

**Statement of Objectives under RFP INVEST-044:
USAID INVEST: Mobilizing Private Investment for Development
Italy Economic Support Fund (ESF) for COVID-19 Response**

Part 1: Catalytic Contribution

IMPORTANT: This RFP INVEST-044 (Part 1: Catalytic Contribution) is one of two companion RFPs designed to catalyze production and distribution of personal protective equipment and medical supplies for COVID-19 response in Italy. ***Offerors may apply to either or both RFPs. Should a firm (or consortium) wish to apply to both RFPs, separate proposals must be submitted for each, responding to the specific evaluation criteria outlined in each RFP. However, submissions made to both RFPs from the same firm or consortium should concisely reference how the proposals are complementary.***

Introduction

The United States Agency for International Development (USAID) seeks to unlock the potential of the private sector to drive inclusive growth in countries around the world. Increasingly, private investors and businesses are looking to emerging markets for better returns and new market opportunities. However, encouraging private investment and activity in high-impact areas important to USAID such as health, agriculture, financial services, infrastructure, energy, clean water, and education requires new forms of collaboration between USAID and the private sector. This means proactive engagement and collaboration to catalyze more market-based approaches for sustainable outcomes.

In support of its efforts to mobilize private investment within the agency, the USAID Private Sector Engagement Hub set up the INVEST mechanism in September of 2017 with a contract awarded to DAI for the overall management of a global portfolio of activities. Through INVEST’s flexible and rapid procurements, USAID Missions and Operating Units can access an unprecedented network of firms and individuals that have the range of technical expertise needed to identify opportunities and effectively mobilize private capital in support of US Government foreign assistance goals. Using a streamlined approach tailored to high potential opportunities, relevant parts of the global partner network will come together to design and implement specific solutions that align private capital with international development needs.

Background

The COVID-19 crisis has had an unprecedented global impact. According to the World Health Organization, as of May 7, 2020, over 3.5 million cases have been reported, with over 250,000 deaths worldwide¹. COVID-19 projection models estimate deaths worldwide may range from 1

¹https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200507covid-19-sitrep-108.pdf?sfvrsn=44cc8ed8_2

million to 40 million, with actual numbers highly dependent on whether countries take extreme mitigation measures or none at all. As some mitigation efforts begin to relax, it is imperative that COVID-19 response efforts remain in place, and that countries continue to prepare for a potential second wave of increased cases and longer-term effects of the initial outbreak.

Italy was among the earliest and hardest hit countries. While the number of new cases is flattening and the country begins a phased approach to opening back up, Italy remains vigilant in ensuring sufficient supply and distribution of personal protective equipment (PPE), medical supplies, and appropriate linkages to healthcare service delivery, both to continue its trajectory of decreasing cases as well as to prepare for a possible second wave of the pandemic. And, with infections increasing in other countries, Italy's ability to access medical supplies in the global market has diminished, as many countries restrict export of medical supplies to serve their own populations or direct them to regions with urgent outbreak needs. In order to meet the ongoing and future projected demand for medical equipment and supplies, the Italian healthcare system must work with the private sector to stimulate local production. This local capacity is critical now and will remain so if the anticipated future waves of the virus come to fruition.

In response to this global crisis, and with a strong focus to support Italy, USAID is establishing an Economic Support Fund (ESF) for urgent assistance to businesses engaged in the research, development, manufacture, and/or distribution of PPE, medical equipment and medical supplies, including the adaptation of Italian factories and supply chains to meet the needs of the Italian healthcare system, personnel, and patients. Through the ESF, USAID seeks to complement the work of the Italian government, non-governmental organizations, international organizations, and faith-based groups responding to the pandemic in Italy. Additionally, the U.S. Government, through this Activity, aims to contribute to the growth of Italy's health sector through increasing private investment.

This Statement of Objectives (SOO) and RFP, in conjunction with RFP-INVEST-045, are a two-part, concurrent approach to catalyze more effective and rapid adaptation, scaling, and/or retooling of operations, strategies, and business practices to meet the need for short- and long-term COVID-19 response.

Offeror(s) may submit a proposal(s):

1. Solely to this Part 1 RFP-INVEST-044 for Catalytic Capital;
2. To Part 2 RFP-INVEST-045 for Technical Assistance provision **only**; OR
3. To both Part 1 and Part 2, as separate proposals.

Objectives and Activities

USAID is looking for effective ways to use strategic amounts of U.S. foreign assistance to leverage larger amounts of private sector capital for greater social and economic impact. This

RFP specifically seeks approaches that utilize catalytic capital² to help reduce risk for private investors and stimulate investment to ramp up manufacturing of personal protective equipment (PPE) and medical supplies required to address short- and long-term COVID-19 demands.

