

## Amendment to Request for Proposal

**Amendment number:** 01  
**Reference Request for Proposal Number:** RFP-CATALYZE-217772-PSD-2023-0041

**Amendment effective date:** June 8, 2023

**Description of Amendment:**

1. This amendment serves to modify the closing date and time on the cover page of the RFP from June 10, 2023, 17:00 Colombo Time to June 14, 2023, 17:00 Colombo Time.

Changes are highlighted in yellow in the attached amended RFP. All other sections and attachments remain unchanged.

## Request for Proposal (RFP)

Subject RFP #:	RFP-CATALYZE-PSD-2023-0041
RFP Issue Date:	May 11 <sup>th</sup> , 2023
Terms of Reference / Specifications:	<a href="#">Call for Investment Advisory Services Providers (IASPs) for equity and angel investment</a>
Project	CATALYZE Sri Lanka Private Sector Development
The Company	Palladium International, LLC
Country of Performance	Sri Lanka
Closing Date and Time	<b>June 14<sup>th</sup>, 2023, 17:00 Colombo Time</b>
Questions Deadline	<input checked="" type="checkbox"/> Accepted at <a href="mailto:SriLankaPSD.Procurement@thepalladiumgroup.com">SriLankaPSD.Procurement@thepalladiumgroup.com</a> by May 22 <sup>nd</sup> , 2023, 17:00 Colombo Time <input type="checkbox"/> N/A
Bidders' Conference	<input checked="" type="checkbox"/> May 26 <sup>th</sup> 2023, 11:00 Colombo Time <input type="checkbox"/> N/A
Details for Submission	Submissions will be accepted: <input checked="" type="checkbox"/> Electronically: email to <a href="mailto:SriLankaPSD.Procurement@thepalladiumgroup.com">SriLankaPSD.Procurement@thepalladiumgroup.com</a> <input type="checkbox"/> In hard copy (sealed bids) at [physical location of office]
Offer Validity Period	180 Days

Thank you for your interest in the above procurement. As implementer for the CATALYZE Innovative Blended Finance Project funded by United States Agency for International Development (USAID), Palladium invites you to submit a proposal for the scope of work attached in Annex A. Your proposal must be valid for the Validity Period.

Please email your notice of intention to submit a proposal by the Questions Deadline. Answers to questions shall be distributed to all offerors that have indicated an intention to submit a proposal by the deadline.

Please submit your proposal in accordance with the Details for Submission above by the Closing Date and Time. This RFP in no way obligates Palladium to award a contract nor does it commit Palladium to pay any cost incurred in the preparation and submission of a proposal. Palladium bears no responsibility for data errors resulting from transmission or conversion processes.

Yours sincerely,

CATALYZE Procurement Team

## Terms and conditions

### 1. Proposal Conditions

By submitting a proposal, potential suppliers are bound by these terms and conditions. Potential suppliers must submit offers with all details provided in English and with prices quoted in a single currency.

### 2. Proposal Lodgement

The Company may grant extensions to the Closing Time at its discretion. The Company will not consider any quotes received after the Closing Time specified in the RFP unless the Company determines to do so otherwise at its sole discretion.

### 3. Evaluation

The Company may review all proposal to confirm compliance with this RFP and to determine the best proposal in the circumstances.

### 4. Alterations

The Company may decline to consider a proposal in which there are alterations, erasures, illegibility, ambiguity or incomplete details.

### 5. The Company's Rights

The Company may, at its discretion, discontinue the RFP; decline to accept any proposal; terminate, extend or vary its selection process; decline to issue any contract; seek information or negotiate with any potential supplier that has not been invited to submit a proposal; satisfy its requirement separately from the RFP process; terminate negotiations at any time and commence negotiations with any other potential supplier; evaluate proposals as the Company sees appropriate (including with reference to information provided by the prospective supplier or from a third party); and negotiate with any one or more potential suppliers.

### 6. Amendments and Queries

The Company may amend, or clarify any aspect of the RFP prior to the RFP Closing Time by issuing an amendment to the RFP in the same manner as the original RFP was distributed. Such amendments or clarifications will, as far as is practicable be issued simultaneously to all parties.

Any queries regarding this RFP should be directed to the Contact Person identified on the cover page of this RFP.

### 7. Clarification

The Company may, at any time prior to execution of a contract, seek clarification or additional information from, and enter into discussions and negotiations with, any or all potential suppliers in relation to their proposals. In doing so, the Company will not allow any potential supplier to substantially tailor or amend their proposal.

### 8. Confidentiality

In their proposal, potential suppliers must identify any aspects of their proposal that they consider should be kept confidential, with reasons. Potential suppliers should note that the Company will only agree to treat information as confidential in cases that it considers appropriate. In the absence of such an agreement, potential suppliers acknowledge that the Company has the right to disclose the information contained in their proposal.

The potential supplier acknowledges that in the course of this RFP, it may become acquainted with or have access to the Company's Confidential Information (including the existence and terms of this RFP and the TOR). It agrees to maintain the confidence of the Confidential Information and to prevent its unauthorised disclosure to any other person. If the potential supplier is required to disclose Confidential Information due to a relevant law or legal proceedings, it will provide reasonable notice of such disclosure to the Company. The parties agree that this obligation applies during the RFP and after the completion of the process.

### 9. Alternatives

Potential suppliers may submit proposals for alternative methods of addressing the Company's requirement described in the RFP where the option to do so was stated in the RFP or agreed in writing with the Company prior to the RFP Closing Time. Potential suppliers are responsible for providing a sufficient level of detail about the alternative solution to enable its evaluation.

### 10. Reference Material

If the RFP references any other materials including, but not limited to, reports, plans, drawings, samples or other reference material, the potential supplier is responsible for obtaining the referenced material and considering it in framing their proposal. And provide it to the Company upon request.

### 11. Price/Cost Basis

Prices or costs quoted must show the tax exclusive price, the tax component and the tax inclusive price.

