

Scope of Work for Call for Proposal

PROVISION OF DIGITAL FINANCIAL SERVICES TO SMALLHOLDER FARMERS IN SOUTH KORDOFAN AND BLUE NILE STATES, SUDAN

Lot 1: Pilot and Scale up digital savings mechanisms for saving groups

Lot 2: Digitize bank financial services in banks and MFIs to better serve small holder farmers.

Companies can apply for one or both lots depending on their capacity and experience

SOW Objective: Establish a business relationship with Sudan's banks and/or microfinance institutions and VSLAs serving the agricultural sector to provide digital financial services to smallholder farmers in South Kordofan State. Thereby, allowing for the education and enablement of smallholder farmers to access and utilize these services to improve their financial wellbeing.

Key Activities: Enter into an agreement with the selected bank and/or microfinance institution and VSLAs to implement and then provide digital financial services in the Arabic language to smallholder farmers in South Kordofan state. It is envisioned this would be via an application available on mobile devices (phones and tablets) and likely deployed by the use of agents in field offices.

This includes but is not limited to the following services. It should be noted that these basic services are necessary before the expansion of other complimentary services such as e-vouchers or agricultural crop insurance for example, can be implemented and adopted:

1. Remote opening of savings accounts through digitally enabled systems. Done where the farmers live, eliminating the need for them to travel to the physical location of the bank or microfinance institute.
2. Remote loan (credit) applications on mobile devices: Tailored to smallholder farmers, easy to access, easy to understand and quick to complete. No complicated long forms.
3. Digitisation of record-keeping in VSLAs to ensure the process of record-keeping is quicker, simpler and more accurate, and can be used to facilitate linkages to formal financial institutions
4. Service solutions training; specifically how to use the mobile applications.
5. Financial literacy training and on how digital services benefit smallholder farmers to build trust and adoption on use of new service solutions.
 - a. Reduced travel time, reduced time for VSLAs to manually enter and maintain paper records.
 - b. Improved security and reduced vulnerability by not storing cash in their homes.

Targeted localities in South Kordofan State: Kadugli, Aref AlShargi, Dilling and Habilla Localities.

Mercy Corps is seeking to contract a minimum one, preferably two digital financial services providers with an existing mobile application that has demonstrable success in the agricultural sector with smallholder farmers and particularly with female smallholder farmers. While the ultimate aim of this partnership is to provide access to digital financial services to smallholder farmers in South Kordofan state, it is acknowledged that these services to our knowledge do not presently exist in Sudan. Therefore, the successful RFP respondents must, through an agreement reached directly by them with the selected bank or microfinance institution and the VSLAs, bring about the creation and implementation of the needed services.

Mercy Corps is aware that the digital financial services providers have differing business models and thus, this SOW serves as a guide of services required for this call for proposal. **It is understood that certain digital financial service providers may have solutions only applicable to banks or microfinance institutes while others may focus on VSLAs.** Mercy Corps will assess the appropriateness of the customized activities to achieving the program targeted goal against proposals that will apply for this purpose.

The applicants should be prepared to contribute at least 30% of the proposal budget; the higher the contribution, the higher the chance of selection.

1) Background:

Mercy Corps, in partnership with the Adventist Development and Relief Agency (ADRA), is implementing a SIDA-funded program called 'Strengthening Agricultural Markets and Food Security (SAFE) in South Kordofan and Blue Nile states.

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.

ADRA is the global humanitarian organization of the Seventh-day Adventist Church. Through an international network, ADRA delivers relief and development assistance to individuals in more than 130 countries—regardless of their ethnicity, political affiliation, or religious association. By partnering with communities, organizations, and governments, ADRA is able to improve the quality of life of millions through 9 impact areas.

2) Purpose / Project Description:

The SAFE program's overall goal is to reduce vulnerability and increase income and food security of smallholder farmers in South Kordofan State.

This program is being implemented through an approach which seeks to improve the way financial institutions and financial services providers serving the agricultural sector operate and engage with smallholder farmers. Smallholder farmers (and in particular women smallholder farmers) have been disadvantaged and often excluded by the formal financial sector. Though, not necessarily intentional, ease of access to financial products and services has been an impediment to smallholder farmers, limiting their ability to improve their financial wellbeing. Providing digital financial services to smallholder farmers has proven successful in other African countries by removing access barriers, bettering financial literacy, cultivating gender and social inclusion, and increasing income and food security.

Digital financial services once established have the ability to scale both in terms of geographic reach and complimentary services. In doing so, supporting and facilitating the long-term development of the agricultural market systems which will bring more benefit to all parties involved in the system.

The program will seek service contracts with matching contributions from the digital financial services provider/s (those establishing the services with banks and/or microfinance institutions and VSLAs).

Specifically, the program aims to achieve the following objectives:

Objective 1: Find and secure an agreement with a minimum of one bank or microfinance institution willing to offer digital financial services in South Kordofan state and Blue Nile State to smallholder farmers.

Objective 2: Implement a digital financial services application, making it available for download on mobile devices.

Objective 3: Work with selected financial institution/s to identify field agents to be trained who can act as project champions and points of service in the four (4) localities named in South Kordofan and three (3) localities in Blue Nile States.

Objective 4: Mobilize field agents to educate male and female smallholder farmers on the benefits of the application.

Objective 5: Between 4,000-6,000 Male and female smallholder farmers and 300 savings groups accessing digital financial services, and continuing to do so once the support from SAFE finishes.