Based on a recent request for information (RFI) conducted by INVEST, companies in Italy identified several bottlenecks that impact their ability to ramp up production and distribution of PPE and other COVID-19 products and services. These included: access to finance; sourcing raw materials; human capital, both for production lines and for specialized technical expertise; and legal support to understand and navigate regulatory and certification processes, existing and emergent.

To address the issue of access to finance, USAID seeks investors, financial providers, fund managers, or a consortium of firms to propose how catalytic capital from USAID can be most effectively used to create, structure, and/or leverage a financing mechanism that raises and deploys funds to companies working on COVID-19 response efforts. Activities proposed for this Part 1 Catalytic Capital RFP will be coordinated with those under the separate Part 2 Technical Assistance Facility RFP-045, which is designed to provide advisory support to firms in addressing the operational and production challenges cited by respondents to the RFI. Examples of catalytic capital activities under this RFP include, but are not limited to:

- Non-reimbursable, first-loss tranche capital to lower risk and leverage private investment into a fund that can be accessed by firms engaged in the production and distribution of essential healthcare products and services related to COVID-19.
- Leveraging USAID support for additional financing from commercial banks or development finance institutions to increase the impact and reach of proposed activities.
- Operational support and partnership with local investors, fund managers, and others to support project pipeline development and business advisory services to enterprises responding to COVID-19.
- Start-up capital for new, innovative or retooled manufacturing and distribution activities that can help expand production, bring new products to market and/or enhance COVID-19 responsiveness.

Offerors should provide a detailed proposal that outlines the specific needs being addressed; the business case and investment strategy; specific approach(es) to structuring and managing the proposed financing mechanism and how catalytic capital will yield rapid action and results; how much additional funding will be leveraged by USAID support; how enterprises will be selected for funding; and how this fund will contribute to the objectives for short- and long-term response to COVID-19 in Italy. Offeror(s) should also provide detailed information on their current capacity, experience and/or strategy to design and manage catalytic fund mechanisms.

² Catalytic capital is defined as debt, equity, guarantees, and other investments that accept disproportionate risk and/or concessionary returns relative to a conventional investment in order to generate positive impact and enable third-party investment that otherwise would not be possible.

<https://www.macfound.org/press/article/catalytic-capital-work/>

Additionally, offeror(s) should describe their experience working in Italy and knowledge of the national healthcare, manufacturing and financial sectors, as well as a description and nationality of any consortium partners and their qualifications.

Selected offeror(s) must be willing to share their experience and make data and other information available to INVEST and USAID throughout the activity. This may include working with the INVEST team to develop a case study, fact sheet, resource guides, or other materials that demonstrate the value of catalytic capital and targeted technical assistance as mechanisms to assist in the COVID-19 response. Offerors should include in their proposal the data they plan to capture as part of their standard data reporting to investors and due diligence procedures that will be shared with INVEST as part of this activity. INVEST and USAID are sensitive to the handling of propriety and/or confidential information, especially for investors, and will discuss these needs with the Awardee prior to contracting.

Timeline and Deliverables

The activities proposed by offerors will take place over a 12 to 18-month period beginning July 2020.

Upon selection and award, INVEST will work closely with the Awardee to determine the contract structure including final timelines, milestones, deliverables, and associated costs. While the payment will be made upon completion of deliverables, INVEST understands that a commitment of funds may be required to catalyze additional investment through first-loss capital. In the proposal, offerors should note the appropriate form of commitment they would need should they be the selected for award. Additionally, INVEST will work closely with the Awardee(s) on any communications products and reporting needed by USAID.

Technical Approach

In your response, please include the following information:

- Investment concept and business case for expanding PPE and/or medical supply manufacturing and distribution for COVID-19 response in Italy, with linkages to healthcare service delivery as applicable.
- Information regarding the blended finance nature of the financing mechanism, including how USAID funds will be used to catalyze commercial investment, private debt or equity, or DFI funding for COVID-19 response.
- The proposed ratio of concessional, catalytic capital from USAID to return-seeking capital.
- The timeline and strategy for the capital raise (if relevant) including information on ticket sizes, target investors, funds raised to date and goals set by the fund manager to fully capitalize the fund.
- Examples of an existing pipeline of firms that are currently seeking debt and/or equity to ramp up production of COVID-19 related goods and services.

- If applicable, portfolio structure, type of investments (e.g. fund of funds, direct into SMEs, financial intermediaries), ticket sizes, and investment stages of firms that would be engaged.
- Description of how start-up or operational support will be utilized (if relevant), including specific activities to be undertaken.
- The timeline and strategy for implementing activities to support start-up or operations (the ability to set up and operate rapidly is critical).
- Information on planned data collection as part of the standard reporting to investors.
- **If submitting proposals to Part 1 and Part 2**, please briefly explain how catalytic capital and technical assistance activities will complement each other.

Budget

INVEST may make multiple awards under this RFP. Proposed budgets should be in the range of USD \$500,000 to \$2,000,000.