

United Nations Capital Development Fund REQUEST FOR APPLICATION (RFA) FOR

Agri-MSME Digital Innovation Challenge

230504 - PAC

Development and expansion of digital agricultural value chain business models and solutions to alleviate financial and other constraints for agribusinesses and smallholder farmers in the Pacific Island Countries.

Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu, Kiribati, Tonga, Timor-Leste, Federated States of Micronesia (FSM), and Republic of the Marshall Islands (RMI).

EXECUTIVE SUMMARY

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.

UNCDF, through this RFA, seeks to develop inclusive digital economies in the countries of strategic interest in the Pacific region. It is imperative to focus on agricultural value chains digitization given their contribution to the gross domestic product (GDP) and employed population to achieve this goal and most importantly achieving food security and sustainable development goals in Pacific Island Countries. The Agri-MSME Digital Innovation Challenge RFA seeks to support the development and growth of digital agribusiness models and solutions to alleviate financial and other constraints for agribusinesses and smallholder farmers, particularly women and youth, in the region following the disruptions caused by COVID-19 in agricultural value chains.

Focus intervention areas under this RFA will include:

- Access to Markets
- Access to finance/capital
- Access to inputs
- Efficient business processes
- Access to information & skills

The proposed interventions – irrespective of the affiliated country – should be deployed in the agribusiness sector in Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu, Kiribati, Tonga, Timor-Leste, Federal States of Micronesia, or Republic of the Marshall Islands focusing on smallholder farmers, women, and youth. ***The focus is on priority value chains for the target countries such as sugarcane, fisheries, root crops, coconuts, palm oil, vegetables, coffee, cocoa, vanilla, dairy, ginger, kava, and forestry products.***

Candidates can apply independently or in a consortium. Please verify the eligibility conditions in Section 3.1 of this RFA.

The Challenge Fund is implemented by the United Nations Capital Development Fund (UNCDF) under the Pacific Digital Economy Programme (PDEP). Through the PDEP mandate of de-risking financial instruments mechanism, we are developing the Agri-MSME digital innovation challenge to support innovators test and scale digital solution to enable Agri-MSME/smallholder farmers to have better access to market and financial access. The Programme is regionally covering implementation in Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu, Kiribati, Tonga, Timor-Leste, Federated States of Micronesia, and Republic of the Marshall Islands receives funding from Australia's Department of Foreign Affairs and Trade and the European Union.

Proposed solutions must be implemented in Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu, Kiribati, Tonga, Timor-Leste, Federated States of Micronesia, or Republic of the Marshall Islands. In case of a single entity applying for the challenge, the organization must be registered in any of the abovementioned countries. In case of a consortium of multiple partners, the lead applicant must be a registered entity in any of the abovementioned countries whereas other partners can be based anywhere.

Selected applicants will be signing a Performance-Based Agreement¹ (PBA) with UNCDF.

The UNCDF contributions for individual proposals can range from **US\$40,000 to US\$80,000**, and UNCDF will award funds to multiple organizations based on the quality of the proposals. UNCDF is expecting to award funds to around 5-10 projects based on the merit of the proposals through this RFA. Grant amounts could be larger for the innovations ready to be scaled up. Applicants are expected to fund at least 30 per cent of the total project cost in cash or in-kind (for costs such as technical resources, staff, and operational expenses).

The proposed solution must be implemented in 12 to 18 months after the PBA has been signed.

Inquiries to this request for applications may be submitted by email to Mr. Johan Nyqvist johan.nyqvist@uncdf.org Cc uncdf.rfa@uncdf.org. For any email inquiries, please include in your subject line: "Agri-MSME Digital Innovation Challenge".

All applications must be submitted by 23:59 EST, the New York time zone on 12th June 2023 through the UNCDF APPLY platform:

<https://apply.uncdf.org/prog/230504 - pac - agri-msme digital innovation challenge>

Please visit UNCDF's APPLY platform to verify if this deadline has not been updated.

¹ A performance-based grant implies that no advance payments will be made. Grants 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 be responsible of providing a comprehensive and compliant financial report reporting all the financial transactions relating to grant. The Grantee will need to keep supporting documents related to these transactions to justify all actual costs incurred.

1. INTRODUCTION

UNCDF has a vision to promote inclusive digital economies that leave no one behind in the digital era. The goal is to equip millions of people to use innovative digital services in their daily lives that will empower them and contribute to achieving the Sustainable Development Goals (SDGs).

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. UNCDF pursues innovative financing solutions through: (1) financial inclusion, which expands the opportunities for individuals, households, and small and medium-sized enterprises to participate in the local economy, while also providing differentiated products for women and men so they can climb out of poverty and manage their financial lives; (2) local development finance, which shows how fiscal decentralization, innovative municipal finance, and structured project finance can drive public and private funding that underpins local economic expansion, women’s economic empowerment, climate adaptation, and sustainable development; and (3) a least developed countries investment platform that deploys a tailored set of financial instruments to a growing pipeline of impactful projects in the “missing middle”.

UNCDF and its Inclusive Digital Economies (IDE) practice area provide investment capital and technical support to both the public and the private sector. It provides capital financing - in the form of grants, soft loans and credit enhancement – and the technical expertise to unleash sustainable financing at the local level.

