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USAID CATALYZE

Mobilizing Private Capital for Development

Year 2, Quarter 1 Report
October 1, 2020 – December 31, 2020



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Introduction

INTRODUCTION



17 buy-ins from USAID Missions



1.02 billion capital mobilization targets for base 5-years (with possible 3-year extension)



20 countries in Asia, Africa, LAC and Western Balkans



Sectors - Education, financial, agriculture, ICT, tourism, commercial care, garments, social protection, infrastructure, SMEs across sectors



Cost Plus Award Fee contract type for buy-ins **incentivizes achievement** of results and use of pay-for-results type mechanisms



Engagement mechanisms include **Grants Under Contract**



Focus on wholesale, **platform approaches** to deploying blended finance at scale in USAID presence countries

USAID CATALYZE,

implemented by Palladium, works with businesses, investors and other key market actors to solve the world's most pressing challenges. It seeks to unlock private sector financing for development impact, especially in underserved social sectors and frontier countries, using up to \$250 million in catalytic capital from USAID.

ILLUSTRATIVE INTERVENTIONS



CATALYZE will work through intermediaries to **develop a pipeline** of financeable transactions in targeted geographies and sectors



CATALYZE will **support financial intermediaries** in developing countries to build or strengthen local financial ecosystems



CATALYZE will **link financeable opportunities** to sources of capital, structuring funds, and closing complex transactions



CATALYZE will **identify and assess blended finance approaches**, supporting agency-wide learning and development

CATALYZE is designed to provide a wide range of support to missions, offices and bureaus, with activities particularly focused on developing complex multi-year programs centered on catalyzing private finance.

TOOLS



Use performance incentives such as results-based contracts, performance grants, development impact bonds, and other products







Develop risk mitigation tools, such as country- or sector-specific blended finance platforms or funds, pre-investment feasibility studies, and other tools that incorporate risk mitigation features







Provide catalytic capital, via the grant's mechanism, for seed funding, co-funding, and performance grants

CATALYZE will use a variety of blended finance approaches to address the specific constraints faced by markets and geographies.

Illustrative Demand-side Interventions

	INDICATIVE ACTIVITIES	INDICATIVE RESULTS
 <p>Lack of Collateral</p>	<ul style="list-style-type: none">• Reform of laws and regulations that promote equal access to assets• Providing technical assistance to develop cash flow-based loans	<ul style="list-style-type: none">• Improved asset ownership among SMEs and entrepreneurs• Larger number of cash flow-based products and services on the market
 <p>Poor Business Management Skills</p>	<ul style="list-style-type: none">• Integrating non-financial services into financial products• Rolling-out digital tools to facilitate record-keeping	<ul style="list-style-type: none">• Enhanced business management skills to mitigate risk when lending to the segment• Better connections to formal economy
 <p>Low-levels of Awareness</p>	<ul style="list-style-type: none">• Facilitating targeted marketing campaigns• Partnering with real economy players (e.g., FMCG companies)	<ul style="list-style-type: none">• Improved financial health at enterprise and household levels• Growing pipeline of SMEs and entrepreneurs in need of financing
 <p>Low-Levels of Trust</p>	<ul style="list-style-type: none">• Providing training in FIs to improve engagement with new and emerging sectors• Revamping recruiting to attract more diverse staff, including front line staff	<ul style="list-style-type: none">• Enhanced client retention and improved satisfaction amongst new clients• Easier engagement with SMEs from a more diverse range of sectors

Illustrative Supply-side Interventions

	INDICATIVE ACTIVITIES	INDICATIVE RESULTS
 Ecosystem-level	<ul style="list-style-type: none">• Reform of enabling environment and improved regulation• Ecosystem mapping and analysis• Sector opportunity assessments	<ul style="list-style-type: none">• Appropriate regulatory reform to enhance access to finance• Benchmarking reports for FIs highlighting gaps in the ecosystem
 Fund-level	<ul style="list-style-type: none">• Underwriting sector targeted bonds at the regional level• Developing a fund of funds for sector specific entrepreneurs	<ul style="list-style-type: none">• Increased capital flows targeting emerging sector entrepreneurs in the region• Reduced risk in lending to hard-to-reach segments
 Financial Institution-level	<ul style="list-style-type: none">• Technical assistance for the deployment of cash-flow based loans• Rolling-out value chain financing	<ul style="list-style-type: none">• Enhanced capacity to design and rollout customer-centric products• Increased lending to emerging sector entrepreneurs
 SME-level	<ul style="list-style-type: none">• Deploying transaction advisors to build capacity in SMEs• Facilitating the provision of non-financial services including mentoring	<ul style="list-style-type: none">• Stronger pipeline of emerging sector SMEs and entrepreneurs for financing• Enhanced networks emerging sector entrepreneurs

BUY-IN SUMMARY

- **Budget of \$154M (base period), of which \$98.4M is obligated.**

- **Oct 2019 – Sep 2024**

- **Asia, Africa, Latin America and Caribbean, Western Balkans**



EduFinance - Improve and sustain learning outcomes for children and youth, particularly those who are the most marginalized and vulnerable



Sri Lanka – Private Sector Development – Generate SMEs growth in diverse, high growth potential sectors, unlock financing, and support economic opportunities for women



Women's Global Development and Prosperity – Increase women's access to finance



Sahel – Finance for Resilience – Increase financing to support capital investment in the agricultural sector and in youth entrepreneurship in Burkina Faso and Niger



Ethiopia – Market Systems for Growth – Foster private enterprise growth, primarily in agricultural markets, to create jobs and increase income



Western Balkans – Engines of Growth – Increase small and medium enterprises' (SME) access to and use of finance to drive enterprise growth



Peru – Catalyze investment and access to finance in the Peruvian Amazon



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

BUY-IN SUMMARY

17 Buy-ins from USAID Missions

- ✓ USAID HQ - Private Sector Engagement Hub
- ✓ USAID HQ – Education
- ✓ Women's Global Development and Prosperity (W-GDP)
- ✓ USAID LAC Regional Bureau (Education)
- ✓ USAID Democratic Republic of Congo (Education)
- ✓ USAID Tanzania (Education)
- ✓ USAID Zambia (Education)
- ✓ USAID South Africa (Education)
- ✓ USAID Africa (Sustainable Development)
- ✓ USAID Asia
- ✓ USAID Ethiopia
- ✓ USAID Burkina Faso (Sahel)
- ✓ USAID Niger (Sahel)
- ✓ USAID Sahel
- ✓ USAID Europe and Eurasia/Western Balkans
- ✓ USAID Peru
- ✓ USAID Sri Lanka



