



USAID'S DRC INVESTMENT FACILITATION ACTIVITY

Year I, Quarter 3 Progress Report October 1 – December 31, 2021

Submission Date: February 2, 2022

Contract Number: 72066021C00002

Contracting Officer's Representative: Amy Stenoien

Implementation Consortium: Chemonics International, CrossBoundary

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ACRONYMS

AA	Advisory Agreement
AC	Advisory Committee
AfDB	African Development Bank
AMELP	Activity Monitoring, Evaluation, and Learning Plan
ANAPI	Agence Nationale pour la Promotion des Investissements
AWP	Annual Work Plan
BDS	Business Development Support
BCDC	Equity Banque Commerciale du Congo
BEE	Business Enabling Environment
BIO	Belgian Investment Company for Developing Countries
COR	Contract Officer's Representative
DFC	Development Finance Corporation
DFI	Development Finance Institution
DRC	Democratic Republic of the Congo
ESG	Environmental, Social, and Governance
FABS	USAID's DRC Forestry and Biodiversity Support Activity
FEC	Fédération des Entreprises du Congo
FEWS NET	Famine Early Warning Systems Network
FINCA	Foundation for International Community Assistance
I&P	Investisseurs & Partenaires
IF	Investment Facilitation
IFC	International Finance Corporation
IFT	Investment Facilitation Team
IMF	International Monetary Fund
MOU	Memorandum of Understanding
MSME	Micro, Small, and Medium Enterprises
PROPARCO	Promotion et Participation pour la Coopération Économique
SIA	USAID's Uganda Strategic Investments Activity
SLR	USAID's DRC Strengthening Livelihoods and Resilience Activity
SMU	Security Management Unit
SVC	USAID's Feed the Future DRC Strengthening Value Chains
TBI	Tony Blair Institute
TSS	Transaction Selection Scorecard
UN	United Nations
USAID	U.S. Agency for International Development
USG	U.S. Government
WASH	Water, Sanitation and Hygiene

I. EXECUTIVE SUMMARY

USAID's Investment Facilitation Activity in the DRC (USAID Invest) kicked-off in March 2021 and has completed its third quarter of implementation. The goal of USAID Invest is to provide investment advisory services and facilitate the closing of transactions between companies established in the DRC and local and international investors. By cultivating a pipeline of high-potential businesses in the agriculture and agriculture-enabling sectors, the project aims to mobilize significant private investments in the DRC between March 2021 and February 2026. This Year I, Quarter 3 report provides a summary of USAID Invest's activities that occurred between October 1, 2021 and December 31, 2021.

Activity Deliverables. During this quarter, USAID approved the Annual Work Plan (AWP) and Activity Monitoring, Evaluation, and Learning Plan (AMELP). USAID Invest also developed and submitted additional contractual deliverables for USAID approval, namely the Investment Facilitation Strategy Report, the Kick-Off Pipeline Presentation, and the Capital Map Report. Feedback shared by USAID on these deliverables helped guide their finalization, and USAID Invest anticipates a final submission during the next reporting quarter.

Investment Pipeline. As of December 31, 2021, USAID Invest's pipeline featured 236 companies. From this selection of companies, USAID Invest has completed 14 Transaction Selection Scorecards and signed nine Advisory Agreements (AA). Since inception, USAID Invest's Investment Facilitation Team (IFT) has been in contact with over 114 firms, of which just over 12% have moved into more advanced stages of the Selection phase and/or have been onboarded into the active pipeline. USAID Invest currently has two transactions that have entered the fundraising stage.

Communications and Outreach. USAID Invest presented at a series of workshops hosted by the American Chamber of Commerce and Makutano. The audience at these events were primarily owners and managers of SMEs seeking to improve their investment readiness to access capital and grow their businesses. During the inaugural Development Finance Institution (DFI) Forum in the DRC, USAID Invest staff were introduced to a network of capital providers and seekers and closed the forum with the signing of a Memorandum of Understanding (MOU) with PROPARCO. While the official launch event at the U.S. Ambassador's residence was cancelled due to COVID-19 in December, USAID Invest carried on with stakeholder engagement and confirmed the majority of seats available on the Advisory Committee.

