Shaping a more livable world.

To: Offerors

Date: January 4, 2021

From: Procurement and Partnerships Team, INVEST Project; Implemented by DAI Global LLC

Subject: Request for Proposals (RFP) INVEST-074 In Support of African Credit Ratings

Due: **1:00PM EST on February 1, 2021**

Dear Offerors:

Enclosed is a Request for Proposals (RFP) to support the implementation of DAI's INVEST project funded by the United States Agency for International Development (USAID). DAI invites firms to submit a proposal for work in support of USAID's Office of Sustainable Development (AFR/SD), the Prosper Africa Executive Secretariat (PAES), and USAID's Private Capital and Microenterprise Office (PCM).

I. **RFP Process and deadlines:** This solicitation will result in the award of a Fixed Price Subcontract. We anticipate the value of the subcontract will be between $150,000 to $200,000.

a. Submission of Questions – Questions must be submitted no later than **1:00pm EST on January 11, 2021** via email to **INVEST_Procurement@dai.com**.

b. Submission of Proposals – Proposals must be submitted no later than **1:00pm EST on February 1, 2021 via** email to **INVEST_Procurement@dai.com,** copying Katherine_Tilahun@dai.com and Leah_Day@dai.com. The subject line of the email should be your organization name, followed by "Submission under RFP INVEST-074: In Support of African Credit Ratings." Please certify in your submission email a validity period of 60 days for the price(s) provided and include your organization's DUNS number. Please limit file submissions to 10 megabytes or less.

II. **Composition of Proposal:** Your organization's proposal should comprise the following submission documents. The Technical Proposal and Cost Proposal should be prepared as separate files for independent evaluation, as follows below. Technical proposals should be submitted as a ten-page Word Document. Submissions in Word or in PDF are acceptable, although PDF is preferred along with an accompanying Word document. Please provide a copy of your cost proposal in Excel format.

Part 1 – Technical Proposal

Please limit your technical proposal to no more than ten (10) pages, minimum 11-point Times New Roman font, and standard margins. The proposal may include appropriately sized graphics. The technical proposal is composed of the following three (3) sections:

1. **Technical Approach –** Offerors will detail their approach to fulfilling the accompanying Statement of Objectives (SOO). The approach will clearly indicate how the proposed activities will result in the successful completion of all deliverables and milestones.

2. **Institutional Capacity -** Offerors should provide details about the experience, expertise, or capacity of their firm to recommend the proposed approach and complete the work as described. This should also include past performance information for similar contexts.
3. **Management Plan/Staffing Structure –** Offerors should include details of personnel who might be assigned to the activities described in the technical approach, as well as a clear management plan in narrative form for the development, review, and submission of all associated deliverables, including a milestone schedule. Offerors are permitted to engage in partnering arrangements if it will aid in providing best value to USAID, regardless of whether organizations belong to the USAID Finance and Investment Network. If a partnering arrangement is being proposed, please describe the nature of the arrangement, the specific technical value being contributed by each member of the team, and the appropriate management controls to ensure successful delivery. Firms may consider partnering with other firms that bring in complementary skill sets and experience. We do not anticipate all firms will have all the relevant experience and expertise needed and value partnerships where appropriate.

In addition to the above, please include the following. These inputs will not be counted as part of the 10-slide limit and the format may be PDF or Word:

- One (1) to two (2) examples of past performance relevant to this activity (limited to two (2) pages per example)
- CV(s) of any individuals proposed in the staffing plan to conduct this activity (limited to two (2) pages per individual)

A cover slide will be considered a non-counting slide, should offerors choose to include one. No additional annexes or documentation are requested now.

<u>Part 2 – Price Proposal</u>

The contract type for the presumptive subcontract will be Fixed Price, awarded as a subcontract by DAI Global, LLC. Please include your total proposed fixed price along with details for specific deliverable pricing. Offerors should also include a cost breakdown of the hourly rates for proposed personnel, if applicable, with a build-up to their total proposed price or include substantiating price reasonableness documentation/justification. Offerors can use the attached cost/budget template; please limit file submissions to 10 megabytes or less.

