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# USAID CATALYZE

Year 2 Annual Report  
FY 2021

OCTOBER 2021

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# USAID CATALYZE

## Year 2 Annual Report

### FY 2021

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**ON THE COVER:**

In the Sorobouly village, near Boromo, Burkina Faso, farmer Sougué Saoué collects cobat fruit.  
Photo by Ollivier Girard/CIFOR, Courtesy of Flickr Creative Commons

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## LIST OF ACRONYMS

AGOA	African Growth and Opportunity Act
AI	Artificial intelligence
AMELP	Activity Management, Evaluation and Learning Plan
BAS	Business advisory service
BASP	Business advisory service provider
BF	Blended finance
BPA	Blanket purchase agreement
BPO	Blanket purchase order
B2B	Business to business
B2C	Business to consumer
BYC	Bridge Youth Connect
CA	Consulting agreement
CALS	Center for African Leadership Studies
CIPE	Center for International Private Enterprises
CLA	Collaborating, Learning, and Adapting
CoP	Community of practice
CPFF	Cost plus fixed fee
DFC	Development Finance Corporation
DFI	Development finance institution
DRC	Democratic Republic of Congo
ECD	Early childhood development
EIC	Ethiopia Investment Commission
EoG	Engines of Growth
EOI	Expression of interest
FDI	Foreign direct investment
FFP	Firm fixed price
FMCG	Fast-moving consumer goods
FF	Financial facilitator
F4R	Finance for Resilience
FI	Finance institution
FON	Funding opportunity notice
GDP	Gross domestic product
GUC	Grant under contract
HNG	Hatton National Bank
ICA	Individual consultant agreement
ICT	Information communication technology
IDIQ	Indefinite delivery indefinite quantity
ISA	Income sharing agreement
ITT	Indicator tracking table
JKN	Indonesian national health insurance program

KIM	Kenya Investment Mechanism
KPI	Key performance indicator
KYC	Know your customer
LOP	Life of project
MEL	Monitoring and evaluation
MFA	Mobilizing Finance for Agriculture
MFI	Microfinance institution
MoGE	Ministry of General Education (Zambia)
MOU	Memorandum of understanding
MS4G	Market Systems for Growth
MSME	Micro, small and medium enterprise
NBE	National Bank of Ethiopia
NSE	Nairobi Securities Exchange
NTFP	Non-timber forest products
OCA	Open capital advisor
PEAS	Promoting Equality in African Schools
P4R	Pay-for-results
PO	Purchase order
PPP	Public-private partnership
PRI	Palmar Research Institute
PSD	Private Sector Development
PSE	Private sector engagement
RFA	Request for application
RFP	Request for proposal
RISE	Resilience in the Sahel Enhanced
RMG	Ready-made garment
SCC	Sahel Collaboration and Communication
SME	Small and medium enterprises
SPV	Special purpose vehicle
STTA	Short-term technical assistance
TA	Technical assistance
TISE	The international stock exchange
TM	Time and material
TO	Task order
TVET	Technical and vocational education and training
VPO	Variable payment obligation
WASH	Water, sanitation and hygiene
WEE	Women's Economic Empowerment
W-SME	Women-owned small and medium enterprises
YAB	Youth Advisory Board

## SECTION I

# CATALYZE

## Updates

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### **ABOUT CATALYZE**

CATALYZE, implemented by Palladium, was launched in October 2019 to support local and international businesses and investors, as well as other key market actors to solve the world's most pressing challenges. Over eight years, CATALYZE intends to unlock \$2 billion in private-sector financing for development impact, especially in underserved social sectors and frontier countries, using up to \$250 million in catalytic capital from USAID. CATALYZE enables USAID missions and bureaus to meet their development objectives and those of host countries and regions by designing and delivering innovative programs in target countries and sectors that can be sustained over time with private capital.

Over the past two years, 17 USAID missions and bureaus have committed \$105.22 million to support programming in 25 countries to achieve CATALYZE's mandate. The resources have since been organized into eight activities.

**Figure 1: CATALYZE at a glance**



**Figure 2: CATALYZE Activities**

**Women's Economic Empowerment**



Mobilize capital to create economic opportunities for women.

EL SALVADOR, DOMINICAN REPUBLIC, GLOBAL

**Sahel: Finance for Resilience**

Increase financing to support capital investment in the agricultural sector and in youth-led enterprises.

BURKINA FASO, NIGER

**Peru**

Catalyze investment and access to finance in the Peruvian Amazon.



**EduFinance**

Improve and sustain learning outcomes for disadvantaged children and youth.



DEMOCRATIC REPUBLIC OF CONGO, DOMINICAN REPUBLIC, EL SALVADOR, GUATEMALA, HAITI, PARAGUAY, RWANDA, TANZANIA, SOUTH AFRICA, AND ZAMBIA.

GUATEMALA

HAITI

DOMINICAN REPUBLIC

EL SALVADOR

PERU

PARAGUAY

BURKINA FASO

NIGER



## Western Balkans: Engines of Growth



Increase enterprise access to and use of finance to drive growth.

ALBANIA, BOSNIA AND HERZEGOVINA, KOSOVO, MONTENEGRO, NORTH MACEDONIA AND SERBIA.

## Ethiopia: Market Systems for Growth



Foster private enterprise growth, primarily in agricultural markets, to create jobs and increase income.

## Sri Lanka: Private Sector Development



Promote economic diversification, COVID-19 recovery, and employment opportunities for women.

## Asia: Social Protection



Improve access to financial and social protection for vulnerable women in Asia.

BANGLADESH, INDONESIA, PHILIPPINES

BOSNIA AND HERZEGOVINA

SERBIA

NORTH MACEDONIA

MONTENEGRO  
KOSOVO  
ALBANIA

RWANDA

ETHIOPIA

SRI LANKA

BANGLADESH

PHILIPPINES

INDONESIA

DEMOCRATIC  
REPUBLIC  
OF CONGO

TANZANIA

ZAMBIA

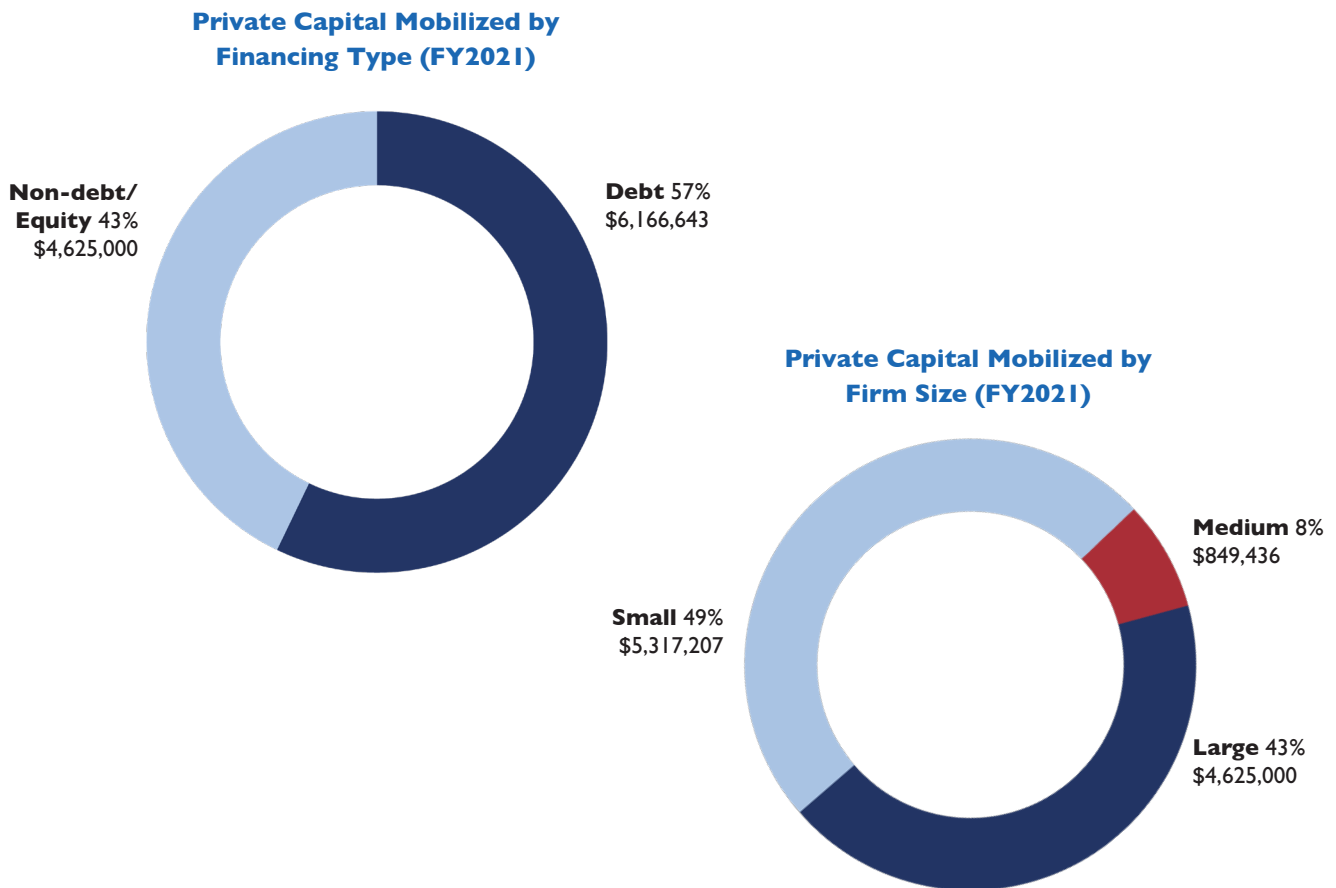
SOUTH  
AFRICA

## CATALYZE YEAR 2 HIGHLIGHTS

During a year of upheaval and uncertainty, CATALYZE continued its mission to forge new directions in mobilizing private capital for underserved populations. In terms of operational management, CATALYZE shifted from the previous year’s heavy focus on program design to firmly land on implementation of blended finance<sup>1</sup> and innovative development solutions. While each activity under the CATALYZE umbrella varies based on market and country context, all are geared to leverage significant private capital to co-invest with USAID to build “beyond aid” solutions that will continue to generate meaningful results for underserved populations and geographies into the future.

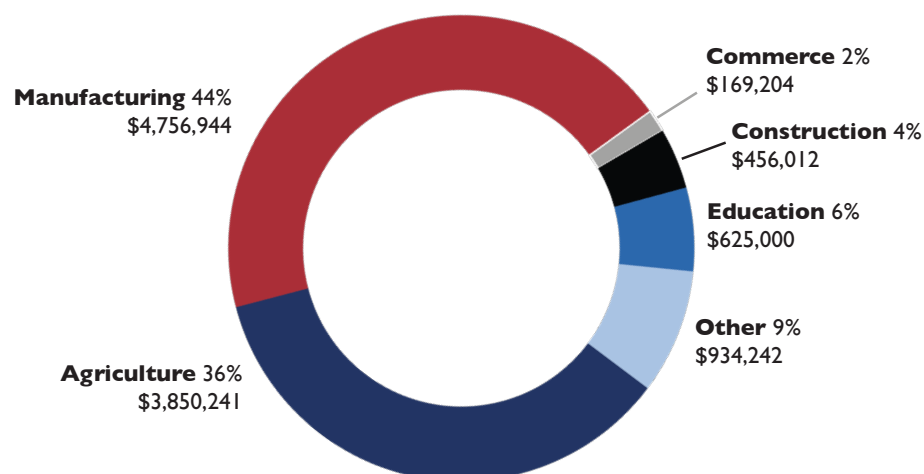
This year, eight CATALYZE activities—Asia – Social Protection; CATALYZE Peru; Edufinance; Ethiopia – Market Systems for Growth (MS4G); Sahel – Finance for Resilience; Sri Lanka Private Sector Development (PSD); Western Balkans Engines of Growth (EoG); and Women’s Economic Empowerment (WEE)—collectively designed and operationalized blended finance approaches that led to mobilizing \$10.79 million in private capital for 20 firms (of which 7 percent are female-owned) in five countries (Ethiopia, North Macedonia, Peru, Serbia, and Zambia). Capital mobilized emanated from four of the most operationally advanced activities: Ethiopia MS4G (\$4,260,000), CATALYZE Peru (\$2,754,454) Edufinance (\$625,000), and Western Balkans EoG (\$3,152,189).

**Figure 3: Private capital mobilized by financing type, sector and firm size (FY 2021)**



<sup>1</sup> Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development. (Source: Convergence)

### Private Capital Mobilized by Sector (FY2021)



The \$10.79 million in private capital mobilized this past fiscal year is a mix of debt (57 percent) and non-debt (43%) (e.g., equity and grants) from domestic and international sources of capital, and was principally invested in manufacturing, agriculture, education, construction, commerce, and other sectors per Figure 3.

To ensure that capital mobilization can be directly attributed to CATALYZE activities, the figures reported only capture financing that was approved or disbursed using CATALYZE's rigorous definitions. However, a much larger sum of private capital (\$379,384,264) is poised for closure given that it is structured into 96 approved, results-based agreements and contracts across business advisory service providers (BASPs), financial intermediaries, and private companies, the conclusion of which was the principal the focus of the eight activity teams over the last year. The "ramp-up" period is ending, and CATALYZE activities have begun to reap the capital mobilization benefits of its careful structuring and planning from operational years 1 and 2.

**Table 1: Pay-for-results sub-awards contracted, award ceilings and financing commitments**

Activity	Subawardees/Partners	Aggregate Ceiling (USD)	Financing Commitments
1. Edufinance	(1) FI grantee	\$5,800,000	\$1,500,000
	(7) BASPs subcontracted	\$20,608,018.14	\$61,980,749
2. EoG	(42) BASPs subcontracted	\$294,000	\$3,010,980
3. Ethiopia MS4G	(1) BASP subcontracted	\$723,233	\$50,000,000
4. Peru	(4) FI grantees	\$366,275.61	\$5,956,135
	(14) BASPs subcontracted	\$1,680,000	\$37,414,454
	Strategic Partnership MOUs		\$176,000,000
5. Sahel	(5) FI grantees	\$311,428.10	\$4,235,589.33
	(6) BASPs subcontracted	\$356,567.37	\$7,086,355.84
6. WEE	(2) FI grantees	\$5,500,000	\$32,200,000
<b>TOTAL</b>		<b>\$35,639,542</b>	<b>\$379,384,264</b>

Over the past year, in addition to mobilizing capital, CATALYZE activities were also able to provide \$430,000 in COVID-19 relief to nine small and medium enterprises (SMEs) in Sri Lanka and place 2,424 individuals (of which 58 percent are female, and 57 percent are youth) into gainful employment in Ethiopia.

CATALYZE has also been highly effective this past year in bringing new implementing partners into the USAID space, principally those from the private sector, and will continue to grow this base in future years. To date, CATALYZE is working with over 170 implementing partners across eight major activities.

## LOOKING FORWARD

Over the past year, the impacts of the COVID-19 pandemic deepened existing inequalities facing underserved businesses and communities in CATALYZE target countries. The pandemic pushed back economic gains painstakingly made over the past few decades and brought to light the continued need to protect against future shocks. Over the next year, CATALYZE will double down on its efforts to complete the design and implementation of blended finance solutions to support further resilience and inclusive economic growth.

CATALYZE activities will support small businesses (especially those owned and managed by women) and contribute to food security, market systems transformation, social protection for women, and educational outcomes for children. With shifts in funding sources for the Ethiopia - Market Systems for Growth (MS4G) activity anticipated over the next fiscal year, CATALYZE will also begin new work towards mobilizing financing for improved water, sanitation, and health solutions—a new front within an already ambitious scope of work.

CATALYZE will work on completing the last few foundational planning documents (e.g., Performance Work Statements, Activity Monitoring, Evaluation and Learning Plans, work plans) over the next year. The CATALYZE team looks forward to closing the book on design and shifting its focus towards deeper implementation and learning in the third year. With 100 percent of activities nearly fully operational, the

CATALYZE team will dive into data collection and analysis to understand how the different blended finance approaches are faring in generating capital mobilization and development impact. Another key learning over the next year will be focused on which of the pay-for-results (P4R) mechanisms are most effective in generating results most quickly and sustainably, in which markets, and under what conditions.

It will also be important to keep adapting and adjusting the P4R incentives over time to determine when the market is ready to step in to provide financing to SMEs, women-owned businesses, schools, and other underserved populations so that CATALYZE can phase out its powerful incentives. In Year 3, adaptive management will become the norm as the CATALYZE team continues finalizing and implementing the collaborating, learning, and adapting (CLA) strategies for each activity, with a focus on effective pay-for-results (P4R)<sup>2</sup> mechanisms that generate results most quickly and sustainably for specific geographical and market conditions.

2 “Pay for results” (or performance/success/outcomes) is an umbrella term for initiatives that pay upon accomplishment of results rather than efforts to accomplish those results.

## SECTION 2

# CATALYZE

## Activity Updates \_\_\_\_\_

# EDUFINANCE



Improve and sustain learning outcomes for disadvantaged children and youth.



Projected LOP budget of **\$50.5M**, of which **\$43.75M** is obligated.

Capital mobilization target **\$90.7M**



October 2019  
– September 2024



Democratic Republic of Congo, Rwanda, South Africa, Tanzania, Zambia, Latin America and the Caribbean



Partners:  
Kaizenvest, UBS  
Optimus Foundation,  
PEAS, EPG, Opportunity International

## OBJECTIVES

- **Mobilize private finance in a financially sustainable manner** for non-state education sector including low-fee private schools, skills development centers, and other education enterprises.
- **Measurable increase in equitable access and improvement in learning outcomes**, especially for the disadvantaged, and basic skills development for youth.
- **Improve enabling environment** for non-state education sector to strengthen the entrepreneurial ecosystem for education and improve sustainability.
- **Build a Community of Practice (CoP)** to lead collaborative engagement among diverse stakeholders (e.g., governments, education practitioners, investors, and civil society), strengthen and communicate broadly the evidence base around a common learning agenda for greater private sector engagement in education, and enable all stakeholders to make data-driven decisions.
- **Identify and support innovative transactions** in the education sector in Sub-Saharan Africa and build a pipeline of transactions to facilitate longer term flow of capital.

## EDUFINANCE BY THE NUMBERS

**\$625,000**

of private capital mobilized in Zambia

**3** BASPs and **22** financial institutions

**providing training** in the Democratic Republic of Congo, Dominican Republic, Guatemala, Haiti, Rwanda, Tanzania, South Africa, and Zambia.

## YEAR 2 UPDATE

CATALYZE EduFinance seeks to improve and sustain learning outcomes for vulnerable and marginalized children and youth in Africa, the Caribbean, and Latin America. The activity strategically uses US government resources to crowd in private capital for non-state schools (low-cost private, community or faith-based schools, pre-primary care centers, and tertiary institutions) and addresses the educational funding gaps in target partner countries. EduFinance increases access to low-cost, quality education by partnering with the private sector to facilitate innovations in financing and service delivery.

In each country and through partner business advisory service providers (BASPs), EduFinance works with financial institutions to address the financing needs of schools and provide school fee loans for low-income students. EduFinance BASPs provide training to local financial institutions to design financial products, such as school improvement and school fee loans, to grow a sustainable education finance portfolio. EduFinance also provides technical assistance to low-fee private schools to improve school management and classroom teaching practices. BASPs are incentivized using a pay-for-results (P4R) methodology where they are paid for meeting targets of financial institution loan disbursements to low-cost non-state schools in priority sectors. Financial institutions, meanwhile, gain technical assistance and increase their number of clients in a sector they have not previously engaged. Schools gain access to financing and quality improvements that improve student learning outcomes and make the schools more attractive to parents of prospective students. In South Africa and Rwanda, Edufinance also uses an outcomes-oriented approach based on “rewards and recognition,” where an education provider that borrows from a CATALYZE EduFinance partner and meets agreed-upon learning outcome targets are “rewarded” with financial incentives, usually in the form of interest and/or principal rebates on the loans.

The Edufinance team achieved the following progress in CATALYZE's Year 2:

### **Mobilizing private finance for non-state education**

At the end of Year 2, CATALYZE EduFinance successfully mobilized \$625,000\* in private capital to non-state education providers in Zambia.

In addition, EduFinance has an additional \$3.7 million in the pipeline of private capital mobilized for educational purposes, pending verification and paperwork, and encompassing the following:

- Disbursement of \$2 million in South Africa, which was delayed due to COVID-19-related investor concerns
- \$1,146,957 disbursed by private sector financial institutions in Zambia and the Democratic Republic of Congo (DRC), pending verification of borrowers prior to adding to the official report. These financial institutions reported lending to 203 low-cost private schools in Zambia and DRC (64.6% of yearly target, with data pending verification).

\*An additional \$625,000 for non-state education providers in Zambia

## Measurably increasing equitable access and improving learning outcomes

Through its partners, CATALYZE EduFinance provides tailored professional development training to school administrators and teachers to strengthen the human capital of the non-state education sector in the Democratic Republic of Congo, Tanzania, and Zambia. Specifically in South Africa, CATALYZE EduFinance is partnering with local lenders and education service providers to increase access and quality of early childhood development (ECD) centers serving low- and lower-middle income families. South Africa and Rwanda are using the “rewards and recognition” approach, described above. These institutions are also recognized through promotional materials that encourage uptake of improved ECD teaching techniques at other nearby centers.

In July 2021, CATALYZE EduFinance kicked off activities in Rwanda and Tanzania, where youth-focused technical and vocational education and training (TVET) centers aiming to improve skills development are the priority sector for channeling private financing.

The Edufinance team did not set quantitative access and learning outcome targets for this first year of programming. CATALYZE will begin reporting against annual targets in the upcoming year.

Teachers and administrators participating in Zambia’s EduQuality introductory workshops and cluster meetings on education quality held this quarter. Credit: Opportunity International





### **Improving the enabling environment for the non-state education sector**

In Zambia, CATALYZE EduFinance is working closely with the Ministry of General Education (MoGE) to review, prioritize, and develop education policy in three core areas: regulation, accountability, and public/private partnerships. Specifically CATALYZE EduFinance will: 1) Support MoGE in reviewing, prioritizing, and developing relevant education policies, policy guidelines, legal and regulatory frameworks to strengthen accountability in education service delivery for both state and non-state schools; 2) Support the MoGE in reviewing and strengthening quality assurance and instructional oversight of both state and non-state schools through reviewing and advising on strengthening national inspections and school monitoring processes, policies, guidance, standards, frameworks, and tools; and 3) Support MoGE to expand access for primary school-aged children in Zambia through mapping, researching and analyzing both existing state and non-state provision, and public-private partnerships (PPPs), in order to provide contextually appropriate policy recommendations and implementation advice to the MoGE.

The Edufinance team did not set quantitative targets for this objective's first year of programming. Due to the impacts of COVID-19 and post-election changes at the MoGE, engagement with government stakeholders to discuss EduFinance's role in strengthening policies on non-state education began at the end of this reporting period.

### **Building a non-state education community of practice**

The goals of the non-state education community of practice (CoP) are: 1) To build a coalition to lead sustained, collaborative engagement among diverse stakeholders (e.g., governments, education practitioners, investors and civil society); 2) Strengthen and communicate the evidence base around a common learning agenda for greater private sector engagement in education; and 3) Enable all stakeholders to make data-driven decisions.

CATALYZE EduFinance kicked off the community of practice in July 2021 and held its first consultative design workshop in September 2021. Representatives from 17 external organizations attended the workshop to discuss membership, service offerings, leadership, and sustainability. The next step is to recruit members and set up a governing body. CATALYZE expects to start CoP activities, including discussions and events in early 2022.

### **Identifying and supporting innovative transactions in the education sector**

CATALYZE EduFinance issued a Funding Opportunity Notice (FON) in April 2021, seeking innovative ideas to leverage USAID funding to scale quality basic education in Sub-Saharan Africa. The awardees will be announced in November 2021. EduFinance will finalize and kick off winning investment activities in Year 3.

## PLANNED ACTIVITIES

- **Africa:** CATALYZE EduFinance will work with its partners in the Democratic Republic of Congo, Tanzania, and Zambia to verify private capital mobilization from private-sector financial institutions. EduFinance will continue to support its partners in Rwanda and South Africa to reach closing on funds from private investors and begin disbursement to non-state education providers.

CATALYZE EduFinance will conclude and present the findings of a market assessment to support the design of an EduFinance activity in Kenya in November 2021. EduFinance is also preparing a market assessment to inform the planning of a potential EduFinance activity in Somalia.

- **Latin America and the Caribbean:** CATALYZE EduFinance will support education finance activities in the Dominican Republic, El Salvador, Guatemala, Haiti, and Paraguay and begin implementing activities in the next reporting year. Specifically in the Dominican Republic, Guatemala, and Haiti, EduFinance will provide technical assistance to financial institutions to mobilize financing for school improvement loans for low-fee, non-state schools and school fee loans for parents of students attending low-fee non-state schools. Edufinance supports technical assistance activities, including market research on financing needs of non-state schools and product development for tailored financial services to schools, including support for COVID-19 resilience. EduFinance will also provide technical assistance to low-fee, non-state schools to improve school leadership and administration capacity, classroom teaching practices, and, as a practical and actionable strategy, to reopen schools and help them remain open.

In El Salvador and Paraguay, EduFinance will support secondary and vocational education in rural schools and build each into a financially self-sustaining organization. Support will include technical assistance to schools to conduct market analysis to identify potential economic opportunities, training of teachers, investments to establish productive economic activities (e.g., agriculture, cheese production, tourism), and creating commercial channels to sell school products. Graduates will receive vocational training to become rural entrepreneurs or obtain other vocational jobs in rural areas.

- **Learning outcome:** CATALYZE EduFinance, through an independent external evaluator, will collect baseline data on learning outcomes in all sub-Saharan African EduFinance partner countries, enabling learning and accountability to shape activities. EduFinance is also in discussions with USAID to create an additional early childhood development activity. Both activities will be crucial in increasing equitable access to education and improving learning outcomes.
- **Education policy:** COVID-19 and government elections have delayed CATALYZE EduFinance engagement with the Ministry of General Education (MoGE) in Zambia. In Year 3, EduFinance will continue to support MoGE in reviewing, prioritizing, and developing relevant education policies, policy guidelines, legal and regulatory frameworks to strengthen accountability and transparency in education service delivery for both state and non-state schools. EduFinance will accomplish this by developing trusted relationships with senior government officials in the MoGE, crafting a policy taxonomy, and conducting analyses to identify key areas for prioritization and further development, and finally, to identify obstacles to further development and divergence between policy and practice. EduFinance will facilitate a participatory policy review and analysis process informed by consultations with MoGE and other key stakeholders to ensure strategic alignment each step of the way.

## Keeping school on track in Zambia during the COVID-19 pandemic:

### *Overcoming challenges in the transition to remote learning*

COVID-19 forced many schools in Zambia to close for extended periods, hitting students at low-cost private schools especially hard. These schools serve many learners from poor and vulnerable households in urban areas but are excluded from government crisis response plans. In some cases, regulations limit their access to external financing. Therefore, the transition to remote learning during the pandemic was exceedingly challenging for these schools, complicated by the prohibitive cost of information technology for families, limited access to reliable electricity, mobile networks, and the internet, and educators having to design effective remote learning programs.

