

# REQUEST FOR PROPOSAL:

## DIGITAL FINANCIAL SERVICES FOR SMALLHOLDERS CHALLENGE FUND

<b>Issue date:</b>	December 14, 2018
<b>Question window ends:</b>	January 28, 2019
<b>Closing date:</b>	February 28, 2019
<b>Closing time:</b>	11:59 PM EST
<b>Contact information:</b>	Foundation for a Smoke-Free World 575 5th Avenue, 14th Floor New York, NY 10017 USA
<b>Submit questions to:</b>	<a href="mailto:agl_procurements@smokefreeworld.org">agl_procurements@smokefreeworld.org</a>
<b>Submit proposals to:</b>	<a href="#">Via online platform</a>
<b>Financing instrument:</b>	Grant
<b>Financing amount:</b>	USD 50,000 – USD 200,000
<b>Financing duration:</b>	Disbursable over a maximum of 3 years

## OVERVIEW

The Foundation for a Smoke-Free World (“FSFW”) was launched in September 2017 as an independent, nonprofit 501(c)(3) organization dedicated to accelerating global efforts to reduce deaths and harm from smoking, with the ultimate goal of eliminating smoking worldwide. Since the adoption of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC) in 2003, countries that comprise 90% of the world’s population have resolved to achieve a 30% relative reduction in the prevalence of tobacco use by 2025. The Foundation’s mandate and the global efforts in this field promise many positive health impacts. These efforts will invariably entail a reduction in demand for some types of raw tobacco products, such as those produced most prevalently by farmers in Malawi and several other regional economies. The reduction in demand for combustible tobacco products means predictably lower incomes for tobacco-producing farmers and tobacco-reliant economies. This change creates a unique opportunity to: (a) support smallholder tobacco farmers as they transition to alternative crops and livelihoods, and (b) catalyze that transition.

Through the **Agricultural Transformation Initiative (ATI)** in Malawi, FSFW is working to prepare smallholder tobacco farmers for an era of reduced demand for tobacco. The ATI will use this opportunity to facilitate the establishment of more secure income strategies for farmers and will seek to partner with a diverse set of stakeholders to ensure the success and sustainability of this strategy. Some of the activities of the ATI will target the following outcomes:

- Diversified and secure income streams for smallholder tobacco farmers
- Improved food security and nutrition for target populations in Malawi
- Increased non-tobacco export earnings for Malawi
- Application of technologies that enhance productivity, reduce costs, enable data-driven production decisions, and facilitate access to profitable and reliable markets
- Reduction of barriers for success for female smallholder farmers, scientists, leaders, and entrepreneurs

To enhance smallholder farmer incomes, the ATI will use a systems approach to understand local contexts and potential points of intervention, coupled with an investment-oriented model of action. A systems-thinking approach is well suited for tackling complex development problems because it incorporates multifactor analysis and feedback loops to foster better decision making. Focusing on investment, meanwhile, will ensure that each dollar spent is contributing to building capacity and strengthening local and national economies in a sustainable way—contributing, that is, to a better future for smallholder farmers, their families, and their communities.

## REQUEST FOR PROPOSALS—RFP

FSFW invites eligible private sector firms, other interested entities, and partnerships or consortia thereof, to submit proposals that present viable solutions aimed at developing digital financial services for Malawi’s agricultural sector, specifically for smallholder farmers.

The overall objective of the funding is to increase access to financing for smallholder farmers through the development of



<sup>1</sup> Global NCD Target: Reducing Tobacco Use. World Health Organization website. <https://www.who.int/beat-ncds/take-action/ncd-tobacco-target.pdf>. Published July 2016. Accessed December 10, 2018.

digital financial services in Malawi. Concepts will be evaluated on the ability to potentially have significant and sustainable impact on access to financial services for smallholder farmers through direct or indirect digital channels, with additional preference given to models that propose solutions to gender-specific constraints to accessing finance.