2. IMPLEMENTATION PROGRESS

WORKPLAN AND AMELP APPROVAL

During the reporting quarter, USAID approved USAID Invest's Year I AWP and AMELP. The final versions of these deliverables incorporated feedback from USAID including revisions to the project's key performance indicators. Within these documents, USAID Invest emphasized its focus on the agriculture and agriculture-enabling sectors, including references to agroforestry and climate-smart solutions. Where applicable, the indicators in the AMELP now include disaggregation of businesses owned or managed by women. USAID Invest also included a new indicator for engagements with business development service (BDS) providers which counts the number of firm referrals and counter-referrals that USAID Invest exchanges with BDS providers.

ACTIVITY I: ASSESS OPPORTUNITIES FOR INVESTMENT

I.1 INVESTMENT FACILITATION STRATEGY REPORT AND TOOLKIT

USAID Invest submitted the Investment Facilitation (IF) Report and Toolkit in Q3 for USAID approval. The primary objective of the IF Report is to provide a high-level overview of the investment environment in the DRC. Among other topics, the report explores barriers to investing in the DRC, as well as existing opportunities in the agriculture, agriculture-enabling, and energy sectors. The accompanying Toolkit includes a series of analytical documents and templates to assess pipeline firms, such as the Information Request, the Transaction Selection Scorecard (TSS), and the Advisory Agreement. Towards the end of the reporting period, USAID provided feedback on the IF Report and Toolkit, particularly on how deals would increase economic and development impact. As a result, USAID Invest plans to resubmit the IF Report and Toolkit during the next quarter. In the meantime, the Investment Facilitation Team (IFT) will utilize the working drafts of the tools for ongoing evaluations of pipeline firms.

I.2 ADVISORY COMMITTEE

Building on the terms of reference for the Advisory Committee (AC) that were approved by USAID, the team liaised with the proposed AC members to finalize their one-year appointments. During this quarter, representatives from ANAPI, PROPARCO, IFC, IMF, FEC, AfDB, and TBI confirmed their participation. AC meetings will be held on a quarterly basis with the first meeting anticipated for Q1 of Year 2.

I.3 DEVELOP A DRC INVESTOR DATABASE (INVESTMENT CAPITAL MAP REPORT)

During the reporting quarter, USAID Invest completed the Capital Map Report along with the corresponding Investor Database and submitted both to USAID for approval. The objective of the Capital Map Report is to identify all major investors that are or could be interested in investing in the DRC, and are therefore relevant for USAID Invest. This report analyzes identified investors based on their respective size, type, investment strategies, financing instruments, and agriculture portfolio, among other parameters. The report also features a high-level analysis of the main investment trends in the DRC and describes USAID Invest's proposed engagement process with the identified investors. Accompanying the Capital Map Report, the Investor Database features a list of investors who may be interested in investing in the DRC.

I.4 STAKEHOLDER COORDINATION

Coordination with USAID Programming. The reporting quarter saw increased collaboration between USAID Invest and other USAID-financed projects operating in the region. The USAID Invest team met with the DRC Forestry and Biodiversity Support (FABS) Activity in November to discuss opportunities for collaborating on green deals, as well as strategies for including conservation elements in existing deals in the pipeline. USAID Invest then met with USAID's Uganda Strategic Investments Activity (SIA) project team to outline a plan for a shared MEL agenda across both projects to capture insights on investment facilitation efforts across the two countries. USAID Invest continued its collaboration with the Feed the Future DRC Strengthening Value Chains (SVC) Activity during the reporting quarter. In the previous quarter, USAID Invest received twelve referrals from SVC which included small holder cooperatives and companies active in the coffee sector in Eastern DRC. During this quarter, USAID Invest onboarded four of these referrals into the active pipeline with other referrals still under review. The USAID Invest team