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USAID CATALYZE

CATALYZE Core Updates

CATALYZE CORE UPDATES

Core Quarterly Updates (Y2 Q1)

- CATALYZE team is in the process of **modifying sections of the USAID contract** in consultation with the Contracting Office (CO). The fourth modification is expected to clarify total, life of project ceiling by buy-in, as well as including the process and templates for developing each buy-in's performance work statement, and award fee plan.
- **Conducted weekly “Learn and Review” sessions** including a presentation on the Cost-Plus Award Fee Plan structure and roles the buy-ins will play. Discussion on lessons learned from the FinGAP and Kenya Investment Mechanism (KIM) project, and how to effectively use fixed price deliverables-based contracts.
- ✓ Presentations from 60 Decibels on how to use Lean Data for impact measurement and from ANDE on their global networks, an overview of their services, and how they can support buy-ins. The Lean Data approach may be integrated into the AMELPs of several CATALYZE buy-ins in the coming months



CATALYZE CORE UPDATES

Core Quarterly Updates (Y2 Q1)

- **Reviewed multiple project management software solutions** (Smartsheets, Asana, Trello), presented options to USAID and awaiting final approval. This should improve speed, clarity, consistency and accessibility of data and information for all levels of CATALYZE stakeholders, especially USAID buy-in counterparts.
- Met with the contracting officer's representative (COR) to discuss and review proposed **performance work statement (PWS) template**. Final revisions were submitted and accepted and PWS template was shared with buy-in teams to populate and finalize with their USAID missions. Final PWSs are expected to be submitted to COR for approval in December & January. The final PWSs will establish major project goals and approaches and inform the development of each buy-ins award fee plan
- Received contracting officer (CO) **consent to subcontract for ANDE** and began contract finalization. ANDE will support buy-ins without outreach and engagement of local stakeholders to improve knowledge sharing and learning around blended finance and increase its effective use as a development tool



CATALYZE CORE UPDATES

Core Quarterly Updates (Y2 Q1)

- **Staffing** - Finalized selection of Finance Manager, expected to start in January 2021
- Shared a template for award fee determination, along with a proposed award fee plan, and guide to the award fee process with the Contracting Officer (CO) and Contracting Officer's Representative (COR) for their review. Once these templates are finalized Palladium will develop award fee plans for each of the active buy-ins.
- Finalized and submitted the **CATALYZE Year one annual report** highlighting key accomplishments and lessons learned
- Conducted a **Monitoring, Evaluation and Learning** co-design / validation session with USAID on October 16 to ensure alignment of priorities. Shahzad Tahir, Senior Manager Monitoring and Evaluation, and the MEL sub-contractor Moonshot Global conducting a series of consultations with the buy-in teams to finalize Key Performance Indicators and the Results Framework. Received conditional approval of the Monitoring, Evaluation and Learning (MEL) plan (with some revisions due to ADS 201 updates to be finalized in Q1 2021).



CATALYZE CORE UPDATES

Observations and Insights from AMELP Process

The CATALYZE MEL Plan outlines the overall project hopes to achieve, learn, and measure. During the last quarter of 2020, USAID CATALYZE developed seven draft Activity Monitoring, Evaluation, and Learning Plans (AMELPs), three of which were already shared with USAID and four of which will be shared with USAID in January 2021. Here are some of the observations and insights from the process:

- **Have a designated MEL partner to streamline the process:** *Each CATALYZE buy-in 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 buy-in.*
- **Start with clear portfolio MEL strategy:** *CATALYZE is a USD 250 million project with clear objectives and targets that serves as a portfolio of discrete buy-ins. Ideally, the CATALYZE MEL plan would have been finalized first so that each of the buy-in plans could clearly align, via outcome areas, indicators selected and learning questions, with the overall MEL objectives of CATALYZE.*



CATALYZE CORE UPDATES

Observations and Insights from AMELP Process

- **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 buy-in level was beneficial since this is an innovative, learning project. It is also important for buy-ins to revisit indicators once implementing partners are on board to ensure harmonization across all entities involved in the buy-in.*
- **Clarify activity scope early in the process:** *While the AMELP process can help inform project design, it is best for buy-ins 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 buy-in 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 some additional work by the MEL team to reengage buy-in teams a second or third time as new versions of PWSs and/or work plans were made available.*



CATALYZE CORE UPDATES

Observations and Insights from AMELP Process

- **Allocate resources for implementing MEL:** *It is considered best practice for USAID activities to allocate around 10% 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 buy-in 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 buy-in teams.*
- **Maintain consistent communication and collaboration:** *Moonshot's constant communication with the team and the ability to adapt our timeline made the process seamless. Additionally, having Moonshot prepare thorough presentations that we could review and then workshop together was appreciated.*



CATALYZE CORE UPDATES

Observations and Insights from AMELP Process

- **Develop clear instructions for gathering feedback from clients:** *Draft guidance for clients on the types of feedback desired and how to annotate documents to communicate changes that need to be made versus sharing illustrative ideas that would be nice to have but not essential. This will make it easier for clients to know what is expected of them.*
- **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.*



CATALYZE CORE UPDATES

Observations and Insights from AMELP Process

- **Plan for stakeholder management:** *With larger buy-ins, 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 of 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.*





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Buy-In Updates



EDUFINANCE

Buy-in Summary – Improve and sustain learning outcomes for children and youth, particularly those who are the most marginalized and vulnerable



Projected LOP budget of **\$50.5M**, of which **\$42 M** is obligated. Capital mobilization target of **\$90.7M**



Oct 2019 – Sep 2024



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



Kaizenvest, UBS Optimus Foundation, Opportunity International

- **Zambia** - Strengthen regulatory environment to reduce barriers for school entrepreneurs and scale a network of low-fee schools
- **Democratic Republic of Congo (DRC)** – Provide financing mechanisms and technical assistance to improve quality of education, particularly for girls and learners with disabilities
- **South Africa** - Support Early Childhood Development centers to access low-cost capital and provide quality pre-primary education
- **Rwanda** - Mobilize private finance that can increase access to quality education and close the skills gap in Rwanda
- **Tanzania** - Mobilize private finance for institutions delivering high-quality education services, especially to girls, and responding to the educational impact of COVID-19



EDUFINANCE

Quarterly Updates (Y2 Q1)

