



Issuance Date	December 30 <sup>th</sup> , 2024
Preapplication Questions Response Conference	By January 6 <sup>th</sup> , 2025, 10:00 a.m. EAT
Closing Date /Time for submission of the Applications	By January 15 <sup>th</sup> , 2025, 11:59 p.m. EAT
Estimated Grant Period of Performance (PoP)	Two years

**Subject: Notice of Funding Opportunity (NOFO) IRiS-NOFO-008-2024 for Development of Alternative Sharia-compliant Financing Products**

**Dear Prospective Applicants:**

The Inclusive Resilience in Somalia (IRiS) program is seeking grant applications from qualified Impact financial institutions with on-lending agreements with Financial Service Providers (FSPs) in Somalia interested in implementing Development of Alternative Sharia-compliant Financing Products activity.

IRiS intends to make an award to the applicant responsible whose application best meets the requirements of this NOFO, and the Merit Review Criteria contained herein. While one award is anticipated as a result of this NOFO, IRiS reserves the right to fund any or none of the applications submitted.

To be eligible for the award, the applicant must provide all information as required in this NOFO and meet eligibility standards in Section 3 of this NOFO Document.

If you decide to apply, it should be received by the closing date and time indicated at the top of this cover letter via email attachment to [iris.grants@dt-global.com](mailto:iris.grants@dt-global.com).

Applicants must meet the requirements of eligibility for this Notice of Funding Opportunity (NOFO), those who do not will be disqualified.

The grant(s) will be awarded and implemented in accordance with U.S. government regulations governing grants and the Project's internal grant management policies.

Potential awardees will be subject to a pre-award risk assessment that will be conducted by the IRiS Program and may include a pre-award visit to the applicant's place of establishment. A positive risk assessment will confirm that the awardee possesses, or has the ability to obtain, the

necessary management competence in planning and carrying out project activities and that it will practice mutually agreed upon methods of accountability for funds provided by IRiS program.

Pursuant to 2 CFR 200 Subpart E and 2 CFR 700.13, it is USAID policy not to award profit under assistance instruments. However, all reasonable, allocable and allowable expenses, both direct and indirect which are related to the grant activity and are in accordance with applicable cost standards (2CFR 200 Subpart E for non-profit organizations and educational institutions, and the Federal Acquisition Regulation (FAR) Part 31 for for-profit organizations), may be paid under the Award.

Awards shall be made and administered in accordance with all pertinent USAID policies and regulations.

For non-U.S. organizations, the ADS 303mab, Standard Provisions for Non-U.S. Non-governmental Organizations and 2 CFR 200, where incorporated, will apply.

The IRiS program may issue one or several grants and reserve the right to fund any or none of the applications submitted. Issuance of this NOFO does not constitute an award commitment on the part of IRiS, nor does it commit the program to pay for costs incurred in the preparation and submission of an application. Further, IRiS reserves the right to reject any or all applications received if such action is in the best interest of the IRiS project. Applications are submitted at the risk of the Applicant; should circumstances prevent making an award, all preparation and submission costs are at the Applicant's expense.

Thank you for your interest in Inclusive resilience Program in Somalia (IRiS)

**Sincerely,**

**Robert Mwadime Ngolo**

**Chief of Party • IRIS**

This NOFO consists of the following sections:

- Section 1–Description of the Funding Opportunity
- Section 2–Award Information
- Section 3–Eligibility Information
- Section 4 – Application Questions and pre-application conference
- Section 5 – Application and Submission Information
- Section 6 - Evaluation of Applications
- Section 7 – Annexes

## Section I – Description of the Funding Opportunity

### Activity Summary

IRiS works with various institutions and partners to deliver flexible and context-relevant interventions at the Community, State, and Federal levels. The Inclusive Resilience in Somalia (IRiS) project is a five-year program (2022-2027) funded by USAID and the Foreign Commonwealth Development Office (FCDO). The program is being implemented by DT Global and other consortium partners, including Save the Children, Mercy Corps, Somalia Agriculture Technical Group (SATG), and ITAD. Since 2022, IRiS has been working in Benadir, Hirshabelle and Jubaland regions within USAID's Geographic Focal Zones (GFZ). (Refer to map figure one)

IRiS implements an inclusive market systems transformation approach using grant and non-grant partnerships to improve households' livelihoods through improved business and system-wide resilience. The program strengthens partners' capacities to improve market systems in the agriculture, livestock, fisheries, financial inclusion, and energy sectors.

