

Sakcham Challenge Fund – Frequently Asked Questions

1. What is the Sakcham Challenge Fund (S-CF)?

The Sakcham Challenge Fund is a grant funding mechanism set up within the UK aid Sakcham Access to Finance Programme. S-CF co-invests in the projects targeted to deliver financial services to the target beneficiaries. It has already funded projects developed by commercial banks, microfinance development banks, cooperatives, insurance companies, and apex organisations. S-CF will continue to accept project Concept Notes until the entire funds available under its Challenge Fund are fully committed and invested. S-CF mainly focuses to address the condition of missing markets/market failure.

The fund is managed by Louis Berger. Potential partners need to first submit a Concept Note, in a prescribed format, to the Challenge Fund manager. S-CF provides feedback on the concept note once that is reviewed by Sakcham. Innovative concepts that are promising to address the overall objectives of the programme are encouraged to submit Full Application. Funding decisions on the Full Application is made by independent assessment panel that has been appointed in consultation with DFID.

S-CF will test new ways of providing access to finance that will have greater benefit for the poor. It will do so by offering grants on a competitive basis to private companies to encourage the introduction of new financial models. The Sakcham Challenge Fund will attempt to stimulate these private sector, market-based solutions where this would either not normally occur or where natural progress would be much slower. No projects must distort commercial financial markets and they must have the potential to achieve scale either through the individual proposal or through a demonstration effect to other firms.

2. When can I submit proposals for funding?

The proposal process is divided in two stages. First stage is to submit a Concept Note. S-CF will be accepting Concept Notes until entire funds available are committed. You can submit the Concept Note at any time. All the received Concept Notes are reviewed on weekly basis. The selected Concept Notes will then be encouraged to draft full Application.

3. How can we check whether the project we are thinking about matches with the S-CF criteria?

Please visit the summary sheet (page # 3) of this document to understand the S-CF criteria.

4. Our organisation has multiple concepts. Do we need to submit a single Concept Note with multiple activities or submit separate Concept Notes?

We advise to keep the concept focused on manageable number of activities and locations. A bidder can submit multiple Concept Notes. However, they need to demonstrate that the required funds and capacity is available with them to invest in all the projects. There is also a provision to extend the project activities/expand the project locations after successful implementation.

5. Who can apply to the Sakcham Challenge Fund? (size of firm, profile, geography)

Orientation of the fund will be predominantly towards the private sector with most applications expected from bank and non-bank financial institutions. Applications will also be open to NGO's and institutions who are

partnering with financial institutions to develop commercial financial and business ideas which align with the aims and objectives of the Sakchyam Programme and contribute to the achievement of the impact indicators.

Geographically, projects should be targeted to the programme priority districts]. Size of the applying institution (large or small) is less important than what they seek to deliver and how this builds on their previous expertise and capacity.

6. Is there any specific template to draft Concept Note? If yes, how can I get the template?

Concept Notes must be submitted in prescribed template. Please write to the Fund Manager (fundmanager@sakchyam.com.np) to receive a copy of template. Alternatively, please visit our website "<http://sakchyam.com.np/sakchyam-challenge-fund-process/>" then select "Concept Note Proposal" to download the Concept Note template.

7. Can I submit the Full Application without submitting Concept Note?

First, all the bidders should submit the Concept Note. Only the concepts that meet the assessment criteria will be encouraged to submit Full Applications. Fund Manager will communicate to you, if your Concept Note is considered for entering Full Application stage. There are exceptions, where Sakchyam issues specific RFPs, and those RFPs will state if a concept note is required.

8. Can anyone lead the application? Can we submit joint proposal, If so, how?

Joint proposal from multi-organisations are allowed, provided that one of the financial institutions takes the lead, and the other organisation write a letter confirming their role and willingness to participate. The contract will be signed by the lead organisation, which will retain the responsibility to ensure the programme is implemented according to the Full Application, and that all consortium partners fulfil their respective roles to ensure that the project is a success.

9. How much funding can we apply for?

Grants would be available from NPR 70,000,000 up to NPR 150,000,000 per project idea. Applications for sums over the upper – limit would be considered for projects of greater merit, where it can be demonstrated that the benefits and beneficiaries are widespread, and the contribution from the applicant is significant.

10. Does our matching funding have to be on a 1:1 basis?

The application process is competitive, so applications which have a greater contribution would be considered more favourably than those applications where the contribution is less.

As a rule, however, it would be expected that the contribution would be a minimum of 1:1, so if the application is for NPR 150,000,000 for instance, it would be expected that the contribution would be a minimum of NPR 150,000,000 for a total project cost of NPR 300,000,000.

11. What kind of expense items Sakchyam supports and what are the exclusions?

Sakchyam co-invests for all the project direct costs that are necessary to produce the expected output from the project. However, investment in large fixed assets including building, car and large-scale equipment should be managed by the bidder outside the project cost. Similarly, unrelated foreign trips, exposure visits, workshops, etc should not be included in the project budget.

Also, Sakchyam will not support any expenses or line items that will distort the market, such as subsidies or concessions in the interest rate, insurance premium, etc. Sakchyam also does not support for loan funds or

seed capital.

12. Will the funds also be available other than financial services?

Concept Notes not related to any of the financial services will not be considered for submitting Full Application.

13. How long should the project duration be?

The project needs to demonstrate that it can be self-sustaining within three years, and show real benefits and impact within the lifetime of the Sakchyam Programme. Projects should define an exit point after which the Sakchyam support would not be required. However, the exit point should be before the completion date of the Sakchyam programme.

14. I have a Concept that is related with access to finance however, it is not in Sakchyam priority districts. Can I submit the Concept Note?

If the project can be easily replicated in Sakchyam priority district after initial pilot in other districts, you can consider submitting the Concept Note. However, you should mention that at what stage you will be able to replicate the programme in Sakchyam priority districts. One of the reasons for Sakchyam Challenge Fund to consider a project outside Sakchyam priority districts can be for attaining critical mass.

15. What is the application process? Who makes the investment decisions?

There is a two-stage application process. Interested parties first submit a brief Concept Note outlining their proposed project, and how the project will contribute to the achievement of the Sakchyam Programme's stated outcomes. This Concept Note is assessed by the Sakchyam Leadership Team against the Sakchyam Challenge Fund eligibility criteria. Those concept notes that meet the eligibility criteria would be encouraged to write a full application.

Applicants are advised of the Sakchyam Leadership Team's findings and given the opportunity to submit a full application. The full application will be evaluated by an Independent Assessment Panel, whose decision is final. Successful applicants are then invited to sign a contract with the Sakchyam Challenge Fund for funding to implement the project.

16. Can I apply for funding for an existing project, or does it have to be new?

The projects must be new. Existing projects will not be funded. Projects that can demonstrate that they are innovative are to be delivered in new geographic areas, not previously covered or serviced, would be considered.

17. Where can I get further assistance?

The Sakchyam Programme has a range of advisors and experts on the team. Each of the output leaders can provide you advice on your idea and help you formulate it. In addition, there are many cross cutting experts which can be called upon to assist you in your application. The Challenge Fund Managers can also provide first line assistance on the general aspects of challenge funding, but the more technical expertise should come from the output leaders and cross-cutting experts. The Sakchyam Leadership can guide applicants as to where to identify suitable support.

The Fund will be managed centrally, based in Kathmandu. But the Sakchyam Programme has Regional Offices in Dadeldhura and Nepalgunj with regional coordinators trained in Challenge Funding, who can give advice and guidance as well.