#### **CATALYZE's EduFinance crisis response toolkit**

CATALYZE's EduFinance supported the use of a crisis response toolkit provided to affected schools in Zambia with several innovative methods to mitigate challenges and enabling students to keep learning while allowing schools to stay open, even when in-person learning was impossible.

#### **Radio lessons**

Radio lessons were one of EduFinance's most successful remote education methods, allowing teachers to quickly adapt lessons to be delivered by radio.

*"CATALYZE Edufinance partner Promoting Equality in African Schools (PEAS) gave teachers an opportunity to develop and present lesson scripts, which was an extremely exciting, whole new experience of lesson planning," said Ms. Namwinda, a teacher at PEAS Kampinda Secondary School. "It was overwhelming to see how students were following, asking and responding to questions at the end of the show. We received calls from students around the province and were inspired to do even better when we learned that parents were also listening and encouraging their children to phone in."*



Students also reported being engaged by radio lessons.

*"I could not wait to hear my teachers on the radio, and I remember I did not want to leave the house when I knew a lesson was being broadcast," said Thandi, a student at PEAS Kabuta Secondary School. "I found the lessons to be extremely helpful because they helped me to focus on my schoolwork and learn something new in every subject—even when the schools were closed for six months. When school was closed, I went to stay with my grandparents in a village with no power or TV, but we had a radio, so I was able to keep studying. I would like it if the radio programs could continue every holiday."*



*Above: Teacher Ms Namiwinda in the radio booth delivering a lesson, Credit: PEAS Zambia.*

*At left: PEAS school student, Credit: PEAS Zambia*

*Teacher Mbewe delivering a radio lesson, Credit: PEAS Zambia*



Remedial work and study kits were provided to help students catch up, especially for exam preparation classes. Students also formed learning clusters to help one another with remote learning over the weekend and holidays, with a teacher assigned to support each cluster.

**98 percent of students had participated in at least one form of remote learning**

CATALYZE EduFinance surveys conducted in August 2021 after schools had been closed since June showed that 98 percent of students had participated in at least one form of remote learning. Seventy-five percent had used specially prepared learning packs and 65 percent had done so using the telephone.

In the first week of reopening, with CATALYZE Edufinance resources, PEAS schools continued remote learning and emphasized the importance of returning to school with radio announcements, school leader visits to local churches, and phone calls from teachers, school leaders, parents, and guardians.

To mitigate barriers faced by the poorest families, PEAS schools in Zambia used CATALYZE Edufinance resources to create payment plans to help caregivers struggling to pay for their daughters' boarding fees.



CATALYZE EduFinance also converted its school leadership professional development courses into an online self-study course. Additional content was developed to increase parental involvement in learning, as well as for partnerships with local content providers. School leaders were supplied with tablets and data plans in case of further school closures.

EduFinance also developed training to support staff in understanding the psychological impact of COVID-19 and to equip students with techniques to cope with the crisis. Topics ranged from mindfulness to how to support friends and family and looking after one's own mental health.

# ETHIOPIA – Market Systems for Growth

Fostering private enterprise growth, primarily in agricultural markets, to create jobs and increase incomes



Projected LOP budget of **\$34M**, of which **\$15.8M** is obligated.

Capital mobilization target **\$325M**



May 2020 – Sep 2024



Ethiopia



Partners – Small and Medium Enterprises (SMEs), Business Advisory Service Providers (BASPs), Government of Ethiopia (GoE), Consultants, Associations

## OBJECTIVES

- Ethiopian enterprises expanded (increased sales and revenues), resulting in increased private wage employment in urban and peri-urban areas.
- Workforce skills better aligned with, and matched to, the specific needs of private enterprises.
- Improved business enabling environment for private enterprises.
- Increased USG capabilities to engage with and facilitate catalytic opportunities resulting in significant increases in two-way trade between the US and Ethiopia.
- Private sector-led digital economy advanced that is open, inclusive, and secure.
- Exports promoted (an initiative funded by the Millennium Challenge Corporation).
- Capital Mobilized to unlock the potential of private capital to drive inclusive growth and accomplishing all other objectives

## ETHIOPIA BY THE NUMBERS

**92 enterprises**

received technical assistance (business advisory services, digitization, and workforce development)

**\$4.26 million**

of private capital mobilized for 2 companies

**11 BASPs** supporting **105** growth-oriented enterprises

**4,242 people**

received job training

## YEAR 2 UPDATE

Ethiopia has experienced strong economic growth over the past decade and the country has made promising progress in the agriculture, industry, and services sectors. However, the lack of access to finance and a shortage of skilled labor pose significant challenges. CATALYZE Ethiopia Market Systems for Growth (MS4G) fosters inclusive economic growth using a market systems development approach to accelerate financing for small and medium enterprises (SMEs), advance the digital economy, train the Ethiopian workforce, and create job opportunities. Like other CATALYZE activities, MS4G leverages USAID funding to mobilize private capital for enterprise growth.

The CATALYZE MS4G team achieved the following progress in CATALYZE's Year 2:

### **Mobilizing capital and financing**

CATALYZE MS4G is mobilizing domestic capital and foreign investment for larger enterprises and improving financial access for high-potential SMEs. In Year 2, MS4G provided transaction advisory support to 32 enterprises in manufacturing, healthcare, energy, and agriculture to assist these mobilize \$192 million in potential investments. At the end of Year 2, MS4G closed two deals valued at \$4.26 million. This included \$4 million from Bayer earmarked for Bayer Life Science Ethiopia to establish a large-scale improved maize seed multiplication business for local and export markets, as well as \$260,000 in working capital from Awash Bank for Ethiopica Coffee, a green coffee bean exporter.

This year, MS4G trained a set of BASPs to support large and complex foreign direct investment transactions. Two trainings for 130 finance and investment professionals (57 women) were completed.

To support the mobilization of \$325 million in new investments in Ethiopia, CATALYZE MS4G signed a pay-for-results subcontract with Lucy Investment Partners in partnership with Ernst and Young LLP. Lucy has developed an investment pipeline valued at more than \$50 million, signing advisory engagement letters with different clients.

MS4G organized a half-day workshop around capital market development in coordination with the National Bank of Ethiopia (NBE), the Nairobi Securities Exchange (NSE), the Ethiopia Bankers Association, the Ethiopian Auditors Association, and the Ethiopian Insurers Association. The NSE shared its experience on how capital markets helped expand access to capital for Kenyan firms and increased the growth of listed enterprises in Kenya.

MS4G developed a concept note on using blended finance to expand financing for SMEs, using pay-for-results sub-awards to financial institutions (FIs). Consecutive meetings with more than 10 FIs demonstrate that they are interested in using CATALYZE resources to develop new SME products and build their staff's technical capacity. To this end, the first FI, Awash Bank, has committed its strategic management department to work with the initiative.

### **Supporting enterprise growth**

MS4G supports enterprise development by accelerating access to finance for business growth and providing technical assistance to improve business performance. Over the past year, MS4G provided technical assistance to 92 enterprises (coming close to the Year 2 target of 100 enterprises) of which 18 were assisted through business advisory services, 32 with digitization efforts and 42 with workforce development services. MS4G also hired 11 business advisory service providers this year to support 105 SMEs (69 percent of which are women-owned) to increase their sales and revenue by at least 10 percent over one year.

## **Supporting workforce development**

CATALYZE MS4G partners with local organizations to build a workforce with the skills that businesses are seeking to grow and help Ethiopian youth connect to jobs. MS4G is working with three implementing partners on subcontracts structured in a pay-for-results fashion to place at least 6,000 youth in decent jobs in formal sectors in Addis Ababa and smaller cities. In Year 2, MS4G provided skills training to 4,242 individuals (2,071 female and 3,186 youth) and placed 2,428 (1,396 women, 1,417 youth) in jobs, exceeding targets of 3,000 trained and 1,500 placed. Of this total, 2,018 were supported to start their own businesses. To ensure youth priorities and insights are reflected in program design, MS4G also established a four-member Youth Advisory Board (YAB) that meets regularly.

To improve job matching services, MS4G conducted a workforce development partners workshop in September 2021 and commissioned an assessment to identify the strengths and gaps of job placement platforms (aka electronic job boards). Forty stakeholders representing the private sector and institutions working on job training skills (especially for women and youth) attended the workshop. The findings of the assessment will be used to identify potential interventions to improve job matching services and platforms.

## **Improving business enabling environment**

CATALYZE MS4G improves the Ethiopian business enabling environment through technical assistance, institutional development, capacity building, and support for commercial, legal, and regulatory reform.

MS4G engages business associations, chambers, and the Ethiopian government to address specific policy challenges impacting SME growth and system change within the business ecosystem. One priority identified this year has been Ethiopia's commercial code. The Ethiopian government recently approved a new commercial code replacing one that has been in place for 62 years. The new commercial code is expected to introduce changes to ways companies can be restructured, ownership options, bankruptcy management, board-executive management relationships, and make doing business easier. CATALYZE MS4G is collaborating with the Ethiopia Investment Commission (EIC) to brief the private sector on the effects of the new commercial code on private businesses.

MS4G also worked with the Buyers' Forum on matters that directly affect the business and operations of their vendors, including policies and laws. Specifically, the MS4G team collaborated with the Ethiopian Architects Association to improve the construction permit issuing processes in Addis Ababa and other parts of the country. MS4G also signed a memorandum of understanding (MOU) with the Center for International Private Enterprises (CIPE) to advocate for a stronger business enabling environment.

## **Increasing US government capabilities to engage with and facilitate catalytic opportunities**

MS4G provides technical assistance to the Addis Ababa-based Prosper Africa Deal Team (PADT), which includes 17 participating US government agencies that support conclusion of trade and investment deals. To support PADT investment pipelines, MS4G linked the PADT team with Lucy Partners Investment, a BASP hired by MS4G on a pay-for-results subcontract.

In Year 2, MS4G updated the US Trade Representative's office on a potential investment proposal, discussed opportunities and provided valuable feedback and guidance on investments in the country. In addition, MS4G invited special speakers from Harvard University's Growth Lab to provide insight on the impact of African Growth and Opportunity Act (AGOA) and facilitated a briefing by Senator Jim Risch's Africa policy lead John Tomaszewski on the structure of the PADT and its work with MS4G.

The work and support that MS4G provides for PADT members was recognized as unique and will likely serve as a model for other PADT teams in other parts of Africa. MS4G also invited speaker Myriam Said, who represents Ethiopia's Prime Minister's Office and is the country's digital transformation advisor, to discuss Ethiopia's Digital Strategy.

### **Advancing the private sector-led digital economy**

MS4G seeks to facilitate the development of a private sector-led digital economy that is open, inclusive, and secure through technical assistance and training. Within this strategy, MS4G will support building the digital rails (e.g., sound policy and viable digital service providers) required to attract investment into the digital economy and support the digitization of SMEs.

In June 2021, MS4G subcontractor Cepheus Capital completed a digital landscape assessment to uncover how MS4G can support the advancement of Ethiopia's digital economy, business expansion and job growth in this sector. The assessment provided an overview of market conditions and identified over 570 companies offering digital finance, e-commerce, transport, sector-tech, and ecosystem services. The findings of the assessment will lay the foundation for results-based contracts for investment and business growth in this sector.

### **Increasing exports**

In Year 2, CATALYZE MS4G supported four SMEs engaged in export through its business advisory service providers. In addition, through its job training and placement partners, MS4G supported a garment exporter in Addis Ababa's Bole Lemi Industrial Park to meet its employment needs. The two investment deals MS4G closed in Year 2 are both with exporting companies, Bayer Life Sciences Ethiopia and Ethiopica Coffee.

## **PLANNED ACTIVITIES**

In FY2022, CATALYZE MS4G will continue to broaden its outreach and impact with direct intervention and a systemic approach. Direct intervention activities will allow MS4G to work closely with business advisors, service providers, small and large enterprises, and financial institutions to scale innovative solutions for the private sector. MS4G's systemic approach will continue to identify and formalize partnerships to leverage resources to achieve goals. In FY2021, CATALYZE MS4G interventions will focus on agriculture, water, sanitation and hygiene (WASH), health, and the digital economy.

- **Enterprise development:** CATALYZE MS4G will focus more on engaging enterprises in WASH and food sectors. In the WASH sector, the project will work with industries, producers, distributors, and retailers on opportunities where the fast-moving consumer goods (FMCG) sector meets WASH (hygiene and sanitation products and services and personal care products).
- **Job training and placement:** MS4G will facilitate youth and women's job creation and retention working with partners engaged in skill training, internship, placement, and apprenticeship initiatives. The project will support growth-oriented companies through an accelerator program and work closely with Ethiopia's Industrial Parks Investors Association. Its new approach will explore partnership opportunities with Ethiopia's Employers Federation and human resource associations at the national level to bring long-lasting systemic change. The project will support service providers to set up an information sharing platform, and with its Youth Advisory Board, strengthen implementation of efficient and innovative skill training and placement solutions that better understand youth aspirations.





*CATALYZE subcontractor Center for African Leadership Studies (CALs) providing vocational training to garments workers*

- **Enabling environment:** CATALYZE MS4G will continue to focus on conducting private-sector policy and regulatory impact assessments. Assessment findings will be used to identify regulatory frameworks to bring about changes with far-reaching spillover impacts on the business environment.
- **Capital mobilization:** CATALYZE MS4G will focus on launching and implementing the blended finance program to incentivize FIs to provide credit to SMEs. SMEs will be linked to banks, business advisors, and other development programs which seek to expand SMEs' access to finance. The project will also provide technical assistance to increase the capacity of bank credit analysts to understand sectors that MS4G targets. Using training funds from FIs, the project will tap into experts in these industries to mobilize \$40 million from banks using the blended finance model. In addition, the project will leverage partnerships to support investments requiring financing at various levels. Engaging BASPs to enable access to equity financing of less than \$2 million for SMEs will be critical.
- **Digital economy:** CATALYZE MS4G will continue supporting the digitization of businesses facilitated by CATALYZE MS4G BASPs, as well as an additional 350 firms, while focusing on industries such as leather, apparel, and jewelry for the export market. Next year the work plan will focus on getting these businesses online and ensuring sales of their products on a third-party e-commerce platform. The project will also increase loan mobilization by helping FIs adopt technology, improve loan analysis and management, and collect know-your-customer (KYC) documentation.

## Supporting women-led businesses in Ethiopia with CATALYZE’s pay-for-results model

Working with CATALYZE MS4G’s Enterprise Development Pilot, women-owned Audacia Consulting is helping other Ethiopian businesses owned by women to flourish by providing them with advice on how to boost sales and increase revenue.

Living up to its audacious namesake, in March 2021, Audacia was contracted by CATALYZE MS4G to provide business advisory services to three emerging agro-processing businesses also owned by women.

CATALYZE MS4G supports growth-oriented small and medium-sized enterprises, aiming to increase their sales and revenue by at least 10 percent within 12 months of receiving assistance. As a pay-for-result contractor, payment to Audacia is tied to its clients’ success in achieving these results. Audacia’s added value to enterprises is in the form of strategic guidance, streamlining business processes, and advising companies on the structure to enhance performance.

“Business owners struggle with time constraints, looking to advisors to help them resolve issues more quickly. Audacia creates partnerships to be able to address client companies’ problems,” said Etagegne Derbie, Audacia’s Managing Director. “Due to COVID’s effects on demand and cash flow, companies are looking for new markets after being forced to cut costs, reduce obligations such as rent which are often time-fixed, restructure loans, adjust product and service lines.” Partnering with CATALYZE MS4G has “created an opportunity for Audacia to extend its services to high-potential local small and medium enterprises,” Derbie said.



*Pictured above: Etagegne Derbie, Managing Director at Audacia Consulting*

## Youth skill building and job placement in Ethiopia

As demand for skilled labor grows in Ethiopia, many of the country’s youth are getting left behind because they lack the skills they need to find good, stable jobs. Young women like Genet Tadesse and Konjit Balcha are particularly affected.

### The start of good changes

“Even with a college diploma in accounting and one year of work experience, I wasn’t able to find a job for months,” said 25-year-old Genet. “I had to leave my previous one because of family reasons, but with limited opportunities and stiff competition, finding another was very difficult.”

Genet’s luck started to change in May 2021 when she joined a USAID CATALYZE Ethiopia Market Systems for Growth-contracted digital sales training and job placement program run by Be Singularity, a local company focused on business growth and youth employment.

After the training, Be Singularity facilitated two interviews leading to Genet’s current job at a milk processing company.

“The five-day sales training was powerful and effective,” Genet said. “The best thing I learned was how to develop self-confidence. Joining this program was the start of good changes in my life. I learned fundamental skills relevant to many companies and businesses. I know I will be successful and contribute to the growth of my family, the company, and society.”

### Growing a legitimate landscaping business

Konjit Balcha is learning to landscape city parks and other public spaces. Standing on a strip of grass in the median of one of Addis Ababa’s busiest roads, the 22-year-old woman along with other young people learn the practicalities of urban landscaping and skills to grow their own businesses.

“About four months ago, I joined a youth group in my neighborhood doing gardening and landscaping work. I was desperate to find a job. I have a daughter who is only one and a half, and I needed to provide for her,” said Konjit.

The group—three women and seven men—was formed in response to government efforts to reduce youth unemployment by encouraging the creation of micro and small enterprises. A while later, Konjit and the others began their formal landscaping training with Soil & More, a local company supported by USAID CATALYZE Ethiopia’s Market Systems for Growth.

*“Landscaping is more than just taking care of plants, cleaning, and trimming overgrown hedges. We learned about sight design, soil preparation, how to use compost to improve soil, and how to build a successful business,” said Konjit.*



*Genet Tadesse is a 25-year-old youth who benefited from CATALYZE MS4G’s workforce development initiative, which provides skills training and job placements to Ethiopian youth in April 2021.*



For now, Konjit and the others receive a stipend from the Addis Ababa Riverside Green Development Agency but are eager to use their new skills in a recently established landscaping business. Soil & More facilitated the formal registration and licensing of the youth groups into SMEs.



*Soil and More training youth on urban landscaping*

### **Youth advisory board shapes MS4G-supported job training and placement**

USAID CATALYZE Ethiopia: Market Systems for Growth established a four-member Youth Advisory Board to help maximize MS4G's impact on youth engagement, empowerment, and economic opportunities for young people. Board members visited MS4G partners' training and placement centers to advise on how to improve processes, increase visibility, promote services, better exploit existing markets, diversify training to meet youth needs, as well as mentor and coach young people.

*CATALYZE subcontractor Center for African Leadership Studies (CALs) providing vocational training to garments workers*



## **Mobilizing capital to attract investors for growth and job creation:**

### *The case of Bayer Life Science Ethiopia*

To support larger enterprises, and small and medium ones with high potential, USAID CATALYZE Market Systems for Growth is facilitating capital mobilization inside and outside Ethiopia and advocating on behalf of companies to maximize growth, job creation and development.

Bayer Life Science Ethiopia, East Africa Ltd., a subsidiary of pharmaceutical and life science multinational Bayer AG, approached MS4G in February 2021 seeking support for an improved large-scale maize seed multiplication business for local and export markets, a \$10 million project over four to five years. Bayer committed \$4 million in initial investment capital with an additional \$6 million within three years of the project start.

Led by an investment advisor, CATALYZE MS4G's advocacy and facilitation resulted in Bayer receiving the requisite investment, as well as provisional operational licenses from the Ethiopian Investment Commission. It also helped Bayer to lease 40 hectares of land in Ethiopia's Southern Nations, Nationalities, and Peoples' Region.

MS4G's support enabled Bayer to receive a certificate of competency from the country's Ministry of Agriculture, allowing it to import parent stock for the improved maize seed. Bayer could then ship the first batch of seeds to plant, and kickstart its work with local farmers.

While \$2 million have already been invested in Ethiopia, the remaining \$2 million are conditional on receiving the final operating license from the Ethiopian Investment Commission.

*“Without the intervention of USAID CATALYZE MS4G, Bayer Ethiopia would not have successfully invested in the production and processing of improved maize seed. MS4G's relationships and network to facilitate the investment are the primary reason our investment has succeeded,” said Avinor Alemu, General Manager of Bayer Life Science Ethiopia.*

# Women's Economic Empowerment (WEE)



Mobilizing capital to create economic opportunities for women



Projected LOP budget of **\$10M**, all of which is obligated.

Capital mobilization target: **\$30M**.



Oct 2019 – Sep 2024



Global



Partners – DFC, BAC EI Salvador, Banco LAFISE Dominican Republic

## OBJECTIVES

- To empower women to succeed as entrepreneurs by mobilizing capital for women-led enterprises
- To enable women to thrive as capital allocators
- To center women's economic empowerment at the core of all CATALYZE activities to ensure that women equitably benefit from CATALYZE activities and are well-positioned to drive economic growth in their communities.

## WOMEN'S ECONOMIC EMPOWERMENT BY THE NUMBERS

**\$5.5 million in grants**

awarded to Sarona and Lendahand to mobilize

**\$32 million in private capital** for W-SMEs

Technical assistance to

**2 financial institutions**

in Latin America

## YEAR 2 UPDATE

Globally, women-owned small and medium enterprises (W-SMEs) face a \$695 million financing gap. Without adequate access to financing, W-SMEs often struggle to grow their businesses. Financial intermediaries, meanwhile, are overlooking a significant and profitable market opportunity. Data demonstrates that those financial intermediaries that successfully lend to women significantly expand their client base and revenue, while also reducing portfolio risks as default rates are lower among women. Likewise, private equity and venture capital funds investing in gender-diverse teams have, on average, 20 percent higher returns. The case is clear: financing W-SMEs is good business. The gender financing gap may be exacerbated by the lack of women in leadership and decision making positions in financial intermediaries, particularly in private equity. Few female capital allocators may also reduce the funding reaching W-SMEs—evidence suggests that female partners in private equity firms invest two times as many resources in women-led MSMEs.

The Women's Economic Empowerment (WEE) activity aims to spur investment in W-SMEs at scale. Recognizing that W-SMEs have diverse financing needs, WEE engages a variety of financiers, including private equity funds, fintechs and banks to design and roll out new approaches for catalyzing investment in W-SMEs at far greater scale.

During Year 2, CATALYZE WEE launched a competition to identify innovative concepts to mobilize financing for W-SMEs, receiving more than 90 applications from across the globe. Two applicants—Sarona Asset Management and Lendahand—received capital grants to implement their proposals.

Also, this year, the CATALYZE WEE team undertook gender banking diagnostics with two Latin American banks and began structuring technical assistance programs to enable them to operationalize new products and processes to attract new W-SME clients and address the gender financing gap. In addition to implementing activities focused on financing W-SMEs, the WEE activity also supports other CATALYZE activities across the program to define and apply strategies to integrate and mainstream gender so women benefit equitably from the CATALYZE platform.

WEE activity progress this year includes:

### **Empowering women to succeed as entrepreneurs by mobilizing capital**

In Year 2, WEE laid the foundation to mobilize equity and debt at scale for W-SMEs with awards of \$4.3 million to Sarona Asset Management that will act as first-risk capital mobilizing of at least \$25 million for investments in W-SMEs and women-led funds, and a \$1.2 million grant to the crowdfunding platform Lendahand to upgrade its technology to better attract and disburse at least \$7.2 million in financing for W-SMEs before the end of the project.

In parallel, the WEE activity also conducted gender diagnostics with BAC PROPEMI in El Salvador and Banco LAFISE in the Dominican Republic to inform the design of new, women-centric financing products, including point-of-sale-based and variable payment obligation (VPO) loans. VPO loans allow entrepreneurs (especially those without sufficient collateral) to make payments according to their businesses' cash flow. If cash flow increases, the entrepreneur pays more. If revenue decreases, they pay less.



BAC PROPEMI, El Salvador

### **Enabling women to thrive as capital allocators**

Recognizing that women are also underrepresented as capital allocators, the WEE activity launched two parallel initiatives to support female investments. Sarona Asset Management will use capital grant resources to invest in other women-led funds so they can continue growing women-centric investment portfolios. Likewise, the \$1.2 grant to Lendahand will enable the company to strengthen its offering to female retail investors looking to support W-SMEs in emerging economies.

### **Centering women’s economic empowerment at the core of all CATALYZE activities**

During Year 2, the WEE team continued guiding other CATALYZE activities as they mainstreamed gender into their activity design, providing technical assistance for performance work statements and work plans in EduFinance, Ethiopia, the Sahel, and Sri Lanka. In years 3 and 4, WEE will provide support to these activities, and others in the CATALYZE portfolio to ensure women benefit equitably from CATALYZE impacts.

## **PLANNED ACTIVITIES**

CATALYZE will onboard a new gender advisor to lead the WEE activity and provide strategic direction starting November 1, 2021. This includes: 1) Supporting grantees Sarona and Lendahand to successfully achieve their sub-grant results; 2) Technical assistance oversight to identify, design and roll out training and capacity building for Development Finance Corporation (DFC) partner institutions to expand lending to small businesses owned by women; 3) Guidance to variable payment obligation (VPO) FI partners for rolling their products out in support of women-owned businesses, and; 4) Technical assistance for CATALYZE activities to develop gender-sensitive programming that is



impactful by delivering blended finance solutions to women. The gender advisor will also lead the finalization of the WEE Activity Management, Evaluation and Learning Plan (AMELP) in the first quarter of Year 3.



Banco Lafise, Dominican Republic

## CATALYZE STORIES

### **USAID CATALYZE competition winners to mobilize over \$30 million for women-led funds and businesses**

CATALYZE announced two winners for its Women’s Economic Empowerment grants under contract after receiving over 90 applications: Sarona Asset Management and crowdfunding company Lendahand. Both use innovative methods to drive and scale investment in women-led funds and businesses.

Canada-based Sarona Asset Management will use most of its \$4.3 million USAID CATALYZE sub-grant as upfront capital to raise a new private equity “fund of funds” anticipated to raise \$100 million by September 2024. At least \$25 million will be invested in funds or small and medium businesses led by women by 2025. Sarona will also use the sub-grant to strengthen gender-smart investing staffing.



*“The USAID CATALYZE program will allow Sarona to hire a dedicated Senior Impact Associate focused on improving our staff’s understanding of gender-lens investing principles, enabling them to support our local partners in putting women in positions of power within their firms and in their portfolio companies,” said Serge LeVert-Chiasson, Chief Operating Officer and Chief Compliance Officer. “As it deploys its next generation private equity fund of funds between 2022 and 2025, Sarona will also aim to identify women-led fund managers and women-led businesses that have been historically disadvantaged in raising funds.”*

*Serge LeVert-Chiasson, Chief Operating Officer, Sarona Asset Management Inc*

Netherlands-based Lendahand will use its \$1.2 million USAID CATALYZE sub-grant to make technology-based enhancements to its crowdfunding platform to boost fundraising as well as on-lending to women-led small businesses in emerging markets. The crowdfunding company will also use grant funds to develop algorithms to better assess the creditworthiness of women-led enterprises and improve engagement and volume with gender-focused investors using its platform. Over the next three years, Lendahand expects to raise \$120 million in financing for small businesses, of which at least \$7.2 million will be invested in women-led businesses by 2025.



