Request for Proposal (Pre-Qualification) – Answers to Questions

Subject RFP #:	217758-PY01-01
RFP Issue Date:	2 September 2019
Terms of Reference:	Transaction Advisory Services (TAS) for Investment and Credit Transactions
Project	Investment Support Facility (ISF) for Smallholder Inclusive Transactions for Malawi
The Company	Palladium International LLC
Closing Date and Time	16 September 2019 at 5:00pm ET
Questions Deadline	☒ Accepted at info@isfmw.com by 6 September 2019/12:00pm ET ☐ N/A
Bidders' Conference	☐ Insert Date, Time, and Place Here ☒ N/A
Details for Submission	Submissions will be accepted: ☒ Electronically: email to info@isfmw.com ☐ In hard copy (sealed bids)
Offer Validity Period	6 months

Thank you for your interest in the above procurement. In the pages below, please find Palladium's responses to all questions received by the Questions Deadline. The responses will be distributed to all offerors that have indicated an intention to submit a proposal. Additionally, the responses will be available publicly on Palladium's website.

Offerors who did not indicate their intention to bid by the Questions Deadline are still invited to submit a proposal by the Closing Date. Your proposal must be valid for the Offer Validity Period.

Please submit your proposal in accordance with the Details for Submission above by the Closing Date and Time.

Yours sincerely,

Roland Pearson
Project Director, ISF

Offerors Qualified to Bid

1. Q: Does Investment Support Facility seek to work with individual transaction advisory service providers or those interested are also allowed to bid as a firm?

   A: ISF is open to considering individuals, firms, or consortiums to serve as pre-qualified TASPs. Regardless of composition, offerors will be assessed based on the criteria outlined in the RFP.

2. Q: Are offerors able to bid as a consortium?

   A: See response to Question 1.

3. Q: Please clarify whether an offeror would be disqualified if we have not closed three deals of at least USD 250,000 in the last three years. We have worked on assignments or have been part of teams working on deals of a much bigger size that either successfully closed or ultimately were not financed (at least by the financier we had in mind at the time) due to e.g. the target not meeting the collateral requirements of the lender. Can this count as having 'facilitated at least three financing deals…'?

   A: Successful facilitation (i.e., closure) of at least three deals valued at $250,000 or more in the last three years is a pass/fail criterion for pre-qualification. The ISF is open to receiving bids from consortiums of firms submitting proposals as a single offeror/team, including combinations of local/international firms. Assuming you and your consortium partner or partners can collectively meet the criteria as outlined in the RFP, then your consortium would meet this specific pass/fail criterion.

4. Can a local firm partner with an international firm?

   A: Yes. See response to Questions 1 and 3.

Post-Proposal Contracting Process

5. With respect to deals not sourced by the ISF, are they prepared to accept confidentiality (and, by extension, TASP exclusivity vis a vis their other providers) with respect to a particular transaction? Specifically, on the sample NDA, the document seems to provide that if we bring a deal sourced by us under ISF's umbrella, that ISF has a right to disclose confidential information about that deal with any investors, financiers, etc – have we understood that correctly?

   A: Yes, the ISF wants TASPs to bring deals to the ISF and is thus prepared to extend the same confidentiality as the TASP has to its client. A deal that is originated by a specific TASP will be assigned to the TASP that made the pre-approval submission (i.e., through sole source procurement), assuming the transaction meets ISF's criteria.

   Further, the interpretation of the NDA should be that confidential information would only be shared with those investors, financiers, or others who are party to the specific transaction.

6. Will there be transparency across all TAS providers at the initial stage - and how will you determine which TAS provider will work on what deal, or will each deal be a race to close for each provider?

   A: Part of the pre-qualification process, particularly evaluation of the skills/experience matrix (RFP Attachment 1), will be used to determine smaller subsets of pre-qualified firms with appropriate experience to support a given transaction. For example, if an ISF-sourced transaction will likely include equity – in part or whole – for the transaction, ISF may restrict competition for that specific transaction among TASPs with capabilities and prior experience closing equity transactions. Should the ISF have 15 pre-qualified TASPs in its pool, in other words, we would not want to open competition for a specific transaction among all 15 TASPs given the sensitivity of the information.

7. How does ISF anticipate distinguishing among pre-selected TAS providers in the case of multiple TAS providers presenting the same transaction for approval?

A: ISF would defer to the choice of the investee/client. We understand the potential for conflicts of interest, and other complexities that may arise from having multiple TASPs work on the same transaction, but ultimately, we would have to defer to the prerogatives of the client.

8. What does limited competition among pre-qualified TAS providers for ISF originated transactions entail? Will transactions be open to all pre-qualified providers? Will ISF or the business select the winning provider?

   A: See response to Questions 6 and 7.

9. Will it be mandatory for the investees to work with TAS providers? This is based on the fact that most of the enterprises with capacity to access over $500,000 might have in house capacity to develop the documents on their own.

   A: No, however, if entities have in-house capacity to prepare documents on their own and/or the ability to access financing/investment already, then they would likely not be seeking ISF support. There may be cases, though, where entities are seeking ISF support to introduce them to prospective investors in the ISF's network. Depending on the nature of the transaction, ISF may or may not advise they work with a TASP.

10. If it will be mandatory for the investees to work with TAS providers, how will those investees who have applied directly to ISF be allocated to TAS?

    A: See response to Questions 6 and 7.

Deal Eligibility and Milestones

11. Is there any additional deal eligibility criteria besides agribusinesses/ag financers seeking >$500k? (e.g., value chains, headquartered in Malawi, government ownership limitation, etc.) that ISF will use to determine whether businesses are approved for support?

