# PROPOSAL GUIDE

## 1. ELIGIBILITY CRITERIA

### 1.1 Eligibility criteria for partner financial institutions (PFI)

a) If SDC funding is involved, the interventions shall take place 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 PFI 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) Financial and institutional self-sufficiency is reached or the PFI is on a clear path towards it. On a case-by-case basis, greenfield financial institutions with documented institutional and financial sustainability targets in their business plans can be considered.

d) Proven social mission in serving low-income clients, notably women, preferably in rural areas. As a minimum, the PFI complies with responsible finance practices, including national consumer protection standards, the global Smart Campaign client protection principles and good governance standards. Double-bottom line PFI are expected to make best efforts in complying with the Universal Standards of Social Performance Management. Special consideration is given to lending PFI on how the PFI does avoid clients' over-indebtedness, so as to minimise potential reputation risks http://sptf.info/, http://www.smartcampaign.org/

e) Sufficient potential of the PFI to reach at least 4'000 new clients being low-income households, smallholder farmers and micro, small and medium enterprises (MSME). The project committee is entitled to accept lower outreach targets on a case-by-case basis based on the innovation potential and financial inclusion relevance.
The minimum outreach target is waived for more general capacity building and institutional strengthening proposals applied for by members who have already invested in the PFI concerned (refer to further information in 1.2 h) below).

### 1.2 Selection criteria for product up-scaling proposals (PU)

a) Compliance with international good practices of financial inclusion funders, including the following guides:
- CGAP Good practice guidelines for funders of microfinance (2nd edition, October 2006) and the new funders guide: A market systems approach to financial inclusion http://www.cgap.org/publications/new-funder-guidelines-market-systems-approach-financial-inclusion
- SDC: accountability for results. A manual on managing cooperation in financial sector development (December 2009)
- Mix Market. Financial performance indicators and social performance system for social performance indicators
- MicroInsurance Network: Performance indicators for microinsurance. A handbook for microinsurance practitioners (2nd edition, October 2010)
- MicroInsurance Network: Protecting the poor: A microinsurance compendium, volume II, 2012.

b) Maximise outreach to low-income households, smallholder farmers and MSMEs in rural areas with particular focus on low-income women, to be measured through outcome measurements processes.

c) Innovative financial services with minimum transaction costs for both clients and PFI that meet the specific needs of low-income households and smallholder farmers with particular focus on low-income women. 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 with a strong attention to client protection issues, 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 of staff of PFI and their agents in responsible finance practices towards low-income and illiterate clients. Contributions to an improved financial literacy level of low-income actual and potential clients are desirable.
f) Mobilisation and development of local/regional competences and capacities, especially through hiring local consultants and new staff of immature PFIs and/or international consultants spending at least 60% of their expert days on-site to ensure their knowledge transfer to the PFI staff.
g) Contribution to industry building and knowledge sharing.
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 equity and/or debt into a new and/or immature financial institution are entitled to submit one PU proposal per PFI 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 PFI concerned.

### 1.3 Selection criteria for financial education proposals (FE)

a) Linked to product up-scaling proposals - or product up-scaling related technical assistance offered by a third party and/or product up-scaling undertaken by the PFI - 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.
b) "Stand-alone" financial education proposals are allowed in cases where the PFI or its partners are able to offer FE as a part of their business model to a SCBF target group on a large scale and where the effective use (supporting the path from uptake to better usage) of financial services is enhanced.
c) Should lead to a sustainable business model for the delivery of financial literacy training - as well as business advisory services - where the PFIs or its partner organisations will continue offering the training (and business advisory) services beyond the completion of the SCBF funding.
d) Contain generic financial literacy training components beyond components on business advisory, financial product explanation and responsible marketing of the financial product.
e) Develop innovative financial literacy training methodologies, tools and distribution channels that can contribute to the emerging global knowledge of 'good practice' financial literacy training through display on the SCBF website.
f) Mobilisation and development of local/regional competences and capacities, especially through hiring local consultants and new staff of PFIs and/or international consultants spending at least 60% of their days on-site to ensure their knowledge transfer to the PFI staff.

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)

a) Help prepare PFIs in developing their business model for introducing new and complex financial products in their market and particularly in entering new markets serving as groundwork for developing subsequent product up-scaling proposals. It is an option only where a PU proposal would be insufficient to cover significant market assessment and business model preparatory work required for product design and testing.
b) Offer compelling rationale that the PFIs are strongly committed to launch the new financial products concerned as indicated in their strategic business and annual operational plans and verified by both preparatory operations and reasonable self-contributions.
c) Mobilization of local and regional consultants where deemed feasible.

## 2. FINANCIAL REGULATIONS

### 2.1 Guiding principles

The SCBF does not tender projects. The maximum ceiling for product up-scaling interventions, feasibility studies and financial education interventions is CHF 150’000. However, CHF 100’000 are aimed at as average ceiling for PU and FE and CHF 60’000 for FS.
After the approval of the proposals, the execution contracts are directly signed with the designated grantee.
In general, the financial regulations shall be based on principles of value for money and performance-based compensation.

### 2.2 Budget / rates

The Chief Financial Administrator and Controller will check budget, rates, coherence between terms of reference and proposal and negotiate on fees/consultant rates, if necessary, whereby the following aspects are considered:

a) Identification of consultants according to local, regional, and international consultant categorisation.
b) Level of qualification / experience of the consultant and specific position within his/her institution as well as his/her domicile.
c) Complexity of the services required

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.

