



# UNITED NATIONS CAPITAL DEVELOPMENT FUND REQUEST FOR APPLICATION FOR FUNGUO INNOVATION PROGRAMME 2ND FUNDING ROUND



## SUMMARY

The 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.

The FUNGUO Innovation Programme (also simply referred to as FUNGUO) is a UNDP Tanzania Initiative funded by the European Union as part of the “Business Environment, Growth and Innovation” (BEGIN) Programme. Other funders include UNDP itself and the UK Government through the British High Commission (BHC). The programme aims to increase the number of successfully scaled innovative ventures. It does so by addressing the challenges and gaps in the innovation ecosystem that hinder the scaling of innovative impact ventures, while fostering an environment that supports innovation for development and empowers innovators, entrepreneurs, and enablers. UNDP Tanzania leads the programme implementation in partnership with UNCDF, and works in close collaboration with COSTECH, ICT Commission among and other partners.

After the successful launch and execution of the 1st funding round which funded and supported 26 impact-driven startups, FUNGUO is pleased to announce its second call which considers lessons learnt and feedback from the 1st one.

Through this Request for Applications (RfA), FUNGUO continues to identify legally registered impact-driven startups and scalable innovative SMEs, majority-owned by Tanzanians. As a conscious effort to encourage and promote women innovators and entrepreneurs, at least 30% of the funds available for this round will be exclusively reserved for women-founded or women-led startup companies.

The geographic scope of the intervention is the country of Tanzania. To be eligible, applicants must be registered and operating in Tanzania.

Selected applicants will sign a Performance-Based Agreement (PBA) with UNCDF.

UNCDF's contributions will be an equity free grant ranging from TZS 50 million to TZS 100 million. UNCDF will award up to 20 applications depending on the requested amount, compliance to eligibility and selection criteria. Applicants must apply independently.

Inquiries to this request for applications may be submitted by email to [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org) and [cc\\_funding@FUNGUO.org](mailto:cc_funding@FUNGUO.org)

The application window is open from 30th May 2023 and will close at 11:59 PM EAT on 30th June 2023. All applications must be submitted through UNCDF e-investment platform: <https://apply.uncdf.org/prog/FUNGUO2/>

However, please visit UNCDF's Apply platform to check if the deadline has not been extended.

## 1. INTRODUCTION

Building on the work of the former UKaid-funded Human Development Innovation Fund programme (HDIF), the aim of FUNGUO is to increase the number of successfully scaled innovation ventures/ start-ups to contribute to the national development goals and the SDGs in Tanzania. This will be achieved through the programme's contribution in addressing the stumbling blocks and gaps in the innovation ecosystem that hinder innovative impact ventures from scaling, while promoting an environment that promotes innovation for development and empowers innovators, entrepreneurs, and enablers. The three main pillars of the programme are:

- **Innovation Financing:** This includes, but is not be limited to, building a viable pipeline of innovative impact ventures/ start-ups, working with partners to avail relevant and flexible financial and technical support to those ventures, and ultimately setting up an autonomous FUNGUO Innovation Facility that will leverage public funding to unlock private / third-party financing and investment.
- **Innovation Service Delivery:** The programme contributes to strengthening the capacity of service delivery institutions (hubs, incubators, accelerators, professional business development services providers, etc...) to support and lead innovative start-ups to a stage where they can attract impact and/or commercial investments.
- **Innovation Enabling Environment:** The programme works with and support policy makers and other innovation stakeholders to promote innovation & technology for development through conducive, progressive, and friendly policies and regulations, strategic dialogues, and engagement across the innovation ecosystem.

Through a combination of targeted initiatives across the three key pillars, the FUNGUO Innovation Programme is designed to lay the foundation for, and unlock the potential of, Tanzanian innovators and entrepreneurs to create scalable start-ups capable of attracting impact and commercial investments. The more start-ups are supported and scaled, the more jobs will be created, and more income will be generated, leading to sustainable and inclusive development. The programme is initially being funded by UNDP, the European Union Delegation to Tanzania and EAC, as well as the British High Commission (BHC). The implementation is being led by UNDP Tanzania in partnership with the United Nations Capital Development Fund, UNCDF.

