

Funding Opportunity Notice (FON): Innovative Concepts for SME Growth Financing in the Western Balkans

Funding Opportunity:	CATALYZE Innovative Blended Finance
Funding Opportunity Number:	FON-CATALYZE_EoG-2021-01
On-Ramp Issuance Date:	April 26, 2021
On-Ramp Closing Date	August 31, 2021
Deadline for Submission of Concept Papers:	Rolling basis. See table below.
Submit Concept Papers To:	wbalkans.eog@thepalladiumgroup.com

Concept Paper Submission Deadlines:		Deadlines for Questions:
Round One	May 17, 2021 17:00 Skopje Time	May 1, 2021 17:00 Skopje Time
Round Two	August 31, 2021 17:00 Skopje Time	August 1, 2021 17:00 Skopje Time

To Interested Offerors:

The purpose of this Funding Opportunity Notice (FON) is to solicit applications/proposals from interested parties, wishing to receive funding from the CATALYZE Innovative Blended Finance (CATALYZE) program. Palladium is implementing CATALYZE, funded by the United States Agency for International Development (USAID) and is seeking qualified sources to implement activities that will mobilize financing to high growth potential Small and Medium Enterprises (SMEs) in the Western Balkans (Albania, Bosnia & Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia). The Selection Process will employ a two-step phased evaluation that shall progressively reduce the number of offerors considered for the final funding opportunity/opportunities. The process will comprise of two phases:

Phase 1: Initial Review of Concept Papers and Evaluating Against Phase 1 Criteria

Phase 2: Request for Full Proposals and/or Applications and Evaluation Against Phase 2 Criteria and Final Source Selection for award of a subcontract or grant (see definitions below).

Palladium on behalf of USAID anticipates awarding one or more grants and/or subcontracts to fund selected proposals/applications submitted in response to this FON.

Phase 1: Concept Papers in response to this FON may be submitted during the initial five-month period (“on-ramp period”), and will be reviewed in **two** rounds, in accordance with the schedule for Concept Paper Submissions noted above. After each review round, successful offerors will be invited to submit full

applications/proposals, which if selected, may result in a grant or a subcontract, as defined further below. Successful applications/proposals will be selected for funding by the CATALYZE/Palladium Source Selection Team.

Subject to availability of funds, Palladium intends to provide between \$30,000 to \$500,000 for individual value of awards; however, this amount can potentially increase during the co-creation process and/or if additional funds are made available for this initiative. Palladium reserves the right to fund any or none of the applications/proposals submitted.

Submission of questions: Questions on this FON should be addressed to wbalkans.eog@thepalladiumgroup.com and will be reviewed and answered according to the schedule above and circulated via email to all offerors who submitted concept papers before each review round. The deadlines for receipt of questions are listed above. Telephone calls regarding technical content will not be entertained.

Palladium may award a subcontract or a grant as a result of any applications/proposals received and evaluated under Phase 2.

For the purposes of this FON a funded Subcontract is defined as a firm fixed price contract to procure goods or services at firm fixed prices, where payments are made for acceptable received and inspected services or goods in accordance with the stated criteria. Subcontracts may include profit or fee when priced.

For the purposes of this FON a funded Grant is defined as an agreement by Palladium to fund the grantee on cost reimbursable or Fixed Amount Award (FAA) to carry out innovative concept proving, research and development, or other work, which may or may not produce a desired final objective or a result. Grants shall not include any profit or fee.

The FON solicits applications/proposals for interventions that will be implemented in the Western Balkans region and offerors should clearly mention the geographic area(s) in which project activities will be implemented. Preference will be given to applications/proposals that cover more than one country.

Grants will be administered in accordance with terms and conditions of the FAA grant or other conditions to be negotiated for a cost-reimbursable grant, which will be provided to the applicants selected for Phase 2 evaluation.

Subcontracts will be administered in accordance with the terms and conditions of Firm Fixed Price Contracts under CATALYZE, which will be provided to the applicants selected for Phase 2 evaluation.

This FON is comprised of the following main sections:

1. Program Summary
2. Funding Opportunity Statement
3. Award Information
4. Eligibility Requirements
5. Application/Proposal & Submission Information
6. Application/Proposal Review Information
7. Award & Administration Information
8. Other Information

To be eligible for consideration, offerors must provide all required information in their application/proposal. Applications/proposals that are submitted late, incomplete, or are non-responsive will not be considered.

Awards will be made to the responsible offerors whose concept best meet the requirements of this FON and the evaluation criteria contained herein.

Palladium requires applications/proposals to be submitted electronically (via e-mail) to wbalkans.eog@thepalladiumgroup.com no later than the deadlines listed above.