*“Lendahand allows everyday people to lend to women-led SMEs in emerging markets. We believe that if you want to tackle big global problems, you can only do so by mobilizing citizens. The USAID CATALYZE Women’s Economic Empowerment grant will enable us to upgrade our technology so that we can source and onboard more women-led businesses, and at the same time, make it easier for investors to pick and choose such companies to invest in,” said Koen The, CEO of Lendahand. “We are puzzled why women-led businesses are underrepresented in emerging markets. Research has proven that women-led companies do better than their male counterparts. On top of that, women tend to invest 90 cents of every extra dollar they earn in their family and immediate environment, leading to better schooling, healthcare, and eventually, economic growth. It seems like a win-win situation.”*



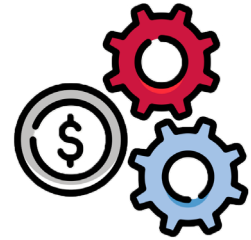
*“We hope our two grant winners will set an example that gender- smart funds and small businesses are attractive investments for the private sector,” said Amanda Fernandez, Executive Director of USAID CATALYZE. “When it comes to accessing finance, the odds are stacked against women entrepreneurs and women fund managers, particularly first-time fund managers. If more financial institutions and investors adopt gender-smart investing, it can scale to transform local and global markets while creating a more equitable society.”*

Globally, only an estimated 2 to 3 percent of total private equity and venture capital flows to women fund managers—approximately 0.9 percent of the world’s \$69 trillion in assets under management. According to the International Finance Corporation, women-led small and medium enterprises worldwide face an estimated \$300 billion financing gap. The USAID CATALYZE Women’s Economic Empowerment initiative, implemented by Palladium, mobilizes private sector investment to close the gender financing gap at scale.

*Above right: Koen The, CEO of Lendahand  
Above left: Amanda Fernandez, Executive Director of CATALYZE*

# Peru

## Catalyzing investment and access to finance in the Peruvian Amazon



Projected LOP budget **\$15M**, of which **\$5M** is obligated. Capital mobilization target **\$106M**.



May 2020 – December 2023



Amazon region of Peru

### OBJECTIVES

- Structure and facilitate financing for large-scale projects, business models, and private investment opportunities in the Peruvian Amazon that serve as long term drivers of economic growth in the region.
- Increase access to and utilization of finance by SMEs and producer associations in the Peruvian Amazon by providing incentives and technical assistance to FIs and BASPs to facilitate financing.
- Develop digital information systems to support greater supply chain transparency for value chain competitiveness and access to finance among upstream actors.

### PERU BY THE NUMBERS

**\$2.75 million**

private capital mobilized

Working with **14 business advisory service** and **9 anchor companies** to accelerate SME finance

### YEAR 2 UPDATE

Peru's Amazon accounts for 94 percent of the country's forests, and 65 percent of the country's land mass. Despite abundant natural resources, the 3.8 million people living in the Peruvian Amazon are more impoverished than those living in other parts of the country. Despite the Amazon being home to 11 percent of Peru's population, the region receives only 3.7 percent of the country's financial system lending.

The 38 financial institutions operating in the Peruvian Amazon cited several challenges that raise the cost of lending, including poor roads and connectivity, insufficient technical assistance, limited knowledge of the region, high opportunity costs compared to other parts of Peru, and significant risks posed by illicit activities like informality and reputational risk. Better financial access can unlock the potential of businesses in the Peruvian Amazon and pave the way for more sustainable economic growth.

By facilitating financing, the CATALYZE Peru activity intends to channel investment into the region's businesses, associations, and other entities. In doing so, CATALYZE Peru seeks to stimulate sustainable and responsible economic development and growth in the Peruvian Amazon. CATALYZE Peru is working

across areas in established sectors and subsectors of agriculture, tourism, forestry, services, light manufacturing, and others. It will also promote new and emerging subsectors, such as non-timber forest products (NTFPs). Much of the investment mobilized by CATALYZE Peru will come from the Peruvian financial sector. The objective is to increase the appetite and capacity of Peruvian banks, cajas municipales, cajas rurales, microfinance institutions (MFIs), and cooperatives to finance enterprises profitably and sustainably via asset-based lending and factoring based on off-taker agreements, among others. CATALYZE Peru will also mobilize investment from cross-border impact investors and financial institutions using direct investments and funds.

During Year 2, CATALYZE Peru conducted three initial assessments of the financial institution sector, the business advisory service providers market, and potential opportunities in the Amazon. These informed the activity's overall strategy and led to key actions during its first year of implementation. Two requests for proposals (RFP) were launched to contract BASP services resulting in 14 BASP companies and consultants hired. A request for application (RFA) was also launched for local financial institutions (FIs) resulting in seven FIs identified as eligible for grants. A similar request for international FIs was also launched this past year. In addition, 10 MOUs were signed with nine anchor firms this year to support the building of digital systems capable of monetizing data to expand financing to suppliers and ultimately improve suppliers' competitiveness.

The CATALYZE Peru team achieved the following progress over CATALYZE's Year 2:

### **Structuring and facilitating financing for large-scale projects**

CATALYZE Peru identifies large companies and investors that can serve as business model "anchors" who can facilitate smallholder suppliers' and SMEs' access to technology and finance, and/or generate significant employment in the Peruvian Amazon. The CATALYZE Peru team conducted an assessment to identify the most promising opportunities for significant investment in the Peruvian Amazon and to provide greater understanding of the market and business environment. Through literature review, data collection, interviews and analysis, CATALYZE Peru found that economic growth in the region is lagging compared to the rest of Peru and there is significant unmet demand for financing. The assessment team identified several sectors with high potential, and six economic corridors most likely to receive investment. The assessment also identified an initial pipeline of 48 investment opportunities in the Amazon valued at \$220 million. The CATALYZE Peru team followed up with companies to validate these opportunities and explore possibilities of collaboration. The team also continued to generate a new deal pipeline through individualized outreach to private firms, and by holding a call for expressions of interests (EOIs) from firms seeking financing support. As a result of these efforts, CATALYZE Peru has signed MOUs with ten anchor firms valued at \$176 million in future results related to expanded financing in these Amazon agricultural sub-sectors: palm oil, cacao, coffee, tropical products, and heart of palm. The end results sought from these partnerships include stimulating more efficient financing for operations and supply chains in support of inclusive economic growth, improved supplier livelihoods, and environmental sustainability in the region.

### **Increasing access to and utilization of finance by SMEs and producer associations**

CATALYZE Peru provides smart incentives to business advisory service providers to structure and facilitate financing, and to financial institutions to increase lending in the Amazon region. The team conducted an assessment of financial institutions to understand the demand for financing, the nature of financing supply, the enabling environment, and what FIs need to expand financing at scale. Insights from this assessment were used to inform strategies for incentives, collaboration, and technical assistance to FIs.



*Organic farming in Peru*

The team assessed the BASPs to understand the state of the Amazon’s services market and bridge the gap between financing supply and demand. The findings informed how to structure BASP contracts appropriately, given that most capable BASPs are in Lima, and those based in the Amazon have limited experience mobilizing commercial finance.

After the assessment, CATALYZE Peru reached out to Lima and Amazon-based consultants and firms to create a network of BASPs that could facilitate expanded financing to the region, and in return, receive technical assistance and incentives from CATALYZE. The team issued two requests for proposals (RFPs) to contract BASPs to participate in a program using a pay-for-results (P4R) methodology under which CATALYZE pays firms upon facilitating expanded access to finance principally to SMEs in the Amazon.

As of September 2021, CATALYZE had hired 14 BASPs that had built an estimated pipeline of \$37.4 million in potential financing. Through contracts with BASPs, CATALYZE Peru concluded its first year of implementation, mobilizing five financing deals in private capital worth \$2.75 million, which exceeds the project’s Year 1 capital mobilization target of \$2.55 million.

To engage and incentivize a variety of FIs to increase financing in the region, CATALYZE Peru issued two requests for applications (RFAs) to FIs to participate in a performance-based grant program. CATALYZE targeted the first RFA towards local financial institutions. CATALYZE Peru received a total of seven applications, four of which have been awarded grants, with three more pending for the first quarter of Year 2. CATALYZE Peru’s second RFA was aimed at international FIs and investors. So far, CATALYZE Peru has received one grant application from an international investor and was approved. Capital committed by these eight financial institutions to the Peruvian Amazon over the next year totals \$11.8 million. CATALYZE Peru is evaluating the lessons learned from these two RFAs to rethink its approach and incentive program/value proposition for FIs. CATALYZE Peru intends to issue another RFA to local FIs using a revised incentive structure. Applications will be accepted on a rolling basis to encourage more institutions to apply. Initial results from sub-grants are expected in December 2021.

## Developing digital information systems to support greater supply chain transparency

The CATALYZE Peru team has developed a strategy to invest in digital systems to enhance supply chain transparency while facilitating expanded access to finance for Amazon suppliers, mostly smallholders. These systems are currently under development by private companies. CATALYZE Peru has signed MOUs with four firms that are already planning or developing digital traceability systems. One of these firms is Villa Andina. The firm is dedicated to working with rural communities in the Peruvian Amazon to source organically produced crops such as quinoa, cacao, and yacon, among others. Villa Andina has been working with CATALYZE Peru to develop a traceability system to track all aspects of the products' manufacturing and distributing processes. CATALYZE seeks to connect the firm to an FI to facilitate financial access for Villa Andina's supply chain producers. Details of data collection and storage will be determined with each private sector firm, as they will manage the systems, and have committed to sharing data with producers and FIs. The CATALYZE Peru team has done extensive research and outreach to actors in Peru engaged in related activities, including mobile money and digital identities, and has benchmarked 16 different traceability solutions. This information will be used to refine the design of solutions in coordination with companies and to identify and engage technology providers.

## PLANNED ACTIVITIES

- **Expand network of financial institutions and business advisory service providers:** CATALYZE Peru will put out a new RFA for FIs further adapting the P4R methodology to expand the “bench” of FI providers actively expanding their portfolios. It will also continue the expansion of BASPs serving the Amazon, including conducting a proactive search for female-led BASPs to identify and serve more women-owned businesses. CATALYZE Peru is developing training and technical assistance for both BASPs and FIs (including development finance institution FI partners) to expand their ability to finance businesses in the region.
- **Collaborate with regional government to identify priority economic sectors and companies:** Due to the COVID-19 pandemic and the need for economic reactivation, regional governments have already performed extensive work with specific companies that need financial support and that could easily have a quick and positive impact in their region. CATALYZE Peru has already contacted the regional government of San Martin, and a MOU and a potential action plan is being developed.
- **Expand supplier financing:** CATALYZE Peru is finalizing technical assistance packages to anchor firm partners to finalize strategies and partnerships to expand supplier financing at scale.
- **Invest in supply chain traceability:** CATALYZE Peru is finalizing technical assistance packages and gearing up to make investments in companies putting in place digital systems that monetize data for expanded supply chain transparency and expands financial access to suppliers.
- **Partner with DFC and other financial entities to develop an innovative first-loss investment structure:** CATALYZE Peru is considering design of a risk mitigating scheme using grants to partially cover potential FI's investment losses in a company or project in the Amazon region. The CATALYZE Peru team will consider using financial products that could be contracted on a premium basis to take advantage of leverage capacity, instead of directly using capital for this purpose. The structure will allow CATALYZE Peru to indirectly reduce the risk level of a particular investment, making it more attractive, more feasible and more profitable for FIs.

## CATALYZE Peru partnering with natural food company Villa Andina to support digital traceability system development



*“We are excited to start working with CATALYZE Peru and have high expectations! Our partnership is focused on technology very different from other international cooperation initiatives. The objective is to give global buyers visibility into product chains through a system that will allow us to gather data at various points of the value chain,” said Pedro Martino, CEO of Villa Andina, a Peruvian company dedicated to processing and exporting natural health food products. “Providing this information to buyers will directly impact the price of the product, which will translate into more income for small farmers.”*

Pedro Martino, CEO of Villa Andina

Specialty coffee dryer, CENFROCAFE, Jaen, Peru



## CATALYZE Peru providing access to finance for coffee producers through “anchor firm” CENFROCAFE

*“What I need is liquidity to pay members of the co-op for their products,” said Teodomiro Melendres, Manager of CENFROCAFE, a cooperative with more than 3,000 coffee producers in 84 locations and 11 networks in northeast Peru’s Jaen, Utcumbamba and Bagua provinces. “2020 was a very complicated year for us. Coffee beans fell from the trees because we didn’t have staff to harvest them, and the little bit we collected was left at the warehouses because there was no logistical support to export the product.”*

In 2020, the agriculture export sector was seriously affected by the COVID-19 pandemic. During the second quarter of the year, there was a significant drop in exports, with a difference of approximately \$5 billion compared to 2019. Mandatory quarantine, restricted interregional mobility, and the closure of ports were the main factors that contributed to this decline. A conservative outlook projects that Peruvian coffee exports for 2021 will reach just 3.3 million sacks of coffee.

“The partnership with CATALYZE Peru fills us with hope. We really need technical assistance to reach investors that can trust us and provide us with the capital we need,” said Melendres.

One of the goals of the partnership is to mobilize \$20 million in financing for storage, processing, and commercialization activities.

CENFROCAFE will also promote access to finance for at least 1,350 producers that will allow for the maintenance and rehabilitation of 2,000 hectares of aging coffee plantations.

“With support from CATALYZE Peru, we hope to reach the \$20 million in capital financing we need to grow,” Mr. Melendres said.

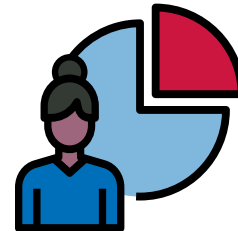


*Coffee producer using a pulping machine, La Corona, Jaen*



# Sri Lanka Private Sector Development (PSD)

Promote economic diversification and employment opportunities for women



Projected LOP budget of **\$12M**, of which **\$5.7M** is obligated. Capital mobilization target **\$39M**.



May 2020 – Sep 2024



Sri Lanka

## OBJECTIVES

- Improve capacity and competitiveness of MSMEs
- Increase access and availability of finance for MSMEs
- Increase resilience to the economic impacts of COVID-19
- Cross-cutting theme: Inclusion and promotion of women

## SRI LANKA PRIVATE SECTOR DEVELOPMENT BY THE NUMBERS

**9 SMEs awarded \$432,682** in COVID-19 grants

## YEAR 2 UPDATE

The CATALYZE Sri Lanka Private Sector Development (PSD) activity is designed to bolster micro, small and medium enterprises (MSMEs) in high-growth sectors in Sri Lanka. Target PSD sectors are experiencing dynamic growth, are strategically important to the country's economy, and have the potential to create economic opportunities for small businesses and women. PSD's five priority sectors are tourism, information and communication technology (ICT), commercial care, apparel, and food and beverage processing.

In Year 2, CATALYZE PSD completed three foundational market assessments to inform a work plan. The team also conducted extensive stakeholder engagement and launched a set of innovative partnerships with Sri Lankan organizations to support increased MSME competitiveness and financing in the five priority sectors.

During the second half of Year 2, PSD began ramping up its COVID-19 adaptation grants program that provides support to hard-hit small businesses to continue operating. So far, CATALYZE has awarded \$432,682 in grants to nine SMEs.

Progress made in Year 2 (October 2020 to September 2021):

### Improving capacity and competitiveness of MSMEs

CATALYZE made considerable progress designing and finalizing an MOU with ACCESS International that will be signed in October 2021. This MOU and forthcoming activities will increase the supply of quality, commercially viable eldercare facilities to service Sri Lanka's aging population, which in turn, will create job opportunities for women.

### Increasing access and availability of finance for MSMEs

In September 2021, CATALYZE PSD signed an MOU with leading Sri Lankan commercial bank, Hatton National Bank (HNB) PLC, to significantly expand financing to MSMEs. Over the next three years, CATALYZE will work with HNB PLC, under a pay-for-results sub-award to pilot new products for small businesses, train staff to cater to small business clients, and build the capacity of client small businesses (particularly financial planning and business literacy skills for women entrepreneurs). The purpose of this pilot is to test the P4R model and provide PSD an opportunity to adapt it to the local market before launching at scale. The PSD activity is developing similar partnerships with other Sri Lankan financial institutions including commercial banks, licensed banks, leasing companies and microfinance companies to strengthen access to finance for micro, small and medium enterprises.

CATALYZE PSD and HNB Bank sign an MOU. From left: Juan Forero, Activity Lead (Interim), CATALYZE PSD Sri Lanka, Sanjay Wijemanne, Deputy General Manager Retail and SME Banking at HNB, Jonathan Alles, Managing Director/CEO, HNB, Reed Aeschliman, Mission Director of USAID Sri Lanka and Maldives, Reneera Paul, Project Management Specialist at USAID Sri Lanka and Maldives and Jude Fernando, Director of Financing at CATALYZE PSD Sri Lanka.



*“Through our continuing partnership with USAID to support programs for the benefit of this sector, we have seen the fruits of this labor manifest and better access to finance and success of our MSME customers. We are delighted to be the first to join USAID on this empowering initiative, and we invite MSMEs to make use of this golden opportunity to strengthen and grow their businesses.”*

- Jonathan Alles, Chief Executive Officer/Managing Director, Hatton National Bank PLC

*“Partnerships like this one with HNB Bank can dramatically enhance economic and social impact more than any of us could achieve on our own. Through this partnership, we are fostering the next generation of successful businesses in Sri Lanka and helping families and communities to thrive.”*

- Reed Aeschliman, USAID Mission Director for Sri Lanka and Maldives

## Increased resilience to the economic impacts of COVID-19.

In October 2020, CATALYZE PSD launched a grant fund for Sri Lankan companies focused on bolstering resilience to the economic impacts of COVID-19, with an emphasis on revising small businesses and creating job opportunities for women. At the end of year 2, CATALYZE PSD successfully completed the co-creation process for concept notes and awarded COVID-19 adaptation grants to nine SMEs totaling \$432,682.

- **Selyn:** PSD finalized a \$72,058 grant award to Selyn, a medium-sized, women-owned textile manufacturer in Sri Lanka's Western Province. The grant will support targeted stimulation of global demand for a higher value product and technological integration for full supply chain transparency and impact measurement. Specific activities include using blockchain technology to support transparency, impact measurement and branding/marketing enhancement.



Above: Selyn grant signing. Below: Arogya grant signing.

- **Arogya:** PSD finalized a \$35,850 grant award to Arogya Life Systems, a healthcare IT startup from northern Sri Lanka that has pioneered its Smart Hospital Management System in hospitals and clinics like Hemas Hospital in Colombo and Moolai Hospital in Jaffna. In addition to suffering the economic impacts of COVID-19, many Sri Lankans saw disruptions in access to care due to public health restrictions. Arogya's platform allows patients and medical professionals to access healthcare services digitally via smart devices and SMS that can be maintained even during lockdowns and travel restrictions. Through PSD's grant funding, Arogya will expand implementation of its platform to more hospitals, clinics, and patients across Sri Lanka. Through the rollout, more patients will have uninterrupted access to healthcare and Arogya will expand its market reach and ability to hire new employees.



Kantala grant signing

- **Possible Green:** PSD finalized a \$43,258 grant award to tea and coffee manufacturer Possible Green. The grant funding will allow Possible Green to expand its manufacturing capacity, reach more international markets, and employ more women in production and marketing.
- **Kantala:** PSD finalized a \$44,000 grant award to Kantala, a sustainable vegan fashion accessories brand that aims to empower economically and socially marginalized communities in Sri Lanka by leveraging traditional knowledge and skills to create responsible and conscious contemporary fashion accessories. Similar to Selyn, Kantala will use grant funding to implement technology for full transparency throughout its supply chain and measurement of impact.



SDS Spices grant signing

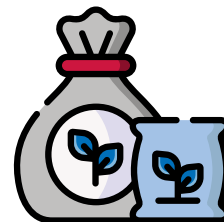
- SDS Spices (Pvt) Ltd:** PSD finalized a \$65,944 grant award to spice exporter SDS Spices. The grant funding will support the company to procure specialized equipment for the proposed microbiological laboratory, to obtain international certifications, and will support SDS Spices' participation in two trade shows. SDS will invest its own resources for the cost of equipment and the construction and renovation of new facilities, including the nutraceutical and processing plants and a research and development lab.
- NatureWins (Pvt) Ltd:** PSD finalized a \$50,010 grant award to cashew processing company NatureWins. The grant funding will support NatureWins to improve its packaging to extend product shelf-life and reduce the return of goods, allow NatureWins to enter new markets, strengthen its supply chain by engaging a supply chain experts, and introduce fresh cashew milk, a byproduct, to its product line using a Palmar Research Institute (PRI)- approved formula.
- Green Flower Design (Pvt) Ltd:** PSD finalized a \$28,364 grant award to handmade natural flower designer Green Flower Design Flower (Pvt) Ltd. The grant funding will support Green Flower to develop a strategy to improve its production and develop new marketing channels to enhance its brand value and market share so that more women and supply chain actors will benefit from the project.
- Worga Naturals (Pvt) Ltd:** PSD finalized a \$53,497 grant award to Sri Lanka's organic super fruit specialist Worga Naturals. The grant funding will support Worga Naturals to enhance the capacity of its employees and partner farmers and that of Worga Naturals to reach overseas market opportunities, so it may retain jobs and offer new jobs to Sri Lankans during and after the pandemic.
- Queens Work Wear (Pvt) Ltd:** PSD finalized a \$39,701 grant award to workwear manufacturer Queens Work Wear. At the height of the pandemic, Queens Work Wear shifted some production to personal protective equipment for Kalubowila, Homagama and Colombo National Hospitals, and supplied free of charge. The company suffered reduced sales across its business as global demand slowed. CATALYZE PSD's grant will therefore allow Queens Work Wear to retain staff, maintain facilities, and rehire laid-off workers even as the pandemic continues.

CATALYZE PSD is also ramping up a second stream of grants to provide direct relief and emergency aid to MSMEs impacted by COVID-19. This will supplement the aforementioned adaptation grants to rapidly mobilize a larger number of smaller awards. These relief grants will be targeted to provide necessary funding for MSME salaries, equipment, debt relief, or technical assistance to mitigate losses and failure from which MSMEs may not recover.

## **PLANNED ACTIVITIES**

- PSD will reach MSMEs through lead firm partners and associations and also provide direct technical assistance. The team is currently designing several partnerships in target sectors. The team will also engage subject matter experts in food processing, food technology, agri-tech, and ICT verticals such as artificial intelligence to build MSME capacity and guide PSD interventions. PSD is in the process of building a pipeline of suitable SMEs to structure pilot interventions focused on increasing competitiveness and access to finance.
- PSD will continue to develop partnerships with financial institutions to expand lending to MSMEs. PSD anticipates signing MOUs with two additional financial institutions in the next few months (one microfinance institutional and one commercial bank). PSD will also develop a strategy to work with the EMPOWER board to bring MSMEs into the equity platform and explore opportunities to tap into alternative financing to leverage private capital flows. PSD will begin exploring opportunities to boost recognition of MSMEs on the Colombo Stock Exchange by taking stock of listing agents, the listing process and listing incentives.
- By December 2021, PSD expects to commit a total of \$1.7 million in COVID-19 grant funds to pandemic-impacted companies, including \$750,000 for adaptation grants, and \$950,000 for emergency relief grants.

# SAHEL – FINANCE FOR RESILIENCE (F4R)



Increase financing to support capital investment in the agricultural sector and in youth-led enterprises



Projected LOP budget of **\$10.7M**, of which **\$6M** is obligated. Capital mobilization target **\$34M**



August 2020 – Sep 2024



Burkina Faso and Niger



Implementing Partners: ICDE (Burkina Faso) and SINERGI SA (Niger). Collaborators: Yalwa, Yidgiri, Bridge Youth Connect, WATIH, DFC, USADF, Sahel Collaboration and Communication Activity

## OBJECTIVES

- Expand access to finance for enterprises and producers in targeted sectors and groups.
- Develop a network and build the capacity of local Financial Facilitators.
- Provide financial institutions incentives and market linkages to increase lending to new priority sectors.

## SAHEL F4R BY THE NUMBERS

**20 business advisory service providers engaged**

**25 stakeholders engaged**

through pay-for-results approach to mobilize financing for SMEs in Burkina Faso.

## YEAR 2 UPDATE

A vast semi-arid region of Africa separating the Sahara Desert to the north and tropical savannas to the south, the Sahel region has deep-rooted challenges including conflict and food insecurity. While agriculture is the biggest contributor to jobs and gross domestic product (GDP), the sector is highly vulnerable to climate change and natural disasters. The Sahel is also one of the most youthful regions in the world, with 65 percent of its population under the age of 35.

Against this backdrop, the CATALYZE Sahel Finance for Resilience (F4R) activity seeks to mobilize \$34 million in private capital over four years for the agricultural sector and for youth-led enterprises to support resilience in Burkina Faso and Niger. In these two countries, CATALYZE is incentivizing financial institutions, including banks, microfinance institutions, and other non-bank financial institutions to support activities aligned with USAID's Resilience in the Sahel Enhanced (RISE) II and Bridge Youth Connect programs.

This entails providing loans to farmers, farming cooperatives, young entrepreneurs, and small businesses in



August 3, 2021: Sahel F4R team members partake in the RISE II partner collaboration workshop to present joint-project FY2022 workplans to USAID. The workshop kicked off a series of working group meetings where projects identified opportunities to layer and compliment technical assistance and resources to enhance support for vulnerable groups in Burkina Faso.

the agriculture sector in some of the most challenging areas of Burkina Faso and Niger. The activity will also provide incentives for BASPs or “financial facilitators” who help farmers, cooperatives, and enterprises in targeted regions and sectors to define and document their financing needs and then connect them to financial institutions to make loan applications. In Year 2, Sahel F4R continued to build and strengthen networks of BASPs and FIs in Burkina Faso and Niger, as foundations for dynamic and durable financial systems.

CATALYZE’s Sahel F4R achieved the following progress in Year 2 (October 2020 to September 2021):

### **Expand access to finance for enterprises and producers**

Sahel F4R focuses on actors in key agriculture value chains and on youth entrepreneurs in line with USAID’s region-wide USAID Resilience in the Sahel Enhanced (RISE) II intervention. In Year 2, the Sahel F4R team participated in coordination and planning meetings with other RISE II partners to ensure understanding of the F4R pay-for-results approach and to identify opportunities for collaboration.

As Sahel F4R was envisioned as the capital mobilization arm of the RISE II portfolio of projects, coordination is critical in identifying bankable deals and complementary resources that can be offered to the Sahel F4R network of USAID implementing partners to boost collective impact. In both Burkina Faso and Niger, local teams have established working relationships and identified specific collaboration nodes with Yidgiri, Yalwa, TerreEauVie, and Bridge Youth Connect, and are working with the Sahel Collaboration and Communication (SCC) activity to amplify Sahel F4R messages and extend its outreach.

### **Develop network and build the capacity of local BASPs**

BASPs, or business advisory service providers, refer to individuals or firms who work with stakeholders in target sectors to help secure financing from financial institutions, with no financial stake in the enterprise or investment. In Burkina Faso, CATALYZE F4R began reviewing and negotiating pay-for-results contracts with 27 applicants. In September 2021, the Sahel F4R team conducted virtual trainings for 14 emerging

BASPs and six established ones. The trainings focused on pipeline development, transaction support, investor relations, and provided an orientation on pay-for-results contracts. These trainings aim to serve as the foundation reinforcing and formalizing the financial facilitation services sector in Burkina Faso.