- **South Africa** – CATALYZE executed a 4-year IDIQ (indefinite delivery/indefinite quantity) with Kaizenvest in Dec 2020. Kaizenvest has received confirmed interest from two investors, totaling \$3.5M. Term sheets have been shared, due diligence steps discussed, but not yet completed
 - ✓ **Key Priorities thru Dec 2021:** *To mobilize \$7.5M of private capital through affordable lending to early childhood development; to establish lending strategy, monitoring, evaluation and learning (MEL), and edu-quality partner frameworks to ensure quality improvement and increased access to 30,000 learners.*
- **Zambia** - In December 2020, CATALYZE executed a 4-year IDIQ (indefinite delivery/indefinite quantity) with Opportunity International in Dec 2020 and the board of the UBS Optimus Foundation approved a grant agreement. A Fixed Amount Award is expected to be submitted to USAID for Contracting Officer Consent in late Jan 2021. The Zambia market assessment confirmed that a large number of non-state schools are concentrated in urban areas, where half the country's population lives. There is a robust demand for finance among these schools and there are significant challenges in school registration.
 - ✓ **Key Priorities thru Dec 21:** *To support the Ministry of Education to improve private school regulation; to provide support to rural primary schools leveraging a public-private partnership model (UBS Consortium); to collaborate with local financial institutions to develop appropriate credit products for low-cost private schools in urban areas; to support schools in improving learning outcomes.*





EDUFINANCE

Quarterly Updates (Y2 Q1)

- **Democratic Republic of Congo** – The DRC market assessment confirmed demand for private education, including among low-income households; more than 70% of children in Kinshasa, Goma and Lubumbashi attend a private school, with approximately half being low-cost.
 - ✓ **Key Priorities thru Dec 2021** (following IDIQ execution, anticipated for early Jan 2021): To facilitate private finance to identified schools; to partner with local school associations to improve teaching and enhance school leadership; to improve inclusivity and child protection framework among education enterprises.
- **Rwanda** – Rwanda market assessment on Technical, Vocational Education and Training (TVET) schools confirmed demand for private financing. Early Childhood Development (ECD) market assessment is pending Contracting Officer approval. A Statement of Objectives for an Implementation Activity in Rwanda was co-designed by CATALYZE and USAID/Rwanda and a Request for Proposals will be released in Jan 2021.

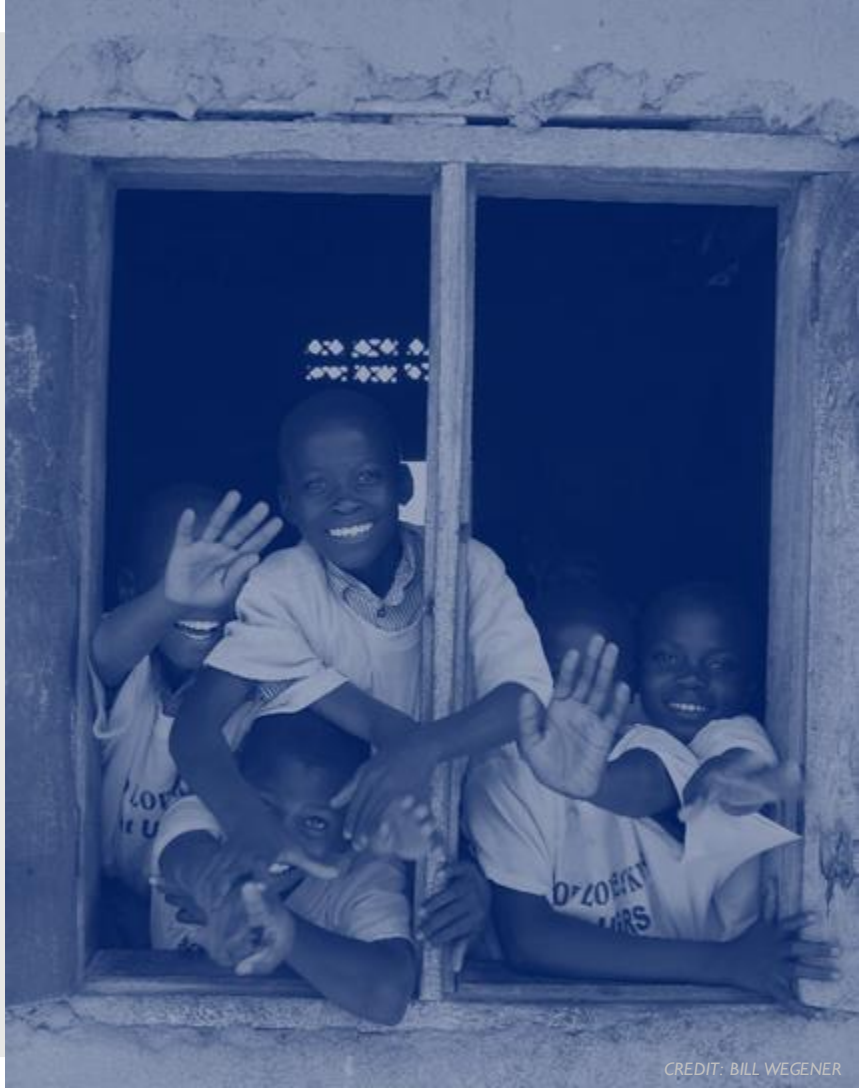




EDUFINANCE

Quarterly Updates (Y2 Q1)

- **Tanzania** – Tanzania market assessment confirmed demand for private education, particularly at the secondary level. Multiple strong banking and microfinance institutions exist. However, they do not offer suitable products for the education sector. The assessment further identified the potential for partnering with existing financial institutions to offer tailored loans to schools and parents. In December 2020, USAID/Tanzania approved an Implementation Activity Statement of Objectives. A Request for proposal to address the market assessment findings will be released in January 2021.
- **Kenya** – Received USAID Mission and Ministry of Education buy-In from Kenya, with a life-of-project budget of \$2.9M from USAID/W. In December 2020, CATALYZE issued a request for proposals for a market assessment in Kenya, closing on January 22, 2021. The Statement of Work was co-designed and approved by the Kenyan Ministry of Education and USAID/ Kenya.





EDUFINANCE

Quarterly Updates (Y2 Q1)

- **Latin America and Caribbean:** Market assessments completed in the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, and Paraguay. CATALYZE EduFinance consultants presented findings to the respective Missions, USAID/W, USAID/LAC Bureau, a LAC Advisory Board, and Palladium colleagues in Dec 2020. The presentations were well-received and will inform the future directions of blended finance activities in LAC.

Market assessments confirmed there is a strong demand for private education, demonstrated by the high proportion of non-state schools. They also found that primary education enrollment is high (90%+), though education quality remains a challenge. There are strong demand and supply factors for education finance in Haiti, the Dominican Republic, and Guatemala, and to a lesser extent in Paraguay and El Salvador.

