Climate Finance for Development Accelerator (CFDA)
Adaptation Finance Window – Addendum 002
Answers to Questions

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1. Are there pathways for participation for non-traditional investors that can broaden the applicant pool beyond those already overseeing sizable funds? Ones who have private capital ready to deploy with public support? How is this program addressing barriers to accessibility (e.g.. entrance of new players, diverse capital deployment)?

Addendum 002 aims to help launch a new fund or vehicle focused on adaptation in emerging and frontier markets, preferably with a significant focus on Africa. In addition, Addendum 002 welcomes early-stage concepts for new funds that have yet to make significant fundraising traction. Given the challenges of mobilizing private capital for adaptation, especially into emerging and frontier markets, this solicitation is targeting experienced fund or investment managers that have already successfully launched investment vehicles. If there is a fund or investment manager that is in the fundraising process but has not yet launched that vehicle, then CFDA support may help accelerate the fundraising and launch the fund that aligns with the project's objectives.

2. Could you provide more details on the application process and timelines of the release of the Window's Addendum 002 investment fund?

Please refer to the official solicitation documents, accompanying Frequently Asked Questions (FAQ) document, and bidder's conference recording for more information regarding the application process.

3. Does the experience requirement for having managed previous funds apply to the organization that is considering applying or is it sufficient if the personnel are experienced in fund management?

First-time fund managers with principals and key staff that have experience raising and deploying emerging markets funds may be assessed on a case-by-case basis if they have sufficient support infrastructure from a parent or partner entity. The objective is to ensure that selected concepts have the experience and supporting infrastructure to quickly structure, raise, deploy, and manage a fund.

4. Should we already have the $50M committed, or can they be a proposal under approval?

No, $50M does not need to be committed at the time of application. However, it is the minimum size of the proposed fund. We welcome earlier stage concepts where fundraising had not begun yet, but such concepts will be evaluated on their plans for fundraising and the likelihood of achieving fundraising goals.

5. How many years can the proposed fund operate for? Does the $50M need to be raised in the same period?

While there are no hard timeline deadlines, we are prioritizing more experienced fund managers and want to identify partners who can take a concept, fundraise, and rapidly launch and deploy capital in a new fund. The period of performance of the USAID grant award will be for ~2 years with a start date on/around Q2 or Q3 2024. Funds are expected to reach first close before the end of the grant award and, therefore, all $50M does not need to be mobilized in the grant's period of performance. CFDA has a strong preference for mobilization beyond the minimum size of $50M. Reporting requirements will extend beyond the grant's period of performance.

6. Can you provide guidelines on your execution timeline expectations? When do you expect the proposed investment vehicle to raise and deploy capital?

Please see answer to Question 5.

7. Can you clarify the definition of "substantial" when referring to the Africa nexus in your geographic preference?

Proposed funds must target at least two continents (i.e., at least two countries in two different continents). There are no requirements in terms of how much of the fund's capital needs to be deployed in each of these two continents (e.g., 90% of a fund could be invested in Africa with 10% invested in Asia). However, there is a strong preference for funds that aim a majority of investments towards Africa (i.e., >50% deployment in Africa).

8. If we were to be invited to the oral presentation, up to how many members of the team can join the presentation? Will the oral presentations be in-person or remote?

All oral presentations will be conducted virtually. At a minimum, key individuals who will be playing a critical role in launching and managing the fund may be requested to participate in the presentations. More guidance will be provided to organizations selected to advance to oral presentations.

9. In the context of CFDA funding, is there an obligation to reimburse the funds allocated if the predetermined performance indicators, established during the co-creation phase, are not achieved, are not achieved within the agreed-upon timeline or if the fund fails to launch before a specific deadline? Additionally, could you clarify how the allocated funds will be distributed—is it based on achieving specific milestones or through an alternative method? Could you please elaborate on the type of cooperation agreement that would exist between USAID and the fund manager?

Successful applicant(s) will sign a grant agreement with CFDA or USAID, which will be based on pre-negotiated milestones. Under this agreement, grant payments will only be disbursed as milestones are reached (e.g., reaching first close, fundraising, performance indicators, etc.). Funding will not be disbursed if milestones are not achieved. There will be no obligation to reimburse grant funding after milestones are achieved.