In Niger, the team finalized pay-for-results (P4R) adaptations and updates for BASP solicitation documents based on feedback gathered following five information sessions in the three focus regions of Maradi, Tillaberi, and Zinder. The team launched the BASP solicitation and is in the process of evaluating 22 applications. Sahel F4R anticipates contracting selected BASPs in October 2021 and conducting trainings for them in November 2021.

## PLANNED ACTIVITIES

After recruiting and onboarding the Sahel F4R financial institution and BASP network partners, the program will kick off networking activities with the first in-person workshop in October 2021. Following the workshop, the Sahel F4R team will continue to refine BASP partner pipeline plans to highlight relevant RISE II partners as resources for potentially bankable clients and stakeholders. In Burkina Faso, a F4R Access to Finance Specialist will also participate in a joint opportunity identification workshop with Project Yidgiri, local BASPs and FIs based in Kaya.

In Niger, the program will develop an additional training program for emerging BASPs that covers fundamental topics for coaching and supporting SMEs in successfully presenting bankable deals to FIs. The training will be delivered in early 2022 in Burkina Faso and Niger to reinforce BASP capacities.

The Sahel F4R team completed recruiting and onboarding of five FIs in Burkina Faso and is preparing approval documentation for another five FIs in Niger to expand lending to Sahel F4R target groups and areas. In September 2021, the team conducted follow-up meetings with FIs in Niger to clarify objectives and design of the grant and encourage them to apply to a second call for applications towards the end of 2021. Meanwhile, the Sahel F4R will continue to work with contracted FI partners in Burkina Faso and Niger to refine pipeline plans, review environmental due diligence policies and facilitate connections with BASP partners and relevant RISE II programs. Through recurring interactions, the program will better understand FI challenges and best practices for expanding access to Sahel F4R target groups

The Sahel F4R team completed recruiting and onboarding five FIs in Burkina Faso and is preparing approval documentation for five additional FIs in Niger to expand lending to the Sahel F4R target groups and areas. In September, the team conducted subsequent meetings with additional FIs in Niger to clarify the objectives and design of the grant and encourage them to apply to a second call for applications to be released towards the end of 2021. Meanwhile, the



*April 5, 2021 – Sahel F4R presents project objectives and approaches to expanding access to finance in Niger with potential BASPs in Niamey.*



Sahel F4R will continue to work with contracted FI partners in both countries to refine pipeline plans, review Environmental Due Diligence policies and facilitate connections with BASP partners as well as relevant RISE II programs. Through recurring interactions, the program will better understand FI challenges and best practices for expanding access to Sahel F4R target groups.

## CATALYZE STORIES

### **Sahel – Finance for Resilience (F4R) putting local firms in the driver’s seat**

Sustainable, scalable solutions are the legacy every program aims to achieve. The CATALYZE Sahel Finance for Resilience (F4R) activity lays the groundwork for achieving these goals by applying principles of key USAID approaches: new partner initiative, locally led development, and pay-for-results (P4R). Local companies ICDE in Burkina Faso and SINERGI in Niger are driving implementation of Sahel F4R. These firms best understand the market context, have strong existing relationships, and are ideally positioned to identify opportunities for collaboration among financial intermediaries and be further enabled by market linkages and incentivized by Sahel F4R-provided payments. The insights and perspectives firms bring to the activity can help lead to lasting changes in the financial ecosystem, like improving access and flow of finance to agricultural sector actors and youth entrepreneurs. Palladium’ provides technical backstopping, shares global good practices, and provides operational support for administering and accounting for resources.

*By putting local firms in the driver’s seat, Sahel F4R helps build the capacity of these firms to become new USAID partners and help drive the self-reliance agenda. They are empowered to innovate autonomously and ready to manage complex contracts. These local firms are well known in their respective markets and have the drive, skill, and networks in the financial and SME development communities. Coupled with organizational knowledge of USAID programming and funding resources, these firms are poised to drive development beyond aid.*

As a result of its work with Sahel F4R, Nigerien firm, SINERGI, has already expanded its office, staff, and relationships with financial intermediaries that complement its core work sourcing funding for SMEs. Similarly, ICDE, the implementing partner in Burkina Faso, has made strides in revamping its financial procedures and internal policies to manage the complexity of a cost-reimbursable contract, positioning the firm for USG-funded work beyond CATALYZE.

As the implementing partners, both SINERGI and ICDE champion behavior change through P4R incentives. Banks and business advisory service providers are not compensated for outputs but outcomes – promising credit transactions to MSMEs who would have otherwise been overlooked by financial institutions. Through P4R, the Sahel F4R team nudges financial institutions to become first movers in the market to challenge general high-risk perceptions of the agriculture sector and instead find innovative ways to meet the needs of 80 percent of the labor force.

Through these levers, Sahel F4R is excited to promote local ingenuity and leadership, fulfilling USAID’s vision in helping partner countries become agents of their own growth and prosperity for generations to come.

# WESTERN BALKANS – ENGINES OF GROWTH (EoG)



Increase small and medium enterprises' (SME) access to and use of finance to drive enterprise growth.



Projected LOP budget of **\$4M**, with potential for additional mission catalytic capital. Capital mobilization target **\$40M**



May 2020 – Sep 2024



Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia

## OBJECTIVES

- **Mobilize capital and/or restructure debt to otherwise vulnerable SMEs** that have been adversely impacted by COVID-19 to sustain them, retain/ rehire workers, and preserve capacity for future growth.
- **Facilitate additional alternative financing to high-potential SMEs** in the Western Balkans to enhance their growth, productivity, and job creation.
- **Compile relevant available data on the transformative, long-lasting effects of the COVID-19 crisis** and the impact (and anticipated impact) of the pandemic on the health, real economy, financial markets, and Government policy in the Western Balkans.

## WESTERN BALKANS BY THE NUMBERS

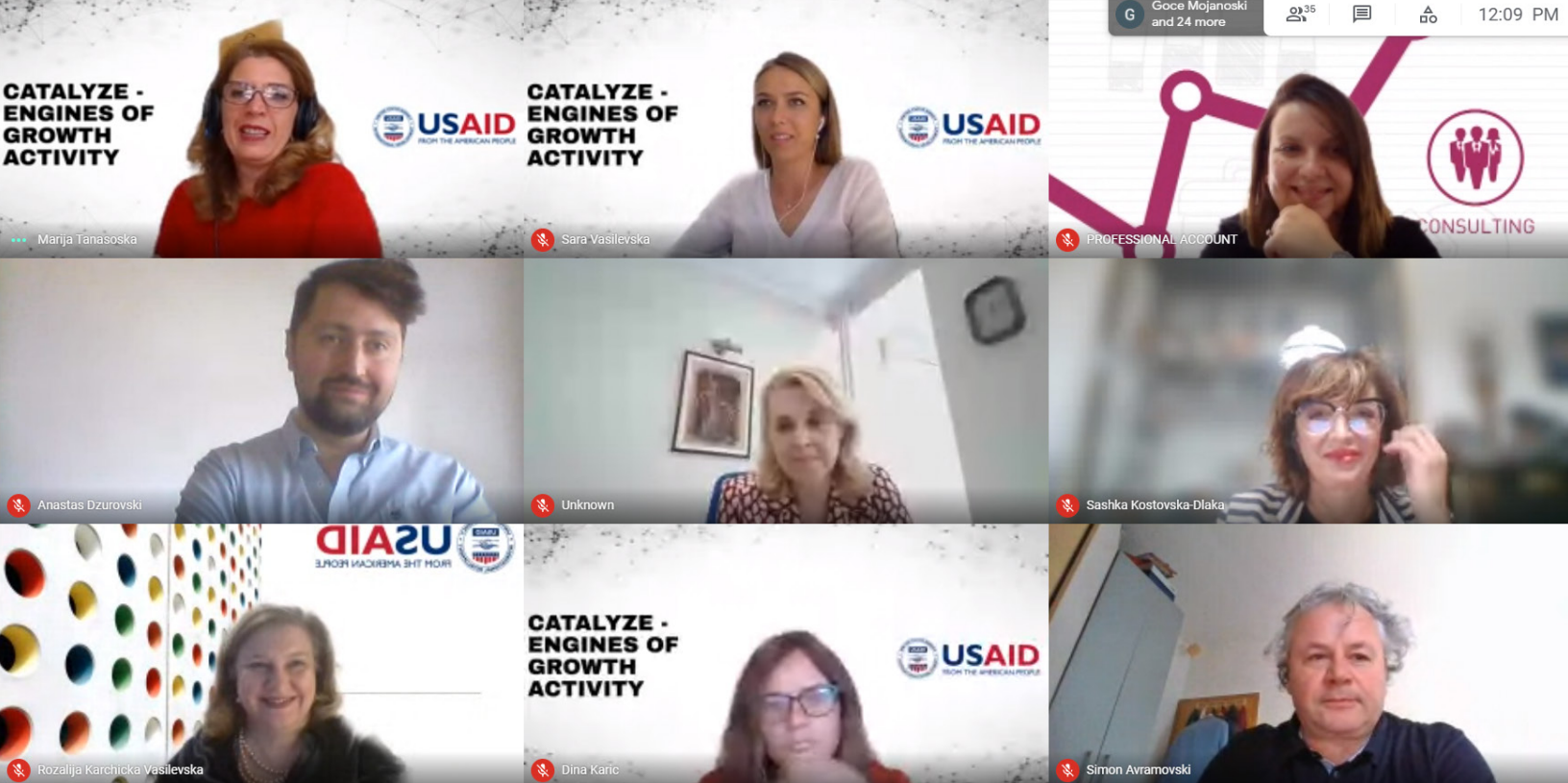
**\$3,152,159 in private capital**

## YEAR 2 UPDATE

The financial sector across the Western Balkans is dominated by foreign commercial banks who tend to be risk-averse, exclusively work with large corporate clients, or lend to governments. This contributes to the “missing middle” phenomenon, where banks routinely overlook SMEs since they are too small and perceived as too risky. There is a lack of diversity in financial products, services, and institutions, particularly when meeting the needs of high-growth SMEs.

Despite high liquidity in the banking sector, interest rates and collateral requirements remain high, and application procedures complex. Corporate loans in the Western Balkans usually require collateral at a value twice the loan amount. As a result, many SMEs are overleveraged and cannot fully secure adequate capital to meet their needs, whether for working capital or long-term investments. Banks have become even more risk-averse in the wake of the COVID-19 crisis.

The goal of the CATALYZE Western Balkans Engines of Growth (EoG) activity is to increase small and



*CATALYZE Engines of Growth launch event for business service advisory providers in Serbia and Macedonia*

medium enterprises' (SME) access to and use of finance to drive enterprise growth. CATALYZE EoG has laid the groundwork to mobilize financing for small and medium enterprises in North Macedonia and Serbia. The activity is working with eight shortlisted consulting companies to build their capacity to identify new sources of equity and other types of financing to small businesses in the region.

CATALYZE's EoG activity achieved the following progress in Year 2 (October 2020 to September 2021):

### **Mobilize capital for SMEs**

Early in the design of the EoG activity, it was clear that SMEs would require assistance to overcome the ravages of the pandemic. In response to COVID-19, the EoG activity quickly pivoted to help vulnerable SMEs across multiple sectors to access finance to stay afloat, stem the rise of unemployment in the wake of the pandemic, and eventually grow.

After a series of consultations with USAID missions, SMEs, donors, and development finance institutions (DFIs) across the region, CATALYZE EoG initiated interventions in North Macedonia and Serbia. The project launched a BASPs network to help mobilize much-needed financing for small businesses. BASPs are financial experts that help companies research, apply, and access suitable financing for growth. They play a critical role in the marketplace, buying down risk between commercial financial institutions and SMEs, while facilitating the exchange of critical information and ideas.

To achieve scale, the EoG employs a pay-for-results (P4R) methodology, providing BASPs a success fee once they have identified and delivered financing to their SME clients. The success fee changes according to the source of the financing. For example, equity financing, which is in short supply in the region, commands a higher fee than a traditional commercial loan. BASPs also receive additional success fees for mobilizing finance for women- and youth-owned businesses.

Over the course of early spring 2021, EoG issued an expression of interest (EOI) to identify BSPs to

participate in the program. BASPs were required to submit their qualifications, including experience successfully working with and mobilizing financing for SMEs. The project invited the shortlisted applicants to learn more about the program and the P4R methodology. Based on this initial engagement, 42 BASPs were selected in North Macedonia and Serbia, some of which were individual financial experts, while others were financial consulting firms.

In Year 2, the BASP network identified a pipeline of over \$20 million in financing opportunities for their SME clients. These SMEs were engaged in various sectors, including transportation, animal feed, timber, furniture production, cleaning products, and construction. CATALYZE EoG is well on its way to meet its capital mobilization targets and is in the process of expanding the BASP network.

### **Facilitate alternative financing for high-potential SMEs**

In Year 2, CATALYZE EoG issued a funding opportunity notice (FON) to solicit ideas on new financing products and services. The goal is to help support and commercialize new financial products that are appropriate for growth-ready SMEs, diversify the availability of financial products in the marketplace, increase competition with commercial banks, and demonstrate that SMEs are bankable.

In response to the FON, the EoG received numerous proposals, primarily from financial consulting companies. These included suggestions for developing new financing concepts, information on steps taken to date, and investments made to realize financing, plus additional resources to actualize concepts in the marketplace. Other interesting ideas for consideration included equity and mezzanine financing funds, venture capital funds focused on SMEs and start-ups in the biomedicine and artificial intelligence (AI) sectors, reverse factoring in the agriculture sector to help SME cash flows, and support to digital banking platform solutions to connect banks with SMEs. The applicants requested various kinds of support ranging from upfront capital to operationalize these concepts to technical assistance and guidance on strategy and development.

Eight applicants were shortlisted from a pool of 50. Currently, the EoG team and USAID are working with applicants to refine their concepts and define resources required to initiate products and services in the marketplace. CATALYZE anticipates that all eight concepts will receive the project's financial support by early 2022.

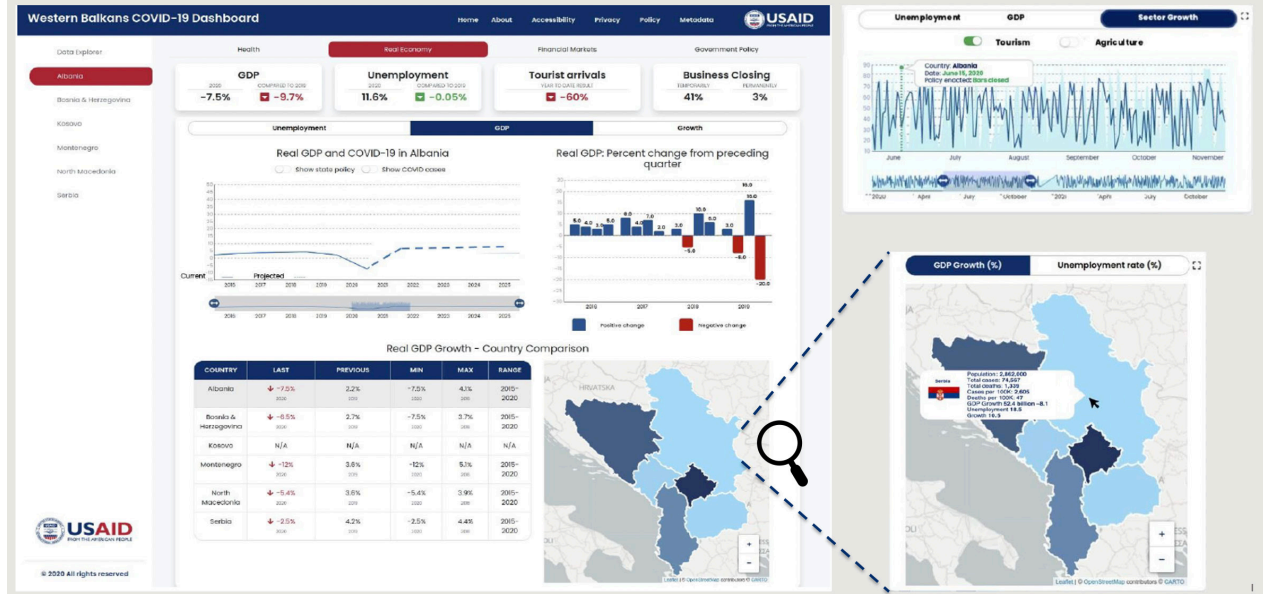
### **Compile data on effects of COVID-19**

CATALYZE EoG developed a COVID-19 dashboard prototype to allow USAID and the broader public to get up-to-date information on the pandemic's impact on health, economy, and government policies in the Western Balkans. The dashboard covers Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia at the country and regional levels. The data can be used to inform policies and programs to support these economies and assess the viability of SMEs in the Western Balkans in the coming years. The dashboard was created using reliable data sources from government agencies and international organizations.



*CATALYZE Engines of Growth launch event for business service advisory providers in Serbia*

# COVID-19 Dashboard Visualization



COVID-19 Dashboard for Western Balkans

## PLANNED ACTIVITIES

CATALYZE EoG will expand the BASP network to Albania, Bosnia and Herzegovina, Kosovo, and Montenegro. With additional funding from WEE, these BASPs will mobilize financing for women-owned, managed, or controlled SMEs throughout the region.

In early 2022, EoG expects to fund eight shortlisted concepts, identified through a funding opportunity notice, to develop new financing products and services for SMEs.

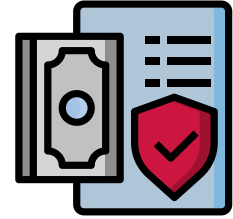
The EoG team will market and promote the COVID-19 dashboard, aiming to find a dedicated hosting site for it and run a social media campaign to increase its use.

CATALYZE EoG will continue to monitor progress and capture lessons learned from stakeholders on approaches and products that demonstrate the most promise in mobilizing capital for SMEs. Learn and review sessions will be held to determine how activities can be replicated across the Western Balkans.

*“The COVID dashboard is designed to make timely and accurate information available on the progression and impact of the pandemic in a way that is highly visual and intuitive. Our hope is that the tool will help development professionals identify and anticipate issues and potential interventions. This may result in adjustments to existing programs or the launch of new activities. It can also help us understand and prepare for the new post-pandemic normal.”*

David L. Cowles, Senior Private Enterprise Advisor, USAID Europe and Eurasia

## Asia – Social Protection



Improve access to financial and social protection for vulnerable women in Asia



Budget of **\$440,000** for the design phase.



Sep 2020 – TBD



Bangladesh, Indonesia, Philippines

### OBJECTIVES

- **Improve evidence for best practices in social protection (SP)** and assess possible interventions for vulnerable female workers
- **Co-develop and launch a platform incorporating innovations**, including the use of blended finance to mobilize the private sector and promote affordability, ease of use, and sustainability for SP interventions
- **Monitor and evaluate the SP interventions** launched for impact through levels of use, paid employment, health outcomes, and economic empowerment

### ASIA SOCIAL PROTECTION BY THE NUMBERS

The Asia Social Protection team developed and submitted **3 concept papers** on how blended finance can contribute to women's social protection.

## YEAR 2 UPDATE

The Asia Social Protection team is working closely with the USAID missions in Bangladesh, Indonesia, and the Philippines to co-design interventions that would enhance access to financial protection for basic health care, childcare, and employment. Proposed interventions focus on women's health and empowerment and rely on mobilizing private capital in various ways, including through worker contributions, industry support, social investment, tourism, and other forms of subsidies to vulnerable women.

- In Bangladesh, the CATALYZE Asia team submitted a concept note to the USAID Asia Bureau for two potential activities: Digital Platform for Social Protection Contributions and Improved Access to Quality Employer-Based Childcare. The mission expressed interest in adding an education component to the second activity.
- In Indonesia, the CATALYZE Asia team submitted a concept note to the USAID Asia Bureau for two potential activities: Leveraging Digital Technology to Enroll Informal Sector Workers in JKN (national health insurance program) and Leveraging Financial and Skills Provision Services to Enroll Micro, Small and Medium Entrepreneurs in JKN.
- In the Philippines, the CATALYZE Asia team conducted research and submitted a concept note to the USAID Asia Bureau for two potential activities: Guest Contributions to Community Health Fund in Bohol Province and Investing in Stable Employment for 4Ps Graduates, or *Pantawid Pamilyang Pilipino Program*, a national conditional cash transfer initiative. The Asia Bureau has decided to focus on the 4Ps program.

## PLANNED ACTIVITIES

The team hopes to narrow down the list of interventions to one per country, finalize a Performance Work Statement to this effect, and launch field activities during CATALYZE's year 3.

## SECTION 3

# Learning and Analysis

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### OPERATIONAL MODELS FOR BLENDED FINANCE

Each CATALYZE activity has developed a tailored blended finance and operational approach based on country and market contexts, development objectives and capital mobilization targets.

#### Box 1: What is blended finance?

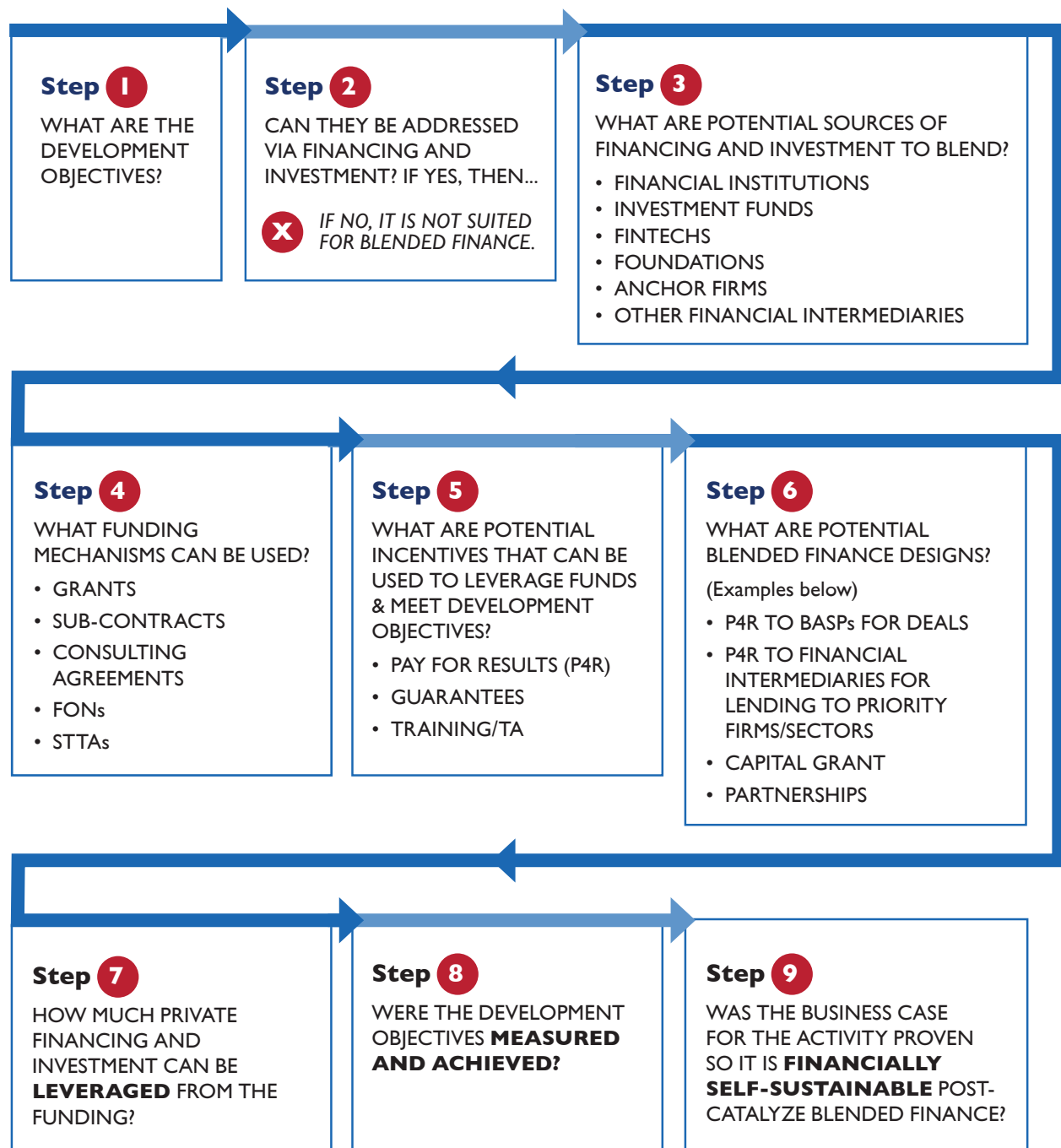
- **Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development.**
- Blended finance is a **structuring approach** that allows organizations with different objectives to invest alongside each other while achieving their own objectives (whether financial return, social impact, or a blend of both). The main investment barriers for private investors addressed by blended finance are (i) high perceived and real risk and (ii) poor returns for the risk relative to comparable investments. Blended finance creates investable opportunities in developing countries which leads to more development impact.
- Blended finance is **not an investment approach, instrument, or end solution**. It is also different from impact investing. Impact investing is an investment approach, and impact investors often participate in blended finance structures.

Source: Convergence



To determine which blended finance approach to use, CATALYZE activity teams first conducted market assessments of 1) the financial sector’s interest in expanding finance; 2) market opportunities for investment, and 3) the supply of and demand for business advisory service providers (BASPs). In every case, the local market, investment barriers and development objectives were considered when determining potential sources of financing and investment using a “fit for purpose design” for blended finance. CATALYZE activities followed the blended finance process steps described in Figure 4.

**Figure 4: CATALYZE Blended Finance Process**



CATALYZE seeks blended finance investment and financing from an extensive range of private sector financial intermediaries shown in Box 2. Financial intermediaries may be for-profit or non-profit. Foundations, although not considered financial intermediaries, may also be sources of reimbursable and non-reimbursable blended finance private grant capital.

### **Box 2: CATALYZE blended finance financial intermediaries**

1. Private commercial banks
2. Government-owned banks
3. Savings and loan associations
4. Rural financial institutions
5. Municipal financial institutions
6. Non-bank financial institutions
7. Non-bank financial companies
8. Microfinance institutions
9. Cooperatives
10. Fintechs
11. Insurance companies
12. Investment funds (debt funds, mezzanine debt funds, private equity funds, venture capital funds, hybrid funds)
13. General partnerships
14. Special purpose vehicles (SPVs)
15. Factoring firms
16. Supply chain financing companies
17. Anchor firms (that finance their suppliers)
18. Local stock exchange
19. Alternative local stock exchange
20. The International Stock Exchange (TISE)
21. Crowdfunding platforms
22. Other financial intermediaries or financial vehicles

Source: CATALYZE analysis

This year, CATALYZE teams developed blended finance approaches to align with the USAID country strategies in which they operate and to achieve their respective development objectives.

Each CATALYZE activity used in-country analysis, tools, and best practices to develop multifaceted blended finance approaches most likely to achieve each activity's development objectives and capital mobilization targets. In all cases, CATALYZE blended finance activities are structured working with implementing partners in a way that no subsidy will be needed for capital mobilization and business activities will be financially sustainable after completion of CATALYZE's activity. To date, CATALYZE activities have implemented a range of blended finance approaches which have been distilled into the six archetypes as shown in Figures 5 to 10. Within each archetype, there are variations on how blended finance is implemented.