III. **Evaluation of Proposal:** DAI will use best value determination for the award of this Request for Proposals. A best value determination means that, in DAI's estimation, the selected offer will provide the greatest overall benefit to USAID in response to the requirements stated in this RFP. DAI may also exclude an offer from consideration if it determines that an Offeror is "not responsible", i.e., that it does not have the management and financial capabilities required to perform the work required. Proposals will be evaluated against a stated number of factors, including the overall proposed approach, past performance, specific qualifications in the identified sectors and other evidence substantiating the bidder's ability to deliver, including budget and time frame considerations.

1. **Technical Proposal:** The Technical Proposal will be scored and evaluated separately from the cost proposal. Technical panel reviewers will evaluate offerors on the following factors, consistent with the offerors' technical proposal.

   a) **Technical Approach (40 points) -** Points for this section will be awarded based on the information presented in the technical approach. Points will be awarded to firms describing their thoughtful approach to addressing the statement of objectives. The offeror will be scored based on its presentation of a clear approach which reflects the requirements of this specific activity but also incorporates the offeror's competencies.

      i) Phase 1: Stakeholder Convening and Co-design (15 points): The Phase 1 approach should clearly demonstrate the offeror's strategy to convene technical experts, organizations and other relevant stakeholders to identify and define challenges facing African credit ratings, identify underlying causes and develop a range of initial interventions to support African countries to achieve investment grade ratings in order to improve terms to private capital.[1] The co-design process should identify tools across Prosper Africa's interagency effort that can be leveraged to better mobilize US private capital into the continent. In addition, the proposal should identify an illustrative meeting platform, participant list and outreach strategy. Please note for reference that INVEST anticipates that Phase 1 should be no more than 20% to 25% of the total scope/budget for this activity.

      ii) Phase 2: Intervention assessment and prioritization (25 points): The Phase 2 approach should clearly demonstrate the offeror's strategy to incorporate the outputs of the co-design process into the evaluation methodology. The approach should also provide examples of the types of technical evidence to be developed in support of the proposed interventions. The offeror should provide illustrative examples indicating how they may assess the feasibility and impact of the proposed interventions, based on timeline, level of complexity, political sensitivity, role of USAID and USG agencies, resources required, partnerships and alignment with the Prosper Africa Initiative.

   b) **Institutional Capacity (30 points)** – Points for this section will be based on information presented in the corresponding section. The offeror should demonstrate their experience in managing large volumes of quantitative and qualitative information; carrying out macroeconomic research and developing evaluation methodologies; experience in emerging market sovereign and corporate credit ratings, including past work with credit rating agencies in the African context; and deep technical expertise in Africa's credit landscape. Preference will be given to firms that demonstrate the capacity to incorporate African stakeholders and thought leaders in credit ratings into activity co-design, evaluation and analysis. Firms should also clearly demonstrate their understanding of the Prosper Africa toolkit and access to relevant technical experts, organizations and other stakeholders they would propose referencing for this activity.

   c) **Management Plan/Staffing Structure (30 points) -** Points for this section will be based on the qualifications of proposed staff as laid out in the SOO, clear delineation

[1] Please reference the SOO Appendix to find illustrative challenges and interventions that may be considered in this activity.

of the roles and responsibilities of each proposed staff and each proposed firm (if firms are partnering), and the demonstrated efficacy and clarity of the management plan. Proposals should provide a clear management plan in narrative form for the development, review, and submission of all associated deliverables, including a proposed milestone schedule. If the offeror is submitting a proposal along with partners, the proposal should describe the nature of the arrangement (i.e. added technical value), the division of labor among the partners, and the appropriate management controls to ensure successful delivery. The offeror should demonstrate their proposed staff's knowledge and expertise in African investment markets and sovereign credit ratings. Preference will be given to firms that incorporate relevant African technical experts and stakeholders into the management plan.

2. **Price Proposal:** Price will be evaluated separately from the technical approach, with due consideration for realism, price reasonableness, and allowability consistent with US government cost principles. Evaluation for this section will be dependent upon all information presented by the Offeror in their deliverable table and supporting cost information, as well as its alignment with the proposed technical approach. Budgets will be analyzed for cost reasonableness of the deliverable prices as well as the cost build-up. The price proposal should include all costs associated with carrying out the work and producing the proposed deliverables.