Agriculture Landscape of the Pacific Region

Agriculture plays a significant role in the Pacific region, both in terms of its contribution to the economy and to the livelihoods of the people who live there. Overall, the sector plays a key role in providing food security, contributing to GDP and export earnings, contributing to the country’s labor force. On the flip side, the sector also is faced by vulnerabilities which face this region such as climate change. Recent estimates highlight historical annual average risks (Average Annual Loss or AAL) to the global built environment from draughts, earthquakes, tsunamis, riverine floods, cyclonic winds, and storm surges amount to US\$ 290 billion (IPCC, 2022).

Socio-Economic Impact Assessment of COVID-19 in the Pacific Region

The COVID-19 pandemic has exacerbated existing vulnerabilities Pacific Island Countries (PICS) face. Existing vulnerabilities to name a few are their remoteness from international markets, dispersion of populations across many small islands, heightened vulnerability to the impacts of climate change, and natural resource constraints. COVID-19 posed challenges around declining incomes and disruptions to the food supply, challenged food security, and severely impacted farmers, especially smallholders. Reported impacts (GSMA, 2021) include a reduction in income, a decline in remittance income and revenue generated from crop sales, increased price of raw materials, a rise in loan defaults, and an inability to access new loans. One potentially positive outcome from the pandemic has been the increased attention to local agriculture and enabling local capacity to leverage technology to help improve agriculture productivity which may spur opportunities for higher competitiveness in agriculture.

For UNCDF to develop inclusive digital economies, it is imperative to focus on digital innovation in agriculture to achieve this goal, given its contribution to the GDP and the percentage of populations agriculture employs, specifically women. The contribution of agriculture to GDP

stands at 8.7 percent for Fiji, 27 percent for Papua New Guinea, 12.4 percent for Samoa, 23.5 percent for Vanuatu, 18.7 percent for Tonga, 24.1 percent for Solomon Islands, 7.5 percent for Kiribati, 28.4 percent for Timor-Leste, 26.3 percent for Federated States of Micronesia and 1.8 percent for Republic of Marshall Islands. The sector employs about 25 percent for Fiji, 80 percent for Papua New Guinea, 25 percent for Samoa, 65 for Vanuatu, 70 percent for Tonga, 66 percent for Solomon Islands, 25 percent for Kiribati, 40 percent for Timor-Leste, 12.2 percent for Federated States of Micronesia and 16 percent for Republic of Marshall Islands. The agri-food sector is critical for livelihoods and employment. As technology has progressed, so has its uses in agriculture, bringing change in the sector. The developing world is starting to see the adoption of technology and the digital innovation in agricultural value chain solutions, positively impacting multiple stakeholders, such as smallholder farmers including women and youth.

Fiji

According to the World Bank, agriculture accounted for around 8.7 percent of Fiji's GDP in 2020. This figure has been relatively stable in recent year. It is worth noting that while agriculture's contribution to the overall GDP may not seem particularly large, it plays an important role in Fiji's economy and livelihoods. Agriculture is a key source of employment in Fiji, with around a quarter of the population working in the sector. The government of Fiji through the ministry of agriculture is focused on improving food and nutrition security by ensuring increased local production, raising farm efficiency and productivity, and developing more effective distribution systems. Fiji's government is keen to leverage new technology and better production to ensure that there are better systems to distribute agricultural information, effective market linkages and improved arrangements for an effective market. Some of the key agricultural products in Fiji include: sugar cane, cassava, taro, poultry, vegetables, coconuts, eggs, milk, ginger, sweet potatoes.

Papua New Guinea

Agriculture is the predominant source of livelihood in PNG. It employs 80 percent of the labour force while contributing 27 percent to the GDP. 55 per cent of the population active in subsistence agriculture are women, employing 70.3 percent of the female rural population. This segment is a lead contributor to economic growth, employment, and trade, which is worrisome as this segment is the most affected by the pandemic. The World Bank suggests that agriculture in PNG continues to underperform and is characterised by low productivity and lack of competitiveness. Despite its enormous agricultural potential, there are only a handful of large Agri-related businesses, which tend to be linked to the coffee and vanilla export market. Majority (estimates puts it over 80 percent) business are micro and small scale, which tend to operate within the region and rely on the local informal market systems. Some of the key agricultural products in PNG include: Coffee, Cocoa, Palm Oil, Copra, Spices, Fruits and Vegetables, and Livestock.

Samoa

Samoa's agricultural sector contribution to GDP has been declining in recent years as the contribution of other sectors such as tourism and services has increased. According to the World Bank, the contribution to the GDP in Samoa was approximately 12.4 percent in 2020. However, from the agriculture sector's perspective, the Ministry of Agriculture and Fisheries has always recognized the importance of ICT for Samoan farmers. According to data from the Samoa Bureau of Statistics, the labour force of Samoa in agriculture was approximately 25 percent of the total labour force in 2019. While agriculture remains an important source of livelihood and employment for many Samoans, the sector faces a range of challenges, including limited access to credit, land degradation, and the impacts of climate change. On a positive note, Samoa has been vibrant in its e-agriculture platforms with Facebook and agritech platforms like Maua handling e-commerce payment. The ministry of agriculture is also running an e-voucher systems

for asset financing under Samoa Agriculture and Fisheries Productivity and Marketing (SAFPROM) project, the e-voucher system was improved to cater to the distribution of goods to farmers and fishers through the Matching Grants Program, enabling the disbursing of about US\$360,000 worth of goods to farmers during this testing phase. Samoa's agricultural products are coconuts, taros, bananas, cocoa, coffee, fruits and vegetables and livestock (pigs and poultry)

