

CHALLENGE
FUND
F↕R
YOUTH
EMPLOYMENT

Challenge Fund for Youth Employment

**2nd Thematic Call: Scalable Employment
Models – Responses to Clarifying
Questions**

8 March 2022 | Version 4.0

Questions related to Thematic Call: Scalable Employment Models

1. Does local presence mean official registration in the focus country?

Yes that is correct. At least one of the members of the consortium must be registered in countries where the programme will operate. Please note that this does not hold for SGBs that the consortium might be working with.

2. Can you clarify the contribution from other sources that needs to be provided to achieve the required leverage?

CFYE's contribution should be matched at the start of the co-investment with an amount at least half of the contribution requested from CFYE. A strategy also needs to be in place showing how additional capital will be leveraged that will result in a non-CFYE contribution being double the amount requested.

	CFYE's contribution	Minimum non-CFYE capital at start progr.	Minimum non-CFYE capital at end progr.
Min	500,000	250,000	1,000,000
Ex 2	2,000,000	1,000,000	4,000,000
Ex 3	3,000,000	1,500,000	6,000,000
Ex 4	5,000,000	2,500,000	10,000,000

3. Do contributions from or co-investments by SGBs also count as leverage?

Yes these contributions can also be counted as leverage. This leverage is considered indirect leverage and needs to be separately reflected. It will be important that the applicants are able to report on the actual amounts invested and this will have to be verified during the implementation of the programme if selected. Please note that in-kind contributions from SGBs will not be allowed.

4. Does the business model of the intermediary have to be financially sustainable or just the business models of end-point SGBs that we work with? If latter, how to present Business Model & Projections?

It is the business model of the intermediary that needs to be presented. Question 11 in section 4.4. addresses this matter. There is an option to highlight if there are specific areas you envisage to need follow-on subsidies. The specific areas that need subsidies should also be highlighted with an explanation as to why you think subsidies are the right approach to use.

5. Why is the co-financing requirement to intermediaries similar to the co-financing requirement you put to the private sector-led applications in CFYE's country calls for solutions?

There are differences between the thematic and the country calls. Firstly, under the thematic call, a lower contribution is possible. Over the total life of the programme, the co-financing requirements is the same as we are keen to support initiatives that have the capability to exist beyond the life of CFYE and are scalable. Scalability is influenced by the capacity to generate additional capital and / or sources of income.

6. Can budget be used from existing projects that are (also) funded by the Dutch government?

When it is non-returnable capital, contributions from the Dutch government cannot be counted. Returnable capital will be allowed. Grants from other sources than the Dutch government is allowed even from other governments.

7. ***Are you looking for consortia, or for intermediary organisations that cover both functions (business support and finance)?***
It is possible to submit as a consortium or as a single organisation. We are indeed looking for applicants (whether a consortium or a single organisation) that provide business support as well as finance. Generally, consortiums are encouraged.
8. ***How much do you anticipate awarding under this call? And to how many partners?***
The exact amount available will depend on the quality of the proposals received. We are currently anticipating working with one to four applicants.
9. ***What is the maximum amount one can apply for?***
We recommend applicants to limit the CFYE contribution to EUR 5,000,000 maximum.
10. ***Where can we download the business case templates like the budget, cover letter etc.***
These can be found in the guidance pack to the business case that are available on the website on the thematic call-specific webpage.
11. ***Is there a preference to link payments of SGBs to job outcomes?***
Though this is not a requirement, it is preferred and encouraged that intermediaries incentivise the achievements of job outcomes delivered by the SGBs. CFYE does not get involved in the financial arrangements between the intermediary (applicant) and the SGBs.
12. ***On what basis will the applicants (Intermediaries) be paid?***
CFYE will disburse the grant amount to the applicant (intermediary) based on the pre-defined set of milestones that are agreed upon during contracting phase. All grants will be disbursed based on milestone completion and approval throughout the life of the programme.
13. ***Does co-funding have to be secured by July? E.g. could we be in final due diligence with the other funders.***
There needs to be a very strong likelihood that the minimum co-funding at the start of the programme is secured. If not all investors have committed and some due diligence is still going on to reach the expected co-invested amount at the end of the CFYE programme, that is acceptable. However, it will be encouraged to support the expected leverage with a letter of intent or other evidence that clearly shows the likelihood of leverage targets being met.
14. ***Can any of the CFYE's contribution be deployed as equity investment?***
CFYE's contribution can be used as first loss capital. This can be in different forms, including as an equity investments. We welcome your proposal. Exact details will be discussed with the selected applicants during the due diligence process.
15. ***Are equity investments in SGBs allowed?***
Yes that is allowed.
16. ***How do you classify a smallholder farmer, in terms of self-employed or dependent self-employed?***
Farmers count as self-employed unless there is an out-grower scheme which ties the farmers to a specific company and sell their produce against a set price.
17. ***Commercial viability of the proposed business model – Does this mean that a grant funded model would not qualify? i.e. a non-profit investor that recycles our returns rather than classic fund structure?***
Money going to the SGBs will have to be returnable capital. At the intermediary level, it is also possible to work with non-profit investors. The model offered by the intermediary should be able to mobilize impact capital in any form. This capital does not have to come from commercial or institutional investors.

