

Request for Proposal
For the Proof of Concept for Impact Measurement and Monitoring
with Northern Arc Capital Limited in India

May 2023

1. Background and project considerations

(1) Background and purpose

- The world is changing at an unprecedented pace and the challenges for sustainability are becoming more complex. The digital age, meanwhile, empowers people and ushers in new solutions and change agents around the world. Developing countries like India are increasingly adopting the latest digital technologies and innovative solutions to expand social services. Japan International Cooperation Agency (“**JICA**”), an implementing agency for Japan's Official Development Assistance (“**ODA**”), believes that cooperation with developing countries in the digital age needs to change fundamentally. As such, JICA has launched the JICA DXLab, an open-source mechanism to facilitate co-creation with digital partners to transform ODA projects with digital technology and innovation.
- In August 2021, JICA committed a US\$50 million loan facility (“**JICA Facility**”) to Northern Arc Capital Limited (“**Northern Arc**”) with the aim of improving women's access to finance through microfinance and thereby enhancing their well-being. Northern Arc is a financial inclusion platform in India that addresses the diverse credit needs of underserved households and businesses by providing access to debt finance directly and indirectly through partner non-banking finance companies (“**NBFCs**”). Northern Arc has already fully disbursed the funds raised through the JICA Facility to end borrowers (mostly women) through the partner NBFCs, successfully generating rich gender impacts along with the 2X Challenge framework.
- Northern Arc developed an integrated core system called Nimbus in 2019. Nimbus enables Northern Arc to (a) integrate Northern Arc’s end-to-end internal operations for financial transactions including fundraising from impact investors such as JICA, loan applications from the partner NBFCs, credit assessment, legal documentation, portfolio management, risk monitoring and reporting; (b) create and curate a holistic data lake collected from the underlying retail pools of the partner NBFCs; and (c) engage with the stakeholders including the investors and the partner NBFCs to efficiently execute transactions online. The deployment of the proceeds of the JICA Facility is also being processed and monitored in an efficient manner through this state-of-the-art system.
- Northern Arc aims to evolve and scale up as an impact investment platform and is working on an innovative impact-linked financing mechanism such as outcome-based finance. For this transformational endeavor, the collection, measurement and efficient management of impact-related data is critical to make the intended outcome of development impacts visible and accountable to stakeholders.
- To enable Northern Arc to amplify the features of the Nimbus system to capture a wide range of impact outcomes, JICA as Northern Arc’s impact investor with an extensive

network of digital solution providers recommended that Northern Arc explore digital solutions available in the market that can facilitate the management of impact data collection, measurement and management including stakeholder reporting, even with more diverse, granular, and frequent datasets.

- Meanwhile, JICA, with its growing global impact investing portfolio, is seeking a mechanism and methodology to efficiently measure and manage the impact data in a more efficient, accurate and detailed manner for the portfolio and new investments.
- Against this background, Northern Arc and JICA have agreed to jointly launch a proof of concept (“PoC”) through the JICA DXLab to validate methodologies for detailed impact measurement and integration of impact-related data for better management with digital solutions through the Nimbus system. This Request for Proposal defines the scope of work of the digital solution provider in the PoC.

(2) Other project considerations

- While an output-level of development impacts such as the number of female end-borrowers and the outstanding amount of microfinancing lending are currently measured, there are several challenges to capture a broader range of impact outcomes, including the low digital literacy of borrowers in rural areas.
 - Female borrowers might not have easy access to mobile phones as the provided phone number mostly belong to their spouses.
 - The low digital literacy of some borrowers may result in lower levels of active participation, as loan-related details are often obtained through physical interactions with field staff.
 - Low digital literacy could also lead to inaccuracies in data entry and other errors.
- To mitigate these issues, field staff may sit with participating borrowers to assist with data entry or to collect information for entry onto the digital portal. However, this process can be time-consuming and unscalable. Call centers run by NBFCs may be utilized to improve efficiency, with agents responsible for data entry, but this option is feasible for only one of the two NBFCs.

2. Objective of the PoC

(1) Streamlined impact management

- Verify the functionality of an impact data platform solution deployed on the Nimbus system that enables easier, less costly, and more frequent impact data management among the Users.

(2) Detailed Impact Measurement

- Verify the methodologies utilizing digital technologies for detailed measurement and management of *gender* impacts generated in microfinance transactions by the Participating NBFCs and Northern Arc under the JICA Facility.
- Please note that the PoC will address both quantitative and qualitative data for capturing better impact measurement.
 - Quantitative data of the Targets, which may already be captured by the Participating NBFCs but not shared with Northern Arc through Nimbus, including but not limited

to the data points mandated by Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 dated March 14, 2022.

