



Issuance Date: March 1, 2023

Request for Application (RFA): MS4G Fertilizer Blended Finance Program for Financial Institutions

Request for Application Number: RFA-CATALYZE-217772-Ethiopia-2023-0060

The due date for submission of questions: March 7, 2023

Pre-application Conference Date: March 8, 2023 at 11AM EAT

Closing Date for Receipt of Applications: March 21, 2023 at 17:00 EAT

Total funding available (all grants): \$2,000,000 (\$1.2 million for banks and \$800,000 for MFIs)

Anticipated Number of Grants: 6-10

REF: USAID/CATALYZE MS4G Fertilizer Blended Finance for Program for Financial Institutions

Prime Contract Number: 7200AA19C00080

Subject: Palladium's Request for Applications (RFA) Number RFA-CATALYZE-217772-Ethiopia-2023-0060

Dear Prospective Applicants,

USAID CATALYZE Market Systems for Growth (CATALYZE MS4G), an initiative funded by the United States Agency for International Development (USAID) and implemented by Palladium LLC, is inviting financial institutions (FIs) that are interested in increasing access to finance for smallholder farmers, micro, small, and medium enterprises (MSMEs) with a special focus on fertilizer and input financing. Palladium is implementing this Blended Finance mechanism under USAID Prime Contract 7200AA19C00080.

The RFA is comprised of the following five sections, plus attachments.

- I. FUNDING OPPORTUNITY DESCRIPTION
- II. ELIGIBILITY REQUIREMENTS
- III. APPLICATION AND SUBMISSION REQUIREMENTS
- IV. APPLICATION REVIEW INFORMATION
- V. AWARD ADMINISTRATION INFORMATION

Successful applicants will be responsible for ensuring the achievement of program objectives. Please refer to the Program Description in Section I of this RFA for a complete statement of goals and expected results.

Subject to the availability of funds, CATALYZE MS4G intends to issue grants up to \$2 million in total for results achieved from April 2023 to March 2024. Out of the total funding available, \$1.2 million is earmarked to banks and \$800,000 to microfinance institutions (MFIs). CATALYZE MS4G reserves the right to fund any or none of the applications submitted.

To be eligible for the award, applicants must provide all required information in their applications, including the requirements found in any attachments to this RFA. Applications that are submitted late, or incomplete, will not be considered. Awards will be made to the applicants whose applications best meet the requirements of this RFA and the evaluation criteria contained herein.

If potential applicants have any questions, queries, or clarifications, they may forward them to the following email address before the date stated on the cover page of this RFA: CATALYZE-Ethiopia.ms4g.grants@thepalladiumgroup.com. Answers will be shared through an amendment to this RFA.

Potential applicants wishing to attend the pre-application conference must contact CATALYZE-Ethiopia.ms4g.grants@thepalladiumgroup.com. and state their interest in attending no later than March 7 at 17:00 EAT.

CATALYZE MS4G requires that applications be submitted electronically (e-mailed) to CATALYZE-Ethiopia.ms4g.grants@thepalladiumgroup.com. **no later than March 21, 2023 at 17:00 EAT.**

Issuance of this RFA does not constitute an award commitment on the part of CATALYZE MS4G, nor does it commit CATALYZE MS4G to pay for any costs incurred in the preparation and submission of an application. Further, CATALYZE MS4G reserves the right to reject any or all applications received. Applications are submitted at the risk of the Applicant, and all preparation and submission costs are at the Applicant's own expense.

Sincerely,

CATALYZE MS4G Grants Team

Attachments:

- A. Full Technical Application Template
- B. Full Cost Application/Budget Template
- C. FFA Grant Template

SECTION I: FUNDING OPPORTUNITY DESCRIPTION

1. Program Description

USAID CATALYZE Market Systems for Growth (CATALYZE MS4G) is a four-year activity focusing on creating transformative outcomes in the food security and water, sanitation, and hygiene (WASH) sectors. To achieve these goals, the activity will engage youth, mobilize capital, increase access to finance, and support stakeholders to self-advocate toward policy change which will promote opportunities for the private sector community.

