



SHIFT
SHAPING INCLUSIVE
FINANCE TRANSFORMATIONS

SHIFT Challenge Fund Facility

Linking remittances as a catalyst for financial inclusion and women's economic empowerment

3rd Window

7th April to 9th June 2017

The SHIFT Challenge Fund Facility Third Window invites remittance service providers and financial service providers to develop or scale-up innovative and sustainable business models to improve access and usage of regulated remittances to advance women's financial inclusion in Cambodia, Lao PDR, Myanmar and Viet Nam.



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SHIFT

SHAPING INCLUSIVE FINANCE TRANSFORMATIONS in the ASEAN region

What is SHIFT?

- **SHIFT is a UNCDF managed regional programme** that seeks to advance economic empowerment and market participation for low-income consumers, micro-enterprises and SMEs, with a specific focus on women, by unlocking financial markets access.
- One of SHIFT's key intervention areas is a **Challenge Fund Facility aiming at increased regulated financial inclusion for low-income populations and micro, small and medium enterprises**. Financial inclusion is understood as the capacity to access a wide range of financial services—savings, credit, insurance, and payments—from a range of responsible providers in a well-regulated environment. In order to be considered accessible, financial products and services must be designed to meet the needs of the financially excluded. This includes for instance appropriate delivery channels, physical proximity, affordable costs, transparent pricing, adequate loan amount and suitable collateral requirements.
- The Challenge Fund uses innovative financing mechanisms to extend investments in last-mile financial structures. This is a means of incentivizing the use of innovative technology and improved business models to expand access to and usage of financial services. The SHIFT Challenge Fund will achieve this by selecting and co-funding proposals offering either an innovative approach or scaling-up an existing approach for financial services delivery in **Cambodia, Lao PDR, Myanmar and Viet Nam**.

How does the SHIFT Challenge Fund Facility work?

- The Challenge Fund **offers incentives** to the private sector to develop new business models that financial market actors would not ordinarily be prepared to pursue. This would be because the return on investment would be difficult to assess or because it would be perceived as too risky. The SHIFT Challenge Fund aims to support projects for which social returns are assured, but financial returns have yet to be proven.
- The Challenge Fund **acts as a co-funder**, providing co-funding as grants to give innovative ideas a chance to establish that they can lead to financial returns and achieve social returns at the same time.
- The Challenge Fund **looks at innovative business models and at scaling up** of existing business models. Both approaches can be supported by the Fund.
- The Challenge Fund seeks to support the development of **sustainable and inclusive access to financial services**. Financial inclusion targets, as well as commercial sustainability of the business models are equally important to SHIFT.
- The Challenge Fund will **finance a share of the project's costs** through a performance-based grant agreement. The other portion of the project's costs will be financed by the applicant as an indication of their commitment to the business model and its commercial viability. Under a performance-based agreement, a portion of the project's costs are reimbursed to the grantee upon achievement of agreed milestones.
- The SHIFT Challenge Fund **operates with "Windows"**. The thematic focus of the Third Window is: *Linking remittances as a catalyst for financial inclusion and women's economic empowerment*. Applications for the first round of this window can be submitted between April 7th and June 9th 2017.
- The Challenge Fund allocates grants through an **open competitive process** with public solicitation of applications. Only the best proposals and applicants with the relevant skills and experience will be selected by an independent technical experts' investment committee.

Why does the SHIFT Challenge Fund focus on women's economic empowerment and what are the challenges?

Women as economic actors have the potential to become a growing and profitable market group for financial institutions, provided the appropriate products and delivery models are developed.

- Women constitute 51 percent of the population in CLMV. With more than 84 million, **women represent a significant and indispensable economic force for the region's development**, yet low-income women face disproportionately high challenges to economic empowerment.
- Despite progress in the last decade, regulated access to financial markets for women remains notably lower than for men. Even when including women-centred microfinance institutions outreach, more than 70 percent of women are excluded from the regulated financial sector in CLMV.
- Specifically regarding remittances, women are often the majority recipients of remitted funds in CLMV, and they have greater access to unregulated financial services (finance and savings) because of these funds available. While women and men send remittances at similar rates in the region, remittances are not making an impact on levelling out women's financial inclusion despite women being the primary recipients of funds at home.
- The Third Window's approach to addressing these challenges is to support regulated remittance services targeted at women clients. Targeting women clients in remittance value chains will improve access to services that can have positive impact on community-level usage of regulated financial services.

