



**UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)
NEPAL**

**REQUEST FOR APPLICATIONS: DEVELOPING REMITTANCE-LINKED USE CASES
FOR WOMEN ENTREPRENEURS/SMALLHOLDER FARMERS**

I. SUMMARY OF THE REQUEST FOR APPLICATIONS

Background

Nepal has witnessed widespread domestic and international migration for decades. In 2016-17, 382,871 labour permits were issued to international migrants (DoFe 2016-17). This figure is an underestimate as several Nepalese, notably women take the unofficial route to migrate. Remittance inflows to Nepal have grown tremendously yet steadily over the past decade, increasing from USD 111 million in 2000 to USD 6.9 billion in 2017, constituting 28.37% of its gross domestic product (GDP). For 2018, this estimate is pegged at 30.1% of Nepal's GDP, making Nepal one of the top 5 remittance-receiving countries in the world in terms of percentage of GDP.

Remittances have largely spurred consumption in Nepal's economy, but have not had an impact on savings and investment. The Nepal Living Standards Survey (NLSS) of 2011 documents an expenditure breakdown of remittance income among remittance-receiving households. According to the survey, 55.8% of Nepal's households received remittances in 2011, up from 23.4% in 1995-96. 80% of remittance income was spent on daily consumption, 7% on loan repayment, 5% on acquiring household property, 4% on education, 2% on capital formation and 3% on miscellaneous expenses.

Additionally, migration and remittances in Nepal reflect gender disparities. Men dominate out-migration from Nepal. From the period between 2008/09 until 2016/17, men accounted for 95.18% of out-migration, on average. Remittance-recipients in Nepal are predominantly women. Our market research study that compiled responses from 181 migrant beneficiaries showed that 58% of remittance-recipients are women. These figures are 66% and 73% for the Banepa and Panchkal samples respectively. These gender differences have ramifications that alter the rural social contract in Nepal while having implications for the larger Nepalese economy.

RFP Objective

UNCDF identifies the potential in leveraging digital solutions in the design of remittance-linked use-cases to drive increased entrepreneurship among women (including women farmers), spur more savings and investment as well increase access to digital financial services. These use-cases will help create the right market incentives for women remittance-recipients as well as the financial sector and foster a supporting and inclusive digital economy.

UNCDF invites applications from a consortium of organizations to design and implement the use-cases. The consortium can comprise but is not limited to a financial intermediary such as a

microfinance institution (MFI) or a bank; NGOs focused on entrepreneurship training, fintech/payment service providers and digital start-ups. Separate applications from potential consortium constituents are also welcome. In this case, UNCDF will evaluate these proposals individually and facilitate a consortium arrangement.

Timeline:

The overall expected duration of the work is 9 months.

Applications and RFP Calendar:

- Publication Date: 8th February 2019
- Deadline to submit requests for clarification: 11th February 2019
- Publication of Questions and Answers Document: 12th February 2019
- Final Deadline for Applications: 18th, February 2019

Questions may be sent to mm4p@uncdf.org. A FAQ document will be generated based on enquiries received and posted on the UNCDF website by the 12th February 2019. Applications should be emailed to mm4p@uncdf.org by 18th February 2019, no later than 18:00 pm IST .

II. ORGANIZATION CONTEXT AND PROJECT BACKGROUND

The UN Capital Development Fund makes public and private finance work for the poor in the world's 47 least developed countries (LDCs). 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 financing models work through two channels: **financial inclusion** that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and **localized investments** that show how fiscal decentralization, innovative municipal finance, and structured project finance can drive public and private funding that underpins local economic expansion and sustainable development.

UNCDF's financial inclusion agenda recognizes that remittances are a growing part of the sustainable development goals financing equation and UNCDF work. Their importance is captured under goals 17.3 and 17.3.2 and their indicators (mobilization of domestic resources and volume of remittances as a proportion of total gross domestic product) and goal 10.c (which calls for reducing the transaction costs of migrant remittances). UNCDF will work with governments and service providers to formalize remittance channels leveraging digital and fintech solutions to lower costs and link remittances to a wider range of financial services for senders and recipients.