The CATALYZE MS4G Fertilizer Blended Finance Program for Financial Institutions (FIs) initiative is intended to contribute to transformational change in the food security sector by increasing access to finance for smallholder farmers and micro, small, and medium enterprises (MSMEs) operating in the sector, with a special focus on fertilizer and input financing. The direct result will be increased financing to smallholder farmers, one-stop-shops (OSS), primary cooperatives, unions, Rural Saving and Credit cooperatives (RuSACCOs), agro-dealers, primary farming operators, bio/organic fertilizer producers, and others the value chain. Participating FIs will be incentivized by CATALYZE MS4G payments. The expected indirect results include FIs with more specialized experience lending to individuals and businesses in the fertilizer and input value chains.

2. Background

The increased global prices of fertilizer have had an adverse impact on Ethiopia's ability to import enough fertilizer to satisfy the demand of the food security sector. The reduced supply and the overall global price increases have resulted in a significant increase in fertilizer prices in Ethiopia.

CATALYZE MS4G seeks to work with multiple FIs in Ethiopia to address the shortage of capital for MSMEs in the food security sector, especially in the fertilizer and input value chains. To bridge the gaps that exist in credit access to MSMEs, particularly women-owned enterprises, MS4G has developed a blended finance program targeting financial institutions. The blended finance program entails the use of incentive payments to provide FIs with the motivation and resources to address the barriers to fertilizer and inputs lending at scale to MSMEs.

3. Objectives

CATALYZE MS4G seeks to engage FIs via pay-for-results, fixed amount awards to expand access to finance for smallholder farmers and MSMEs by providing them with an incentive to extend fertilizer and input loans to actors in the agricultural value chain. This financing may include working capital, capital investment, debt, and any type of structured finance investments. FIs get incentive payments based on the amount of finance extended.

CATALYZE MS4G expects partner FIs to lend up to USD 35 million in input and fertilizer financing. Banks and MFIs are expected to finance up to USD 19 million and 16 million, respectively.

Incentive structure

Banks: For qualified farmers or MSMEs, CATALYZE MS4G will offer a 5 percent incentive fee on the financing or investment in fertilizer and inputs, paid in USD currency. In the case of financing for women-owned businesses (in which women hold a minimum 50 percent ownership stake), the incentive fee shall be 6 percent. Banks could also provide wholesale lending to MFIs so that they can provide onward lending to finance fertilizer and input purchases.

MFIs: To assist qualified and selected partner MFIs that are willing to provide loans to eligible Agri-SMEs for the purpose of purchasing fertilizer and inputs, CATALYZE MS4G will provide an upfront payment of part

of the approved incentive grant. The aim of this pre-payment is to enhance the liquidity of MFI. The anticipated milestone payment table for grantee MFIs is as follows:

A summary of the **Pay-for-Results (P4P)** payment schedule is listed below.

Type of Qualified MSME	Success Fee (% of loan)
Qualified borrowers	5%
Qualified women-owned borrowers (50%+ women-owned)	6%

Please refer to the addendum for detailed payment structure information.

FIs participating in the blended finance program can generate and qualify MSME client pipelines in multiple ways including:

- a. **MSMEs identified through CATALYZE MS4G activities:** Through initiatives being undertaken by the CATALYZE MS4G enterprise growth objective area, and the utilization of business advisory service providers, several MSMEs are receiving technical assistance to improve overall firm performance and operations to make the enterprises bankable. MS4G may identify MSMEs and firms within the broader CATALYZE MS4G program ecosystem whose profile and financing needs align with the blended finance program objectives. In these instances, CATALYZE MS4G will provide participating FIs with MSME referrals to consider, understanding that the FI will need to undertake a credit assessment. If CATALYZE MS4G recommends an MSME for financing to the FI, then the MSME is considered pre-qualified and does not need to undergo additional prescreening requirements.
- b. **MSMEs identified by participating in FIs.** Participating FIs may identify MSMEs and firms outside the CATALYZE MS4G ecosystem they want to extend credit to under this incentive program. These proposed MSMEs will need to meet the criteria set by CATALYZE MS4G, including that at least 50 percent of the MSMEs financed under this specific blended finance program must operate in peri-urban and secondary cities.

4. Requirements

Full Applications must conform to the structure in Attachment A, Technical Application Format, which includes the following sections, described in more detail in SECTION III of this RFA.