- Qualitative data of the Targets with a standardized and qualifiable approach by utilizing perspectives of financial access improvement, positive/negative impact on household/businesses, better resilience, and financial management
- See Attachment 2 for a preliminary list of the quantitative data identified by Northern Arc and JICA.

3. Duration and Timeline

(1) Duration

- Approximately four months between late May and the end of September 2023

(2) Forecast Timeline

- Late- May 2023: Kick-off the PoC
- Late May – Late June 2023: Detail designing of the PoC and launch the PoC activities
- Late June – Late September 2023:
- Late July 2023: Mid-term review
- End of September 2023: Final reporting

4. Main Location

Chennai, Tamil Nadu State

5. Related Parties

- **Users:** Northern Arc, 2-3 NBFCs that participate in the PoC (“**Participating NBFCs**”) including Dvara KGFS and Arohan Financial Services Limited, and JICA
- **Targets:** At least 1,000-2,000 microfinance end borrowers for impact measurement
- **Contractor:** The digital partner to be selected through this tender
- **Operator:** Company engaged by JICA to operate JICA DXLab. Operator will be the contracting counterparty.

6. Scope of Work

PoC Preparation

- (1) In cooperation with the Users and the Operator, design the PoC scope in detail including but not limited to the followings:
 - (a) Understand the overall function of Northern Arc’s Nimbus and the Participating NBFCs’ enterprise system
 - (b) Define the detailed impact theory of change, designated impact metrics, and the impact-related data
 - (c) Identify a set of quantitative data that can be collected from the Users (a preliminary list of the quantitative data identified by Northern Arc and JICA is presented in Attachment 2)
 - (d) Identify a set of qualitative data that is relevant to the impact theory of change and the impact metrics defined above

- (e) Develop a detailed framework for the PoC, including an implementation schedule

Impact Management Platform

- (2) Introduce the impact data platform connected to Nimbus that will enable:
 - (a) Supporting the Users in designing impact theory of change and data metrics based on various universal impact frameworks such as UN SDGs, GIIN-IRIS+, 2X Challenge etc.
 - (b) Collecting, analyzing and visualizing the impact-related data from the Users
 - (c) Sharing and reporting of the impact metrics among the Users
 - (d) Facilitating the efficient collection of qualitative data from the Targets with a configuration of digital tools such as SMS
- (3) Provide training to the Users on how to use the solution

Quantitative Data Measurement

- (4) Collect quantitative data related to the designed impact metrics based on the universal impact frameworks from the Users through the impact data platform solution connected to Nimbus, either through automatic aggregation or manual input by the Users
- (5) Connect the impact data platform to the Northern Arc's Nimbus and the Participating NBFCs' enterprise system to validate system federation and technical feasibility of impact-related data aggregation

Qualitative Data Measurement

- (6) Design an appropriate methodology for the qualitative data collection as a standardized and quantifiable approach aligned to a gender impact theme based on the readily available or well-established framework such as the 60dB' Microfinance Index
- (7) Conduct the qualitative data collection survey of the various Target borrowers/groups in coordination with each Participating NBFC, at least twice during the PoC. The Contractor may use a third party as a subcontractor for this purpose.
- (8) Reflect the responses of the survey to the impact data platform on Nimbus and the Participating NBFCs' enterprise system with dashboard reporting

Reporting and Others

- (9) Operate and maintain the impact data platform connected to Nimbus throughout the PoC for continuous import data curation and monitoring, and analysis with responding to the Users' requests to the extent practical
- (10) Develop a post-PoC deployment plan
- (11) Organize/participate in the following reporting sessions:
 - (a) Regular check-ups (once or twice a week) with the Operator
 - (b) Weekly meetings with the Users and the Operator
 - (c) A mid-term review session with extended members of the Users and the Operator after two months from the PoC launch (expected around the late-July 2023)

- (d) A final reporting session with extended members of the Users and the Operator at the completion of the PoC (expected around the end of September 2023)
 - (e) JICA DXLab seminars to be held both internally with JICA investment and evaluation teams, and externally with relevant stakeholders and potential customers interested in the Contractor's solution
- (12) Draft the deliverables, obtain feedback from the Operator and the Users, and finalize them

7. Deliverables

(1) Deliverables (in English)

- Four monthly reports
- One final report, including but not limited to: (a) an outline of the result of the PoC; (b) details of the PoC activities; (c) evaluation of the PoC along with key performance indicators to be set based on learnings from the PoC implementation; (d) technical, operational and strategic recommendations to the Users and the Operator for the impact measurement and management; and (e) a preliminary deployment strategy going forward.

