

Bidders' Conference Questions & Answers

RFP-CATALYZE-PSD-2023-0041: Call for Investment Advisory Services Providers (IASPs) for equity and angel investment.

Date & Time: May 26th, 2023, 11:00 AM Colombo Time

Questions and Answers for the subject RFP (RFP-CATALYZE-PSD-2023-0041)

- 1. If an advisor has been selected/signed the agreement under RFP-CATALYZE-217772-PSD-2022-0680 would this preclude the same advisor from qualifying for this RFP?**

No, existing agreements would not preclude IASPs for qualifying for this RFP. However, PSD will prioritize firms/advisors applying for new transaction categories over those applying for the same transaction categories under which they are already contracted. And potential IASPs applying for a second contract should explicitly address how they will manage the additional workload or two contracts in the management section of their application. Specifically, they should address what has changed in regard to their management capabilities that allows them to take on additional deals at this time rather than during their original proposal under RFP No: RFP-CATALYZE-217772-PSD-2022-0680.

Questions and Answers from previous RFP (RFP-CATALYZE-217772-PSD-2022-0680) and Questions raised at the Bidder Conference on 26 May 2023

- 2. Will USAID/PSD introduce IASPs to potential investors/foreign funds and assist in raising equity funding?**

IASPs are responsible for identifying investors (local/international). PSD will use its network of investors, if needed and possible, but the IASP should not rely on these introductions for the proposed plan.

- 3. In an equity investment, would USAID match the funds IASPs raise from investors?**

No, USAID will not match the funds.

- 4. Are you looking for a local firm for this or open to an international firm?**

The RFP is open to both local and international firms.

- 5. Can the IASPs limit their scope of work based on a type of Equity Financing (e.g., only focus Private funding from Angel investors/networks, accelerators and/or incubator programs)?**

Yes, IASPs are free to limit their scope based on their capacity and expertise, eligibility as outlined in the RFP.

6. Are IASPs allowed to separately charge fees from the investor for structuring and negotiating the transaction? Or are they limited to the fixed and success fees provided by PSD?

PSD has no objection, and in fact encourages, IASPs to charge MSME market rates for their support. However, IASPs charging fees to MSMEs must outline said fees in the MSME approval scoring matrix (see ANNEX A- Statement of Work, point 7 – Preapproval, point I). PSD incentive payments are not meant to fully cover all costs involved in these types of transactions. Rather, the incentive payments are meant to either partially reduce the fee charged to MSMEs and/or incentivize IASPs to provide support to MSMEs that they may have otherwise overlooked. The application template has been updated to request information on the IASPs standard fee structure for financing transactions. PSD will use this information to confirm fair arrangements and negotiations between IASP, MSMEs and investors on fee payments during the pre-approval process.

7. “Confidentiality” – we expect All the information in the proposal to be kept confidential except for the legal requirements. The information of the proposal contains sensitive company specific information and client specific information which shall not be revealed to other parties other than the Palladium International LLC, its officers involved in this project as well as the representatives of the USAID. Since the purpose of submission relates to this specific RFP, can we assume that all information will be kept confidential, and that PSD will seek our consent prior to disclosure to parties other than the parties mentioned as above?

Yes, all application information will be kept confidential, and no information will be shared with third parties or without the consent of the offeror. However, note that as part of PSD’s facilitative role, the Activity may share subcontractor IASP contact information with partner MSMEs seeking financing, so that MSMEs can connect with a partner IASP for support. If a IASP does not wish to have their contact information shared with partner MSMEs, they may indicate so during subcontract kick-off.

8. Type of Contract

i. Explain how the ‘subcontract’ agreement works.

Palladium LLC is a prime contractor for USAID to implement the PSD program and the IASP will be a subcontractor for Palladium LLC. Process will be explained verbally during the bidders’ conference and selected IASP will be trained on how to execute this contract. Please refer to the example subcontract template included as Attachment 6 to the RFP for more details.

ii. Maximum limit on Billable amount – this imposes a limitation on the IASP as regard the number of MSMEs that it can facilitate. Does this mean there is no minimum number of MSMEs to be facilitated?