The contract price, which must include any and all taxes, supplier charges and costs, will be the maximum price payable by the Company for the Goods and/or Services.

### 12. Financial information

If requested by the Company, potential suppliers must be able to demonstrate their financial stability and ability to remain viable as a provider of the Goods and/or Services over the term of any agreement.

If requested by the Company, the potential supplier must promptly provide the Company with such information or documentation as the Company reasonably requires in order to evaluate the potential supplier's financial stability.

### 13. Referees

The Company reserves the right to contact the potential supplier's referees, or any other person, directly and without notifying the potential supplier.

### 14. Conflict of interest

Potential suppliers must notify the Company immediately if any actual, potential or perceived conflict of interest arises (a perceived conflict of interest is one in which a reasonable person would think that the person's judgement and/or actions are likely to be compromised, whether due to a financial or personal interest (including those of family members) in the procurement or the Company).

### 15. Inconsistencies

If there is inconsistency between any of the parts of the RFP the following order of precedence shall apply:

- (a) these Terms and Conditions;
- (b) the first page of this RFP; and
- (c) the Schedule

so that the provision in the higher ranked document will prevail to the extent of the inconsistency.

### 16. Collusion and Unlawful Inducements

Potential suppliers and their officers, employees, agents and advisors must not engage in any collusive, anti-competitive conduct or any other similar conduct with any other potential supplier or person or quote any unlawful inducements in relation to their proposal or the RFP process.

Potential suppliers must disclose where proposals have been compiled with the assistance of current or former the Company employees (within the previous 9 months and who was substantially involved in the design, preparation, appraisal, review, and or daily management of this activity) and should note that this may exclude their proposal from consideration.

Potential suppliers warrant that they have not provided or offered any payment, gift, item, hospitality or any other benefit to the Company, its employees, consultants, agents, subcontractors (or any other person involved in the decision-making process relating to this RFP) which could give rise to a perception of bribery or corruption in relation to the RFP or any other dealings between the parties.

### 17. Jurisdiction

This RFP shall be subject to the laws of the District of Columbia, United States of America. The language of the arbitration will be English.

The Potential Supplier and the Company will use their best efforts to settle amicably any dispute, controversy, or claim arising out of, or relating to this RFP or the breach, termination, or invalidity thereof. If no agreeable settlement can be found, any dispute, controversy, or claim arising out of or relating to this RFP or the breach, termination, or invalidity thereof, shall be settled by mediation through the American Arbitration Association by filing a request for mediation with the AAA and the other party. The Parties will be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such dispute.

## 1. Company Information

Palladium is a global leader in the design, development and delivery of Positive Impact — the intentional creation of enduring social and economic value. We work with corporations, governments, foundations, investors, communities and civil society to formulate strategies and implement solutions that generate lasting social, environmental and financial benefits.

## 2. Project Background

USAID CATALYZE (“the Project”) is a global project designed to facilitate partnerships and craft solutions to mobilize blended private sector capital and other financing to USAID partner countries.

The program can work in any development sector or region, enabling USAID Bureaus and Missions around the world to efficiently facilitate investment solutions that respond to the needs of specific sectors, issues, and geographies and leverage private sector financing to achieve development objectives.

The CATALYZE Sri Lanka Private Sector Development (PSD) Activity is a 5-year program designed to bolster Micro, Small and Medium Enterprises (MSMEs) in high growth potential sectors in Sri Lanka. The PSD program will strengthen MSME products and services in five sectors including tourism, information and communication technology (ICT), commercial care, apparel, and food processing. Due to the current economic situation in the country, the program has prioritized supporting **MSMEs in agribusiness, ICT, and other high-impact sectors such as tourism**. These sectors were selected for their potential to generate growth opportunities for MSMEs, to place more women in the workplace, and to promote female entrepreneurship.

CATALYZE PSD has three primary objectives, interconnected with a fourth core cross cutting theme:

**Objective 1:** Improved Capacity and Competitiveness of MSMEs

**Objective 2:** Increased Access and Availability of Finance for MSMEs

**Objective 3:** Increased economic resilience to the economic impacts of COVID-19

**Cross Cutting Theme:** Inclusion and Promotion of Women

## 3. Purpose

To encourage wider use of private capital mobilization business advisory services By Sri Lanka MSMEs to help them secure debt and equity finance and facilitate outside investment. A complete scope of work is attached as **Annex A**.

## 4. Type of Contract

Palladium intends to issue multiple awards under this RFP, as follows:

- For individual (consultant) offerors, a fixed price independent consultant agreement
- For organizational (business or firm) offeror, Firm Fixed Price subcontract

Performance will be monitored monthly and ceilings may be reduced due to delayed or non-performance.

## 5. Anticipated Contract Period of Performance

The contract is expected to occur over a 12-month period.

## 6. Place of Performance

The activities to be performed under this contract will take place in Sri Lanka.

## 7. Key Deliverables and Timeline

Offerors will be paid upon achievement of two (2) key deliverables for each pre-approved financing transaction under supported this subcontract:

**Deliverable 1: Equity financing application submitted and accepted**, as evidenced by a copy of the Client's completed equity application and evidence that the application has been accepted by the applicable financiers.

**Deliverable 2: Financing committed or disbursed to client (MSMEs)**, as evidenced by documentation showing financing disbursed to the client, or listing approval where the transaction is a listing.

**Annex A** includes details on the requirements and payment amount associated with each deliverable, which vary depending on the nature of the financial transaction supported.

## 8. Instructions to Offerors

Separate technical and cost proposals must be submitted by email no later than the time and date specified on the cover page. Offerors must submit their technical and cost proposals using the templates provided as Attachment 1 and Attachment 2 to this document.

### I) Technical Proposal

Technical proposal must be submitted using the template provided at **Attachment 1**. Responses must be single-spaced, size 10 Arial font. **Failure to follow these formatting instructions or abide by the page limits specified below may result in all or part of the technical proposal being deemed non-compliant.** Any non-compliant proposals or non-compliant proposal sections will not be reviewed by the technical evaluation committee (TEC) and may negatively impact the final score.