At the same time, UNCDF places a strong emphasis on savings, as well as insurance, credit, domestic payments and remittances. It is increasingly working with new actors, such as 'fintech', mobile network operators, and new technologies, especially digital financial services. This is in line with sustainable development goals targets on financial inclusion, including 8.3, 8.6, 8.10, and 9.3 on expanding access to financial services for households and small and medium-sized enterprises, and integrating the latter into value chains.

Digital @ UNCDF

UNCDF has actively promoted the use of digital financial services for the last 10 years in 39 countries across the Africa, Asia and the Pacific region. Digital @ UNCDF's primary objective is to empower vulnerable populations to lead productive and healthy lives by expanding access to and the usage of digital services. To meet this objective, we engage with regulators, governments, the financial sector including banks, DFS providers and fintech firms, the non-profit sector and academia to deliver the

right blend of technical expertise and financial support in order to create inclusive digital economies that service the Sustainable Development Goals (SDGs)

Digital @ UNCDF emphasizes six key target segments: women, youth, farmers, MSMEs, migrants and refugees. Our above formulated programme strategy focuses on the above segments and is divided into four specific workstreams:

- **Enabling Policy and Regulation:** Liaise with governments and regulators to effect policy reforms that buttress the use of digital financial services.
- **Open Digital Payment Ecosystem:** Work with stakeholders including financial service providers, money transfer operators, mobile network operators and fintechs to foster an inclusive digital economy.
- **Inclusive Innovation:** Support the development and uptake of innovative technologies and business models that help solve real economy challenges.
- **Empowering Customers:** Promote financial and digital education that support the uptake, adoption and usage of digital financial services and champion consumer protection.

About the remittance project in Nepal.

The current remittance use-case project in Nepal focuses on the development of remittance-linked use-cases for Nepalese migrants using digital innovations. UNCDF is partnering with Laxmi Bank, a Class “A” financial institution and its MFI subsidiary Laxmi Laghubitta to help create an inclusive digital remittance economy. On the supply-side, this investment is exploring the use of innovative technologies to address common information gaps between money transfer operators (MTOs) in host countries and the financial sector in Nepal, streamline financial processes and create valuable data-driven insights. On the demand side, the project will explore the design and delivery of suitable, customer-centric financial products and services using alternate delivery channels. Nuanced financial literacy efforts that specifically address customer perceptions of the formal sector, product relevance and product usage will also form a substantive part of this initiative.

UNCDF and Laxmi Bank will run a remittance use-case pilot between the Nepal-Malaysia/UAE corridors on a digital architecture that facilitates customer-level data exchange between the money transfer operator (MTO) in Malaysia/UAE and Laxmi Bank in Nepal. The project aims to target at least 400 remittance-sending migrants, 60% of whom are new customers for Laxmi Bank. The pilot aims to support the design and delivery of:

- Credit use-cases that are informed by securitization features and can be linked to individual, MSME and agriculture financing.
- Deposit use-cases centred on long-term and goal-based savings to help migrant families build a wealth stock and a social security base for future business/human capital needs.
- Tools and resources that enable evidence-driven credit decisioning such as a combination of standard and psychometric credit scoring engines that use alternate data systems like mobile wallet usage and remittance data to generate valuable data insights.
- Financial/Digital Literacy campaigns that alongside the more traditional forms of delivery of financial information such as community and group networks, will also explore behavioural science techniques such as nudges and rational herd behaviour to help customers make independent and meaningful choices for them and their families, ultimately impacting the uptake, usage and adoption of remittance-linked financial products and services.
- Risk mitigation tools including consumer protection frameworks and risk-informed financial products and services.