### Box 3: CATALYZE's six blended finance archetypes

- 1. Private sector transaction intermediation**
- 2. Incentivizing FIs to lend and invest**
- 3. Transaction intermediation and incentivizing investment**  
(combination of archetypes 1 and 2)
- 4. Increasing investment via funds and platforms**
- 5. Digitization of platforms and supply chains**
- 6. Educational finance transaction intermediation**

#### Blended finance archetype 1: Private sector transaction intermediation

This archetype describes the *intermediation* function to address the fundamental investment barriers impeding small and medium enterprises seeking investment capital (in multiple countries and sectors). This blended finance archetype relies on recruiting business advisory service providers (BASPs) under a pay-for-results arrangement to source, package, and execute financial transactions, with training provided as needed. In some cases, CATALYZE BASPs are provided leads to identify private sector companies (Peru) and contacts with financial intermediaries with which to work to mobilize private capital for firms. In other cases, BASPs identify and source their own deal transactions pipeline and establish their own relationships with financial intermediaries to provide financing. This archetype requires the BASPs to be entrepreneurial and to ideally have extensive contacts amongst private sector companies, small and medium enterprises (SMEs), and financial intermediaries.

Some CATALYZE activities (e.g., Ethiopia, Peru, Sahel) have provided orientation and further training for BASPs because this has been shown to yield substantial improvements in volume and size of capital mobilization. BASPs can work with either a few or many financial intermediaries under this archetype.

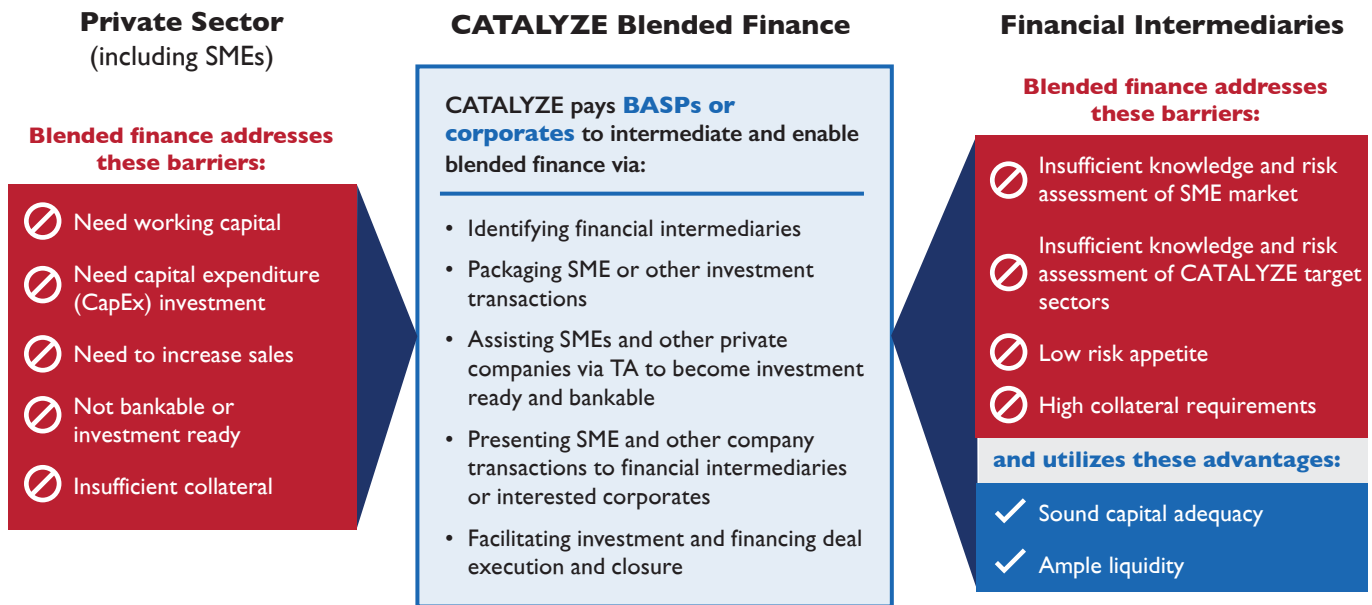
In other cases, when trained BASPs are not available, CATALYZE staff may help mobilize capital directly. This year CATALYZE Ethiopia's MS4G activity completed two transactions using its own staff rather than external BASPs, including a working capital loan for a coffee company, and an equity investment by a large corporation. In Sri Lanka, the CATALYZE team is providing direct assistance by providing grants to companies affected by the economic downturn resulting from COVID-19. While capital provided to SMEs under this example is not counted towards CATALYZE capital mobilization targets, it is a form of direct intermediation to support SMEs' capital needs. A CATALYZE activity may also engage directly with a private company to fund capital mobilization to achieve development objectives (e.g., access to quality, employer-based healthcare for company employees).

CATALYZE activities may use different types of procurements to structure blended finance mechanisms, namely grants under contract (GUCs), subcontracts, or short-term technical assistance (STTAs). Most activities have chosen one procurement mechanism per blended finance archetype, summarized in Figure 9 later in this report.

Within the blended finance archetype, different CATALYZE activities use different pay-for-results (P4R) incentive structures to incentivize private capital mobilization. Some offer a fixed amount for every capital mobilization milestone completed, while other payments are pegged to a percentage earned based on capital mobilization transaction size and are capped. Structuring procurements of BASPs based

on P4R encourages BASPs to continue with the transaction through to deal closure. This can include, based on market dynamics, providing upfront or in-process cash flow income to the BASPs so that they do not have to wait for payment until the entire transaction is completed.

**Figure 5:**  
ARCHETYPE 1: **Private sector transaction intermediation**



**Pay for Results (P4R):** Fees paid to BASPs based on transaction \$ or milestones achieved.

**Gender:** P4R fees sometimes paid based on if SME is a W-SME (women-owned, led, and managed SMEs).

Source: CATALYZE analysis

### **Blended finance archetype 2: Incentivizing financial intermediaries to lend and invest**

Here, CATALYZE partners with prospective financial intermediaries so they will provide and scale financing or investment to underserved target investees. This is done by providing incentive payments to motivate financial intermediaries behavior change. CATALYZE approaches financial intermediaries under this archetype with a “what will it take” viewpoint. If for example, a commercial bank is not currently lending extensively to SMEs in a country with a large and vibrant SME market or to a certain sector or geography, the question posed to them is: what is needed to unlock and scale to underserved markets/geographies/actors? Some activities allow the financial intermediary to propose the solution, while others use a co-creation or adapt pay-for-results incentive approaches that have been successful in other markets.

Under this archetype, activities may use different types of procurements to structure blended finance mechanisms, namely grants under contract (GUCs), sub-contracts, or short-term technical assistance (STTAs). To date, most have chosen one procurement mechanism per blended finance archetype.

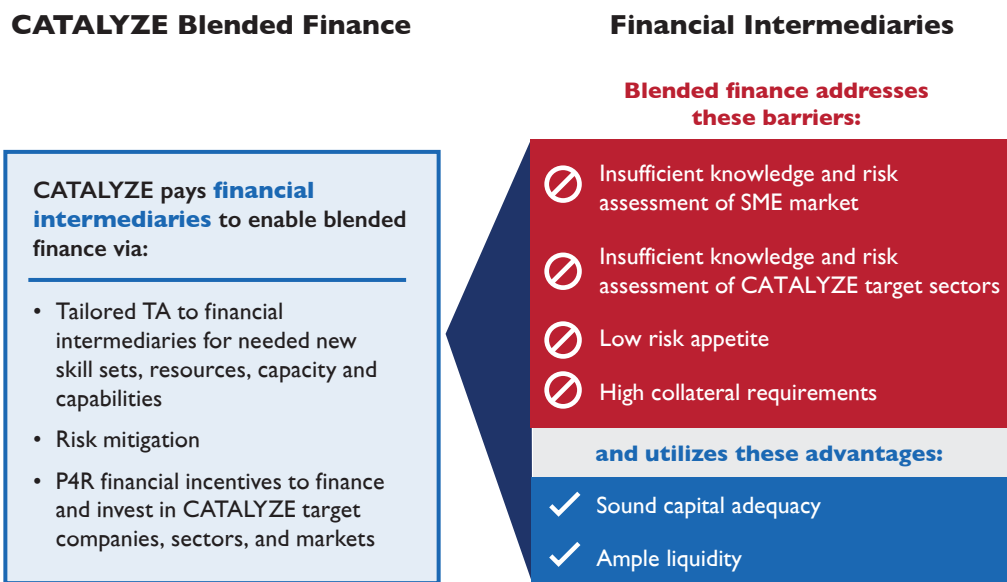
Within this archetype, different activities use different P4R incentive structures to incentivize private capital mobilization. Some offer a fixed amount per capital mobilization milestone completed, while other payments

are paid out as a fixed percentage earned based on capital mobilized by the FI and are capped. Structuring procurements under this archetype have consistently led to increases in expanded financing by FIs.

With this archetype, often financial intermediaries require more than incentives to change their financing behaviors and practices. In other words, *blended finance funding may be necessary to change financial intermediary behavior, but is usually considered insufficient by financial intermediaries*. For example, financial intermediaries may need capacity building such as SME underwriting training or specialized target sector market knowledge and analysis such as for water, sanitation, and hygiene (WASH) in Ethiopia; ready-made garments (RMG) in Sri Lanka; non-timber forest products (NTFP) in Peru; and cowpea, poultry, and small ruminants (Sahel). Under this archetype, BASPs, third party actors or project staff and consultants may also provide technical assistance (TA) directly to FIs to change their financing habits to expand financing to underserved markets and populations.

**Figure 6:**

**ARCHETYPE 2: Incentivizing financial intermediaries to lend and invest**



**Pay for Results (P4R):** Fees **paid to financial intermediaries** based on transaction types, \$ transactions, milestones, & deliverables.

**Gender:** P4R fees sometimes paid based on **investing in women-led companies** (women-owned, led, and managed).

Source: CATALYZE analysis

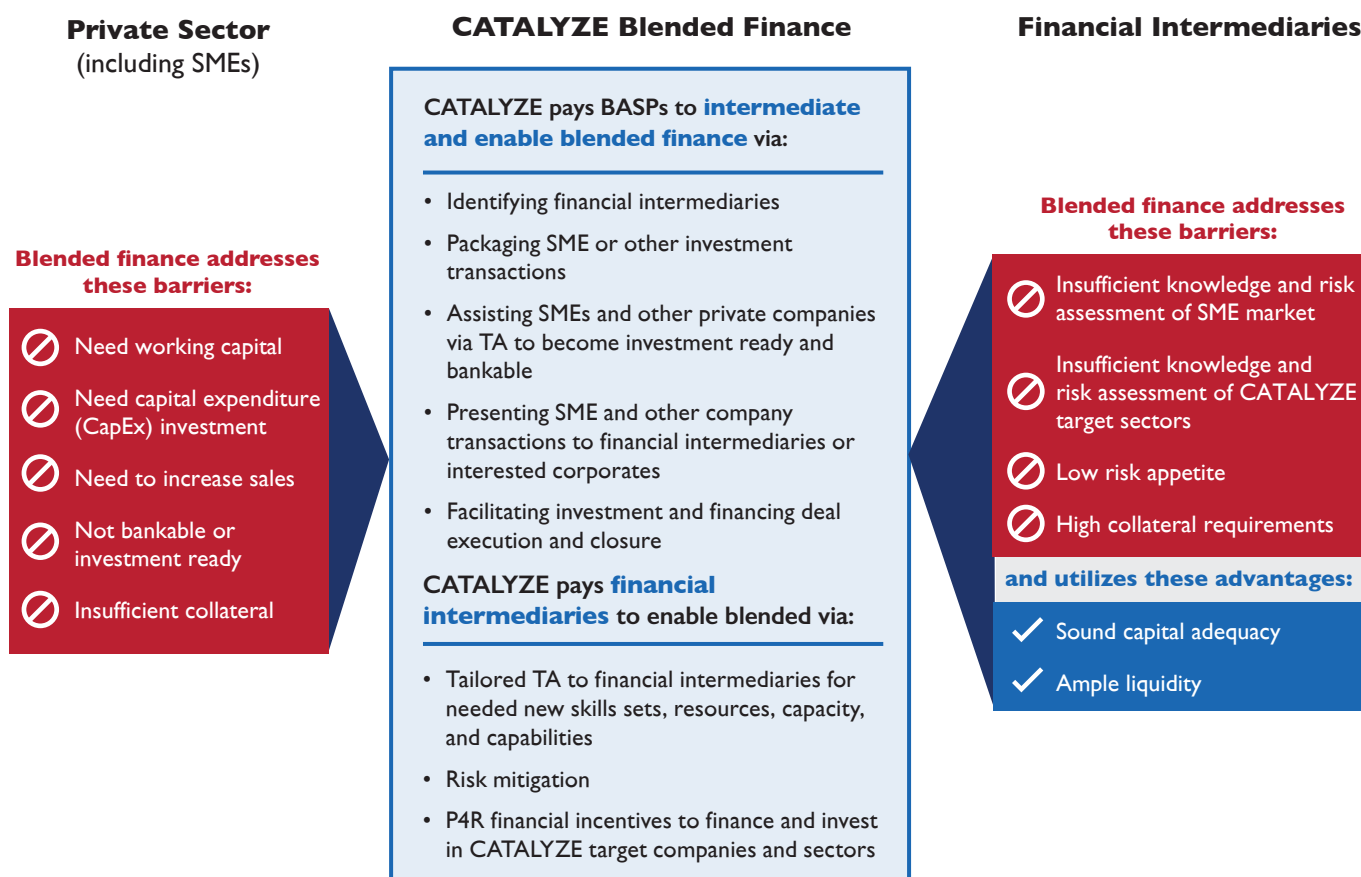
### Blended finance archetype 3: Transaction intermediation and incentivizing investment

When sufficient resources exist and it is deemed appropriate to use a more robust incentive-based approach to motivate new capital mobilization, CATALYZE uses both a supply- and demand-side blended finance mechanism. For instance, CATALYZE may subcontract one or more BASPs to support an SME to prepare a transaction that is investment-ready (demand side). Concurrently, CATALYZE may enter into a grant agreement with a local financial institution to incentivize financing (supply side). This strategy has been used in markets such as Kenya and Ghana where USAID has achieved noteworthy results mobilizing capital at scale in relatively short periods of time.

As in archetypes 1 and 2, similar procurement mechanisms and P4R structures are utilized for this blended finance approach.

Activities in Peru, Sahel and Sri Lanka are using this dual supply- and demand-side incentive approach to incentivize private capital mobilization. CATALYZE intends to monitor and evaluate the overlap between the supply and demand side incentives.

**Figure 7:**  
**ARCHETYPE 3: Transaction intermediation & incentivizing investment**



**Pay for Results (P4R):** Fees paid to BASPs and separately to financial intermediaries based on transaction \$ size.

**Gender:** P4R fees sometimes paid based on if SME is a W-SME (women-owned, led, and managed SMEs).

Source: CATALYZE analysis

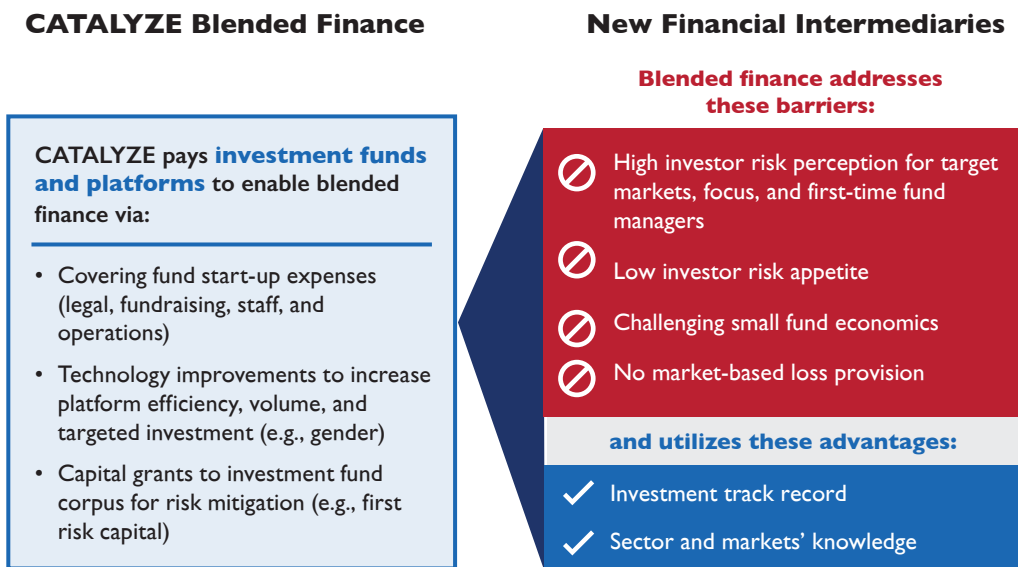
## CATALYZE blended finance archetype 4: Increasing investment via funds and platforms

CATALYZE considers blended finance mechanisms designed with investment funds and platforms a separate archetype because of the unique way that CATALYZE incentivizes them to change investment behavior. With this archetype, CATALYZE supports new and existing funds and innovative lending platforms to significantly expand financing to specific economic sectors, target populations, and geographies. For example, in the Western Balkans, CATALYZE team members are supporting new venture capital and private equity funds launching in the six-country region to cover start-up costs related to fundraising and other expenses. In the WEE activity, CATALYZE is providing capital to two entities: a private equity fund focused on investing via women fund managers and women-owned, managed, and led SMEs (W-SMEs); the other is a crowdfunding debt platform to enable it to scale up on-lending to W-SMEs in several countries.

Activities use a range of procurement mechanisms to support blended finance via this archetype including GUCs, subcontracts, and co-creation processes (some including USAID) that lead to procurement. Payments to investment funds and platforms are similarly conditional upon achieving milestones including fundraising and investing in portfolio companies, among other targets. For WEE grantees, if investment targets are not met, grant funding must be returned.

### Figure 8:

#### ARCHETYPE 4: Increasing investment via funds and platforms



**Pay for Results (P4R):** Fees paid to some funds based on transaction types, \$ transactions, milestones, & deliverables.

**Gender:** P4R fees sometimes paid based on **investing in women-led companies** (women-owned, led, and managed).

Source: CATALYZE analysis

## **Blended finance archetype 5: Digitized traceability, supply chains and platforms**

This CATALYZE blended finance archetype recognizes that digital solutions for data compilation, collection, and aggregation have untapped potential to mobilize capital. Data collection, compilation, and aggregation can be done at scale in partnership with private companies with large numbers of suppliers if the right business models can be identified and supported. This archetype focuses on an emerging asset class of monetized data that requires partnerships among multiple private actors to expand digitalization of transparent data processes, supply chains, and platforms. The value of the data collected can then be monetized by multiple stakeholders, leading to capital mobilization for companies, suppliers, SMEs, financial institutions, technology providers, and others across a range of supply chains.

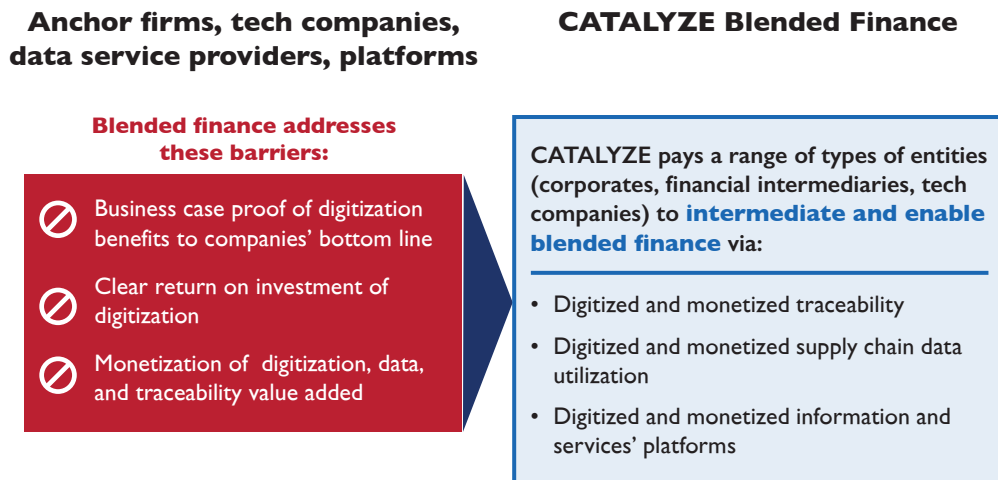
For example, in Peru, the CATALYZE team is supporting blended finance solutions to assist emerging business models that gather and use data collected to assure the transparent production of common crops found in the Amazon region (e.g., cocoa, coffee, sustainable palm oil). CATALYZE Peru is also helping to ensure that the data can be monetized and utilized by suppliers, FIs and other parties. This will support expanded and improved financing of sustainable products from the Amazon, as well as open new markets for suppliers and agricultural technology companies. In some cases, blended finance provides catalytic capital needed for upfront investment in digitization infrastructure that can then lead to monetization. These digital solutions lend themselves to blended finance because the data collected is a “shared digital infrastructure good.” Like the “tragedy of the commons” concept, no single actor is willing to bear the entire cost of harnessing the data, yet it will yield significant new value and capital mobilization at scale among all actors once the data is monetized. The data that will emerge from these systems is of significant monetary value to: 1) companies, since consumers are demanding more transparent production; 2) suppliers, so they can leverage their data to find new buyers willing to pay for transparent production and FIs to invest in their sustainable production; 3) agricultural technology firms so they can use the data to expand their product use among suppliers, and; 4) financial institutions, so they can use the data to risk score and analyze potential borrower risk, and potentially reduce the costs of lending to value chain suppliers.

The Social Protection in Asia activity is considering an adaptation to this blended finance archetype to support the development of digital platforms to expand social protection insurance and informal worker health insurance. Different forms of procurement can be used to incentivize private capital mobilization under this archetype, including GUCs, subcontracts, STTAs, and co-creation with companies that lead to one of these mechanisms. In cases such as Peru, the CATALYZE team is providing direct support to partnerships with private companies.



**Figure 9:**

**ARCHETYPE 5: Digitized data for transparency, supply chains, and platforms**



**Pay for Results (P4R):** Fees paid based on increased transparency, efficiency, and financial flows.

**Gender:** Incorporating gender and gender lens into all aspects of digitization, digital information flows, and users.

Source: CATALYZE analysis

**Blended finance archetype 6: Educational finance transaction intermediation**

This is a CATALYZE blended finance archetype principally due to its sole focus on educational investments which have unique attributes described below. Educational finance (EduFinance) is an emerging asset class. EduFinance blended finance utilizes some of the same intermediation techniques highlighted in archetypes 1-3, with some significant differences. Financial intermediaries can benefit from learning more about the asset class and the educational sector's investment potential, as well as how to assess and underwrite for risk.

EduFinance blended finance, in addition to mobilizing capital, must improve both educational access for low-income students and yield measurable educational outcome improvements. For this reason, BASPs for EduFinance tend to be highly specialized entities that focus on the educational finance sector in a country, region, or globally. This contrasts with most BASPs working with other blended finance archetypes that commonly work across multiple business segments and sectors. EduFinance investments are designed to focus on capital mobilization as well as educational quality outcome measures.

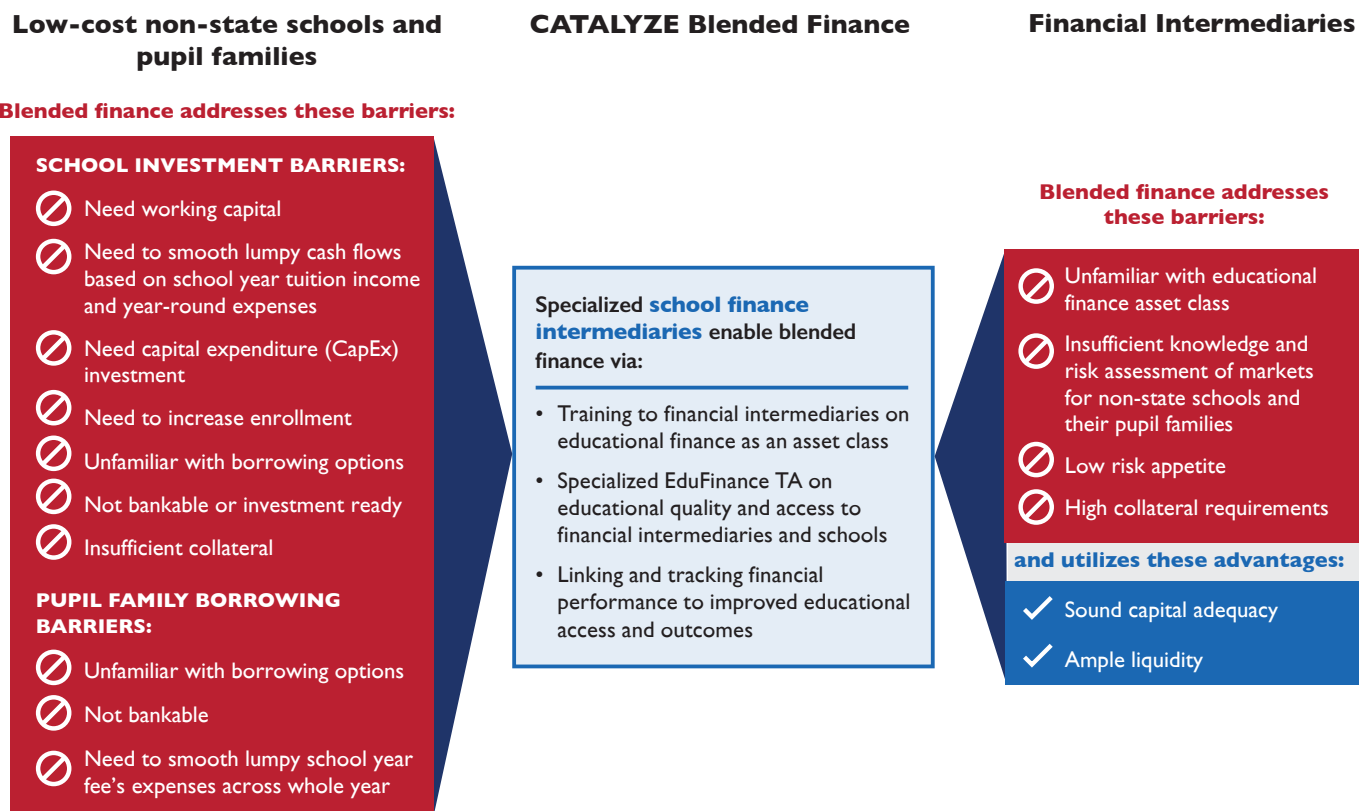
EduFinance is one of the few activities that is also working with family borrowers, rather than solely micro, small, medium or large enterprises, using both a B2C (business to consumer) market approach and a B2B (business to business) model. This is because EduFinance, in some cases, supports financing for students' families, including school fee loans, or loans that stabilize a family's cash flow during months when school fees are and are not due.

The EduFinance activity is also working with innovative blended finance structures such as the Income Sharing Agreement (ISA) in Rwanda, where loans are issued to youth to pay for bachelor degrees,

vocational and training programs, as well as short courses such as tech boot camps. The borrower then repays the loan over time as a function of their income earned using the training received.

**Figure 10:**

**ARCHETYPE 6: Educational finance transaction intermediation**



## CHALLENGES AND SOLUTIONS

CATALYZE teams encountered numerous operational, technical, and external challenges this year that required creative mitigation strategies. These are organized by thematic area in Table 2.