Technical proposal requirements are as follows:

1. **Offeror information** as follows:

- i. Offeror's contact information and address
- ii. Company ownership/board member information (not applicable for individual respondents)
- iii. Confirmation of commitment to apply for a Unique Entity Identification (UEI) within 5 days of being notified of selection<sup>1</sup>. (not applicable for individual respondents)
- iv. Brief summary of the offeror's current business offerings
- v. Signature of an authorized representative of the company

2. **Technical Skills and Qualifications:** Using the template provided as **Attachment 1** to this RFP, offerors will provide the following information:

**2.1 Key Personnel Experience.** Offerors should include the following information on the Key Personnel charged with leading/managing implementation of required tasks in the subcontract:

- i. Key Personnel name & title
- ii. Position description (role & responsibility)
- iii. Education
- iv. Summary of relevant experience

Individual (consultant) offerors are only required to provide information for themselves. Organizational (firm) offerors applying may assign up to three (3) staff. Key personnel information is limited to one (1) page per Key Personnel position, for a total page limit of one (1) page for individual offerors and three (3) pages for organizational offerors.

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<sup>1</sup> Offerors may access information on UEI process here:

[https://www.fsd.gov/sys\\_attachment.do?sys\\_id=af05f8fb1b44851006b09796bc4bcb6d](https://www.fsd.gov/sys_attachment.do?sys_id=af05f8fb1b44851006b09796bc4bcb6d)

Offerors should attach copies of Key Personnel CVs (max 3 pages each) as **Annexure A** to the technical proposal.

**2.2 Past Performance Information.** Offerors will provide summary information of their relevant experience providing financing support to MSMEs. They should also list a up to five (5) of the most recent (within the last 5 years) financing deals supported that are most like those anticipated under this subcontract. Information provided in this section should demonstrate the offeror's experience:

- i. **Successfully managing deals to secure debt and/or equity financing for MSMEs. (see list of sector definitions in Annex B Section III)**
- ii. Providing support to MSMEs working in one or more of PSD's target sectors, as defined in **Annex B Section III**
- iii. Supporting cumulative placements greater than USD250,000
- iv. Strong networks both in the business sector and financial institutions/investors

**2.3 Reference Information** (1 page maximum). Offerors must submit contact information (name, email, and phone number) for three (3) references. PSD will reach out to references as part of the proposal evaluation process.

3. **Technical Understanding & Approach.** Using the template provided as **Attachment 1** to this RFP, offerors will provide the following information:

**3.1 MSME Identification Strategy** (2 pages maximum). Offerors must outline their strategy for identifying *new* opportunities under this subcontract and demonstrate:

- i. How they will identify opportunities with firms that the offeror would have otherwise overlooked or failed to support.
- ii. How MSMEs supported under this subcontract will receive additional support that would otherwise have not been provided to businesses.

**3.2 Management approach** (1 page maximum).

*For individual (consultant) offerors, responses in this section should:*

- i. Demonstrate the offeror's ability to manage the level of effort required to support the MSMEs proposed under this subcontract in addition to their existing clientele
- ii. Briefly summarize networks in the business sectors and with financial institutions/investors that they can draw upon as part of their MSME support under this subcontract

*For organizational (firm) offerors, responses in this section should:*

- i. Break down the roles & responsibilities of all positions expected to provide support to MSMEs under this subcontract (including positions beyond the key personnel outlined above), including a discussion of how team members will coordinate amongst each other
- ii. Briefly summarize networks in the business sectors and with financial institutions/investors that they can draw upon as part of their MSME support under this subcontract

Note that the **Management Approach** section should not be seen as an opportunity to re-state or provide additional information on individual personnel qualifications/relevant experience. Rather, successful offerors will use this section to demonstrate the *approach* to providing MSME support to successfully submit financing applications for each MSME supported.

**3.3 Expected results & implementation timeline** (1 page maximum).

- i. Anticipated number of MSMEs to be supported under this subcontract and estimated portion of said MSME that will women-owned or led
- ii. Total anticipated value of financing supported under this agreement, broken out by deal type, size, MSME ownership type, and number of deals anticipated for each category

**4 Additional Eligibility Requirements.** Offerors are also required to submit all supporting documentation specified below in the pass/fail evaluation criteria:

Document	Individual Offerors	Organizational Offerors
Palladium Due Diligence Questionnaire (Attachment 3)	Applicable	Applicable
Proof of legal registration in Sri Lanka (or other operating country, if located outside of Sri Lanka)	Not Applicable	Applicable

## II) Cost Proposal

Total subcontract costs will be determined based on the estimated number of deals each offeror included in their proposal. The value of said deals, the fixed incentive to be paid by PSD for pre-disbursement activities (Deliverable 1) and the offeror's proposed success fee rate (Deliverable 2, where applicable). To determine the final ceiling price, Offerors must complete and submit the attached cost worksheet template to [SriLankaPSD.Procurement@thepalladiumgroup.com](mailto:SriLankaPSD.Procurement@thepalladiumgroup.com)

### Key assumptions associated with the proposed subcontract budget

- Budget and payments will be made in Sri Lankan Rupees
- All prices are to be inclusive of relevant taxes

The selected offeror(s) will be required to complete the Due Diligence Questionnaire (attachment 3) and provide a UEI number within 5 days of being notified of selection unless they meet the following exemptions:

- Proposed subcontract value is less than USD 25,000
- Total gross annual revenue for the previous tax year from all sources was under USD 300,000.

## 9. Submission of Offers

Electronic proposals must be submitted by sending two separate emails, one for technical proposal and one for cost proposal with the RFP number in the subject lines.

Offers received past the deadline stated on the cover page will be deemed non-responsive and will not be considered for award.

## 10. Evaluation and Award Process

Proposals will be evaluated using a best value trade off methodology. This is a three-stage process.

