

## Amendment to Request for Proposal

**Amendment number:** 1

**Reference Request for Proposal Number:** RFP-CATALYZE-Edu-2023-0011

**Amendment effective date:** August 15, 2023

**Description of Amendment:**

1. This amendment serves to modify the Closing Date of the RFP on Page 1 of the RFP.
  - a. Closing Date and Time: Friday, August 25, at 5:00PM EDT
2. This amendment serves to correct a typo, on Page 5, under Instructions to Offerors, 1. Technical Proposal, section (b) Body of the Proposal.
  - a. Body of the Proposal – This section should include a description of the offeror's background and relevant expertise.

## Request for Proposal (RFP)

Subject RFP #:	RFP-CATALYZE-Edu-2023-0011
RFP Issue Date:	July 21, 2023
Terms of Reference / Specifications:	<b>CATALYZE EduFinance Kenya Activity</b>
Project	CATALYZE Innovative Blended Finance
The Company	Palladium International, LLC
Country of Performance	Kenya
Closing Date and Time	August 25, 2023
Questions Deadline	<input checked="" type="checkbox"/> Accepted at <a href="mailto:catalyze.procurements@thepalladiumgroup.com">catalyze.procurements@thepalladiumgroup.com</a> by August 7, 2023 at 5:00 p.m. EST <input type="checkbox"/> N/A
Bidders' Conference	<input type="checkbox"/> Insert Date, Time, and Place Here <input checked="" type="checkbox"/> N/A
Details for Submission	Submissions will be accepted: <input checked="" type="checkbox"/> Electronically: email to <a href="mailto:catalyze.procurements@thepalladiumgroup.com">catalyze.procurements@thepalladiumgroup.com</a>
Offer Validity Period	Three months after submission

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.

## 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.

## Project Background

USAID CATALYZE (2019-2027), implemented by Palladium, is a \$250 million, 8-year contract (5-year base period, with a single 3-year option period) that uses a facilitated partnership model to craft solutions to crowd in \$2 billion in blended finance to USAID partner countries and initiatives. CATALYZE allows USAID Bureaus and Missions to efficiently deploy investment facilitation solutions that respond to the needs of specific sectors, issues, and geographies through multi-year, result-based activities managed by Palladium and implemented by a broad network of principally locally-led implementing partners.

The CATALYZE EduFinance program develops private sector partnerships to facilitate innovations in financing and service delivery that increase access to low-cost, quality education. CATALYZE EduFinance mobilizes blended finance – the strategic use of public funds to increase private sector investment – to crowd in private capital into non-state schools and education enterprises in USAID partner countries. Private capital leveraged with funding from USAID will address the substantial funding gap to respond to the global need for increased access to quality education.

## Purpose

Palladium is seeking to engage a local partner/consortium to implement an education finance activity in Kenya, which is designed to mobilize and sustain private finance for low-cost private primary schools (LCPPS) and increase access to quality education, particularly for the most marginalized and vulnerable. The activity will focus on LCPPS in urban informal settlements and rural areas in the Northeastern counties. The activity will utilize a pay-for-results (P4R) structure whereby financing terms to schools and financial institutions (FIs) are linked to improvements in educational quality and learning outcomes for primary level learners.

The private sector partnerships envisaged here should have multiple positive outcomes contributing to the theory of change of CATALYZE EduFinance, which is as follows: by developing private sector partnerships that strengthen the entrepreneurial ecosystem for education and support innovations in education financing and service delivery, USAID will mobilize investment in the education sector that will then facilitate an increase in access to quality education and improve learning outcomes for disadvantaged children and youth in Sub-Saharan Africa.

In line with this theory of change, the activity is expected to utilize \$1 million in USAID funds to mobilize at least \$4 million in private capital<sup>1</sup> over 2 years across LCPPS in the targeted geographies, as well as improve learning outcomes for supported learners by at least 10% from baseline to endline as measured by a pre-agreed internationally recognized assessment.

