SCBF Swiss Capacity Building Facility

PROPOSAL GUIDE

Eligibility Criteria

1.1 Eligibility Criteria for Financial Sector Partners (FSP)

a. If SDC funding is involved, the interventions shall take place mostly in the SDC eligible countries listed on the SCBF website. SDC may exceptionally approve funding of interventions in further countries on a case-by-case basis, if they complement SDC interventions. Other SCBF members and sponsors are free to fund operations in countries of their choice.
b. The FSP self-contribution should be at least 20% according to its financial standing and the financial inclusion relevance of the intervention. It assumes full ownership by appointing a senior manager to coordinate the intervention. Please refer to paragraph 2.3 for further details.
c. The FSP should have reached or is on a clear path to reach financial and institutional self-sufficiency. On a case-by-case basis, mid-stage start-ups (primarily post Series A fundraising round) with a tested client-centric product ready to scale can be considered.
d. The FSP should illustrate that it has a social mission to serve low-income clients, notably women, preferably in rural areas. At a minimum, the FSP complies with responsible finance practices, including national consumer protection standards, SPTF's Client Protection Standards and good governance standards. Double-bottom line FSPs are expected to make best efforts in complying with the overall USSPM. Special consideration is given to a lending FSP, and particularly to digital credit providers, on how the FSP avoids clients' over-indebtedness, so as to minimise potential reputation risks. The client protection standards for digital credit providers can be found here.
e. The FSP through the project should have a strong potential to reach a minimum of 4'000 new clients who are low-income households, smallholder farmers, youth (under 35 years of age) and micro, small and medium enterprises (MSME). Priority is given to gender-inclusive interventions and those with higher outreach. The project committee is entitled to accept on an exceptional basis projects with lower outreach targets in light of the innovation potential, matching self-contribution from other involved partners and financial inclusion relevance.
f. For general capacity building and institutional strengthening proposals applied for by SCBF members who have already invested or are planning to invest in the concerned FSP (refer to further information in 1.2 i) below) the minimum outreach target can be waived.

1.2 Selection Criteria for Product Up-Scaling and Innovation Proposals (PUI)

a. The FSPs must comply with international good practices of financial inclusion funders, including the following guides:
    i. CGAP A market system approach to financial inclusion: guidelines for funders (September 2015)
    ii. SDC: Accountability for results in financial sector development: A manual on managing cooperation in financial sector development (January 2010)
    iii. MicroInsurance Network: Performance indicators for microinsurance. A handbook for microinsurance practitioners (2nd edition, October 2010)
    iv. MicroInsurance Network: Protecting the poor: A microinsurance compendium, volume II, 2012
b. The FSPs through the project should maximise outreach to low-income households, smallholder farmers, youth and MSMEs in rural areas with particular focus on low-income women. To be measured through outcome measurements processes.

c. Innovative financial services that have minimum transaction costs and meet the needs of low-income households, youth, smallholder farmers and MSMEs focused on low-income women are viewed favourably. Priority is given to insurance and savings services that help mitigate risks of low-income and vulnerable clients, notably in rural areas.
d. Caution is given in promoting loan products that do not take into consideration client protection concerns, particularly in competitive financial markets with a high penetration rate of low-income households where risks of client over-indebtedness exist. Consumer loan products are excluded. Caution is also given in promoting insurance products which are tied to loans, particularly in competitive financial markets with a high penetration rate of loans to low-income households.
e. Training FSP staff and their agents in responsible finance practices which enable them to interact better with low-income and illiterate clients is viewed favourably. Contributions to an improved financial literacy level of low-income existing and potential clients are desirable.
f. **Mobilisation and development of local/regional competences and capacities, especially through hiring local consultants is preferred.** As is the capacity building of new staff of immature FSPs and/or international consultants spending at least 60% of their expert days on-site to ensure their knowledge is transferred to the FSP staff or another suitable alternative mode in the context of COVID-19.
g. Contribution to industry building and knowledge sharing. A knowledge sharing/dissemination component to the grant proposal is preferred that has strong branding of SCBF as the co-funder.
h. Co-funding of medium-term consultants is preferred to short-term consultants in cases where medium-term experts can achieve capacity building targets more efficiently and effectively.
i. Members who have invested or are planning to invest equity and/or debt into a new and/or immature financial institution may submit one PU proposal per FSP for capacity building and institutional strengthening without a direct link to product up-scaling. The PU eligibility and selection criteria apply but the minimum outreach criterion is waived. Such general capacity building support should serve as a preparatory step towards a subsequent product up-scaling proposal for the FSP concerned or demonstrate a clear causal relationship between the SCBF technical assistance (TA) grant support and mobilisation of the private investments into the FSP.

