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## USAID Small and Medium Enterprise Activity

### Request for Applications (RFA) No. SMEA-CF-002

RFA Issuance Date: 28<sup>th</sup> October 2018

RFA Closing Date: 29<sup>th</sup> November 2018

Dear Applicant:

The USAID Small and Medium Enterprise Activity (SMEA) implemented by Chemonics International, is seeking grant applications for implementation of Challenge Fund – SME Growth Grants. The grants will be awarded and implemented in accordance with USAID and US Government regulations governing grants under contracts and SMEA's internal grant management policies.

SMEA will hold pre-application orientation workshops on the following dates and locations;

- Nov 13 & 19, 2018 at Islamabad
- Nov 14, 2018 at Lahore
- Nov 16, 2018 at Karachi & Quetta
- Nov 16, 2018 at Peshawar

Refer to section IVA2 for more details related to the workshops. These workshop will allow eligible and interested applicants the chance to ask questions about the RFA and receive guidance on how to complete the application form. Interested applicants that meet the eligibility requirements defined in Section III below and would like to attend this workshop must confirm their attendance by sending the participant's name and the organization's name to [Challengefund@pakistansmea.com](mailto:Challengefund@pakistansmea.com). with clear subject line: Registration for Orientation Session. Only two persons may attend from each organization. No reimbursement for costs of attendance will be met.

SMEA and Chemonics employees may not ask for, and applicants are prohibited from offering, any money, fee, commission, credit, gift, gratuity, thing of value, or compensation to obtain or reward improper favorable treatment regarding this solicitation. Any improper request from a project employee should be reported to SMEA chief of party (051-2617859-60) or [BusinessConduct@chemonics.com](mailto:BusinessConduct@chemonics.com).

Annexes included with this Request for Applications:

- **Annex A** - Grant Application Template
- **Annex B** – Grant Application Budget Template
- **Annex C** – Applicant Self-Assessment Form
- **Annex D** – Mandatory and Required As Applicable Standard Provisions Standard Provisions for U.S. and Non-U.S. Nongovernmental organizations receiving a fixed amount award can be accessed through the following URL: <http://www.usaid.gov/sites/default/files/documents/1868/303mat.pdf>
  - Standard Provisions for U.S. Nongovernmental recipients receiving all other types of grants can be accessed through following URL:  
<http://www.usaid.gov/sites/default/files/documents/1868/303maa.pdf>
  - Standard Provisions for Non-U.S., Nongovernmental recipients receiving all other types of grants can be accessed through the following URL:  
<http://www.usaid.gov/sites/default/files/documents/1868/303mab.pdf>

## SECTION I. PROGRAM DESCRIPTION

### IA. OBJECTIVE & TYPE OF GRANT

SMEA is awarding SME Growth Grants to registered Small and Medium Enterprises(SMEs) to enhance their competitiveness and result in increased jobs, sales, exports, adoption of technology and new practices, access to finance, access to market and improved performance of women-led enterprises. This grant opportunity will be for existing registered SMEs to increase their competitiveness in at least one sub-sector of the following target sectors:

Information and communication technology (ICT)	Hospitality*	Logistics	Textile (excluding spinning)	Agri-Business and Processing (Off-farm only)	Light engineering
<ol style="list-style-type: none"> <li>1. Development within ICT sector</li> <li>2. Applications soliciting 'cross cutting' ICT solutions shall be linked to at least one of the target sectors. i-e Hospitality, Logistics, Textile (minus spinings), Agri Business and Processing (Off Farming) or Light Engineering</li> </ol>	<ol style="list-style-type: none"> <li>1. Tourism Companies</li> <li>2. Tour Operators</li> <li>3. Guest Houses</li> <li>4. Hotels</li> <li>5. Restaurants</li> <li>6. Bakeries</li> <li>7. Event planners</li> <li>8. Food suppliers</li> </ol>	<ol style="list-style-type: none"> <li>1. Freight forwarding/clearing</li> <li>2. Goods transport services (Passenger transport services are excluded)</li> <li>3. Warehouses</li> </ol>	<ol style="list-style-type: none"> <li>1. Ginning/fiber plants</li> <li>2. Weaving, knitting</li> <li>3. Hand-knotting</li> <li>4. Dyeing and/or printing</li> <li>5. Embroidery</li> <li>6. Washing</li> <li>7. Garment stitching</li> <li>8. Textile sourcing and retailing</li> </ol>	<ol style="list-style-type: none"> <li>1. Fruit &amp; vegetable processing</li> <li>2. Meat processing</li> <li>3. Processed dairy products</li> <li>4. Processed commodities</li> <li>5. Processed herbal products ( value added goods)</li> <li>6. Pulping and juice/oil extraction</li> <li>7. Essential oils extraction and processing</li> <li>8. Processed food (cereals, flour, starch, juices, sauces etc.)</li> <li>9. Agri-products for industrial usage (guar gum, starch, sizing agents, colors etc.)</li> <li>10. Fruit, vegetables and herbs de-hydration and processing</li> <li>11. Value added and high-end products (vinegar, ethanol etc.)</li> <li>12. Spice processing and de-hydration</li> <li>13. Animal feed</li> <li>14. Seed processing and certification</li> </ol>	<ol style="list-style-type: none"> <li>1. Electrical fans</li> <li>2. Auto parts (02/ 03/ 04 wheeler)</li> <li>3. Die mould and designing</li> <li>4. Plastic injection moulding</li> <li>5. Steel and other metal utensils</li> <li>6. Cutlery items</li> <li>7. Surgical instruments</li> <li>8. Home appliances</li> <li>9. Agricultural implements</li> <li>10. Electric motor and pumps</li> <li>11. Lathe and machine tooling</li> <li>12. Welding and forging</li> <li>13. Computer Numerical Control (CNC), proto typing, machine designing, 3D designing etc.</li> <li>14. Jigs and tool design and development</li> <li>15. Food and Packaging machinery</li> <li>16. Die casting (Aluminum, zinc or any other)</li> <li>17. Security equipment manufacturing and fabrication</li> <li>18. Medical appliances/components/tools</li> <li>19. Steel, aluminum, copper or any other metal based tools, equipment and components.</li> <li>20. Industrial materials and tools applicable to all industrial and agriculture sectors.</li> </ol>

\*Construction is not allowable cost under Challenge Fund

**SME Growth Grants:** This type of grant will be for existing SMEs to increase their competitiveness in the target sectors listed above and will have an award value of up to PKR 6,500,000. This grant can be utilized for any support that will result in increased competitiveness for that specific enterprise, as long as it contributes to the SMEA’s objectives of increased jobs, sales, exports, adoption of technology and new practices, access to finance, access to market and improved performance of women-led enterprises.

The workflow for SME growth grant is given below;



**IB. BACKGROUND**

USAID Small and Medium Enterprise Activity (SMEA) is a five-year project that is supporting Pakistan in SME-led economic growth that will help create jobs, foster entrepreneurship, and contribute to an increased GDP. As a part of the United States Government’s long-term commitment to helping Pakistanis secure a more prosperous future by increasing household incomes and employment, nurturing competitive small and medium enterprises, expanding trade

and investment and creating more rewarding business opportunities, SMEA is working towards improving the enabling environment for private sector-led growth.

## **IC. DETAILED PROGRAM DESCRIPTION**

Through the Challenge Fund (CF), the USAID SMEA will support the creation and diffusion of innovative, sustainable, and scalable business solutions to the competitiveness challenges facing Pakistani SMEs in selected sectors. The innovations and solutions facilitated through the CF grants will help SMEs enhance their competitiveness and result in increased jobs, sales, exports, adoption of technology and new practices, access to finance, access to markets and improved performance of women-led enterprises. Through the CF, SMEA will:

1. cast a wide net to attract a diverse range of applicants;
2. encourage leveraging of private sector investment to enhance sustainability of innovation;
3. acknowledge the need for rigor, require grantees to demonstrate impact, scalability, and cost-effectiveness.