Issuance of this FON does not constitute an award commitment on the part of Palladium, nor does it commit Palladium to pay for any costs incurred in the preparation and submission of an application/proposal. Further, Palladium reserves the right to reject any or all applications/proposals received. Applications/proposals are submitted at the risk of the offeror, and all preparation and submission costs are at the offeror's own expense.

Sincerely,

Dina Karic
EoG Regional Team Leader

INTRODUCTION

1. PROGRAM SUMMARY

The CATALYZE Blended Finance Mechanism is an 8-year contract (5-year base period, with a single 3-year option period) which uses a facilitated partnership model to craft solutions to crowd in blended finance (i.e. blended concessional and commercial finance) to USAID partner countries and initiatives. CATALYZE allows USAID Bureaus and Missions to efficiently deploy investment facilitation solutions that respond to the needs of specific sectors, issues, and geographies.

The Engines of Growth (EoG) Activity is one project under the CATALYZE activity and is designed to facilitate Western Balkans small and medium enterprise (SME) resilience, growth, and job creation by improving their access to and utilization of appropriate finance. EoG is working to help mobilize capital to SMEs to sustain vulnerable SMEs and jobs in the wake of COVID-19, and now seeks to facilitate appropriate financing to high growth potential SMEs in the long term.

EoG will be focused on two main objectives in the Western Balkans:

- **Objective 1:** Mobilize capital and/or restructure debt to otherwise viable but distressed SMEs which have been adversely impacted by COVID-19 in order to sustain them, retain/rehire workers, and preserve capacity for future growth.
- **Objective 2:** Facilitate additional alternative financing to high-growth potential SMEs in the Western Balkans in order to enhance their growth, productivity, and job creation.

This activity is being implemented using different funding windows to engage local partners to address these objectives and support both vulnerable and high growth potential SMEs.

2. FUNDING OPPORTUNITY STATEMENT

Background/Development Challenge

Liquid, diverse, transparent, and well-regulated local financial markets are fundamental to facilitating the investments that underpin economic growth and development and are therefore fundamental to any country's economic capacity. Underperforming financial markets limit SMEs' ability to access the financing they need to grow and improve, thereby limiting their ability to succeed in increasingly competitive markets. Without access to finance, firms cannot afford to bankroll expansion, to develop new products, or to invest in technologies and workforce skills to improve quality and/or productivity. In the Western Balkans, limitations in access to finance are a critical constraint to the growth of the SMEs that dominate those economies.

The financial markets of the Western Balkan region struggled to regain the momentum achieved prior to the global financial crisis. Despite significant progress since the 1990s, momentum in establishing financial markets which meet the needs of the local private sector has stagnated in the face of a last mile challenge: the development of diverse financial products, services, and institutions to meet the contemporary needs of SMEs with growth potential. Enterprises - especially SMEs - continue to identify access to finance as

one of the most significant constraints to doing business in the region, even prior to the COVID-19 pandemic.

Across the region, the financial sector is dominated by foreign banks, which focus their attention on serving larger firms. This contributes to the “missing middle” phenomenon in the region: businesses too large for microfinance to meet their needs, but too small to attract significant bank interest. Despite high liquidity in the banking sector, interest rates and collateral requirements remain relatively high, and application procedures tend to be complex. Nearly all corporate loans in the Western Balkans require collateral (usually real estate), on average at a value of twice the loan amount. As a result, many SMEs end up overleveraged: even if they have collateral banks will accept that collateral cannot secure adequate capital to fully meet their need for growth finance (whether that be working capital, long-term investments, or something in between). Banks are anticipated to only become more risk-averse with lending to SMEs in the wake of the COVID-19 crisis. This serious challenge is exacerbated by the lack of diversity in available financial products, services, and institutions, particularly those that meet the needs of high growth potential SMEs - for example, factoring or receivables financing, supply chain finance, revenue-sharing loans, moveable-assets based financing, equity investment, etc.