also met with the USAID/DRC Strengthening Livelihoods and Resilience (SLR) Activity in October to discuss the latest pipeline updates and program metrics of both projects, as well as to identify ways for collaborating on referrals and counter referrals, Environmental, Social, and Governance (ESG) technical assistance and grants, and the possibility of leveraging SLR technical assistance funds to support the fundraising process for USAID Invest's pipeline firms that qualify for SLR metrics. Both projects agreed to hold quarterly meetings to help coordinate opportunities for collaboration going forward.

Additionally, USAID Invest attended USAID's Sustainable Cocoa Webinar to identify potential opportunities for coordination among USAID's projects operating in the cocoa value chain in the North Kivu, Ituri, and Haut Uele provinces. USAID Invest also attended USAID's Implementing Partners Meeting during the reporting quarter to review best practices for identifying, managing, and reporting potential misconduct that could arise during project implementation.

Coordination with Other Donors. In November, USAID Invest participated in a US Embassy Business Enabling Environment (BEE) Policy discussion which aimed to coordinate priorities for BEE policy reforms to inform IMF, ECF, and other initiatives. USAID Invest team then met with DFC representatives to present the program and discuss DFC's overall strategy for the DRC with the goal of identifying synergies and areas for collaboration. Additional coordination during the quarter included reviewing BEE studies with EU representatives, notably on the registration process for private investment funds, and sharing pipeline firms with the Belgian Investment Company for Developing Countries (BIO) that aligned with their mandate.

Stakeholder Tracker. As a result of brainstorming sessions with USAID, it was determined that maintaining a stakeholder tracker would be helpful for ensuring visibility on meetings that the USAID Invest team holds to advance project activities. The USAID Invest team instituted this stakeholder tracker during the reporting quarter to track stakeholder names, key takeaways from discussions, referrals and counter referrals made, and outstanding action items to help guide future coordination with the project's various stakeholders.

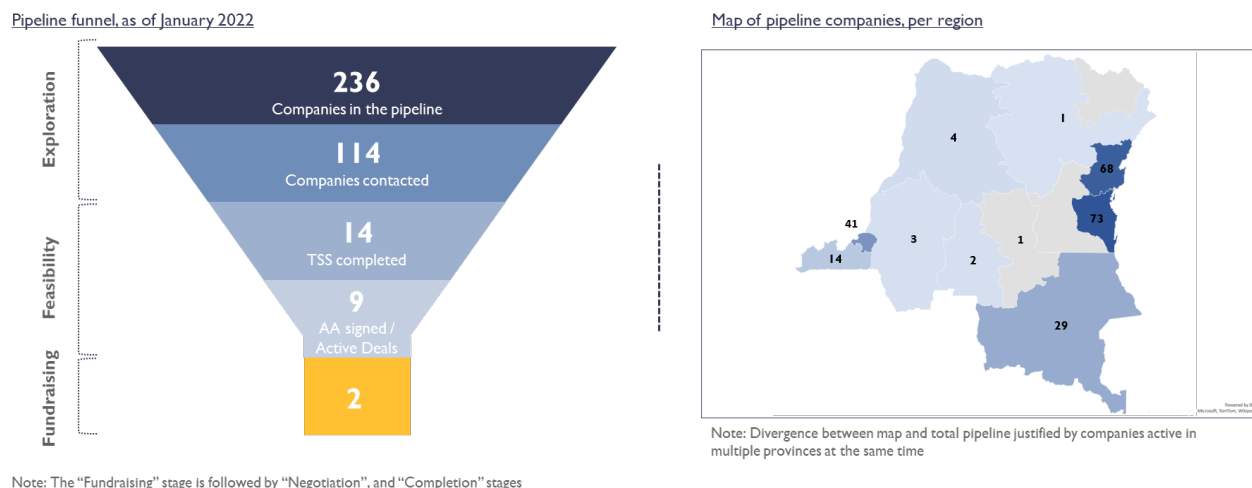
ACTIVITY 2: BUILD A TRANSACTION PIPELINE