SMEA recognizes that some grantees may need technical assistance to more effectively carry out the activity. Consequently applicants are encouraged to specify their needs for technical assistance and/or training in their application.

## **ID. AUTHORITY/GOVERNING REGULATIONS**

SMEA grant awards are made under the authority of the U.S. Foreign Affairs Act and USAID's Advanced Directive System (ADS) 302.3.5.6, "Grants Under Contracts." Awards made to non-U.S. organizations will adhere to guidance provided under ADS Chapter 303, "Grants and Cooperative Agreements to Non-Governmental Organizations" and will be within the terms of the USAID Standard Provisions as linked in the annexes, as well as the SMEA grants procedures.

ADS 303 references two additional regulatory documents issued by the U.S. Government's Office of Management and Budget (OMB) and the U.S. Agency for International Development:

- 2 CFR 200 [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E](#) (U.S. applicants are subject to 2 CFR 200 in its entirety) and;
- 2 CFR 700 [at https://www.gpo.gov/fdsys/granule/CFR-2015-title2-vol1/CFR-2015-title2-vol1-part700](https://www.gpo.gov/fdsys/granule/CFR-2015-title2-vol1/CFR-2015-title2-vol1-part700). SMEA is required to ensure that all organizations receiving USAID grant funds comply with the guidance found in these circulars, as applicable to the respective terms and conditions of their grant awards.

Under the SMEA Challenge fund grant program, USAID retains the right at all times to terminate, in whole or in part, SMEA grant-making authorities.

## **SECTION II. AWARD INFORMATION**

**Number of Grants:** SMEA anticipates awarding approximately up to twenty (20) grants. It is anticipated that each grant award may range between PKR 2.5 Million to PKR 6.5 Million, but the final amount will be dependent upon grant activities and final negotiation and may be lower or higher than that range.

**Duration:** The duration of any grant award under this solicitation is expected to be no more than six (6) months. The estimated start date of grants awarded under this solicitation is February 2019.

**Type of Award:** The grants will be Fixed Amount Awards (FAA) and payments will be made on reimbursement basis upon completion of milestones. It is expected that each grant will have between 3 to 5 milestones.

### **Grant Process Timelines:**

Following are the essential grants processing steps with estimated timelines.

<b>Grant Processing Steps</b>	<b>Estimated Timelines</b>
Solicitation	Valid until November 29, 2018
Screening against eligibility Criteria	1-2 weeks
Technical & Financial Evaluation	4 weeks
Oral Presentation	1-2 weeks
Risk Assessment	3-4 weeks
Vetting / EDF / Award	4-5 weeks

## **SECTION III. ELIGIBILITY**

### **IIIA. ELIGIBLE RECIPIENTS**

USAID SMEA grant support is for SMEs\* (from focus sectors refer to section IA) provided they are legally registered and recognized under the laws of Pakistan.

\* A small enterprise is a business that employs up to 50 employees and has an upper limit of Rs. 150 million for annual sales turnover.

A medium sized enterprise employs 51-250 (Manufacturing & Services sectors) and 51-100 (Trading sector) workers. The annual sales turnover for a medium sized business should be more than Rs 150 million and up to Rs. 800 million.

Source: State Bank of Pakistan

### **IIIB. INELIGIBLE APPLICANTS**

USAID SMEA grant support may not be extended to the following types of applicants:

- NGOs
- Un-registered Businesses
- Staff and Subcontractors of USAID SMEA and/or any business that has already established working relationship with SMEA.

### **IIIC. OTHER INSTRUCTIONS:**

- Applicant must demonstrate that proposed activities will contribute to the achievement of SMEA objectives (increased jobs, sales, exports, adoption of technology and new practices, access to finance, access to market and improved performance in women-led enterprises).
- Applicants must display sound management in the form of financial, administrative, and technical policies and procedures and present a system of internal controls that safeguard assets; protect against fraud, waste, and abuse; and support the achievement of program

goals and objectives. SMEA will assess this capability prior to awarding a grant.