1.3 Selection Criteria for Financial Education Proposals (FE) – only available to SCBF members and SDC partners

a. FE proposals are to facilitate the clients' comprehension of newly offered financial products, such as insurance, combined banking and insurance products, digital payments and other digital financial services. As such FE proposals are to be linked to
    - product up-scaling and innovation proposals - or
    - product up-scaling related technical assistance offered by a third party and/or
    - product up-scaling undertaken by the FSP
b. "Stand-alone" FE proposals are allowed if the FSP or its partners offer FE
    - as a part of their business model
    - is focused on SCBF's target group1
    - is offered at a large scale and
    - the increase in product uptake or usage of the financial service is measurable.
c. The FE proposal should lead to a sustainable business offering of financial literacy training/business advisory services where the FSPs or its partner continue offering the training beyond the completion of the SCBF funding.
d. The FE proposal should contain generic financial literacy training components beyond components on business advisory, financial product explanation and responsible marketing of the financial product.

[1] low-income households, youth, smallholder farmers and MSMEs and in particular low-income women

e. The development of innovative financial literacy training methodologies, tools and distribution channels that can contribute to the emerging global knowledge of “good practice” financial literacy training that can be showcased by SCBF are encouraged.
f. **Mobilisation and development of local/regional competences and capacities, especially through hiring local consultants is preferred.** As is the capacity building of new staff of immature FSPs and/or international consultants spending at least 60% of their expert days on-site to ensure their knowledge is transferred to the FSP staff or another suitable alternative mode in the context of COVID-19.
g. Co-funding of medium-term consultants is preferred to short-term consultants in cases where medium-term experts can achieve capacity building targets more efficiently and effectively.
h. Include a representative sample survey of the financial literacy trainees at the conclusion of the interventions that provides insights in the benefits of the training received and initial behavioural changes, if at all.

1.4 Selection Criteria for Feasibility Studies (FS) – only available to SCBF members and SDC partners

a. The FS proposals that help prepare FSPs to develop their business model through the introduction of new and client centric financial products in their market and particularly in entering new markets serving as groundwork for developing subsequent product up-scaling proposals.
b. FS proposal can be considered only where a PUI proposal is insufficient to cover significant market assessment and business model preparatory work required for product design and testing.
c. The FS proposal must offer a compelling rationale that the FSPs are strongly committed to launch the new financial product. This should be demonstrated in their strategic business and annual operational plans and verified by both preparatory operations and reasonable self-contributions.
d. Mobilisation of local and regional consultants were deemed feasible.

Financial Regulations

2.1 Guiding Principles

a. The SCBF does not tender projects. The maximum ceiling for product up-scaling and innovation interventions, feasibility studies and financial education interventions is CHF 150’000. However, CHF 100’000 is aimed at as average ceiling for PUI and FE, and CHF 60’000 for FS.
b. After the approval of the proposals, tripartite execution contracts are directly signed with the designated grantee and the FSP concerned.
c. In some cases, the SCBF may alternatively accept a copy of the sub-agreement between the grantee and the FSP.
d. In general, the financial regulations shall be based on principles of value for money and performance-based grant disbursements.
e. The SCBF seeks to mitigate the potential reputation / headline risk for funding directly private corporate organisations for commercial self-interest. This risk relates to the perceived reputation risk that development funds are being used to fund operational costs of these organisations. As such, SCBF will not fund technical assistance provided by private corporations. However, field branches of private corporations may benefit indirectly, as a FSP, by receiving technical assistance, and only if they have a demonstrated track record of serving low-income clients.
f. Where proprietary technical[2] capacity, (for example, in the case of fintechs and insurtechs) is not available in the country where the project will take place SCBF may choose to fund the parent company as the TA provider to the subsidiary in-country FSP. In these situations, the grantee is