(1) The first set of criteria is graded on a pass/fail basis. Offerors must meet the following minimum eligibility qualification criteria and provide supporting documentation:

	Requirement	Supporting Documentation
(a)	Must be a registered legal entity in Sri Lanka or other operating country, if located outside of Sri Lanka. (Not applicable for individual offerors).	Copy of certificate of incorporation or business registration.
(b)	Must not have any active exclusions from the working with the US government ( <a href="http://www.sam.gov">www.sam.gov</a> ), the UN (Sanctions List), or the US Department of the Treasury Office of Foreign Asset Control.	N/A
(c)	Palladium Due Diligence Questionnaire (Attachment 3).	Signed copy of Palladium due diligence Questionnaire.
(d)	Must be a registered Sponsor on the Empower Board of the Colombo Stock Exchange, in the case of facilitating listings	Evidence of registration issued by the Colombo Stock Exchange.

	on the Empower Board. This is not applicable for other financing categories.	
(e)	Responsiveness to the RFP and compliance to specified proposal guidelines under <b>Section 8</b> .	Technical Proposal and Cost Worksheet.

(2) If these minimum criteria are met, the offer's technical proposal will be evaluated as follows:

Evaluation Criteria	Documents Evaluated	Weight
<b>Key Personnel technical skills &amp; qualifications.</b> Evaluated based on the extent to which the proposed key personnel hold the appropriate qualifications and technical skills to perform the activities outlined in the SOW.	Key Personnel experience Key Personnel CVs	30%
<b>Relevant experience.</b> At a minimum, offerors must demonstrate experience with cumulative placements over USD250,000 <u>and</u> experience working with one or more of PSD's target sectors.  Competitive proposals are those that demonstrate: A robust portfolio of clients, past and present, for whom the Offeror has <u>successfully</u> managed to secure debt and/or equity financing Excellent references from previous clients to document past success, and Strong networks both in the business sector and with financial institutions and/or investors.	Offeror Information Section  Past Performance Information  Responses to PSD reference requests	25%
<b>MSME Identification Strategy.</b> At a minimum, offerors must provide convincing evidence that deals identified under this subcontract would be additional to their current activities (i.e., deals supported under this program will neither take away from existing deals nor would they have received the offeror's support without PSD funding). Successful proposal should also: Present an identification strategy deemed likely to result in the number of deals and amount of financing outlined in the expected results.	MSME Identification section  Expected Results section	10%
<b>Management Approach.</b> The extent to which the offeror demonstrates: <ul style="list-style-type: none"> <li>• Their ability to successfully manage and/or coordinate support for all the deals outlined in the proposal.</li> <li>• Draw upon professional networks to support work under this contract.</li> </ul>	Management Approach  Expected Results	10%
<b>Expected Results.</b> The TEC will evaluate the reasonableness of the expected results overall and likelihood that the offeror will be able to successfully meet the results timeline proposed.	Expected Results  Management Approach	15%
<b>Gender, equity, and social inclusion (GESI) considerations.</b> Evaluated based on the proportion of deals expected for women-owned or -led MSMEs <u>and</u> the likelihood that the offeror's proposed MSME identification strategy will enable them to meet this proportion of women-owned or -led MSME support	Expected Results section  MSME Identification section	10%
<b>TOTAL</b>		<b>100%</b>

A total combined score of 70% is considered the minimal acceptable score to be considered for award. Meeting the minimally acceptable score does not guarantee award.

(3) The offeror's cost proposal will be evaluated for:

- Proposed total price, relative to other offers received
- Realism and reasonableness of the work to be performed
- Price reflects a clear understanding of the requirements
- Price is consistent with various elements of the technical proposal
- Compliance with USAID cost principles (select one: Non-profit entities – Cost Principles in 2 Code of Federal Regulation 200 Subpart E or for profit entities – Cost Principles in Federal Acquisition Regulation Part 31)

Palladium reserves the right to award under this solicitation without further negotiations. The offerors are encouraged to offer their best terms and prices with the original submission.

In the event that the number of proposals receiving minimally acceptable scores exceeds the budget allocated for activity, offerors receiving the highest combination of technical and cost proposal scores will be selected for award.

## **11. PROCUREMENT INTEGRITY AND ETHICS**

It is Palladium's Policy that no gifts of any kind and of any value be exchanged between vendors/contractors and Palladium personnel. Discovery of the same will be grounds for disqualification of the vendor/contractor from participation in any Palladium's procurements and may result in disciplinary actions against Palladium personnel involved in such discovered transactions.

## **12. Resulting Award**

This RFP in no way obligates Palladium to award a contract. Palladium may opt to select multiple offers in response to this RFP.

Any contract/purchase order resulting from this solicitation must be signed by both parties in order to be considered valid and in force. All costs associated with, but not limited to, production, preparation and/or delivery of goods or services, including deliveries, accepted by Palladium staff, without a fully executed (signed by both parties) contract/purchase order, are at the vendor's risk only. Palladium shall not pay for any costs, without limitation, associated with production, preparation or delivery of goods and/or services under this or any other contract/purchase order, which has not been signed by both parties.

If your proposal is successful, you will be required to enter into the Company's standard contract for the types of goods or services being provided. In the provision of the Goods and Services, you will be required to comply with the Company's policies, including (without limitation) its Business Partner Code of Conduct and any relevant client terms and conditions. Potential suppliers must also comply with the Company's Business Partner Code of Conduct in the submission of any proposals pursuant to this RFP.

If you are bidding as part of a joint venture, partnership or similar, please make this clear in your submission. Likewise, if you propose to subcontract any part of the goods or services provision, then disclose this fact within your submission. The Company may require additional information from you and approval for subcontracting will not be automatic as subcontractors will be subject to Palladium's Due Diligence process.

## **13. Attachments**

Please review the additional documentation and proposed contracts terms and conditions which should be given consideration when preparing your proposal. By submitting your bid you will certify that that you are in agreement with the contract terms and conditions as included in this solicitation and that all prices include all aspects of the required compliance with the terms and conditions of the proposed contract.