This RFP and associated SOW lays out the key expected results and essential parameters that a successful bidder must accomplish throughout the 2-year implementation period, however it does not state how the work should be done. Rather, we provide potential offerors with the flexibility to develop the activity design using innovative approaches and diverse stakeholder coalitions. Successful proposals will demonstrate deep expertise in education finance, educational quality improvements, monitoring and evaluation, learning (MEL) for education and finance, and results-based approaches to improve educational outcomes. Preference will be given to multi-stakeholder consortia that leverage local networks and expertise in each of the key areas of this activity,

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<sup>1</sup>Private capital mobilization is defined as debt and non-debt (i.e., equity or grants) financing from either a non-state finance provider or a state-owned but independently managed finance provider that would likely not have occurred without CATALYZE assistance. For example, financing from banks and non-bank financial institutions, private foundations, and state-owned Development Finance Institutions (DFIs) in the appropriate debt or non-debt category would apply, while financing from multilateral or bilateral donors who utilize public financing would not.

demonstrate deep understanding and a proven track record in improving the education sector (preferably in Kenya at the primary school level), and that demonstrate the ability to utilize innovative, non-traditional approaches that allow key results to be achieved or exceeded in a short time frame and lead to sustainable solutions beyond the life of the project.

A complete scope of work is attached as Annex A.

**Type of Contract**

Palladium intends to issue a Firm Fixed Price subcontract to the selected offeror.

**Anticipated Contract Period of Performance**

The estimated period of performance is from October 9, 2023 – October 31, 2025. The ceiling of this subcontract is USD \$1,000,000.00.

**Place of Performance**

The activities to be performed under this contract will take place in Kenya. See the Instructions for Submission of Cost Proposal for travel assumptions.

**Key Deliverables and Timeline**

In line with CATALYZE EduFinance’s results-based approach, the Subcontractor for the Kenya Activity will enter into a pay-for-results subcontract where key payment milestones are linked to the expected results achieved. For example, the subcontractor will submit verified results for private capital mobilized, schools and learners supported, and any other pre-agreed results determined during the contracting phase. Each of these key results (i.e., each dollar mobilized, each learner reached etc) will be linked to a portion of the overall funding ceiling.

Other key deliverables outside of ongoing monitoring and reporting will include key inputs into the Monitoring, Evaluation, and Learning of the activity including periodic Pause and Reflect sessions to catalogue learnings and Learning Briefs to more robustly communicate those learnings.

Below is an indicative breakdown of key deliverable categories and an illustrative example of how they can be priced. In the example below, we link 80% of payments to key expected results related to capital mobilization, learners reached, and education quality improvements (deliverables 1-3) and 20% to more process-oriented deliverables such as ongoing reports and MEL deliverables. However, this breakdown is illustrative, and we ask each offeror to indicate how much weight they would propose applying to each of these key categories, and any other key deliverable categories they would propose, in their submission. Please also provide a description and rationale for the proposed payment approach.

Offerors that are able to link more of their total payments to results achieved (e.g. deliverables 1-3 in the below) will be prioritized in the costing evaluation. As noted in the Cost Proposal section below, the overall costing evaluation will be done only after the technical evaluation is complete, and will utilize a holistic evaluation model that focuses on best value for money, one component of which will be the amount of payments that the offeror is willing to link to the achievement of key results.

**Example Deliverable Schedule**

Deliverable #	Report and Deliverable	Deadline	Payment Amount (% of contract ceiling)
1	Pay-for-results: \$4M in private capital mobilized	Invoiced quarterly as results are achieved	40%, \$0.10 per \$1.00 mobilized, not to exceed \$400,000

2	Pay-for-results: schools and learners reached	Invoiced quarterly as results are achieved	20%, at a rate per schools and learner reached, to be determined after award, not to exceed \$200,000
3	Pay-for-results: education quality improvements	Invoiced after submission of verified learning assessment results (after post-test)	20%, at a rate for achieving the results defined in the Scope of Work in Annex A, not to exceed \$200,000
4	Quarterly and semi-annual reports	Quarterly (8 reports)	1.25% per report, 10% total
5	Learning Briefs	2 Learning Briefs – in year 1 and 2 of implementation	5% per Learning Brief, 10% total

**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. All cost-related information (including but not limited to, cost narrative, budget total, and rate details) should be included in the cost proposal and should not be included in the technical proposal.

**1. Technical Proposal**

Offerors must submit one Technical Proposal of no more than twenty pages, single-spaced (20 - excluding cover page (1) and annexes) directly to Palladium. Offerors should not copy anyone outside their organizations on the submission email. The proposal must be submitted in accordance with the instructions (items a-b) below. For the technical proposal, the offeror must submit:

- (a) **Cover letter** (Max 1 page) with the following information:
  1. Firm contact info and address
  2. Type of company or organization
  3. Unique Entity Identification (UEI) Number (Company must have a UEI number or obtain one within 5 days of being notified of selection)
  4. Signed by an authorized representative of the company
- (b) Body of the Proposal – This section should include a description of the offeror's background and relevant expertise

The proposal should indicate

- Past Experience Information/Capability Statement (max 2 pages)
- Technical Proposal & Management Approach (max 9 pages)
- Proposed work plan showing how the firm would execute this project including a timeline (max 2 pages)
- Description of relevant projects previously performed by the firm, demonstrating expertise in capital mobilization, sustaining private finance for low-cost private primary schools (LCPPS) and increasing access to quality education, particularly for the most marginalized and vulnerable (max 4 pages)
- Contact details for three referees (max 1 page)
- All supporting documentation specified below in the pass/fail evaluation criteria.