- **Community of Practice:** A request for proposals to identify a Community of Practice (CoP) Lead firm was released in Dec 2020. An award is expected to be issued mid-Q1 2021. The goal of the CoP is to build a coalition to lead sustained engagement and dissemination, and to collect best practices and lessons learned in blended finance for education.





EDUFINANCE

Quarterly Updates (Y2 Q1)

- **Monitoring, Evaluation and Learning (MEL)** – A Scope of Work for a MEL External Evaluator was co-designed and approved by USAID in December 2020, following a request for inputs meeting with Missions in South Africa, DRC, Zambia, Tanzania, and Rwanda. Following robust consultation with CATALYZE & USAID MEL experts, a request for proposals will be released in early Feb 2021.
- **Staffing** – Katie Smith joined the team as the Deputy Education Lead. A vacancy was posted for an Africa EduFinance Lead in Dec 2020. This individual will be hired in one of the EduFinance activity countries and will oversee partner activity on the ground as well as liaise, as needed, with the Missions and CATALYZE team.





EDUFINANCE

Observations and Insights

- **Innovation implies taking risks but pay for performance contracts can complicate innovation**, because all parties focus too much on reducing their risk. The lesson here is – if innovation is important then there must be more flexibility in contracting
- **Be clear about contract mechanism before the request for proposals** – Annual Program Statement (APS) took much longer than expected, many reasons (starting up, new partners, etc.) but mainly because when APS was handed over from USAID it was not clear it was to be treated as a sole source selection process. The lesson here is – know beforehand if the contract will be treated as sole source selection.
- **Use the language of your partners** – Private sector/finance evaluates an investment opportunity through a risk vs reward calculation. ‘Target beneficiaries’, ‘needs assessment’, ‘journey to self-reliance’, don’t mean much to them. Instead, Private sector is looking to hear ‘opportunity’, ‘competitive advantage’, ‘return on investment’. The lesson here is - how you describe the project, and your expectations matter. To attract new partners, you want to meet them on their turf, where their comfort lies. Expecting them to do all the learning is not realistic.



EDUFINANCE

Observations and Insights

- **Contracting with new partners, especially small, local firms is time-consuming.** Palladium needs to have more readily available resources/guidance to explain how USAID and contracting work
- **Aligning USAID Mission Vs HQ Expectations:** While USAID Missions like the contracting convenience that a USAID HQ-procured project such as CATALYZE offers, they might not be fully aligned on the project's objectives and approach. This often requires lengthy negotiations. The lesson here is – structure a carve out in the implementation agreement where a portion of the portfolio is deployed in the 'priority sector' (area that the Mission is most interested in) and the private funders are allowed to develop remaining portfolio based on their own risk-reward calculations (in case of S Africa, Kaizenvest is allowed to develop one-third of the portfolio in a non-priority sector i.e. non-ECD, and in Tanzania and Rwanda non-priority sector is 50%. Non-priority is still within education and guardrails, but not just in one education sector like primary schools in Zambia or ECD in South Africa).



WOMEN'S GLOBAL DEVELOPMENT & PROSPERITY

Buy-In Summary – Support women's access to finance



Projected LOP budget of **\$10M**,
all of which is obligated.
Capital mobilization target
of **\$30M**.



Oct 2019 – Sep 2024



Global



Partners – BAC El Salvador and
Guatemala, DFC, Produbanco
Ecuador, Banco Lafise Dominican
Republic

WGDP is developing a suite of activities to build learning around an "incentives toolkit" and mobilize finance for women-led small and medium enterprises (SMEs). The approach will test several interventions to gauge what moves the needle for women and addresses the financing gap. This includes technical assistance for banks, training for women, interest rate incentives and the introduction of flexible loan products.



WOMEN'S GLOBAL DEVELOPMENT & PROSPERITY

Quarterly Updates (Y2 Q1)

W-GDP approved three exciting sub-activities to increase lending to women-led SMEs:

- **Financial Resilience for Women-Led Enterprises:** A co-created initiative with the Development Finance Corporation (DFC) to work with its existing financial institution clients in LAC. The two components of the initiative will i) rapidly assess and restructure at-risk loans to ensure sustainability for women-led SMEs; and, ii) assist women-led SMEs who have graduated from micro-finance and want to grow their business by providing them with necessary technical assistance to access a bank loan, while ensuring financial products and services meet this demand. W-GDP has initiated Gender Assessments with BAC El Salvador and BAC Guatemala. This is a process of analysis whereby the team can assess the challenges and opportunities to encourage women's access to finance and enhance their resilience to external shocks such as COVID 19.

The WGDP also welcomed a new partnership with Produbanco in Ecuador, to assist the Bank in the development of a gender investing program that aims to substantially increase access to finance and SME finance for women.





WOMEN'S GLOBAL DEVELOPMENT & PROSPERITY

Quarterly Updates (Y2 Q1)

- **The Variable Payment Obligation (VPO) Program** will address access to finance constraints for women-led small businesses in the Dominican Republic. Using an approach pioneered in the agriculture sector, loans with a variable repayment scheme tracked to SME income will be adopted by participating financial institutions to tackle the 1.3bn credit gap for women-led small businesses. Banco Lafise will work with the WGDP team to develop an appropriate VPO program.
- **Competition to Catalyze Gender Finance:** The purpose of this competition is to draw out bold ideas and actionable plans that drive significant amounts of private investment capital to support women in developing countries.. The call for Proposals "Using Blended Finance to Build Financial Resilience for Women" met with a strong response with over fifty submissions from across the global south--so much so that the call was extended to January 31, 2021 to ensure every applicant has time to put together their best submission.





WOMEN'S GLOBAL DEVELOPMENT & PROSPERITY

Observations and Insights

- The WGD-P team recruited good local subcontractors in Guatemala, El Salvador and Dominican Republic by spending a lot of time upfront to do extensive interviews to ensure a good fit.
- There are a lot of donors working on closing the gender financing gap. W-GDP's iterative approach helps to distinguish it from other donors so that programs suit the day-to-day business of the Bank with a primary focus on growing the portfolio and increasing sustainability
- The WGD-P team used a sole source in an effort to get a sub-contractor on board quickly. However, it proved to be very complicated given the documentation and justification required. The team will avoid sole source in future.