Solomon Islands

Agriculture is the mainstay of the Solomon Islands economy, employing about two thirds of the population and accounting for a significant share of GDP. According to the World Bank, the agriculture sector contributed around 24.1 percent to the Solomon Islands' GDP in 2019. Solomon Island's main crops are palm oil, sweet potatoes, coconuts, taro, yams, fruit, pulses, vegetables, cocoa, and cassava. The government of the Solomon Islands has implemented various initiatives to support the development of the agricultural sector, including the Agriculture and Livestock Sector Policy 2015-2019 and the Solomon Islands Agriculture Census. Despite the importance of agriculture to the Solomon Islands' economy, the sector faces several challenges, including limited access to finance, infrastructure, and technology, as well as exposure to climate change impacts. While the recent COVID-19 pandemic has negatively impacted the country's economic situation it has also highlighted again the importance of a productive and resilient agriculture sector to guarantee continued economic growth and food and nutrition security for all citizens.

Vanuatu

According to the World Bank, the contribution of agriculture to GDP in Vanuatu was approximately 23.5 percent in 2020. This makes agriculture the largest sector of the Vanuatu economy, providing livelihoods for a large portion of the population and supporting rural development. It employs about two thirds of the adult population. The main agricultural products of Vanuatu include copra, cocoa, kava, coffee, and vegetables such as taro and yams. The country also has a growing livestock sector, with cattle, pigs, and poultry being raised for meat production. While the agricultural sector in Vanuatu faces a range of challenges, including limited access to markets, low productivity, and the impacts of climate change, efforts are being made to support the sector through investments in infrastructure, research and development, and training programs for farmers. These initiatives aim to improve the competitiveness of agricultural products and promote sustainable and inclusive economic growth in Vanuatu.

Tonga

Agriculture is a crucial sector for Tonga's economy, providing employment for approximately 70 percent of the population and contributing significantly to GDP. According to the World Bank, the agriculture sector contributed around 18.7 percent to Tonga's GDP in 2019. The main agricultural products in Tonga include root crops (such as taro, cassava, and yams), coconuts, bananas, and vanilla. The government of Tonga has implemented various initiatives to support the development of the agricultural sector, including the Tonga Agriculture Sector Plan 2016-2025 and the Tonga Agricultural Statistics System. Despite the importance of agriculture to Tonga's economy, the sector faces several challenges, including limited access to finance, climate change impacts, and competition from imports.

Kiribati

Kiribati's agricultural sector contributes about 7.5 percent of the GDP of the country according to the World Bank 2020 report. It employs about a quarter of the adult population. The main agricultural products of Kiribati include coconuts, pandanus, breadfruit, and taro. Fishing is also an important source of food and income for many people in Kiribati, with tuna being the main

export product. The agricultural sector in Kiribati faces a range of challenges, including limited land resources, a shortage of skilled labour, and the impacts of climate change, including sea-level rise and coastal erosion. By leveraging digital technologies, Kiribati can improve the productivity and competitiveness of its agricultural sector, increase the resilience of its farmers to climate change, and contribute to the sustainable development of the country.

Timor-Leste

Agriculture is an important sector in Timor-Leste, providing livelihoods for a significant portion of the population and supporting food security in the country. The sector contributes about 28.4 percent of the GDP as per the World Bank 2020 report. It employs about 40 percent of the adult population. The main agricultural products of Timor-Leste include coffee, maize, cassava, sweet potatoes, and vegetables. Livestock rearing, fishing, and forestry are also important components of the agricultural sector. Timor-Leste is a country with a predominantly rural population and a significant agricultural sector. Timor-Leste faces numerous challenges, including limited access to inputs, poor infrastructure, and a lack of extension services. Digital technology can play an important role in supporting the development of the agricultural sector and improving the livelihoods of rural communities.

Federated States of Micronesia (FSM)

While latest data on the contribution of agriculture to GDP is not available, the agriculture sector of FSM contributes about 26.3 percent according to 2013 data estimates. According to the World Bank, agriculture accounted for 12.2 percent of the total employment in the Federated States of Micronesia in 2019. The main crops of FSM are copra, betel nut, taro, cassava, yam, sweet potatoes, fruits and vegetables and livestock (pigs, chickens, and goats). Main challenges facing the sector are limited access to markets, poor infrastructure, and a lack of technical expertise.

Republic of the Marshall Islands (RMI)

According to the World Bank, the contribution of agriculture to GDP in the Republic of Marshall Islands is very small, estimated at around 1.8 percent in 2019. According to the World Bank, as of 2021, the labour force of the Marshall Islands in agriculture is estimated to be around 16 percent of the total labour force. Some of the key agricultural products are coconut, taro, breadfruit, bananas and fruits and vegetables. Due to limited arable land and water resources, the agriculture sector in the Republic of Marshall Islands is not highly developed and most food is imported.

