

# Call for Expressions of Interest No. 001

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**Issuance Date: November 10, 2023**

**Closing Date/Time: December 15, 2023**



**SUBJECT:** Call for Expressions of Interest in either 1) an unfunded partial loan portfolio guaranty and/or 2) a direct loan, in each case for financial institutions operating in DFC-eligible countries (identified below) in the Pacific Islands to expand financing to micro, small, and medium-sized enterprises (MSMEs).<sup>1</sup> Applicants are encouraged to choose their preferred financing mechanism to meet the objectives of this program.

**Dear Potential Partners:**

The U.S. International Development Finance Corporation (DFC), in collaboration with the U.S. Agency for International Development (USAID), is seeking expressions of interest from private financial institutions to establish one or more unfunded partial credit loan portfolio guaranty(ies) or direct lending program(s) to mobilize lending to MSMEs in DFC-eligible countries in the Pacific Islands. DFC anticipates signing an agreement with one or more successful parties, subject to availability of funds.

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**I. Background**

DFC is the United States’ development financial institution. DFC partners with the private sector to finance solutions to the most critical challenges facing developing markets today. DFC’s work drives financial market growth by assisting financial institutions in expanding lending in underserved sectors and segments. Our goal is to encourage financial institutions to lend to a new type of borrower, develop a new product, lend to a new geography, and/or lend at improved terms.

In collaboration with USAID, DFC is considering the establishment of a finance facility that would help meet some of the financing needs of businesses in Pacific Islands countries. This financing facility would be targeted to MSMEs and would include a broad geographic coverage area.

DFC is seeking to work with one or more financial intermediaries in the region to create a financing facility of up to \$50 million for MSMEs. Financial intermediaries with products designed to serve qualifying borrowers in the areas of climate, agriculture/food security, technology, healthcare, and infrastructure from across the region are encouraged to respond to this call for Expressions of Interest. Special consideration will be given to applicants with programs and products that focus on borrowers who qualify as 2X (see 2x qualification criteria [here](#)) or women entrepreneurs/gender-inclusive companies.

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**II. Scope of the Transaction**

DFC is considering structuring a new partial loan portfolio guaranty, or direct loan, with one or more financial institution(s) to mobilize lending in the eligible Pacific Islands countries aligned with DFC’s and USAID’s development priorities. The anticipated terms of the guaranty or loan are found below. Terms are subject to change based on market needs and diligence on selected institution(s):

- **Qualifying Applicants:** Private, non-sovereign entities that provide loans, leases, or other debt instruments. These include but are not limited to banks, non-bank financial institutions, savings and credit cooperative organizations, microfinance institutions, leasing companies, debt funds, impact investment funds, private investment firms, and private investors (individuals or groups).

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<sup>1</sup> “MSME” means an enterprise that, together with its majority-owned or controlled subsidiaries, for the most recent fiscal year, satisfies at least two of the following three criteria: (i) equivalent to \$15 million or less in annual revenues; (ii) equivalent to \$15 million or less in assets; or (iii) 300 or fewer employees. DFC can also use a local definition if it is stricter than the above standard.

The Qualifying Applicants will be entities already engaged with private-sector finance for MSME growth in one or more of the DFC-eligible countries in the Pacific Islands.

- **Qualifying Borrowers / Use of Proceeds:** Private, non-sovereign MSMEs registered to operate in DFC-eligible countries.
- **Qualifying Sub-Loans:** Leases or term loans for capital expenditures or working capital with a minimum six-month maturity.
- **Geographic Focus:** DFC-eligible countries, specifically: Fiji, Kiribati, Tonga, Tuvalu, Republic of the Marshall Islands, Federated States of Micronesia, Palau, and Papua New Guinea. DFC will be seeking solutions to reach the broadest geographic area. Special consideration will be given to applicants with operations in more than one country.

#### Loan Portfolio Guaranty Specifics:

- **Guaranty percentage:** 50%, pari-passu on loss of loan principal (not fees or interest).
- **Estimated size of lending deployed per institution:** \$5 million to \$20 million equivalent across one or more guaranties (i.e., \$2.5 million to \$10 million in coverage from DFC).
- **Maximum Qualifying Sub-Loan Size:** 10% of the guaranty size, up to a maximum of \$500,000 equivalent.
- **Fees:** One-time origination fee and biannual utilization fees – rates subject to negotiation.

#### Direct Loan Specifics:

- **Estimated size of facility:** Range from \$5 million to \$50 million across one or more loans. DFC may choose to provide one loan to a single entity, or multiple loans to various entities, at DFC's discretion. Decision will be based on Expressions of Interest responses and additional project development discussions and due diligence.
- **Maximum Qualifying Sub-Loan Size:** Maximum of \$1 million equivalent.
- **Fees:** One-time commitment fee and annual facility/maintenance fees – rates subject to negotiation.

In connection with the guaranty or direct loan, technical assistance may be available from DFC or USAID to expand and strengthen the capacity of selected financial institutions and/or qualifying borrowers, which may include financial advisory services, research and data sharing, management skills training, digital literacy training, or other business-strengthening activities.