2 Includes trade secret/information (e.g., software, algorithmes etc.) which is not generally known or accessible, and which gives competitive advantage to its owner is information a company wishes to keep confidential.

required to outline what the proprietary technical capacity is and illustrate why it can only be provided by the parent company. In these exceptional cases the staff of the parent company can be funded as a means to build the capacity of the local entity staff. Pursuant to sections 1.2 f) and 2.2 SCBF may also fund staff for newly created positions of the in-country FSP.

2.2 Budget / Rates

a. The Finance Manager will check budget, rates, coherence between terms of reference and proposal and compliance with SCBF regulations and negotiate with the grantee the fees/consultant rates, if necessary. The following aspects are considered:

   - Identification of consultants according to local, regional, and international consultant categorisation.
   - Level of qualification / experience of the consultant and specific position within his/her institution as well as his/her domicile.
   - Complexity of the services required
   - For long-term assignments > 40 days per expert, the rates are reduced by 10%.

b. Rates for **local, regional, and international experts** are based on market conditions and shall be in line with the rates applied by the Swiss Agency for Development and Cooperation (SDC) in the countries concerned.

c. For members that have their own dedicated TA teams under a separate (non-profit) legal structure, the SCBF accepts the legal TA entity as a lead consultant without the need to break down the various tasks of steering, monitoring, quality control, and reporting among the various team members. For PUI, FE or FS proposals, the legal TA entity can be the Grantee. This provision facilitates the mobilisation of the dedicated TA capabilities of members for the benefit of strong quality control of SCBF interventions.

d. SCBF only covers expert days directly linked to the project's technical assistance activities. As such, administrative or management costs cannot be added as a markup on top of the daily rates.

e. The SCBF can fund the gross monthly salary of newly recruited local staff (irrespective of a limited employment or service contract) of immature FSPs for dedicated new functions linked to the corresponding PUI or FE proposal. This enables immature FSPs to test new local staff for new functions prior to recruit them as permanent staff upon completion of the SCBF support. Already employed local staff of the FSPs cannot be funded through the SCBF nor can their salary be accounted for as self-contribution.

f. Apart from the co-financing of short-term TA, the SCBF may fund the full effective costs where junior experts are contracted for long-term assignments (up to 2 years) and integrated into the management structure of the FSP.

g. The grantee is requested to describe the shareholding structure and disclose any investments and links between the FSP and the grantee/proposed consultants in the application form. SCBF will not fund interventions with a perceived conflict of interest (such as grantee benefitting from SCBF grant twice, e.g., through funding technical assistance provided by the grantee and increased market value of the benefitting FSP where the grantee is the majority shareholder).

h. The SCBF can co-finance larger TA packages of other funders. In these cases, the offer and rates from the tender submission that have been accepted by the main funder apply. A consolidated budget must be submitted disclosing all sources of financing. The SCBF may agree on the monitoring and reporting procedures of the main funder so as to streamline the reporting efforts for the FSP.

i. In exceptional cases, individual consultants can be endorsed by SCBF member organisations and contracted directly via the SCBF or preferably indirectly through the FSP as the grantee. Such exceptions have to be explicitly approved by the project committee during the project committee meeting and stated in the minutes thereof.

2.3 Self-Contribution by the FSP

a. FSPs shall provide an average self-contribution of at least 20% of the total costs of the PUI. Preference is given to projects with additional (and high) contributions from the grantee and third parties. Lower self-contribution ratios of the FSP may be acceptable for:
   - Immature FSPs that are not yet profitable.
   - FSPs which assume the market risk in pioneering new client-oriented financial products (e.g. insurance services) and/or their distribution channels that would drive financial inclusion further in depth and breadth, notably where a financial return is unlikely in the short to medium run.
   - State-owned FSPs (like postal financial service providers) that do receive donor funding without the requirement for self-contributions.
   - FSPs in the MENA region where the international financing institutions and other larger donors offer excessive levels of subsidies for political reasons.