**Attachment 1** – Technical Proposal Template

**Attachment 2** – Cost Worksheet

**Attachment 3** – Due Diligence Questionnaire

**Attachment 4** – Business Partner Code of Conduct Certification

**Attachment 5** – FFATA Form (will be required only for successful offeror, where applicable – included for awareness only)

**Attachment 6** – Sample Subcontract

Palladium Business Partner Code of Conduct and Child Protection Guidelines can be downloaded in full at: <http://www.thepalladiumgroup.com/policies> or request through email from [Catalyze.procurement@thepalladiumgroup.com](mailto:Catalyze.procurement@thepalladiumgroup.com)

## Annex A-Statement of Work

### Call for Investment Advisory Services Providers (IASPs) for equity and angel Investment.

#### 1. Introduction/Overview

USAID CATALYZE (“the Project”) is a global project designed to facilitate partnerships and craft solutions to mobilize blended private sector capital and other financing to USAID partner countries.

The program can work in any development sector or region, enabling USAID Bureaus and Missions around the world to efficiently facilitate investment solutions that respond to the needs of specific sectors, issues, and geographies and leverage private sector financing to achieve development objectives.

The CATALYZE Sri Lanka Private Sector Development (PSD) Activity is a 5-year program designed to bolster Micro, Small and Medium Enterprises (MSMEs) in high growth potential sectors in Sri Lanka. The PSD program will strengthen MSME products and services in five sectors including tourism, information and communication technology (ICT), commercial care, apparel, and food processing. Due to the current economic situation in the country, the program has prioritized supporting **MSMEs in agribusiness, ICT, and other high-impact sectors such as tourism**. These sectors were selected for their potential to generate growth opportunities for MSMEs, to place more women in the workplace, and to promote female entrepreneurship.

CATALYZE PSD has three primary objectives, interconnected with a fourth core cross cutting theme:

**Objective 1:** Improved Capacity and Competitiveness of MSMEs

**Objective 2:** Increased Access and Availability of Finance for MSMEs

**Objective 3:** Increased Economic Resilience to the Economic Impacts of COVID-19

**Cross Cutting Theme:** Inclusion and Promotion of Women

#### 2. Background

PSD seeks to address constraints on access to finance for MSMEs on both the supply and demand sides of financing and is building a market system that will mobilize substantial capital (equity financing) from the private sector. PSD seeks to address two principal market failures that have discouraged lenders and investors from financing segments of the targeted sectors: (i) insufficient familiarity and take-up of quality consulting services (financial, transaction advisory, strategy, and business performance) to help MSMEs become bankable and investor ready; and (ii) affordability of investment and transaction advisory services that could be adapted for better serving MSMEs and smaller-scale transactions.

PSD seeks to subcontract Investment Advisory Service Providers (IASPs) under a Pay-for-Results (P4R) incentive program that encourages deeper engagement in target sectors in Sri Lanka. This will result in an investment community that mobilizes substantial private capital, including listings on the CSE, and build partnerships among stakeholders in the financial ecosystem in Sri Lanka. This will ultimately contribute to USAID’s overall goal of fostering broad-based, sustained, and inclusive economic growth.

#### 3. Objectives

Through these subcontracts, PSD will engage multiple Investment Advisory Services Providers (IASPs) to cover a portion of the costs involved to identify, structure, and close equity financial transactions for the benefit of Sri Lankan MSMEs operating in PSD’s target sectors. Selected IASPs will provide a combination of technical assistance and services to support approved potential transactions that secure equity finance and facilitate outside investment, as a part of PSD’s efforts to mobilize private capital for SMEs.

## 4. Scope

Under this contract, IASPs will identify opportunities to provide eligible MSMEs support for raising equity capital and once approved by PSD, IASPs will assist MSMEs to access new financing. IASPs will receive incentive payments, upon achievement of deliverables under **Section 7**, to contribute to a portion of costs incurred. **Annex A Section II** includes definitions of eligible MSMEs and financing.

Financial transaction support begins with the search for potential clients and investors/financiers. Once the potential MSMEs are identified by the IASPs or PSD, transaction support may continue with, but is not limited to, client coaching, sourcing of finance, and mediating with both clients and financiers/investors, to reach financial close and disbursement. **Section 6** includes additional details on expected tasks.

While PSD's requirements under this program end with commitment and disbursement by the investor, IASPs are encouraged to include post-transaction support in their client engagement agreements to ensure sustainability of the assistance as also client growth and retention.

## 5. IASP definition

For the purposes of this program, an IASP is defined as a firm (legal entity/organization) or individual who serves as a mediator between various parties to facilitate financial transactions. Through their facilitation and assistance, funds are channeled from entities that hold or manage surplus capital (investors, or financiers) to those that require funds to carry out specific business activities (MSMEs as borrowers or investees).

*To be eligible under this program, IASPs should possess most or all the following characteristics:*

- A robust portfolio of clients, past and present, for whom they have successfully managed to secure equity financing in the targeted sectors highlighted in **Annex A Section III**
- IASP's business activities should primarily concentrate on providing investment support to clients
- Experience in similar placements or investments
- Experience supporting MSMEs in one or more of the targeted sectors highlighted in **Annex A Section III**
- Strong networks both in the business sector and with investors
- If raising equity through a listing, either registered as a CSE Sponsor or Corporate Finance Advisors license by the Securities and Exchange Commission of Sri Lanka (SEC); an investment bank that has applied and pending registration as a Corporate Finance Advisors license by the SEC can also apply
- Impeccable ethics, high moral standards, and commitment to reject non-viable deals
- Excellent references from previous clients to document past success

While successful IASPs will have extensive experience working in Sri Lanka, IASPs are not required to be registered or based in Sri Lanka. However, IASPs may not be part of a government department or any government structure. For the purposes of this program, non-governmental organizations are defined as firms where one or more private companies and/or individuals hold more than 51% of the ownership of the organization and control company management and daily business operations.