PROBLEM STATEMENT

The Covid-19 pandemic has spurred the adoption of social distancing as a preventive measure, with many countries such as Fiji, PNG, Samoa, Solomon Islands, Vanuatu, Kiribati, Tonga, Timor-Leste implementing lockdowns to limit crowding in public spaces. The formal and informal economy, market vendors, vulnerable groups of populations (women, youth, people with disabilities) and MSMEs are particularly disadvantaged due to increased supply chain complications, disruption of food supplies, increased inflation, loss of livelihoods among other factors. Possible future lockdowns and supply chain delays in presently poorly connected markets pose a serious risk for the agriculture sector and food security in these countries. Rural populations of these countries where markets are the centrepiece of trade and income require strengthened capacities to navigate the economic shocks of COVID-19 and to effectively participate in the emerging digital economy.

The pandemic has exposed the need for greater adoption and adaptation to the digital economy for critical sectors such as agriculture to recover from the COVID-19 driven shocks and to build financial resilience. Transformation towards digital economies is accelerating at the global, regional, and country level. To ensure inclusive digital economies, key sectors need to be targeted where women constitute most of the workforce in terms of self-employment and job employment. Financial inclusion, referring to the capability of accessing a range of diverse and tailored financial services, is often one of the most critical constraints to business growth and development for women entrepreneurs.

Developing gender-smart solutions in agribusiness represents a crucial strategy to address an increasingly volatile global context and to open new opportunities for smallholder women farmers value chains. Yet women enterprises and smallholder women farmers continue to face specific constraints that limit their contributions, including limited access to hired labour, equipment, technology, training, finance, and markets. We need to ensure that women agriculture enterprises are not left behind and have the same equitable and equal opportunities to participate in resilient supply chains leveraging on digital solutions and integrated market systems.

The achievement of SDG 2 Zero Hunger by 2030 will require more productive, efficient, sustainable, inclusive, transparent, and resilient food systems². Therefore, there is a need for an urgent transformation of the agricultural system and incorporating digital technologies may be part of the solution. Digitalization can change every aspect of the agricultural value chain by optimizing and customizing the data-driven and timely management of resources throughout the agricultural value chains. It can lead to greater food security, profitability, and sustainability, positively impacting SDGs.

To strengthen the use of digital technologies in agricultural value chains in the Pacific region, UNCDF, through the Agri-MSME Digital Innovation Challenge RFA, is looking to partner with private sector innovators to design and launch digital solutions that support the development and expansion of agribusiness models and solutions.

² Source: [Digital technologies in agriculture and rural areas - Briefing paper \(fao.org\)](https://www.fao.org/publications/02/05/default.asp?lang=en&_langid=1)

The RFA will co-fund companies to pilot and scale digital solutions in agricultural value chains for the growth and resilience of Agri-MSMEs and smallholder farmers, focusing on women and youth³. Focus intervention areas under this RFA include:

- **Access to Markets:** Most smallholder farmers and Agri-MSMEs struggle to access markets in a fair and efficient way as they operate in informal value chains with poor access to markets and buyers. Furthermore, they are heavily dependent on intermediaries to sell their produce which leaves them vulnerable to volatile prices and high commission fees. Smallholder farmers and Agri-MSMEs also tend to have limited access to market information, which affects their ability to sell their produce at an optimal price even when they are operating in the formal sector.
- **Access to finance/capital:** Most smallholder farmers globally have limited access to capital and formal financial services such as credit, loans, savings, and insurance⁴. This can have considerable implications for the farmers as it can limit their ability to invest to improve their livelihoods and reduce their resilience to external shocks such as economic downturns or climate shocks.
- **Access to inputs:** Smallholder farmers' and Agri-MSMEs' limited access to capital and financial services also leads to other challenges such as the lack of access to quality agricultural inputs (seeds, fertilizers, and pesticides), and assets like machinery, irrigation systems, and crop storage. The risk of purchasing counterfeit or substandard inputs, such as seeds, fertilizers, and pesticides is high. Poor-quality inputs can lead to reduced yields, lower crop quantity, and increased costs, all of which can undermine the productivity and profitability of the farmers.
- **Efficient business processes:** Smallholder farmers and Agri-MSMEs in the Pacific Region operate their farms and conduct business through primary production and selling methods. They lack the technical skillset of utilizing computer applications and financial management skills to build forecasting models, logistics management, digital marketing, and skills to forecast cash flow needs and accounting. Often, it is due to the lack of demonstrable financial records that they are unable to qualify for working capital loans and other sources of capital from formal financial institutions.
- **Access to information & skills:** Smallholder farmers and Agri-MSMEs tend to rely on outdated farming techniques and lack access to critical information (weather, market, prices, and support services) and skills that could help them better plan their farming activities, improve on-farm practices, optimize use of inputs and reduce waste, reduce inefficiencies, and increase the per hectare yield and overall profitability. The information asymmetry for rural smallholder farmers and Agri-MSMEs lead to weak pricing and higher transaction costs, which adversely affect the profit margins for smallholder farmers and Agri-MSMEs.

³ This RFA will use the definition of youth used at the country level but will put an emphasis on people between 18 and 24 years of age.

⁴ <https://www.cgap.org/research/publication/smallholder-households-distinct-segments-different-needs>

Apart from positively impacting agricultural value chains, the RFA can directly impact smallholder farmers, women, and youth by bringing digital technology in agricultural value chains. In this context, the **Agri-MSME Digital Innovation Challenge** will work with commercial entities in Pacific countries to develop and expand agricultural value chain business models leveraging digital solutions to address the existing economic and enterprise challenges posed by COVID-19 and to achieve SDGs.