5. Anticipated Outcomes

CATALYZE MS4G, through all grants issued under this RFA, seeks to achieve mobilization a minimum of \$35 million USD.

6. Schedule

CATALYZE MS4G anticipates awarding one or more Fixed Amount Award (FAA) grants related to this solicitation by March 2023. The expected performance period is between April 2023 to March 2024.

7. Project Guidance and Post-Award Support

During the grant period, the Grantee will report to the CATALYZE MS4G grants team for overall guidance related to this grant, to appropriate technical staff for technical matters, and the monitoring and evaluation (M&E) team regarding monitoring deliverables. CATALYZE MS4G will provide the following to the selected Grantee(s):

- Project activity brief

- Simplified report template including, type of MSME, financing type, ownership structure, geography, loan repayment status, among others
- Kick-off meeting

8. Monitoring

CATALYZE MS4G will monitor the implementation of the grant to enable sound oversight and management; examples of such monitoring include:

- Monthly meetings with Project Team
- Quarterly Program Reviews
 - Accomplishments in prior period
 - Planned activities for the upcoming period
 - Identification of any problematic issues
 - Action items list if any
 - Modification of deliverables, if required

SECTION II: ELIGIBILITY REQUIREMENTS

To be considered eligible for a grant award, prospective grantees must:

- Be legally registered per the laws of Ethiopia (registration documents required).
- Not be part of a government or any government structures.
- Not to appear on any list of debarred or suspended entities (as found on www.sam.gov), or on any terrorist watch list or other published list of ineligible recipients.
- Certify that they are not affiliated with any political party nor engaged in any partisan activities.
- Certify that they are receptive to participation in available learning opportunities and commit to participating in capacity-building components
- In addition, all prospective Grantees under consideration for an award exceeding \$25,000 (or local equivalent) must have or be able to obtain a **Unique Entity Identifier (UEI)** Number. Please include your UEI number or proof of UEI application with your application.
- Be a legally registered bank or microfinance institution under the applicable laws and regulations of Ethiopia
- Meet one or more of the following attributes:
 - Be a FI without an existing MSME financing unit with an interest in developing an MSME lending portfolio;
 - Be a FI with an existing MSME portfolio with an interest in expanding lending to MSMEs, particularly in the food security sector, or introducing new MSME lending standards and practices, and types of finance products available to MSMEs;
 - Be a FI with a demonstrated ability to initiate or expand lending to MSMEs in peri-urban and secondary cities; and
 - Be a FI with a compelling and feasible strategy to initiate or expand financing to MSME clients, with a specific focus on MSMEs operating in the food security sector, with focus on fertilizer and inputs financing and/or women owned MSMEs.

For more information on eligible sectors and geographic scope, refer to the objectives in Section I of this RFA

Note: GSA has developed a useful interactive PDF tool that guides through the most common scenarios about UEI (https://www.fsd.gov/sys_attachment.do?sys_id=af05f8fb1b44851006b09796bc4bcb6d)

SECTION III: APPLICATION AND SUBMISSION INSTRUCTIONS

Activity Name: MS4G Fertilizer Finance Program for Financial Institutions

CATALYZE MS4G will award up to ten (10) grants resulting from this solicitation to the responsive applicant(s) that demonstrate the capability to carry out activities conforming to the project objectives and within the funding and other parameters set by this RFA.

This solicitation does not commit CATALYZE MS4G to make an award. Palladium may at its sole discretion (a) accept or reject any or all applications, at any step, in part or in full without assigning a reason; and (b) waive informalities or irregularities in applications received.

FULL APPLICATION

a. Cover Sheet

The applicant provides basic contact information and information regarding the status of the organization. General information includes these elements:

- i. Legal Name of Organization
- ii. Mailing Address
- iii. Physical Location
- iv. Contact Information
- v. Organization's Legal Representative
- vi. Tax ID number (or other local ID required for organizations to be eligible)
- vii. UEI number, for grants expected to exceed \$25,000

b. Instructions for Preparation of the Technical Application (maximum 11 pages total, excluding annexes)

i. Company Profile (2 pages, refer to the technical proposal template):

Applicants are expected to present a maximum of two (2) page summary providing an overview of their current lending and investment activities and provide any relevant details on their overall strategy and financial products and services used in mobilizing credit in the food security sector, with specific focus on fertilizer and input financing.

