

## FINANCIAL OUTREACH WINDOW



**Will I be expected to pay back some or all of the grant money if the project is ultimately unsuccessful, or fails to meet its initial goals?**

No, you will not.

**How is the MICF different from other funds and finance providers in Malawi?**

The MICF provides grants for projects of companies, financial institutions or Micro-finance Institutions rather than the individual organization. MICF does not seek to obtain any financial return. The Fund is not an equity or venture capital investor, and will not buy shares in a company or a project. Nor will it wish to share in the profits of successful projects.

The funding provided is grant money, and there is no interest or other charges attached to the money provided by the fund.

**Who are the partners of MICF's Financial Outreach Window**

The MICF's Financial Outreach window is supported by the United Nations Development Programme for Malawi and the Federal Republic of Germany through KfW.

**Might grantees be subjected to an audit?**

Yes

**What arrangements for audit of funds might be expected?**

The grantee will have an audit carried out annually at their discretion as stipulated in the grant contract and submit the audit report to us.

**What is the format for the periodic reports?**

A quarterly report should be submitted outlining progress to date.

**The Malawi Innovation Challenge Fund (MICF) is a competitive, transparent mechanism that is deploying a funding window to encourage financial institutions (banks and MFIs), digital finance operators or non-bank financial institutions to provide cashflow and operational financing to Small and Medium Enterprises (SMEs).**

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# ABOUT MICF

The MICF is a source of funding supported by the United Nations Development Program (UNDP), UK Department for International Development (DFID), the Federal Republic of Germany through KfW, International Fund for Agriculture Development (IFAD) through PRIDE and the Royal Norwegian Embassy (RNE).

Through a competitive process, MICF will provide a grant of upto 70% of the cost of each innovative commercially driven project in Malawi's financial sector that can: i) strengthen and support cashflow and operational financing needs of growth orientated SMEs; or ii) support the rise of digital financial transactions for stable and growing SMEs. The focus will be on those SMEs that have exhibited solid financial performance prior to the COVID-19 pandemic but are facing both financial distress and severe cash flow constraints due to its emergence.

Managed by:

# FAQ

## Frequently Asked Questions

### Who can apply to the Financial Outreach Window of MICF?

All applications must be submitted by a for profit company, bank, microfinance institution (MFI), or non-bank financial institution (NBFi) registered in Malawi. However, implementation of the proposed project could be supported by other companies, non-governmental organizations (NGOs and INGOs), government-related agencies, and other non-profit organizations.

### Can a foreign firm, or foreign joint venture, or multinational company with registered representation within Malawi apply to the Fund?

Yes

### Can an individual person apply?

No. All applications must come from a registered company.

### Can a government agency apply to the Fund?

Only if it is associated with a private sector applicant. The partner company or financial institution must lead the application and demonstrate sufficient commitment to the project.

### Can an NGO apply to the Fund?

Likewise, the NGO must collaborate with a partner company, financial institution or micro-finance institution. The partner company, financial institution, or micro-finance institution must lead the application and demonstrate sufficient commitment to the project.

### Can an association apply to the Fund?

An association must collaborate with a partner company, financial institution or micro-finance institution. The partner company / financial institution must lead the application and demonstrate sufficient commitment to the project.

### Can a co-operative apply to the Fund?

Only if it is associated with a private sector applicant. The partner company or financial institution must lead the application and demonstrate sufficient commitment to the project.

### Must the applicant be located or registered in a particular location(s) in Malawi?

We welcome applicants from any part of Malawi. However, the project will need to demonstrate that it can benefit a significant number of SMEs.

### What financial (and other) capacity must all applicants have?

All applicants will need to demonstrate their capacity to implement their proposed project and must also be able to contribute a minimum of 30% of the cost of the business idea. Contributions can be made through a combination of in-kind and cash contributions and will be evaluated on a case by case basis dependent on the circumstances of the project proposed.

### What other eligibility criteria must applicants meet?

All applicants must provide evidence of their legal status, office address, telephone number, fax number, company registration number and tax registration. Applicable regulatory approvals governing project activities will need to be obtained.

### I am still not sure if I am eligible to apply?

If you are unsure of your eligibility to apply, please contact us, by email for written clarification and guidance.

### What type of project is the MICF through the Window looking for?

The funding request must be for a specific, new and/or innovative business idea to improve access to finance for either new SME clients or those SMEs that have exhibited solid financial performance prior to the pandemic but are facing both financial distress and severe cashflow constraints due to the COVID-19 crisis in Malawi. The MICF views innovation in its broadest sense including: i) a new approach, product, idea or service that has not been tested anywhere; ii) an approach, product, idea or service that is new to Malawi; or iii) an approach, product, idea or service aimed at improving SMEs access to finance that has not been applied to a specific sector in Malawi.

### What products and services will be involved?

The Financial Outreach Window focuses on improving access to finance to either new SMEs in Malawi or those that have exhibited solid financial performance prior to the pandemic but are facing both financial distress and severe cashflow constraints through increasing new products, delivery channels, and business models by banks, NBFIs and MFIs to support SME financing. Please check our website [www.micf.mw](http://www.micf.mw) for specific challenges.

### I have an idea for a Project that would have a positive impact on SMEs and the livelihoods of the poor in Malawi, but it is outside of the area defined by the Challenge. What should I do?

At this stage, the MICF only wishes to consider project proposals that fit within the parameters set by the specific challenge. However, please submit your details to either of the MICF offices in Lilongwe or Blantyre, so that we can keep you up-to-date on future challenges.