ETHIOPIA – MARKET SYSTEMS FOR GROWTH

Buy-In Summary – Foster private enterprise growth, primarily in agricultural markets, to create jobs and increase income



Projected LOP budget of **\$44M**, of which **\$15.8M** is obligated. Capital mobilization target is under discussion in response to recent budget clarification



May 2020 – Sep 2024



Ethiopia



Partners – PRECISE Consult

- **Catalyze business growth** for job creation through investment, business support
- **Build capacity** for market-led workforce skill building
- **Improve** the business enabling environment
- **Enhance** US government capabilities to catalyze trade and investment
- **Advance** the digital economy
- **Increase** exports
- **Mobilize** capital to spur business growth



ETHIOPIA – MARKET SYSTEMS FOR GROWTH

Quarterly Updates (Y2 Q1)

- To spur investment, **MS4G continued to support Addis-based Prosper Africa Deal Team (PADT)**, an inter-US Government Agency working group supporting US private sector investments in Ethiopia, while simultaneously building out our MS4G deal pipeline. Our team is providing quick-win investment support including: Ginko Bioworks (\$5-10M), a Boston-based firm specializing in health and agricultural laboratories; Unitrack (\$45-67m), for which we are providing legal and policy interpretation assistance with Ethiopian Investment Commission; and 37 Degree Health, whom we are assisting with a USTDA application for a feasibility study. We began planning a virtual investment forum with MiDA Advisors.
- Engaged with the USAID Ethiopia Mission to **develop a market systems approach and baseline assessment scope to the post-conflict recovery efforts in the Tigray region**. The USAID Mission is reviewing the draft. We look forward to bringing to bear MS4G expertise and capacity to assist as appropriate.
- **Continued to scale up our operations in Addis Ababa**, including signing an office lease, kicking off office-make ready, and hiring critical high-level advisors and operational staff.
- Continued to engage with the Mission to **finalize the Activity Monitoring, Evaluation, and Learning Plan**, reaching consensus on indicators and assessing targets in line with recent budget clarification.





ETHIOPIA – MARKET SYSTEMS FOR GROWTH

Quarterly Updates (Y2 Q1)

- To lay the foundation for results-based contracts for investment and business growth, MS4G engaged PRECISE Consult, a leading Ethiopia-based business and investment consultancy firm, to **provide detailed assessments on Ethiopia’s Business Advisory Service Providers (BASP) and financial ecosystems** and stakeholders.
- To address youth unemployment, MS4G selected two finalists and two semi-finalists for our **Funding Opportunity Notice to each train and place 2,000 youth in high-quality jobs throughout Ethiopia**. We are on track to announce youth job placement contracts by the end of January.
- To pinpoint and address the opportunities and challenges to strengthening Ethiopia’s market systems, MS4G undertook **systematic key stakeholder outreach, analysis, and planning**. To fully understand digital economy opportunities, MS4G is collaborating with Cephius Capital to conduct a digital economy assessment and partnering with FMO Netherlands on a digitally enabled enterprise study. MS4G engaged with technical contacts at the Ethiopian Ministry of Trade and Industry, Ministry of Finance, and private entities to identify opportunities.





ETHIOPIA – MARKET SYSTEMS FOR GROWTH

Observations and Insights

- **Align CATALYZE goals and USAID Mission goals** - Ethiopia Mission's main objective was to provide technical assistance to businesses to create jobs and, unlike CATALYZE, capital mobilization was not initially a high priority for them. The Activity Monitoring, Evaluation and Learning (AMEL) process and creating a theory of change and activities consistent with that helped to address the mismatch and demonstrate the value of capital mobilization in inclusive growth.
- **Engage Youth Advisory Board** – Although MS4G is not a youth program, youth as consumers, workers and business owners can play a key role in ensuring their strengths and insights inform planning, creating opportunities and innovative initiatives. MS4G is setting up a Youth Advisory Board with a clearly defined code of conduct and roles to embed Positive Youth Development in MS4G planning and implementation to maximize youth agency, impact.
- **Address delays such as COVID19 slowdown at State Department** – There have been operational delays on several fronts - We are still not registered in Ethiopia. In response to initial delays, we have developed streamlined procedures for MOUs and NDAs. We encountered long delays in getting our local teams' access to the candidate pools so that we could do recruitment. In addition, we are figuring out how to operate efficiently as a team with a dual-level CATALYZE vs MS4G buy-in structure that is complex by nature.



PERU

Buy-In Summary – Catalyze investment and access to finance in the Peruvian Amazon



Projected LOP budget of **\$15M**, of which **\$5M** is obligated. Capital mobilization target of **\$100M**.



May 2020 – May 2023



Peru

- **Develop projects and business models** with direct supplier relationships that include innovation in financing and technology.
- **Build capacity of Business Advisory Service Providers** and develop a more robust market for their services in financial facilitation and business development through pay for performance models.
- **Provide technical assistance and incentives to financial institutions (FIs)** to motivate and enable FIs to increase funding in target geographies.
- **Develop a digital information** system with the goal of adding value for all actors involved in a business model – smallholders, SMEs, off-takers, end buyers, input suppliers and financial institutions.



PERU

Quarterly Updates (Y2 Q1)

- **Conducted a Financial Institutions (FI) Ecosystem Mapping Assessment** and submitted final report to USAID. The main goal of this assessment is to identify financing and investment opportunities, understand investor and financial institution interests and requirements for financing in the Peruvian Amazon.
- **Conducted an Opportunity Assessment and a Business Advisory Service Provider (BASP) Mapping Assessment** via subcontractors Mecanismos para el Desarrollo Alternativo (MDA) and Invertir, respectively. CATALYZE Peru received draft reports for both studies towards the end of the quarter. The objective of the Opportunity Assessment is to identify where the most promising opportunities exist for expanded financing and investment in the Peruvian Amazon. The goal BASP Mapping Assessment is to have a set of qualified, appropriately incentivized, and local Business Advisory Service Providers capable of envisioning, packaging and closing viable financing and investment deals for financial institutions.
- **Drafted the Monitoring, Evaluation, and Learning Plan** with support from sub-contractor Moonshot. Pending the completion of all the initial assessments, targets will be included before it gets submitted to USAID in Q2.





PERU

Quarterly Updates (Y2 Q1)

- **Staffing:** CATALYZE Peru team has signed a contract with the Executive Search firm Spencer Stuart Peru, for the recruitment of the CATALYZE Peru CEO, which commenced in mid-December 2020. Interviews for the Chief Financial Officer (CFO), Grants and Subcontract Manager, Director of Financial Innovation and Director of Strategic Partnerships - positions to be based in Lima, Peru -, will be scheduled for January 2021.