2. SCOPE OF WORK

2.1 Areas of intervention

The scope of this work involves working with new or existing service providers to utilize emerging technologies, such as big data and digital platforms. The Agriculture Micro, Small and Medium Enterprises (Agri-MSME) Digital Innovation Challenge aims to support solutions that can help Agri-MSMEs to grow their businesses and promote a more efficient value chain ecosystem. Specifically, we want to promote solutions and services that integrate smallholder farmers with agriculture value chain actors in a commercially scalable manner. ***Some of the key agriculture value chains in the Pacific Regions are sugarcane, fisheries, root crops, coconuts, palm oil, vegetables, coffee, cocoa, vanilla, ginger, kava, livestock, and forestry products.***

For example, this RFA is seeking for solutions that couple access to finance with financial literacy and/or digital tools that can increase Agri-MSME's ability to manage funds through better cash-flow management. Similarly, digital solutions that can provide access to national or global markets through digital commerce; platforms that provide up to date business-relevant information; and tools that increase agri-MSME entrepreneurs' business skills and digital literacy.

The service provider must demonstrate that their solution will bring a positive impact to the local Community in the Pacific region. Target beneficiaries will include a range of value chain stakeholders including local agripreneurs and MSMEs, farm families and their cooperatives. The initiatives may address one or more of the market challenges mentioned above. Women-led service providers and solutions that improve women's participation in economic processes are particularly encouraged to apply.

For this RFA, UNCDF invites applications from registered and operating entities in the Pacific Region to deploy its project and solutions in these ***selected countries – Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu, Kiribati, Tonga, Timor-Leste, Federated States of Micronesia, and Republic of the Marshall Islands.***

Interested entities can apply individually or in consortium with other partners, based on the features and implementation model of respective solutions. In case of a single entity applying for the challenge, the organization must be registered in any of the abovementioned countries. In the case of a consortium of multiple partners, the lead applicant must be a registered entity in any of the abovementioned countries whereas other partners can be based anywhere. To further clarify, if any potential applicant is not operational and registered in any of the 10 countries, they must apply in consortium partnering with a local entity to qualify.

UNCDF through the Agri-MSME Digital Innovation Challenge RFA, will support service providers in deploying innovative solutions that will help Agri-MSMEs to grow their businesses by addressing the challenges of access to market, financial services, efficient systems, information, and skills.

For this request for applications (RFA), UNCDF invites applications from registered entities that can offer innovative and scalable solutions addressing one or more of the following challenges through five areas of intervention.

| Areas of intervention | of | Challenges/ Problem Statement and Objectives for solution |
|-----------------------|----------------------------------|---|
| 1 | Access to Markets | <p><i>Challenges:</i> Most smallholder farmers and Agri-MSMEs struggle to access markets in a fair and efficient way as they operate in informal value chains with poor access to markets and buyers. Furthermore, they are heavily dependent on intermediaries to sell their produce which leaves them vulnerable to volatile prices and high commission fees. Smallholder farmers and Agri-MSMEs also tend to have limited access to market information, which affects their ability to sell their produce at an optimal price even when they are operating in the formal sector.</p> <p><i>Objectives:</i> Solutions that promote direct linkages between the farmers and the domestic/ international buyers, access to e-commerce platforms/ digital marketplaces, remove the need for intermediaries, increase quality control measures, and/or digitize last mile procurement and communications of export markets and enterprise services (B2B2C).</p> |
| 2 | Access to finance/capital | <p><i>Challenges:</i> Most smallholder farmers globally have limited access to capital and formal financial services such as credit, loans, savings, and insurance⁵. This can have considerable implications for the farmers as it can limit their ability to invest to improve their livelihoods and reduce their resilience to external shocks such as economic downturns or climate shocks.</p> <p><i>Objectives:</i> Investing in digital payment/ finance which improve the accessibility to and usage of financial services amongst the agricultural value chain actors including smallholder farmers and Agri-MSMEs. The solutions should be customized for the local conditions to and deploy innovative ways of leveraging technology, data, and/or existing value chain relationships to plug the gaps that are preventing access to capital and financial services including savings, credit, loans, payments, insurance, and investment to various value chain actors.</p> |
| 3 | Access to inputs | <p><i>Challenges:</i> Smallholder farmers' and Agri-MSMEs' limited access to capital and financial services also leads to other challenges such as the lack of access to quality agricultural inputs (seeds, fertilizers, and pesticides), and assets like machinery, irrigation systems, and crop</p> |

⁵ <https://www.cgap.org/research/publication/smallholder-households-distinct-segments-different-needs>