### What if the project is quite risky?

We are interested in potentially risky projects that can demonstrate the potential for commercial sustainability in the long run, and the ability to have significant impact on SMEs. We are not interested in supporting a low level of business risk which might easily be financed through your own resources.

### Must the proposed project be located in a particular location with a high proportion of SMEs?

No, we will consider projects located in any part of Malawi. We will favour project proposals that are expected to have the greatest positive impact on the SME growth and employment generation.

### What is the time frame for eligible projects?

All projects approved as part of this round should require no more than 30 months to reach completion.

### I have failed in previous applications to other challenge funds. Can I submit my proposal to the Financial Outreach Window of MICF?

Yes. If you believe your idea meets the challenge fund criteria, we would be happy to receive your proposal.

### Does the fund provide up-front payments to projects?

No. Payments will be made according to an agreed-upon schedule with the Project's implementers. Payments will be released when the project meets each pre-agreed milestone. Payments will in most cases be reimbursements for funds spent by the grantees, according to the contract.

### What is the usual size of the grant?

The grant size will vary between a minimum of US\$ 200,000 and a maximum of US\$ 500,000 per project. Applicants must keep in mind that at least 30% of the Project's costs must be provided by them, as the Fund will provide up to 70% of the Project's total costs. Contributions can be made through a combination of in-kind and cash contributions and will be considered on a case by case basis depending on the circumstances of the individual project proposed.

### In what currency the money will be released?

The grant will be denominated in US Dollars only.

### Precisely what kinds of activities can, and cannot, be funded through the Innovative Finance Window of the MICF?

Specific activities and items that will be funded by MICF will be determined during contract negotiations. However, grants cannot be used for the following purpose:

- As a subsidy on interest rates to SMEs.
- To act as a guarantee / collateral substitute to underwrite risk of the product to SMEs.

### Will the MICF team expect to be involved directly in the management of the projects it supports?

No. The Fund will not be involved in direct management of any project.

### How will the implementation of funded projects be monitored?

Grant recipients will be expected to comply with various reporting requirements, to be mutually agreed during contract negotiations.

### Will the MICF provide any technical assistance to support implementation?

Yes, the Fund will provide advice and consultation as required. If the company needs specific technical support to implement a certain more innovative aspect of their project, and can identify where this support could be provided, this will be considered as part of the overall project proposal. However, success grantees to the MICF need to demonstrate their capacity to implement their project.

### What are the practical and administrative requirements for grant recipients?

Recipients of grant funding by the MICF will be expected to comply with the following requirements:

- Achievement of milestones to trigger payments.
- Submission of quarterly progress reports.
- Submission of financial statements of expenditures.

### Does the MICF provide any direct assistance in developing the Proposal?

No. However, applicants are encouraged to seek guidance and discuss their proposals during development with the MICF team.

### What is the grant process?

- **Step 1:** Challenge is set by MICF
- **Step 2:** Interested parties have one month (4 weeks) to notify in writing their interest in submitting a bid – failure to do so will indicate that despite interaction with the MICF team, that the applicant does not wish to proceed with their application(s).
- **Step 3:** The applicant will have a further 1.5 months (6 weeks) to submit more detailed proposals to the MICF. During this period the MICF management team will undertake a due diligence of the lead institution.
- **Step 4:** A carefully selected Independent Investment Panel reviews proposals and selects grantees.
- **Step 5:** Fund Managers enter into contract negotiations with successful applicants.
- **Step 6:** Contracts are signed.

### Is there a Right of Appeal for unsuccessful submissions?

No. The Investment Panel's decision is final. There is no right of appeal.

### Can I submit more than one application?

Yes, applicants may submit more than one proposal if they have multiple projects they wish to propose.

### If I am not successful, can I apply again at a later date, with a revised or new project proposal?

Yes, if a project is ultimately not funded, the applicant company may submit a proposal for another (or revised) project in the next round of Challenges - depending on whether the financiers of the MICF have adequate funds or time to launch another round.

### What if the milestones are too difficult to achieve?

The milestones set by the MICF and the grant recipients will be mutually agreed upon, and will be set out in a formal contract, before the first grant disbursement is made. If you believe the milestones set are too demanding, and a mutually satisfactory agreement cannot be reached, then you are free to halt the application process at any time.

### I am worried that my project idea is a good one and could be 'stolen'. Will my proposal be treated confidentially?

Yes. All applications will be treated in the strictest confidence during the application process. All the people involved in running the Fund, including the Investment Panel members, have signed a binding Code of Conduct that prohibits them from divulging details of the applications to others, and also prohibits them from using the information for personal gain.

### What languages should I use?

English.

### Will the contract between the MICF and my company / organization be kept confidential?

Yes. The terms of the contract will be kept confidential.

### How do I know that my proposal was received by the MICF?

We will acknowledge the receipt of your proposal.

### How can I submit my proposal?

You can submit proposals through email (as attachments), or by courier / post.

### How will I know which proposals have been accepted?

The MICF will send a letter to each applicant, advising them of the decision.

### How will I know when a new round of the competition is on?

Please check the MICF website at: [www.micf.mw](http://www.micf.mw)

### What happens if the Project is unable to meet one or more of the agreed milestones?

If a project fails to meet an agreed milestone, according to the contract agreed, then any subsequent grant releases by the Fund will be halted until a mutually satisfactory solution is found. If a solution cannot be found, the Fund may regrettably have to halt its grant funding of the project at that stage.