Date: March 11, 2022
Subject: Questions and Answers to RFA-SAR-002

Questions and answers have been listed in the order they were received.

Questions Received by February 17, 2022

1. What stage does the business [need to be in] to apply for the grant? We are a one-year-old company…are we eligible for this grant opportunity?

   Yes, companies at any stage of maturity are eligible to apply.

2. We are considering developing a frozen vegetable business for domestic market and export market. Are we eligible to apply?

   Yes, as long as exports are to South Africa or the United States. Any concept that meets one of the objectives of the RFA is eligible to apply (see page 1 of the RFA for more details). The objectives are:

   - Increase agricultural trade from regional countries to South Africa;
   - Increase agricultural investment from South Africa to the region; and,
   - Increase agricultural exports from southern African countries to the United States through the African Growth and Opportunity Act (AGOA).

3. Is a for-profit implementing partner eligible to apply as prime recipient of this grant funding, with a [commercial agribusiness] as a partner in the project?

   No, applicants must be for-profit, private sector entities including commercial entities, financial institutions, investors, business service providers, or other private sector associations. Applicants may partner with (or include costs for) non-commercial resource partners or entities which will provide training or technical assistance, but these entities cannot apply directly.

   Eligibility has been clarified in the RFA amendment issued February 22, 2022

4. Does financing of agricultural equipment imported from South Africa for farmers in Malawi and Zambia qualify as an eligible activity?

   All concepts must meet one of the objectives outlined in the RFA (see answer to question 2 for more details). Proposed activities must include South Africa or the United States of America as an end market for their product and demonstrate an increase of trade to South Africa or the United States from one of the following counties: Angola, Botswana, Eswatini, Lesotho, Madagascar, Malawi, Mozambique, Namibia, South Africa, and/or Zambia (see eligibility requirements on page 3 of the RFA for more details). Importing equipment from South Africa alone would not be an eligible concept.

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Questions Received at the February 22 Applicant's Conference

5. Can you provide examples of co-investment?

   Co-investment may include, but is not limited to, costs associated with staff time directly attributable to implementing this partnership activity, consultant fees, travel, market assessments, etc. Neither existing physical capital nor working capital will count toward co-investment. During the co-development process, MSP will provide guidance on specific budget items and advise partners on appropriate co-investment costs.

6. Can the public sector apply on behalf of small business?

   No, MSP partners directly with the private sector.

7. Do businesses have to have been operating for a minimum period? This is usually a requirement for some calls, but it hasn't been mentioned for this opportunity.

   Companies of at any stage maturity are eligible apply.

8. Was the webinar recorded?

   Yes, the webinar recording may be accessed here or directly from our website https://www.mspgrants.com/southernafrica2/.

9. Should co-investment be cash directly from the partner, or can it be from commercial lending?

   Co-investment may be cash, commercial debt or equity investment, or donor-financed debt or equity, however we do not accept grant funding as co-investment.

10. Do all entities qualify? LP, LLC, C corporation, for example?

    Any private-sector, for-profit, commercial entity is eligible to apply. See answer to question 3 for more details.

Questions Received by February 25, 2022

11. The RFA says that 'only applicants legally registered to operate in Angola, Botswana, Eswatini, Lesotho, Madagascar, Malawi, Mozambique, Namibia, South Africa, and/or Zambia are eligible to apply'. The text does not say 'only applicants legally registered in.....'. Does this mean that also entities that are not registered in these countries (but who are allowed to operate in these countries) can apply? I am asking, because my organization is facilitating investments into agri-food SMEs in this region. We are not locally registered in one of these countries but are allowed to issue debt agri-food SMEs.

    Any company that is legally eligible to conduct business in one of the listed countries may apply.

12. Would another grant also count as matching funds or do matching funds need to be private capital?

    Other grants will not be considered for co-investment, however debt or equity investment from a donor may be included under some circumstances. See answer to question 9 for more details.

13. The RFA states that applicants need to bring in five-to-one matching funds when proposed activities include loans or equity investments. Does this only refer to situations in which the grant will be used as debt/equity or also to proposals that facilitate debt investments into agri-food SMEs with capital of third parties?

    Any proposed activities that include the facilitation of debt investment, must include a five-to-one match.

Questions received by March 11, 2022

14. Our company is located in Mozambique but is a full subsidiary of a holding company located in South Africa. The holding company will provide the funding for the projects for which the grant application will be done, on behalf of its subsidiary. Would the funding from the holding company be acceptable for the grant funding facility its subsidiary?

    Yes. The applicant would be asked to document the relationship between the two entities during the due diligence process.

15. According to your RFA document the Technical application should not exceed 7 pages. Are you flexible in this regard? It will be quite difficult to comply with all the attachments, i.e. diagrams covering forecasts, supply chain etc.

    Technical applications should not exceed 7 pages. The RFA only requests a budget and cost narrative be included as attachments, which do not count against the page limit. Any other attachments included to support the technical application are not required to be reviewed by the Technical Evaluation Committee.

16. Would the company be allowed to nominate more than 1 representative, i.e. 2 people interacting with MSP instead of 1 representative?