2.1 INVESTMENT OPPORTUNITY ASSESSMENT & PIPELINE DEVELOPMENT

Figure 1 below provides a snapshot of USAID Invest's transaction pipeline as of the end of December 2021. USAID Invest engagements have resulted in 236 companies sourced or under exploration phase (an increase of 26 identified pipeline firms as of the previous reporting quarter), of which USAID Invest has been in direct contact with 114 for potential support from the project. 23 firms have reached the feasibility phase, of which 14 are under advanced evaluation and have completed their Transaction Selection

Scorecards (TSS). In total, USAID Invest has seen nine engagements be approved thus far, with two of these engagements reaching the fundraising stage with investors.

Figure 1. Overview of USAID Invest's pipeline¹



During the quarter, USAID Invest analyzed coffee and cocoa cooperatives operating in Eastern DRC, most of which were referred to the IFT by SVC. After completing TSS's for each cooperative, the project received approval from USAID to move forward on engagements with three cooperatives. Additionally, USAID Invest signed a letter of engagement with an industrial farm based in Grand Katanga, and finalized an assessment of a company that recycles agriculture waste into ecological charcoal which was still under review for approval by USAID.

2.2 ACTIVE TRANSACTIONS

At the end of the quarter, USAID Invest's active transactions pipeline included nine agriculture and agriculture-enabling engagements. The active pipeline includes three small-holder farmer cooperatives active in the coffee and cocoa sectors in the Kivu region, two companies active in the Kivus in the coffee sector, two agribusinesses involved in the processing of maize into flour in Katanga and Bas-Uele, one company that manufactures medicines from local agriculture inputs, and another company that is developing a special economic zone in the province of Sud-Ubangi.

In general, pipeline companies are seeking patient, long-term capital to support the expansion of either their production or processing capacities. Pipeline firms have shown a demand for equity and debt financing, as well as for a combination of these instruments. While anticipated investment ticket sizes are

¹ Finalization of deliverables is taking place in parallel to fundraising effort for one of the pipeline companies.

concentrated between \$0.5 million and \$2 million USD, there are two transactions in the pipeline that seek to access \$5 million and \$30 million respectively.

Please see Annex 2 for confidential details on pipeline deals that are currently under advisory agreements with USAID Invest.

3. COMMUNICATIONS

AMERICAN CHAMBER OF COMMERCE BREAKFAST

The American Chamber of Commerce hosted a breakfast event in November where USAID Invest delivered a presentation on the fundraising process. More than 35 participants were present, of which 25 were business managers or owners. Participants exchanged with USAID Invest's Managing Director, Lucine Le Moal, and IFT Lead, Jules Ndambu, on how best to prepare their businesses for a successful fundraiser.

EQUITY BANQUE COMMERCIALE DU CONGO (BCDC) TRADE MISSION

USAID Invest participated in a panel session held by Equity BCDC in December that focused on social impact investing. During this event, USAID Invest's Managing Director delivered a presentation tailored to opportunities for impact investing in the DRC. With an increase in alternative sources of financing, impact investing has become more popular in recent years, especially in sectors such as agriculture, energy, and sanitation in the DRC. As part of their mandates, impact investors are required to measure the social and economic impacts of their investments, as a compliment to their financial return, as part of a development impact assessment. By continuing to engage with the impact investment community, USAID Invest aims to assist these investors in identifying high-potential companies that have, or can develop, the capacity to measure relevant impact metrics so as to qualify for these alternative sources of funding.