IV. Offeror's Agreement with Terms and Conditions: Please visit the INVEST Procurement Forecast website for RFP Terms and Conditions.

The completion of all RFP requirements in accordance with the instructions in this RFP and submission to DAI of the technical and price proposals will constitute an offer and indicate the Offeror's agreement to the terms and conditions in this RFP and any attachments hereto. DAI is not required to accept and/or evaluate proposals that do not conform to the instructions of the RFP, and additionally, DAI may reject all proposals and not award a subcontract for this RFP. DAI reserves the right to award a subcontract without discussion and/or negotiation; however, DAI also reserves the right to conduct discussions and/or negotiations, which among other things may require an Offeror(s) to revise its proposal (technical and/or price). By submitting an offer, Offerors agree to comply with the general terms and conditions for an award, including Representations and Certifications compliance. Offerors must provide full, accurate, and complete information in response to this solicitation. By submitting an offer, Offerors certify that they have not/will not attempt to bribe or make any payment to DAI employees in return for preference. Issuance of this RFP in no way obligates DAI to award a subcontract, nor does it commit DAI to pay any costs incurred by the Offeror in preparing and submitting the proposal. DAI reserves the right to award a subcontract to one organization or to issue multiple awards to different organizations based on the results of our evaluation.

Thank you,

DAI INVEST Procurement and Partnerships Team

INVEST_Procurement@dai.com

STATEMENT OF OBJECTIVES FOR RFP INVEST-074: IN SUPPORT OF AFRICAN CREDIT RATINGS

INTRODUCTION

The United States Agency for International Development (USAID) recognizes that as the world's development challenges become more complex, many can only be solved through market-based solutions. USAID's Private Sector Engagement team is working to expand collaboration with private sector and pioneering approaches that catalyze investments into emerging markets.

Increasingly, private investors and businesses are looking at emerging markets for new opportunities. However, investing in these markets is complex, and USAID has an important role to play in mobilizing investment into high-impact areas.

Encouraging these investments requires new forms of collaboration. In September of 2017 through a contract awarded to DAI, USAID set up the INVEST mechanism to build and engage a network of partner organizations with valuable investment and finance expertise, including those that have not worked extensively with USAID in the past.

INVEST enables USAID Missions, Bureaus, and Independent Offices to quickly access niche expertise from this diverse network of partner organizations. These partners work alongside USAID to deliver customized financing solutions that address investment constraints, mobilize additional private capital, and produce development results for a variety of sectors and geographies.

INVEST pairs innovative technical approaches with streamlined and user-friendly procurement and subcontracting processes. These simplified processes level the playing field, ensuring that USAID can work with the best firm for the job, regardless of that firm's size, locality, or previous experience with government contracting.

BACKGROUND

Due to increasingly globalized financial markets, credit ratings are critical for deciding the terms of access to international capital sources and provide investors with valuable information about a country, institution or individual's transaction risk profile and financial standing. When ratings provide sufficient information and are backed by sufficient data on market realities and transaction histories, they help investors formulate reliable risk assessments and provide governments and intermediaries with increased levels of transparency and the ability to more efficiently allocate financial resources. In emerging and developing markets a lack of reliable, publicly-accessible information at the macro and transaction level can skew credit ratings, making them more a reflection of the international perception of high economic or political risk than market reality. When perceived risk does not align with actual risk, credit ratings can slow private capital flows and act as a barrier to entry for developing economies to access international capital markets. A low sovereign credit rating increases the cost of capital, weakening developing countries' ability to finance domestic priorities and constraining fiscal policy during economic crises. Credit ratings are also important to emerging markets as many international funds and asset allocators have mandates requiring an investment-grade rating before permitting allocations.