PERU

Observations and Insights

- **Build in design and strategy development at the initial stages of start-up -** Having this period built-in as part of start-up will help manage expectations about the initial stages of the process. The Performance World Statement (PWS) and Scope of Work (SoW) are being finalized to lay out the strategy and scope of the project.
- **Set capital mobilization targets once program design is completed–** Incorporating initial assessments' information allows the buy-in to set targets that incorporate the market intelligence collected and analyzed.
- **Adopt a private sector approach –** Since USAID's Private Sector Engagement Hub and CATALYZE are centered around promoting the private sector, it is beneficial to use a private sector approach in language, approach, reporting requirements, job roles, compensation, and other aspects.



PERU

Observations and Insights

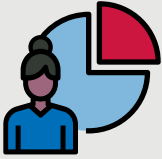
- **More flexibility = more opportunity = more impact:** CATALYZE funds can be most effective if they are usable for any reasonable approach that attracts and increases ability to leverage private capital. This includes a wide variety of risk mitigation measures such as foreign exchange risk mitigation, guarantees, and others, in addition to the more commonly-used incentives and grants.
- **Be "opportunistic"** in the best sense of the word. Even if the program is not up and running, identify and cultivate potential partners and capital mobilization transactions.
- **CATALYZE can contribute to developing local ecosystem expertise.** While local firms have better local knowledge, content and analytical quality may not be best in class. CATALYZE has informally provided technical expertise, advice and guidance to local sub-contractors. This is a way that Palladium can strengthen the local investment expertise ecosystem.



PERU

Observations and Insights

- **There can be greater collaboration and beneficial deal "twinning" between US government funding streams** for transactions, such as CATALYZE funds and DFC guarantees, debt, and equity investments.
- **Consider an "experimental" section of the MEL plan.** CATALYZE buy-ins may wish to try innovative new approaches whose impact may not be easily or cost-effectively measured. There can be encouragement to innovate (for example new digitalization or tech-enabled approaches) that commit to, but not required to be measured quantitatively – perhaps as a special innovation category.



SRI LANKA - PRIVATE SECTOR DEVELOPMENT

Buy-In Summary – Promote economic diversification and employment opportunities for women



Projected LOP budget of **\$19.5M**, of which **\$5.7M** is obligated. Capital mobilization target of **\$160M**.



May 2020 – Sep 2024

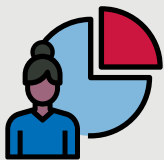


Sri Lanka



Partners – TBD

- **Increase SME competitiveness** - Strengthened business services industry to increase SME capacity and technology adoption, improved market linkages and info and advanced private markets, increased innovation
- **Improve Women's Labor Force Participation** - improved care economy, professional development for women, increased growth of women-led enterprises
- PSD will focus on tourism, ICT, the commercial care industry, the garment sector, and one additional sector that will be selected based on its potential to create productive employment opportunities, including for women, increase SME revenues, and contribute to economic diversification.

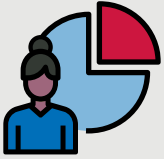


SRI LANKA – PRIVATE SECTOR DEVELOPMENT

Quarterly Updates (Y2 Q1)

- **Initiated three market assessments** covering the SME sector in Sri Lanka: 1) SME competitiveness and gender inclusion, 2) Business Advisory Service Provider mapping and 3) Financing landscape for SMEs using best practice methodologies from Palladium's portfolio of programs. The SME Competitiveness assessment team has proposed that PSD select the garment and processed food & beverage sectors, in addition to the established focus sectors of ICT, tourism, and commercial care. The assessment teams overall have had to adapt to mounting restrictions related to spikes in COVID-19 spread and have retooled their assessment plans and interview methodologies. The majority of outreach is expected to take place in the current quarter.
- **Launched a grant fund for Sri Lankan companies/ organizations** focused on bolstering resilience to the secondary economic impacts of COVID-19, with an emphasis on enhancing SME competitiveness and women's labor force participation. Thirty concept notes were received during the initial phase and 3 were shortlisted for the co-creation phase and requested full proposals. Final award for this round is anticipated in late January/early February. The next round of concept notes is also being reviewed, with nearly 70 submissions.



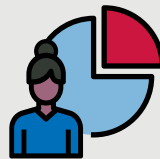


SRI LANKA – PRIVATE SECTOR DEVELOPMENT

Quarterly Updates (Y2 Q1)

- The team held several sessions with sector leaders in Sri Lanka, including the Women’s Chamber of Commerce and SLASSCOM, to define and identify opportunities/challenges facing PSD’s target sectors.
- **Staffing** - PSD has onboarded its Team Lead, Orzu Conconi, as well as a number of key operational staff, including a Director of Operations and Procurement Officer. Other leadership positions are in late stages of recruitments with LCP waivers either submitted or to be submitted to USAID for approval.
- **Activity Monitoring, Evaluation and Learning Plan (AMELP)** - The PSD program has initiated collaboration with Moonshot to develop the AMELP and finalize indicators.

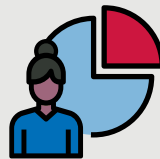




SRI LANKA – PRIVATE SECTOR DEVELOPMENT

Observations and Insights

- **Hiring in-country staff has made project operations much faster and smoother** compared to running things from DC. It took longer than anticipated to hire staff in Sri Lanka, given that employees are expected to give 2-3 months notice to their previous employers.
- **Working on forging relationships while working remotely** under challenging time difference. This calls for real flexibility, effective communications and advance planning. Simple measures like turning on cameras during meetings and making more time for staff to get to know each other are also helpful
- As we are getting ready to design our pay-for-results incentive structures and work with our business advisory service providers, **engaging colleagues who have first-hand experience** in these areas (e.g. Amanda Fernandez from FinGap) to deliver training to the Sri Lankan team has been very helpful.



SRI LANKA – PRIVATE SECTOR DEVELOPMENT

Observations and Insights

- Although Sri Lanka has strong technical capacity and the proposals received from local subcontractors during the request for proposals (RFP) process were quite strong, the **quality of deliverables received were not always up to the mark**. A few steps we could take to avoid this in future – organizing a bidders' conference to clarify our needs, having 1-2 staff on the ground right from the start to coach and provide detailed feedback, allow more time if needed to ensure quality and have bidders indicate specific team members assigned to the project during proposal submission. We can provide subcontractors templates if we are concerned about presentation/format issues. Dalberg and OCA hire lots of local people who do good work. They provide their teams practical tools: templates, outlines and samples.



