



## The SME Finance Innovation Challenge Fund (SME Finance ICF)

### Frequently Asked Questions

#### **ELIGIBILITY REQUIREMENTS OF APPLICANTS**

##### **Who can apply to the SME Finance ICF?**

All applications must be submitted by a registered financial institution. However, implementation of the proposed project could be supported by other partners.

##### **Can a foreign firm, or foreign joint venture, or multinational company with representation within Tanzania apply to the fund?**

Yes, as long as the project is to be implemented in Tanzania.

##### **Can an individual person apply?**

No. All applications must come from a registered entity.

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

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

##### **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 50% of project costs. SME Finance ICF awards will cover no more than 50% of projects' costs.

##### **What counts as my organisation's contribution?**

Mainly, new money. Your share of the total funding may come as debt (borrowing) or equity (cash injection), by yourself or by another partner(s). Certain contributions 'in-kind' such as the time of senior executives may also count. In principle, SME Finance ICF will not recognize the contribution of **existing** fixed assets such as land and buildings or of sunk costs, however important these may be to the success of the project.

**Is there a minimum or maximum amount I can ask SME Finance ICF to contribute?** The maximum grant available is US\$ 500,000. The minimum is US\$ 100,000.

**Where does my organisation have to be based and/or registered for me to apply?**

It does not matter where your organisation is based but it must be registered with the appropriate authority in Tanzania. Above all, what matters is that the clients of the project will be SMEs.

**Can I apply if I have a startup business or it is less than two years old?**

In normal circumstances your organization must be able to produce two years of audited accounts. We will ask to see these at the second, business plan, stage of the competition. However, SME Finance ICF is ready to make exceptions where there is clear evidence that the new company has the capacity, experience and resources to implement the project.

**Can I apply for more than one grant?**

Each application can only be for one project. However, you may submit separate application forms for as many different business ideas/projects as you wish.

**What other eligibility criteria must applicants have?**

All applicants reaching the full proposal stage must prove their legal status, including office address, telephone number, fax number, company registration number and TIN.

**I am still not sure if I am eligible to apply**

Then please contact us, by email only to [info@fsdt.or.tz](mailto:info@fsdt.or.tz), for written clarification and guidance.

## **WHAT WILL BE EXPECTED OF AWARD RECIPIENTS?**

**Recipients of awards by the SME Finance ICF will be contracted to comply with the following requirements:**

- Achievement of agreed milestones to trigger disbursements
- Submission of quarterly progress reports
- Submission of statement of expenditures

FSDT seeks to avoid imposing onerous reporting requirements and, wherever possible, grantees' normal internal and/or regulatory reporting formats will be acceptable.

## HOW DO I APPLY?

The completed Application Form is the first part of the application process, also known as the Concept Note. Applicants interested to participate in the competition must initially complete this form. All submissions will be reviewed, and the most promising ideas will go through to the next stage (full proposal). The Concept Note allows applicants to briefly present how ideas respond to the SME finance challenge in Tanzania.

### **Does the SME Finance ICF provide any assistance in developing the Concept Note and Proposal?**

SME Finance ICF will not provide any assistance to applicants in filling in the initial application form. However, those applicants that are subsequently invited to submit more detailed proposals will be provided with some guidance.

### **What is the award process?**

- Step 1: SME Finance ICF announcement
- Step 2: Interested parties have six weeks to submit their concept notes
- Step 3: SME Finance ICF Independent Review Panel reviews all Concept Notes and shortlists the most promising applications
- Step 4: Shortlisted applicants are invited to submit more detailed proposals, in draft, within three weeks
- Step 5: FSDT representative + panel member visits applicant for due diligence and to advise on improving the draft. Applicant finalises and submits within a further 4 weeks.
- Step 6: SME Finance ICF Independent Review Panel reviews and recommends best proposals for FSDT Investment Committee approval.
- Step 7: FSDT enters into contract negotiations with successful applicants. Contracts are signed, project implementation begins.

### **Can I appeal an unsuccessful submission?**

No. The review panel's decision is final, at concept stage and the Investment Committee's decision is final at the full proposal stage. SME Finance ICF will give feed-back, at both stages, indicating the main reasons why applications failed to make the cut. Remember, it is a competition and not everyone can be a winner.

### **Can I submit more than one application?**

Yes. Applicants may submit more than one concept note if they have multiple, distinctly different projects they wish to propose. Only one application will be considered for any given project.

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

Yes. If a project does not reach proposal stage, or is ultimately not funded, the applicant may submit a concept note for another (or revised) project in the next round of the ICF, providing there is one.

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

The milestones set by SME Finance ICF 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 draw down 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 SME Finance ICF, including the 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 language should I use?**

All applications and correspondence will be in English.

**Will the contract between SME Finance ICF and my organisation be kept confidential?**

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

**How do I know that my proposal was received by the SME Finance ICF?**

We will acknowledge receipt of your Application Form and second stage full proposals.

**How can I submit my Concept Notes and Proposal?**

You can submit Concept Notes and Proposals through email as attachments. .pdf format is preferred but .doc is acceptable.