ii. Project Description (maximum 4 pages, use provided technical proposal template):

Applicants are requested to present a plan to mobilize financing to MSMEs in the food security sector based on the requirements and eligibility presented in Section II above, including the following elements:

- State the total amount in US dollars to be committed for financing and investment into Ethiopian agri-MSMEs for the grants period. To the extent possible, provide details on which types of financial products and services are likely to be offered to or expanded to fertilizer and input financing under this program. To the extent possible, estimate the potential number of MSMEs to be served and the average size of each transaction. Provide a brief rationale on how this amount committed is feasible in the grant period. (*Note: this target financing amount will be used to set milestone targets and milestone grant payment amounts. Final milestones and payment amounts will be negotiated prior to award*).
- Describe a strategy to rapidly expand financing to fertilizer and inputs. This can include orienting current financial services to MSMEs, introducing new financial instruments/loan products well suited for MSMEs that require fertilizer and inputs financing, re-orienting staff resources towards expanding MSME client base, any potential partnerships, or other actions to reduce obstacles to viable MSMEs to access financing from the applicant.
- A strategy for inclusive financing to MSMEs that includes a minimum of 30 percent women-owned enterprises, and 50 percent of financing to enterprises in peri-urban and secondary cities outside of Addis Ababa.
- Outline how the proposed elements will support progress toward the applicant's longer-term engagement in fertilizer and input financing.

iii. **Project Implementation Plan (1 page, use provided technical proposal template):**

Applicants are expected to present an implementation plan that outlines when key activities will take place to ensure success under this initiative. Please attach a Gantt chart of planned activities and a timeline for their completion, with a brief description.

iv. **Monitoring and Evaluation Plan (2 pages, annex):**

Describe the monitoring and evaluation methods implemented by the applicant and the tools used to measure and evaluate fertilizer and input financing results and impact. CATALYZE MS4G expects collected data to include, among others, the type of MSME, location, ownership structure, male or female owned, age of the owner, amount of fertilizer financing disbursed, volume of fertilizer or inputs financed, and other parameters.

v. **Experience and Capacity (up to 2 pages, please use template provided):**

The applicant lists earlier and ongoing experience providing similar financing initiatives. This is critical in assessing the grantee's ability to implement the activity.

c. **Instructions for Preparation of the Cost Application**

As part of the Cost Application and in addition to the Budget Template (Attachment B), the applicant shall include the following:

i. Transmittal Letter

The application must be signed by an individual authorized to commit to the organization.

ii. Organizational Information and Certifications

The applicant shall submit the following annexes to the cost application:

- Copy of the organization's chart and bylaws and power of attorney of the authorized signer.
- Copy of the organization's legal registration under the laws of Ethiopia.
- Copy of the last annual financial report(s) completed by an authorized/certified accountant.

iii. **Budget Narrative and Detail**

This section should include a summary of the information provided in the application budget forms and includes the total grant funding request. The applicant must supply a budget, a budget narrative, and adequate cost and historical or unit pricing data to set up a reasonable cost and the assurance that the recipient will not realize any profit above the actual cost.

The applicant shall include a budget narrative that breaks down proposed costs in sufficient detail corresponding to the attached budget template to allow cost analysis. The budget shall be denominated in USD.

Cost estimates must be submitted **in Excel format using the attached budget template**. The file must be unprotected and there should be no hidden columns/rows/cells. Each cost element must include a basis for estimate or rationale. Any budget submitted without the accompanying narrative or in a different template will not be accepted and the application will not be considered. **Please note that applications will be judged based on the efficiency of costs vs. proposed performance targets and/or the ratio of MS4G investment/loans the FIs commit to provide MSME loans.**

The budget template contains the following budget categories:

a. Salaries (activity staff)

The applicant shall provide the individual's name, position title, the unit (days), the number of units (i.e., the level of effort), the unit salary or consultant fee, and the total salary or consultant fee. Unit salaries shall be stated in days. Benefits, fees, and indirect costs should not be included in the unit salary.

b. Fringe Benefits

This could include social security, health insurance, and other mandatory withholdings for relevant grantee staff.

c. In-Country Travel and Transportation

Travel and Transportation include per diem and shall be broken down by traveler, vehicle, number of trips, and the corresponding number of days of per diem. Include a basis of estimate for each trip.

d. Other Direct Costs (ODCs)

As part of the detailed budget breakdown, the applicant shall submit details of all other direct costs (ODCs) required for undertaking the award grant. ODCs include costs of direct program implementation, as well as costs for communication, meetings, expendable supplies and materials, report preparation/reproduction, and publications. Include a basis of estimate for each item.