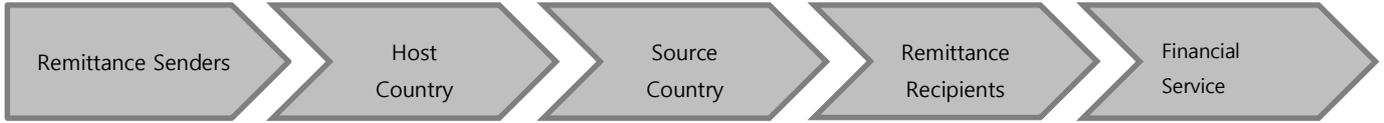
Why the 3rd Window of the SHIFT Challenge Fund focus on

Remittances

Leveraging remittances is a channel to improve women's economic empowerment, as remittances are an entry-level or gateway services to access other financial services that impact low-income households.

- Between women and men, women are the majority recipients of international remittances. Sixty-two per cent of remittance in rural areas and fifty-six per cent in of remittances in urban areas are received by women. This is significant, however, when the money is received via unregulated mechanisms (the dominant remittance mechanism in rural areas), there is weak ability for these funds to improve financial inclusion outcomes. While many remittance recipients have greater access to unregulated savings and credit, they are not using the remittances to improve usage of regulated financial services.
- For women, easing access and linkage of remittances to other financial services has vast impact on their abilities to use regulated savings, credit, and perform payments that can impact their whole households.
- There are very few remittance-focused grant funding mechanisms available or women's focused remittances products available to women clients in CLMV. Women's focused remittances are important because women play a significant role in remittance value chains, yet their financial inclusion still lags behind that of men.
- Therefore, a Challenge Fund Window focused on remittances can provide market-level change by increasing the number of remittance services available in CLMV- where lack of competition in services is a known barrier to improving remittances as a means of financial inclusion.
- Remittances in CLMV face a number of challenges and barriers (see below) that can be addressed by innovations from the Challenge Fund.

Barriers in the Remittance Value Chain



Challenges

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|--|--|--|---|---|
| <ul style="list-style-type: none"> • Limited accessibility • Remittance cost • Lack of trust in bank providers • Lack of awareness of available products • Lack of credible identification document | <ul style="list-style-type: none"> • Limited assistance to banks to adopt new remittance technologies • Lack of demand-side data on remitters for RSPs to target • De-risking | <ul style="list-style-type: none"> • Lack of partnership mind- set limits wider agent network • Establishing identity of recipients • Conservative remittance regulations | <ul style="list-style-type: none"> • Limited accessibility • Lack of trust in bank providers • Consumer protection • Slow transaction time • Lack of awareness of available products | <ul style="list-style-type: none"> • Lack of customer-centric financial products • Lack of demand-side data on the remittance recipients' location and needs • Lack of partnerships among banks and non-banks • Lack of incentives to cater to the market |
|--|--|--|---|---|



What type of proposals is the Challenge Fund looking to co-fund?

- The objectives of the SHIFT Challenge Fund Facility Third Window are to **address the barriers in women's access and usage of regulated remittance services, through private sector support.** The SHIFT Challenge Fund's incentives intend to enhance the risk/return assessment of financial providers for proposals that demonstrate both innovation and scalability (measured in terms of a viable business plan and outreach).

- **SHIFT will co-fund business models**

composed of, but not limited to: (1) business intermediaries who are adding provision of remittances to their service offerings; (2) remittance service providers from the financial services sector; (3) technology providers enabling greater access to remittance services, especially in last-mile areas, through mobile technology; and (4) linking of remittances to other existing services to reduce the risk associated with implementing a standalone remittance business model, thereby creating a commercially attractive value proposition both for financial service providers and businesses.