SAHEL – FINANCE FOR RESILIENCE (F4R)

Buy-In Summary – Increase financing to support capital investment in the agricultural sector and in youth-led enterprises



Projected LOA budget of **\$10.7M**, of which **\$6M** is obligated. Capital mobilization target of up to **\$19M**



August 2020 – Sep 2024



Burkina Faso, Niger, Mauritania (to be confirmed)



Partners – Cabinet d'Ingénierie et de Conseil en Développement D'entreprises (Burkina Faso), Yalwa, Yidgiri, Bridge Youth Connect, WATIH, DFC, USAID, Sahel CC

- **Component 1:** Mobilize lending from financial institutions (FIs)
- **Component 2:** Provide incentives for facilitators who link FIs and other finance sources with the farmers, cooperatives and youth-led enterprises in targeted regions & sectors
- **Component 3:** Project Development Facility to finance small-scale community infrastructure in Niger (optional component pending Year 1 review)
- **Components 1&2** are expected to run the duration of the program. Component 3 may start in Year 2 or 3 depending on early program results.



SAHEL – FINANCE FOR RESILIENCE (F4R)

Quarterly Updates (Y2 Q1)

- **Niger:** Open Capital Advisers submitted Niger Market Assessment draft report to the CATALYZE Sahel team for review based on findings from 30+ consultations with Nigerien actors and international partners and desk research. The assessment identified key capital needs, preferred types of capital and access challenges for Nigerien SMEs. In addition, the report highlighted gaps in financial intermediary services as potential areas of intervention for Sahel F4R.

Coordinated with the U.S. International Development Finance Corporation (DFC) to connect with and evaluate local banks as a potential partner for a Credit Guarantee facility in Niger.

Started procurement process for local implementing partner (expected to have successful bidder onboard in Feb 2021)

- **Burkina Faso:** Completed Burkina Faso Financial Institution Mapping Report, Financial Facilitator (FF) Information Session Report and finalized inputs for the Pay-for-Results (P4R) design. The discussions organized for these reports highlighted the need to consider expanding beyond the focus value chains.

Evaluated two responses to the RFP for the long-term implementing partner in Burkina Faso and entered negotiations with selected firm.





SAHEL – FINANCE FOR RESILIENCE (F4R)

Quarterly Updates (Y2 Q1)

- **Financial Facilitator Toolkit:** Open Capital Advisors created three modules of generalized training materials and toolkits for financial facilitators: i) pipeline development, ii) transaction support and iii) investor relations. The training modules were tailored for Burkina Faso and translated to French.
- **Monitoring, Evaluation and Learning:** Worked with Moonshot to develop a Monitoring, Evaluation and Learning (MEL) Plan including the Theory of Change, Results Framework, and Learning Agenda. Revised MEL plan with input from USAID. Awaiting input from Sahel Office M&E team.
- **Staffing: Recruited and extended contracts to administrative field personnel** – Director of Finance & Administration and two Grants & Procurement Managers; one Manager in each country. Sahel F4R team will share office space with Palladium's USAID Health Policy Plus (HP+) program in Ouagadougou.





SAHEL – FINANCE FOR RESILIENCE (F4R)

Observations and Insights

- **Prioritization of limited resources** – Our goal to maintain a large pool for pay-for-results incentives can result in challenging operational decisions. In addition to achieving the project objectives of capital mobilization, we need to ensure resources are available to secure the best partners and staff. It's important to set realistic targets and ensure that we don't compromise on the teams' capacity to deliver by cutting back operational budgets.
- **Lack of comprehensive guidance creates inefficiencies** – The adaptive management approach often leads to getting many things wrong the first time around and requires operational staff to do things twice. Early-on, comprehensive guidance for project implementation can reduce burden on staff. Furthermore, while Palladium's procurement resources can be helpful, they are not especially intended for audiences outside of contract/compliance experts. This creates a steep learning curve for new project delivery staff. Palladium could build its project management capacity by a) increasing the number of senior procurement/grants/finance people on the project that can support new staff as they navigate these processes; or b) invest more in staff capacity building and training early on so that they rely less on the procurement and finance teams to complete and validate their tasks.



SAHEL – FINANCE FOR RESILIENCE (F4R)

Observations and Insights

- **Sharing best practices and templates across Project Management Units** has been very helpful. The collaboration of staff and passing on of resources has helped keep us on track thus far.
- We are trying to prevent this ad hoc operations environment from happening with our country team members **by preparing comprehensive start up packets in advance**. This is especially important because the language differences between some of our staff and the finance and procurement team may prevent them from easily corresponding to resolve issues.
- **To ensure that our subcontractors are providing deliverables that meet our expectations**, we provided the local subcontractor in Burkina Faso with templates/samples and agreed on the report outline in advance. This was helpful in setting expectations and we have been largely satisfied with their output.



WESTERN BALKANS – ENGINES OF GROWTH

Buy-In Summary – 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 buy-ins.



May 2020 – Sep 2024



Western Balkans

Individual missions considering CATALYZE: Albania, Bosnia & Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia

This activity will engage market actors and other stakeholders to identify key constraints and opportunities and develop one or more activities to minimize the access to finance constraint. EoG will focus on the following primary objectives:

- ✓ *Mobilize capital to viable SMEs in the wake of COVID-19 to sustain SMEs and retain/rehire workers and capacity for future growth.*
- ✓ *Facilitate longer term financing to support growth-ready SMEs*
- ✓ *Develop financial products and services to meet the need of underserved populations and areas*
- ✓ *Create a COVID-19 Dashboard to help USAID and regional public institutions to monitor the impact of COVID-19 on the Western Balkan economies and financial markets and inform the design of future programs and policies.*



WESTERN BALKANS – ENGINES OF GROWTH

Quarterly Updates (Y2 Q1)

- **COVID-19 Dashboard:** Working with the Institute for Development Impact (IDI) to develop a COVID-19 Dashboard for the Western Balkans which will gather, integrate and track data from readily available sources on the impact of the pandemic on the health, real economy, financial markets and government policy. The team has identified data sources for the dashboard. Next, IDI will work on standardizing data from various sources for the COVID 19 Dashboard and develop a mock-up.
- **Business Advisory Service Providers (BASP):** Issued Expressions of Interest to identify a local pool of specialized BASPs with expertise in strategic business planning, financial analysis, and financial engineering. The BASPs will work on a pay-for-results basis to mobilize capital to vulnerable SMEs in the Western Balkans and help them restore productivity and retain employment. This activity will be initially piloted in North Macedonia and Serbia and could potentially be expanded in other countries in region.
- **Monitoring, Evaluation and Learning (MEL):** MEL plan expected to be finalized in January.
- **Staffing:** Hiring of Team Leader and local staff are currently underway





WESTERN BALKANS – ENGINES OF GROWTH

Observations and Insights

- **EoG is a challenging project** because of its regional focus, working across potentially 6 countries, with a very small budget. When it comes to communication and coordination, there is an added layer of complexity since neither the USAID Regional Mission nor the Project Management Unit are in-country.
- **Mobilize critical staff early on** (e.g. team leader, operations manager) in order to get things moving on the ground faster.
- Stakeholders are new to the co-creation and co-design process, so there is a need to **set expectations and guiding principles upfront** in order to make decisions in a timely manner. A collaborative process is key to creating a sense of shared ownership but it can create roadblocks and slow down implementation.
- **Calculated risks need to be taken in order to achieve impact.** The need to validate everything can hinder progress. “Don’t let perfection be the enemy of the good”



WESTERN BALKANS – ENGINES OF GROWTH

Observations and Insights

- **Plan realistic activities based on the already committed/ obligated budget** as opposed to the promised budget, which may be more uncertain. Have more aspirational activities planned in case the additional funding comes through.
- The EoG team is **thinking through ways to measure buy-in “additionality”** (i.e. what additional effect does our intervention have when compared to a baseline).