## 2. SCOPE OF WORK

The primary goal of this Request for Applications (RFA) is to provide catalytic funding to Tanzanian impact-driven startups and innovative SMEs, supporting their scalability and attracting external financing. By addressing the funding gap for smaller organizations with proven business models and market traction, the aim is to fund ventures capable of reaching a wide audience and contributing to long-term success. This funding opportunity also emphasizes the promotion and support of women-led and women-founded businesses, advancing gender equality and empowerment, while contributing to the overall development goals of the country. Building on previous successes, the RFA seeks to identify startups with potential investors willing to take the first bet and help de-risk them, fostering a strong pipeline of impactful startups and scalable SMEs with innovative business models that can attract further funding opportunities.

### 2.1 Areas of intervention

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 challenges hindering the advancement of the Sustainable Development Goals (SDGs).

### 2.2 How UNCDF works with successful applicants

In the RFA, UNCDF together with FUNGUO Programme Team envisions the provision of support align with the area of intervention above.

**1. Grant Funding and Seed Capital:** Provide catalytic funding in the form of grants or seed capital to selected startups and SMEs. This funding should focus on organizations with proven business models, market traction, and the potential for scalability. The goal is to bridge the funding gap for smaller organizations and help them attract further investments.

**2. Mentorship and Business Development Support:** Offer mentorship programs and business development support to help startups and SMEs refine their business models, improve market traction, and develop scalable strategies. This could include providing access to experienced entrepreneurs, industry experts, and business advisors who can guide and mentor the applicants.

**3. Investment Readiness Training:** Conduct training programs focused on enhancing the investment readiness of the applicants. This may include workshops on financial management, investor pitching, valuation, and negotiation skills. The goal is to equip the startups and SMEs with the necessary knowledge and skills to attract external financing.

**4. Networking and Investor Matchmaking:** Facilitate networking opportunities between the applicants and potential investors. Organize events, pitch sessions, or investor showcases where startups and SMEs can present their ideas and innovations to a targeted audience of investors. This helps to establish connections and create a pipeline for future funding opportunities.

**5. Gender Equality and Empowerment Initiatives:** Develop initiatives and programs specifically targeted at supporting women-led and women-founded businesses. This could include tailored mentorship programs, networking events, and funding opportunities reserved for women entrepreneurs. The aim is to promote gender equality, empower women in business, and create a supportive ecosystem for their success.

**6. Monitoring and Evaluation:** Implement a robust monitoring and evaluation framework to track the progress and impact of the funded startups and SMEs. Regular progress reports, impact assessments, and performance evaluations will help measure the success of the funding program and identify areas for improvement.

**7. Access to Market Opportunities:** Facilitate access to market opportunities for the selected startups and SMEs. This could involve establishing partnerships with key industry players, facilitating introductions to potential customers or distribution channels, and providing support for market entry and expansion.

### 2.3 Expected results

Applications should include targets on the below indicators, which 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 reporting framework that may include additional indicators and targets, tailored to the scope of the proposed solution, activities and expected results.

Indicators	Disaggregation	Current	Target
Percentage annual increase in revenues			
Number of full and part-time working employees			
Value of funds invested in the organization, during/or after FUNGUO support.			
Number of active clients/customers/users			
Number of new registered clients/customers/users			

## 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

This RFA is open to ventures that meet the following basic criteria:

- Legally registered in Tanzania (incorporated or with a business name registration).
- Majority-owned by Tanzanian citizens (by 51% and above).
- Beyond ideation and pilot stage, with a minimum viable product that has some market traction (post revenue).
- For-profit entities or market-oriented social enterprises.

Have not raised more than \$100,000 in funding (in Equity or debt) to date.

### 3.2 Evaluation criteria

The Evaluation Committee will score the applications according to the below evaluation criteria.