Although the methodology behind credit ratings is publicly documented, there is a lack of transparency on the process and factors that most significantly impact credit rating agencies' decisions. More specifically, understanding how and why credit ratings differ across countries, and regions, and what additional data sets are needed to make them more consistent and transparent, is crucial to formulate a unified policy response to credit downgrades or the complete lack of ratings for countries across Africa. It is USAID's hypothesis that with a better understanding of the range of interventions available to improve credit ratings on the continent, USAID will be able to better support African countries access capital in international markets to finance their road to self-reliance. Specific interventions designed around available USG tools and resources aimed at improving African credit ratings will better connect the U.S. and African private and financial sectors with increased investment opportunities through the Prosper Africa initiative and USAID's Private Capital and Microenterprise Office (PCM).

OBJECTIVES & ACTIVITIES

Through this Statement of Objectives (SOO), INVEST seeks a firm or consortium of firms to work in close coordination with USAID's Office of Sustainable Development (AFR/SD), the Prosper Africa Executive Secretariat (PAES), and USAID's Private Capital and Microenterprise Office (PCM) to assess the most impactful avenues by which the U.S. Government can support African countries to achieve investment grade credit ratings. This activity will support African countries' journey to self-reliance by strengthening access to international capital while decreasing the need for traditional bilateral assistance. The produced assessment will provide a technical evidence base in support of the prioritized set of recommendations. This assessment is anticipated to take place over a four month timeline.

The selected partner(s) will assess and produce targeted and actionable[1] recommendations[2] in response to challenges facing African credit ratings, which include but are not limited to:

1. Information asymmetries, during the data collection and reporting processes, and coordination challenges between African countries, Multilateral Development Banks, other International Governmental Organizations (IGOs) and Credit Rating Agencies that constrain the timeliness and accuracy of credit rating decisions.
2. Lack of methodological differentiation between developed and emerging economies during Credit Rating Agencies' rating process, resulting in sub-investment grade ratings for rapidly growing and highly investable emerging markets on the continent.
3. A country's sovereign credit rating acting as a ceiling for domestic corporate ratings, constraining access to capital for financial and corporate entities within the country that on their own could be very creditworthy.
4. Uneven sovereign credit rating downgrades for African countries which increase the cost of capital and limit fiscal policy responsiveness to economic shocks, like the COVID-19 pandemic.

The activity will commence in two phases. The first is an iterative co-design process in which the selected partner(s), in collaboration with USAID and INVEST, will convene technical experts and appropriate organizations to further define challenges facing African credit ratings, identify underlying causes and develop a list of initial interventions to support African countries achieve investment grade ratings to be explored in greater detail during the subsequent phase of work.

[1] Based on available resources, political feasibility, and 6 to 18 month implementation time horizon

[2] Please reference the SOO Appendix to find illustrative challenges and interventions that may be considered in this activity.

Phase 1: Stakeholder Convening and Co-design

The selected partner(s), in collaboration with USAID and INVEST, will design and convene (virtually or in-person) technical experts, organizations and other relevant stakeholders in co-design session(s) to:

a. Identify the current state of play of African credit ratings including root causes, impacts, challenges, and pain points most relevant to improving credit ratings and strengthening access to capital.
b. Identify relevant stakeholders and current initiatives focused on improving emerging market credit ratings.
c. Identify 8 to 10 new or existing interventions with a defined role for USAID or the interagency Prosper Africa initiative, which address the challenges identified and incorporate relevant stakeholders and current initiatives to be further developed, assessed and prioritized in Phase 2.

Deliverables anticipated during Phase 1:

a. Work Plan for co-design session(s), detailing meeting platform, participant list, agenda, and learning capture plan.
b. Summary report detailing learnings from the co-design session(s), including root causes, development impacts and challenges identified, relevant stakeholders and initiatives to be considered, existing USAID, Prosper Africa or other USG tools, policies and initiatives to be incorporated into Phase 2.
c. Detailed work plan indicating next steps and describing 8 to 10 proposed interventions to be further developed, assessed and prioritized in Phase 2.