(2) Time of delivery (Tentative)

- September 30th 2023

(3) Method of submission

- Electronic data

8. Intellectual property and other rights

- The intellectual property rights of the Deliverables set out in “7. Deliverables” created by the Contractor for this PoC shall be assigned to Operator and JICA upon completion of inspection of the Deliverables.
- The ownership of the intellectual property rights regarding the custom development of the digital solutions co-developed by the Contractor and Northern Arc during the PoC for the unique purpose of PoC, other than those that existed before the start of the work under this agreement, will be subject to discussion between the Contractor, JICA and Northern Arc.
- The Contractor will grant NACL, the Participating NBFCs and JICA the right to access and use of the impact data platform for the purpose of conducting the PoC and any related activities agreed upon in advance, during the PoC period and for up to three months after the PoC. The Contractor will also cooperate in making the digital solution available free of charge or for a fee, after the aforementioned post-PoC service use period if requested by JICA or Northern Arc.
- Ownership of the impact-related data, both quantitative and qualitative data, collected during the PoC period will remain with the entities that provided the data. The Contractor shall delete all the data collected during the PoC by the end of the aforementioned post-PoC service use period, unless otherwise agreed between the parties during the PoC. No secondary use of the collected data is allowed.

- Personal data shall be handled in accordance with the related laws, rules and regulations in India, including the Information Technology Act, 2000 (“IT Act”) and the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011 (“SPDI Rules”). For the avoidance of doubt, the entities providing data will obtain any necessary consent to use the data for this PoC.
- The proposed solution/technology shall be in compliance with applicable laws, rules and regulations in India, such as the Master Direction – Information Technology Framework for the NBFC Sector, 2017 (“MD on IT Framework”) issued under the Reserve Bank of India Act, 1934 and the Guidelines on Digital Lending, 2022 (“Digital Lending Guidelines”) issued by the Reserve Bank of India.

9. Proposal Format and Evaluation Criteria for the Contractor

(1) Proposal Format

- As shared in Attachment 1
- Electronic submission must be received at the email address from which this RFP was shared no later than 23:59 Japan Standard Time on May 10th, 2023.

(2) Evaluation Criteria

Company Capability

- Track records in financial inclusion space in India and other developing countries
 - This includes but is not limited to experiences with impact investors including donors and DFIs
- Compliance with the data and other regulatory requirements
- Expertise in the measurement of gender-related social impacts

Solution / Technology

- Relevance and comprehensiveness of the quantitative/qualitative data
- Relevance and interoperability of the proposed digital solution to fulfill the work defined in the SoW
- Technical feasibility and adaptability to deliver the work given the project scope, system constraints, timeline, and budget Proposal of the tentative framework of key performance indicators of the PoC, with a clear understanding of the goal, purpose, expected outputs and outcomes

Implementation Structure

- Detailed structure of the assigned team with various professionals for the PoC
- Flexibility of the team as the PoC scope will be jointly designed with the Contractor at the initial stage, and will be expected to gradually evolve along with the progress
- Ability to communicate with local stakeholders to perform the work defined in SoW
 - Local setup on the ground for smooth implementation of the PoC including local coordination with the Users and Targets, service setup, training, follow-up etc. To this end, the capacity to communicate in local languages with the field-level staff of the Participating NBFCs and the Targets is necessary.

Proposal Format and Evaluation Criteria

Electronic submission must be received at the email address from which this RFP was shared no later than 23:59 Japan Standard Time on May 10th, 2023. The submission shall consist of two separate files, Company Overview and Proposal Pitch Deck, both in the form of PDF. Note all materials must be prepared in English.

1. Company Overview (PDF format)

- (1) Contact information
 - Main contact person and title
 - Email address
 - Direct telephone number with a country code
- (2) Company description including the years of experience (200 words)
- (3) Any other additional information

2. Proposal pitch deck (PDF format)

- (1) Organizational capacity
 - An overview of the service
 - An overview of similar partnerships and client projects in the past or ongoing affiliations if any
 - Microfinancing-related projects in India (especially experience with qualitative data)
 - Gender-based financial lending impact (both quantitative and qualitative)
- (2) Technical proposal
 - Proposal on the streamlined impact management
 - This should include but will not be limited to: how to deploy solutions on the Nimbus system and ensure seamless data integration
 - Proposal on the detailed impact measurement
 - Preliminary choices of quantitative data and their rationale
 - Preliminary choices of qualitative data and their rationale
 - Data collection methods for unavailable data, particularly the qualitative information
 - Data deployment/integration plans
 - Team structure and the qualifications of the core team, including their relevant experiences
 - Operating/delivery model for the work defined in the Scope of Work