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

Please keep an eye on the FSDT website at [www.fsd.or.tz](http://www.fsd.or.tz) and look out for published announcements in the (English) newspaper publications in Tanzania.

**TELL ME MORE ABOUT THE IMPLEMENTATION PROCESS FOR SUCCESSFUL APPLICANTS****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 agreement, then any subsequent disbursements by the SME Finance ICF will be halted until a mutually satisfactory solution is found. If a solution cannot be found, the SME Finance ICF may regrettably have to halt its grant funding of the project at that stage.

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

No, you will not, provided grant funding has been used as agreed in the contract and in good faith.

**HOW IS THE SME Finance ICF DIFFERENT FROM OTHER FUNDS AND FINANCE PROVIDERS IN TANZANIA?**

The SME Finance ICF provides awards for **defined projects** rather than whole organisations. SME Finance ICF is not a source of equity or venture capital, nor do we seek to obtain any financial return. The SME Finance ICF will not buy shares in any company or project, nor will it wish to share in the profits of successful projects. Our goal is to catalyse innovation.

The FSDT is not a bank and the SME Finance ICF does not provide loans or other kinds of debt financing. The funding provided is grant money, and there is no interest or other charges attached to the money provided under the SME Finance ICF.

**Who are the partners of SME Finance ICF?**

The SME Finance ICF funding comes from FSDT which is supported by the UK's Department for International Development (DFID), the Danish International Development Agency (DANIDA), Swedish International Development Cooperation Agency (SIDA), Canadian International Development Agency (CIDA), the Royal Netherlands Embassy (RNE) and the Government of Tanzania through World Bank funding.

**ELIGIBILITY REQUIREMENTS OF PROPOSED PROJECTS**

**What type of project is the SME Finance ICF looking for?**

We are looking for projects that: 1) are innovative; 2) demonstrate the potential for commercial viability; 3) have potential for growth and replication; 4) are realistic and feasible; and 5) most importantly, should have a significant impact in terms of access to finance for SMEs in Tanzania. If you think your project idea meets these requirements, we want to hear from you.

**I have an idea for a project that would have a positive impact on general access to finance for the poor in Tanzania, but it is outside of the area defined by the Challenge. What should I do?**

At this stage, the SME Finance ICF only wishes to consider project proposals that fit within the area set by each specific announcement.

**What if the project is quite risky?**

Challenge funds are designed to share risks. We are interested in risky projects (though not recklessly so!) that can demonstrate the potential for commercial viability in the long run and the ability to have significant impact in access to finance for SMEs in Tanzania. We are not interested in supporting a low level of business risk of the kind associated with long-established practice. The SME Finance ICF looks for innovation and this almost always carries risk.

**What is the time frame for implementing projects?**

All projects approved as part of the first round of the challenge should be substantially completed within 24 months, though we do realise that they may, and should, continue to grow after that time frame.

**WHAT DOES THE SME Finance ICF ACTUALLY PROVIDE TO AWARD RECIPIENTS?**

**Does the fund provide full upfront disbursements to projects?**

Disbursements will be made according to an agreed schedule with the project's implementer(s), according to the project's cash-flow needs. These disbursements will be released when the project meets each pre-agreed milestone.

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

We expect the grant size will typically average US\$200K – US\$250K but the eventual outcome may be quite different, depending on the quality of the response. That is the nature of a challenge fund – the market will do more to determine this than our preconceptions.

**In what currency will the award money be released?**

The award will be denominated in US dollars. For grantees wishing to draw down in Tanzania Shillings, disbursement will be made at the BoT mean exchange rate prevailing.

**Precisely what kinds of activities can, and cannot, be funded by SME Finance ICF?**

Specific activities and items to be funded by SME Finance ICF will be determined during the process of finalising the full proposal. Grants under the SME Finance ICF facility cannot be used for on-lending.

**Will the SME Finance ICF expect to be involved directly in the management of the projects it supports?**

No. The FSDT and its representatives will not be involved in direct management of any project, except in monitoring – see the next FAQ.

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

Award recipients will be expected to comply with various reporting requirements, to be mutually agreed during contract negotiations. Key indicators to be tracked will be agreed during the process of finalising

the full proposal and the FSDT will seek assurances that the applicants' management information systems are capable of delivering this information.

**Will the SME Finance ICF provide any technical assistance in implementation?**

No. SME Finance ICF does not provide technical assistance to grant recipients.

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

All applicants will be notified as to the review panel's decision within days of the relevant meeting. Unsuccessful applicants will receive a brief analysis of their application's weaknesses. A brief summary of each successful award will be posted on the FSDT website, once contracts are exchanged and subject to mutual agreement on the level of detail contained, in respect of commercial confidentiality.

**How long does the approval process take?**

Funding approval for successful applications will be granted within a maximum of 16 weeks from the closing date for applications.

**The SME Finance Challenge Fund can be contacted at:**

Email: [info@fsdt.or.tz](mailto:info@fsdt.or.tz)

Website: [www.fsdt.or.tz](http://www.fsdt.or.tz)

*All applicants must read and sign off on the SME Finance ICF General Terms and Conditions. By entering the Competition, entrants agree to be bound by these General Terms and Conditions and any Specific Rules that may apply.*