MAKUTANO LEVEL-UP

In October, USAID Invest led a masterclass at Makutano's Level-Up conference in Kinshasa for women entrepreneurs that discussed issues and solutions for accessing finance for their businesses. Over 300 women entrepreneurs participated in the masterclass. Through the presentation a case study analysis, and a Q&A session, USAID Invest provided detailed guidance to these women on increasing the bankability of their businesses to prepare them for fundraising.

As a follow-up to the masterclass, USAID Invest supported women entrepreneurs in preparing their investor pitch decks at the conference. USAID Invest's Managing Director, Lucine Le Moal, along with PROPARCO, provided feedback to these women entrepreneurs on their presentation content, and coached them to pitch to a panel of judges made up of a microfinance institutions (MFI), angel investors, venture capitalists, and Enabel. Each pitch was creative and thorough, demonstrating the determination and courage of women entrepreneurs who, in most cases, were conducting their first ever investor pitch.

Level UP
by MAKUTANO
-LES JOURNÉES BUSINESS BOOSTER-

SPÉCIAL
ENTREPRENEURIAT
FEMININ
VENDREDI 22 OCT. 2021
10H00-10H30

MASTERCLASS : FINANCEMENT

**COMMENT RENDRE UN DOSSIER
« BANCABLE » ET SE PRÉPARER
À LEVER DES FONDS ?**

Keynote	Modérateurs		Intervenantes	
				
Henry Wazne CEO SOFIBANQUE	Michel Losembe Consultant en services financiers et Fintech	Edwige Takasi Experte en finance Inclusive et entrepreneuriat	Lucine Le Moal Managing director, USAID Invest	Fanta Conde Deputy Head of West Africa Africaorg, Crossboundary

Published posted for the Makutano Level-Up conference, featuring USAID Invest speakers Lucine Le Moal and Fanta Conde

DFI FRAGILITY FORUM

In December, USAID Invest attended the Development Finance Institution (DFI)'s Fragility Forum in Kinshasa. Prior to the forum, USAID Invest worked with PROPARCO to develop the agenda and list of invitees. Hosted by PROPARCO and IFC, the forum provided an opportunity for DFIs to share lessons learned, discuss investment priorities, and highlight potential strategies for mobilizing new investments to the DRC. USAID Invest's Managing Director presented on the keynote panel, and closed the event by signing a Memorandum of Understanding (MOU) with PROPARCO to collaborate on accelerating investments into businesses operating in the DRC's agriculture sector.



PROPARGO Regional Director Audrey Maignan and USAID Invest Managing Director Lucine Le Moal signed a memorandum of understanding with a focus on building PROPARGO's agribusiness pipeline

5. OPERATIONS – GOMA AND KINSHASA

OFFICE AND ADMINISTRATION

During this reporting period, the USAID Invest team identified and signed a lease for a new project office in Goma. The team signed a two-year contract for this professional office space that will meet private sector standards for overseeing project activities in Eastern DRC. The team oversaw the move of all project assets to the new office building after terminating the lease with our former project office, and all financial and procurement systems are now in place to begin managing project activities from the new building starting next quarter. The reporting quarter also saw the USAID Invest team establish the Kinshasa project office, where the IFT is based, and procure office and IT equipment for the proper functioning of the office. Additionally, the Operations Team prepared and submitted documents to the US Embassy during the quarter to obtain exemption for customs clearance for our project vehicle that will be used in Goma, and the team has finalized preparations to procure this vehicle pending final approval from USAID.

Coordination across Chemonics Projects in the DRC. Led by USAID Invest's Operations and Finance Director, the project established a monthly coordination meeting with all Chemonics projects in the DRC (e.g., Francophone Task Order, End Malaria, FEWS NET, and WASH). These meetings will be designed to improve cross-project communication to address common issues and achieve costs savings, primarily by coordinating on common contracts and negotiations with vendors.

Additionally, all Chemonics staff working on projects in the DRC underwent trainings during the reporting quarter that focused on themes of Ethics & Business Conduct, as well as the Prevention of Sexual Exploitation in the Workplace. All USAID Invest employees successfully completed these trainings as part of Chemonics's commitment to implementing development projects in an ethical manner where all staff members are empowered to perform their assigned duties free from sexual harassment in a safe working environment.