10. Is it possible that CFDA would issue grants to support the integration or relaunch of a new strategy into an existing fund, the establishment of a new sub-fund within an existing initiative, or the redirection of focus within an existing fund toward adaptation efforts?

Such strategies will be evaluated on a case-by-case basis, assuming that CFDA support can directly help shift the fund's investment strategy towards more risk-taking to achieve greater impact. However, please note that a key objective of Addendum 002 is to work with newly launched funds with a minimum size of $50M, with preference for those that are larger with strong likelihood of achieving scale. In addition, Addendum 002 will favor structures that are simple and transparent, per Evaluation Criterion 6.

11. Is there a possibility that the grant allows for the reimbursement of costs incurred retroactively, or are reimbursements only applicable to expenses incurred after the grant has been officially awarded?

No, CFDA's grant award cannot be used to retroactively cover costs that have already been incurred.

12. Can you give more information on what will happen in the co-creation phase? What is expected from the fund managers beyond due diligence and the setting of the performance indicators? What is the level of engagement from the CFDA team and what would be the level of engagement expected from the applicant's team?

Beyond due diligence and performance indicator requirements, the co-creation phase will focus primarily on (1) developing a milestone table and negotiating other elements of a potential USAID grant agreement and (2) structuring negotiations with the finalists to determine whether an IMCA guarantee can be deployed. Substantial engagement with the finalist applicant's team is envisioned, although CFDA will serve to help streamline required processes across multiple stakeholders. More details on co-creation will be provided to finalist applicants who successfully advance from the oral presentations stage.

13. Is it correct to say that once an initiative enters phase 3, the co-creation and due diligence phase, the grant is secured? We read that this phase is prior to issuing an award, so it would be possible to go through the co-creation phase without getting a grant; is that assumption correct?

No, it is not correct to say that an application that reaches phase 3 has secured a grant award. All grant awards will be subject to pre-award due diligence and co-creation as outlined in the solicitation's timeline. Grants will only be awarded and disbursed after satisfactory completion of the required pre-award processes.

14. Can you please clarify if the IMCA credit risk guarantees can be applied to a fund-level liability with an investee of the fund (i.e., the guarantee covers the principal of a debt-like instrument issued by the financial institution on behalf of the fund)?

IMCA's guarantees can be applied on the liability side of funds. However, to make a determination, the application must provide as much detail as possible on the anticipated structure.

15. Could IMCA consider expanding the risk sharing coverage to include principal losses arising from currency fluctuations (i.e., the guarantee covers up to a fixed percentage of currency devaluation on a dollar-denominated investment done by the fund, either on a first-loss or a pari-passu basis)?

No, this is not permitted under IMCA's guarantees.

16. If a consortium, consisting of a climate advisor and an investment fund, jointly submits the concept note, is it acceptable for the climate advisor to be presented as the primary or leading organization for the grant implementation?

Yes, this arrangement is permitted as long as the fund manager will be launching and managing the fund, in line with the solicitation's requirements. The manager of the investment fund will be expected to participate in the oral presentation and engage heavily in the co-creation and due diligence phase, if selected to reach either of those phases.

17. Does the minimum size of $50M apply to a target that has not been raised yet, or to a target that is already committed or closed?

Please see answer to Question 4.

18. Can the $50M target size be applied to one Fund Manager with two funds, so long as the 75% portfolio allocation to climate adaptation stays true?

No. We are looking to help launch at least one fund or investment vehicle that is valued at $50M or higher. We would not consider a fund manager with two separate funds for under $50M.

19. We would like to clarify the term "mobilized" from the FAQ document, "*For investment fund concepts, third party, non-U.S. government capital mobilized as part of first close may count towards the leverage requirement*." Does "mobilized" in this sentence mean money confirmed into the fund, or money already disbursed to portfolio companies, within the grant period?

Mobilization refers to pure private capital that is directed into the proposed fund (i.e., excludes ODA, DFI and MDB capital). This capital does not need to be deployed into portfolio companies and investees to meet the leverage requirement. As explained in Question 5, successful applicants are expected to reach first close before the end of the grant's period of performance. More generally, financial mobilization may be achieved during or beyond the period of a grant award.

20. As 75% of the fund target portfolio should be towards funding climate adaptation projects, please clarify the definition of climate adaptation in this context.