A robust SME sector is critical to the economic development of the Western Balkans, but these firms’ potential as engines of broader economic growth is being stifled, as is reflected by low rates of economic growth and high rates of unemployment. Even as they dominate these small economies, SMEs’ contribution to value added and exports remain disproportionately low as they struggle to move into or expand high-value added activities; access to finance is a major obstacle to achieving that progress. Given the limitations and challenges associated with traditional commercial loans available through banks in the region, particularly **for SMEs, improving the availability and utilization of a more diverse range of financial instruments, services, and/or providers offers an opportunity to unlock their untapped potential.**

Solutions Sought

CATALYZE will review and disburse direct grants and/or subcontracts to companies and organizations to fulfill Objective 2: **Facilitate additional alternative financing to high-growth potential SMEs in the Western Balkans in order to enhance their growth, productivity, and job creation.**

CATALYZE seeks to:

- Identify partners to work with that have intimate familiarity with the economic challenges posed to SMEs in the Western Balkans;
- Support activities that will innovate and/or expand diversified financial products and services for high growth potential SMEs that will achieve EoG CATALYZE’s goal of SME led inclusive, sustainable economic growth and recovery; and
- Champion activities that have the potential to mobilize financing in more than just one country in the Western Balkans.
- Emphasize mobilizing inclusive financing to women and women owned businesses

Interventions under this activity should be scalable and sustainable and should promote improvements in formal employment. A regional approach offers private sector partner(s) greater potential to scale up, as well as a larger base of potential SME clients/investees. Applicants should seek to leverage economies of

scale where possible and seize any opportunities to organically promote intra-regional economic integration.

The lack of diversity in products, services, and institutions within the financial sectors of the Western Balkans is widespread and large-scale limitation, and the financing directly leveraged through intervention(s) developed under this Notice will not be sufficient to fully address that limitation. However, by focusing on scalability and sustainability, alongside strategic communication around activity interventions and results, the intervention(s) will seek to jumpstart or catalyze the broader diversification of the financial market to better serve SMEs through the demonstration effect.

CATALYZE encourages offerors to consider the following desired outcomes, however it welcomes any and all innovative ideas that will increase the availability and utilization of financing to growth ready SMEs:

- Increased access to affordable finance, which can include debt and/or equity;
- Increased availability of financial products and services on terms that are suitable for SMEs;
- Larger number of cash-flow based products and services on the market;
- Growth in non-traditional sources of financing (including but not limited to factoring or receivables financing, supply chain finance, revenue-sharing loans, moveable-assets based financing, equity investment, etc.).

3. AWARD INFORMATION

Estimated Funding Level

Palladium expects to award one or more grants and/or subcontracts and may choose to fully fund or incrementally fund the selected application/proposal(s). Individual awards can be between \$30,000 to \$500,000; however, this amount can potentially increase during the co-creation process and/or if additional funds are made available for this initiative. The final amount will depend upon the proposed activities, the expected impact and final negotiations that will take place in Phase 2. EoG will measure the impact over the course of the EoG activity as follows: the amount invested by USAID against the expected number of SMEs that will benefit from the proposed activity, and the amount of finance SMEs are expected to receive (each broken down by year). EoG will also consider the anticipated sustainability and long-term impacts of potential awards under this Notice.

Anticipated Performance Period

Palladium anticipates a performance period of 12-24 months, but is open to proposals outside of that range but within EoG's overall life of project up to 32 months. .

Award Type

Palladium anticipates awarding Fixed Amount Award (FAA) or Cost Reimbursable Grants and/or Firm Fixed Price Subcontract as defined above. The award mechanism will be determined by the CATALYZE team through a pre-award determination process based on the nature of the proposed activity and the financial and management capacity of the selected organization. The award size, the number of awards and amount of available funding is subject to change.

4. ELIGIBILITY REQUIREMENTS

This FON is issued as a public notice to ensure that all interested and qualified organizations have a fair opportunity to submit applications/proposals for funding. The following criteria will be applied to all offerors in Phase 1 to determine the eligibility of offerors:

- Offeror is legally registered as a non-for profit or for-profit organization in accordance with the laws of the country where entity is registered and is in good standing, legally licensed and up to date on all applicable taxes
- Offeror has certified that it is not affiliated with any political party nor engaged in any partisan activities.
- Offeror submits all mandatory documents prior to the deadline stipulated in the FON.
- Offeror has certified that it is receptive to participate in learning opportunities and commitment to participate in capacity building.

Certification of these requirements must be noted by completing Attachment A. Failure to submit this form will result in disqualification.

Types of Entities that May NOT Apply

The following types of entities may not apply for CATALYZE awards:

- Political parties, political party organizations, Government parastatal institutions or Government owned institutions are not eligible for grants or subcontracts;
- Organizations that have controlling interest held by a government, government agency, or agent thereof;
- Offerors with active exclusions from the working with the US government (www.sam.gov), the UN (Sanctions List), or the US Department of the Treasury Office of Foreign Asset Control;
- Any entity affiliated with Palladium or any of its directors, officers, or employees; and Individuals.

Potential New Partners

Palladium strongly encourages applications/proposals from potential new partners, including organizations which have never received funding from USAID directly or indirectly.