Only applications that score at least [70 out of 100] will be considered successful and move to the due-diligence stage. Applications will be evaluated based on the following criteria:

S/N	Criteria	Score
1	<p><b>Innovation:</b> The eligible applicants must demonstrate how innovative they are in terms of products or services they offer, processes, additionality, unique selling proposition, or unique experience they create for their clientele, etc. as compared to the competition. Doblin’s Ten Types of Innovation can be a good guiding framework.</p>	30
2	<p><b>Business Viability and Potential to Scale:</b> Eligible applicants must demonstrate their potential to generate enough revenue and profits to sustain themselves in the short to medium term. They must also demonstrate their potential to scale through the ability to grow and expand their operations and offerings in the long term.</p>	30
3	<p><b>Team and Management:</b> The applicant has the necessary expertise, as well as management capacity and human resources, to substantially scale its business. Additionally, the team must demonstrate a clear understanding of how their target market operates, with team members who have first-hand experience of the problem or possess deep understanding of their target customers’ challenges.</p>	20
4	<p><b>Development impact:</b></p> <ul style="list-style-type: none"> <li>• The business model has a significant developmental relevance.</li> <li>• The impact is measurable, i.e., positive effects on the target groups.</li> <li>• The venture is contributing to reaching the SDGs by increasing local income, saving natural resources, improving access to resources and services, and creating decent jobs</li> </ul>	20
	<b>Total</b>	<b>100</b>

**Note:** Funding will be provided to incorporated businesses only. If a startup with a business name registration happens to be selected, they will be required to incorporate their business before its disbursement can be made.

### 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 as long as 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.

FUNGUO will conduct due diligence on selected applicants, who will be required to demonstrate how they meet the eligibility criteria and have a chance to defend their case further beyond the submitted application.

### **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 businesses are aligned to the following parameters

### **4.1 Applicants**

Eligible candidates must apply independently and will be responsible for:

- Submitting the application form
- Signing the Performance-based Agreement with UNCDF.
- Fulfilling all obligations set out in the Performance-based Agreement.

### **4.2 Target segment**

The primary target of the RFA are Startup companies and Innovative SMEs in Tanzania.

### **4.3 Geographical scope**

The Startup or Innovative SME should be registered and operating in Tanzania – any region (mainland or Zanzibar).

### **4.4 Project duration**

The grant duration is expected to have a 12-month duration.

### **4.5 Language**

The deliverables and any correspondence between the applicant organization and UNCDF must be in English.

## **5. APPLICATION REQUIREMENTS AND PROCESS**

### **5.1 Structure of the application**

- The applicant must submit a complete application form online: <https://apply.uncdf.org/prog/FUNGUO2/>.
- Only applications submitted online via the provided link and with all the required documentation will be considered.

## 5.2 Application deadline

All applications must be submitted by 23:59 EDT TIME of 30th June 2023 at this link <https://apply.uncdf.org/prog/FUNGUO2/>

Selection process
<ul style="list-style-type: none"> <li><b>Step 1:</b> Eligibility screening – eligibility will be assessed according to the eligibility requirements as set forth in section 3.1.</li> </ul>
<ul style="list-style-type: none"> <li><b>Step 2:</b> Evaluation of eligible applications based on the evaluation criteria set out in section 3.2.</li> </ul>
<ul style="list-style-type: none"> <li><b>Step 3:</b> Due diligence – due diligence on the applications and their applicants will be conducted on applications that receive the minimum qualifying score (70/100).</li> </ul>
<ul style="list-style-type: none"> <li><b>Step 4:</b> Notification of applications – all applicants will be notified of the status of their applications.</li> </ul>
<ul style="list-style-type: none"> <li><b>Step 5:</b> Pre-Grant negotiation and Performance-based Agreement – the selected applicants will finalise the scope of the grant and finalise budgets, indicators and targets, workplan and disbursements of the Grant that will be released on achievement of each milestone.</li> </ul>
<ul style="list-style-type: none"> <li><b>Step 6:</b> Approval of the selected applications by the 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.</li> </ul>
<ul style="list-style-type: none"> <li><b>Step 7:</b> Notification of applications - all applicants will be notified of the status of their applications after final approval from UNCDF Board / Investment Committee.</li> </ul>

## 5.3 Next steps



For info sessions regarding the RFA, please register via this link: <https://forms.office.com/e/UhJcM3HiHA>

## 5.4 Real-time assistance from UNCDF

For requests and queries, send an email to [funding@FUNGUO.org](mailto:funding@FUNGUO.org) cc [uncdf.rfa@uncdf.org](mailto:uncdf.rfa@uncdf.org)

FUNGUO Second Funding Round RFA 