FSFW will support firms that propose to test or scale up digital financial services and/or mobile money platforms that serve the agricultural ecosystem of Malawi. Preference will be given to firms that develop or deploy credit and/or savings solutions directly for or to smallholder farmers. Eligible organizations may include, but are not limited to, microfinance institutions, banks, social enterprises, off-takers, mobile network operations, agtech or fintech companies, or consortia of multiple such organizations. Digital financial service solutions that have worked elsewhere, and could be introduced to Malawi, are equally welcome.

Additionally, these solutions must contribute to improving female financial inclusion in Malawi. According to the Food and Agriculture Organization (“FAO”) of the United Nations, the female share of agricultural labor stands at 43% worldwide,<sup>ii</sup> and agricultural productivity levels and access to credit for female farmers are 30%<sup>iii</sup> and 10%<sup>ii</sup> lower, respectively, than those of their male equivalents, due to barriers in access to finance, inputs, extension services, and land rights.<sup>iv</sup> Because women in Malawi typically lack control over household assets and land, and therefore lack the collateral that is necessary to receive traditional loans, limited access to finance is one of the greatest barriers that women in agriculture face.<sup>v</sup> Although digital financial services are improving women’s financial inclusion in Malawi, the gender gap remains.<sup>iv</sup>

Interventions to develop digital financial services could include (a) the testing of a new idea, whether it’s an approach, technology, and/or product, or (b) the extension of a proven approach, technology, and/or product. A proposed solution for testing a new idea must clearly outline the proposed approach, technology, or product, and articulate its value addition to the market. A proposed solution for extension of a proven approach must clearly show evidence of previous pilot tests, experiments, or examples. All interventions must highlight how implementers will build relationships and sustain a “trusted partner” status with smallholder farmers, must include female and youth (<35 years of age) smallholder farmers or farmers groups in program design and key interventions, and must consider agricultural ecosystem actors. Proposals that meet key milestones around partner engagement may be considered for additional follow-on funding for scaling activities.

For either type of proposal (whether testing a new idea or implementing a proven idea), the proposed concept must clearly demonstrate why farmers would choose to adopt, or participate in, the solution. It is critical to demonstrate that the solution is demand-driven (by the targeted audience), as opposed to having a top-down approach.

<sup>ii</sup> Food and Agriculture Organization (FAO) of the United Nations 2018. The State of Food and Agriculture: Migration, Agriculture and Rural Development. <http://www.fao.org/3/I9549EN/i9549en.pdf>. Accessed December 10, 2018.

<sup>iii</sup> FAO. The State of Food and Agriculture: Women in Agriculture – Closing the Gender Gap for Development. <http://www.fao.org/docrep/013/i2050e/i2050e.pdf>. Published 2011. Accessed December 10, 2018.

<sup>iv</sup> World Bank. Breaking the ‘Grass Ceiling’: Empowering Women Farmers. [http://www.worldbank.org/en/news/feature/2018/03/06/breaking-the-grass-ceiling-empowering-women-farmers?cid=ECR\\_LL\\_worldbank\\_EN\\_EXT](http://www.worldbank.org/en/news/feature/2018/03/06/breaking-the-grass-ceiling-empowering-women-farmers?cid=ECR_LL_worldbank_EN_EXT). Published March 6, 2018. Accessed December 10, 2018.

<sup>v</sup> Tschirhart N, Kabanga L, Nichols S. The convergence of HIV/AIDS and customary tenure on women’s access to land in rural Malawi. SAHARA J. 2015;12:134-146.

<sup>vi</sup> UNCDF MM4P. The MM4P Story of Digital Financial Services in Malawi: The journey of MM4P in the warm heart of Africa. <http://www.uncdf.org/download/file/127/5753/malawi-story-fullpdf>. Published February 2018. Accessed December 10, 2018.