Digital Credit & Remittances

UNCDF with its partner institutions is exploring how low-income customer’s financial and income data from different sources such as wallet, financial service providers and remittance institutions can be leveraged for creating a credit scoring algorithm. The predictive analysis will provide basis for offering different credit products with minimal documentation to the low-income segment customers

Potential Remittance Use-Case Project for Women Remittance-Recipients

Building from the current remittance pilots, UNCDF is keen on exploring the links between remittances, agriculture/MSMEs and gender.

Project Context

Research in Nepal has examined the linkages between remittance, agrarian development and poverty alleviation, revealing stark gender disparities (Sunam and Mccarthy, 2015; Maharjan et al, 2013). As men migrate in pursuit of better economic prospects, women are left behind to manage businesses/farms, previously the domain of male migrants. In some cases, male migrants wrap up their home businesses before undertaking international migration. Women then bear the burden of managing businesses/farms with limited knowledge/skills and lack of access to the formal financial sector and/or are confined to household care. This phenomenon has far-reaching implications for the productivity of the Nepalese agriculture economy that currently services 70% of Nepal's adult population. With male migrants leaving Nepal by the thousands, agriculture in Nepal suffers as the male workforce decreases and the female workforce finds itself not fully equipped, leading to rural impoverishment in many cases.

Additionally, the gender gaps in financial inclusion in Nepal are catching up to global averages. The Global Findex report 2017 indicated that the gender gap in global account ownership is 7% whereas the gap in developing economies is higher at 9%. In Nepal, where 55% of the adult population is unbanked, the gender gap (men>women) in account ownership is 8%.

There are several reasons why these gender gaps exist. Cultural and societal norms that define the parameters of the social contract in Nepal have long designated women as homemakers, restricting women's participation in roles outside of their homes. This lack of participation outside of one's home also subsumes limited interactions with the financial sector. Additionally, women in Nepal are less literate relative to men- 57.5% of women are educated relative to 75.1% of men (UNESCO, 2013).

The above context indicates that women remittance-recipients and the households they manage need a thrust, a "big push" so to speak, that will enable a stronger transition from their current agrarian and economic levels to higher levels of productivity, digital and financial literacy, capital formation and wealth acquisition.

To solve the twin problems of lack of entrepreneurship/agriculture expertise and access to the formal financial sector among women remittance-recipients, this potential remittance use-case projects envisages the following four-pronged solutions framework:

- **Skills training/entrepreneurship** ideation workshops that help women remittance-recipients gain vital farm/business skills to float a MSME venture/agriculture enterprise or expand an existing one. Use of a human-centred design (HCD) approach that speaks to specific financial/entrepreneurship behaviours (or the lack thereof) exhibited by women remittance-recipients in the form of nudges or rational herd behaviour is a pivotal focus.
- **Financial/Digital Literacy** tailored to women remittance-recipients that use ground-up approaches to disseminate financial management principles, information on financial products/services and the financial sector/alternate delivery channels. This component should also be informed by an HCD approach.
- **Development of remittance-linked deposit and credit products** such as recurring deposits, agriculture project financing and MSME lending in partnership with a financial institution and alternate delivery channels.
- **Use of digital technologies to facilitate the above solutions** such as development of credit scoring engines for credit decisioning among banks/MFIs and mobile apps to facilitate a continuous flow of information in relation to financial literacy and entrepreneurship/skills-training.

III. SCOPE OF WORK

Applications that best exemplify a combination of the above solutions are sought. Based on the project context and solutions framework outlined above, the applicant shall provide a workplan organised around a tentative activity plan of foreseen activities detailed below. This activity plan is only indicative and not exhaustive.

- **Phase A – Pilot Design (1 month)** prior to the signature of the Performance Based Agreement
 - Identify suitable pilot geographies;
 - Develop the operational and financial model;
 - Define social outcomes and design the monitoring and evaluation (M&E) framework;
 - Estimate resource requirements and finalize pilot plan;
 - Secure approvals from government and/ or regulator.