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](https://www.fsd.gov/sys_attachment.do?sys_id=af05f8fb1b44851006b09796bc4bcb6d))

**2. Cost Proposal**

Offerors must submit a cost proposal. The total ceiling of this activity is USD \$1,000,000. **CATALYZE is providing a budget template on the procurements website [here](#).** The cost proposal consists of:

- (a) Budget in Microsoft Excel with all formulas visible (unlocked)
- (b) Accompanying Word Document with a narrative of all cost assumptions and explanations

Key assumptions

- Budget in United States Dollars
- All prices are to be inclusive of relevant taxes
- Separate unit cost and number of units
- Break down activity costs into as much detail as possible
- Offeror should budget for:
  - Defense Base Act (DBA) insurance in accordance with FAR 52.228-3, as applicable
  - Labor (employee and consultant, where applicable) required to complete SOW
  - Travel, if included under SOW

The selected offeror will be required to complete the Due Diligence Questionnaire (attachment 1) and provide a UEI number within 5 days of being notified of selection.

As noted in the Key Deliverables section above, in addition to the overall budget for the project, we expect proposals to also include the proposed approach for how payments will be made. As noted, we expect the project to utilize at least a partial pay-for-results model whereby payments to the implementer would be made only after successful, verified completion of results such as capital mobilized, learners reached, teachers trained, etc rather than traditional approaches that link payments to reports or other non-results-based deliverables.

The evaluation of the cost proposal will be done using a holistic approach that focuses on best value for money – e.g. the amount and quality of results that can be achieved for the proposed level of effort and budget. One component of the cost proposal evaluation will be the amount of payments that the offeror is willing to link to the achievement of key results, with a preference for those willing to link higher amounts of their payment to results achieved.

**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. If submitting in hard copy, the technical proposal and cost proposal must be in separate sealed envelopes. Mark envelopes with the RFP number and offeror’s name. Ensure all required documents are attached. The RFP number can be found on the cover page.

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

**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:

	<b>Requirement</b>	<b>Supporting Documentation</b>
(a)	Must be a registered legal entity in Kenya for a minimum of one year	Copy of certificate or articles and memorandum of associate
(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 –Palladium will conduct a search of these databases as part of the due diligence process

(c)	Agree to the terms of working with CATALYZE. The forms do not need to be submitted with the proposal. The forms will be shared with the selected contractor and must be completed/acknowledged before final selection	A statement must be included in the technical proposal confirming ability to comply with the following: Code of Conduct form Business Ethics
(d)	For firms only: UEI Number	Provide the UEI number or proof of applying for the UEI number
(e)	Company must not be a foreign government-controlled organization	Confirmation statement included in Technical Proposal under “background and organizational capacity on the firm”
(f)	Company must not have controlling interest held by a government, government agency, or agent thereof	Confirmation statement included in Technical Proposal under “background and organizational capacity on the firm”

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

<b>Evaluation Criteria</b>	<b>Documents Evaluated</b>	<b>Points</b>
Technical Approach - Offeror's demonstrated capability and core competencies to implement proposed activities	Overall technical quality of the proposal and methodologies, including a workplan and relevant project expertise	20
Team Structure & Expertise	<p>A written description of the total team structure and composition, including details and qualifications of all consortium partners; also including team members’ technical resumes/CVs demonstrating experience in:</p> <ul style="list-style-type: none"> <li>• The education and finance sectors, with specific focus on the primary level and education lending</li> <li>• Mobilizing private capital, preferably in the education sector</li> <li>• Improving educational access and quality</li> <li>• Running monitoring, evaluation, and learning systems in similar programs</li> <li>• Implementing results-based financing mechanisms</li> <li>• Experience in East Africa, with strong preference for experience in Kenya</li> </ul> <p>While the overall team/consortium structure is up to the offeror, each proposal must include a Project Director, a MEL specialist, and someone to lead communications work</p>	20
Soundness, reasonableness, and scale of capital mobilization plan	Complete technical proposal	10