Phase 2: Intervention assessment and prioritization

Based on USAID and INVEST feedback on Phase 1, the selected partner(s) will evaluate the impact and feasibility of the proposed interventions to develop a prioritized set of USAID or USG interventions to improve African credit ratings and increase the flow of US private capital investment into the continent. The selected partner(s) will:

a. Develop an evaluation methodology for assessing the feasibility and potential impact of each intervention proposed in Phase 1, taking into consideration factors such as impact on credit rating and access to international capital, timeline, level of complexity, political sensitivity, role of USAID and USG agencies, resources required, partnership incentives, etc. Additionally, consider alignment with the Prosper Africa Initiative.
b. For the prioritized interventions, develop a technical evidence base consisting of qualitative and quantitative data, in support of the approach.
c. Prepare a detailed report that recommends interventions with the highest feasibility and potential to support African countries achieve investment grade credit ratings and contribute to USAID's development outcomes and Prosper Africa Objectives. Illustrative sections for the report may be as follows:
    a. A technical evidence base for each of the prioritized interventions;
    b. Benefits, development impact, challenges, and risks of potential approach;
    c. Indicative timeline for implementation along with potential tradeoffs or considerations that might affect the timeline;

d. At least one intervention targeting a short-medium term opportunity (6 months) and one that is a longer-term opportunity (12-18 months);
e. Primary and/or potential partners;
f. Identification of the most binding constraints that potential partners could be incentivized to overcome;
g. Potential role for each partner/stakeholder in the structure, including USAID or USG role (financial and non-financial), or other external partners such as the ratings agencies themselves, other donors or multilateral organizations;
h. Indicative performance indicators;
i. Concrete next steps for each prioritized intervention

Deliverables anticipated during Phase 2:

a. Methodology matrix describing the evaluation criteria used to assess the impact and feasibility of proposed interventions.
b. Detailed report that recommends interventions with the highest feasibility and potential to support African countries achieve investment grade credit ratings and contribute to USAID's development outcomes.

GENERAL IMPLEMENTATION STRUCTURE

Onboarding and Work-Planning

- The Subcontractor, USAID, and DAI INVEST teams will meet for an implementation kickoff meeting. The purpose and goal of this meeting is to align expectations and contexts and plan for the activities listed below.
- Partner Onboarding: DAI will work closely with USAID, to provide the selected partner(s) with all necessary context, as well as to develop the work plan(s).

Implementation

- Project Implementation: The selected partner(s) will implement the work as prescribed by the work plan(s). DAI INVEST will provide management support and technical oversight throughout all activities and anticipates working closely with the subcontractor and maintaining ongoing communications through periodic (e.g. weekly and monthly) check-ins/reporting as well as possible onsite meetings. USAID staff will be engaged throughout implementation, supporting the initial identification of challenges and root causes, and providing guidance and feedback as appropriate throughout the activity.

DELIVERABLES & IMPLEMENTATION TIMEFRAME

The activities outlined above are estimated to take place over a roughly 4-month period starting around February/March 2021. A deliverables table with an illustrative timeline is offered below; however, offerors may propose alternate timelines and work plans associated with the various components of the activity.

Description	Illustrative Timeframe
Phase 1:	**6 weeks**
Work Plan for co-design session(s), detailing meeting platform, stakeholder list, agenda, agenda, and learning capture plan.	3 weeks

Summary report detailing learnings from the co-design session(s), including root causes, development impacts and challenges identified, relevant stakeholders and initiatives to be considered, existing USAID and USG tools, policies and initiatives to be incorporated into Phase 2.	2 weeks
Detailed work plan indicating next steps and describing 8 to 10 proposed interventions to be further developed, assessed and prioritized in Phase 2.	1 week
Phase 2:	**10 weeks**
Methodology matrix describing the evaluation criteria used to assess the impact and feasibility of proposed interventions.	2 weeks
Detailed report that recommends interventions with the highest feasibility and potential to support African countries achieve investment grade credit ratings and contribute to USAID's development outcomes. Illustrative sections for the report may be as follows: ● A technical evidence base for each of the prioritized interventions; ● Benefits, development impact, challenges, and risks of potential approach; ● Indicative timeline for implementation along with potential tradeoffs or considerations that might affect the timeline; ● At least one intervention targeting a short-medium term opportunity and one that is a longer-term opportunity; ● Primary and/or potential partners; ● Identification of the most binding constraints that potential partners could be incentivized to overcome; ● Potential role for each partner/stakeholder in the structure, including USAID or USG role (financial and non-financial) or other external partners such as the ratings agencies themselves, other donors or multilateral organizations; ● Indicative performance indicators; ● Concrete next steps for each prioritized intervention	8 weeks

CONTRACT TYPE

DAI anticipates awarding a Firm Fixed Price contract type. We anticipate issuing a single subcontract award between $150,000 to $200,000 resulting from this procurement.