- **Phase B - Pilot Preparation (3 months)**
 - Build an integrated technical solution to host entrepreneurial bootcamp resources and financial information;
 - Build a credit scoring framework for the financial service provider;
 - Finalise the technical integration;
 - Design and/or customize entrepreneurship/skills training tailored to the target population in the pilot geography;
 - Design financial/digital literacy campaigns;
 - Develop remittance-linked deposit and credit use-cases suitable to women remittance-recipients;
 - Develop risk mitigation procedures including a customer protection framework.

- **Phase C: Pilot Implementation: (4 months)**
 - To pilot the identified solution for at least 4 months.
 - To capture and analyse transaction data and consumer behaviour.
 - Review and update procedures and processes based on the findings from the field.

- **Phase D Pilot Assessment (1 month)**
 - Knowledge Management shall include compiling comprehensive project learnings and customer journey reports.
 - End project evaluation
 - Scale-up Plan

IV. FORESEEN BUDGET

The total foreseen budget for this Request equals US \$ 60,000 with matching contribution, cash or in-kind from the winning bids.

V. PARAMETERS OF THE AGREEMENT

Outputs and deliverables

The written outputs and deliverables of the work are considered a public good unless otherwise agreed. Thus, all the outputs and deliverables will be placed in the public domain with the intent that they can and should be freely and widely used by other parties.

Agreement

The leader of the consortium(s), who will be selected is expected to sign a Performance Based Financing (Grant) Agreement with UNCDF (see Annex 2 for a sample of our legal language in this regard).

The signature of the agreement between UNCDF and the consortium is expected at the latest in March 2019.

Duration of the agreement: The agreement is planned for a period of 9 months.

Language

The deliverables, as well as all related correspondence exchanged by the organization and UNCDF, shall be written in English.

VI. ELIGIBILITY REQUIREMENTS AND EVALUATION CRITERIA

VI.I DOCUMENTS TO BE PROVIDED BY THE CONSORTIUM / PARTNERSHIP/ORGANISATION

The leading company of the consortium/individual organisation shall provide the following documents when applying for this RFP:

- i. A copy of its legal registration documents including the certificate of registration and the articles of association, or an equivalent document if the applicant is not a company;
- ii. The list of the project team members and their CVs and information of the Board of directors and management team;
- iii. The list of shareholders and other entities that hold at least 5% of the shares and other equity or its equivalent if the bidder is not a company;
- iv. A copy of the tax or payment certificate issued by the relevant taxing authority attesting that the tenderer complies with its obligations about the payment of taxes or an attestation of tax exemption, if the tenderer is entitled to such a privilege;
- v. Audited financial statements for the last three (3) years if the entity has been in business for more than 3 years;
- vi. References on similar projects;
- vii. Letter from the applicant organization's executive director, CEO, or board, expressing its commitment to the execution and participation in this process
- viii. A partnership agreement or a memorandum of understanding duly executed between the lead partner and the other group members, which designates the leader of the consortium as principal entity, duly empowered to legally bind the members of the consortium. (If applicable)
Once the bid is filed with UNCDF, the lead entity designated to represent the consortium / partnership can not be changed without the prior written consent of UNCDF. In addition, neither the principal entity nor the legal entities that are members of the joint venture will be able to: (i) submit another bid individually; (ii) or as a principal or member of another consortium / partnership submitting another submission.
- ix. Annex 1 duly completed and signed by the tenderer (and each member of the group);