Cost Share

Offerors are expected to contribute resources from their own private or public sector sources for the implementation of the proposed concepts.

5. APPLICATION/PROPOSAL & SUBMISSION INFORMATION

All applications/proposals for consideration must include the following:

1. Concept Paper

Palladium will review proposals/applications using a two-stage process. For Phase 1 Offerors must first submit a concept paper of **no more than five pages** directly to Palladium before submitting a full proposal/application. Concept papers must meet the identified needs of this solicitation.

Do not submit a full proposal/application unless requested by Palladium. Only upon receipt of positive Palladium feedback on the concept paper is the offeror requested to put together a full proposal/application for Palladium consideration, using the criteria below.

Concept paper submission deadlines:

- Round one: **May 17, 2021 17:00 Skopje Time**
- Round two: **August 31, 2021 17:00 Skopje Time**

Phase 1: Concept Papers

Concept papers will be accepted and reviewed per the schedule outlined above. Awards will be subject to availability of funds. There is no guarantee a grant application or subcontract proposal submitted will be awarded.

The concept paper must be submitted in accordance with the instructions below and will be reviewed in terms of responsiveness to the FON, appropriateness of subject matter, and creativity. Offerors are encouraged to demonstrate how their proposed work will contribute to increased SME growth and job creation.

Instructions for Concept Paper Preparation & Submission

In the first stage, all offerors are required to submit a short technical concept paper that is specific, complete and concise. The concept paper should demonstrate the offeror's capabilities and expertise with respect to achieving the goals of this program.

The concept paper must be submitted in Times New Roman, font size 11, and must include page numbers. Each page must be marked with the FON title and number.

Concept papers should be prepared according to the structural format set forth below:

1. Cover Page (no more than 1 page). The cover page must include:
 1. FON number and name
 2. Address of organization
 3. Contact point (lead contact name; relevant telephone, fax, e-mail information);
 4. Signature of authorized representative of the offeror.
2. Technical approach (no more than 4 pages): This section should address the program summary and selected objectives in Section I of this document and should include:
 1. Describe relevant experience of your organization to introduce new sources of finance, this should include experience of your management and/or staff
 2. Provide brief overview of consortium partners (if any) and their role in the proposed activity
 3. Describe the intervention you are proposing in concise and clear terms.
 4. Explain how you determined that there is a need and/or demand for your proposed product/service.
 5. Describe how the intervention will be implemented
 6. Describe the benefits of your proposed interventions to SMEs and how it will address the problems SMEs face to access finance
 7. How will you achieve scale in terms of number of SMEs reached and finance mobilized.

8. Briefly describe the business model upon which you will build the intervention to ensure that it is sustainable once EoG support ends
 9. Describe the amount of effort to be employed, the anticipated results, and how the work will help accomplish EoG's goal of inclusive growth through new and innovative financial products and services for high growth SMEs.
 10. The geographic focus (country, regional, etc.) of the proposed activity; and
 11. Type of support the offeror requests from USAID .
3. Supporting information (no more than 1 page):
 1. Proposed total estimated cost;
 2. Brief cost breakdown (with cost share);
 3. Proposed duration of the activity.
 4. Certifications and Evidence of Responsibility (not included in page count):
 1. Completed Eligibility Certification (Attachment A)

All materials must be in English.

The concept paper must be submitted by email to: wbalkans.eog@thepalladiumgroup.com no later than the deadlines on the cover page of this FON. All correspondence must include the relevant FON number and title.

Palladium may contact offerors for clarifying questions.

Offerors that are not selected will be notified and may request a debrief, after which they may resubmit concept notes for consideration with feedback from Palladium, pending available resources.

Phase 2: Full Proposals

Selected offerors will be notified to participate in Phase 2. Phase 2 will be a co-creation process, whereby EOG and USAID will work with the applicant to provide feedback on the concept note, with the goal of achieving EOG goals. This phase is expected to last up to two months. During this period, applicants will be asked to participate in one co-creation workshop with EOG where applicants will present their activity and EOG will provide feedback on what is expected to be included in the proposal. The applicant will then be invited to develop a full proposal taking into consideration the feedback. Full proposals will be further evaluated by the EOG Evaluation Committee. Palladium reserves the right to fund any or none of the applications/proposals submitted during Phase 2.

During Phase 2 applicants will be expected to provide a comprehensive analysis of the expected impact or return of investment. This will be measured by the amount of USAID expected investment compared to number of SMEs reached, finance accessed by SMEs, and the timeframe in which the impact will be achieved.

