product
- Marketing of Financial product

The applicant/ lead applicant must be a registered entity with a local presence in India either through a registered entity or a branch office. The applicant/ lead applicant must fulfill all the legal and regulatory compliances required by government of India to create and operationalise financial products and services in India. The ideal firm will have demonstrated experience in development financial products and services, deployment of digital financial products, marketing of financial services and products in India.

Applicants may apply independently or in a consortium. The selected applicant/ lead applicant will sign a commercial agreement with a producer company identified by FHP based in Odisha.

The applicant/ lead applicant will work together with FHP and Mission Shakti in a joint effort to develop and deploy the financial product in Odisha.

UNCDF's contributions can range from USD 80,000 to USD 100,000. UNCDF will award one applicant depending on the potential of the solution proposed. UNCDF's contribution will not exceed more than 60% of the total project cost in cash.

Inquiries to this request for applications may be submitted by email to financial.health@uncdf.org and uncdf.rfa@uncdf.org by 11th July 2022.

All applications must be submitted by 23:59 hours (IST) on 17th July using the UNCDF e-investment platform: https://apply.uncdf.org/prog/development_of_financial_product_to_enhance_savings

2. Introduction

Mission Shakti

Empowerment of women is one of the key developmental priorities for government of Odisha. It is also observed that economic empowerment of women significantly contributes to their social development. For this purpose, helping woman to achieve economic growth by enabling them to have independent employment and income has been prime mission of the state government. Therefore, promotion of Women's Self-Help Groups (WSHGs) under the aegis of 'Mission Shakti' programme was adopted in 2001 as a key strategy for achieving women's empowerment in Odisha.

Nearly 70 lakh women have been organized into 6 lakh groups in all blocks and urban local bodies of the state under Mission Shakti programme so far. Through joining their local SHGs these women are provided a bouquet of livelihood promotion and social development services under the programme. For the livelihoods promotion SHG women are supported for credit mobilisation, market linkages, knowledge and skill building, etc. Being part of the women SHGs and through SHG-bank linkage initiatives, almost all women members have access to the nearest bank branch. Furthermore, to ease access to financial services, SHG leaders are encouraged and supported to take the role of business correspondents.

To strengthen the activities of the existing WSHGs and to provide momentum for formation of new WSHGs, constant handholding and monitoring are undertaken throughout the year. For this purpose, a separate Department of Mission Shakti has been created by the state government.

Mission Shakti Living Labs

FHP has partnered with the department of Mission Shakti to strengthen the financial lives of women entrepreneurs under the aegis of Mission Shakti Living Labs Programme. Under the partnership, FHP aims to understand and improve the financial health of women entrepreneurs by designing and rolling out a suite of financial health-centric (digital) products and tools. The two main digital enabled services to be rolled out under the Mission Shakti Living Lab are E-commerce Marketplace for Self Help Groups/Producer Groups/Micro-enterprises and Financial Service Marketplace for SHG women/ low and moderate-income households in the state. Through the establishment of these digital platforms, project aims to achieve wider access to financial opportunities for SHG women and improved marketing outreach of SHG products and improved access to digital payment and financial products for SHG women and low-moderate income households.

For the effective establishment of the above-mentioned digital interventions under the Mission Shakti Living Labs, it is essential to create an enabling ecosystem to facilitate the optimum uptake of E-commerce and financial service marketplace for its users. For this purpose, four components are defined under the programme to visit each intervention from a holistic approach.

- 1. Monitoring and Evaluation:** The research component aims to understand and improve the financial health of women entrepreneurs by building evidence around how women financial health approach could lead to agency and economic empowerment. The focus of research would be on understanding the determinants like income through better market linkages, improved savings behaviour, and credit utilisation among others.
- 2. E-commerce Marketplace:** This component covers development and setting up of the digital e-marketplace and the complementary services required to be established for effective functionality of

marketplace in a sustainable manner. The expression of interest the two kinds of marketplaces under this programme i.e. farm and non-farm have already been published and closed.