    Yes, it is acceptable for more than one representative to interact with MSP during the co-development process and partnership implementation.

17. We are [a South African company] interested in investing in a processing facility in Eswatini to ensure processed product can be exported to South Africa. Will a requirement be to establish a local company in Eswatini, or can the investment take place in our current enterprise?

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There is not a requirement to establish a local company if the South African entity is authorized to legally operate in Eswatini. See answer to question 11 for more detail.

18. Is wood, or are wood-derived products like charcoal products an eligible export product under the AGOA for export to the US or for export to SA? Can we apply for the MSP opportunity with these products?

    Most wood-derived products are not eligible under AGOA, you may visit the AGOA website for a full database of eligible products. MSP would not support activities focused on these products.

19. MSP cash awards are provided on the basis of achieved milestones; does that in practice mean that the achievement of one milestone results in a cash injection that helps investing in achieving the next milestone?

    Milestone payments are established based on total budget, milestone impact, and cash flow needs. Payments do not necessarily reflect the actual costs incurred for a single milestone. Payments are negotiated with the prospective partner during the co-development phase.

20. If the match (50% Partner Funds) is covered through a Commercial Loan from a Mozambique Commercial Bank, is the match 1:1 or 5:1?

    A commercial loan to the partner may be used as co-investment and would require a one-to-one match. A five-to-one match is only required if the partnership activities focus on facilitating investments. See question 13 for more details.

21. The RFA states: *Establishment or development of any export processing zone or designated area where the labor, environmental, tax, tariff, and/or safety laws of the country in which such activity takes place would not apply.* Does this mean export costs such as shipping, tariffs, and transport cannot be supported by grant funds?

    MSP would not fund the establishment of a trade zone exempt from local laws. However, standard import and export processes may be included. Export costs associated with distribution of an applicant's final product would be considered a business as usual expense and would not be supported by grant funds.

22. The RFA states: *applicants are encouraged to identify end markets and buyers to which they are currently supplying or will target in their new activities.* What would need to be presented to show [identification of buyers]? Could they just be listed, or would the potential buyer need to show commitment at this stage? Such as a letter of commitment. Would we have needed to show communication with the buyer?

    Current or target end markets or buyers can just be listed in the application. Commitments from buyers are not required at the application stage but may be requested during the co-development process or in early partnership milestones.

23. The RFA states: *Establishing or expanding any enterprise that will export raw materials that are likely to be in surplus in world markets at the time such production becomes effective and that are likely to cause substantial injury to U.S. producers.* Would supplying such roots and tuber crops, like garlic, ginger, and turmeric present injury to U.S. producers?

    The stated crops are unlikely to impact US exports, however additional details on specific products and volumes would need to be explored during the co-development process.

24. The RFA states the following as ineligible costs: *pharmaceuticals, pesticides, seed, or fertilizers*. Does this mean the MSP does not fund agricultural inputs, except labor?

    MSP cannot fund agricultural inputs including, seeds, pesticides, or fertilizers. If these products are essential to partnership activities, they may be considered as co-investment but would be subject to environmental review during the co-development stage and monitoring during implementation.

25. The RFA states the following as ineligible costs: *activities which are likely to have a significant adverse effect on the environment*. There is a view that farming activity causes adverse effects on biodiversity, like tilling land may disrupt certain ecosystems. If for example, no trees were cut, but tilling was done for maize planting or excavation was done for fishpond construction, would such activity disqualify the project altogether?

    Many standard farming practices can be controlled to mitigate environmental impact. Activities focused on production will go through an environmental review during co-development and MSP will guide the partner in mitigating and monitoring environmental impact.

    Excavation falls under MSP's definition of construction and would not be an eligible activity. Construction cannot be funded by MSP or included in partner co-investment. MSP defines construction costs as the construction, alteration, rehabilitation, improvement, or repair (including dredging, excavating, and painting) of a variety of structures or facilities. This may include agricultural facilities, such as irrigation systems or other improvements, markets, warehouses, or other types of buildings, roads, bridges, and collection sites.

26. The RFA states one-to-one matching investment from applicants is required. Does the one-to-one matching need to be 50% at completion of every milestone or can it be 50% of the entire project expenditures?

    The one-to-one match is expected to be met over the life of the project and is not expected to match individual milestone payments.

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27. Could you share the list of portfolio companies you invested in in the first-round last year? Also, could you share what sectors they were involved in and which countries they were based in?

    A description of active MSP partnerships may be found in our most recent Semi-Annual Report found here.

28. If the co-financing is debt or equity it must be matched 5 to 1 but if the co-financing is a grant then 1 to 1 is okay?

    A five-to-one match is only required if the partnership activities focus on facilitating investments. See questions 13 and 20 for more details.

    All other activities which are not facilitating debt or equity as a partnership activity require a one-to-one cash co-investment. This cash co-investment can be derived from a company's own liquid assets, loans or lines of credit, equity investments, and other sources of funding available to the company for operations except grant funding. Grant funding may not be used as co-investment. See questions 13 and 20 for more detail.