

United Nations Capital Development Fund

REQUEST FOR APPLICATION FOR

Samoa Digital Infrastructure for Agents and Merchants, for cash-in cash-out services for MSME-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 seeks to work with a registered entity in Samoa that can develop a scalable agent and merchant network to facilitate cash in, cash out and a merchant network to facilitate payments for the cash rich use cases. The proposed solution can cater to the otherwise formally financially excluded segment of the customers. Such can minimize the use of cash during purchases and the reduce the requirement for cash during cash out especially related to remittance inflow period with the unbanked and the banked/wallet users, therefore creating a more inclusive and connected ecosystem offering speed and convenience of all.

The selected entity should use an open-Source real time payment framework and platform, agent/merchant subscriber ratio and an agent rebalance model. The open-source platform will allow any technology development to be easily integrated with the bank network and infrastructure. Open-source platforms are well suited as they can be 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, 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 150,000. 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 implemented for 12 months, ending by September 2022.

All applications must be submitted by 23:59 hours (EDT time) on September 14, 2021, through UNCDF's e-investment platform:

https://apply.uncdf.org/prog/samoa_digital_infrastructure_for_agents_and_merchants_for_cash-in_cash-out_services_for_msme-women_and_youth

In case of questions write at Jane.mugenyi@uncdf.org cc uncdf.rfa@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 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 Samoa and to achieve this goal it is imperative to make sure financial services providers (FSPs) such as network operators, banks, Microfinance Institutions etc. relate to each other, so that customers can transact more easily across different providers.

In Samoa, due to limited agent and merchant network especially in the rural areas, population needs to pay high fees to convert digital money to cash and vice versa, by moving long distances to find agents and lining up for long hours to get cash. Policymakers and FSPs in Samoa are proactively seeking and initiating efforts to address the digital adoption problems in the country. One path for solution is 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 study under its EU supported Merchants Development Driving Rural Markets” (MDDRM) project showed that the lack of face-to-face payments and agent network is constraining micro-merchants and its customers in both rural and urban areas to digitalise and fully leverage the existing digital economy ecosystem.

Mobile money is growing but Mobile Network Operators (MNO) have few the resources to develop the “network effect” to ensure their presence in every corner of the country.

An agent network management system that facilitates agent rebalancing at their point of operation and an integration with banks as agent rebalancer providing e-money and cash has the potential to develop the expected network effect. Such structures can cater to financially excluded customers and create inclusive FSP participation in ecosystem development.

One option could be where merchants have a unique code attached to their MSISDN with a separate wallet from the subscriber wallet, all mapped on the same MSISDN. Payments through an FSP app will simply debit the funds equivalent to the items purchased.

The option for agents would be to create a rebalancer app that maps all agents geographically to identify a drop in liquidity levels which in turn prompts a rebalancer assigned to the region to visit the agent.

The option for merchants would be to accept face to face payments in real time and an easier customer journey for the end users to carry out transactions in real time, without any complexity that holds a queue at the payment point.

The option for other disbursements would be to create an online portal liked to a bank or merchant code, enabling payments of salaries and others into the mobile wallets, which could also serve for other payments such as G2P.

Thus, the objective is to provide last-mile financial access solution catering to otherwise financially excluded or unbanked customers that are currently not serviced by the existing providers such as banks, MFS and FSPs.

The proposed platform should leverage open-source real time settlement framework and capability to build this solution.

UNCDF will use a phased approach to the development of this solution. 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 to share those learnings with the wider market, while still making tangible forward progress towards delivery of services 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 the Central 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 Samoa. It is expected that, if successful, the proof of concept should have the capability to integrate with all financial institutions.

2. SCOPE OF WORK

2.1 Areas of intervention

For this request for applications (RFA), UNCDF invites applications from registered entities in Samoa 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 & agent Management.	<p><i>Challenges:</i> There are several disjointed interoperable system development processes within Samoa now which negatively impact the more vulnerable groups who must pay quite high fees to convert digital money to cash and vice versa.</p> <p><i>Objectives:</i> The selected entity will produce transaction rail merchant and agent solution that allows participants FSPs (Banks, MFIs, Mobile money operators etc.) to test and understand the value proposition of an inclusive digital payments ecosystem and its impact on movement of cash and 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 if your scale, commercial viability, and impact objectives are aligned.