## THE CHALLENGE FUND PROCESS

This challenge fund for digital financial services in Malawi is one mechanism that the ATI will use to identify strong partners with great ideas who will help us transform the lives of smallholders through the power of markets and investment. The challenge fund will be structured as a competitive RFP that will follow a three-step process to identify prospective recipients:

- (1) **RFP application.** Applicants who meet certain eligibility criteria will prepare and submit an application based on the eligibility criteria and application components found below
- (2) **Evaluation.** An advisory committee will review applicant proposals and conduct an evaluation based on the guiding principles found below
- (3) **Selection and award.** FSFW will select a winner(s) based on alignment of the RFP(s) with the objectives of the challenge fund and the ATI

The challenge fund expects to deploy a two-stage award process:

- (1) Stage 1: Design and pilot. Applicants will be awarded up to \$50,000 to partner with the ATI to design a digital financial service intervention that reaches 500 smallholder farmers in tobacco-growing regions, particularly female smallholder farmers, by testing a new idea or extending an existing product through a pilot.
- (2) Stage 2: Scale award. Applicants will be awarded up to \$200,000 to expand the pilot and reach 10,000 smallholder farmers through the co-designed digital financial service product.<sup>vii</sup> Depending on intervention scale and success, additional follow-on funding may be made available.

## GUIDING PRINCIPLES

To be considered for grant funding, whether it's testing a new concept or implementing or scaling an already proven idea, applicants must be able to show how the proposed intervention(s):

### I. Will be commercially viable for smallholder farmers...

The proposals must have underlying business models that show a clear pathway to gender-equitable profitability. For example, entities applying for funding to test a new idea, whether it's an approach, technology, and/or product, must be able to show potential for commercial viability and the favorable impacts on smallholder farmers, including female and youth smallholder farmers. On the other hand, innovations that are market ready and/or in the scaling phase must be able to show evidence of commercial viability and profitability along the entire value chain (if appropriate). The concepts must have potential for scalability in the Malawi context, taking into consideration the different opportunities and barriers to success that men and women face. Wherever possible, a business plan can be included as an appendix; however, submission of a full business plan is not mandatory (please see application component guidelines below). Concepts will be evaluated based on the information contained in the proposal itself. Any additional documentation is merely to support claims asserted in the proposal.

<sup>vii</sup> Note: In addition, specific milestones associated with the scale award will be co-designed with the applicant, which may include, but are not limited to, the number of transactions associated with the 10,000 smallholder farmers.

## **II. Will showcase innovation...**

Solutions in the proposals must be innovative in addressing challenges related to access to finance through practical and accessible digital channels, with the potential to significantly affect the growth of the agricultural sector or support services sectors, and positively impact the income of rural smallholder farmers in Malawi.

## **III. Will improve the lives of smallholder farmers...**

Solutions tested or proposed must benefit smallholder farmers, including female and youth smallholder farmers, either directly through the provision of digital financial services for smallholder farmers or indirectly through the development of the digital financial services for the wider agriculture ecosystem. Solutions must contribute to improving female (and where possible youth) financial inclusion in Malawi.

## **IV. Could not be funded by private sector investments alone at the present time...**

The applicants must clearly demonstrate that the funding could not all be sourced from private sector investors because of either too-high start-up costs or investment risks (perceived or real) associated with the intervention. Examples of activities that may fit these criteria include bringing new products or business models to the market, establishing new (foreign) markets, or testing new partnerships that have potential for high growth.

## **V. Will leverage partnerships...**

Although applicants who wish to submit a standalone proposal are welcome to do so, the ATI encourages applicants to consider a consortium of partners to maximize multidisciplinary capacities and skills (wherever it makes sense to do so). Partnerships or consortia may include private sector firms, development agencies, academia or research institutions, and other entities. All partners in the proposals must have a multiyear proven track record for their specific roles, whether for undertaking research or for implementation of financial services. For example, private entities will be expected to have viable financial and management capacities. Due diligence on all partners will be performed by ATI, and, among other aspects, financial and management capacity will be reviewed before proceeding to the disbursement stage.