   Higher self-contribution ratios may be required for profitable FSPs that receive technical assistance for loan product development with an expected financial return in the short to medium run. The project committee decides on the minimum self-contribution ratio case- by-case, taking into consideration the recommendations of the Finance Manager.

b. For FE proposals, a lower ratio is justified because FE constitutes largely a public good. In the case of FS, a lower ratio is justified because it will not result in a financial return in the medium run.

c. For PUI and FS proposals, the time of existing FSP staff involved cannot be counted for as self-contribution. However, FSP staff time can be accounted for FE proposals, as FE constitutes an extra client service in line with the FSP's social mission instead of being core business.

d. In principle, the SCBF only co-funds the fees of local, regional and international experts. All local and other costs such as local transport, accommodation, visa fees, airport taxes, per diems plus the travel costs of local, regional and international experts have to be borne by the FSP. However, in line with the stipulation under a) and b) regarding lower self-contribution ratios, the project committee concerned may decide to co-fund international economy class flight costs and accommodation costs as well. If the total local costs plus the regional and international travel costs are below the amount of the required self- contribution, the FSP shall pay directly part of the experts' fees up to the minimum required. FSP may also contribute with other types of expenses directly related to the TA project (e.g., training materials, local consultancy services, workshops, marketing expenses for a new innovative product, etc.)

e. The percent of the FSP and third-party self-contribution percentages must be maintained throughout the project and will be reviewed by the monitor periodically. Any variances will need to be discussed with the monitor and Finance Manager and updated in mid or end of term financial report, as appropriate. For self-contributions that are lower than the budgeted amount corrective measures must be put in place to get the percent cost-sharing back on track. A lowering of the FSP and third-party self-contribution percentages could result in a reduction of the SCBF grant amount.

f. Per diem and accommodation costs shall be calculated as exactly as possible and must be approved by SCBF Finance Manager. Receipts for the services of the consultants (hours, flights, modest travel cost, other expenses) as listed in the budget need to be provided upon request of the secretariat, auditors, SDC or the Federal Audit Office of the Swiss Confederation.

2.4 Contract / Payments

a. The contract will be issued according to the tripartite execution contract template (please refer to the SCBF website). The reporting schedule is defined by the monitor and payment schedule by the monitor in collaboration with the secretariat and is included in the contract. The key milestones will be linked to partial payments.

b. The grant disbursements are performance based. The first payment (maximum 20% of the total costs) will be released upon signature of the contract and receipt of the project factsheet. While the first payment is disbursed post signing of the grant the expectation of performance/outcomes remains. Partial payments will be made in line with the reports at specified key milestones. The final payment is subject to the acceptance of the final operational report (max. 5 pages long, template available on SCBF website), final financial project report (refer to section 2.5) and, where applicable, the satisfactory completion of the financial check (see section 2.6). In the case of FS, a public version of the study (in lieu of the final 5-pages long operational report) is expected which will be published on the SCBF website. Any changes to the contract will be recorded in an amendment to the original contract, such as:
    - Contract extension within the originally approved budget scope, if the grantee requires more time for achieving selected agreed-upon milestones.
    - Contract suspension for a specific time period, if the regulatory framework (e.g., delays in regulatory approval of new financial products) and/or the execution capacity of the FSP stop temporarily the achievement of selected agreed-upon milestones.
    - Replacements of consultants and/or re-allocation of expert days requested by the grantee which have implications on the SCBF budget. The Finance Manager shall determine the consultancy rate for any newly proposed consultant.
    - Adjustments of the implementation plan required by a changed environment - that was not predictable beforehand - that would still enable the grantee to achieve key milestones agreed upon.

   Changes stated above will result in a revised budget that cannot surpass the original agreed-upon SCBF budget.

c. In case an intervention has to be terminated prematurely, the grantee shall furnish detailed financial and operational reports according to which the final payment will either be suspended or adapted or the appropriate refund by the grantee will be required.

