



Questions received from prospective Fund Managers

Fund features and functionality

1. What is the relationship between the Matching Grant Fund (MGF) and the Social Venture Capital Fund (SVCF)? Would it be possible to use capital from both funds to make a single investment?

- The MGF and SVCF are two separate funds with a shared geographical focus and general mission. The funds will operate very differently, be managed by separate teams, and have separate pools of capital. The SAGCOT CTF Board has specified that two separate fund managers will be recruited, one to manage each fund. However, one bidder may tender for the management of one or both funds.
- In some cases, it may be possible for the MGF and SVCF to support the same project, if the opportunities are approved separately by both funds and the investments do not conflict in any way. However, based on the eligibility requirements of the two funds, we believe it is unlikely that a single project will be eligible for both funds simultaneously. Also, the CTF will look to mobilize private capital. It would not be acceptable if, for example, the MGF recipient co-funding element were to be financed by the SVCF.

2. Are there established guidelines on investment criteria for both funds? Is there a preference for any type of investment instrument?

- We request fund manager candidates comment on specific investment criteria they believe are best-suited to accomplish the objectives of each fund. The guidance provided below is purposely high-level. Candidates should also review the Trust Deed for more detailed information.
- The MGF is designed to catalyze investments in the SAGCOT region through \$250K - \$1.5M grants in capital expenditure, operational expenditure or technical assistance to improve the productivity and incomes of small-holder farmers leading to incorporation of small-holder farmers into commercial supply chains. Recipients of MGF grants will be partnerships between agribusinesses and smallholder farmers looking to expand the role of small-holder farmers in supply chains and/or improve market linkages.
- The SVCF is designed to make mezzanine debt and, potentially, quasi-equity investments (though never straight equity investments) in earlier stage companies to facilitate the growth of emergent agribusinesses to commercial scale and develop greater interaction with smallholders.
- We expect both funds will focus largely on two models, with some flexibility to review different businesses and projects: (i) 'hub and outgrower' schemes, or (ii) expanded trading



networks that improve input delivery, production efficiency, product quality and reduce trading costs.

3. What capital has been raised by the funds i.e. (paid-in and commitments)?

- The MGF is to receive \$45M from the World Bank and the SVCF is to receive \$25M from USAID and DFID. All funds have already been earmarked and are pending final approvals.
- It is important to note that Donor Funds are expected to be leveraged and the fund manager will need to present a plan to leverage Donor funding to achieve and accentuate objectives.

4. What is the timeframe for the fund and implementation of the activities proposed for the fund?

- SAGCOT CTF expects to finalize fund manager selection by end of the calendar year 2013, following the process outlined in the EoI. SAGCOT CTF expects to launch operations shortly thereafter, in the first months of 2014.

5. Is there an already an established investment pipeline?

- Neither the MGF nor the SVCF has an established investment pipeline, though businesses have already expressed interest and the contributing donors have conducted macro-level research to validate the market potential. Fund managers are expected to comment on the market size and available pipeline for both funds, as part of the selection process after the EoI.

6. Who are the project sponsors, what is their targeted return, and is there a preferred exit strategy?

- The project funders are the Government of Tanzania, the World Bank, USAID, and DFID. USAID's and DFID's funding for the SVCF has a 5 year disbursement window, but the funders have decided they will reinvest SVCF's principal and encourage a larger second raise if this initial funding is successful. The World Bank takes a similar view on the MGF, which it believes can be replenished and grown in size if it is successful. As part of the selection process, the fund manager must discuss how it will plan to mobilize private and other investors and comment on the expected returns and exits of these investors.

7. Would it be possible to provide the SAGCOT Catalytic Fund Trust Deed that sets out the procedure for reviews and ranking of EOIs to the applicants?

- The Trust Deed is now available (attached to this email) and will also be posted on SAGCOT's website shortly.
- Note that operational details of the MGF and SVCF are subject to further review, including with potential fund managers as part of the fund manager selection process

8. For the Matching Grant Fund, are contributions-in-kind acceptable and are project-level fundraising services required of the fund manager?



- In-kind contributions are acceptable, within the conditions described in the Trust Deed. In general, matching grant recipients must contribute a sufficient amount to demonstrate that they have a financial incentive to succeed.
- Fund managers are not permitted to engage in project-level fundraising for potential MGF beneficiaries, since this may create conflicts. It is important, however, for fund managers to play an active role in helping potential beneficiaries submit applications to the MGF. The role is budgeted for in the MGF as part of a fund manager's compensation.

9. Has the MGF considered non-reimbursable grants and/or could there be a revolving mechanism element? for example, are interest-free loans acceptable

- Please review the Trust Deed for guidance on reimbursable grants.

10. Does the scope of the Catalytic Trust Fund include components of agricultural clusters as described in the SAGCOT Investment Blueprint?

- Yes, scope does include these clusters but is not limited to these or any such clusters.

11. What is the nature and scope of use of technical assistance funds, pre- and post-investment assistance, and their mode of disbursement?

- Technical Assistance funding may be used to fund the fund manager's direct support to investees/ grantees or to fund that of external consultants, so long as funds are used specifically for the purpose of assisting likely beneficiaries pre-investment or supporting beneficiaries to grow and further the mission of SAGCOT post-investment. Note that such technical assistance funding is built-in to both the SVCF and MGF, but functions differently in both funds (see Trust Deed) and must be managed separately, specific to each fund.
- The CTF Board emphasizes the need for clear separation between resources spent on Technical Assistance and resources spent on the management fee.

Application procedure

1. Would it be possible to change a consortium partner post-shortlisting? Are consortium members able to both pursue a prime contractor role?

- New organizations may be added to consortia post-shortlisting and before final proposals are submitted, but no organizations may be removed.
- Contracting details will be confirmed during the short-listing process. The funders do expect it will be possible to arrange primary contracts with two entities, considering the entities bid jointly as part of a consortium, or with individual entities if they bid to manage one but not both funds.



2. Is there a specific profile of fund manager the fund is looking for i.e. international or local?

- SAGCOT requires that the fund managers (or any partner(s) in a fund manager consortium) bring operational or investment experience with smallholder-focused businesses. Outside of these criteria, we will not rule out any organizations, including those that are internationally based or owned.

3. What is the overall timeline for the selection of the fund manager and the notification dates?

- SAGCOT CTF expects to finalize fund manager selection by the end of calendar year 2013, following short-listing and final decision-making.