Increase in access: plan for and demonstrated ability to increase # of schools/ training institutions reached, number of students/learners reached	Complete technical proposal	10
Improved educational outcomes: plan for and demonstrated ability to improve learning outcomes in supported institutions, including a brief outline of the proposed measurement approach	Complete technical proposal	10
Sustainability and scalability of proposed activity – outline strategic growth plan and mechanisms by which the activities will be sustained after USG funding	Complete technical proposal	10
Logic model demonstrating proposed Theory of Change (5) and alignment of Proposed Activities with Expected Results (5)	Complete technical proposal	10
Reasonableness of workplan, including ability to launch and reach results quickly	Complete technical proposal	10
<b>TOTAL</b>		<b>100</b>

(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 CFR 200 Subpart E or For profit entities – Cost Principles in FAR Part 31)
- The amount of payments that the offeror is willing to link to the achievement of key results (see Key Deliverables and Cost Proposal sections above)

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.

## **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.

### **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.

### **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- Due Diligence Questionnaire

Attachment 2- FFATA Form (will be required only for successful offeror, where applicable – included for awareness only)

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.procurment@thepalladiumgroup.com](mailto:Catalyze.procurment@thepalladiumgroup.com)

# Annex A: Scope of Work

## Scope of Work CATALYZE EduFinance Kenya

**Place of Performance:** Kenya

**Period of Performance:** The estimated period of performance is from o/a October 9, 2023 – October 31, 2025.

### Executive Summary

Palladium is seeking to engage a local partner/consortium to implement an education finance activity in Kenya that is designed to mobilize and sustain private finance for low-cost private primary schools (LCPPS) and increase access to quality education, particularly for the most marginalized and vulnerable. The activity will focus on LCPPS in urban informal settlements and rural areas in the Northeastern counties. The activity will utilize a pay-for-results (P4R) structure whereby financing terms to schools and financial institutions (FIs) are linked to improvements in educational quality and learning outcomes for primary level learners.

The private sector partnerships envisaged here should have multiple positive outcomes contributing to the theory of change of CATALYZE EduFinance, which is as follows: By developing private sector partnerships that strengthen the entrepreneurial ecosystem for education and support innovations in education financing and service delivery, USAID will mobilize investment in the education sector that will then facilitate an increase in access to quality education and improve learning outcomes for disadvantaged children and youth in Sub-Saharan Africa.

In line with this theory of change, the activity is expected to utilize \$1M in USAID funds to mobilize at least \$4 million in private capital<sup>2</sup> over 2 years across LCPPS in the targeted geographies, as well as improve learning outcomes for supported learners by at least 10% from baseline to endline as measured by a pre-agreed internationally recognized assessment.

This SOW lays out the key expected results and essential parameters that a successful bidder must accomplish throughout the 2-year implementation period, however it does not state how the work should be done. Rather, we provide potential offerors with the flexibility to develop the activity design using innovative approaches and diverse stakeholder coalitions. Successful proposals will demonstrate deep expertise in education finance, educational quality improvements, monitoring and evaluation, learning (MEL) for education and finance, and results-based approaches to improve educational outcomes. Preference will be given to multi-stakeholder consortia that leverage local networks and expertise in each of the key areas of this activity, demonstrate deep understanding and a proven track record in improving the education sector (preferably in Kenya at the primary school level), and that demonstrate the ability to utilize innovative, non-traditional approaches that allow key results to be achieved or exceeded in a short time frame and lead to sustainable solutions beyond the life of the project.

### I. Background

The **CATALYZE Blended Finance Mechanism** is a \$250 million, 8-year contract launched in 2019 (5-year base period, with a single 3-year option period) which uses a facilitated partnership model to craft solutions to crowd in \$2 billion in blended finance to USAID partner countries and initiatives. CATALYZE allows USAID Bureaus and Missions to efficiently deploy investment facilitation solutions that respond to the needs of specific sectors, issues, and geographies.

The **CATALYZE EduFinance** program develops private sector partnerships to facilitate innovations in financing and service delivery that increase access to low-cost, quality education. CATALYZE EduFinance mobilizes blended finance – the strategic use of public funds to increase private sector investment – to crowd in private capital into non-state schools and education enterprises in USAID partner countries. Private capital leveraged with funding from

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<sup>2</sup>Private capital mobilization is defined as debt and non-debt (i.e., equity or grants) financing from either a non-state finance provider or a state-owned but independently managed finance provider that would likely not have occurred without CATALYZE assistance. For example, financing from banks and non-bank financial institutions, private foundations, and state-owned Development Finance Institutions (DFIs) in the appropriate debt or non-debt category would apply, while financing from multilateral or bilateral donors who utilize public financing would not.