Additional fine tuning of the solution could also take place in discussion with other relevant stakeholders in Samoa 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' behaviors, needs, constraints and aspirations. This also includes providing transaction data analysis and training to the business teams.
- **Product design:** Providing human-centered 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 analyzing 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-centered 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

All applications must include targets on the indicators in the table below. The targets must be disaggregated for the selected target groups. Applicants who are not able to report on one or multiple indicators or provide disaggregated data should include a note with the reason.

The targets will be considered in the evaluation of the applications. During the negotiation process of the performance-based agreement, selected applicants and UNCDF shall develop a monitoring framework. This may include additional indicators and targets, tailored to the scope of the proposed solution, activities and expected results.

Indicators	Disaggregation
# Face to Face merchants registered to receive payments per industry vertical. # Of transactions per merchant per month. # Agents registered to provide Cash in Cash out and transactions generated every 30 days. # Of MSMES on boarded and utilizing the disbursement platform for payment of salaries and any field-based activities.	Total: Women: Youth: Peri-Urban:
# And type of FSPs integrated in the platform # Agents rebalanced within a moth	Total: Type: Value in USD:
# Of use payment service provider platforms integrated for example bank cards and POs	Total: Type:

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 Samoa.
- The applicant should be operating in Samoa 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 September 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.
 - 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.

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

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.

	Criteria	Max Score
1	<u>Organization profile and experience</u> <i>Score the applicant's profile, track record, reputation, experience in similar projects and in the country/region, also if the applicant has successfully implemented other projects with UNCDF.</i>	15
2	<u>Team</u> <i>Score if the applicant's proposed team structure and experience is suited for the purpose of the RFA (skills for management, technical know-how, on the field footprint, monitoring and RM capacities...)</i>	15
3	<u>Methodology</u> <i>Score the applicant's proposed methodology and approach: if it is suited for the purpose of the RFA, if the workplan is realistic, that the project strategy covers risk management, quality control, reporting and other project management good practices.</i>	15
4	<u>Additionality</u> <i>Score if UNCDF funding to the applicant will create:</i> <ul style="list-style-type: none"> - Financially additionality: <i>If the applicant cannot obtain funding from local or international private capital markets with similar terms or quantities without official support.</i> - Non-financial value: <i>Value that the private sector is not currently offering, and which will lead to better outcomes e.g., by providing or catalyzing knowledge and expertise, promoting social or environmental standards or fostering good corporate governance...</i> - Impact: <i>Faster, larger, or better development impacts than the applicant would be able to achieve working alone.</i> 	20
5	<u>Gender perspective</u> <i>Score if the applicant has foreseen a gender focus in the proposed intervention, to have women both external (users) and internal (staff) benefited equally than men.</i>	10
6	<u>Sustainability and business plan</u> <i>Score if the applicant's proposal has a sustainable financial perspective and business plan that could generate an investment pipeline for UNCDF.</i>	15
7	<u>Result Measurement</u> <i>Score if the applicant has provided coherent measurement plan and data management plans.</i>	10
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

Applicants shall give evidence that their solutions are aligned to the following parameters.

4.1 Applicants

Candidates can apply only once, 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 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, the most marginalized such as micro-merchants, women, and youth.

4.3 Geographical scope

Country-wide (Samoa).

4.4 Project duration

Projects are expected to have a 12-month duration. Activities are expected to be terminated no later than September 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 applicant in accordance with the Evaluation Criteria as set forth in section 3.2. UNCDF contributions may be up to 150,000 USD.

Specific projects will be financed based on business needs. Depending on the maturity of the solutions and the success of the pilot, UNCDF could 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/samoa_digital_infrastructure_for_agents_and_merchants_for_cash-in_cash-out_services_for_msme-women_and_youth

The online application form will entail the following documents:

- Applicant's certificate of incorporation
- Applicant's audited financial statements for the last 2 years
- Applicant's most recent unaudited financial statements
- Technical proposal (using UNCDF template)
- Budget and workplan (using UNCDF template)
- CV form (using UNCDF template)
- Optional: Presentation/deck outlining the project

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

5.2 Application deadline

All applications must be submitted by 23:59 hours (EDT time) on September 14, 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 finalize the scope of the grant and finalize 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

August 30, 2021	Application window opens
September 9, 2021	Deadline for submission of questions
September 14, 2021	Deadline for submission of applications

5.5 Real-time assistance from UNCDF

In case of questions write at Jane.mugenyi@uncdf.org cc uncdf.rfa@uncdf.org