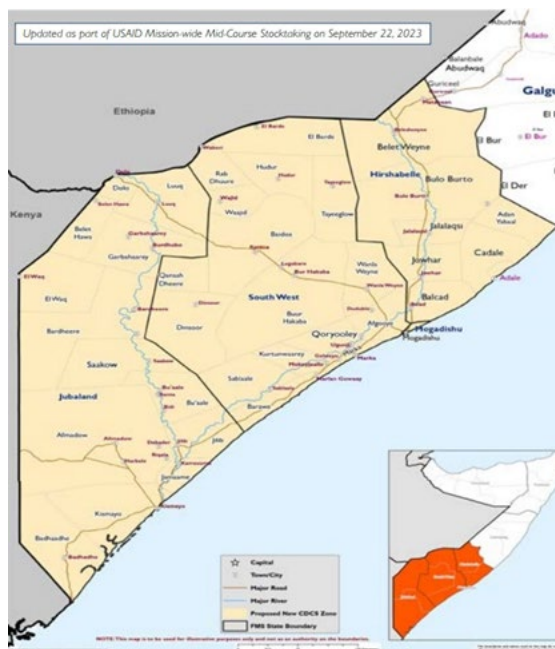


Figure 1 USAID's Geographic Focal Zone in Somalia

### Contextual Background

Impact financial institutions (IFIs) in Somalia are constituted as Development Banks. They are funded by the Somalia Ministry of Finance and multilateral organizations (e.g., World Bank, African Development Bank) to provide wholesale credit to FSPs such as banks and MFIs to encourage them to on-lend to businesses (MSMEs) in productive sectors which are perceived to carry an increased level of loan risk.

These IFIs also promote on-lending to women and youth-owned businesses as these groups experience major challenges in providing collateral (title to land and buildings) to underwrite their loans. These IFI financing initiatives contribute to Somalia's economic transformation by bridging financial gaps and supporting private sector development.

FSPs in Somalia only offer a sharia-compliant 'Murabaha' financial product to MSMEs with a one-month grace period. New financial products that support IRiS MSMEs in the target productive sectors need to be better tailored to their seasonal nature. Presently, FSPs offer financing products with a short repayment grace period and loan tenor (up to 1 year).

By developing alternative sharia-compliant financing products that carry increased repayment grace periods and reduced fee charges—enabled by a partial guarantee against loan defaults to offset the risk from reduced and delayed revenue—this intervention will catalyze FSPs to stimulate lending to the underserved MSME sector in Somalia.

## **Market System level Constraints**

Access to financing remains significantly underdeveloped in Somalia:

- **Limited availability of financing products appropriate for the IRiS target sectors and MSMEs:** Nearly all Islamic financing products provided by FSPs in Somalia are Murabaha financing (debt financing), offering a limited or no grace period, and a payment duration of not more than one year. GARGAARA, an apex Financial Institution licensed by the Ministry of Commerce and registered by the Central Bank of Somalia, currently offers financing to FSPs for on-lending, stipulating that those FSPs must give a six-month repayment grace period to borrowers. Still, few FSPs implement this due to the risk involved.
- **Low financial inclusion:** Only 26% of households have loans, mainly from merchants and traders, and less than 7% have acquired bank loans. MSMEs and individuals in the productive sectors are primarily excluded from accessing loan financing due to the perceived level of risk. Youth, women, and applicants from marginalized communities need help to obtain loans because they lack a credit history, financial records, land that can be used as collateral, and/or a male guarantor.
- **Low-risk appetite:** Since 2018, commercial bank assets have quadrupled to \$1.8 billion, but credit to the private sector remains at just \$404 million. Additionally, the financial industry faces significant challenges in doing business in a complex environment where inherent customer default risks are magnified by risks from insecurity, infrastructure barriers, skills gaps, and low business skills and record keeping amongst MSMEs.
- **High operational costs:** MFIs have high servicing costs relative to loan size and the costs of covering the risk of default while still ensuring a reasonable return for investors. Other factors, such as the lack of identification documents, business registration, and weak law and contract enforcement institutions, lead to lower loan approval rates for MSME borrowers.