As illustrative examples only, program implementation costs could include but not limited to the following (or many others):

- *Marketing costs: The applicant should provide details of marketing costs that would promote its services. Illustratively, marketing costs could include events, signage, and promotional print materials.*
- *Assurance costs: The applicant should provide details of costs for quality improvement/assurance that could include supervisory visits and monitoring mechanisms.*

NOTE: USAID Policy Prohibits the Payment of Fee/Profit to recipients under assistance instruments.

Submission of the full Application:

Full applications must be submitted no later than 17:00 EAT, March 21, 2023 via email to CATALYZE-Ethiopia.ms4g.grants@thepalladiumgroup.com. using the subject line "Subject: MS4G Fertilizer Blended Finance Program for Financial Institutions RFA 0060."

IMPORTANT NOTE: Technical and financial applications should be submitted in two separate electronic files.

SECTION IV: APPLICATION REVIEW INFORMATION

The application must be fully completed in all aspects in each Step. An application may not be considered if it is received after the submission deadline. Costs associated with preparing the full application shall be at the applicant's expense.

EVALUATION OF FULL APPLICATIONS

CATALYZE MS4G intends to issue a grant to the organization(s) considered to provide the best strategic fit, technical approach, past performance/organizational capacity, and gender considerations for the overall project. The criteria below will serve as the basis upon which the application will be evaluated. Selection will also be based on the capabilities of the organizations as detailed in the application.

a. **Evaluation Criteria**

Technical applications will be evaluated according to the following criteria, which are listed below, with additional details:

	Evaluation Criteria	Details	Information Source (See Annex I- Technical Proposal)	Maximum Score
1	Strategic Fit	<p>Commitment, capacity, and strategy to expand financing activities to MSMEs, i.e., strategic fit.</p> <p>Points will be awarded to FIs with existing Agri MSME financing programs with a strategy to expand fertilizer and input lending to MSMEs and secondary cities.</p> <p>Points will also be awarded to FIs without existing MSME financing programs able to present a strategy to expand lending to MSMEs that require financing for purchase of fertilizer and inputs.</p>	Technical Proposal	20
2	Capital Mobilization Commitment	<p>Amount and reasonableness of financing to be committed (in USD or ETB terms) in value of financing in target sectors and geographic areas of this initiative. The greater the value of financing to be committed by FIs and deemed reasonable, the greater the points to be awarded.</p> <p>Points will be awarded according to the proportion of the FI loan portfolio currently committed to Fertilizer and input and/or to the proposed increase in overall financing to MSMEs because of participation in this program.</p>	Technical Proposal and financial statements	25
3	Technical Approach (Gender inclusion)	Compelling strategy and capacity to contribute to MS4G's target of 50% of financing mobilized for women-owned enterprises, applicants should articulate on how to reach this target in their proposal.	Technical proposal	20
4	Technical Approach (Geographic inclusion)	Compelling capacity and strategy to provide loans to MSMEs in rural, peri-urban and secondary cities as measured by the number of branches outside of Addis Ababa and percent of loans extended in rural, peri-urban and secondary cities.	Technical proposal	20
5	Organizational Capacity	<p>The current level of financing extended to MSMEs in the food security / agriculture sector (per annual report) as a percentage of the total loan portfolio.</p> <p>Staff proposed to work on this activity and any process or policy enhancements developed to fast-track pipeline development and loan approval and disbursement under this grant program.</p>	Technical proposal based on data extracted from the applicant's institutional Annual Report	15
		Total		100

CATALYZE MS4G will award up to 10 grants under this solicitation to applicants that achieve an evaluation score of 70 or above.