### III. Submission of Expressions of Interest Instructions and Review Process

#### **(A) Submission Instructions**

Through this announcement, DFC invites interested qualifying applicants (as defined above in Section II) to submit an expression of interest in accordance with the instructions provided below. Please provide all of the following:

1. Brief profile of the applicant, including a point of contact with email address and phone number.
2. Description of how the applicant intends to utilize the guaranty or loan proceeds and expand its lending to the focus areas described in Section II above, including:

- a. The applicant's interest in a partial credit guaranty and/or direct loan.
  - b. A proposal for how the proceeds would be used.
  - c. The applicant's strategy for reaching qualifying borrowers (as defined above in Section II).
  - d. Other sources of funds to be used in conjunction with guaranty or loan.
  - e. The desired size of the guaranty facility or loan.
  - f. The applicant's target geography for qualifying borrowers.
3. Responses to the following questions:
    - a. Would this guaranty or loan from DFC affect the applicant's interest rates for qualifying loans? If so, how?
    - b. Would this DFC guaranty or loan affect the applicant's collateral requirements for qualifying loans? If so, how?
    - c. Would this DFC guaranty or loan affect the tenor of eligible qualifying loans? If so, how?
    - d. Would this DFC guaranty or loan affect other terms for qualifying loans, such as loan size or grace period? If so, how?
    - e. Overall, how would this guaranty or loan help the applicant lend in ways that it currently does not or is unable to?
  4. Information regarding:
    - a. Size of the applicant's current total lending portfolio (by country).
    - b. Size of the applicant's current MSME sub-portfolio (by country).
  5. The extent of its presence nationally as well as regionally in the Pacific Islands.
  6. Copies of the applicant's audited annual financial statements or annual reports for the past four completed fiscal years.
  7. Copies of the applicant's environmental and social policies and procedures, or similar document.
  8. Copies of the applicant's Know Your Customer (KYC) policies.

DFC does not require a specific template for submissions. Please do not exceed five (5) pages for your submission to the items listed in Section III.A.1-3 above. Items in Section III.A.4-7 may be included as attachments to your submission. Expressions of Interest must be submitted in English.

Expressions of Interest must be received by email **no later than 5 p.m. EST on December 15, 2023.** Expressions of Interest received after the date and/or time specified may not be considered.

Please send Expressions of Interest by email to the following address:

- [MSMEPacificFinance@dfc.gov](mailto:MSMEPacificFinance@dfc.gov)

Please note that DFC does not accept responsibility for delays in transmission or receipt of emails. Expressions of Interest will be considered business-sensitive information by DFC and USAID.

## **(B) Evaluation Information and Timeline**

Expressions of Interest will be evaluated based on the extent to which the financial institution's concept aligns with DFC's priorities. Shortlisted candidates from this Call for Expressions of Interest may be requested to send clarifications on their submission and/or be requested to have a call with DFC. Following successful selection, the institution will be required to complete and provide a list of

documents per the attached Due Diligence Checklist for Selected Partners (Annex 1). Due diligence will then be undertaken in parallel with legal negotiations on the Guaranty Agreement and/or Financing Agreement, subject to successful completion of the due diligence process. Signing of the Guaranty Agreement and/or Financing Agreement is estimated to occur in/by September 2024. Timelines are subject to change based on responsiveness of the selected financial institutions and unforeseen events.

DFC reserves the right to partner or not partner as a result of this Call for Expressions of Interest. This request does not represent a commitment on behalf of the U.S Government. Additionally, the U.S. Government is not responsible for any costs associated with the preparation of an expression of interest in response to this request. Only shortlisted parties will be contacted.

## ANNEX 1

### Due Diligence Checklist for Selected Partners (FOR INFORMATION PURPOSES ONLY)

This list is provided for information purposes. **Only shortlisted applicants** will be requested to submit items from DFC's due diligence checklist, which may include:

1. A completed DFC Application for Direct Financing (form DFC-001, to be submitted online via DFC's website).
2. A completed DFC Supplemental Information Request, including:
  - a. Annual report for the most recent four (4) years (audited financial statements with footnotes, management discussion and analysis of financial condition and results of operations (MD&A) disclosure, auditor's opinion, and auditor's management letter).
  - b. Latest unaudited interim financial statements.
  - c. Organizational chart.
  - d. CVs of key managers/decision-makers (including president, CEO, treasurer, chief credit officer, chief risk officer, and director of internal audit, or equivalents).
  - e. CVs of board members.
  - f. International or local rating agency reports (if applicable).
  - g. Certificate of incorporation (or local equivalent).
  - h. Articles and Memorandum of Association (or local equivalent).
  - i. Financial/banking industry report provided by the Central Bank, regulator, or industry association that shows the lender's market position compared with other financial institutions.
  - j. Credit policy and procedures.
  - k. Safety & Soundness Examination report conducted by the Central Bank (if applicable).
  - l. Three (3)- to five (5)-year business plan. If available, include cash flow projections with detailed assumptions and SWOT (strengths, weaknesses, opportunities, threats) or similar analysis.
  - m. Environmental and social policy and management system.
  - n. Human resources policy.
  - o. Copies of template employment agreements.
  - p. Copies of customer grievance mechanisms.
  - q. Any other presentations or documents, as deemed relevant by DFC (such as presentations for donors or investors, sector strategies, legal documentation unique to the applicant, etc.).
3. Completed DFC Personal Identification Forms (DFC-006) for board of directors, senior management, and significant (>10%) shareholders, and any other individual or affiliated entity as deemed necessary by DFC for DFC to complete KYC checks (to be submitted online via DFC's website).
4. A completed DFC Impact Assessment Questionnaire (DFC-007, to be submitted online via DFC's website).