## **Program Description**

IRiS will provide funding through a Fixed Amount Sub-award (FAS) grant of USD 500,000, to a selected Impact financial institution (IFI) intended as a guaranteed fund capital grant to the IFI to underwrite partial risk (up to 30%) for FSPs to advance loans to the target sectors and support the development of an alternative Sharia-compliant product financing catalog.

This stimulus will help the grantee to stimulate on-lending to FSPs to reduce the perceived high risk to financing the productive sector, thereby enabling it to further leverage its loan capital base.

The requirement is that under this program assistance - a minimum of 260 loans, with average loan size \$5,000 will generate a portfolio value of USD 1,300,000 million in SME financing additionality.

Conditions will be lifted, and the grant will become permanent on closure of the IRiS project (o/a June 2027) when DT Global vests the guarantee fund (grant) to the grantee, whose role is to continue to issue guarantees to build loan volume to businesses within the respective IRiS productive sectors.

## Features of the alternative Sharia-compliant financial product offering

IFIs who receive grant support are required to:

- i. Provide loan capital from their resources to partner FSPs to on-lend to productive sector MSMEs, including women- and youth-owned businesses, and other marginalized groups.
- ii. Co-invest with partner FSPs in developing alternative Sharia-compliant financial products.
- iii. Develop product financing catalogs and work with FSPs that will offer these alternative financing products to their customer base, such as seasonal financing to clients in agriculture, livestock, and fisheries sectors.
- iv. Provide a partial guarantee (up to 30% of approved loan value) to partner FSPs to incentivize them to offer alternative financing products that carry a repayment grace period of up to 3 months and longer loan tenors of up to 2 years.

**Performance Incentives:** The grant agreement may incorporate performance incentives for the use of the grant to underwrite borrower loan risk at ‘tiered levels’ on loans advanced that carry differing levels of risk. i.e. sectoral, financial, operational, security and political. This serves as an incentive for the FI to issue and maintain larger SME loan balances and volume throughout the period of the program.

**Market Incentives:** The FI benefits from the de-risking of its loan portfolio to enable it to finance more and larger value SME loans. As the FI demonstrates accelerated loan volume expansion, it can also attract wider interest from other potential donors and private investors to increase its capital base.

**Terms of Disbursement:** The \$500,000 will be disbursed based on the achievement of predetermined milestones as set out in the grant agreement that reflects the grantee’s lending performance and utilization of the guarantee facility.

### Utilization of the grant fund:

The grantee IFI is required to administer the credit guarantee scheme to participating FSPs over the life of the grant agreement (February 2025 – February 2027). Our current estimates for utilization of the grant fund:

- i. Average loan size (\$5,000) X guarantee coverage (30%) = \$1,500 per loan.
- ii. \$1,500 x 260 clients = \$390,000 (of grant fund)
- iii. Guarantees issued: 260 over two cycles of loan guarantee issuance.
- iv. For the alternative financing product catalog, the grantee must develop, post online, and print 20,000 catalogs for the FSPs to use on demand.
- v. Twelve FSPs are expected to distribute the catalog to their clients, providing an estimated 60,000 MSMEs with information on alternative Sharia-compliant financing products.

## Gender and Inclusivity in the MSD

The primary gender and inclusivity objective of this activity is to ensure that women, youth, and people with disability are not marginalized because of their inability to provide formal credit history or pledge land, buildings or other assets as collateral for the loan. IRiS will mainstream the inclusion of women, youth, and people with disability in this activity by:

- i. IFI guaranteed loan offerings will encompass Women's Economic Empowerment as part its core mandate.
- ii. IFI will be encouraged to have gender-sensitive processes and training materials/tools with modules on gender sensitivity in service delivery.
- iii. IFI will be required to develop gender-sensitive financial products, especially those targeted to PWD and Youth.
- iv. IRiS MEL systems will rigorously measure uptake and impact for women, youth, and other marginalized groups (minimum quarterly).