USAID will address the substantial funding gap to respond to the global need for increased access to quality education.

CATALYZE EduFinance leverages a pool of specialized expertise to design and implement complex multi-year programs, that can include dynamic tools, such as first loss capital, to mitigate country or education sector-specific risks. To mobilize private capital in support of education goals, CATALYZE EduFinance operates at the nexus of demand-driven investment and innovative solutions development, collaborating with a global community of experts. CATALYZE EduFinance is implementing a pipeline of education investments in target countries in Africa (Zambia, South Africa, Rwanda, Tanzania, Democratic Republic of Congo), and Latin America/Caribbean (Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, and Paraguay).

The **CATALYZE EduFinance Kenya activity** is a part of the CATALYZE EduFinance activity. The CATALYZE EduFinance program is now underway in 11 countries and engaged Kenya's Ministry of Education in 2020-21 to potentially undertake similar activities in Kenya. The CATALYZE EduFinance Kenya activity first undertook a market landscape assessment to understand the landscape of non-state education and identify enablers and barriers for non-state schools to access private finance. Through discussions with the USAID Mission, it was agreed that this market assessment report would focus predominantly on access to finance for low-cost private primary schools (LCPPS) as this was seen as the area of greatest need. In July 2022, EduFinance and USAID presented the market assessment results to the Ministry of Education, Government of Kenya, and it was agreed that the key focus of an intervention should be on LCPPS. This SOW's key parameters were developed through this process regarding the priority population, geography, as well as other requirements.

The objectives of this activity support USAID/Kenya's **long-term development goals, set out in the government's Vision 2030, which aims to transform the country into a newly industrializing, middle-income country. In particular, the second pillar of the Vision 2030 is** "raising social development by investing in education and training, healthcare, water and sanitation, labor, youth and human resource development, and urbanization and housing."

## II. Problem Statement

Kenya has made large strides in improving primary level enrollment, however access for disadvantaged groups in particular still needs improvement, as does interventions that focus on improving the quality of education and learning outcomes. The non-state education sector plays a significant role in Kenya's education system, particularly at the primary level, with private primary schools accounting for 28 percent of the total primary school enrollment-- educating 1.6M children in Kenya. In addition, the primary school-age population grew by three percent from 2016-20, but the number of public schools increased by less than one percent. This shortage is most acute in urban informal areas, where an estimated 60 percent of students are enrolled in LCPPS . LCPPS are therefore an important ally for the Ministry of Education in its efforts to ensure 100 percent school enrollment of primary-age Kenyan children.

There is a relatively healthy enabling environment for LCPPS to access finance for expanding access and quality for their students, including strong demand from parents, a liberal policy environment that allows operators to determine fee levels, and healthy competition which drives exam results. However, LCPPS in rural areas and those that are small or early-stage struggle to access formal finance. They are also unlikely to be able to access other forms of finance if they cannot access debt facilities as private lenders focus on other parts of the education sector. The medium and long-term impacts of COVID-19 are likely to continue to affect parents' ability to pay fees and put significant pressure on working capital.

LCPPS' demand for finance is driven by the overall demand for places at private primary schools and their specific need for capital investment, asset finance and working capital. Parents seek places at LCPPS because they often struggle to find places at public primary schools and because they perceive LCPPS to offer a better quality of education. As a result, LCPPS numbers have grown by 19 percent in the last five years. Opportunity International EduFinance estimates that LCPPS have a USD 87 million demand for financing, including demand for school fee loans. This is set to grow by an additional USD 59 million in the next five years. Demand is driven by school infrastructure costs. COVID-19 containment measures increased capital expenditure (CapEx) needed to build extra classrooms and toilet blocks to comply with public health regulations. LCPPS also provide additional services such as school transport, which drives demand for asset finance. Finally, the structure of schools' revenues (at the start of term) and their costs (throughout the year) drive them to seek working capital finance. This has been an increasing issue during the pandemic as many households lost income and parents struggled to pay fees.