## 6. Requirements/Tasks

The IASP will provide services to MSMEs within PSD's target sectors and investors to support the investment approval, and/or disbursement process. Requirements and tasks relating to this activity include, but not are limited to, the following:

- I. Raise finance through the listing in the CSE: Contracted IASPs will:**
  - a. Conduct due diligence and identify suitable SMEs for potential listing on the CSE.
  - b. Develop SMEs' capacities in operations, governance, and compliance to ensure the business is investment ready (pre-investment support).
  - c. Assist in the development of business plans, valuations, financial projections and/or other materials to support the process on behalf of selected MSMEs.
  - d. Facilitate other pre-listing services including banking, auditing, legal consultation, and public relations or any other relevant services.
  - e. List applications with the CSE.
  - f. Raise capital on the on the CSE.

- g. Provide guidance/recommendations on any additional post transaction support needs and post-transaction reporting for monitoring and evaluation purposes.
- h. Provide post-transaction support during the 2-year hand-holding period as per Empower Board regulation.

**II. Arrange investments through private equity from private investors: Contracted IASPs will:**

- a. Identify suitable SMEs for investor-readiness support for private equity.
- b. Ascertain investor-readiness, prepare data packs, conduct due diligence of selected companies for private equity.
- c. Identify suitable investors and facilitate and negotiate equity investments.
- d. Assist in the development of business plans, valuations, financial projections and/or other materials to support the application for the equity on behalf of selected MSMEs.
- e. Support negotiation and transaction discussions to financial close and disbursement.
- f. Provide guidance/recommendations on any additional post transaction support needs and post-transaction reporting for monitoring and evaluation purposes.

**III. Private funding from angel or impact investors/networks, accelerators and/or incubators programs: Contracted IASPs will:**

- a. Identify suitable SMEs to support to connect with angel investors, accelerators, and incubator programs.
- b. Ascertain investor-readiness, prepare data packs, conduct due diligence of selected companies for private equity.
- c. Identify suitable investors and facilitate and negotiate financial support and/or investments.
- d. Assist in the development of business plans, valuations, financial projections and/or other materials to support the application for equity on behalf of selected MSMEs.
- e. Facilitate other pre-investment activities, including banking, legal consultation, and relationship with potential investors.
- f. Support negotiation and transaction discussions to financial close and disbursement.
- g. Provide guidance/recommendations on any additional post transaction support needs, and post-transaction reporting for monitoring and evaluation purposes.

## 7. Pre-approval

The IASPs must obtain pre-approval from PSD for all eligible transactions under this program. To obtain pre-approval, the IASPs must submit the following documents for each transaction proposed under this program:

- I. *MSME Eligibility and Transaction Pre-Approved Matrix.*** Once the IASP identifies a potential transaction, they must submit a matrix outlining the client (MSME) and transaction details to PSD for pre-approval, and a justification statement explaining the rationale for additional incentive support from PSD for the transaction to proceed. PSD will provide a scoring matrix template, which may be amended at the sole discretion of PSD. PSD will evaluate the submission and provide IASPs with a decision for approval or rejection within 10 days of receipt, as PSD reserves the right to accept or reject transactions at its sole discretion. The IASPs are encouraged to finalize client engagement only *after* receiving PSD approval.
- II. *Signed client engagement letter*** between the IASPs and approved client (MSME), subject to approval for incentive payments from PSD. To be considered complete, the engagement letter must include:
  - Name and description of the Client, including size (employee number), leadership type (women-led, or non-women-led), operating sector, and location;
  - Proposed technical assistance to be provided supporting the financing requested and preparation process;
  - Estimated size and type of financing sought;
  - Proposed fee to be covered by PSD, the MSME, and/or the Investor; and
  - Client payment or investment terms, which should include amount, structure, form, and timeline, at a minimum.
- III. *Pre-assessment work plan*** for the transaction support, illustrating the IASPs' analysis of the Client's investor readiness, including potential organizational development and financial management changes needed, and a schedule of support and assistance activities the IASPs' anticipate providing to the

Client. The IASPs are expected to submit revised workplans if any material changes to assistance activities or schedule occur during program implementation.

Financing disbursed under transactions that did not receive pre-approval and/or is materially different from that which was pre-approved may be deemed ineligible for payment.

## 8. Deliverables & acceptance criteria

IASPs must submit documentation supporting the achievement of two (2) key deliverables for each pre-approved financing transaction:

**Deliverable 1: Equity financing application submitted and accepted**, as evidenced by a copy of the Client's completed equity application and evidence that the application has been accepted by the applicable financiers.

**Deliverable 2: Financing committed or disbursed to Client (MSMEs)**, as evidenced by documentation showing financing disbursed to the client, or listing approval where the transaction is a listing.

The table in **Section 7** details the required documentation and acceptance criteria for each deliverable.

## 9. Payment structure

IASPs will be paid upon achievements of the two deliverables outlined above, equity transactions under the CSE, private equity, and impact investment/accelerator. A fixed fee will be awarded to the IASP for achievement of deliverable 1 and a success fee upon completion of deliverable 2, as detailed on the deliverable table below.

### Equity Financing Transactions

#### a) MSME Support Fee

- **Men-owned/led MSME fee:** Payable upon submission and acceptance of the required documentation associated with Deliverable 1 for companies led or owned by men.
- **Women-led/owned fee:** A higher fee will be paid by PSD to incentivize support to women-owned or -led MSMEs. This fee will be payable upon submission and acceptance of the required documentation outlined under Deliverable 1 for financing applications/requests submitted by women-owned or -led MSMEs. (Please refer Annexure for definition of women owned).

**b) Success Fee.** Payable upon submission and acceptance of the required documentation associated with financing disbursement outlined under Deliverable 2.

