

## QUESTIONS & ANSWERS

**Date:** March 23, 2021

**Reference Request for Proposal Number: RFP-CATALYZE-MS4G-2021-0126 Transaction Advisory Services**

Dear Offerors,

Please see below answers to the questions submitted to [catalyze.procurements@thepalladiumgroup.com](mailto:catalyze.procurements@thepalladiumgroup.com).

No	Question	Answer
1	We assume the "explanation of Year one Deliverables 6 and Year two Deliverables 4" at the bottom of page 4 should be actually 5 and 3, respectively: is that correct? Same for the next question bolded text?	<p>This would apply to both Deliverables 5 and 6 in Year One, and Deliverables 3 and 4 in Year Two.</p> <p>In both Year 1 and Year 2, payments schedule does not apply for Term sheets issued for debt financing.</p>
2	Has Palladium spoken with local investment and advisory firms about whether closing \$50M in one year is a realistic target? We have done a large number of equity transactions in Ethiopia and rarely have we ever been able to make it from your Deliverables #1 to Deliverable #7 in 12 months. This leads us to believe that the only bidder Palladium is seeking for this RFP would be a PE fund, Advisory Firm or Greenfield Investor that has a large and mature pipeline (i.e., looking at deals of \$20M or higher) and has already made it through a number of your deliverable milestones. Why this target? Why this aggressive (and likely unachievable) timeline?	<p>We believe that the target is achievable.</p> <p>CATALYZE-Market System for Growth (MS4G) has spoken with several advisory firms in Ethiopia and has validated the potential to generate and close on the referenced transaction size.</p> <p>We seek bidders that have experience and networks in Ethiopia.</p>
3	Building on this question, how is Palladium viewing the timeline of \$50M in 12 months during an election year, that Fitch just downgraded the long term credit rating, and that Ethiopia has received considerable negative press due to the conflict in the North? Now is not a good time to raise capital for Ethiopia. Our experience is that almost all foreign equity investors and MNCs are "on hold for now" with their investment outlook on Ethiopia. The telecoms deal has received interest, but many think this will be delayed. Thus, only existing funds that have capital to deploy against a schedule (but likely skeptical IC) would be willing or able to meet this timeline. Shouldn't Palladium make this a two-year base and two year extension with these targets? And we fully appreciate that USAID has expectations, but need to be realistic within the existing landscape.	<p>We believe our set targets are achievable despite the existing investment environment in Ethiopia.</p> <p>The set targets are in line with our analysis and discussions with both the business and investing community in Ethiopia.</p>
4	Can the advisor also be the investor? We assume this would be the only viable bidder.	<p>We are asking for the Transaction Advisor to raise new private capital from a variety of sources.</p> <p>There must be no conflict of interest and the capital raised adheres to all acceptable ethical</p>

		and legal standards.
5	Any restrictions on companies? Parameters for investments?	The project is sector agnostic, however, these are our preferred sectors Agriculture/agri-business, Manufacturing, ICT / Digital, Services and WASH sectors.
6	Is the \$75M in year 2 new money or on top of the \$50M?	New money.
7	There is little guidance on the total value of the FFP. Is that intentional? Unfortunately, this RFP would only be suited for larger transactions - i.e. not suited for SME. The number of SME investment transactions needed to hit \$50M would be 25 investments in 12 months. Assuming a per transaction costs of \$100K to \$200K per deal, and you're looking at a cost that is much higher than 2-3 larger deals. Please clarify the type of deals Palladium envisions being viable.	We anticipate a combination of both large and small transactions to achieve target.
8	In the Sample Pay-Out table you use "58% or remainder of deliverables contract value" for the signed term sheet. But what if this value is not \$20M but \$1M, does that rule still apply? That same rule doesn't apply for the Investment Agreement row, which is where most of the money is made. Does that mean that if a firm works on a deal, but it gets delayed a few weeks after the 12-month period, and Palladium at their sole discretion does not extend the timeline, all of those costs are not paid out to the firm?	<p>The minimum value we are targeting is \$2 million USD.</p> <p>MS4G will ensure that all efforts of the Transaction Advisor will be duly recognized and not be punitive.</p> <p>The awardee can request a no-cost extension for completing a transaction beyond the 12-month period, subject to approval by MS4G.</p>
9	Is this an exclusive contract or will multiple transaction advisors be awarded the opportunity? (RFP describes selecting "an advisor")	This RFP is designed for a single award. A partnership / collaboration is highly encouraged with locally experienced Transaction Advisors with demonstrated experience in closing transactions.
10	What is the expected mix of the \$75M per year of capital (equity vs. debt)?	There are no pre-determined breakouts of debt vs. equity. However, we anticipate that a majority would be equity transactions based on market experience and estimate that 30% would be debt.
11	In which fund's or organization's name would the equity investments be held?	<p>This question is not clear, but depends on how the parties agree to structure the company.</p> <p>The investments would likely be held in the name of a newly established company between target and investor or under the existing name of the target company.</p>
12	Based on past deal flow, is the \$50-75M / year realistic?	Based on recent discussions with Transaction Advisors and equity seekers, this is a realistic target.