- USAID's branding and marking regulations will apply. The project will work with the successful grantee to draft a branding and marking plan which will be annexed to the grant agreement.
- Required Certifications: The grantee is required to sign these certifications prior to grant award. As a prerequisite to receiving a grant from a U.S. Government source, USAID requires that recipients sign certifications regarding terrorism, narcotics, procurement, and other eligibility factors. These include Certification Regarding Terrorism Financing, Implementing Executive Order 13224; Participant Certification for Narcotics Offenses and Drug Trafficking; and Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion Lower Tier Covered Transactions, Prohibition on Providing Federal Assistance to Entities that Require Certain Internal Confidentiality Agreements
- This funding will be subject to all applicable USAID's rules and regulations and availability of funds.
- In case of eligible applicants exceeding the number of grants offered, applications will be evaluated on the pre-defined merit criteria (Grants will be awarded to top ranked applicants till the number of target is met).
- USAID SMEA reserves the right to accept/reject any or none of the application submitted, with or without providing the reason.
- The applicant shall ensure that the proposed project activity is not funded by any other USAID's assisted project or program.
- An applicant may submit more than one application for same or multiple sectors, but only one grant will be award subject to evaluation.
- For any grant award(s) resulting from this solicitation that is other than in-kind and equivalent to \$25,000 USD or more, grantees will be required to provide a Data Universal Numbering System (DUNS) number at the time of award. If the applicant already has a DUNS number it should be included in their application. Otherwise, applicants will be expected to get a DUNS number before an award is made. USAID SMEA will assist successful applicants with this process. DUNS numbers can be obtained online at <http://fedgov.dnb.com/webform/pages/CCRSearch.jsp>
- Faith-based and community groups will receive equal opportunity for funding in accordance with the mandated guidelines laid out in ADS 303.3.28 except for faith-based organizations whose objectives are for discriminatory and religious purposes, and whose main objective of the grant is of a religious nature.
- For any grant award(s) resulting from this solicitation that is equivalent to \$25,000 USD or more, grantees will be subject to vetting as per Mission Order 300.6

SMEA encourages applications from new organizations who meet the above eligibility criteria.

## SECTION IV – APPLICATION AND SUBMISSION INFORMATION

### IVA. INSTRUCTIONS TO APPLICANTS

Applicants must propose activities which shall result in complimenting some or all key objectives of SMEA which includes increased jobs, sales, exports, adoption of technology or new practices, improved access to finance, increased access to market and/or improved performance of women led enterprises. The proposed activities should also be appropriate to their organizational strengths.

Instructions and a template for the full application are in Annex A. Applicants that submit full applications that meet or exceed the merit review criteria will be notified of next steps in the application process.

#### IVA1. APPLICANT SELF-ASSESSMENT

All organizations selected for award are subject to a pre-award risk assessment conducted by SMEA, to ascertain whether the organization has the minimum management capabilities required to handle US government funds. The applicant self-assessment is the first step in the pre-award risk assessment process. The Applicant Self-Assessment Form is contained in Annex C.

Instructions and a template for the grant application form are in Annex A. Applicants that submit grant applications that meet or exceed the merit review criteria will be notified of next steps in the application process.

#### IVA2. GRANT APPLICATION

**Please read the Instructions before you start filing in the template for Application identified as Annex A and Grant Budget Template Annex B.** Applicants shall present their technical application and budget in the formats provided and shall follow the instructions and guidelines listed in the annexes.

All grant activity costs must be within the normal operating practices of the applicant and in accordance with its written policies and procedures. For applicants without an audited indirect cost rate, the budget may include direct costs that will be incurred by the applicant to provide identifiable administrative and management costs that can be directly attributable to supporting the grant objective. The application must be signed by an authorized agent of the applicant organization.