3) Project Awareness Items

The vast majority of smallholder farmers in South Kordofan and Blue Nile state have mobile phones, at least one per household. However, many of these devices are basic and older technology. The digital financial services application must be able to function on older devices. Smartphones due to cost are not widely possessed by this target group.

The literacy level (ability to read and write) varies between smallholder farmers and within this group, between male and female smallholder farmers. It is important that digital financial services be available widely and not exclude individuals based on their literacy level.

4) Proposed activities to be taken into consideration by the digital financial services applicants during its performance

1. Pilot and Scale up digital savings mechanisms for saving groups

Note: This activity can be implemented by any digital service provider which specializes in digitalisation of manual processes employed by savings groups such as VSLAs. The objective is to promote a safe, effective and efficient informal financial services for people using savings groups

- 1.1 Select 5 willing VSLAs in each of the two states to pilot the digital solution
- 1.2 Document existing record-keeping practices being used and replicate them in the digital solution.
- 1.3 Identify and train the solution champion from within the pilot community. (May be the current leader of the VSLA who records all the transactions)
- 1.4 Train and educate the VSLA community champion and participants on the solution
- 1.5 Equip solution champions with the tools needed to have the solution be operational
- 1.6 Support the solution with regular visits (at least once in two weeks)
- 1.7 Provide Mercy Corps with access to the data at group and individual level through an MIS / portal
- 1.8 Monitor and provide reporting on the progress and impact (e.g. time saved/hours, record keeping, level of savings, ease of reporting, testimonials)
- 1.9 Conduct the pilot study with 5 VSLAs in each state. Document lessons learned and challenges encountered particularly around VSLA adoption and use, and impact on existing processes and group dynamics.
- 1.10 Upon successful completion of the pilot and approval by Mercy Corps, replicate success by introducing to other 290 VSLAs or other types of savings groups

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- 1.11 Promote success by radio interviews, announcements community recognition platforms
- 1.12 Create digital audio-based financial literacy in the VSLA access portal to improve farmers knowledge on financial literacy topics such as personal and family financial management, savings, loans, investments, insurance, planning for lean times, making payments and financial services providers and existing services

2. Digitize bank financial services in banks and MFIs to better serve small holder farmers.

Note: *This activity can be implemented by any digital service provider which specializes in digitalisation of manual processes employed by banks and MFIs. The objective is to promote ease and effectiveness of processes for rural areas*

- 2.1 Identify 1 bank or microfinance institution in South Kordofan state to pilot the digital solution aimed at improving access for smallholder farmers
- 2.2 Document existing paper and manual practices being used by banks and MFIs and migrate them to the digital solution. (Mockup input forms- such as account opening, loans application, loans appraisal etc., digital flow of information, etc.,)
- 2.3 Pilot the digital solution with up to 100 farmers to test the digital account opening and loan application service.
- 2.4 Document lessons learned and challenges encountered and make changes to the solution as required
- 2.5 Scale up the solution to work with up to 2 banks and 2 microfinance institutions, including the training of about 80 service point agents /product sales agents/product facilitators to provide the service to farmers..
- 2.6 Equip these agents with the tools needed to have the solution be operational in rural areas
- 2.7 Support the financial institutions to ensure that farmers have to access their savings accounts and can manage their loan disbursements and repayments
- 2.8 Promote success by radio interviews, announcements community recognition platforms
- 2.9 Support the solution with monthly visits to each regular visits
- 2.10 Monitor, adjust the digital solutions to make the solution more friendly and provide reporting on the progress and impact (e.g.time saved/hours, record keeping, level of savings, ease of reporting, testimonials)
- 2.11 Document lessons learned and challenges encountered

5) Expected Outputs from the proposal

- 1) Basic digital financial products and services established and implemented within saving groups in Blue Nile and South Kordofan States
 - 1.1. digitized processes in saving groups piloted in 5 saving groups
 - 1.2. 5 digital solution champions trained and supported to promote digital solutions among savings groups in rural areas.
 - 1.3. 30 support sessions provided to saving groups implementing digital solutions

- 1.4. 2 radio talk shows and 60 radio adverts run on radio to promote digital products among saving groups
- 1.5. Appropriate digital financial literacy content create and hosted in the VSLA digital portal
- 1.6 Report and graphics detailing progress over project period

- 2) Increased uptake of financial services from banks and MFIs among smallholder farmers
 - 2.1 Manual forms and processes digitized to ease access and use by rural communities in up to 2 banks and MFIs
 - 2.2 up to 80 digital financial service agents active in provision of digital financial services in rural areas
 - 2.3 2 radio talk shows and 60 radio adverts run on radio to promote digital products among saving groups
 - 2.4. Report and graphics detailing progress over project period

6) Eligibility of Digital Financial Services Provider

Only businesses which meet the criteria below qualify to be considered.

- a. Must be a legally registered company
- b. Must have been operating in Africa for at least 2 years.
- c. Must have been engaged in financial digital services for a minimum of 2 years
- d. Experience and proven ability to implement digital financial services for smallholder farmers
- e. Evidence of existing extensive networks would be an added advantage.
- f. Willing to contribute to the cost of establishing digital financial services to areas targeted by the SAFE program.
- g. Having proven ability to deploy digital financial services in remote rural areas.
- h. Must show willingness to promote women
- i. Will pass all Mercy Corps due diligence efforts and have a good reputation in the region

Other: Mercy Corps will also consider other factors such as:

- j. Institutions with demonstrated specific efforts, tools and capacity to serve women clients.
- k. Demonstration of creativity and technology in improving access and reducing operational costs in rural areas (digital training, produce aggregation and mobile payment platforms).