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| | | <p>storage. The risk of purchasing counterfeit or substandard inputs, such as seeds, fertilizers, and pesticides is high. Poor-quality inputs can lead to reduced yields, lower crop quantity, and increased costs, all of which can undermine the productivity and profitability of the farmers.</p> <p><i>Objectives:</i> Digital solutions that improve the efficiency and effectiveness of the various value chain stakeholders to trade agriculture inputs and enhance access of smallholder farmers to quality inputs in a competitive price. Some examples of these solutions include precision farming tools, mobile applications for farm management, and digital marketplaces for agricultural inputs.</p> |
| 4 | <p>Efficient business processes</p> | <p><i>Challenges:</i> Smallholder farmers and Agri-MSMEs in the Pacific Region operate their farm and conduct business through primary production and selling methods. They lack the technical skillset of utilizing computer applications and financial management skills to build forecasting models, logistics management, digital marketing, and skills to forecast cash flow needs and accounting. Often, it is due to the lack of demonstrable financial records that they are unable to qualify for working capital loans and other sources of capital from formal financial institutions.</p> <p><i>Objectives:</i> Solutions that enhance business process efficiency, build skills, financial literacy, and technical knowledge of production for agriculture value chain actors, particularly those employed in the informal sector.</p> |
| 5 | <p>Access to information & skills</p> | <p><i>Challenges:</i> Smallholder farmers and Agri-MSMEs tend to rely on outdated farming techniques and lack access to critical information (weather, market, prices, and support services) and skills that could help them better plan their farming activities, improve on-farm practices, optimize use of inputs and reduce waste, reduce inefficiencies, and increase the per hectare yield and overall profitability.</p> <p>The information asymmetry for rural smallholder farmers and Agri-MSMEs lead to weak pricing and higher transaction costs, which adversely affect the profit margins for smallholder farmers and Agri-MSMEs.</p> <p><i>Objectives:</i> Solutions that leverage digital technologies to improve the access to reliable information for smallholder farmers and Agri-MSMEs and help them make informed decisions about their operations and build their skills. Solutions include crop monitoring and analytics platforms, mobile applications for farm management, digital soil sensors, mobile-enabled information services (ex. dissemination of key information to farmers such as agronomic advice, market prices, and certification standards), digital weather and climate information services, and other reliable information extension services.</p> |

The examples of solutions in the identified areas of intervention are not exhaustive. The team at UNCDF is open to hearing what potential applicants have in mind outside these examples if your scale, commercial viability, and impact objectives are aligned with the market challenges in the Pacific context.

Support offered.

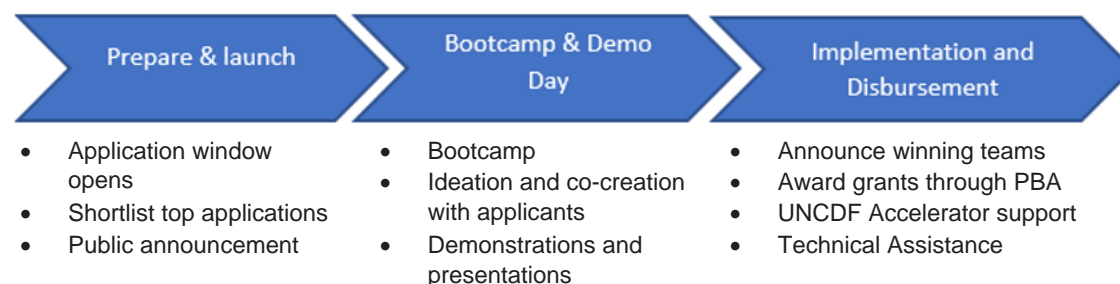
The Agri-MSME Digital Innovation Challenge RFA is targeted at solutions that are ready for piloting. The fund will **provide co-funding risk capital in the amount of US\$40,000 to US\$80,000** to selected partners in the selected Pacific regional countries through performance-based grants.

This project will be approached in three phases, as shown in the figure below.

The Challenge will be hosted by UNCDF Fiji Regional Office. Shortlisted applicants will be invited to attend a Bootcamp in Fiji, where they will be introduced to the design thinking approaches. Teams will have the opportunity to refine their solutions and prepare pitches. Travel and other costs of attending the Bootcamp will be provided by UNCDF.

For solutions that are new to the country, which may require regulatory approvals, they may be eligible under the regulatory sandbox established by the respective selected countries regulators.

After successful implementation of projects by the winning applicants within 12-18 months, there will be an opportunity for applicants to access debt capital financing from UNCDF if there is a need and an interest.



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:

- *Financing:* UNCDF provides financing support through grants and other funding solutions such as long-term loans, local currency loans and/or guarantee schemes.
- *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 and digital agriculture experts who are experienced in product design, business model development and go-to-market strategies in some of the most challenging markets in Africa and Asia.
- *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 across Africa, Asia, and the Pacific.
- *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.

| Suggestive indicators | Disaggregation |
|---|--|
| Number of new Agri-MSMEs/ smallholder farmers/farmer cooperatives registered for the solution | Total MSMEs/smallholder farmers/ farmer cooperatives: Women MSMEs/smallholder farmers/ farmer cooperatives: |
| Number of Agri-MSMEs/smallholder farmers/farmer cooperatives connected to output markets through the solution | Total MSMEs/smallholder farmers/ farmer cooperatives: Women MSMEs/smallholder farmers/ farmer cooperatives: |