- SHIFT invites **proposals from financial and non-financial service providers**, microfinance institutions, money transfer operators, digital financial service providers, payment service providers, telcos, post offices, etc. **who are licensed to provide remittances or partnered with an entity who is licensed to provide remittances.** This can be done via joint proposals or single applications,

describing the innovative business model or scaling up of an existing sustainable business model.

The proposals should offer:

- Increased voluntary access to better remittance services for women;¹
- An attractive value proposition for the remittance business model;
- Economic benefits for participating businesses;
- A focus on improving last-mile or rural areas of CLMV that have weak access to remittance services and low rates of financial inclusion. Proposals targeting these areas via remittance-linked financial services will be given priority;
- The project must be implemented from October 2017 – December 2019 (with minimum project duration of 12 months and maximum project duration of 30 months);
- It must be a new business model, or a scaling up initiative of an existing project or service model. A scaling up project for an existing product/service can be considered a new business model as long as the scaling up project has not started before being selected by the Challenge Fund

¹Transparency and choice for the clients is paramount in the Fund's evaluation of the proposals

What does the SHIFT Challenge Fund offer?

- For this Window, SHIFT seeks to co-fund projects implementing in Cambodia, Lao PDR, Myanmar, and Viet Nam, which includes international remittances into CLMV from Thailand, ASEAN countries, or other countries.
- SHIFT will provide **co-funding as grants from USD 100,000 to USD 300,000. SHIFT requires applicants to contribute at minimum 50%** towards the project costs (depending on the innovation factor and risk level), thereby demonstrating the grantee's commitment to the project and its commercial viability.
- SHIFT's disbursement mechanism is based on reimbursement of project expenses after satisfactorily achieving mutually agreed milestones/project outcomes. Companies are hence expected to have sufficient funds available to take on the initial investment required to carry out their project.

Who is eligible to apply to the Challenge Fund Third Window?

- The SHIFT Challenge Fund is not a technical assistance facility. It aims to co-finance projects that have the potential to transform and strengthen the financial sector. It will therefore **select the most competent partners to be awarded co-financing as grant funding.**
- The window will apply the following eligibility criteria:
 - **Registered companies** (financial and non-financial service providers, microfinance institutions, money transfer operators, digital financial service providers, payment service providers, telcos, post offices) who are **licensed to or partnered with an entity licensed to provide remittances**, from all sectors are eligible;
 - Each proposal should address provision of remittance services for women;
 - All proposals must meet the current national regulatory requirements;
 - The lead applicant should have a minimum of three years of operations and statutory account(s);
 - **Applicants may be registered in CLMV, Thailand, ASEAN countries, or other foreign countries**, provided the project benefits women in CLMV.
 - Individuals cannot apply.

Key dates

- Applications can be sent from **7 April 2017 to 9th June 2017**. Any application received after the deadline will not be considered for this round. It is therefore recommended that interested parties start developing ideas and potential partnerships as soon as possible.
- **Information workshops** will be held in Cambodia, Lao PDR, Viet Nam, Myanmar and Thailand in late April-mid May 2017. The workshops are open to all applicants preparing an Expression of Interest. SHIFT will answer questions related to the expression of interest process and the functioning of the Challenge Fund.²
- Please check the **SHIFT website** (<http://shift.uncdf.org>) for details regarding time and location of the events and more information about the SHIFT Challenge Fund Third Window. Application forms and documents will be uploaded on the SHIFT website by 6 April 2017.

For further information, please contact the SHIFT team at:

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- [facebook.com/UNCDF](https://www.facebook.com/UNCDF)
- twitter.com/UNCDF
- [#WESHIFT](https://twitter.com/UNCDF)

² ²The UNCDF-SHIFT management team will not be involved in the EOI shortlisting process, which will be undertaken by an independent investment committee. The team is therefore able to provide assistance and feedback to applicants on the process. The main purpose of this assistance is to help applicants submit compliant EOIs. Any feedback or recommendations provided are merely suggestions and it is at the discretion of the applicant as to whether to apply them. The UNCDF-SHIFT team assumes no responsibility for any consequences related directly or indirectly to any actions (or inactions) taken regarding the feedback, advice or recommendations provided, or any decisions based on it.