VI.II ELIGIBILITY CRITERIA

- i. Confirm in writing (Annex 1) that the applicant has read and accepted the model of the Performance Agreement to be signed with UNCDF and without objection to the standard language.
- ii. The leader of the consortium/organization shall have its legal seat in Nepal and carry out its activities in Nepal
- iii. The leader of the consortium/organization shall have the legal authorization to carry out activities related to mobile telephony and or digital financial services in Nepal. It is expected that the bank/financial institution lead the consortium in partnership with a NGO and a fintech.
- iv. Not to be in a state of repair or to have been the subject of bankruptcy, liquidation, judicial settlement, safeguarding, cessation of activity or any other similar situation resulting from a similar procedure.
- v. Not to be included in the United Nations financial sanctions lists, particularly in the fight against the financing of terrorism and against attacks on international peace and security;
- vi. To have fulfilled obligations relating to the payment of social security contributions or obligations relating to the payment of taxes according to the legal provisions of Sierra Leone where the leader of the consortium is established.

VI.III EVALUATION CRITERIA

The evaluation will follow the weighted scoring method:

<p><u>Rating the Technical Proposal (TP):</u> TP Rating = (Total Score Obtained by the Offer / Max. Obtainable Score for TP) x 100</p> <p>The financial proposals will be assessed for those technical scores, which pass the minimum threshold of 70%,</p> <p><u>Rating the Financial Proposal (FP):</u> FP Rating = (Lowest Priced Offer / Price of the Offer Being Reviewed) x 100</p> <p><u>Total Combined Score:</u> (TP Rating) x (Weight of TP, e.g. 70%) _____ + (FP Rating) x (Weight of FP, e.g., 30%) _____</p> <p>Total Combined and Final Rating of the Proposal</p>

Technical proposal (including CVs of team): (up to 100 Points)

Expertise of the consortium	Points Obtainable
The consortium shall be led by a bank/financial institution	10
Evidence of expertise or knowledge in digital financial solutions (remittances, micro-lending) and entrepreneurship skilling	10
Evidence of geographic coverage and operations in Nepal from each of the members of the consortium/organization	10
Prior collaboration between the consortium	10
Total Part 1	40

Methodology, approach and understanding of the mandate	Points Obtainable
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Methodology	10
Workplan	5
Key Performance indicators (to be indicated in Annex 1 as part of the proposal submitted by the Consortium)	15
Total Part 2	40

Personnel	Points Obtainable
Prior expertise in entrepreneurship skilling.	7
Expertise in digital financial solutions (remittances, micro-lending)	7
Demonstration of technical quality capability) Good technology (open source data, API, USSD channels)	6
Total Part 3	20

Financial Proposal (up to 100 points)

The financial proposal:

- Up to 50 points the low-priced financial offer. To be computed as a ratio of the Proposal's offer to the lowest price among the proposals received by UNCDF.
- Up to 50 points can be co-funding from the consortium in-kind is accepted (staff and infrastructure costs)

Target subsidy on reducing transaction costs can be accepted as part of the grant as long as the consortium can demonstrate the break-even point.

VII. APPLICATION REQUIREMENTS

Structure of the Application

The application includes a suggested template for submissions in Annex 1: *Submission Format*. Applications may choose a format for sections 2 to 7 provided all the necessary information is included.

Additional documents or links to documents may be included at the applicant's discretion.

Technical proposal:

The technical proposal shall be structured as follows:

- Overview of past examples of similar projects linked to the scope of this RFP., including references
- Methodology and approach to achieve the objectives of the project
- Detailed work plan with timeline of major activities
- Key performance indicators
- Proposed team (with CVs in Annex)

Financial proposal:

Budget quotation for the entire project, with detailed line items

The Financial proposal must provide a detailed price breakdown. Please provide separate figures for each functional grouping or category. The budget shall include all the costs of the project and the level of co-financing by the members of the consortium. Target subsidy on reducing transaction costs can be accepted as part of the grant as long as the consortium can demonstrate the break-even point.

Submission of the Application

- Applications and any consultation about this RFP should be submitted via email at mm4p@uncdf.org

The subject line of the email should be: RFP: DEVELOPING REMITTANCE-LINKED USE CASES FOR WOMEN ENTREPRENEURS/SMALLHOLDER FARMERS