**Table 2: Challenges and solutions from CATALYZE year 2 implementation**

Challenges	Solutions
<p><b>Onboarding BASPs</b></p> <p>It takes time to attract and onboard BASPs in markets where performance-based payments for transaction facilitation or other business outcomes is uncommon. In Ethiopia and Peru, BASPs were more comfortable with payment for services delivered than with payment upon achieving results. EoG also experienced challenges introducing the P4R approach to new BASPs. This has resulted in lower than anticipated numbers of qualified BASPs applying through open solicitations, resulting in slower uptake of the methodology than anticipated.</p>	<p>CATALYZE activities uniformly adapted to socialize BASPs to P4R before and after RFP releases, with ongoing dialogue on the process and terms, and example scenarios to help them understand the risks and rewards of P4R contracts. Activity teams have arranged for BASP orientation and training in Ethiopia MS4G and the Sahel accordingly, and Peru has increased its upfront orientation activities for BASPs.</p> <p>MS4G is also supporting BASPs to rethink how they approach service delivery, in terms of ensuring “paid for” results, cost-sharing with clients and ensuring their own cash flow. Payment models were adapted to the state of the BAS (Business Advisory Service) market, with hybrid payment arrangements for services provided and outcomes achieved.</p> <p>MS4G is also fostering peer learning exchanges across partners while providing project and STTAs-delivered capacity building to help BASPs refine and enhance business models, value of services, and client outcomes.</p> <p>Engines of Growth is socializing the “demand-side” for BAS, using personal relationships and informal communications methods to educate SMEs about the P4R approach and provide space for them to ask questions and raise concerns.</p>
<p><b>Developing investee pipeline</b></p> <p>Client identification (pipeline development) is a challenge for BASPs in places where the market for BAS is less developed. In Ethiopia, MS4G structured their open solicitation for BASPs to require applicants to identify a minimum number of client firms prior to applying, which created delays in the procurement process. BASPs in Ethiopia have faced additional difficulty identifying enterprises that are women-, or youth-owned, or are in priority geographies. Sri Lanka is similarly anticipating small numbers of finance-ready, women-led businesses in target supply chains.</p> <p>In Edufinance, consultative co-creation processes have led to identifying investees that can achieve desired educational results, but the investees are not always what FIs would consider finance-ready.</p>	<p>Activity teams are playing more proactive roles in pipeline identification to “prime the pump” for BASPs and FIs to identify new clients. MS4G and Sri Lanka are working to actively identify women- owned firms and match them to BASPs. Business associations, for example those that support women entrepreneurs, will also be leveraged as an access point to identify new SMEs. MS4G is also tasking its staff to use their market understanding and connections to expand pipelines for capital mobilization activities. Peru developed an initial pipeline of over \$200 million in deals for BASP consideration.</p> <p>To widen the pool of potential BASP partners, activity teams have sought ways to simplify BASP procurement processes, and to screen and select BASPs based on their qualifications and likelihood of delivering results. over those with access to existing pipelines. MS4G is also seeking rolling procurements to onboard new BASPs over time and prevent procurement backlogs that develop when hiring many at once.</p> <p>Edufinance and USAID agreed to designate sectors of interest “priority sectors” when 50 percent of all finance mobilized under the activity would be targeted towards non-state education providers. This is with the understanding that the activity will also serve other low-income learners and bring new overall investment into non-state education.</p>

Challenges	Solutions
<p><b>Structuring P4R sub-awards</b></p> <p>P4R awards can be an excellent tool for aligning incentives among actors and ensuring value for money for US government resources. However, P4R awards often predicate payment on achieving a milestone. Subcontractors and grantees often lack adequate resources to invest in required capital expenses prior to undertaking new work, especially in new markets. This is a common challenge cited by service providers on performance-based agreements.</p>	<p>Peru sought more flexible payment terms for BASPs to recognize the need for healthier upfront payments to reward client onboarding. MS4G and Sahel activities structured BASP P4R payments differently based on the complexity of BASP services provided. The WEE activity developed another solution to this challenge by providing capital upfront to a grantee then ensuring payment for results at the back end by integrating a “clawback” mechanism into the award. This means the grantee must repay the full amount of the award if it does not meet its financing targets.</p>
<p><b>Onboarding FIs</b></p> <p>Recruiting FIs to partner with activities on a P4R basis has been harder than anticipated. In both Peru and the Sahel, misconceptions around P4R and procurement procedures led to a small number of applications submitted from FIs recruited to join the CATALYZE FI network. Peru and EoG are finding it challenging to convince commercial banks to collaborate on CATALYZE. These FIs see significant risk and opportunity costs to investing in the target sectors, geographies and size of firms being considered.</p>	<p>CATALYZE teams are holding more one-on-one, upfront meetings with FIs to socialize the P4R concept. In-person meetings are most helpful, a tactic the Ethiopia, Peru and Sri Lanka teams are also pursuing. The new standard is to hold multiple engagements with FIs prior to releasing competitive solicitations to explain the mechanics and benefits of participation.</p> <p>The Sahel conducted follow-up visits to priority partners, and, upon the third or fourth explanation of the P4R mechanism, four out of five FIs expressed enthusiastic interest in joining the network.</p> <p>CATALYZE Peru is also considering shifting the structure of incentives in their FI grants program to make them more attractive to FIs by pegging incentive payments to a flat fee for all financing released.</p> <p>EoG and Peru will also pursue a communications strategy to entice FIs to lend more to SMEs by demonstrating, with data, how other FIs are “outcompeting” them in this space.</p>

Challenges	Solutions
<p><b>FI capacity building</b></p> <p>Activities that are incentivizing FIs to lend and invest have found that complementary technical assistance to FIs will be important for generating results and driving FI behavior change. The Sahel has found that providing financial incentives alone will be insufficient; FIs will require network building and support in accessing other resources, including guarantee funds, lines of credit, training, and technical assistance.</p> <p>The pandemic has placed increased demands on FIs for their time and energies, making it challenging for them to dedicate time to technical assistance programs. The WEE activity has struggled to recruit FI partners to conduct gender diagnostics and develop and operationalize gender-lens financing strategies due to competing priorities (e.g., restructuring their loan portfolios and applying for stimulus resources).</p>	<p>Activities with a “supply-side orientation” focused on incentivizing expanded FI lending and investment that do not have a technical assistance or training component are identifying other resources available in the market and supporting uptake of these. The Sahel team is working closely with other USAID implementing partners to organize effective collaboration meetings, workshops, and conferences. To complement these exchanges, future activities will also focus on regular strategic communications through email blasts and newsletters to keep the Sahel F4R network of partners up to date on progress and on opportunities to leverage other resources to boost financing activities.</p> <p>Edufinance adjusted to provide tailored, technical assistance to international FIs so they can accurately determine risk of non-state education providers and develop suitable products for each context.</p> <p>MS4G has found that Ethiopian FIs are asked to invest 2 percent of FI profits in training, which the program is seeking to leverage to provide training for FIs to enter sectors of interest for this activity.</p> <p>WEE technical assistance programs will be structured to adapt to the needs of the FI partner. The strategy to serve women-owned businesses has been tailored to FIs less as a moral imperative than a business proposition. To “hook” new FI partners, CATALYZE will also develop a strategic communications plan over year 3 to make the case to FIs that financing women is simply good business.</p> <p>CATALYZE teams are also seeking ways to collaborate with other implementing partners to streamline FI technical assistance to minimize FI partners’ time commitments.</p>
<p><b>COVID-19 challenges</b></p> <p>Across the board, CATALYZE activities have found that COVID-19 has led to heightened investor and financial institution risk aversion. In the Western Balkans, for instance, Engines of Growth found that COVID-19 has exacerbated an existing dynamic, with FIs reluctant to provide financial products and services to vulnerable SMEs, as they do not need to support this market segment to remain profitable. Some FIs struggling with liquidity issues due to the pandemic have become even more averse to lending to underserved sectors than they were before the pandemic.</p>	<p>To mitigate investor risk aversion, EduFinance is identifying in-country investors to partner with international counterparts.</p> <p>Peru is similarly evaluating the specific needs of international FIs and pairing them with BASPs who can identify deal pipelines aligned with their investment criteria, thereby reducing sourcing and due diligence costs.</p> <p>Activities are also helping FIs better understand and mitigate risk. For example, EduFinance is providing tailored technical assistance to FIs to give them the tools to accurately determine the creditworthiness of low-cost, non-state education providers and design products suitable for each unique context.</p> <p>EoG is seeking alternative forms of capital for SMEs outside of traditional actors (e.g., Fintechs, factoring entities, other SMEs with cash on hand) to provide disruptive products and services with high capital mobilization potential for SMEs.</p> <p>Peru is similarly targeting Fintechs and is working with a BASP to pilot factoring services through an international FI, which will allow for quicker mobilization through the sale of accounts receivable/ invoices.</p>

Challenges	Solutions
<p>COVID-19 has impacted the competitiveness of sectors supported through CATALYZE, requiring adaptations in delivery models. In the Western Balkans, SMEs were hit particularly hard and struggled to survive during lockdowns and economic slowdowns.</p> <p>PSD similarly observed that the need among Sri Lankan SMEs was less for incentives or support to adapt business to the realities of COVID-19, and more for direct relief to simply survive and “keep the lights on” until the economic slowdown receded.</p> <p>In Peru, the activity found that SMEs are more interested in loan restructuring and obtaining financing with more attractive terms (such as lower interest rates), than support in structuring higher value transactions.</p> <p>The pandemic resulted in lengthy school closures and disruptions, necessitating adaptations to EduFinance’s approach.</p>	<p>Several CATALYZE activities are refining their delivery models to address the realities faced by enterprises trying to weather the economic crisis.</p> <p>Sri Lanka has developed a more stimulus-type grant program to meet the challenges facing SMEs in that market.</p> <p>EoG continued supporting FIs and SMEs to facilitate capital mobilization and stepped in to support SMEs negatively impacted by the pandemic to ensure their survival and growth.</p> <p>Peru is ensuring that FIs are aware of what constitutes “private capital mobilized”, including restructured financing and improved terms.</p> <p>EduFinance supported the use of a crisis response toolkit for affected schools in Zambia that used innovative methods to help students keep learning and allow schools to stay open even when in-person learning was impossible. EduFinance stands ready to apply similar techniques in new countries, including the Democratic Republic of the Congo, Rwanda, South Africa, and Tanzania as schools reopen and resume vetting and enrollment.</p>
<p>COVID-19 caused operational challenges for many activities, disrupting travel, delaying start-up operations and hiring and making it difficult to engage with partners and beneficiaries in the field. CATALYZE staff and partners alike had to adjust to virtual meetings as the normal way of doing business. For example, EoG found that virtual communications created barriers to deepening relationships with partners and SMEs, many of whom were reluctant to share concerns, personal or business-related information via email or in virtual meetings.</p> <p>These challenges are even greater in remote areas with limited connectivity. The Sahel found that limited in-person movement, poor connectivity, and limited access to computers in remote areas hindered access to and transfer of information, which impacted the recruitment of partners and beneficiaries. Not all Sahel organizations had the capability to download large RFP/RFA documents or submit them via email.</p>	<p>EoG moved to an all-virtual workforce, which initially presented operational challenges and slowed down administrative processes and activity design. But through increased exposure to the broader activity, increased email traffic with more recipients in copy, and virtual meetings spanning different time zones, this also led to more inclusive communications among team members located in different countries.</p> <p>EoG began to open formal (email, virtual meetings) and informal communication channels between the field team and local partners, who were not always comfortable speaking about financial concerns via formal channels or in large groups. EoG also began to rely more on popular messaging and calling applications in the Western Balkans, including Whatsapp and Viber, for instant communication, allowing partners to speak more openly.</p> <p>The Sahel activity team adjusted to the reality of COVID-19 and their target markets by providing more proactive and open support to bidders, before, during and throughout procurement processes. Sahel also moved to engage current and potential partners through WhatsApp groups and established contact with new, potential partners via other USAID implementing partners.</p>

Challenges	Solutions
<p><b>Conflict in Northern Ethiopia</b></p> <p>The conflict in Northern Ethiopia has resulted in security and communications challenges which have limited MS4G’s ability to operate in the region. MS4G originally expected to open multiple regional offices, including in Northern Ethiopia.</p>	<p>Due to the conflict, MS4G has put the establishment of regional offices temporarily on hold. MS4G finalized procurement to assess market conditions (with remote data collection) to better understand conditions for business in Northern Ethiopia. As well, the assessment would identify potential enterprise support approaches that MS4G could pursue when the security and political situation improves, either through partners in the region or those able to operate there.</p>

## LESSONS LEARNED

CATALYZE is, at its core, a behavior change program targeting thousands of actors across the globe to use U.S. government resources to innovate in blended finance solutions. Implementing behavior change at scale and simultaneously across numerous activities within the CATALYZE portfolio requires continuous learning among implementers and within USAID so that successful solutions can be rolled out at greater scale. Specifically, USAID and its field missions are meant to learn how to design and oversee blended finance solutions.

CATALYZE is designed to begin learning as soon as new activities are designed, to capture lessons that can inform existing and future program design and implementation, and answer the two, principal learning questions of CATALYZE over the life of the project (LOP):

1. What are the barriers to uptake of blended finance in the private sector?
2. What configuration of tools, strategies, solutions, or implementation approaches has been the most effective in advancing USAID CATALYZE objectives in each context?

Over year 2, CATALYZE's work on learning focused on two aspects: i) Putting systems and procedures in place to answer these principal learning questions, and ii) Capturing learning from the activity program design and implementation experiences via in-house learning sessions.

### Developing and operationalizing systems and procedures to capture learning included:

- Developing AMELPs across the CATALYZE portfolio, which included finalizing learning agendas for each activity. This required contextualizing CATALYZE overarching learning questions for each context and operationalizing these in collaboration with mission counterparts and where necessary, IPs. CATALYZE teams learned a great deal about AMELP development during this process, which has been codified into a Learning Brief and included as Annex 6 to this report, and summarized here:
- **Have a designated MEL partner to streamline the process:** Each CATALYZE Activity contributes a set percentage of funding to the core services (MEL, knowledge management and communications), which is used to support the initial development of AMELPs. Having Moonshot Global as a designated partner saved time and resources, rather than having an entire in-house MEL team that is not fully utilized or having to identify ad hoc support for each Activity.
- **Clarify activity scope early in the process:** While the AMELP process can help inform project design, it is best for activity to first have a clear understanding of their budget, core activities, and a sense of the objectives they hope to achieve. Once USAID signs off expectations, the AMELP process can help refine the design and articulate the activity's vision of success. CATALYZE initially had a deadline to submit Activity AMELPs by the end of 2020 to unlock performance payments, resulting in an initial urgency for teams to start working with the MEL team before many of them had finalized their Performance Work Statements (PWSs). However, the timeline was ultimately shifted, giving more time to teams to complete the PWS and then prioritize finalizing the AMELPs. This shift in the deadlines resulted in additional work by the MEL team to re-engage Activity teams a second or third time as new versions of PWSs and/or work plans were made available. This shift in the deadlines resulted in additional work by the MEL team to reengage Activity teams a second or third time as new versions of PWSs and/or work plans were made available.



- **Align where it makes sense but allow room for customization:** The MEL team ensured alignment with the topline indicators and priority learning questions and selected a few key indicators that made sense to aggregate across AMELPs. However, leaving room for customization of key performance indicators (KPIs) at the activity level was beneficial since this is an innovative, learning project. It is also important for activities to revisit indicators once implementing partners are on board to ensure harmonization across all entities involved in the Activity.
- **Allocate resources for implementing MEL:** It is considered best practice for USAID activities to allocate around 10 percent of budgets to the implementation of the AMELP. Setting aside this budget upfront is essential to ensuring that adequate resources will be available to implement the MEL activities. Through the AMELP development process it became clear that Activity teams would need to rework their own implementation budgets to ensure adequate budgeting for implementation of the AMELPs.
- **Establish clear, simple work plans to set expectations and guide collaboration:** The design process may deviate from this initial plan but developing and updating a clear and simple AMELP work plan regularly after weekly meetings will enable teams to remain aligned on deadlines and deliverables, especially when it comes time to engage the client in providing feedback. Adherence to the plan can help ensure that level of effort is well managed during start up, when there are often competing priorities for Activity teams.
- **Consult technical experts to promote shared learning:** For example, CATALYZE's Gender Specialist tested assumptions about the relevance of KPIs related to gender roles in Ethiopia and when and how data disaggregation adds value rather than serving just as a means of checking boxes. USAID's Market Systems Specialists were able to share existing resources for Market Systems measurement frameworks and lessons learned from other USAID activities testing different approaches. They also informed the timeline for expecting results which helped shape the establishment of realistic targets.
- **Create room for adaptive management:** It is critical to any learning project to build in intentional points for revising AMELPs, reflect on implementation, devise effective interventions and pivot away from what isn't working.
- **Plan for stakeholder management:** With larger activities, there are often many stakeholders involved in approval processes, multiple funding sources, etc., making managing and integrating feedback more time intensive. Creating numerous opportunities for engagement (e.g., document contributions, group discussions, and one-on-one consultations) can help surface feedback and ensure voices are heard. Returning to the idea of a work plan, setting hard deadlines for review and feedback can also help filter and prioritize feedback and ensure the process does not extend beyond the proposed time frame.
- **Mix platforms to maximize virtual collaboration:** All the CATALYZE AMELPs were developed virtually due to COVID-19. In-person workshopping and iteration can save time and cut down on endless emails and track changes. However, virtual collaboration enables engagement with partners around the world, promotes asynchronous collaboration, and cuts down on travel

costs inherent even with meetings in the same city. Exploring different tools (e.g., Miro, Google Docs, Zoom and Microsoft Teams, survey tools, and more) can help maximize the remote experience and cater interactions to drive towards specific objectives.

- Developing and piloting a draft CATALYZE CLA Strategy, which is included in Annex 4 of this report and described earlier in this report. CATALYZE teams learned a great deal through piloting the CLA strategy, included in more detail in the CLA Strategy, but also summarized here:
  - The Strategy development involved conducting a baseline self-assessment that allowed activities a scale of 1-5 on five dimensions of CLA comparing these to USAID’s Maturity Matrix self-assessment ratings, all the activities could be characterized as being in what USAID describes as the emergent/expanding category of CLA maturity. The CLA self-assessment suggested:
    - Activities already had some knowledge of CLA and processes in place but there were many opportunities for the introduction of additional processes, and, crucially, a desire on behalf of the activities to more systematically structure their CLA.
    - The differences in scores among activities in some categories demonstrated that activities could learn from each other in harnessing CLA processes to their advantage. Activity teams highlighted a need for improved leadership around CATALYZE CLA and pointed out that networking and collaborating is more internal and ad hoc than structured and systematic.
  - The self-assessments helped identify and design pilots for four activities (Peru, Sahel, Balkans, and EduFinance) to assist them in achieving ‘quick wins’ and progressing their level of maturity across CLA competences. This self-assessment survey will be repeated annually to assess progress and remain aware of any gaps.
  - Use of this participatory approach helped teams establish ownership at the activity level for CLA. This process echoes USAID’s approach to help missions (in this case, CATALYZE activities) think more deliberately about how to plan for and implement CLA approaches that fit their context and assist them in achieving their development objectives.
- Developing tools to aid capturing learning such as the Activity Reflection Guide as part of AMELPs, and a ‘How-to-Guide’ to conduct Pause and Reflect session and training teams on how to use these tools. Initial learning from this work includes:
  - Developing tools and guidance on how to apply these tools doesn’t guarantee their appropriate use. Training and using ‘learning by doing’ approaches allow room for customizing tools for respective context and helps ensure ownership of the process and outcome.

## Conducting in-house learning sessions

As a first step in promoting behavior change, CATALYZE staff and key implementers needed to become oriented on USAID perspectives, and Palladium and other implementer experiences to adequately design and put in place P4R or capital mobilization strategies. To accomplish this, CATALYZE held 11 learn and review sessions over year 2 that provided home office and field teams opportunities to share experiences and learn from the best practices on a range of topics, as described in Table 3. The summaries of these sessions will be available as part of the learning toolkit for CATALYZE, and available to USAID and other implementers.

**Table 3: CATALYZE learn and review sessions held in year 2**

Date	Topic	Title	Description	Presenter/ Speaker/ Moderator
7/16/2021	Financial Institution Incentives	Financial Institution Incentives	Reviewed financial institution incentive schedules through a panel/round-table discussion with team members from the USAID FinGAP (Ghana) and USAID Kenya Investment Mechanism (KIM). Discussion focused on FI perceptions of P4R, structuring tips, evolution of incentive design on projects, sample deliverable schedules and structures, P4R and risk mitigation, impact.	Amanda Fernandez, Chief of Party/Team Lead, CATALYZE
6/11/2021	Best Practices in Pay for Results Programming	Best Practices in BAS Pay for Results Awards	Guest panelists were brought in from the Kenya Investment Mechanism (KIM) and the Feed the Future Mobilizing Finance for Agriculture (MFA) program in Ghana to participate in a moderated discussion to answer targeted questions from implementers on how to design BAS subawards. Covered basic concepts, contracting, incentives and risk management.	Amanda Fernandez, Chief of Party/Team Lead, CATALYZE
2/5/2021	Alignment of CATALYZE with USAID Policy	Private Sector Engagement Hub Strategy for 2021-2024	Presentation and facilitated discussion of the Private Sector Engagement Hub (PSE Hub) strategy for 2021-2024, the Hub's vision to transform how USAID delivers development results, and CATALYZE's role within this strategy.	Steve Shira, USAID, CATALYZE COR
1/29/2021	Best Practices in Market Assessments and Pay for Results Programming	Open Capital Advisors (OCA) on learnings from the CATALYZE Sahel assessment and building capacity through local advisors	Presentation and facilitated discussion introducing OCA to CATALYZE, review of scope of collaboration with CATALYZE, key learnings to date, expected future activities, questions and answers.	Open Capital Advisors
1/15/2021	Internal performance assessment	Lessons and insights from program implementation	Presentation and facilitated discussion involving CATALYZE team members on learning via implementation and the challenges of implementing blended finance programs during a global pandemic.	Roland Pearson, Chief of Party/Team Lead, CATALYZE

<b>Date</b>	<b>Topic</b>	<b>Title</b>	<b>Description</b>	<b>Presenter/ Speaker/ Moderator</b>
1/8/2021	Blended Finance	Leveraging Private Capital for Development Outcomes	Review of outcomes from the first year of implementation, methodology for determining ratios for sectors and geographies, identifying opportunities, growing a pipeline and closing deals.	Lauren Rawlings, Katy Vickland, Amit Brar
12/11/2020	Measuring Impact with Digital Technology	Lean Data for Impact Measurement by 60 Decibels	Presentation and facilitated discussion on how 60 Decibels evolved its service, the problem it was designed to solve, how data is human-centered, applications of the tool in different contexts, outcomes measured through lean data, examples, sample outputs/data reports/outcomes.	60 Decibels
12/4/2020	CPAF	What is a CPAF contract and how do you go about calculating award fee pools, setting criteria and how are evaluations conducted	Presentation explaining a CPAF and how it applies specifically to CATALYZE activities. Walkthrough of methodology developed specifically for CATALYZE activities including the inputs, indicators, and fee schedule.	Anne Szender, Deputy Chief of Party, CATALYZE
11/20/2020	Best Practices in Pay for Results Programming	KIM: Evolution of design, context, lessons learned, success factors	Presentation and facilitated discussion covering Kenya country context prior to intervention, what specific problem the program was designed to solve, project basics, P4R operating model, results, value created, success factors, team profiles.	Amanda Fernandez, Director, Economic Growth, Palladium
10/30/2020	Best Practices in Pay for Results Programming	FinGAP: Evolution of design, context, lessons learned, success factors	Presentation and facilitated discussion covering Ghana country context prior to intervention, what specific problem the program was designed to solve, project basics, P4R operating model, results, value created, success factors, team profiles.	Amanda Fernandez, Director, Economic Growth, Palladium
10/2/2020	Internal performance assessment	Key Lessons Learned and Insights from year 1	Conversation on the key lesson learned/insight from this first year of implementation of CATALYZE. Through a roundtable discussion, the CATALYZE team refined the set of learnings to highlight in the year 1 annual report. Key insights focused on 4 main 'themes': building a diverse portfolio; co-creation/co-design; pushing boundaries; and building resilience.	Roland Pearson, Chief of Party/ Team Lead, CATALYZE and Anne Szender, Deputy Chief of Party, CATALYZE

## Capturing learning from activity program design

Additionally, the activity teams conducted in-house reflection / pause and reflect sessions to take stock of learning in deploying blended finance (BF) models in different contexts, including P4R approaches and capital mobilization strategies. Table 4 summarizes the learning on these issues:

**Table 4: Learning from activity program design, pay-for-results (P4R) R and capital mobilization approaches**

<b>Asia Social Protection</b>
<p><b>Learning from deploying P4R approaches</b></p> <ul style="list-style-type: none"><li>• Solutions that incorporate P4R and incentives to support expanded social protection will need to be clear about which parties the incentives are benefitting and what behavior change they are motivating.</li><li>• USAID missions involved in social protection themes are largely unfamiliar with P4R approaches. The activity team will need to build in time and resources up-front to engage with, educate and in some cases train market actors (partners, Missions, private companies, beneficiaries) to adapt P4R to new sectors and markets.</li></ul>
<p><b>Learning from capital mobilization strategies</b></p> <ul style="list-style-type: none"><li>• Technology and digital finance solutions alone will be insufficient to support the achievement of blended finance results.</li><li>• Human centered design that incorporates behavior patterns and cultural norms must be key features in any solution design. Key informant interviews will be essential to activity design, with multiple touchpoints, which is challenging now given the travel restrictions still in place in certain markets.</li></ul>
<b>EduFinance</b>
<p><b>Learning from deploying P4R approaches</b></p> <ul style="list-style-type: none"><li>• Introducing results-based, blended finance approaches into new markets and in the case of EduFinance new sectors required significant time and resources up-front to build trust.</li><li>• P4R should be complemented with pipeline development. Teams should consider helping investors develop a pipeline of investments to make them more comfortable investing in new sectors.</li><li>• Award and recognition incentives can be used to initiate behavior change among investors and entrepreneurs. This process should be intentional, innovative, and well-documented.</li></ul>
<p><b>Learning from capital mobilization strategies</b></p> <ul style="list-style-type: none"><li>• Structuring investors into consortiums with a local lead may be an effective risk reduction strategy for wary investors, especially international ones.</li><li>• Larger investors often have multiple structures through which they can invest, allowing them to sometimes be more flexible in terms of investing in new sectors outside of the traditional financing space.</li><li>• When speaking with investors, teams should use business terminology and less development jargon, making it more “real” and relatable for the FIs.</li><li>• Teams should seek to partner with investors whose investment regulations are clear and well-developed in the country’s legal framework.</li><li>• In South Africa, peer-to-peer learning in small markets can be valuable as the investors (FIs) tend to mimic each other. This approach can be used to motivate specific behaviors.</li></ul>

## Ethiopia – MS4G

### Learning from deploying P4R approaches

- Putting in place pay-for-results (P4R) instruments to achieve a range of behavior changes (e.g., enterprise sales, capital mobilized, jobs placed, and possibly digital transformation) is a new concept in the Ethiopian environment. Projects need to build in time and resources up-front to engage with, educate and train market actors (partners, vendors, BASPs) to adapt P4R to a new market.
- The ecosystem of partners in MS4G program areas involves a large variation in capabilities, both in terms of the quality of services and the ability to deliver results at scale. Even as MS4G engages well established partners, its mandate as a market system program is also to engage new partners and promote new ways of delivering services and doing business. As a result, MS4G must provide partners with capacity building and support, even as MS4G engages them in partnerships and on P4R contracts to deliver results on time and within budget. Peer learning is another strategy MS4G will deploy to expand the value of their services to the broader ecosystem.
- Building and leveraging relationships with business associations focusing on women entrepreneurs and with networks promoting skill development and youth employment could be effective strategies in broadening the beneficiary base (pipeline) for programs like MS4G.
- MS4G has found that P4R can be useful to spur a mentality shift of workforce development providers from just providing skills training to also supporting job placements.