13	Are there preferred or partner banks for providing credit?	There are no preferred financial institutions for accessing credit. There are numerous local and foreign debt providers with an interest in providing credit. Especially for investments that generate foreign currency via exports of goods / services.
14	How much of the proposal evaluation is on the current, envisioned pipeline?	Current / envisioned pipeline is not included in the evaluation scoring. However, the identification and demonstration of pipeline in the proposal will be viewed as favorable.
15	<p>On the RfP (pg. 6, Section - Evaluation and Award Process), it is stated that the offeror "Must be a registered legal entity in Ethiopia for a minimum of one year or have a partnership agreement with a registered legal entity in Ethiopia for a minimum of one year"</p> <p>Can you confirm that on the possibility of a local firm not having a partnership agreement in place with an international company as per the RfP (including it being in place for at least 1yr); is it acceptable to propose a local firm lead the pursuit as the registered legal entity in Ethiopia and provide the team lead CVs while the international partner supports the opportunity by providing relevant credentials and support CVs?</p>	Yes. The local firm can be the sole Offeror or be the lead in a consortium. In accordance with the RFP, what is important is demonstrated experience in Ethiopia in facilitating investments.
16	Could you provide more color around Year 1, point 5, on page 4 of the RfP. How would the payment terms change if it is a debt deal?	In debt deals, term sheets are typically easier to obtain and to scrap in comparison to term sheets for equity investments. As such, for deliverable 5 in Year One and deliverable 3 in Year Two, there will not be any payment for securing a term sheet. However, debt deals that close, payment will be received. The portion of the % that would have been allocated for Term Sheet will be applied for transaction close.
17	There is mention of support to "approved enterprises within the manufacturing, agriculture, services, ICT/Digital, and WASH sectors." Shall we assume clean energy sector is also included? And to what extent?	Please refer to response for question #5.
18	While we know of several capital seekers and investors (impact, DFI's, PE) actively raising capital and/or interested in deploying capital in Ethiopia, current macro conditions (e.g., currency volatility/access to hard currency), availability of scalable opportunities that are able to absorb the minimum investment amounts targeted by the investors, and typical transaction close timelines (a typical investment in frontier markets can take 18-36 months to close) would pose a challenge in meeting the program deliverables (e.g., \$50M in service	<p>While we understand the Ethiopian market is more difficult than other regional countries to close on transactions, the country has been consistently the top recipient of FDI in East Africa (three years in a row) and top 5 on the continent.</p> <p>The decision was made in discussion with several Transaction Advisors as well as enterprises in Ethiopia that seek to raise capital. Financiers of debt and equity instruments were also part of the conversation when setting targets.</p>

	<p>agreements and term sheets) and investment mobilization targets (\$125M) over the two year life of the program. What considerations were made when defining the deliverable and mobilization targets for the program and do you foresee any adjustments to the same e.g., targets starting from a lower base and increasing over time, life of program extension (beyond 2 years) etc.?</p>	
19	<p>The invoicing structure which is based on deliverables and success-based performance is an approach we are aligned on. However, we note that the program is allocating 65-70% towards success-based performance whereas we believe 20-30% is the correct at-risk performance component based on prior experience. Could you comment on the rationale behind the percentage allocation the program has made across the deliverables and success components?</p>	<p>The performance based payment structure was made based on past experiences in East Africa. Although there are some schemes, which have payments that are front-loaded, this program incentivizes for results.</p> <p>Allocating 70% to 80% of payments prior to term sheet and close do not align our interests with that of the Transaction Advisor.</p>
20	<p>Could you discuss how a partnership with a local firm will be defined?</p>	<p>A partnership agreement where the agreement clearly demonstrates the level of involvement of the local and foreign firm in the investment facilitation process.</p>
21	<p>Are there any budget expectations (incl. range) we should be aware of for the program?</p>	<p>Palladium will utilize Best Value Trade Off (BVTO) for awarding this RFP.</p> <p>The price provided by the Offeror is not assigned a weight, an award will be made based on the Offeror that provides the best value to Palladium using a combination of technical and cost factors.</p>