CATALYZE EduFinance believes that increased private sector engagement and access to more private capital investment in non-state schools and education enterprises can expand access to education and improve learning outcomes. The government's support for the development of LCPPS in particular presents a strong entry point and opportunity for CATALYZE EduFinance to stimulate additional private sector capital into the education space in Kenya and facilitate increased access to quality education. Market research by CATALYZE identified demand for finance among Kenya's LCPPS schools, as summarized above. In addition to increasing finance for school improvement, non-financial support will be needed to improve learning outcomes and student retention.

### III. Objectives

The CATALYZE EduFinance Kenya activity has two primary objectives:

**Objective 1:** Mobilize and sustain private finance for the non-state education sector, particularly for institutions in the 'priority sector & geographies' through strategic use of USAID funds to attract private capital funding and investment.

#### Expected Result:

- Over the life of the project, significant private finance mobilized, **at a ratio of at least 4:1 private capital mobilized to USAID capital contributed**, with preference for implementers that can achieve higher levels of leverage. This must be deployed in the 'priority sector and geographies', listed below, and aligned with key project design priorities and requirements as outlined in section five of this SOW.

**Objective 2:** Measurable increase in equitable access to education and improvement in learning outcomes for learners attending non-state schools in the 'priority sector and geography', especially disadvantaged learners.

#### Expected Results:

- Measurable increase in the number of private schools receiving USG-assistance.
- Measurable increase in learners attending schools that obtain private finance.
- Measurable improvement in educational quality: a 10% increase in learning outcomes from baseline to endline assessment [Measured with USAID standard indicator ES1-48].<sup>3</sup>

Note that while private capital mobilization and learning outcome improvement targets are non-negotiable, offerors should outline their proposed targets for the number of schools and learners supported during the activity. This will necessarily be determined by the nature of the proposed activities; however successful proposals must demonstrate the ability to reach sufficient scale to make meaningful impact and generate sufficient learnings. Proposals that can demonstrate the ability to achieve these outcomes at larger scale will be prioritized.

### Priority Sector and Geographies

Primary education, as defined by the Kenyan Ministry of Education, is the 'priority sector' for the CATALYZE-EduFinance Kenya activity, specifically working with LCPPS who are formally registered with the Ministry of Education. Non-registered schools, including those registered with other parts of the government as community based organizations (CBOs), are not eligible for support under this activity.

The priority geography is informal settlements in urban areas, as well as schools in the Northeastern counties of Garissa, Wajir, and Mandera. Note that these two priority settings have quite distinct challenges and needs which should be carefully accounted for in the Kenya CATALYZE EduFinance activity (e.g. many schools in northeastern counties are religiously affiliated and may require financing products tailored to this context such as those in line with Islamic finance principles).

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<sup>3</sup> [USAID ES1-48] Percent of learners targeted for USG assistance with an increase of at least one proficiency level in reading at the end of grade 2. Note that while the indicators here will be the overarching indicators for measuring improvements in access and learning outcomes, we do expect to consider more Kenya-specific indicators during the contracting process based on learning from other recent USAID-funded activities. Potential indicators include: Increase in students meeting minimum grade level reading proficiency at grade 2 and grade 3; increase in reading fluency level; and decrease in those performing at the beginner level.

## **Co-Creation with Key Stakeholders**

The successful bidder will be expected to coordinate closely with Palladium and USAID/Kenya to ensure alignment with USAID/Kenya and Ministry of Education priorities and expectations. USAID/Kenya will facilitate any necessary discussions with the Ministry of Education. Specific coordination plans will be worked out during a co-creation period following award. Accordingly, the successful bidder will adopt adaptive management practices, promote collaborative learning and exchanges with relevant institutions and partners; coordinate efforts with relevant stakeholders to improve synergies, build on positive changes, and use resources effectively; and support the sharing of lessons learned.