SECTION V: AWARD ADMINISTRATION INFORMATION

a. **Award Notices**

Successful applicants can expect to receive the following upon approval by USAID:

- A notice of USAID approval
- Draft Fixed Amount Award grant agreement

b. Award Administration Standards

Grants resulting from this solicitation will be administered by the approved Project Grants Manual, and the following regulations (as applicable):

- FAR Part 31 – Cost Principles for For-Profit organizations used to negotiate award amounts https://www.acquisition.gov/far/part-31#FAR_31_000 and terminations per 2 C.F.R. 200.201 (b)(1)) - <https://www.ecfr.gov/current/title-2/section-200.201>
- Automated Directives System (ADS) Chapter 303 Grants & Cooperative Agreements to Non-Governmental Organizations: 303.3.25 Fixed Amount Awards to Non-Governmental Organizations - <http://www.usaid.gov/ads/policy/300/303saj>
- A Mandatory Reference for ADS Chapter 303: 303_mak Fixed Amount Award Entity Eligibility Checklist – <http://www.usaid.gov/ads/policy/300/303mak> as adapted by Palladium
- A Mandatory Reference for ADS Chapter 303: 303_mat Fixed Amount Awards to Non-Governmental Organizations - <http://www.usaid.gov/ads/policy/300/303saj> as adapted by Palladium
- ADS 302.3.4.13 Grants Under Contracts (GUCs) - <https://www.usaid.gov/ads/policy/300/302>
- 2 C.F.R. 200.1 Definition Fixed Amount Awards - <https://www.ecfr.gov/current/title-2/section-200.201>
- 2 C.F.R. 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts (as referenced in ADS 303.3.25.a.) - <http://www.usaid.gov/ads/policy/300/303mak>
- 2. C.F.R. 200 Subpart E – Cost Principles for non-profit and educational organizations – used to negotiate award amounts and terminations per 2 C.F.R. 200.201 (b)(1)) - <https://www.ecfr.gov/current/title-2/section-200.201>

c. Reporting

Deliverables required for success fee payment

Each of the FIs selected under this RFA will have a quarterly success payment until reaching the agreed grant ceiling or expiration of the grant agreement, whichever comes first. The grantee shall invoice CATALYZE quarterly based on the total amount it has mobilized in adherence to MS4G's geographic focus, at least 50% of qualified MSMEs should be located within peri-urban (areas that are in some form of transition from strictly rural to urban) and secondary cities, defined as cities with a population size of 100,000 or greater.

The quarterly payment will be determined by incentive percentage rates based on the types of qualified MSMEs receiving financing. To receive payment, the FI must provide evidence of the approval and disbursement of financing or investment in the enterprise. The required documentation is listed below.

Proof of financing/investment disbursement

Disbursement may include legally binding financing or investment offer/acceptance documents.

- i) for debt, a **written or electronic financing commitment** (a legally binding loan agreement) from a finance provider and accepted by the finance seeker
- ii) for non-debt (equity or grants), disbursement of financing

CATALYZE MS4G reserves the right to audit documentation of disbursement results at any time, as the project conducts Monitoring and Evaluation (M&E) verifications. CATALYZE MS4G will obtain both the FI and enterprises' approval to release information in publicly reported success stories, periodic reports, and lessons learned reports. The FI may be required to submit additional reporting periodically (reporting format

will be provided by MS4G). Participating FIs agree to comply with and respond to MS4G requests for information.

d. **Branding & Marking Requirements**

Should successful applicants have the plan to publicize any document relating to this grant, they will be required to submit a Branding Strategy and a Marking Plan that complies with the approved Branding and Marking Plan for the project and must follow the mandatory standard provision entitled “MARKING AND PUBLIC COMMUNICATIONS UNDER USAID-FUNDED ASSISTANCE (DECEMBER 2014)” (for standard cost type grants) or “MARKING AND PUBLIC COMMUNICATIONS UNDER USAID-FUNDED ASSISTANCE (JULY 2015)” (for FAAs) in preparing the Branding and Marking Plan for approval.

e. **Environmental Compliance**

The grants program anticipates funding only activities that fall under the categorical exclusions of “USAID Environmental Guidelines.”¹ Therefore, if all activities under a specific grant are identified as categorical exclusions, the project will not conduct any additional environmental assessment or will not require prior review by USAID’s environmental officer. However, in instances where the proposed activity may directly affect the environment outside the exclusions, the project will seek guidance from the COR, to ensure compliance with 22 CFR 216 and the “USAID Environmental Guidelines.” https://www.usaid.gov/our_work/environment/compliance/22cfr216#216.1