2.5 Financial Reports

a. The grantee is required to submit to SCBF Finance Manager a mid-term project financial report and final financial project report. These need to be submitted within thirty (30) calendar days of the middle and end of the project (as outlined in the tripartite contract). The grantee and the FSP are required to duly sign Mid Project Financial Report and the Final Financial Report to verify the financials in said reports. These reports shall include a signed confirmation by the grantee that the grantee´s costs have been reimbursed exclusively by SCBF. The grantee is required to validate that all information provided in the financial reports is in any given aspect adequate, true, correct, complete and appropriate. These reports shall show:
    - The original budget from the project proposal, outlining the total project costs and the grantee´s, FSP's, third parties' and SCBF's contribution.
    - The actual expenditures against the budget and the (expected and or actual) rationale for variances +/- 10% of the overall budget.
    - All invoices/timesheets and other validation documents should be marked/stamped as original receipts of the SCBF, FSP, grantee or other contracting parties' contribution (as applicable), in such a way that they cannot be used for other settlements. A financial inspection of the originals, as per the tripartite agreement, may be conducted by SCBF as well.

b. Any budget variances will need to be explained and "corrective" action to be taken by the parties to ensure that (i) the project remains on track and in line with the SCBF Proposal Guide and (ii) the percentage level of cost-sharing between the parties reflects the approved original budget.

2.6 Audits and Financial Check During or Post Project

a. As part of the grant agreement SCBF may perform, at any time during or up to 5 years after the project, during normal business hours an audit and / or checks of the grantee´s and Financial Sector Partner´s books and accounts. The SCBF may conduct a financial inspection and require evidence of the Financial Sector Partner's and / or third-party's financial commitment/contributions to the Project, as documented in the Budget annexed to the contract under self-contribution of the FSP.

b. All grants may be subject to a random financial check by the SCBF during or at the project end, but if necessary may be liable to an extended financial check or an audit up to 5 years after the project end. The Finance Manager will request from the grantee various documents to validate/assess the project costs and partner(s) contributions and verify proper use of funds as outlined in the tripartite agreement. Documentation that may be requested as part of these random checks include (and not limited to)
    - electronical copies of invoices and or timesheets for the TA, divided into SCBF funded and grantee´s self-contribution.
    - electronical copies of invoices and or receipts of non-TA costs covered by the grantee´s self-contribution.
    - the required signed confirmations of partner(s) expenditures for costs directly covered by FSP and other contracting third parties' contributions, which may not be accounted for in the grantee's books and are presented in the end of project financial report.

c. The purpose of the financial check is to validate project costs and partner(s) contributions and verify proper use of funds as outlined in the tripartite agreement. The final grant payment is contingent on the satisfactory completion of the financial check by SCBF.

Management Process

3.1 Project Committee

a. The secretariat receives PUI proposals from members and other financial inclusion competence centres endorsed by a member or SDC using the PUI application template (please refer to the SCBF website).
b. FS und FE proposals are restricted to members and SDC partners, according to the application templates (please refer to the SCBF website).
c. The secretariat asks a member with the appropriate know-how to do a pre-quality check. In case of endorsement, the endorser is responsible for the pre-quality check if they have the required expertise.
d. There will be a project committee decision only if the proposal is complete and of sufficient quality and in conformity with the eligibility and selection criteria (chapter 1) and the financial regulations (chapter 2), as verified by the member who carried out the pre-quality check and the secretariat.
e. The secretariat selects the members of the project committee with the relevant expertise.
f. The pre-checked proposal is then sent to the members of the project committee as well as the Finance Manager. Each member of the project committee provides an assessment of the project prior to the project committee meeting exclusively to the secretariat and recommends approval, approval in principle or rejection of the proposal. In cases where a PUI and a FE are assessed in one project committee meeting, each member can provide one proposal assessment form for both proposals.