PROCUREMENT

During the reporting quarter, USAID identified a qualified vendor to lead the design and development process of a project website. The professional website will greatly improve the project's visibility in the investment space while serving as a knowledge management portal to support future investment facilitation learning agendas.

In preparation for the project's Launch Event and other workshops that the USAID Invest team plans to hold in the coming months, the Operations Team began the procurement process for communication tools, such as banners and printouts of the project's Factsheet, that will assist in presenting the project in a professional manner to key stakeholders.

6. LESSONS LEARNED

Workshop attendance and feedback: To capture data on the investment readiness of firms who attend business development workshops, USAID Invest coordinated with conference hosts for attendance sheets and participant surveys. However, given the importance of completed attendance sheets for the verification of indicators, USAID Invest will manage this process for future events hosted by partners to ensure immediate and accurate data collection. USAID Invest will also develop participant post-training surveys that capture data on firm size, sector, place of operation, and feedback on workshop content. All workshop participant information will be captured and managed by the USAID Invest team to stay connected with participants and track improvements over time.

Answering basic organizational capacity questions: One of the biggest barriers for a firm to access capital is organizational readiness for investment, such as having audited financials, an organizational chart, credit line, and a policy manual. These basic criteria are required to be approved for the pipeline, and there is a risk that deals will not close if USAID Invest does not identify these organizational gaps early in process. To learn early what business development services a firm will need, USAID Invest will include basic Yes/No questions at the top of its information request. By identifying common investment readiness gaps for MSMEs in the DRC, USAID Invest can adapt its investment facilitation process and refer specialized BDS providers.

Staff security in Eastern Congo: The city of Goma experienced protests that led to several instances of violence during the reporting quarter. Chemonics deployed its Security Management Unit (SMU) – led by Security Manager Leo Forder and Country Security Manager Mike Wakimu – to the DRC to formalize USAID Invest's inclusion into security management protocols established by all Chemonics projects based in the DRC. During this visit, the SMU implemented and trained staff on an emergency action plan, usage of the project's communication tree, and all other aspects of Chemonics's in-country security network. Additionally, the SMU assisted in the procurement of satellite phones and GPS trackers which are expected to be delivered to both the Kinshasa and Goma offices during the next reporting quarter.

7. MONITORING, EVALUATION, AND LEARNING

During the reporting quarter, USAID Invest captured and validated progress towards indicator targets as outlined in the quarterly MEL Indicator Table (Annex 1). The below section provides additional explanations of indicator data sourced and validated in Q3. Specifically, for each indicator, USAID Invest provides a narrative summary of the progress towards targets.

Number of Activity-Engaged Financial Institutions that Include DRC in their Future Investment Mandates. This indicator tracks investors who are in contact with USAID Invest and express their interest in making new investments or renewing their search for investable firms in the DRC. Since project launch, USAID Invest has completed capital mapping and networked across DRC stakeholder platforms to attract interest in kick-off pipeline deals. While most investors contacted to date already maintain a presence in the DRC, during the reporting quarter,

Number of Potentially Investable Firms Attending Business Development and Investment Readiness Workshops. During Q3, USAID Invest presented at workshops for the American Chamber of Commerce and the Makutano Level-Up conference. The list of participants received from the American Chamber of Commerce workshop confirmed the attendance of 35 attendees, of which 25 were potentially investible firms. For the Makutano Level-Up event, organizers reported approximately 300 representatives of women businesses as participants, however the organizers did not share the signed attendance list and contacts. For future events, as noted above in the Lessons Learned section, USAID Invest will manage preparation and collection of attendance sheets in order to capture more firms within this indicator while further promoting survey completion.