    A: ISF's eligibility criteria are reflected in the Transaction Review Form (Attachment 4).

12. Will small to medium sized enterprises even startups qualify be target for this initiative? The minimum of $500,000 looks to be on the higher side for them yet it is widely known that SMEs make significant social impacts.

    A: The ISF is not designed to explicitly target small to medium-sized enterprises (SMEs) or start-ups. If SMEs/start-ups seeking financing/investment meet ISF's eligibility criteria, then they would potentially qualify for ISF TAS support.

13. Milestone 1 refers to a "detailed analysis" with respect to smallholder eligibility test – can you provide more information on the format and scope of this analysis such that we can determine the required input and thereby likely committed cost on our side?

    A: ISF has added Attachment 5: Smallholder Impact Statement Template for offerors' reference.

14. Milestone 3 refers to 'enterprise payment', is this the non-ISF success fee payment from the investee company to the service provider at closing or is it just financial closing of the investment?

    A: The 'evidence of enterprise payment' deliverable under Milestone 3 refers to TAS fees paid by the client – whether the client is an investee or an investor. The ISF will not dictate how TASPs collect fees from their clients for their services. Some TASPs may choose to work on monthly retainers, while others may require clients to pay some fee upfront with the rest rolled into the value of the transaction.

TASP Fees

15. Are there any other cost contributions or support that ISF are prepared to make/considering making to TAS providers?

A: No, there are no other cost contributions. Nonetheless, ISF would be open, in very exceptional circumstances, to considering some form of subsidy or cost-share that is consistent with our basic principles within our stated guidelines.

16. If in agreeing the fees with the client on a deal brought by the TAS provider, the client requests the ISF% to be taken from their fee with the TAS how does ISF anticipate dealing with such an eventuality (i.e. in ensuring that the TAS provider is not merely put in the position they would have been in from a success perspective if they had not brought the deal within the ISF)?

    A: ISF emphasizes a principle of cost-share between the project and the paying client. The percentages indicated in the tender document are the ceiling subsidies for the given brackets and should be taken into consideration as TASPs engage their clients. ISF is not designed to provide any further incentive or payment beyond the fee structure already presented. To the extent that TASPs want or need to charge fees that exceed those brackets, they would negotiate rates with their client. For example, if a transaction is $1.5 million and the TASP quotes the client a cost of 5%, then ISF, based on our policies, would pay no more than 1.5%. The remaining 3.5% would need to be agreed upon and collected from the client.

17. How will success fees be adjusted if original capital raise amounts are only partially met?

    A: ISF will amend TASP contracts to adjust the final contractual milestone payment to reflect the financing value approved.

18. Given the discrepancy between typical commercial rates for TAS and the proposed ISF maximum contribution as a % of deal size, does ISF anticipate additional sources of funding being available to pay for TAS fees?

    A: See response to Questions 15 and 16.

19. How will the initial costs for project development be recovered in a situation that the transaction fails to go through the process?

    A: Please refer to ISF's milestone structure on pages 4-6 of the RFP. ISF is not designed to provide any further payment beyond the fee structure already presented.

Other

20. Following pre-qualification, what are ISF's expected timelines to launch the program and when would you start accepting pre-approval documents from transaction advisors?

    A: The ISF will begin accepting pre-approval documents as early as TASP pre-qualification proposal submission, as noted on page 12 of the RFP in reference to submitting applications on behalf of clients for Deal Room participation. The ISF intends to host a half-day orientation workshop for pre-qualified TASPs on 3 October 2019. Selected TASPs will be notified in advance and subsequently invited to the orientation.

21. How are you building the pool of investors and what success have you had so far? What, if any commitments have you received to date (soft or otherwise)?

    A: The ISF has conducted a comprehensive local and regional financial sector landscaping analysis of commercial banks, development finance institutions, and other public and private financial institutions, and would consider them all as potential investors for ISF-supported transactions.

22. Will the TAS provider have direct access to the pool of investors and what level of autonomy will it have to run the transactions directly?

    A: We would expect TASPs to have direct relationships with investors. We also expect TASPs to maintain direct relationships with the investors and investees throughout the course of the transaction, while also maintaining communication, cooperation, and collaboration with the ISF within stipulated processes.

23. Are the ISF providing any other direct support to the enterprises? If so, in what form and of what value?

    A: No, the ISF will not provide direct support to potential investees (i.e., client enterprises). The value that ISF brings to the investee or enterprise is the connection to potential financiers and TASPs, as well as the additional resources those entities may be able to provide.

24. Who will be responsible for promotional or advertising costs for the programme?

    A: The ISF, to the extent possible and appropriate, will publicize the project through select mediums. As commercial entities, TASPs will market the services they offer to prospective clients at their own discretion and without monetary contributions from the ISF.

25. What key lessons and innovations have you put in place to ensure that this initiative is successful considering that similar past projects faced challenges in Malawi?

    A: The ISF is unlike past projects in Malawi, given its emphasis on commercially-driven transactions by TASPs for a fee paid by clients on a pay-for-performance basis (i.e., success fee). Building on successful cost-share between the project and a paying client under other projects implemented by ISF partners and others in Malawi and the region, ISF expects to further push the market toward a sustainable, commercial model for TAS in which the client bears the majority of the cost and TASPs must competitively price their services.

26. Will region of operation by TAS providers matter in allocating enterprises to TAS providers? This is based on the fact that there are regions that have fewer enterprises compared to the other regions especially for those enterprises that will apply directly to ISF.

    A: No, however TASPs will need to factor necessary travel costs into their cost proposals for negotiation with their clients.