USAID SMEA is organizing multiple grant application orientation sessions for eligible applicants on the following dates and locations;

- Nov 13 & 19, 2018 at Islamabad
- Nov 14, 2018 at Lahore
- Nov 16, 2018 at Karachi & Quetta
- Nov 16, 2018 at Peshawar

These sessions will provide applicants with an opportunity;

- ✓ To explore and understand about the funding streams available under Challenge Fund.
- ✓ Overview about how to fill in application

- ✓ To understand and map their ideas that supports the objectives of SMEA

This is a free of cost session, but seating is limited (max 02 participants per organization/ applicant), so register your organization well before the planned dates by sending an email to [Challengefund@pakistansmea.com](mailto:Challengefund@pakistansmea.com) with clear subject line: Registration for Orientation Session. SMEA will not provide any travel, daily allowance or other reimbursement to applicants for attending these sessions.

### **IVA3. INELIGIBLE EXPENSES**

SMEA grant funds may not be utilized for the following:

- Construction or infrastructure activities of any kind. Note that Per ADS 303.3.30 and the ADS 303 Mandatory Reference entitled, “USAID Implementation of Construction Activities” dated August 22, 2013, construction is not eligible for reimbursement under grants resulting from this solicitation. Construction also includes improvements, renovation, alteration, and refurbishment.
- Ceremonies, parties, celebrations, or “representation” expenses.
- Purchases of restricted goods, such as: restricted agricultural commodities, motor vehicles including motorcycles, pharmaceuticals, medical equipment, contraceptive products, used equipment; without the previous approval of SMEA, or prohibited goods, prohibited goods under USAID regulations, including but not limited to the following: abortion equipment and services, luxury goods, etc.
- Alcoholic beverages.
- Purchases of goods or services restricted or prohibited under the prevailing USAID source/ nationality (Cuba, Iran, North Korea, and Syria).
- Any purchase or activity, which has already been made prior to the signing of grant agreement
- Purchases or activities unnecessary to accomplish grant purposes as determined by the SMEA Project.
- Prior obligations of and/or, debts, fines, and penalties imposed on the Grantee.
- Creation of endowments.

### **IVB. APPLICATION AND SUBMISSION INFORMATION**

- Applications shall be submitted in English
- Duly signed grant application along with budget with supporting documentation should be submitted to USAID SMEA on [Challengefund@pakistansmea.com](mailto:Challengefund@pakistansmea.com) no later than the submission deadline i-e **November 29, 2018**.
- Late/Ineligible/Incomplete/unresponsive applicants will not be considered for further steps.
- Due to large volume of applications SMEA may not be able to respond back to every applicant. However; In case you do not hear back from SMEA within 3 months of submission of your application it can be implied that the application did not qualify among the top ranked applicants as per the evaluation criteria and the number of grants available.



## SECTION V. APPLICATION MERIT REVIEW CRITERIA

Applications for SME growth grants will be reviewed by an internal review panel comprised of SMEA appointed technical implementation staff, and recommendations may be vetted by a larger group. applications will be evaluated against the criteria below.

Merit Review Category	Ratings
<b>Potential Impact from the Grant</b> (Increased Jobs, Export, Projected Sales Growth OR Possible Revenues, Adoption of new technologies /increased access to finance or market /improved performance of women led enterprises.)	35
<b>Business Sustainability Beyond Grant Implementation</b> (Sustainable business model)	15
<b>SME commitment</b> (Sweat equity or contribution of funding)	10
<b>Marketing Plan</b> ( Target market , market share and strategy)	20
<b>Unique capabilities</b> ( Research on product need, development strategy and execution capabilities)	20
<b>Overall Ratings</b>	<b>100</b>

The applicants ranked highest will be awarded grants as per the target. They may be requested to submit additional information before grant award is signed. (Un-registered organizations will not qualify for grant award). Additionally, SMEA will ensure environmental soundness and compliance in design and implementation as required by 22 CFR 216.

## SECTION VI. AWARD AND ADMINISTRATION INFORMATION

All grants will be negotiated, denominated and funded in Pakistani Rupees (PKR). All costs funded by the grant must be allowable, allocable and reasonable. Grant applications must be supported by a detailed and realistic budget.

Issuance of this RFA and assistance with application development does not constitute an award or commitment on the part of SMEA, nor does it commit SMEA to pay for costs incurred in the preparation and submission of application. Further, SMEA reserves the right to accept or reject any or all applications received and reserves the right to ask further clarifications from the offerors.