Areas of adaptation may include, but not be limited to, increasing the climate resilience of vulnerable people and communities; health; food and water security; infrastructure and the built environment, and; nature-based solutions. Please refer to the solicitation documents for more information on the definition of adaptation.

21. I would like to know if the statement, "*CFDA anticipates issuing up to 1-3 grant award(s) of up to $5M USD*" means that the total amount of grants issued will be $5M and will be divided among all participants or if each participant has the chance to receive 1-3 grants of $5M?

We anticipate making one to three awards that add up to $5,000,000 in total. It is unlikely that one recipient will receive the entire $5M grant pool.

22. Can the grant funding be used for technical assistance (TA) for funded projects (at local partner or smallholder farmer level) or is it meant for the start-up costs of the fund itself?

CFDA's grant awards can be used to cover start-up costs for the proposed fund under the Addendum 002, which may include TA for pipeline companies. Grant awards cannot be used to support existing projects unrelated to this solicitation.

23. Addendum 002 states: *Under this Addendum, CFDA anticipates issuing 1-3 awards that amount to $5M USD total, contingent on internal USAID funding approvals. The final number and amount of each award will be dependent upon grant activities and negotiations and may be lower or higher than that range.* ***US organizations are restricted to grant awards up to $500,000.*** As a fund that is domiciled in the US but with headquarters and project offices abroad, would we qualify as a US organization and be restricted by the $500K maximum?

Organizations located in the United States are restricted to grant awards of up to $500,000, per USG regulations. If the organization applying for and ultimately managing the funding is not located in the United States, then the funding cap does not apply.

24. Can the fund support project feasibility, comprehensive planning and green bonds for government-led infrastructure projects?

Government corporations or government-linked entities are not eligible to receive USAID grant funding under CFDA.

25. Is the guarantee from IMCA compulsory? If a fund already has such a guarantee in place, could we ask only for a USAID grant?

Yes, IMCA guarantees must be integrated into the proposed fund structure.

26. Do permanent vehicles like NBFIs qualify?

Permanent vehicles may be eligible under this opportunity but will be evaluated on a case-by-case basis.

27. Can a Fund of Funds approach be considered? (i.e., 1 fund for continent A, 1 fund for continent B, and a FoF that would invest in both)

While a Fund of Funds approach will not be considered strictly ineligible, Addendum 002 will favor structures that are simple and transparent, per Evaluation Criterion 6. Such approaches will be evaluated on a case-by-case basis.

28. Does your definition of "experienced" fund managers also include buy side investments advisers who invested from balance sheets instead of closed-end funds? Are you willing to review such experienced first-time fund managers?

While they are not ineligible for this opportunity, there is a strong preference for fund managers that possess experience in leading investments and raising capital. See also answer to Question 3.

29. Is there any chance of extending the concept note deadline considering the timing over the holidays?

Currently no extensions are anticipated, but should there be any changes, we will let all CFIN members know.

30. Can the grant be used for catalytic capital (e.g., repayable grant) into the Fund? Or as first-loss guarantee?

CFDA's grants may not be used as catalytic capital or as a first-loss guarantee.

31. The solicitation document states that fund managers must have had exits. Please elaborate.

We want to see managers who have led the entire life cycle of an investment process. It could be individual assets or investments that have been exited, and it does not have to be the entire fund.

32. To meet the multi-continent fund requirement, can two independent fund managers come together to apply for this grant? Can applicants apply as a consortium or partnership of one or more investment fund managers?

Yes, this is permitted if two or more fund managers are coming together in a single fund.

33. Is there any preference for women-led investment managers?

No preference will be given to women-led investment managers. However, funds will be evaluated on demonstrating an approach that is gender-responsive, per Evaluation Criterion 4.

34. How does USAID define mobilization ratio? Can we consider both direct and indirect mobilization potential for the structure (e.g., including both fund/portfolio-level mobilization and project-level mobilization)?

Please see answer to Question 19 for the definition of mobilization in USAID context. Capital recycling within the fund structure can be counted towards mobilization ratios per OECD's mobilization methodology. It is difficult to assess the realism of project-level co-financing outside the fund structure. In addition, it is difficult to claim attribution of project-level co-financing. For these reasons, co-financing should not be included in any calculations of private capital mobilization.