The table below outlines the fee totals based on the type of financial transaction being supported and amount of financing:

#### Deliverable 1 – Application/request for financing submitted and accepted

Deliverable Acceptance Criteria			
1. Raise finance through a listing on the CSE	Financing sought (in LKR)	Max. support fee per men-owned/led enterprise	Max. support fee per women-owned/led enterprise
a. Copy of MSME's formal request to start listing process b. Copy of due diligence and SME development process (pre-assessment work plan) c. Copy of valuation, financial projections, pitch decks (info memo/business plan/prospect) d. Copies of payments made for other charges and listing process	From 15,000,000 - 100,000,000	LKR 560,000	LKR 800,000

(registrar fees, bankers' consultation, regulatory, brokerage and public relations)	From 100,000,001 - 190,000,000	LKR 700,000	LKR 1,000,000
	From 190,000,001 - 500,000,000	LKR 1,050,000	LKR. 1,500,000
<b>2. Arrange credit and/or investments through private equity</b>	<b>Financing sought (in LKR)</b>	<b>Max. support fee per men-owned/led enterprise</b>	<b>Max. support fee per women-owned/led enterprise</b>
a. Copy of MSME's formal request to support debt/credit or investment application & work plan	From 50,000,000 - 180,000,000	LKR 280,000	LKR 400,000
b. Copy of due diligence and SME development process (pre-assessment work plan)			
c. Copy of valuation, financial projections, pitch decks (info memo/business plan/prospect)	> 180,000,001	LKR 420,000	LKR 600,000
d. The investors' written commitment to proceed with the transaction			
<b>3. Private funding from angel investors/networks, accelerators and/or incubator programs.</b>	<b>Financing Sought (in LKR)</b>	<b>Max. support fee per Men owned / led Enterprise</b>	<b>Max. support fee per Women owned / led Enterprise</b>
a. Copy of MSME's formal request to support debt/credit or investment application & work plan			
b. Initial evaluation and SME development process (pre-assessment work plan)			
c. Copy of forecasting, valuation, prospectus and pitch deck		LKR 100,000	LKR 200,000
d. The investors' written commitment to proceed with the transaction	LKR 5,000,000 above		
<b>Deliverable 2 – Financing mobilized</b>			
<b>Deliverable Acceptance Criteria</b>			
<b>3. Raise finance through listing on the CSE</b>	<b>Financing sought (in LKR)</b>	<b>Success fee %</b>	<b>Max. success fee per SME (LKR)</b>
	From 15,000,000 - 100,000,000		LKR3,000,000
a. Confirmation letter provided by the CSE to the SME, detailing the number of shares subscribed and value of capital raised	From 100,000,001 - 190,000,000	0.00% to 3.00%	

	190,000,001-500,000,000		LKR5,000,000
<b>4. Arrange credit and/or investments through private equity</b>	<b>Financing sought (in LKR)</b>	<b>Success fee %</b>	<b>Max. success fee per MSME (LKR)</b>
a. Confirmation letter provided by the SME including details of the funding raised b. Bank balance/transaction confirmation evidencing the receipt of funds	From 50,000,000 - 180,000,000  > 180,000,001	0.00% to 3.00%	LKR3,000,000
<b>5. Private funding from angel investors/networks, accelerators and/or incubator programs.</b>	<b>Financing sought (in LKR)</b>	<b>Success fee %</b>	<b>Max. success fee per MSME (LKR)</b>
a. Confirmation letter provided by the SME including details of the funding raised b. Bank balance/transaction confirmation evidencing the receipt of funds	LKR 5,000,000  above	0.00% to 3.00%	LKR900,000

Deliverables are not considered complete until approved by PSD’s technical approver outlined in the agreement signed between the IASP and Palladium, or their designee. Palladium may, at its discretion, require further documentation of a particular transaction before certifying any deliverable. If Palladium determines that the deliverable documents are deficient in any way, Palladium may withhold or postpone payment until the documents are deemed acceptable.

Transaction approval is a pre-requisite for deliverable payment eligibility and the transaction approval must predate financing application submission and disbursement. All deliverables must be submitted before the contract end date, which will be determined upon award.

## 10. Monitoring & Reporting

IASPs are required to submit a detailed monthly progress report in line with the format required by PSD. The monthly reports will detail the status of each financing/investment transaction underway. The reports will be due by the 10th of the month following the reporting period.

All reports remain confidential, and information should include but is not limited to the following:

- Name of organization/client/company
- Overview of monthly assistance/activity
- Name of financial intermediary engaged or application for financing/capital submitted
- Value of investment obtained for client
- Price per share, if applicable
- Source of financing (local, international)
- Term length
- Location (Province, District)
- Sector and sub-sector (see definitions)
- Size of recipient entity (refer Annex A) and other disaggregates
- Test to determine if company is Women-Owned, Women-Lead enterprises
- Annual turnover (before and after financing is received, up to two years)
- Number of full-time employees (before and after financing is received, up to two years)
- Any other relevant information required by PSD

IASPs will be required to provide information to the PSD communications team that may be included in program success stories and other reports. PSD will obtain approvals to release the IASP name in publicly reported success stories, lessons learned, and other reports.

IASPs will also be required to participate in impact data collection activities which will include initial baseline/midline surveys and subsequent annual surveys.

## 11. Notes or Miscellaneous Information

PSD will share with subcontracted IASPs financing opportunities that PSD has identified through its networks and contacts.

Equity financing may be secured for SMEs from any financing source either within or outside of Sri Lanka.

IASPs will be expected to participate in networking, training, and lessons learned activities held or supported by PSD.