While we encourage consortiums to apply there may be opportunities for new consortiums to be formed. During the co-creation process the project may organize workshops or meetings for potential partners to discuss developing joint proposals. This will be taken into consideration when synergies exist between partner proposals that may achieve greater impact and scale. With the prior approval of applicants, at this stage EOG may share applicant's Concept Notes with other potential partners.

1. Other Important Information

Branding

In accordance with ADS 320, USAID policy is to require exclusive branding and marking in USAID direct acquisitions using any source of funds. Contractors and subcontractors' corporate identities or logos must not be used on USAID-funded program materials. Marking is not required on Contractor vehicles, offices, office supplies or other commodities used solely for administration of the USAID-funded program. Marking is not permitted on any communications that are strictly administrative, rather than programmatic, in nature. USAID identity is also prohibited on Contractor and recipient communications related to award administration, such as hiring/firing of staff or renting office space and/or equipment.

Data Universal Numbering System (DUNS)

There is a mandatory requirement for the offeror to provide a DUNS number to Palladium. The Data Universal Numbering System is a system developed and regulated by Dun & Bradstreet (D&B) that assigns a unique numeric identifier, referred to as a "DUNS number" to a single business entity. Without a DUNS number, Palladium cannot deem an offeror to be "responsible" to conduct business with and therefore, Palladium will not enter into an agreement with any such organization. The award of a grant or subcontract resulting from this FON is contingent upon the winner providing a DUNS number to Palladium. Organizations who fail to provide a DUNS number will not receive an agreement and Palladium will select an alternate awardee. Only those awardees whose proposals were selected will need to obtain a DUNS number, and they will have 10 working days to provide a DUNS number upon being informed

All U.S. and foreign organizations which receive a grant or subcontract with a value of \$25,000 and above are required to obtain a DUNS number prior to signing of the agreement. Organizations are exempt from this requirement if the gross income received from all sources in the previous tax year was under \$300,000. Palladium requires that grant and subcontract offeror sign the self-certification statement if the offeror claims exemption for this reason. Documentation with Instructions for Obtaining a DUNS Number or a Self-Certification for Exemption from the DUNS Requirement can be obtained from the project issuing this FON.

Licenses and Registrations

If the organization is not registered in a Western Balkans country or does not have a business license to carry out proposed activities, describe why is it not needed and how the activities will be implemented; or describe a plan to obtain all registrations and/or licenses to legally operate in the targeted country/ies. The award of a grant or subcontract resulting from this FON is contingent upon the winner providing evidence that it can legally carry out activities in the proposed country to Palladium.

6. APPLICATION/PROPOSAL REVIEW INFORMATION

1. Evaluation Criteria for Concept Paper

Concept papers will be reviewed in terms of responsiveness to the FON Program Opportunity Statement and Instructions, appropriateness of subject matter, creativity, and relevant organizational experience and capability. Offerors are encouraged to demonstrate how their proposed work will contribute to increased financing for high growth potential SMEs in specific countries in the Western Balkans and/ or across the region.

2. Evaluation Criteria for Full Application/Proposal

In **Phase 2**, selected offerors will participate in co-design sessions with Palladium to expand and refine the concept presented in Phase 1. Offerors will then be invited to submit a full application/proposal, which will be evaluated on the following criteria:

- Offeror's demonstrated capability to carry out proposed approach;
- Soundness and reasonableness of technical approach;
- Incorporation of feedback and guidance from co-design phase;
- Alignment with EOG Activity's goal
- Analysis of the expected impact or return of investment
- Sustainability and long-term impact of approach in terms of offeror's incentives to sustain/expand the activities once USAID funding is completed.

Selected offerors will also be asked to submit a full cost proposal, which will be evaluated based on the following criteria:

- Realism and reasonableness of the work to be performed;
- Cost reflects a clear understanding of the requirements;
- Cost is consistent with various elements of the technical requirements;
- Incorporation of cost-share where feasible.

Palladium will provide full instructions for the Phase 2 application/proposal to selected offerors.

Attachment A: Eligibility Certification

Name of Offeror: _____

FON Number: _____

Date of Application: _____

Application Title: _____

Eligibility Criteria	Yes	No
Offeror is legally registered as a non-for profit or for-profit organization in accordance with the laws of the country of registration and is in good standing, legally licensed and up to date on all applicable taxes.		
Offeror has certified that it is not affiliated with any political party nor engaged in any partisan activities.		
Offeror submits all mandatory documents prior the deadline stipulated in the FON.		
Offeror has certified that it is receptive to participate in learning opportunities and commitment to participate in capacity building.		

Authorized Representative Signature _____

Authorized Representative Name _____

Date _____