3. **Financial services marketplace:** The Financial service marketplace aims to provide access to range of essential digital financial services and products (e-payment, saving, insurance, pension, credit etc.) to SHG women and poor and moderate-income households in the state. It is expected to result in improvement of overall financial health of its users. Through this marketplace, the two key utilities which are to be provided to the users would be e-payment facility with a digital wallet and easy access to a range of financial products with simplistic interface and information. As per the programme milestone, it is expected to have 3.5 million users on the financial service marketplace by May 2025 under the programme.
4. **Development of financial products:** It is envisioned that different kinds of financial services and products that improve the lives of low income households will be available on the financial services marketplace. These products will include the savings oriented product, which is under the purview of this RFA.
5. **Financial and Digital Literacy:** Capacity building is a quintessential component of the project to create enabling environment to facilitate the uptake of the digital interventions by the target users. Both digital and financial literacy trainings would be held for creating digital and financial capacities in SHG women to optimally use both the marketplaces.

3. Proposed Financial Product (Conceptual)

Overview of Financial Product

FHP's experience in South and Southeast Asia, indicates that comprehensive savings products are more attractive and beneficial to low and moderate-income consumers. Comprehensive savings products provide a mix of short term and long-term saving solutions in a single financial instrument rather than buying different long term and short-term financial products for different financial needs. These products bifurcate the instalments paid by the users in different sub-products based on the timeline of the financial goals and the age of the user on which he/she starts paying the instalments. These products not only provide a single financial solution for different savings and investment needs but are also adaptable to the financial goals of their users. An illustration is given in the figure below on a comprehensive saving product.

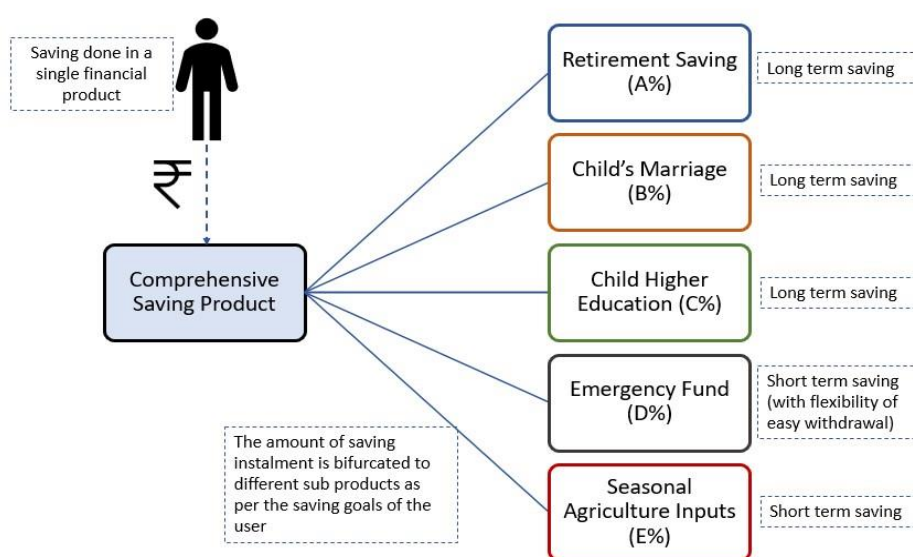


Figure 1: Illustrative Concept of Comprehensive Saving product

Such a financial product may be more aligned to the needs of the rural households in Odisha. Based on this FHP aims to work further on this concept with the selected partner to build an optimal financial product for savings which will be rolled out through the financial service marketplace under the Mission Shakti Living Lab programme.

Foreseen challenges

For promoting the use of financial saving products by SHG women and economically weaker households in Odisha, several social and economic factors come into play that acts as barriers and hinders the uptake of such products by the last mile beneficiaries. Some of the key challenges are mentioned below:

- Limited of Financial Literacy among the rural population regarding different financial products. (Saving, insurance, pension, credit etc.)
- Limited access to the internet and ownership of smartphones
- Seasonal income and variation in monthly income
- Lack of information dissemination channels especially in rural areas to create awareness about different financial products of banks and financial institutions
- Due to limited information, knowledge and interaction with formal banking systems, there may be a disconnect and lack of trust in the formal banking system
- Due to patriarchal societal norms women lack financial control at all levels, this discourages women members to keep their personal savings in the banks as this may disclose it to other members of the family via phone messages

Expected outcome

The financial product will be co-branded with Mission Shakti Living Labs to ensure wider reach and acceptability among the SHG women and low and moderate income households in the state. FHP will work in close coordination with the selected partner to provide necessary technical support and inputs for the development of financial product under the Mission Shakti Living Labs programme.