3. A brief proposal on data handling (less than 500 words)

- Experience in working with financial institutions in India
- How the Contractor plans to follow the local data regulation/guidelines

A Preliminary List of Quantitative and Qualitative Data

Northern Arc and JICA generated the following preliminary list of quantitative and qualitative data. In identifying the preliminary metrics, we referred to the generally accepted benchmarks including but not limited to; the IRIS+ core metrics developed by the Global Impact Investing Network and 2X Challenge criteria and indicators for quantitative data; and the standardized set of questions along with the 60dB Microfinance Index published by 60 Decibels for qualitative data.

The list is far from being exhaustive, and the Contractor is expected to assist Northern Arc and JICA with identifying relevant existing indicators and co-developing innovative metrics by leveraging their expertise. For both quantitative and qualitative data, we hope to apply filtering by gender and other segments to all parameters to accurately assess the impact-related to gender and other factors.

Note that all the quantitative data might not be readily available from the data owned by NBFCs and may require data collection. Also note that the following qualitative question texts are exemplary and taken from the above-mentioned report published by the 60 Decibels, which may be used by the Contractor as a reference, however, we welcome participating bidders to include any other relevant existing and new questions to assess social impacts of microfinance lending, particularly those pertaining to gender.

(Reference Materials)

- CDC and Global Impact Investing Network (GIIN). 2018. How to Measure the Gender Impact of Investments: Using the 2X Challenge Indicators in Alignment with IRIS+. <https://assets.cdcgroup.com/wp-content/uploads/2020/03/16111901/How-to-measure-the-gender-impact-of-investments.pdf>. 21st April, 2023.
- 60 Decibels. The 60 Decibels Microfinance Index Report 2021-22. <https://app.60decibels.com/mfi-index>. 21st April, 2023

Parameter Types	Quantitative Data	Qualitative Questions
Borrowers' business profile *along with 2X Challenges criteria 1-3 and aligned IRIS+ metrics	<ul style="list-style-type: none"> - Percent female ownership - Percent and # of women in management and board - # of female employees 	<ul style="list-style-type: none"> - Women's career advancement initiative - Policies such as those listed below <ul style="list-style-type: none"> ▪ Gender wage equity / Fare compensation ▪ Diverse representation ▪ Flexible work arrangements ▪ Sexual Harassment ▪ Fair career advancement
Household profile	<ul style="list-style-type: none"> - Number of earning members - Number of non-earning members 	Business Impact <ul style="list-style-type: none"> - Has the money you earn from your business changed because of [NBFC] product/service? Household Impact <ul style="list-style-type: none"> - Has your ability to achieve the goal changed because of [NBFC]? Financial Management <ul style="list-style-type: none"> - Because of [NBFC] has your ability to manage your finance changed?
Household income	<ul style="list-style-type: none"> - Primary sources of income - Other sources of income - Self-reported monthly income 	Resilience <ul style="list-style-type: none"> - Because of {NBFC} has your savings balance changed? - Imagine that tomorrow you have unexpected emergency and need to come up with <i>1/20 gross national income per capita in Indian Rupee</i> within the next month, how easy or difficult it would be to come up with this money?
Household assets/ liabilities	<ul style="list-style-type: none"> - Deposits - Property - Borrowings from NBFCs - Number of loans outstanding - 	Financial Management <ul style="list-style-type: none"> - Thinking about this product /service repayment, are they a heavy burden, somewhat of a burden, or not a problem? Resilience <ul style="list-style-type: none"> - Do you have to reduce your household consumption of food to make repayments where you didn't have to before?
Household expenses	<ul style="list-style-type: none"> - Regular monthly expenses by category - Irregular expenses over the last year by category 	Household Impact <ul style="list-style-type: none"> - Because of [NBFC], has the amount you spend on home improvements changed? - Because of [NBFC], how often are you able to go to a healthcare provider for check-ups and if you fall ill changed? - Because of [NBFC], have the number and quality of meals your family eats changed? - Because of [NBFC], has the amount you spend on your children to go to school changed? Resilience <ul style="list-style-type: none"> - Do you have to reduce your household consumption of food to make repayments where you didn't have to before?