QUALIFICATIONS

- Demonstrated experience managing large volumes of quantitative and qualitative information
- Demonstrated experience carrying out macroeconomic research and developing evaluation methodologies
- Demonstrated experience in emerging market credit ratings
- Demonstrated expertise working with credit rating agencies in the African context
- Demonstrated experience in Africa's investment market
- Access to relevant stakeholders

- Familiarity with USAID, the Prosper Africa initiative and/or the international development sector preferred
- Staff knowledge and experience in Africa required; local presence preferred
- Demonstrated ability to convene and incorporate perspectives of African stakeholders and thought leaders addressing issues related to credit ratings
- Ability to be flexible and responsive to changing needs
- Excellent written and verbal communication skills

SOO Appendix: Details of Illustrative Interventions

INVEST issued Request for Information (RFI)-008 in Support of Credit Rating Decisions in August 2020 to better understand the underlying causes and impacts of credit rating agencies' decisions and the range of USG tools and market-based solutions available to achieve better credit ratings in Africa.

The RFI responses indicated that there are a wide range of potential interventions available to USAID and USG to improve African credit ratings. This appendix to the Statement of Objectives for RFP INVEST-074 In Support of African Credit Ratings illustrates the diverse range of interventions that may be considered and evaluated during the activity in response to challenges facing African credit ratings.

The RFI responses highlighted a broad set of challenges facing African credit ratings. Illustrative challenges, included in the Statement of Objectives and duplicated here, include but are not limited to:

1. Information asymmetries, during the data collection and reporting processes, and coordination challenges between African countries, Multilateral Development Banks, other International Governmental Organizations (IGOs) and Credit Rating Agencies that constrain the timeliness and accuracy of credit rating decisions.
2. Lack of methodological differentiation between developed and emerging economies during Credit Rating Agencies' rating process, resulting in sub-investment grade ratings for rapidly growing and highly investable emerging markets on the continent.
3. A country's sovereign credit rating acting as a ceiling for domestic corporate ratings, constraining access to capital for financial and corporate entities within the country that on their own could be very creditworthy.
4. Uneven sovereign credit rating downgrades for African countries which increase the cost of capital and limit fiscal policy responsiveness to economic shocks, like the COVID-19 pandemic.

The RFI responses also demonstrated the breadth of interventions that may be considered to improve African credit ratings, which include, but are not limited to:

1. **USAID and/or USG advocacy and convening power** may be considered to support existing mechanisms within IGOs, including the African Union and African Development Bank, credit rating agencies and African countries, that aim to improve sovereign credit ratings and increase the transparency and reliability of the data underpinning them. In addition, interventions may convene stakeholders ranging from credit rating agencies, African governments, and relevant experts to develop and evaluate interventions best suited to improve African sovereign credit ratings. USG advocacy efforts, including the Prosper Africa Initiative, may be used to address political, logistical or other barriers to implementation.
2. **Enabling environment** interventions may be considered to improve the quality of data collection and speed of data dissemination to relevant stakeholders. Other avenues of enabling environment support may include working with African countries to build capacity to improve debt sustainability and support legal and regulatory frameworks which decrease institutional risks. In addition, support may be provided to collect, aggregate and disseminate credit information for local corporations and SMEs to improve liquidity in undercapitalized markets. Additional support to local financial institutions may be considered to improve access to financing denominated in local currency.

3. **Financing vehicles or structures** may be considered to de-risk regional or sector clusters, aggregate capital, and correct information asymmetries. Diverse financing instruments ranging from blended finance solutions, risk transfer or securitization of existing balance sheets, guarantee mechanisms, risk insurance and technical assistance sidecars, may be deployed through partnerships with relevant USG agencies and other stakeholders to mitigate risk and improve African sovereign and corporate ratings. In addition, technical assistance may be offered during bond structuring to ensure better yields and longer-term tenors for African country bond issuances.