## **VI. Will have measurable results...**

Whether a proposal is testing an innovation or scaling or implementing a proven and market-ready idea, an appropriate and robust monitoring and evaluation (M&E) plan must be clearly laid out for the life cycle (and where possible beyond) of the project. At the very least, M&E plans must include sex-disaggregated data and metrics to capture the differential impacts the program will have on men and women. To ensure sufficient rigor for M&E and evidence generation of the impact, applicants are encouraged to partner with an academic or research entity from the outset. The ATI reserves the option to request a more rigorous impact evaluation or impact assessment study of an applicant's proposal if deemed necessary. Further determination on M&E to determine impact will be determined by FSFW and the winning organization upon award.

It is expected that selected proposals will engage the ATI to finalize project design, and applicants should therefore exhibit a willingness to co-design funded solutions, as applicable.

## YOUTH, GENDER, AND OWNERSHIP CONSIDERATION

Entities owned or led by youth (<35 years of age), women, and Malawians are highly encouraged to apply. Where objective scores are equalized, preference may be given to such entities. Proposals that can demonstrate significant incremental benefits to youth and women as suppliers or consumers along the value chain will also be given preference. The latter will be examined more rigorously prior to grant making, at the M&E framework stage when indicators will be defined.

## ELIGIBILITY CRITERIA

### 1. Experience

- i. Each entity, whether applying alone or as part of a partnership or consortium, must have at least 5 years of experience in the relevant sector.
- ii. Start-up/greenfield ventures will be considered only if each of the partners (individuals or entities) has at least 10 years' experience in the proposed role gained within a recognizable entity.

### 2. Impact

Concepts must clearly demonstrate benefits to the agricultural sector, and more specifically to smallholder farmers. The more significant and convincing the benefits, the better the score the concepts will receive. Additional points will be given to concepts that specifically target female and youth smallholder farmers in new and innovative ways.

### 3. Types of entities

Private sector firms may apply for funding. All other types of entities may apply only as part of a partnership or consortia in which the lead entity is a private sector entity. Private sector firms must be registered with relevant authorities and required governing bodies to operate such business in Malawi.

### 4. Financial records

Entities must have audited financial records for the past 3 years as well as financial systems that are auditable. Start-up/greenfield ventures will be considered only if each of the partners has at least 10 years' experience in the proposed role within a recognizable entity.

## APPLICATION COMPONENTS:

### 1. Concept

(maximum 2 pages)

Provide a succinct description of the concept and the role of each partner, where applicable.

### 2. Business model

(maximum 2 pages)

Provide a clear demonstration of the business model as it applies to each partner, including smallholder farmers, and the ensuing value proposition to each participating entity.

### 3. Team

(maximum 2 pages)

Provide bios and relevant background information on project leadership and/or key management personnel. Teams should have an even gender composition, or explain the lack thereof.

### 4. Impact

(maximum 2 pages)

State the actual and projected number of smallholder farmers, and specifically female and youth smallholder farmers, who will participate. Estimate the incremental access to finance available to smallholder farmers over 3 years, and/or state how the proposed solution will support the development of digital financial services for the agriculture ecosystem, and more specifically smallholder farmers.

### 5. Preliminary high-level budget

(maximum 1 page)

The budget must delineate costs to be covered by the applicants and costs being proposed for funding from ATI. Note: The ATI will not fund purchase of land; however, applicants may use their own capital contributions for land purchases. Proposals with a co-investment or cost-share component will be given preference.

## PROCESS AND IMPORTANT DATES

Entities are encouraged to ask questions for clarification before the submission date. All questions should be submitted to [agl\\_procurements@smokefreeworld.org](mailto:agl_procurements@smokefreeworld.org), and all questions and responses will be posted publicly on the FSFW website.

Proposals must be submitted **via the online platform**. Reviews will be conducted by the core FSFW team and one external reviewer. Selected proposals will engage with ATI to finalize project design. One organization will be awarded the grant. If your proposal is not chosen, you will be notified accordingly.

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