## Grant activity Outputs and outcome

IRiS' partnership with IFI is projected to contribute to the following performance indicators:

EG.4.2-1 Total number of clients benefiting from financial services provided through USG-assisted financial intermediaries, including non-financial institutions or actors, from Feb 2025- Sept 2027.	Approx # of clients: 260 over up to two cycles of loan guarantee issuance
PSE-4 Value of private sector resources the USG leverages to support U.S. Foreign Assistance Objectives.	\$1,300,000*70% (910,000) (390,000/30*100)
EG.5.1 Number of enterprises directly or indirectly supported by USG micro, small, and medium-sized enterprise resources.	260
EG.3.2 Number of individuals participating in USG food security programs.	260*5= 1,300

## Section 2 – Award Information

- i. **Estimate of Funds Available**  
Subject to the availability of funds, the IRiS Program intends to provide up to USD 500,000 to successful grantees over a 24-month period.
- ii. **Type of Award**  
IRiS plans to negotiate and award a Fixed Amount Sub Award (FAS) grant to successful financial institution applicant. Under the Fixed Amount Award all payments will be a fixed sum payable upon completion of milestones, which will be defined in detail during grant agreement negotiations.
- iii. **Number of Awards Contemplated**

IRiS intends to award one (1) FAS Agreement pursuant to this NOFO to the responsible applicant whose application conforming to this NOFO offers the greatest value to the IRiS. However, IRiS at its discretion may make awards to more than one organization.

**Note:** *The IRiS may (a) reject any or all applications, (b) accept other than the lowest cost application, (c) accept more than one application, (d) accept alternate applications, and (e) waive informalities and minor irregularities in applications received*

**iv. Start Date and Anticipated Period of Performance**

IRiS anticipates making an award no later than February 28<sup>th</sup>, 2025. The period of performance anticipated herein is 24 months.

### **Section 3 - Eligibility Information**

Only Somalia-based impact financial institution (IFI) partnered with Financial Service Providers (FSPs), and have been lending to SMEs within the crops, livestock, fisheries, and energy sectors in Somalia are eligible to apply.

#### **Eligibility Criteria**

Applicants are required to satisfy the following criteria -

- Be funded by the Ministry of finance Somalia through funding from the World Bank or other Multilateral organizations.
- Demonstrate that the organization has human resources and capacity to manage and implement a credit guarantee scheme.
- Have been operating for at least 3 years and provide proof of allocation of grant agreement from a multilateral organization.
- Is willing to on-lend to Financial Service Providers (FSPs), in the productive sectors. i.e., agriculture -Fish, farming, and livestock.
- Not be identified in the System for Award Management (SAM) as ineligible to receive U.S. government funds.
- Not appear on the Specially Designated Nationals (SDN) and Blocked Persons List maintained by the U.S. Treasury for the Office of Foreign Assets Control, or “OFAC List.”
- Not listed in the United Nations Security designation list.
- Be willing to sign and submit required certifications before awarding the grant.
- All selected grantees are required to obtain a **unique entity identifier (UEI) number** before an award is made. UEI numbers may be obtained online at [SAM.gov](https://sam.gov) | [Home](#)

### **Section 4 – Application Questions and pre-application conference**

IRiS will engage virtually discussions to answer questions from potential applicants and to provide an overall grant process from application to award. Therefore, if an applicant is interested in attending such a session, they should send their intention to participate and questions that they would like addressed in writing to: [iris.grants@dt-global.com](mailto:iris.grants@dt-global.com) not later than January 5<sup>th</sup>, 2025, 11:59 p.m. EAT

The virtual pre-conference is scheduled **for January 6<sup>th</sup>, 2025, from 2:00PM to 3:00PM. EAT.**

The IRiS activity and DT Global reserve the right not to respond to or post questions that are duplicates of other questions or questions that are deemed not relevant.

## Section 5 – Application and Submission Information:

The following provides instructions for the format of application.

- a) Applications must be submitted in the templates and format provided.
- b) Budget Proposal and Budget Narrative: The budget should be submitted in Annex B, in Microsoft Excel format, showing formulas, and recorded in USD. Please also submit a corresponding budget narrative that explains in detail the proposed costs of the grant activity.
- c) Printed hard copy submissions are not permitted.
- d) Incomplete submission may mean non-processing, significant delay in processing of the application, or rejection.
- e) All applicants should retain, for their records, a copy of their application and all accompanying enclosures.
- f) Applicants are kindly requested to only submit one application per organization. If a single organization submits multiple applications, the last application submitted by the organization will be evaluated.
- g) All applications must be in English, single-spaced, Gill Sans MT 12 font, sized to print on A4 size bond paper, with each page numbered consecutively. All application documents must be submitted in Microsoft Word and PDF format. Applicants should strictly observe the maximum number of pages allowed according to the table below.