It is expected by the deployment of the proposed financial product through the financial service marketplace at least 3.5 million SHG women and middle and low-income households in the state will have access to the savings products and it shall result in at least 19,98,000 users availing this product. As per the milestones of the Mission Shakti Living Labs programme the target is divided annually as mentioned below:

- End of year 1 (2022): 11,700 users availing long term/short-term saving products
- End of year 2 (2023): 1,82,000 users availing long term/short-term saving products
- End of year 3 (2024): 8,91,800 users availing long term/short-term saving products
- Mid of year 4 (2025): 19,98,000 users availing long term/short-term saving products

Support to the selected applicant

FHP will provide the selected applicant with access to financial service marketplace platform to offer and market their financial product to the users. The selected applicant will be provided comprehensive technical support throughout the process of development and deployment of the financial product through the FH Programme's PMU established under the programme. Since the PMU will be working directly with the SHG women in several areas such as e-commerce, financial and digital literacy, research on financial health and monitoring of the programme, it will be able to generate and capture crucial data backed learnings, insights, and knowledge on the SHG women and rural households in Odisha. This information and data would be shared with the partner to help them understand the contextual priorities, financial behaviour and challenges of the target segment and aid them to build and deliver the financial product in an efficient and effective manner.

Under the programme, FHP is also partnering with behavioural scientists, fintech organisations and other experts who have extensive experience in field of development and delivery of financial products in rural context or for the target segment. They will also provide advisory support under the programme in the process of development of the financial product.

It should be noted that the support provided by FHP would be limited to the development and roll out of the financial product through the financial service marketplace, all other requisites for the development and registration of the financial product in terms of legal, regulatory and operational compliances must be undertaken by the selected partner.

4. Scope of Work

Activity 1: Development of the blueprint of the financial product in consultation with FH Programme and Mission Shakti

Under this activity, the selected applicant is expected to work in close coordination with FHP and Mission shakti to finalise the blueprint. The applicant will be provided technical support in terms of behavioural insights, existing data points available on SHG women and other related information and knowledge generated under the programme.

Activity 2: Preparation of Financial Product Documentation as per legal and regulatory compliances

Based on the finalised blueprint, the selected applicant is expected to develop documentation as per the legal and regulatory compliance notified by relevant financial bodies/agencies of Indian government for the creation of a new financial product.

Activity 3: Registration of Financial Product

The selected applicant is expected to undertake the complete process for requisite registration of the financial product with relevant agencies/bodies of government of India which shall enable the operationalisation of the Financial product.

Activity 4: Operationalisation of the Financial Product

After ensuring the completion of all the regulatory and legal compliances of the financial product, the selected applicant is expected to operationalise the financial product with setting up of dedicated team for ensuring the functioning and servicing of the financial instrument at both backend and front end for the launch of the product. At this stage selected applicant shall ensure onboarding of the financial product on financial service marketplace in coordination with FHP.

Activity 5: Marketing of Financial product

For the last mile deliver of the financial product, the selected applicant is expected to mobilise field level agents to create awareness about the financial product at the grassroot level and to facilitate the interested buyers to avail the product. Applicant is also expected to undertake marketing and publicity activities of the financial product.

5. 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.

6. Eligibility and Evaluation Criteria

Only applications that meet the eligibility requirements and the minimum criteria for submission will be considered:

6.1 Eligibility Requirements

1. The applicant/lead applicant must be a registered organization.
2. The applicant/lead applicant must fulfill all the legal and regulatory compliances required to create and operationalise financial products and services in India.
3. The applicant/lead applicant must have a local presence in India either through a registered entity or a branch office.
4. Applicants may apply independently or in a consortium.
5. The applicant/lead applicant must have been in operations for at one year and must be able to furnish statutory accounts and audited financial statements for at least one year.
6. Applicants shall not have been the subject of bankruptcy, liquidation, judicial settlement, safeguarding, and cessation of activity or any other analogous situation resulting from a similar procedure.
7. Applicants, any of their staff members or their board of directors shall not be included in the United Nations financial sanctions lists¹, particularly in the fight against the financing of terrorism and against attacks on international peace and security.
8. Applicants **must not** be involved in any of the following activities(cite):
 - Manufacture, sale or distribution of controversial weapons or their components, including cluster bombs, anti-personnel mines, biological or chemical weapons, and 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, or 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 labour

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

- Use or toleration of child labour
- 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 certificates of compliance with the tax authorities and any other documentary evidence that might be requested by UNCDF besides the application form.