There is no minimum number of MSMEs to be facilitated and IASPs can present their proposals based on their capacity and duration of the services offered.

iii. Monthly performance review and revision to billable amount’s ceiling - it is our opinion that the task of raising funds for MSMEs is not straightforward whilst it is not solely dependent on the IASP’s efforts. Hence, a ‘monthly’ evaluation is less effective. Furthermore, the reference made to terms “delayed or non-performance’ are open ended where in our experience such delays occur largely from the part of the clients. Accordingly, we request to specifically state the circumstances of delays in the “Agreement” with proper yardsticks of measurement.

IASPs selected for this program are supposed to have close dialog with MSMEs to ensure on-time deliverables for them to receive payment. PSD will consider delays if results are not achieved within such a time frame due to whatever reason. PSD may consider extensions if the delays are properly justified for acceptable reasons.

- iv. MSME fundraising is complex, how do PSD and the IASP ensure that deliverables are reasonable and achievable?
Performance will be judged against the quarterly financing estimated included in offerors applications (see the Expected Results & Implementation Timeline section of Attachment 1 – Technical Proposal Template). For this reason, IASPs should ensure that the timelines included in the technical proposal are realistic and feasible considering the expected number of MSMEs supported and type of financing sought. Timelines should take MSME identification and onboarding time into account.

Anticipated Contract Period of Performance - different fund-raising transactions will have different timelines depending on the readiness, pre-requisites, types of MSMEs, MSME performance, macro-economic environment, regulations and approval process, and any the internal protocols of the financiers/ investors. There is also often a limitation of the number of clients that can be on-boarded at a given time with the resource availability and financial viability.

Can contracts be extended or renewed to accommodate the issues above after the 12 months as referred to in the RFP?

BASPs will have to submit all financing applications within 12 months of contract award, as outlined in the RFP. In most cases, subcontract extensions will only be considered to allow BASPs to claim success fee payments. Such extensions are at the discretion of Palladium.

9. Payment Structure

a. Are those fees mentioned therein inclusive of taxes?

Any applicable taxes to be borne by the BASP.

10. MSME definition – is it based only on the number of employees?

Yes, as per the RFP, MSMEs are defined as follows,

MICRO -	Businesses with less than 10 employees
SMALL -	Businesses with 11-50 employees
MEDIUM-	Businesses with 51-250 employees

11. ICT related BPM service providers are also under a recognized category. If such company has other business lines within the company, do they qualify?

Yes, they may qualify provided the investment/funding sought by such SMEs will go for financing ICT related activities.

12. Is IASP required to identify MSMEs or to raise capital for already identified MSMEs?

Yes, as per the RFP IASPs are supposed to identify qualified MSMEs and support them once the transaction is pre-approved by PSD. Further PSD will refer already identified MSMEs, if any, to IASPS for support with the consent of the MSMEs, as an additional support

13. Fund raising through CSE - is the success fee common for raisings from 100 Mn - 190 Mn and 190 Mn - 500 Mn?

Yes, percentage is same subject to different CAPS as detailed in the section 9 payment structure – under deliverable 2 in the RFP No: RFP-CATALYZE-PSD-2023-0041

14. Is there a maximum number of IASPs that would be selected through this RFP?

No there is no such limitation, however PSD will consider in addition to IASPs' technical capabilities, the total vs the availability of the budgets when deciding on the number of contracts to be awarded.

15. Can Palladium provide support to ISPs by connecting them with Chamber of commerce etc?

As mentioned, earlier IASPs are supposed to use their own systems/sources to identify MSMEs qualified for the program. PSD too may conduct awareness sessions/workshops with the help of lead firms/associations in order to build pipelines of qualified MSMEs to be supported under the program.

16 When multiple IASP's have been contracted with Palladium, on what basis does Palladium pick which IASP to work on with selected projects?

Under the contract MSMEs are identified and selected by the IASPs and support them with the pre-approval of PSD for the eligibility of transaction. If the PSD identifies a qualified MSME, based on the size and type of funding required, PSD will recommend a few IASPS to the MSME for the selection of one as per his preference.