In the case of members with dedicated own 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 PU, FE or FS proposals, the legal TA entity may function as Grantee with endorsement from the member concerned. This provision facilitates the mobilisation of the dedicated TA capabilities of members for the benefit of strong quality control of SCBF interventions.

The rates for international, regional and local consultants shall include all expenses accruing to the grantee, such as social costs, overhead and profit margin. The SCBF only covers expert days which are related to activities within the project. Neither administration nor management days can be added on top.

The SCBF can fund the gross monthly salary of newly recruited local staff (irrespective of a limited employment or service contract) of immature PFIs for dedicated new functions linked to the corresponding PU or FE proposal. This enables immature PFIs 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 PFIs cannot be funded through the SCBF nor can their salary be accounted for as self-contribution. International technical assistance specialists of investment holding companies (or their technical assistance providers) are not considered local staff of the greenfield investees of the investment holding companies.

Apart from the co-financing of short-term TA, the SCBF may fund the full effective costs in cases where junior experts are contracted for long-term assignments (up to 2 years) and integrated into the management structure of the PFI. If the grantee is a majority shareholder, no margin can be added to the monthly gross salary of the junior expert.

The grantee is requested to describe the shareholder structure and disclose any investments and links between the PFI and the grantee/proposed consultants in the application form.

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 PFI.

In exceptional cases, individual consultants can be endorsed by SCBF member organisations and contracted directly via the SCBF. 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 PFI

a) PFIs shall provide an average self-contributions of at least 20% of the total costs of the PU. Lower self-contribution ratios may be acceptable for:
   i) Immature PFIs that are not yet profitable.
   ii) PFIs 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.
   iii) State-owned PFIs (like postal financial service providers) that do receive donor funding without the requirement for self-contributions.
   iv) PFIs 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 PFIs 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 Chief Financial Administrator & Controller.

b) In the case of FE, 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) In the case of PU and FS, the time of PFI staff involved cannot be counted for as self-contribution. However, PFI staff time can be accounted for in the case of FE, as FE constitutes an extra client service in line with the PFI's social mission instead of being core business.

d) In principle, the SCBF only co-funds the fees of local, regional and international consultants. All local costs such as local transport, accommodation and per diem of the consultants plus the travel costs of local, regional and international consultants have to be borne by the PFI. 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 PFI shall pay directly part of the consultant fees up to the minimum required.
e) Per diem and accommodation costs shall be calculated as exactly as possible. They cannot exceed the rates of the Swiss Government. Receipts for the services of the consultants (hours, flights, other expenses) as listed in the budget need to be provided upon request of the secretariat, SDC or the Federal Audit Office of the Swiss Confederation.
f) In cases where monthly rates are applied, they include per diem and accommodation costs. Additional costs such as visa fees, airport taxes, communication and administrative costs are deemed to be included in the consultant's fee.

### 2.4 Contract / payments

a) The contract will be issued according to the execution contract template (please refer to the SCBF website). The reporting schedule is defined by the monitor and is included in the contract. The key-milestones will be linked to partial payments.
b) The first payment will be released upon signature of the contract and receipt of the factsheet, 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 report or in case of FS, upon submission of a public version of the study to be published on the SCBF website.
c) Any changes to the contract will be recorded in an amendment to the original contract, such as:
   i) Contract extension within the originally approved budget scope, if the grantee requires more time for achieving selected milestones agreed upon.
   ii) 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 PFI do stop temporarily the achievement of selected milestones agreed upon.
   iii) Replacements of consultants and/or re-allocation of expert days requested by the grantee. The Chief Financial Administrator & Controller shall determine the consultancy rate for any newly proposed consultant.
   iv) 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 as iii) and iv) would result in a revised budget that cannot surpass the originally budget agreed upon.
d) 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.

## 3. MANAGEMENT PROCESS

### 3.1 Project committee

a) The secretariat receives PU proposals from members and other financial inclusion competence centres endorsed by a member or SDC using the PU application (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.
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.
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 Chief Financial Administrator and Controller. Each member of the project committee provides a proposal assessment 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 PU and a FE are assessed in one project committee meeting, each member can provide one proposal assessment form for both proposals.
g) The Chief Financial Administrator and Controller submits her/his comments/recommendations in respect to the financial aspects (budget, fees, coherence between terms of reference and proposal) 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 PFI 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's in line with
   - the eligibility criteria for PFIs (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 PU, 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 Chief Financial Administrator & Controller. The minutes of the project committee are 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 factsheet according to the fact sheet 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 Chief Financial Administrator and Controller. In case the expert rates need to be adapted based on the CV provided, the overall budget will be adjusted and an amendment to the contract will be signed by both 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. For FS, SDC assumes the monitor's role. The Financial Education Officer may assume the monitor's role for FE.

### 3.2 Roles and responsibilities of the monitor

a) Agrees with the grantee on the reporting frequency and format.

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) Signalizes 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 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 report.
g) Approves contractual changes requested by the grantee (see paragraph 2.4 c) in close consultation with the secretariat and the Chief Financial Administrator & Controller. The latter will follow up with the preparation of an amendment to be signed by SCBF, the grantee 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 changes.
h) Makes a proposal on the premature 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 Chief Financial Administrator & Controller. In case of disagreement with the grantee, the monitor can escalate the decision up to the project committee members.
i) Reviews and approves the final report in coordination with the secretariat which is responsible for its consistency in respect to the formal structure.
j) 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.