## Annex B – Relevant Definitions

### I. Private Capital Mobilization (PCM) and Accepted Financial Products

**Indicator:** Value of Private Capital Mobilized (PCM) as a result of CATALYZE assistance

*Value:* The amount of financing mobilized for targeted purposes over the life of project (in LKR)

Private Capital: Financing provided by a non-state, private finance provider (financing from state-owned but independently managed finance providers are eligible)

*Mobilized:*

- For debt: A written or electronic financing commitment from a finance provider and accepted by the finance seeker and
- For non-debt (equity or grants), disbursement of financing

#### **Accepted Financial products for PCM**

- Debt Financing:** New loans, refinanced and restructured loans, (when there is material change in the terms and conditions and which would not have occurred absent CATALYZE's intervention), lines of credit, letters of credit, promissory notes, invoice and receivables financing (excluding in-kind financing) to include factoring and reverse factoring, recoverable grants (net of any USAID contribution, and defined as repayable donations or payments used in Islamic banking practices or provided by non-profit entities for high-risk ventures)
- Non-Debt Financing (Equity & Grants):** Equity and quasi-equity (debt with equity like features such as options and convertibility), non-repayable grants from private (non-state) entities
- Eligible:** Financing from U.S. International Development Finance Corporation (DFC) in appropriate debt or non-debt category

#### **Ineligible Financial Products:**

- USD value of in-kind lending
- Value of insurance coverage
- Warehouse receipts
- Guarantees
- Financing from other donors like The World Bank, FCDO
- Other transactions

### 1.1. II. Segment Definitions:

Micro, Small and Medium Enterprises are defined as following:

- Micro – A business with less than 10 employees (FTE)
- Small – A business with 11-50 employees (FTE)
- Medium – A business with 51-250 employees (FTE)

Note: FTE – Full time employment

## 1.2. III. Sector Definitions:

SECTOR	DESCRIPTION
APPAREL	MANUFACTURE OF APPAREL PRODUCTS - DOMESTIC PURPOSE MANUFACTURE OF APPAREL PRODUCTS - EXPORT PURPOSE GARMENTS, CULTURAL AND RECREATION GOODS SUPPLY OF RAW MATERIAL AND ACCESSORIES FOR MANUFACTURE OF APPAREL AND TEXTILES MANUFACTURE OF RAW MATERIAL AND ACCESSORIES FOR MANUFACTURE OF APPAREL AND TEXTILES MANUFACTURE OF FASHION ACCESSORIES HANDLOOM TEXTILES AND APPAREL SKILLS DEVELOPMENT AND TECHNICAL TRAINING FOR APPAREL SECTOR
COMMERCIAL CARE	PROVIDERS OF CHILD CARE FACILITIES INCLUDING PRESCHOOLS AND DAY CARE PROVIDERS OF ELDERLY CARE FACILITIES, INCLUDING IN-HOUSE, PART-TIME AND STAY IN PROVIDERS OF CARE SERVICES FOR INDIVIDUALS WITH SPECIAL NEEDS, INCLUDING IN-HOUSE, PART-TIME AND STAY IN TRAINING SERVICE PROVIDERS FOR COMMERCIAL CARE SECTOR DIRECT SUPPLIERS FOR COMMERCIAL CARE SECTOR
FOOD PROCESSING	TRADITIONAL PRODUCTS (TEA, COCONUT) PROCESSED VEGETABLES, FRUITS AND JUICES PROCESSED SPICE BASED PRODUCTS RICE BASED PRODUCTS AND CEREALS CONFECTIONARY AND BAKERY PRODUCTS PRE-COOKED, FROZEN AND DRIED FOOD ALCOHOLIC AND NON-ALCOHOLIC BEVERAGES INCLUDING MINERAL WATER NATURAL SWEETNERS (KITHUL, COCONUT, PALMYRA, BEES HONEY) DAIRY PRODUCTS SEAFOOD AND MEAT PRODUCTS TRAINING SERVICE PROVIDERS FOR THE FOOD PROCESSING SECTOR
INFORMATION COMMUNICATION TECHNOLOGY	DATA PROCESSING, HOSTING AND RELATED ACTIVITIES INFORMATION TECHNOLOGY - HARDWARE INFORMATION TECHNOLOGY - SOFTWARE ASSEMBLING OF INFORMATION TECHNOLOGY EQUIPMENT TELECOMMUNICATION SERVICE PROVIDERS DIGITAL MARKETING SERVICE PROVIDERS ICT RETAILED BUSINESS PROCESS MANAGEMENT SERVICES E-COMMERCE SERVICE PROVIDERS ICT EDUCATION AND TRAINING PROVIDERS
TOURISM	HOTELS (RESORTS, BOUTIQUE HOTELS, VILLAS) GUEST HOUSES HOME STAY UNITS, BUNGALOWS AND SERVICE APARTMENTS CAMPING SITES AND ECO LODGES TRANSPORT PROVIDERS FOR TOURISM (LAND, AIR AND WATER) TRAVEL GUIDES TRAVEL AGENCIES (IN BOUND AND OUT BOUND) ADVENTURE, RECREATION TOURISM AND RELATED SERVICES (INCLUDING SAFARI AND DIVING) MEDICAL AND WELLNESS TOURISM SUPPLIERS OF SOUVENIERS AND TOURISM RELATED PRODUCTS GEM AND JEWELLERY FOR TOURISM SECTOR TOURISM ATTRACTION OPERATORS HOSPITALITY SKILLS DEVELOPMENT AND TRAINING CENTERS

## 1.3. IV. Women-Owned or Women-Led Enterprises Definition:

**Women-owned enterprise:** To qualify as a women-owned enterprise, it must demonstrate ownership, control, **AND** management of the enterprise by one or more women.

- **Ownership Test:** Ownership is thought of as control of assets or equity without the need for a man for permission. To qualify, one or more women must have 51% ownership that is unconditional and direct. Ideally, this would be 51% ownership by one or more women, but we can allow a plurality of ownership in situations involving outside investors.

- **Control Test:** The management and daily business operations of the concern must be controlled by one or more women. Control means that the long-term, strategic decision making, and the day-to-day management and administration of the business operations must be conducted by one or more women. For example, is a woman or women publicly representing the enterprise to investor or aligns with the management test below.
- **Management Test:** The woman must hold the highest officer position, manage it on a full-time basis, and devote full-time to the business concern during the normal working hours of the business concern in the same or similar line of business.

**Women-led enterprise:** This applies if the enterprise cannot meet one or more test described in the women-owned enterprise. Or, put differently, to qualify as a women-led enterprise, the entity must demonstrate ownership, control, **OR** management of the enterprise by a woman or women.

#### 1.4. V. Geographic Scope of Assignment

The financing will cover enterprises located and based island-wide in Sri Lanka.