g. The Finance Manager submits her/his comments/recommendations in respect to the financial aspects (budget, fees, coherence between terms of reference and proposal and compliance with SCBF regulations) to all the members of the project committee and the secretariat.
h. The secretariat informs all members of the up-coming project committee meeting giving a short description of the project, the name of the FSP and the country of implementation.
i. The secretariat organises and moderates the conference call with the members of the project committee to discuss the proposal and whether it is in line with:
    - the eligibility criteria for FSPs (see paragraph 1.1)
    - the selection criteria (see paragraph 1.2 - 1.4)
    - the financial regulations (see paragraph 2)
j. The members of the project committee decide whether the SCBF should fund a PUI, FE or FS and under what conditions (stated in the minutes). The discussion within the project committee is anonymous, project committee members shall therefore not communicate specific statements of other project committee members to SCBF members outside the project committee or to grantees.
k. The secretariat informs the grantee of the outcome of the project meeting as soon as the minutes are approved by the project committee members. The information to the grantee includes the observations in respect to the budget. Any negotiation with the aim to reach an agreement with the grantee is the responsibility of the Finance Manager. The discussion portion of the minutes of the project committee is confidential and shared only with the corresponding project committee members and shall not be forwarded to the grantee.
l. In case of rejection of a proposal, the secretariat informs the applicant about the decision of the project committee and the rationale for its rejection.
m. In case of approval in principle only, the committee members decide on the timeframe regarding more information needed or on a revised application.
n. If approved, the secretariat ensures that the grantee prepares a one-page project factsheet according to the factsheet template (please refer to the SCBF website) to be published on the SCBF website.
o. In exceptional cases, the names and CVs of local/regional specialists can be submitted retroactively. The grantee is obliged to provide the missing CVs in due time to the monitor and the Finance Manager. In case the expert rates need to be adapted based on the CVs provided, the overall budget will be adjusted and an amendment to the contract will be signed by involved parties. A corresponding note has to be included in the original contract under “special provisions”.
p. The secretariat ensures that the role of the monitor is assigned to a member of the project committee. In some cases, the role can be assigned to a member of the secretariat.

3.2 Roles and Responsibilities of the Monitor

The monitor:

a. Agrees with the grantee on the reporting frequency and format and in collaboration with the secretariat on the payment schedule.
b. Follows up with the grantee on their obligations in providing documentations and updates when milestone reports are due and/or activities are delayed and/or other significant changes occur.
c. Signalises a transparent error culture with the grantee and provides support for constructive solutions in case of unexpected significant changes and ensures capture of the corresponding learnings.
d. Reviews and approves milestone reports and associated deliverables and systematically shares them with the secretariat that will archive them and keep an appropriate monitoring system based on the milestone reporting.
e. Informs the grantee as well as the secretariat should extra milestone reports be required.

f. Reviews and approves achievement of defined targets and ensures specific intervention-related learnings are reflected in the final operational report (max. 5 pages long) prepared by the grantee.
g. Approves contractual changes requested by the grantee (see paragraph 2.4 b) in close consultation with the secretariat and the Finance Manager. The latter will follow up with the preparation of an amendment to be signed by SCBF, the grantee, the FSP and the monitor that may include consultancy fees for newly accepted consultants and a revised budget. If the requested contractual changes are substantial, the monitor sends the proposed changes to the other members of the project committee concerned granting them a ten-day period to object or comment. If required, the secretariat organises and moderates a conference call for the project committee to discuss and decide on the proposed substantial changes.
h. Liaises with the SCBF on project progress and may be asked to cross validate the mid and end of project financial reports against the milestone reports.
i. As part of the project quality control, the monitor will discuss and collect feedback from the Financial Sector Partner on project progress and their satisfaction with the technical assistance services being provided by the grantee. This will be conducted at least twice, one in the first half and once in the second half of the project.
j. Makes a proposal on early closures of execution contracts and co-manages jointly with the secretariat the requests for detailed operational and financial reports from the grantee. Takes a final decision of the proposed closure with the corresponding implications and the recommendations of the Finance Manager. In case of disagreement with the grantee, the monitor can escalate the decision up to the project committee members.
k. Reviews and approves the final operational report in coordination with the secretariat which is responsible for its consistency in respect to the formal structure.
l. If appropriate, the monitor or any member or employee of the SCBF can organise on-site visits. In such cases, the visit has to be planned in close collaboration with the monitor and the secretariat.
m. More details on the role of the monitor are available here.