### **IV. Subcontractor Responsibilities**

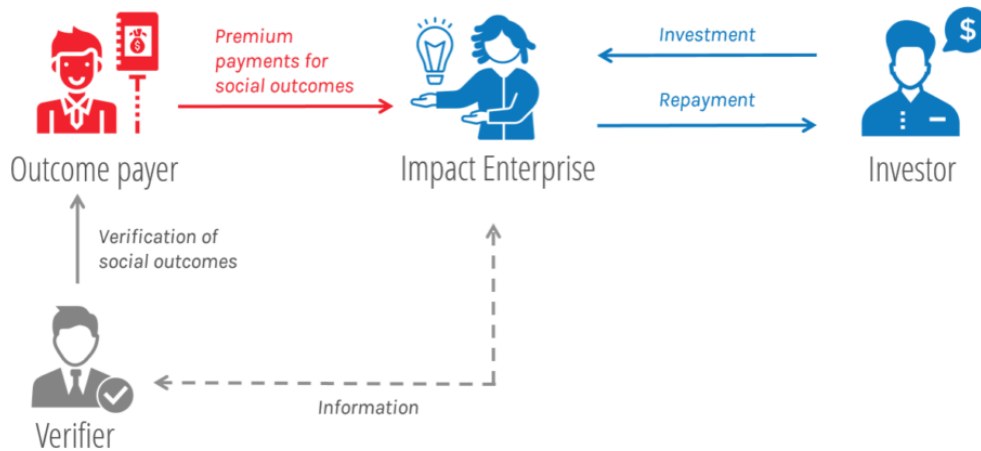
The Subcontractor (either as a single entity or as a consortium) will be expected to serve as Palladium's principal implementer in Kenya to ensure the achievement of the objectives and expected results listed above. The Subcontractor will lead technical implementation for the EduFinance activity in close collaboration with Palladium, which will provide the implementer appropriate technical assistance to support its management of the overall program. The Subcontractor will be responsible for providing local technical leadership and oversight of all EduFinance Kenya activities, including growing and maintaining a pipeline of financial institutions, a portfolio of target education institutions, and all other key stakeholders essential to reaching the expected results. The Subcontractor will also collect data and report on the EduFinance activity progress on all key indicators, which will serve as the basis for learning and review sessions that contribute to program design enhancement. Overall, the Subcontractor will provide consulting, advisory, adaptive management, and administrative support services with an appropriate mix of full- and part-time personnel. The role of the Subcontractor will be to:

- i. Develop and implement a P4R mechanism that links financial incentives to key results achieved. Conduct learning outcome assessments using appropriate methodologies to measure learning gains and feed into the P4R model.
- ii. Build a network of participating financial institutions, investors, philanthropic organizations, and/or transaction advisors to mobilize new sources of private capital to the sector; manage payments to them based on loans disbursed or committed.
- iii. Build a network of participating LCPPS in need of financing; facilitate financing and education quality improvements to these LCPPS over the course of the activity.
  - a. To bolster the activity's ability to reach improved education quality and learning outcomes, curriculum and training materials developed for other recent USAID-funded primary level education interventions will be available for implementers to use as part of their intervention.
- iv. Cooperate with and facilitate any audit, assessment, evaluation, or investigative study commissioned by CATALYZE/Palladium or USG/USAID (see Subcontractor Reporting and Deliverables section below).

The activity will utilize a pay-for-results (P4R) structure whereby financing terms are linked to social impact achieved; in this case impact will be increased access to capital for LCPPS and improvements in access, educational quality, and learning outcomes for primary level learners, particularly the disadvantaged. The details of how this mechanism works in this activity should be tailored to the Kenyan context and specificities of each key stakeholder.

Some examples of how this type of mechanism have been utilized in other contexts include the Social Impact Incentives (SIINC) model pioneered by Roots of Impact - see below - and the Rewards & Recognition model utilized by Kaizenvest in the CATALYZE EduFinance South Africa activity. One illustration of how this model can work is that the activity administers internationally recognized and agreed upon learning assessments to measure progress at baseline and endline (e.g., the start and end of the school year), using a third party "verifier", as illustrated in the graphic below. LCPPS that demonstrate improvements in learning outcomes based on their relative improvement from baseline to endline will receive financial rewards, on a sliding scale. These rewards can be grant-based funding that can reduce interest payments and/or the principal owed to investors/lenders or provide additional unrestricted funding for the school to further improve access and quality.

**Figure 1. Illustrative Pay-for-Results (P4R) Mechanism<sup>4</sup>**



**I. Subcontractor Reporting and Deliverables**

**Support for Activity Learning**

The Subcontractor will serve as Palladium’s key representative on learning for this activity. Reporting to the Palladium CATALYZE EduFinance Africa Activity Lead and Regional Representative for Africa, and working closely with the CATALYZE EduFinance home office team, the Subcontractor will help drive adaptive management by providing insights and guidance that will shape future iterations of P4R initiatives for FIs in education financing and service delivery in Kenya and other countries across the CATALYZE portfolio. Further, the Subcontractor will support the design and implementation of the EduFinance Kenya learning agenda. Based on the data collected, the Subcontractor firm will conduct learn and review sessions to draw out learnings and insights that will help enhance program design to contribute to program success. To support learning on this program, the Subcontractor will assist CATALYZE to:

