



## TERMS OF REFERENCE (TOR)

### GENERAL INFORMATION

<b>Title:</b>	Call for proposals for innovation challenge awards to support financial intermediaries and fintech firms to develop, design, pilot, and scale up financial products and services targeting informal enterprises and entrepreneurs.
<b>Supervisor:</b>	Sustainable Local and Economic Development Cluster
<b>Application Deadline:</b>	27 <sup>th</sup> March 2023
<b>Duration of the Activity:</b>	One Year
<b>Location:</b>	Sierra Leone

### BACKGROUND

The United Nations Development Programme (UNDP) in partnership with the Organization of African, Caribbean and Pacific States (OACPS) and with financial support from the European Union (EU) has designed a four-year (2022-2025) project entitled Supporting Informal Enterprises Transition Towards Sustainable Growth and Formalization in the African, Caribbean and Pacific Regions to unlock the potential of the informal economy for inclusive growth. The informal economy is a dominant feature of the African, Caribbean and Pacific Group of (ACP countries), representing a significant share of the economy and employment in the respective countries. Despite providing employment and income opportunities for many, informal economy employment is generally characterized by low productivity, low income, and high levels of poverty. The low productivity of informal enterprises is a structural characteristic in low and middle-income countries. Lack of an enabling business environment as well as underdeveloped business management and financial skills impairs the productivity of MSMEs and limits their ability to attract capital. One of the crucial obstacles informal enterprises face in accessing capital is the inadequacy of the financial services offered by the established financial sector actors.

The project is implemented by UNDP in partnership with the International Labor Organization (ILO) in the following target countries: Mozambique, Sierra Leone, and Solomon Islands. The project aims to develop and support the implementation of favourable regulatory conditions and relevant incentives for businesses to formalize. The project also addresses capacity constraints and facilitates the provision of innovative products and services for informal enterprises. These enterprises will be trained and strengthened to address non-regulatory bottlenecks which pertain to a lack of awareness and capacity in terms of business skills, financial and digital literacy to adapt available tools to improve productivity and enhance access to both finance and markets. At the level of key intermediaries in the informal sector ecosystem, in particular aggregators (start-ups accelerators and incubators) and financial intermediaries create these favourable conditions.

The MSMEs ecosystem is composed of different inter-connected and interdependent stakeholders whose actions eventually influence informal enterprises' ability to operate. At the sectoral level, the project shall support the establishment of collective action platform in a specific sector in each country to identify and address systemic gaps.

In Sierra Leone, the informal sector remains pivotal in socio-economic development. The sector plays a dominant role in the country's economy, as it accounts for about 80 percent of total employment. It also serves as a shock absorber in periods of

economic crises, playing a critical labour market stabilization role and addressing imbalances in the market for general goods and services in times of recessions.

The informal sector is mainly dominated by activities in fisheries, food and agricultural processing, light manufacturing, trade, and tourism. However, generally entrenched attributes of the informal sector undermine its potential to significantly contribute to taxation, economic growth, and transformation. These include low income among informal enterprises, low productivity, low capital investments, limited access to financial services, poor working conditions, high vulnerability to external shocks, and low levels of education and business skills.

UNDP through this project aims to support Financial Intermediaries (commercial banks, insurers, credit unions, microfinance institutions, community banks, and Financial Services Associations) and Fintech firms through Innovation Challenge Awards of up to US\$ 150,000 to enable them to design, pilot and scale-up financial products/services targeting informal enterprises and, entrepreneurs in Sierra Leone.

## **OBJECTIVES OF THE INNOVATION CHALLENGE**

This call for proposals for innovation challenge awards aims to support financial intermediaries (commercial banks, insurers, credit unions, microfinance institutions, community banks and Financial Services Associations) and fintech firms to develop, design, pilot, and scale up financial products and services targeting informal enterprises and entrepreneurs.

## **WHO CAN APPLY**

All registered financial intermediaries (commercial banks, insurers, credit unions, microfinance institutions, community banks, and Financial Services Associations) and fintechs operating in the country. These may include financial institutions (Banks, MFIs, SACCOS, and others); Payment Service Providers; Agent Banking Aggregators; Mobile Network Operators; technology providers; E-commerce platform providers; FinTech companies.

The potential applicants should meet the following criteria: -

- The applicant must be a registered entity with at least 3 years of operations in the country.
- They should have long-term viability and financially sustainable solutions.
- Experience working with MSMEs will be considered an added advantage.
- Applicants with product development experience would be an added advantage. The idea to be supported presents an opportunity for replicability and is built on technologies or methodologies that are adaptable to various contexts.
- Additionality to other existing financial solutions to maximise impact and value proposition for the target group

## HOW TO APPLY

Applicants must submit a detailed proposal for funding support and the use of such resources via email to [procure.sle@undp.org](mailto:procure.sle@undp.org) not later than 27<sup>th</sup> March 2023. The proposal must explain the business model of the company, show how it is inclusive and its financial viability, and explain which development challenge to solve and how the award would be used to improve informal enterprises and entrepreneurs' access to financial services

**An outline of the proposal/proposed solution is provided below.**

<b>Profile of the company</b>	
<ul style="list-style-type: none"> <li>Name:</li> <li>Location:</li> <li>Registration Date:</li> </ul>	
Description of the company	
Description of the innovative product/ services to be developed and supported	
Experience of the financial intermediary or fintech firm in product development	
Describe the objective of the product/services and its target beneficiaries	
The impact of the innovative product/services	
Number of target customers/beneficiaries of the financial product (services), aggregated by gender	
Explain the financial viability of the proposed financial service/product	
Total estimated resources required to develop the product	
Percentage Contribution to developing the product by the proposer	
Estimated timeline to finalize the product development	
Provide detailed budget breakdown including specific activities, sources of funding, timeline, etc	
Partners to be involved in the product development process (if any)	

## CRITERIA FOR SHORTLISTING THE PROPOSALS

UNDP will set up an evaluation committee, to review all proposals received using UNDP's principles of fairness and integrity.

The following criteria will guide the selection of the winning proposal:

- Company's performance/track record and product development experience (30%)
- Financial viability of the proposed financial product scalability, catalytic effect, (30%)
- Impact of the proposed financial product and its feasibility with the available resources and partner contributions (40%)

**Detailed scoring matrix and points will be assigned as follows:**

Summary of Proposed Solution Evaluation Form		Points	Score Weight
1	Relevant Expertise of the Firm / Organization, including: <ul style="list-style-type: none"> <li>Team capacity or experience in the industry, credibility, reliability of the company,</li> <li>Experience in undertaking similar product development</li> </ul>	150	15%
		150	15%
<b>Sub Total</b>		300	30%

2	Financial viability of the proposed financial product scalability, catalytic effect:	100	10%
		100	10%
	• Viability and sustainability of the financial product/service	100	10%
	• Potential for scaling or replication		
	• Catalytic effect on the product or service solution		
<b>Sub Total</b>		300	30%
3	Impact of the proposed financial product and its feasibility with the available resources and partner contributions:	160	16%
	• Effectiveness and feasibility of the proposed financial product to solve the financial access gaps of the informal enterprises	120	12%
	• Own financial contribution	120	12%
	• Capacity to deliver on time		
<b>Sub Total</b>		400	40%
<b>TOTAL</b>		<b>1000</b>	<b>100%</b>