### Learning from capital mobilization strategies

- Direct service provision by MS4G to support foreign direct investment transactions has been a useful strategy in the current environment. This requires team members with specialized skills.
- MS4G leverages the full capabilities of the U.S. government in supporting capital mobilization at scale, providing key, coordination support to the Prosper Africa Deal Team.

## Peru

### Learning from deploying P4R approaches

- Putting in place pay-for-results (P4R) instruments to motivate BASP and FI behavior change has been challenging given the newness of these approaches to the Amazon environment. The project team has had to spend a great deal of time educating actors before engaging them on P4R.
- Commercial banks have demonstrated little interest in participating in the P4R incentive program. The team is investigating innovative payment approaches to FIs to potentially “hook” some bank partners.
- Given the tough economic environment, SMEs are as interested in restructuring of financing (e.g., interest rates, terms, etc.) as in obtaining new amounts of financing. CATALYZE Peru has adjusted their definition of “new capital” to align with this reality.

### Learning from capital mobilization strategies

- The emerging technology component is an innovative component that is supporting a new body of work. Neither CATALYZE nor USAID have invested in anything similar in Peru, so taking the time to build a shared understanding, vocabulary and implementation strategy with defined roles will be important.

## Sahel

### Learning from deploying P4R approaches

- Repeated, prolonged engagement is required to move from awareness to understanding in the application of P4R approaches. Multiple “touchpoints” have been required, especially among FIs, to find willing partners to accept incentives to motivate expanded financing.
- Financial incentives are deemed insufficient to motivate significant BAS or FI behavior changes without complementary capacity building activities. Expanded communications can support stakeholders to participate in learning exchanges and access tools and information to assist their ability to achieve financing targets.

### Learning from capital mobilization strategies

- Poor internet connectivity and limited access to computers for small organizations in remote locations negatively affects the transfer of information to these actors, a situation that is heightened during travel bans. Shifting communications to mobile phones via apps such as WhatsApp and engaging implementing partners in the region has been helpful to bridge the technology and travel gap.

## Sri Lanka PSD

### Learning from deploying P4R approaches

- Previous BASP programs in the country have not led to impressive results or quality improvements of BASP services. There is a great deal of skepticism of whether a program like CATALYZE can work in the Sri Lankan environment. The team has adapted its approach to include more direct services to SMEs and to also roll-out pilot P4R programs that can be quickly evaluated to determine whether they can be scaled.
- The PSD team and USAID have held prolonged, co-creation discussions and deliberations on P4R approaches to be piloted in Sri Lanka, the applicability of these to the Sri Lankan environment, and how applying these solutions can be consistent with locally led development. Ultimately, the parties agreed that locally led solutions can be consistent with piloting new approaches that have been successful elsewhere, but sufficient training and orientation must be built in to ensure successful interventions.

### Learning from capital mobilization strategies

- Funding Opportunity Notices that were designed to “open ended” to encourage innovation did not provide sufficient structure for applicants to understand the offer, or to develop high quality submissions. The PSD team had to restructure its grant application processes to provide more structure and clearer criteria. The team also reduced the time it dedicated to co-design with potential SME applicants to speed up grant awards.

## WEE

### Learning from deploying P4R approaches

- Negotiating the P4R capital grants proved to be a lengthy process, as sub-awardees are new USAID partners and were unaware of USAID’s definition for women-owned enterprises. Rather, sub-awardees had developed their own approaches and methodologies around other commonly accepted definitions for women-owned enterprises (e.g., 2X criteria; IFCs’ definition). These actors needed time to re-visit their approaches and targets to align with USAID’s expectations, which led to a months-long contract negotiation.
- In designing the P4R capital grants, the CATALYZE team had to adapt its approach to more of an investor in an SME than a USAID implementing partner making a grant to a private entity. Involving team members in this negotiation that have served on investor committees was important to establishing a shared vocabulary and reaching a shared understanding of how the “clawback mechanism” would work.

### Learning from capital mobilization strategies

- There was no commonly agreed upon definition across WEE sub-awardees of what constitutes a “women-led fund”, so CATALYZE and one of its sub-awardees developed one. This definition should be reviewed and market-tested to see if it can be further refined and used more broadly across USAID.

## Western Balkans – EOG

### Learning from deploying P4R approaches

- Activities need to build in time and resources up-front to educate new markets about the P4R approach since the concepts are so innovative. The nurturing of personal relationships and use of informal communication methods are also valuable tools to educate SMEs about the P4R approach and provide a safe space for them to ask questions and raise concerns.
- Working through BASPs on P4R sub-awards so they serve as a liaison/facilitator between the banks and SMEs has been an effective approach to minimizing risk for the banks.
- Financial literacy training for SMEs goes hand in hand with capital mobilization efforts. BASPs on P4R contracts are largely providing these under the EoG model.
- CATALYZE EoG is a FI behavior change project, which requires time. Five years may be insufficient to deploy P4R approaches to achieve the level of sustainable change sought across FIs in six countries.

### Learning from capital mobilization strategies

- Focusing only on traditional FIs excludes many other potential sources of capital and may obscure the emergence of other disruptive products and services from non-traditional FIs and alternative sources of capital with high capital mobilization potential for SMEs. Activities should be looking at a range of FI partners, including private equity funds, capital markets, factoring entities, Fintechs and other businesses with capital on hand.
- Framing the work with SMEs as giving FIs an edge over their competitors is another way to incentivize reluctant financial institutions to work with vulnerable SMEs. Word of mouth to communicate success stories of non-traditional FIs working with SMEs has been an effective way to “sell” working with SMEs to the banks in the Western Balkans.



## COVID-19 REFLECTIONS

The COVID-19 pandemic had far-reaching impacts on the global economy, from pushing millions of vulnerable people into extreme poverty to widening income equality. The past year has been challenging for all CATALYZE team members and countries. The pandemic has without a doubt impacted the CATALYZE team's ability to effectively deliver on its activities and the team had to rethink its technical focus in a variety of ways. Impacts of the pandemic also mirror broader, global trends with more economically and technologically vulnerable countries, sectors, supply chains and workforces suffering more than those in more developed countries, and in some cases, widening already troublesome and persistent development gaps.

### Management impacts

In addition to navigating the health impacts for team members and their families, the pandemic significantly limited the pace of setting up CATALYZE field offices. In a global program which hired and onboarded hundreds of new staff at the same time, working in an entirely virtual environment impacted the speed at which professional relationships could be developed and nurtured. These are required to build teams capable of putting in place innovative, behavior-change programs, where learning is required at the CATALYZE and client levels (USAID), and with external stakeholders. In many countries, poor internet connections (e.g. Sri Lanka, Ethiopia) exacerbated difficulties of communication and relationship-building.

International and domestic travel was also severely restricted over the past year, which slowed the ability of CATALYZE programs without field counterparts to build relationships with new partners. There was an adjustment period before people felt comfortable with virtual meetings for conducting business, when face-to-face interactions and relationships were previously the norm. In some countries and in some target sectors with significant data deficits, where in-person interviews were the only way to confirm basic facts (e.g. Peru's Amazon, non-state education sector), travel restrictions meant that start-up assessments and baseline data collection was delayed.

On the other hand, some CATALYZE teams (Western Balkans EoG) found minimal managerial disruption in a remote work environment, since as a regional program, they were already functioning as a light- footprint, remote team, and conducting business entirely virtually with strong internet connections. These teams also found that a shift to all virtual meetings meant that US-based colleagues in USAID and in Palladium could be more accessible and involved in co-creation and program design. Even so, staff from this activity found that virtual communications created a barrier to deepening relationships with stakeholders, namely financial institutions, BASPs and SMEs. Many were reluctant to share personal or business-related information or concerns via email or in virtual meetings.

### Technical impacts

The impact of COVID on CATALYZE's technical interventions varied greatly by activity. The hardest-hit technically is arguably EduFinance, which focuses on mobilizing finance and improving educational outcomes for the data-starved, highly fragmented, non-state school education sector and its students. Schools were closed for most of the last year and are only beginning to reopen. Many non-state, neighborhood and community schools did not have the financial wherewithal to continue operating during the pandemic, and many teachers were simply let go, and it is unclear if or when they will return to work. Families sending their children to non-state schools, already strapped for cash prior to the pandemic, fell further behind in their ability to pay for education. This team saw their baselines for

education quality and other program indicators regress over the last year and needed to spend project resources just to get kids and schools back to where they may have been prior to the pandemic.

Other activities (Sri Lanka, Western Balkans) adapted to the pandemic by making intentional shifts to program design, such as devising targeting measures or grants programs to support SMEs suffering from the pandemic. Almost all CATALYZE activities factored COVID into their projections and reduced their financing targets due to the scale and impact of the pandemic on FIs, BASPs and MSMEs, which are essential to the success of this endeavor.

The financial sector has navigated the pandemic differently in each country, and impacts have varied depending on each intermediary's financial strength and position in the sector. At the higher end of the asset spectrum, funds and platforms found it significantly harder to raise capital during the pandemic last year. Impact investors have largely navigated with minimal impact during the same period by reducing investments in economically stagnant sectors (e.g. tourism, transportation) and largely shifting to remote due diligence. Commercial banks in 2020 for the most part spent the past year following government COVID-relief mandates (e.g. debt forgiveness, lengthening repayment periods, reducing interest rates, etc.), benefiting from government stimulus programs where applicable (e.g. liquidity), and reprogramming financing to save their balance sheets. In some cases with a heavier government hand, expanded FI financing to governments is having the impact of crowding out financing to economic sectors. In all cases, government stimulus programs for financial sector actors are closing out, and FI liquidity and foreign exchange challenges are taking center stage for financial actors again.

At the lower end of the assets spectrum, microfinance entities on the frontlines serving the world's most vulnerable populations, spent 2021 reprogramming debt and taking other actions to increase liquidity and save their institutions from going under. For CATALYZE activities, the impact of all this has largely been that it is harder to find as many financial sector intermediary partners willing to take big risks and make significant commitments to expand financing to what are traditionally seen as risky sectors, geographies and countries. For CATALYZE teams, the pandemic has meant that the "sell" to getting FIs involved in a pay-for-results relationship has also become harder than it was prior to the pandemic, with multiple "touches" and sales pitches required to incentivize FIs to do business differently, and where FIs face serious liquidity challenges even if they bought CATALYZE's ideas (e.g. Sri Lanka, Ethiopia, Peru). On the other hand, almost all FIs universally see the shift to digital financing as a "sine qua non" in this new COVID reality, which has sped up the firming of agreements between private sector actors and FIs willing to work collaboratively on lower-cost, lower-touch solutions to mobilize capital to underserved communities, sectors and geographies.

SMEs and micro enterprises globally have borne the brunt of the pandemic, pushing millions globally (disproportionately women-owned businesses) to simply go under over the course of the pandemic. In Ethiopia, an estimated 40 percent of SMEs in Addis Ababa closed during the pandemic, rendering CATALYZE's SME client pool smaller, significantly increasing unemployment, and pushing back the program's intended baseline. Most SMEs in CATALYZE's target sectors are not growing sales or employee bases. Instead, they are contracting in both and are not on the aggressive growth tracks that CATALYZE intended to stimulate through blended finance.

In this environment, FIs previously reluctant to serve SMEs see them as even riskier bets, as SME growth remains the exception, not the rule. Many SMEs are also reluctant to share information verbally over video or electronically, complicating data collection required to establish baselines, conduct assessments and develop realistic programmatic targets.

COVID has tested the resilience of supply chains. Those that were significantly fragmented and non-transparent prior to the pandemic have backtracked further, while their demand for financing has only increased. On the other hand, necessity and adversity can also be a powerful motivator for innovation, and some SMEs are finding new ways to expand into growth sectors (services, agriculture, e-commerce, digital solutions, health services) and to find the financing to fund this expansion. Some are starting to lend to other businesses with potential. Some activities are using this opportunity to stimulate new and non-traditional financial products and services for growth-ready SMEs among fintechs and new equity funds, using reverse factoring and digital financing solutions.

## **GENDER AND YOUTH MAINSTREAMING**

### **Gender mainstreaming**

While the last century has brought notable improvements to women's health, education outcomes and employment prospects, the United Nations reports that the world is not yet on track to achieve gender equality by 2030. Even more concerning, the UN's Gender Inequality Index—a measure of women's empowerment in health, education, and economic status—shows that overall progress towards gender equality has been slowing in recent years and little progress has been made in female political empowerment and women's economic opportunities.

CATALYZE aims to enhance women's access to economic opportunities by expanding access to finance and creating employment opportunities, targeting women-owned, led, and managed small and medium enterprises. Globally, there is an estimated 8.3 percent financial inclusion gap between men and women, despite extensive evidence that women are better credit risks than men and are more likely to repay loans. Financial institutions report that the rate of non-performing loans among female borrowers is 53 percent lower than among male clients.<sup>3</sup> Likewise, companies with gender-diverse leadership<sup>4</sup> have a 20 percent higher internal rate of return for private equity and venture capital funders than single gender teams.<sup>5</sup>

These data points demonstrate that gender mainstreaming is not only an inclusive growth imperative, but also a critical strategy to ensure the success of a global finance program.

CATALYZE uses gender mainstreaming strategies to address the economic opportunity gap faced by women. Activities are intentionally designed for equitable economic participation and ensure that women can benefit from access to finance, technical assistance, job training and enterprise development opportunities. Some CATALYZE activities are designed to target only or mostly female clients (e.g., the Women's Economic Empowerment and Asia Social Protection activities), while the remainder include women as an important client segment, which may require a tailored approach.

All CATALYZE activities were required to infuse a gender-lens while developing their work plans and designing their blended finance solutions. This work will continue in year 3, with the onboarding of the new Gender Advisor. Besides mainstreaming gender in all CATALYZE activities, the program has strategies in place to ensure gender equity in hiring, procurement, and promotion/marketing across CATALYZE operations.

To measure the development impact of CATALYZE's efforts on women, CATALYZE activities capture gender disaggregated data (e.g., number of women receiving job training/placement, number of women-

<sup>3</sup> Financial Alliance for Women, 2020. <https://financialallianceforwomen.org/the-opportunity/#growthpotential>

<sup>4</sup> Defined as having between 30-70% females in leadership roles.

<sup>5</sup> IFC. 2019. <https://www.ifc.org/wps/wcm/connect/79e641c9-824f-4bd8-9f1c-00579862fed3/Moving+Toward+Gender+Balance+-+Final.pdf?MOD=AJPERES>

owned/led SMEs supported). CATALYZE teams systematically capture and share learnings around the success of gender mainstreaming approaches against defined targets. Palladium also requires CATALYZE to report on project efforts to increase the diversity of candidate pools, achieve equitable and inclusive outcomes for women in target communities, and increase the diversity of vendors and resource partners as part of the company's sustainable business workstream.

### **Box 1: What is gender-lens investing?**

- Investing with the intent to address gender issues or promote gender equity, including by:
- Investing in women-owned or women-led enterprises
- Investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along their supply chains); or
- Investing in enterprises that offer products or services that substantially improve the lives of women and girls

Source: Global Impact Investment Network

Initial actions to mainstream gender into existing CATALYZE activities includes:

**Asia Social Protection:** This activity has mainstreamed gender in design by working closely with the USAID missions in Bangladesh, Indonesia, and the Philippines to co-design interventions that would advance access to financial protection for childcare, employment, and basic health care principally among women. All proposed interventions focus on achieving targets in women's health and empowerment and rely on mobilizing private capital in various ways, including worker contributions, industry support, social investment, tourism, and other forms of subsidies to vulnerable women.

**CATALYZE Peru:** This activity mainstreamed gender in design by intentionally selecting priority sectors and a pipeline of deals based selection criteria that involve large numbers of women.

**EduFinance:** The EduFinance activity has mainstreamed gender in design and in initial implementation. Several USAID missions funding this work (e.g., Democratic Republic of Congo), explicitly prioritize girls' education, so this has become a focus of the approach in this country. Regarding gender mainstreaming in activity implementation, Edufinance's EduQuality initiative trains school teachers and administrators and includes gender responsive training components to ensure gender equality among learners. The activity teams find that ultimate beneficiaries of blended finance initiatives in this activity tend to be women, as partner non-state schools and education providers are often women-owned/led.

**Ethiopia Market Systems for Growth (MS4G):** The MS4G activity is structured as a market systems program that seeks transformative impact at a systemic level in all technical interventions. Women are a key, target market segment to reach via services offered by the activity. MS4G has begun to gather gender disaggregated data on individual indicators to measure the program's outreach to women as an initial step in gender mainstreaming its broader program. For example, the activity reports that by the end of year 2, 49 percent of the people receiving job training (2,071 out of 4,242) and 57 percent of the people placed in jobs (1,396 out of 2,428) were women. The MS4G team is also working with business advisory service providers to help 105 growth-oriented Ethiopian small businesses to

increase their sales and revenue by at least 10 percent within a year. Out of the 105 small businesses receiving technical assistance in year 2, 69 percent are women-owned. MS4G is also training business advisory service providers (BASPs) in Ethiopia to support large and complex foreign direct investment (FDI) deals. Under this work, CATALYZE conducted two training sessions for BASPs, and out of the 130 finance and investment professionals who received training, 57 were women. MS4G is in the process of designing its blended finance approach and has been using a gender lens to identify both strategies and partners to that can be tapped to support expanded financing among women-owned SMEs. Along these lines, MS4G team members are in discussion with one of Ethiopia's women-led financial institutions that also is a Development Finance Corporation (DFC) partner financial institution.

**Sahel Finance for Resilience (Sahel F4R):** CATALYZE's Sahel F4R activity is designed to connect all types of economic activities in the agricultural sector and those led by young entrepreneurs and women in Burkina Faso and Niger to finance and investment for improved livelihoods. Gender was mainstreamed into this activity during the co-creation process, by aligning this program to USAID's RISE II intervention which focuses on three value chains: cowpea, small ruminants, and poultry, which have high participation rates of women.

**Sri Lanka Private Sector Development (PSD):** The CATALYZE PSD activity mainstreamed gender by intentionally selecting priority sectors that employ large numbers of women (for example apparel and eldercare services sectors). PSD also mainstreamed gender into the design of its COVID-19 grants program by selecting firms that have a large female labor force or rely on women as suppliers. These include textile manufacturer Selyn and handmade natural flower company Green Flower Design.

**Western Balkans Engines of Growth (EoG):** Already underway as a program facilitating SME finance in the Western Balkans with \$ 4.2 million in additional funding from CATALYZE WEE, the EoG activity will support financial institutions and business advisory service providers to mobilize financing at scale for women-owned/led SMEs.

**Women's Economic Empowerment (WEE):** The CATALYZE WEE activity is focused exclusively on expanding economic opportunities for women through three pillars: 1) empowering women in the workforce; 2) empowering women as entrepreneurs (including access to finance); and 3) enabling women in the economy. All program activities (grants and technical assistance to financial institutions) are designed to achieve results under these pillars. WEE also builds the capacity of financial institutions to incorporate gender-lens investing into their business practices, so that they can significantly expand financing to women-owned/led/managed businesses during the lifespan of CATALYZE and beyond.

### Youth mainstreaming

According to the United Nations' Department of Economic and Social Affairs, there are 1.2 billion young people aged 15 to 24, accounting for 16 percent of the global population. In some CATALYZE target countries, youth are also a significant percentage of the overall population. In the Sahel region, over 64 percent of the population is under the age of 24. In Ethiopia, USAID estimates that 28 percent of the population of 104 million is aged 15 to 29.

The UN cites the tremendous potential of a growing youth population to achieve sustainable, inclusive and stable societies, but also the political, economic and social instability that can arise when they do not have sufficient access to education, employment and public services.

In recognition of the opportunity to more actively involve youth in sustainable development, CATALYZE mainstreams 15-29 year olds into programming by structuring activities to ensure they are able to benefit from improved access to education, employment and finance through technical assistance, training and other supports.

The CATALYZE activities with an explicit youth focus include Edufinance, Ethiopia MS4G and Sahel. The remaining CATALYZE activities include youth as a target client segment.

CATALYZE activities with a specific youth focus have designed their AMELP plans accordingly and disaggregate individual indicators by age. CATALYZE teams will also measure youth mainstreaming by gathering information on youth involvement in the program during planned learning sessions. CATALYZE's CLA processes will also facilitate multiple checkins by activity teams to determine progress against youth-related indicators and targets. Palladium also tracks youth mainstreaming in interventions by requiring projects to report on efforts to increase the diversity of candidate pools, achieve equitable and inclusive outcomes for youth in target communities, and increase diversity of vendors and resource partners as part of the company's sustainable business workstream.

Initial actions to mainstream youth into existing CATALYZE activities include:

**EduFinance:** EduFinance focuses on improving education quality and learning outcomes among non-state schools targeting low-income students in 11 countries in Africa and Latin America. Edufinance has mainstreamed youth into program design by focusing on technical and vocational training and skills development to prepare them for the workforce in countries with large youthful populations. These programs are being rolled out in El Salvador, Paraguay, Rwanda and Tanzania.

**Sahel Finance for Resilience (F4R):** This activity has mainstreamed youth into program design by including them as a principal target population during the initial co-creation process with USAID. The activity was designed to provide access to finance for small business in the agriculture sector in

Burkina Faso and Niger with a special emphasis on youth-owned/led businesses. Positioned as the capital mobilization component of a regional portfolio of USAID projects, CATALYZE Sahel F4R is designed to support the USAID-funded Bridge Youth Connect (BYC) program to generate bankable business ideas. The BYC project is designed to enhance capacity and interactions between youth and markets to enhance access to improved livelihood resources in Burkina Faso and Niger.

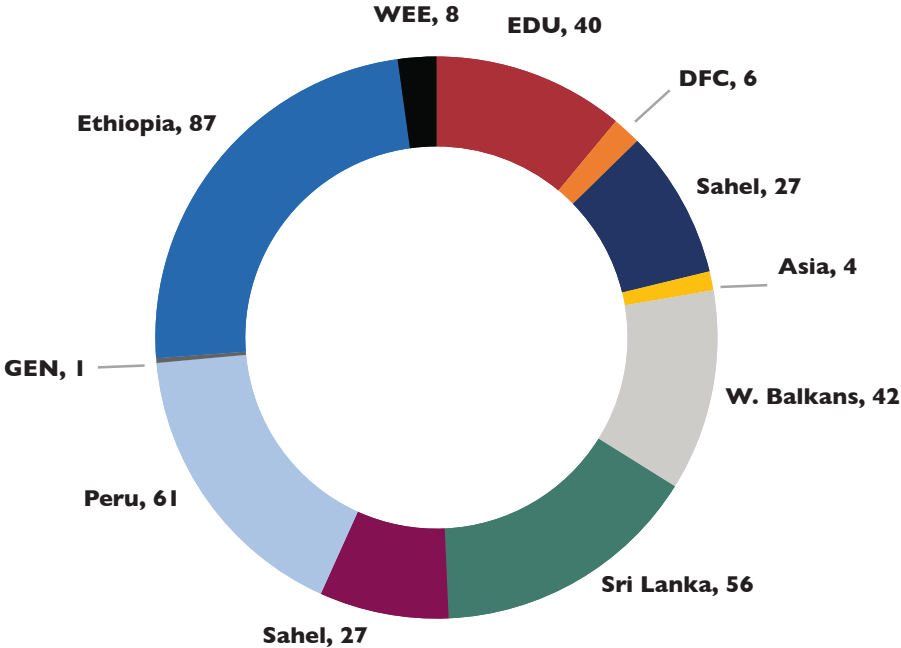
**Ethiopia Market Systems for Growth (MS4G):** MS4G also mainstreamed youth into program design via the co-creation process with USAID. The design process led to the priority of facilitating job training and placement programs to prepare Ethiopian youth for the workforce. MS4G has established partnerships with service providers to conduct this job training and placement work for youth, yielding impressive results. In Year 2, over 75 percent of participants in this skills development training (3,186 out of 4,242) and 58 percent of those placed in jobs (1,417 out of 2,428) were youth. To ensure youth priorities and insights are reflected in future program design and implementation, MS4G also established a four-member Youth Advisory Board (YAB).

**SECTION 4**

**CATALYZE**  
Core Updates \_\_\_\_\_

# SUBCONTRACTS AND GRANTS UNDER CONTRACT (GUC)

Figure 11: Number of solicitations by buy-in

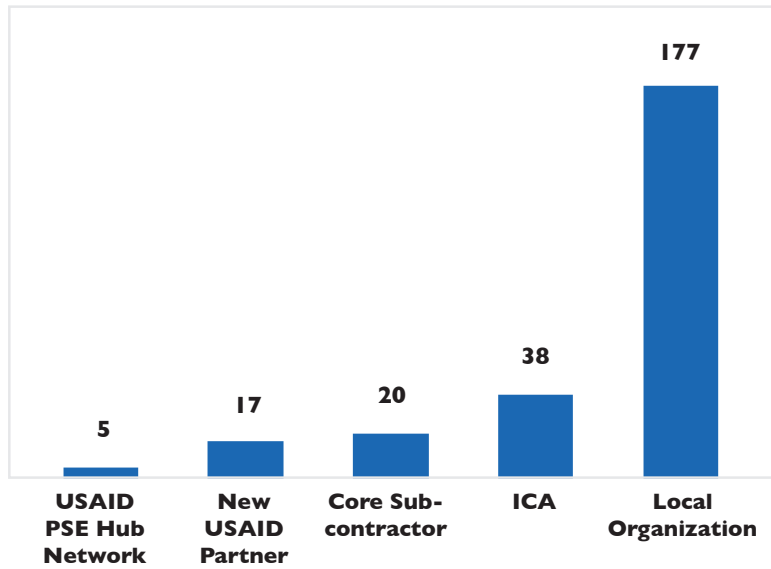


### Procurement at-a-glance

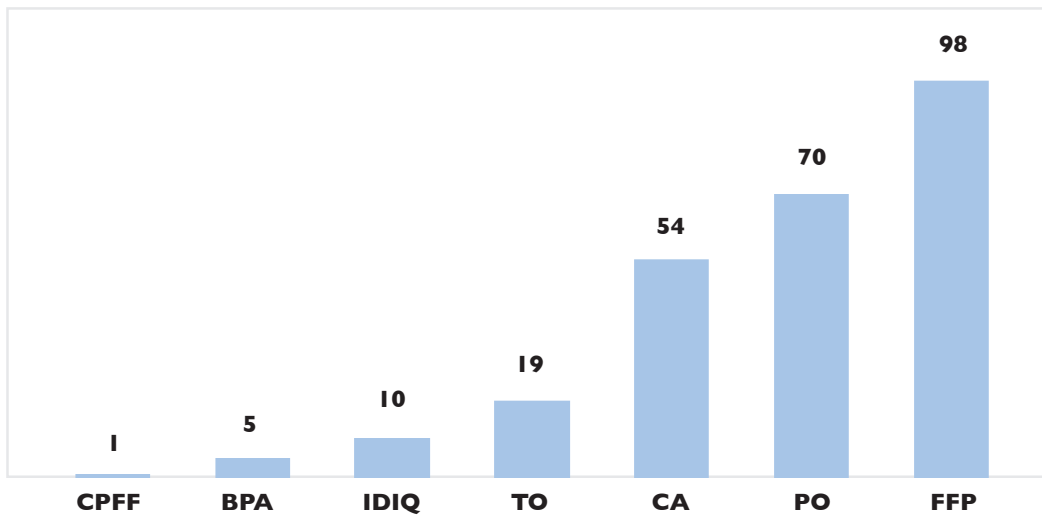
As of Sep 30, 2021, CATALYZE has issued subcontracts valued at \$17.5 M to 79 partners to provide services across all CATALYZE buy-ins for monitoring and evaluation, education finance learning support and transaction advisory support.