ASIA - SOCIAL PROTECTION

Buy-In Summary – Improve access to financial and social protection for vulnerable women in Asia



Projected LOP budget of **\$440,000**. Seeking at least 4:1 private sector matching of USAID's funding



Sep 2020 – TBD



Bangladesh, Indonesia, Philippines (phase 1b)

- *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

Quarterly Updates (Y2 Q1)

- Began with 18 candidate Asian countries and shortlisted to 12 based on USAID Mission alignment
- Analyzed 12 countries based on need and enabling environment, assessing over 20 indicators across 5 buckets: 1) opportunity to reach vulnerable women at scale, 2) opportunity to address poor health outcomes, 3) social protection landscape, 4) maturity of private capital market and 5) availability of social protection platforms and intermediaries. This resulted in a shortlist of top 5 potential investment cases. Presented findings to the 5 USAID Missions, plus 2 who had expressed interest
- Of the top 5, 3 USAID Missions (Bangladesh, Philippines, Indonesia) have expressed interest in moving forward with phase 1b (deep dive), and preliminary interest in participating in phase 2 (transaction development). Plans to present deep dive analysis to USAID Bangladesh by early February





USAID
FROM THE AMERICAN PEOPLE

USAID CATALYZE

Spotlight

SPOTLIGHT

What will it take for banks to serve the Peruvian Amazon?

- ✓ **The Amazon has long been one of Peru's most important resources comprising 94% of the country's forests and 65% of Peru's land mass. Despite the Amazon region comprising 11.6% of Peru's population, it only receives only 3.7% of all financial system lending and holds only 1.9% of national deposits.**
- ✓ **Abundant natural resources have not prevented the 3.8 million people living in the Peruvian Amazon from being significantly poorer and having less productive businesses than the national average. Land and biodiversity are under significant threat as the Peruvian Amazon suffers an estimated forest loss per year of 155,000 – 160,000 hectares. Access to financial institutions and credit in the region is significantly lower than the national average.**
- ✓ **In preparing the assessment of the financial institutions' (FIs) ecosystem, Palladium discovered that only 39 financial institutions serve the region's 3.8 million people. The majority of the FIs in the Peruvian Amazon are microfinance institutions with high capital and transaction costs. In addition, the interest rates that FIs in the Amazon offer are higher as compared to the rest of the country; this is especially true for consumer credit in the Amazon which is one of the largest types of credit utilized in the area. In a setting of high interest rates and various barriers to entry, the number of FIs in the region has increased by 77.3% since 2010, and FIs interviewed for the report have shown real interest in expanding into the Peruvian Amazon.**

SPOTLIGHT

What will it take for banks to serve the Peruvian Amazon?

- ✓ Interviews conducted with key FIs uncovered common barriers which limited financing in the Peruvian Amazon. Among the barriers mentioned, the most notable included: costs related to distance, poor infrastructure (roads and connectivity), significant risk (proximity to illicit activities, informality, reputational risk), insufficient technical assistance, limited knowledge of the region, and high opportunity cost vs other parts of Peru. FIs also provided Palladium with perceived factors to successfully increase investment in the Peruvian Amazon. These success factors include appropriate technical assistance for potential borrowers, de-risking mechanisms (e.g., first-loss capital, guarantees), community buy-in, strategic partnerships with a range of stakeholders, and secured buyer contracts.
- ✓ To properly utilize the resources of the Peruvian Amazon, in a sustainable and inclusive manner, as well as increase investment in the region, Palladium has developed specific strategies in which these goals can be achieved through CATALYZE Peru. Among the strategies outlined in the report are offering FI stimulus incentives, supporting robust community engagement, delivering financial institution-specific technical assistance, brokering anchor buyer opportunities to unlock financing, assisting with transaction structuring and closure, promoting digital technology-enabled approaches, and creating a financially sustainable way for sustained investment past the life of CATALYZE Peru.

PARTNER SPOTLIGHT

Expanding early childhood development in South Africa with Kaizenvest

What does Kaizenvest do?

- **Kaizenvest believes that education is the key to Human Capital transformation. Kaizenvest invests in:**
 - ✓ **Education companies that can deliver critical outcomes at scale using innovative business models.**
 - ✓ **Companies that disrupt the education status quo either with new technologies or through unique, technology-enabled services.**

How is CATALYZE EduFinance partnering with them in South Africa?

- **CATALYZE is partnering with Kaizenvest to expand and improve early childhood development (ECD) education serving low to middle income families. Kaizenvest will set up a debt fund that lends to ECD centers for improving their infrastructure, meeting working capital needs, etc. In partnership with local institutions, Kaizenvest will arrange services to ECD providers that help to improve learning outcomes.**

PARTNER SPOTLIGHT

Expanding early childhood development in South Africa with Kaizenvest

What is the Kaizenvest lending model in South Africa and why is this partnership significant?

- ✓ **Kaizenvest uses a outcomes-based lending model ('rewards and recognition') that has been successfully implemented through their partner (Varthana) in India. This model will be adapted for the South African ECD sector. An ECD center that borrows from Kaizenvest and meets pre-agreed learning outcomes targets will be 'rewarded' with financial incentives, usually in the form of interest and/or principal rebates on the loans. These institutions are also publicly 'recognized' through promotional materials that encourage uptake of improved ECD teaching techniques at other nearby centers.**

- ✓ **Kaizenvest's 'value-added' debt model ensures borrowers also gain access to pre-selected local service providers that offer quality technical services to help these centers improve learning outcomes performance. Center owners have a direct financial incentive (the 'reward') to use these services and improve learning outcomes.**
- ✓ **Kaizenvest solution for South Africa can be scaled-up for other Sub-Saharan African countries.**



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CATALYZE Y2 Q1 Report

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