| | |
|---|---|
| <p>Number of Agri-MSMEs/smallholder farmers/farmer cooperatives that received information and training through the solution</p> | <p>Total MSMEs/smallholder farmers/ farmer cooperatives:</p> <p>Women MSMEs/smallholder farmers/ farmer cooperatives:</p> |
| <p>Number of Agri-MSMEs/smallholder farmers/farmer cooperatives that are registered (and active) using a digital extension platform</p> | <p>Total MSMEs/smallholder farmers/ farmer cooperatives:</p> <p>Women MSMEs/smallholder farmers/ farmer cooperatives:</p> |
| <p>Number of Agri-MSMEs/smallholder farmers/farmer cooperatives receiving digital payments and information services</p> | <p>Total MSMEs/smallholder farmers/ farmer cooperatives:</p> <p>Women MSMEs/smallholder farmers/farmer cooperatives:</p> |
| <p>Number of Agri-MSMEs/ smallholder farmers/farmer cooperatives received loan financing through the solution</p> | <p>Total MSMEs/smallholder farmers/ farmer cooperatives:</p> <p>Women MSMEs/smallholder farmers/ farmer cooperatives:</p> |

Please note that during the design process of the Performance based- Agreement with UNCDF, applicants shall be required to integrate the monitoring framework with additional KPIs.

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

Entity registration

- The applicant/ lead applicant must be a registered entity.
- The applicant/ lead applicant must have audited financial statements for at least one operating year; if audited financial statements are not available at the time of application, the applicant must provide the latest management accounts at the due diligence stage and provide UNCDF with audited financial statements during the partnership.

Country of Operation

- The applicant can be registered in any of the following countries: Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu, Kiribati, Tonga, Timor-Leste, Federated States of Micronesia, or Republic of the Marshall Islands. However, the interventions – irrespective of the applicant's registration country – should have their project and solution implementation in any one of above-mentioned selected countries of the Pacific Region. We strongly encourage Pacific Region-based businesses to apply.
- Entities registered outside of Pacific Region are required to have at least one local partner that is registered in any one of the abovementioned countries of the Pacific Region and apply as a consortium.

Consortiums (when applicable)

- Applicants may apply only once under the RFA, whether independently or in a consortium.
- Joint applications between market players (including those examples of registered entities given above) in the target country or countries are encouraged if the solution proposed will expand delivery networks and promote rural and/or other last-mile access to market and financial services.
- 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 lead applicant and their financial service provider partner must be registered entities with at least one year of operations and must have statutory accounts and audited financial statements for at least one operating year. If audited financial statements are not available at the time of application, the applicant must provide the latest management accounts at the due diligence stage and provide UNCDF with audited financial statements during the partnership.
- If a consortium includes multiple entities from the above-mentioned 10 countries and another entity outside the Pacific region, the lead applicant shall be the entity registered in one of the 10 countries. If selected, the funding will be awarded to the lead applicant through the Performance Based Agreement (PBA) with UNCDF.

Project funding

- Selected applicants shall co-finance at least 30 percent of the total project cost in cash (for costs such as technical resources, staff, and operational expenses).

Exclusionary criteria

- Application shall use UNCDF submission formats and submit a complete application, otherwise will be excluded.
- 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 members of their board of directors shall not be included in the United Nations financial sanctions lists,⁶ particularly in the fight against the financing of terrorism and against attacks on international peace and security; and
- Applicants must not be involved in any of the following activities:⁷
 - 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.
- Applications 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.

UNCDF will conduct due diligence on selected applicants. Applicants must have documents ready for confirmation that they meet the eligibility criteria, including audited financial statements, certificate of registration, certificate of compliance with the tax authorities and any other documentary evidence that might be requested by UNCDF besides the application form.

⁶ See: <https://www.un.org/securitycouncil/sanctions/information>

⁷ 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 evaluation criteria below.

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 | <p><u>Relevance - Technical Evaluation</u></p> <ul style="list-style-type: none"> -To what extent does the proposed solution and the operating model address the SDGs/ Problem Statement/ market needs directly and clearly for Agri-MSMEs and smallholder farmers? -Has the applicant demonstrated good understanding and proven experience in working with the target population segments? | 15 |
| 2 | <p><u>Team</u></p> <ul style="list-style-type: none"> -What is the team composition? Size and roles? Relevant experience in the industry? - human resources, finance, infrastructure, technology, brand recognition, geographical footprint. | 15 |
| 3 | <p><u>Methodology</u></p> <ul style="list-style-type: none"> -Has the applicant outlined a clear methodology and approach? The applicant explains in detail how the entity will be able to reach the Agri-MSMEs and improve their value chains and impact smallholder farmers. -Are the proposed targets, backed by a sound logic (e.g., current user base, applicant's ability to deliver, partnerships)? | 15 |
| 4 | <p><u>Digital Innovation</u></p> <ul style="list-style-type: none"> -The extent to which the solution proposed is digitally innovative. How innovative is the proposed project in the target country? What are the barriers to entry, if any? -How effective is the solution in meeting the requirements of the targeted agriculture value chain actors and smallholder farmers? | 15 |
| 5 | <p><u>Gender perspective</u></p> <ul style="list-style-type: none"> -The potential impact of the solution on women-led Agri-MSMEs and women smallholder farmers in specific agriculture sectors. - Will the proposed project have a specific positive and sustainable impact on women-led Agri-MSMEs and women smallholder farmers? - Can the proposed business model induce market behaviour change in other actors regarding gender gap? - Has an engagement strategy for women-led Agri-MSMEs and women smallholder farmers developed? | 10 |
| 6 | <p><u>Sustainability and business plan</u></p> <p>How sustainable is the solution for long-term growth? To what extent can the solution be scaled in the target market?</p> <ul style="list-style-type: none"> - Little evidence to suggest capacity to scale (market research completed). - Some evidence to suggest capacity to scale (market validation completed). - Significant evidence to suggest capacity to scale (business plan and revenue model completed, demonstrating scalability with the women enterprises in proposed sectors). | 15 |

| | | |
|--------------|---|------------|
| 7 | <p><u>Financial Evaluation</u></p> <p>-Financial offer/cost to complete the project (includes value for money in terms of financial costs vs number of businesses on-boarded).</p> <p>-Applicant is co- contributing resources towards the project cost.</p> | 15 |
| 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 if 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