**Figure 12: Award type**



**Figure 13: Award category**

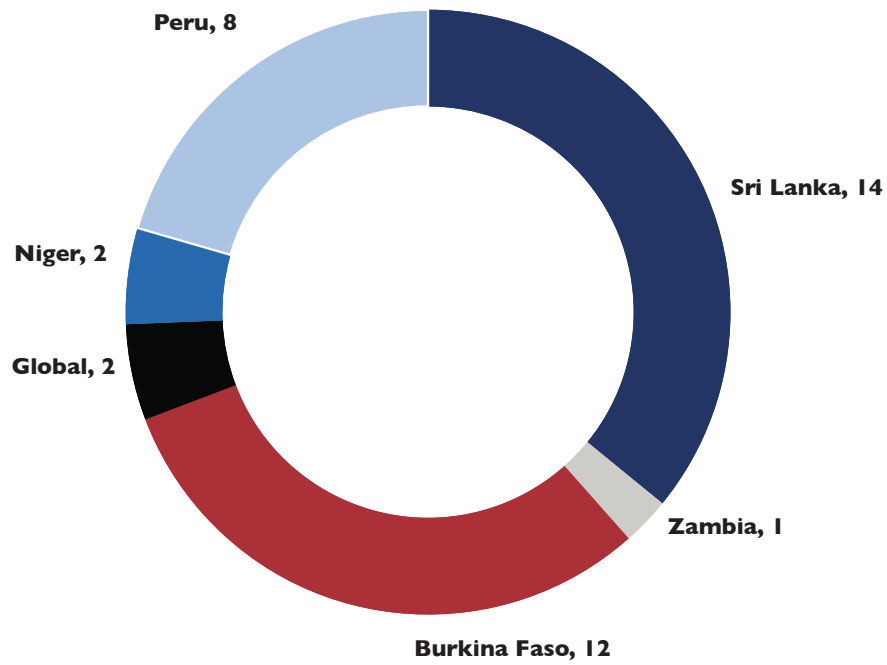


**Procurement at a glance:**

CATALYZE uses a range of subcontracting tools to support capital mobilization and blended finance objectives across all activities.

- Indefinite Delivery Indefinite Quantity (IDIQ)
- Cost Plus Fixed Fee
- Blanket Purchase Order (BPO)
- Firm Fixed Price
- Consulting Agreements (CA)
- Task Orders (TO)
- Purchase Orders (PO)
- Fixed-Price Task Orders

**Figure 14: Number of solicitations by country**



**GUC at a glance:**

As of September 30, 2021, CATALYZE has issued \$8.6 million in grants to 19 grantees across CATALYZE activities.

## MONITORING, EVALUATION AND LEARNING (MEL)

### Activity Monitoring, Evaluation and Learning Plan (AMELP) updates

In year 2, USAID CATALYZE developed 11 draft activity monitoring, evaluation and learning plans (AMELPs) of which 10 have been submitted to USAID, and two have received approval. Table 5 provides a status overview of developed CATALYZE AMELPs. CATALYZE expects approval of the remaining AMELPs over the next quarter.

The AMELP development process has been highly consultative, and AMELPs are designed to be highly adaptive to the context of each activity. In all cases, the MEL team has conducted a series of consultations with USAID and CATALYZE resource partners in AMELP development. The MEL team has coordinated closely with CATALYZE activity teams to ensure that AMELPs reflect Performance Work Statement (PWS) changes. As a result, stakeholders have a high level of ownership of AMELPs contents, which positions the activities well for the implementation stage. A learning brief which is included as an annex to this report, was developed at the midpoint of the AMELP development process. It documents a set of lessons learned in the AMELP development process on a large contract like CATALYZE, which must consolidate many different activities under a single monitoring and evaluation umbrella. These learnings were applied to support AMELP development during the second half of year 2.

**Table 5: Status of CATALYZE activity MEL plans**

	Portfolio/activity	Status of MEL plan
1	USAID CATALYZE Overall Portfolio-level	Submitted Awaiting USAID approval
2	Western Balkans – Engines of Growth (EoG)	Approved
3	Sahel – Finance for Resilience (F4R)	Approved
4	Ethiopia – Market Systems for Growth (MS4G)	Submitted Awaiting USAID approval, including concurrence from Ethiopia Mission
5	EduFinance Portfolio-level	In process The last round of consultations with USAID are planned for October 2021. Submission expected in Q1 of year 3.
6	EduFinance – Democratic Republic of Congo	Submitted Awaiting USAID approval, including concurrence from appropriate USAID missions
7	EduFinance – South Africa	Submitted Awaiting USAID approval, including concurrence from appropriate USAID missions
8	EduFinance – Zambia	Submitted Awaiting USAID approval, including concurrence from appropriate USAID missions

9	USAID CATALYZE Peru	Submitted Awaiting USAID approval, including concurrence from the Peru mission
10	USAID Private Sector Development (Sri Lanka)	Submitted Awaiting USAID approval, including concurrence from the Sri Lanka mission
11	USAID CATALYZE Women’s Economic Empowerment	In development Submission expected in Q1 of year 3

### **MEL management information system (MIS) development and interim MEL MIS implementation**

Through consultations with USAID CATALYZE stakeholders, in July 2021, the CATALYZE MEL team finalized a comprehensive requirements assessment, including functional and technical requirements, for an integrated MIS to manage CATALYZE’s monitoring and evaluation functions (M&E), and for its Collaborating, Learning and Adapting (CLA) workstreams (the MEL MIS). This MEL MIS system will use web and mobile interfaces and cloud-based hosting and storage to efficiently handle large amounts of decentralized data. The MEL MIS will provide state-of-the-art data accessibility and security and will be customized for USAID CATALYZE’s needs. It will also consist of a data repository and analytics engine.

In the interim, CATALYZE developed a short-term system using Airtable, an off-the-shelf MIS software product, to play this data management function. This will remain operational until the final MEL MIS is procured, approved and operational. The Airtable system was designed to address immediate data management needs for approved CATALYZE activities and AMELPs, while a comprehensive and more powerful system is procured that better meets the needs of the overall program.

Rolled out in May 2021, it was customized for each CATALYZE activity following approval of their AMELPs. The MEL team developed video-based guidance to activity teams on how to use the system and delivered help desk assistance to teams between June and September 2021 to prepare year-end ITTs.

The CATALYZE MEL team is also working with USAID to build a separate document management and dashboard system using Smartsheets software. This separate system is intended to make document management easier for USAID and select Palladium representatives involved in CATALYZE activities, by storing all final, approved documents in one easily accessible location. This system is also meant to support USAID and Palladium teams by enabling access to a dashboard that displays progress toward activity targets and overall CATALYZE implementation progress. To begin development of this system, Palladium conducted an internal cybersecurity assessment of Smartsheets to be completed in early October 2021. This is required prior to the approval of the software’s use. Upon approval, CATALYZE’s Program Management Unit will finalize the list of system users and “free collaborators” and begin to design its architecture based on user and collaborator interests.

### **Collaborating, Learning and Adapting strategy development and implementation**

The USAID CATALYZE CLA Strategy (refer to Annex 4) was drafted and operationalized by the MEL team in 2020. To develop this strategy, the MEL team used a participatory approach, working with activity teams, designating a CLA champion, introducing a self-assessment methodology that also tracks improved capacity. This also supports teams to design and implement demand-driven pilots that

demonstrate a wide variety of approaches while embedding CLA into CATALYZE activities' day-to-day work. Highlights from CLA pilots conducted across CATALYZE activities between June and September 2021 include:

- **F4R learning meeting template:** The CATALYZE Activity Management Units (AMUs) and field teams reported that implementing the CLA pilot led to improved weekly team meetings. Niger has extended the use of the template to other meetings.
- **Peru Before Action Review (BAR) process:** The BAR process, which was used to prepare for this activity's communication strategy development process, led to mapping and increased understanding of relevant stakeholders.
- **EoG COVID-19 dashboard:** The mini case study that captured learning about EoG's COVID-19 dashboard development process enabled the team to collect information from stakeholders that were fed back into the system, improving the usability of the dashboard in the short term, and expected to increase it over the longer term.
- **EduFinance CLA mapping:** The process of mapping CLA activities and capabilities at the portfolio level across all the countries in this activity planned for Q1, year 3, is expected to identify gaps in CLA capacity among IPs and ensure depth and breadth of CLA activities. The CATALYZE MEL team and the activity CLA champion will provide post-pilot support to ensure an effective and sustainable approach to CLA across all Edufinance countries.

The CLA strategy embeds CLA into the daily work of CATALYZE activities with a multi-pronged approach:

- Learning priorities are captured in **Learning Agendas**, co-created with CATALYZE staff and partners during the AMELP development process at both the portfolio and activity levels.
- At the portfolio level, **peer learning** centers around regular CATALYZE-wide **Friday knowledge-sharing meetings** and an annual learning event, the first of which is planned for March 2022.
- CATALYZE has regularly promoted learning through after-action **reviews (AARs)** and **pause and reflect (P&R) sessions**. AARs facilitate constructive reflection on challenges, surface lessons from implementation, and help teams consider necessary adjustments to activities. Quarterly P&Rs, formally kicked off in Q4 of year 2, support learning and evidence generation on operational and technical issues faced in design and implementation. A Pause and Reflect (P&R) guide (refer to Annex 5) was developed and tested by the MEL team in August–September 2021 with EduFinance, EoG, and MS4G teams. It has helped build capacity among partners unfamiliar with the P&R process. The process will support the identification of follow-up actions that are more accessible to activity teams and maximize the application of learnings in future work.

### MEL priorities for CATALYZE year 3

USAID CATALYZE is prioritizing three areas in year 3:

**Peer learning and stakeholder engagement:** The MEL team will collaboratively plan and facilitate the first of USAID CATALYZE's annual learning events, which will engage USAID HQ and missions, USAID CATALYZE staff, implementing partners, and in-country stakeholders. The objectives of this annual learning event are to:

- a. Take stock of project results, discuss design and implementation challenges, and reflect on the performance of the blended finance models deployed by CATALYZE in different contexts

b. Answer two priority learning questions:

- i. What are the barriers to uptake of blended finance among the private sector stakeholders?
- ii. What configuration of tools/strategies/solutions/implementation approaches has been the most effective in advancing CATALYZE objectives?

**Operationalization of CLA:** The CATALYZE MEL team will support the extension of CLA activities to include beneficiary feedback and stakeholder engagement by developing and deploying a lean data mobile collection tool and set of surveys. These CLA tools will enable data collection at scale on the blended finance models and approaches implemented across CATALYZE, and will be shared with activity teams, partners, and other project stakeholders for analysis. Insights from this analysis will then be captured in reports on CLA progress.

**MEL tools:** The MEL team will develop M&E tools that will support high-quality data collection for a set of approved and harmonized indicators. CATALYZE's MEL team will build the capacity of activity teams in using these tools. This will assist activity teams to prioritize and operationalize the collection of data as well as insights to respond to questions and effectively surface learnings on current and future work.

## COMMUNICATIONS





**CATALYZE communications is designed to support the overall objectives of CATALYZE—mobilizing private capital for development impact and influencing the behavior of USAID and other donors and investors to raise awareness and crowd in blended finance.**

CATALYZE created a communications strategy in year 2 to support the achievement of these results and objectives, which the Washington, D.C. office and activity teams throughout the globe are currently implementing. CATALYZE communications is a complex undertaking, as activities, materials, and communications must be responsive to the needs of not just USAID headquarters but also the USAID missions, bureaus, and departments that are supporting the program with catalytic capital. The audience for communications products is also very diverse – from USAID to financial institutions to policy makers.

The major communications activities conducted in year 2 include:

**Communications strategy:** The communications strategy was developed by the CATALYZE Communications team after undergoing a series of consultations with CATALYZE activity teams and USAID counterparts. The strategy identifies target audiences, communications objectives, key messages, suggested dissemination channels, and communications products for CATALYZE. It was subsequently approved by USAID in May 2021. Using this strategy as a guiding document, all eight CATALYZE activities will develop individual communications strategies and annual workplans.

**Figure 15: CATALYZE communications—objectives, target audience and how to reach them**

	OBJECTIVE	HOW TO REACH
 <b>USAID Missions</b>	<ul style="list-style-type: none"> <li>• Report on progress</li> <li>• Advance learning &amp; market research - improve understanding of blended finance and barriers to private sector investment, share innovations</li> <li>• Help attract new partners and investors</li> </ul>	<ul style="list-style-type: none"> <li>• Pitch presentations, factsheets, website</li> <li>• M&amp;E data and lessons learned</li> <li>• Blogs, success stories, videos and podcasts</li> <li>• Technical notes, toolkits, market assessments</li> <li>• Webinars/ events</li> </ul>
 <b>Financial institutions and investors</b>	<ul style="list-style-type: none"> <li>• Increase awareness of blended finance opportunities and how to partner with USAID</li> <li>• Promote successful financing models/ approaches</li> <li>• Crowd in private investments</li> </ul>	<ul style="list-style-type: none"> <li>• Pitch presentations, fact sheets, website</li> <li>• Blogs, success stories, videos and podcasts</li> <li>• Technical notes, toolkits, market assessments</li> <li>• Webinars/ events</li> </ul>
 <b>Business community</b>	<ul style="list-style-type: none"> <li>• Promote sustainable business models for improved commercial viability</li> <li>• Build capacity to access blended finance</li> </ul>	<ul style="list-style-type: none"> <li>• Blogs, success stories, videos and podcasts</li> <li>• Technical notes, toolkits, market assessments</li> <li>• Webinars/ events</li> </ul>
 <b>Government/ Policy-makers</b>	<ul style="list-style-type: none"> <li>• Share lessons on how to remove barriers and engage the private sector for achieving development goals</li> </ul>	<ul style="list-style-type: none"> <li>• Pitch presentations and fact sheets</li> <li>• Blogs, success stories, videos and podcasts</li> <li>• Webinars/ events</li> </ul>

**CATALYZE Branding and Marking Plan:** CATALYZE developed a Branding and Marking Plan which guides the design of communications materials, approval processes, and the rules around the program’s branding and the use of logos in communications materials and events. This document was approved by USAID in September 2021. The CATALYZE Branding and Marking Plan has since been distributed with activity teams and major sub awardees to ensure adherence.

**Communications collateral:** The CATALYZE activity teams developed a suite of communications collateral this year including factsheets for all the activities, PowerPoint presentations to describe activities and banners/signage for events.

**Staffing and contracting:** The CATALYZE Ethiopia and Peru activities hired communications managers to support their field teams this year. Sri Lanka will hire a new communications staff member starting in November of 2021. The Communications team supported the selection of these staff and provided new staff members with orientation and guidance. In addition, CATALYZE signed an IDIQ (Indefinite Delivery Indefinite Quantify) contract with the Aspen Network for Development Entrepreneurs (ANDE) to provide thought leadership support to CATALYZE, and to develop and disseminate blended finance content to the global community.

**USAID reporting:** CATALYZE re-designed its quarterly reports in year 2 and re-designed the annual report format and structure. Monthly reports for the overall CATALYZE portfolio have been discontinued, although some CATALYZE activities continue with these at the request of USAID missions.

**Conferences, meetings and events:** The CATALYZE communications team supported CATALYZE colleagues to participate in conferences, meetings, and webinars this year to raise the profile of the program and share learnings about blended finance and pay-for-results approaches. The communications team provided a range of matchmaking support, developed talking points and speeches, and supported the coordination of event execution for the following conference, meetings, and events.

- In January 2021, the CATALYZE Executive Director presented a summary of the CATALYZE activities to the Development Finance Corporation (DFC)’s various regional representatives and discussed potential areas of collaboration.
- In February 2021, CATALYZE’s Gender Investment Specialist presented at the Gender Data Impact and Innovation Series discussing Gender in International Development and the role of Behavior Economics in program design, highlighting women’s access to finance issues which are central to the work on the CATALYZE Women’s Empowerment activity.
- In March 2021, CATALYZE representatives participated in the USAID Finance and Investment Network semi-annual webinar to share CATALYZE activities’ approaches to mitigating the effects of COVID, updates on procurements, and communications products.
- At Convergence’s April 2021 seminar on blended finance for education and health, EduFinance’s activity lead and a representative of Kaizenvest (EduFinance implementing partner) spoke about performance-based contracts and how these incentivize partners to mobilize capital and improve learning outcomes.
- Several CATALYZE team members delivered presentations at the USAID Market Systems Symposium, held in May 2021.



- The CATALYZE Executive Director presented CATALYZE at the June 2021 Smallholder and Agri-SME Finance and Investment Network (SAFIN) network meeting.
- In June 2021, CATALYZE Sri Lanka’s Director of Finance and Business Advisory Services joined the Ceylon Chamber of Commerce’s webinar as a panelist to discuss accelerating economic growth through the creation of a dynamic SME sector. The CATALYZE representative highlighted several reasons why SMEs do not grow out of the ‘small’ category, including lack of diversification, not investing in technology, lack of succession planning as part of their growth strategy, financial management, and the importance of proper financial statements and annual audits. The event was highlighted in two local newspapers - Financial Times and Sunday Observer.
- In July 2021, the CATALYZE Executive Director led a panel discussion together with USAID staff for the USAID training course organized by the Private Sector Engagement Hub on “Mobilizing Finance for Development”. In a webinar, she spoke to a set of about 100 implementing partners and USAID representatives on Palladium’s history and experience in using pay-for-results instruments for mobilizing finance in development programming.
- CATALYZE hosted a virtual, soft launch and demonstration of the COVID-19 Dashboard with 25 participants from USAID. The dashboard tracks data on the impact of the pandemic on health, real economy, financial markets and government policy in the six countries in the Western Balkans.

### **CATALYZE press and announcements:**

The CATALYZE team developed a press release regarding the competition winners of the WEE grant competition. WEE competition winners were shared in IFC’s SME Finance Forum, CGAP’s FinEquity group, in a CATALYZE newsletter and USAID Marketlinks to garner support and attention around the subject of investing in women

CATALYZE Sahel activities in Niger were highlighted in the USAID partner Press Caravan event organized by the Sahel Collaboration and Communication (SCC) Activity. The caravan was covered by local newspapers in Niger.

Upcoming Communications activities in Year 3 include:

- Overseeing the implementation of the strategic communications plan for EduFinance and designing a strategic communications plan around Gender Lens Investing.
- Supporting CATALYZE activity teams to finalize and begin implementation of their individual communications plans.
- Organizing term technical assignments to support field teams design and deliver communications events.
- Putting in place a CATALYZE newsletter for external audiences.
- Supporting CATALYZE activity teams to develop PowerPoint presentations and other informational material to support information dissemination about activity services.
- Supporting CATALYZE teams to participate in meetings, conferences, and events.
- Facilitating the design, scheduling, packaging, and dissemination of materials for Learn and Review events.
- Re-designing the processes to create and produce three, high-quality quarterly and annual reports for USAID.
- Support field teams with ad hoc communications requests.

## CATALYZE STAFFING AND OFFICE LOCATION STRATEGY

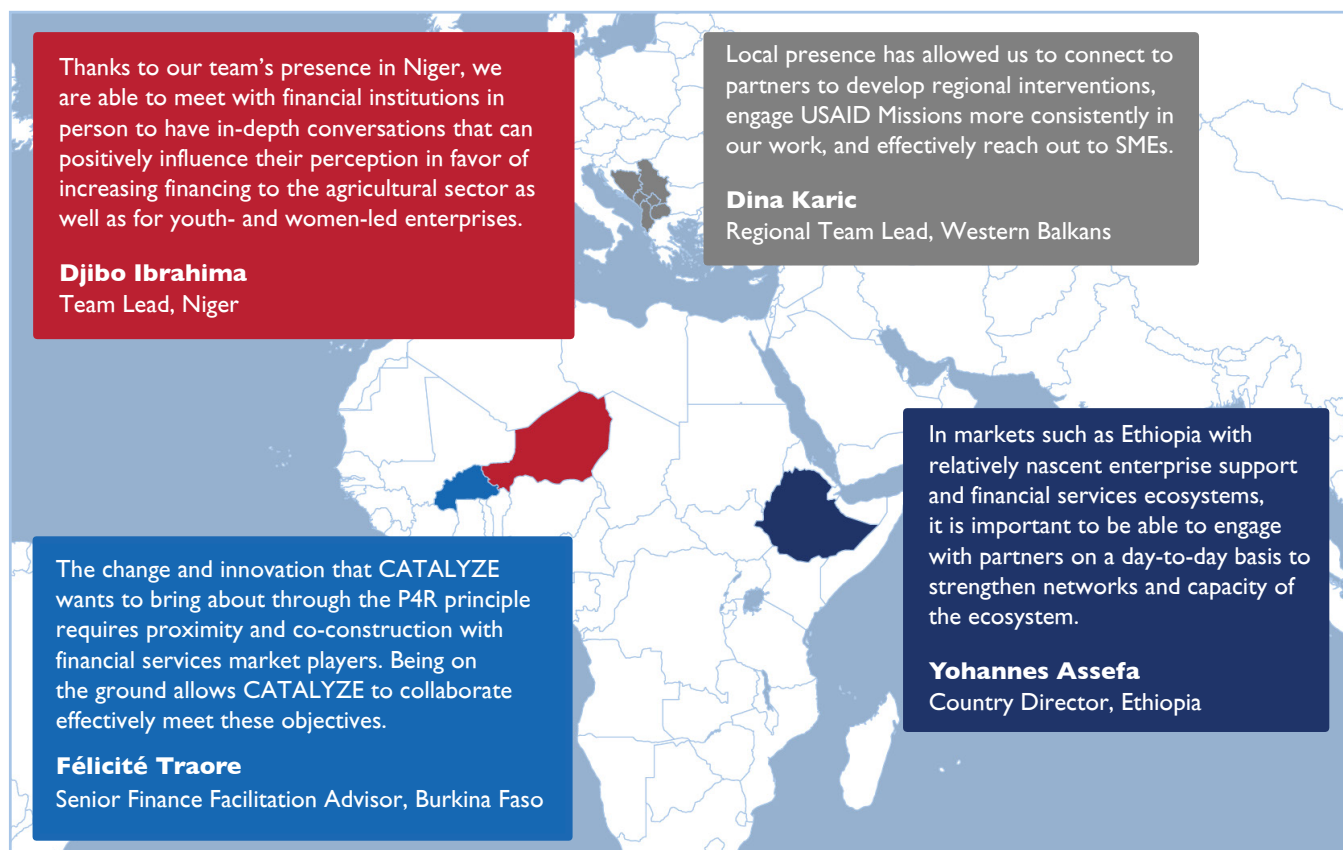
In May 2021, CATALYZE appointed a new Chief of Party/Executive Director to lead the contract from its design phase into full implementation mode.

This year CATALYZE continued to build out teams in field offices particularly Ethiopia, Peru, Sri Lanka and Sahel. The CATALYZE management model is to put in place highly efficient and nimble operational units under each activity. CATALYZE delegates management as much as possible to field teams, resulting in more efficient, effective, and locally-driven development solutions. To optimally support CATALYZE operations in this manner (as well as in the most cost-effective way), each CATALYZE activity's staffing and implementation structure is different, as described below:

- Each of the three single country (bilateral) activities—Ethiopia, Peru, and Sri Lanka—have set up “traditional” field offices to spearhead CATALYZE’s work in the country and have hired in-country project staff. These field teams are provided support staff from activity management units located in the Palladium Americas office.
- The Sahel activity hired a subcontractor to be a de facto local office and staff, covering the two countries of Burkina Faso and Niger, and provides support services via an activity management unit in the Palladium Americas office.
- Three of the thematic and thus multi-country activities—Asia Social Protection, EduFinance and Women’s Economic Empowerment (WEE)—lead these programs from Palladium Americas headquarters with activity management units and rely on subcontractor firms to lead fieldwork in multiple countries. Many of the subcontractors work across multiple countries for the EduFinance and WEE activities. This strategy enhances CATALYZE’s ability to learn from its blended finance experience across geographies and to adapt and adopt new approaches in a timely manner.
- The Western Balkans program, with a mandate spanning six countries, has a home office activity management unit which supports an entirely remote workforce based in the Western Balkans, and no field offices. In this case, field staff are largely alumni from a legacy USAID-funded project managed by Palladium in the region. This “light footprint” staffing arrangement is possible due to qualifications of the specific staff recruited and hired to manage the activity, all of whom are familiar with Palladium processes.

The CATALYZE organizational chart (Annex 3) demonstrates the staffing required to support its management model and field implementation structures.

**Figure: CATALYZE activities, staffing and office location strategy**



CATALYZE buy-in	Single country or multi-country buy-in	Local leads: In-country Palladium project staff and local CATALYZE office	Hybrid model: Third country national and former project local staff, all remote, no local office	Sub-contracting model: Sub-contracted firm as <i>de facto</i> local staffing, no Palladium local staff or office	Sub-contracting model: led from Palladium Americas HQ with local sub-contractors, many covering multiple countries
<b>Asia:</b> Social Protection	Multi				X
<b>CATALYZE Peru</b>	Single	X			
<b>EduFinance</b>	Multi				X
<b>Ethiopia:</b> Market Systems for Growth (MS4G)	Single	X			
<b>Sahel:</b> Finance for Resilience	Multi			X	
<b>Sri Lanka:</b> Private Sector Development (PSD)	Single	X			
<b>Western Balkans:</b> Engines of Growth (EoG)	Multi		X		
<b>Women’s Economic Empowerment (WEE)</b>	Multi				X



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## SECTION 6

# Annexes

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# ANNEXES

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**[Annex 1: Procurement List - sub-contracts and grants](#)**

**Annex 2: ITT tables**

[Annex 2A: Ethiopia - Market Systems for Growth](#)

[Annex 2AB: Sahel - Finance for Resilience](#)

[Annex 2AC: Western Balkans - Engines of Growth](#)

**[Annex 3: Organizational charts \(CATALYZE CORE and Activities\)](#)**

**[Annex 4: CLA strategy](#)**

**[Annex 5: Pause and reflect – how-to guide](#)**

**[Annex 6: Learning brief on AMELP development](#)**

**CATALYZE Annual Report  
Year 2**

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