Section/Description	Maximum Page Number / Text Limits
<b>Part 1: Applicant information</b>	1 page
<b>Part 2. Grant Activity Proposal</b>	
Proposed Grant Activity Details, Executive summary and justification and background	2 pages
Grant activity Goals and Objectives, expected results and Target groups	1.5 pages
Description of Grant Activities	2.5 pages
Staff plan	1/2 page
<b>Part 3 – Institutional Capacity</b>	
Brief description of the organization, Organization’s Experience, Organization’s Experience, and annual Revenue Review	2.5 pages
Budget and Budget Narrative	No page limits
Application Annexes	No page limits



All applications in response to this NOFO shall consist of a technical proposal and a budget proposal with narrative (The technical proposal must be no longer than 10 pages in length excluding supporting documents and CV of the proposed key staff members, which the Applicants are required to submit (please see the Application Form), will not be counted toward the 10 pages limit. The cost proposal shall be submitted as a separate file from the technical proposal. Applicants are advised to fill in the budget form as detailed as possible and include a Budget Narrative. Lump sums will not be accepted. All the materials of the application package must be submitted in one email prior to the application deadline.

According to the Mandatory Standard Provisions for Non-U.S., Non-governmental Recipients, uniform administrative requirements on cost principles for federal awards 2 CFR 200, Subpart E, Cost Principles, and Cost Principles for Commercial/For-Profit Organizations (48 CFR 31.2 Federal Acquisition Regulations), taxes, including value added taxes, are not allowable costs where an exemption or refund of such taxes mechanism exists. Please do not budget taxes of any kind in the project budget breakdown.

## Section 6 – Evaluation of Applications

The criteria presented below have been tailored to meet the requirements of this NOFO. The applicant should note that these criteria serve to identify the significant issues that applicants should address in their applications, and to set standards against which all applications will be evaluated.

### Application evaluation and selection criteria:

Evaluation	Expectations	Max Score
<b>Capacity</b>	The applicant has an adequate capacity such as specific technical skills and expertise, received funding from multilateral organizations (e.g., World Bank, African Development Bank) to provide wholesale credit to FSPs such as banks and MFI. What is its methodology? What is its implementation plan?	10
<b>Guarantee fund management fee</b>	Not to charge any guarantee fund management fee or levy to FSPs or MSMEs for loan de-risking under the loan guarantee scheme.	10
<b>Cost of Finance</b>	Not to charge a financing fee of more than 4% p.a. to FSPs for providing on-lending funding MSME borrowers availing of the loan guarantee.	10
<b>Developing Alternative sharia-compliant</b>	Willing to research and design alternative sharia-compliant financing products in collaboration with local	20

<b>financing products</b>	MFIs. Is there a clear ToR on how the alternative financing catalogue will be delivered.	
<b>On-lending capacity to FSPs and Grace period to FSPs (Agriculture, Livestock and Fisheries)</b>	Does the Impact financial institution have on-lending capacity to provide funds to FSPs which they will have to on-lend to MSMEs.	10
<b>Businesses in the geographical Focal Zone (GFZ).</b>	Willing to administer/ implement loan de-risking / credit guarantee mechanism in the project Geographical Focal zone (GFZ).	10
<b>Grace period</b>	Does the applicants offer up to 3 months loan repayment grace period to FSPs on loans advanced from its own resources.	10
<b>Impact financial institutions able to on-lend to other FSPs</b>	Is the Impact financial institution able to on-lend to FSPs and share product catalogue with other FSPs.	10
<b>Proposed loan pipeline</b>	Propose a pipeline of on-lending loans for guarantee up to \$1,300,000	10
<b>Total</b>		<b>100</b>

## Section 7 – Annexes

Annex A- Application Form

Annex B- Budget template.

Annex C- Application checklist.