CATALYZE MS4G will ensure all stipulated environmental measures and conditions in the award are implemented throughout the life of the award, and that timely amendments are undertaken, as needed, by obtaining the relevant USAID Environmental Officer’s prior approval in writing to ensure compliance with 22 CFR 216 and the applicable USAID Environmental Guidelines

¹ 22 CFR 216

Addendum- Incentive payment structure

Banks: For qualified MSMEs, MS4G will offer a 5% incentive fee on the financing/investment to fertilizer and inputs, paid in USD currency. In the case of financing women-owned businesses (with women holding 50% plus ownership stake), the incentive fee shall be 6%. Banks could also provide wholesale lending to MFIs so that they can provide onward lending to finance fertilizer and input purchases.

Milestone Description	Deliverable Date	Documentation Requirement	Technical Acceptance Criteria	Average Capital Mobilization Amount (USD)	Incentive Payment Amounts (USD)
<p>Monthly Invoice until reaching the ceiling incentive amount: The grantee invoice CATALYZE on a quarterly basis for any amount they mobilized. The incentive amount will be paid based on the breakdown of SMEs type (Women-owned, other) each month until we reach the total approved incentive amount</p> <p>Capital Mobilization in the following Sector: SME Women Owned (6%) Other Qualified SMEs (5%)</p> <p>The grantee bank must adhere to the MS4G's geographic focus, at least 50% of qualified SMEs should be located within secondary cities; rural and peri-urban areas.</p>	<p>The submission of deliverables is on a monthly basis after signing the FAA and last until February 28, 2023</p>	<ol style="list-style-type: none"> 1.For debt, a written or electronic financing commitment (a legally binding loan agreement) from the grantee and accepted by the finance seeker 2.For non-debt (equity or grants), disbursement of financing 3.Excel summary sheet including the name of business, contact details, type of business, geographic location, and amount disbursed 4.Disbursement request from the SMEs and, proof of the type of business (Women-owned, others) 	<p>Approval of mobilized amount, report, and types & geographical locations of SMEs by CATALYZE MS4G</p>	<p>TBD</p>	<p>Calculated based on the incentive structure</p>

MFIs: To assist qualified and selected partner MFIs that are willing to provide loans to eligible Agri-SMEs for the purpose of purchasing fertilizer and inputs, MS4G’s blended finance activity will provide an upfront payment of part of the approved incentive grant. The aim of this pre-payment is to enhance the liquidity of MFI. The anticipated milestone payment table for grantee MFIs is as follows:

Milestone #	Milestone Name	Deliverables	Acceptance Criteria	The anticipated date for the milestone	Payment
The MFI must initially be selected for the grant before proceeding to the detailed payment plan.					
1	Milestone # 1: Fertilizer loan pipeline and implementation plan	Quarterly plan to lend for fertilizer and inputs. This will have details of whom they plan to lend to, the planned amount, and time frame.	The reasonableness of the plan and loan approval timeframe	Within 15 working days of the grant award notification	25% of the approved grant
2	Milestone #2	M&E data, loan contract signed by the MFI and the borrower under deliverable # 1 and an additional loan approval that will trigger incentive payment of 10% of the total grant.	Effectiveness of partner MFI in lending to fertilizer and inputs per the agreed timetable under milestone #1	Upon utilization of the first tranche	25% of the approved grant
3	Milestone #3	M&E data, loan contract signed by the MFI and the borrower under deliverable # 2 and an additional loan approval that will trigger incentive payment of 10% of the total grant.	Effectiveness of partner MFI in lending to fertilizer and inputs per the agreed timetable under milestone 2	Upon utilization of the second tranche	25% of the approved grant
4	Milestone #4	M&E data, loan contract signed by the MFI and the borrower under deliverable # 3 and an additional loan approval that will trigger incentive payment of the remaining grant.	Effectiveness of partner MFI in lending to fertilizer and inputs per the agreed timetable under milestone 3	<ul style="list-style-type: none"> - Upon utilization of the third tranche, and - fulfillment of the remaining lending commitment by the MFI 	25% of the approved grant

The percentage plan as well as number of tranches could be negotiated based on the selected MFI’s plan and performance.