6.2 Evaluation Criteria

The Evaluation Committee will score the applications according to the below evaluation criteria. The evaluation will follow the combined scoring method:

Rating the Technical Capability (TC):

Criteria: Demonstrated experience and team capabilities in	Maximum score
Legal ability of applicant/ consortium to create financial products and services in India	10
Demonstrated experience in financial products development targeted towards lower and moderate income households/women	20
Demonstrated experience in delivery for financial products and services in rural areas	20
Proposed construct of the financial product and its suitability for the target segment	20

TC score = total score obtained from above technical evaluation

Rating the Organization's capacity (OC):

Organization's capacity to undertake the project	Maximum score
Applicant/ lead applicant human resource capabilities and suitability of the team members to demonstrate experience in area of creation and deployment of financial products in India	10

OC score = total score obtained from above organization capacity evaluation

Rating the Financial Proposal (FP):

Organization's capacity to undertake the programme	Maximum score
Financial offer/cost to complete the project	10
Applicant/ consortium's co- contributing resources towards the marketing of the financial product	10

FP score = (offer price/lowest offer) x20 + (% cost contribution/% maximum contribution bid) x10

Total score: TC score + OC score + FP score

Due diligence on the applications that receive a minimum qualifying technical and organization capacity score of 70 of 100 will be conducted by the review panel.

6.3 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

6.4 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

7. Agreement Parameters

7.1 Applicants

Eligible candidates can apply alone or as lead applicant in a consortium of firms, if they comply with the eligibility requirements set forth in the preceding section. In the 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 for:

- Submitting the application form on behalf of the consortium
- Ensuring that each partner is fully aware of the composition of the partnership and of the contents of the Application Form
- Signing the Performance-based Agreement with UNCDF

- Fulfilling all obligations set out in the Performance-based Agreement
- Ensuring the allocation and the fulfilment of the funds amongst the partners in the consortium in compliance with the Performance-based Agreement
- Ensuring the allocation and the fulfilment of the tasks amongst the partner in the consortium in compliance with the Performance-based Agreement

7.2 Target segment and geographical scope

- The target segment of this RFA are low and moderate income households and women SHG members under the Mission Shakti Programme in Odisha, India
- The geography spreads across 30 districts of Odisha, India

7.3 Programme duration

- The programme activities are expected to be terminated no later May 2025.

7.4 Language

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

8. Application Requirements and Timeline

8.1 Structure of the application

- The applicant must submit a complete application form according to Annex 1 (Submission Letter), Annex 2 (Technical Proposal) and Annex 3 (Budget of the Action).
- In Annex 2 or the technical proposal, applicants are expected to include the following:
 - Detailed methodology for creation of financial product ensuring all the legal and regulatory compliances as mandated by Government of India
 - Risks and mitigation strategies
- In addition to the 'Submission Format' the applicant must supplement the submission with:
 - Audited financial statements for the past one year;
 - Certificate of incorporation of the applicant/lead applicant;
 - Detailed budget;
 - CVs of the team involved highlighting research-related experience;(in UNCDF's shared format)
 - All submissions must be completed in English.

Only applications that follow the Submission Format and include all the necessary documentation will be considered for further evaluation.

8.2 Submission of the application

Inquiries to this request for applications may be submitted by email to financial.health@uncdf.org and uncdf.rfa@uncdf.org 11th July 2022. The subject line of the email should be: RFA- Development of Financial Product to enhance savings

All applications must be submitted by 23:59 hours (IST) 17th July 2022 to UNCDF using the UNCDF e-investment platform:

The submission shall include the following documents duly completed:

- Annex 1: Submission Letter
- Annex 2: Technical Proposal

- Annex 3: Budget Action
- Other attachments

8.3 Application Timeline

27 th June 2022	Application window opens
11 th July 2022	Deadline to seek clarification
17 th July 2022	Submission deadline
August 2022	Announcement of results

8.4 Real-time assistance from UNCDF

For requests and queries, send an email to financial.health@uncdf.org and uncdf.rfa@uncdf.org.

A document answering frequently asked questions will be continually updated at:

<https://www.uncdf.org/article/7813/rfa-development-of-financial-product-to-enhance-savings>

9. Selection Process

The evaluation committee will follow the following steps to select the partner research entity for this RFA:

Step 1: Eligibility Screening	Eligibility will be assessed by the FH Programme review team members according to the eligibility requirements as set forth in eligibility section.
Step 2: Evaluation of eligible applications by the Evaluation Committee	The evaluation Committee will evaluate the applications based on the evaluation criteria set out.
Step 3: Due diligence	Due diligence on the applications and their applicants will be conducted by the review team 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 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.