Number of MSMEs, including farmers, receiving business development services from USG-assisted sources. This indicator tracks the number of workshop attendees that are MSMEs (i.e., firms of less than 100 employees) and completed post-workshop surveys. Three MSMEs attended the American Chamber of Commerce workshop and completed post-workshop surveys.

Number of firms or investors supported in developing their business and investment case. During Q3, USAID Invest made considerable progress completing deliverables for the active pipeline. Out of the two pipeline firms who are now in the fundraising stage, one has completed all deliverables outlined in the Advisory Agreement. While these deliverables are still pending final approval by the firm and investor, USAID Invest is reporting one firm as having been supported in developing their investment case during the quarter.

ANNEX I: MEL INDICATOR DATA TABLE

INDICATOR DATA TABLE

Indicator	Indicator Type*	Disaggregation	Data Collection Frequency	Baseline	Performance as of Y1 Q3	Provisional Target
Objective: Supply and demand side of DRC's nascent financial market deepened through investment facilitation platform.						
Number of Activity-engaged financial institutions that include DRC in their future investment mandates	Contractual #15	Equity/debt, Impact/traditional, National/International, Sector	Annually	N/A	5	
Number of potentially viable firms attending business development and investment readiness workshops	Contractual #14	Province, Sector, Women's Management	Quarterly	N/A	25	
Number of MSMEs, including exporters, receiving business development services from USG-assisted sources	Contractual #12	Province, Sector, Women's Management	Quarterly	N/A	3	
Percentage of selected firms that have investors who receive tailored investment readiness and ESG skill building	Custom	N/A	Annually	N/A	0	
Number of firms or investors supported in developing their business and investment case	Custom	New/ongoing, Province, Sector, Women's Management	Quarterly	N/A	1	
Number of investors who completed transactions with USG equity assistance	Custom	Equity/debt, Impact/traditional, National/International, New/already invested in DRC, Sector	Quarterly	N/A	0	
Number of transactions/deals completed with Activity assistance	Contractual #11	Equity/debt, Impact/traditional, Province, Sector, Sex	Quarterly	N/A	0	
Value of new investment mobilized with support from Activity**	Contractual #9	Equity/debt, Impact/traditional, National/international, Sector	Quarterly	N/A	\$0	\$5
Value of agriculture-related financing accessed as a result of USG assistance***	EG.3.2-27 (FTF)	Equity/debt, Impact/traditional, National/international, Sector, By Women	Quarterly	N/A	\$0	\$2
Cross-Cutting Indicators						
Number of expected jobs mobilized with USG assistance	Custom	Province, Sector, Sex	Annually	N/A	0	
Number of engagements with providers	Custom	Direction of Referral	Annually	N/A	0	

* Indicators marked “contractual” are included as deliverables in the Activity’s Contract Section B.6. Payment of Fixed Fee (CPFF). Please note that B.6. serial number #13 is not included as a MEL indicator but can be verified in section 2.1 and Annex III. Please see *** for additional information on B.6. serial number #10.

** Given USAID’s request that the Activity focus exclusively on the agricultural sector and agricultural enabling sectors, this target is provisional and will be reevaluated in collaboration with USAID after Year 1. This will give time to complete the Agricultural Sector Analysis and focus on generating leads in specifically these sectors.

*** Proposed as a replacement for B.6. serial number #10 “Continually increasing USD sales of firms receiving USG-funded assistance.” This proposed replacement indicator holds the project to specific commitments for leveraging financing in the agriculture sector, and we believe it would also help the project in further capturing data from interventions directly completed by the Activity. “Continually increasing USD sales of firms receiving USG-funded assistance” would need to be measured as part of data collected in the post-transaction learning questionnaires. Given that USAID Invest interventions end with deal closure, the Activity will not have direct interventions that could support firms who are encountering issues in increasing sales post-deal, making it challenging for USAID to set both Activity level targets and directly move the needle on results. This is, however, an incredibly important metric for the business viability of deals, and therefore, we propose to incorporate it as one of the transaction-level impact metrics.