- Collect data and conduct analysis to prove achievement of results through the different workstreams.
- Learn and apply proven verification methods to prevent fraud and misuse of government resources. This includes providing complete data from partner institutions to verify that financing and other supports were delivered in line with Congressional Guardrails (see Key Definitions section below).
- Learn what is working and what is not in terms of adapting these innovative methodologies on the ground in Kenya by having frequent interactions with all program stakeholders (e.g., FIs, LCPPS).
- Develop insights to modify methodologies as needed to achieve programmatic impacts.
- Refine models on how to best build partnerships with key actors to expand education finance service delivery and innovation.
- Cooperate with and facilitate any audit, assessment, evaluation, or investigative study commissioned by CATALYZE/Palladium or USG/USAID.

As part of this effort, the implementer team will need at least one dedicated MEL specialist to lead these activities.

<sup>4</sup> Roots of Impact. Social Impact Incentives (SIINC). Accessible: <https://www.roots-of-impact.org/siinc/>  
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## ***Activity Monitoring and Reporting***

The Subcontractor will provide monthly, quarterly, and annual implementation updates to Palladium and USAID for effective monitoring of the Activity. The subcontractor shall also provide inputs for periodic reports to Palladium and USAID as required by internal procedures as well as the overall contract, including monthly financial projections and quarterly and annual financial and technical reports.

### **V. CATALYZE EduFinance Kenya Program Design – Key Definitions**

In addition to the descriptions above, the Subcontractor should consider the priorities and focuses outlined below when designing their proposed program:

#### *Low-Cost Private Primary Schools (LCPPS)*

To ensure a clear focus on schools that are affordable to more economically disadvantaged populations, priority for this activity will be registered<sup>5</sup> low-cost private primary schools (defined generally as those charging between 120 and 1200 USD per annum) at the lowest end of this fee range, charging fees up to 300 USD. Offerors should be prepared to state the tuition rate of any school they propose to support and a rationale for its affordability to lower-income populations in that locality. The selected subcontractor will also be responsible for effectively collecting verified data during implementation to demonstrate that the schools supported meet this threshold and all congressional guardrails, outlined below.

#### *Priority Sector & Geography*

Primary education, as defined by the Kenyan Ministry of Education, is the ‘priority sector’ for the CATALYZE-EduFinance Kenya activity, specifically working with LCPPS who are formally registered with the Ministry of Education. Non-registered schools, including those registered with other parts of the government as community-based organizations (CBOs), are not eligible for support under this activity.

The priority geography is informal settlements in urban areas, as well as schools in the Northeastern counties of Garissa, Wajir, and Mandera. Note that these two priority settings have quite distinct challenges and needs which should be carefully accounted for in the Kenya CATALYZE EduFinance activity (e.g. many schools in northeastern counties are religiously affiliated and may require financing products tailored to this context such as those in line with Islamic finance principles).

#### *USAID Basic Education Funds*

CATALYZE EduFinance Kenya is supported by USAID Basic Education funds. Thus, all activities funded through this initiative, regardless of whether they are in the priority sector or otherwise, must be used for Basic Education. For further guidance on this refer to USAID Education Policy and the accompanying implementation guidance note.

#### *Achieving Significant Leverage of Additional Capital*

The activity must demonstrate the ability to use USAID’s funding to achieve significant leverage of additional capital via existing donors, investors, financial institutions, education providers, etc. In this case, the implementer must demonstrate its ability to leverage a least 4x the \$1 million USAID contribution in private capital.

#### *Measurable Improvements in Educational Quality*

All USAID funding and additional capital leveraged must be used to support measurable improvements in educational quality that ultimately improves learning outcomes for students in supported schools.

#### *Congressional Guardrails*

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<sup>5</sup> Schools must be registered with the Ministry of Education. Non-registered schools, including those registered with other parts of the government as community-based organizations (CBOs), are not eligible for support under this activity.



All CATALYZE EduFinance Kenya activities must adhere to the following criteria outlined by Congress, which are:

- All investments must achieve measurable educational outcomes, such as increased equitable access and improved learning outcomes;
- All projects will focus on low- and low-middle-income populations and communities (e.g., with average income of +/- \$3.10/day);
- When funding is provided for schools, funding will predominantly go to locally owned schools;
- Each host-country government will be in agreement with the approach proposed and the funded activities; and
- Investment activities with school operators will be in cooperation with and vetted by USAID Mission staff.