Eligible candidates can apply alone or as lead applicant in a consortium of firms, if 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:

- Submitting the application form on behalf of the consortium.
- Ensuring that each partner is fully aware of the composition of the partnership and of the contents of the Application Form.
- Signing the Performance-based Agreement with UNCDF.
- Fulfilling all obligations set out in the Performance-based Agreement.
- Ensuring the allocation and the fulfilment of the funds amongst the partner in the consortium in compliance with the Performance-based Agreement.
- 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 primary target benefit is Agri-MSME/smallholder farmers/cooperatives in the Pacific Region's countries – Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu, Kiribati, Tonga, Timor-Leste, Federated States of Micronesia, and Republic of Marshall Islands. Service providers and solutions that improve women's participation in economic processes are particularly encouraged to apply. Applicants are also encouraged to focus on local partnerships, and youths.

4.3 Geographical scope

The interventions – irrespective of the applicant's sending country – should implement solutions in targeting Agri-MSMEs in ***Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu, Kiribati, Tonga, Timor-Leste, Federated States of Micronesia, or Republic of the Marshall Islands.***

4.4 Project duration

Projects are expected to have a 12-to-18-month duration. Activities are expected to be completed no later than December 2024. Final and assessment report will have to be submitted no later than June 2025.

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 applicants in accordance with the Evaluation Criteria as set forth in section 3.2. UNCDF contributions may range from US\$40,000 to US\$80,000

Specific projects will be financed based on business needs. Depending on the maturity of the solutions and the success of the pilot, UNCDF would 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. Additional technical assistance services will be provided by UNCDF through a separate budget line.

5. APPLICATION REQUIREMENTS AND PROCESS

5.1 Structure of the application

- The applicant must submit a complete application form online.
- Please prepare the following documents that will need to be submitted through the UNCDF e-investment platform:
 - ✓ Certificate of incorporation
 - ✓ Latest audited financial statements
 - ✓ Latest management accounts
 - ✓ An official document provided by national authorities certifying that your organization has fulfilled all obligations relating to the payment of social security contributions or obligations relating to the payment of taxes per the legal provisions in your registration country.
 - ✓ Technical submission form (using UNCDF's template)
 - ✓ Budget and work plan (using UNCDF's template)
 - ✓ CV form (using UNCDF's template)
 - ✓ Optional: A deck that visually outlines what the project and/or product is (15 slides maximum and as a PDF). The deck shall include the following headed sections: (i) Executive summary, (ii) Problem statement and market need; (iii) Solution, (iv) Milestones and go-to-market strategy, (v) Team (vi) Deployment of UNCDF funding, (vii) Business model and financial projections.

All submissions must be completed in English.

Only applications that follow the Submission Formats and include all the necessary documentation will be considered.

5.2 Application deadline

All applications must be submitted by 23:59 EST, the New York time zone on 12th June 2023.

Please submit your application here: <https://apply.uncdf.org/prog/230504 - pac - agri-msme digital innovation challenge>

Selection process:

- Step 1: Eligibility screening – eligibility will be assessed according to the eligibility requirements as set forth in section 3.1.
- Step 2: Evaluation of eligible 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 on applications that receive the minimum qualifying score (70/100).
- Step 4: Notification of applications – all applicants will be notified of the status of their applications.
- Step 5: 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 6: Approval of the selected applications by the UNCDF Pacific Impact Investment 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 7: Notification of applications - all applicants will be notified of the status of their applications after final approval from UNCDF Board / Investment Committee.

5.3 Timeline

| | |
|---|---|
| 4 th May 2023 | Application window opens |
| 10 th & 24 th May 2023 | Information Session Webinar to potential agritech innovators and consortium partners. Links to the information sessions are provided below: Information session 1 (2.00pm – 3.30pm, Fiji time (GMT+12), 10 th May 2023): https://undp.zoom.us/j/81263114047 Information session 2 (2.00pm – 3.30pm, Fiji time (GMT+12), 24 th May 2023): https://undp.zoom.us/j/83582903890 |
| 12 th June 2023 | Closing Date for Application |
| Last week of July 2023 – shortlisted applicants will be informed of final dates | Bootcamp |
| First week of August | Notification of successful applicants |

5.4 Real-time assistance from UNCDF

Inquiries to this request for applications may be submitted by email to Mr. Johan Nyqvist johan.nyqvist@uncdf.org Cc uncdf.rfa@uncdf.org. For any email inquiries, please include in your subject line: “Agri-MSME Digital Innovation Challenge”.

A document answering frequently asked questions will be continually updated on this RFA website.