18. **Whilst Uganda and Lebanon are mentioned in the terms of reference, they are not listed in question 5 of section 3 of the business case template. Can you confirm if they are eligible?**

Yes, Lebanon and Uganda are eligible and will be uploaded in the new business case template. They will also be included in the platform that needs to be used to submit the business case.

19. **The table of 'leverage and CFYE contribution' indicates that for a CFYE contribution of 500,000 EUR, the program should leverage 1,000,000 of non-CFYE capital at the end of the program – doubling the initial capital.**

- **Could this amount also consist of primarily non-Dutch grant funding?**

Yes this is possible

- **Is there a given percentage that should be generated by private sector financing?**

There is no minimum percentage for private sector financing

- **And when part of this capital is loans, to what extent are these loans expected to be repaid within the project period?**

Loans that will be provided to the intermediary do not have to be paid back before the end of the programme period. When the contract is awarded, agreements will be made on how to deal with this money.

- **Especially in complex markets, could you give an indication of the risk percentage that might be accepted?**

It will be difficult to give an acceptable risk percentage on the money that will not be returned. This will depend on the specific country and sector.

Whilst we are first and foremost concerned about achieving the job targets and sustaining these jobs. A too high-risk percentage could put the sustainability of the jobs at risk.

- **Could the generated capital also take the form of a revolving fund? And would 'revolved' – second cycle - funding then be added to the capital? In that case the term of 3 years seems pretty short.**

Yes this is possible to use the money for a revolving fund. Revolved capital can be counted as leverage. 3 years might indeed be short, depending on the type of finance that is provided. Applicants are open to tailor the financial services to the needs of the SGBs they work with.

- **Could you confirm that the total of non-CFYE capital at the end of the program is including the initial investment of non-CFYE capital (at the start of the program)**

Confirmed.

20. **From the presentation last Thursday, we have understood that this call is looking for intermediary organisations that focus particularly on financing and business support of SGBs, and less on training and skilling of individuals to become wage- or self-employed which is covered in other calls. Is this understanding correct?**

Yes that is correct

21. **What are the current gaps in the CFYE funded countries/regions with regard to business support of established SGBs?**

CFYE currently has a limited number of organisations in its portfolio that provide finance and business support. Given its strong focus on job creation CFYE is not working with starting businesses. However we acknowledge that there are SGBs that struggle to meet the CFYE country call criteria and could be better served by intermediaries.

22. **The call will welcome new regions, more disadvantaged groups and more rural areas. And each proposal is still to result in at least 2,000 jobs. Question: if we indeed want to submit a proposal for underserved target groups in less targeted regions, will this proposal then still be expected to realize its 'financial' goals (duplicating the CFYE contribution, delivering 2000 jobs at 500E/job) within 3 years. This seems quite ambitious (facing the combined challenges of attracting finance in these areas, and fulfilling the skilling need of more vulnerable target groups)**

This call for proposals is a competitive process based on different criteria. The 2,000 jobs is an eligibility criteria as is the additional capital that needs to be leveraged. The specific country, region

and target group will be taken into consideration when assessing and comparing different proposals received.

- 23. With a focus on financial services for SGBs as well as on leveraging the CFYE contribution, we are wondering whether this would not result in harmful practices for these SGBs receiving loans, as the risk might be that they have to pay back in a short period of time and against high interest rates. Question: Did you discuss this, and how will you mitigate these risks as fund manager.**

Providing loans comes with a responsibility and the capacity to repay needs to be carefully assessed to prevent SGBs becoming overly indebted putting the continuation of the business and jobs at risk. The proposal should elaborate on the needs of the SGBs that are targeted, how jobs will be sustained by the SGBs which includes an elaboration on how the conditions of the proposed financial services can be met by the SGBs.

- 24. With regard to the number of jobs created, we have understood from the call that the SGB business case itself falls out of the scope of the project in the sense that their business outputs will not count towards the KPI of 'capital generated'.**

This is not correct. As per question 3, capital generated by the SGBs can be counted as leverage as long as this relates to payments made by the SGB to the intermediary or co-investments from these SGBs and these amounts can be externally verified.

- 25. In our understanding, jobs will be created indirectly- because this is not in the project's direct sphere of influence. The project focus would be on strengthening SGBs with financial schemes and business support; the SGBs themselves decide on the additional job positions to create. Doesn't this mean that the number of jobs is only an indirect indicator?**

The level of control an intermediary has on the SGBs is indeed less compared to that of a direct employer. In the business case form, you are requested to clarify how you will manage this process and still ensure that the business support and finance will result in decent jobs for youth. For this reason, there is also a preference for the use of financial incentives for SGBs to create or improve jobs for youth in general and women in particular as mentioned under question 11 above.

- 26. Does the Call for Proposals allow for new businesses to be set up, or only for existing SGBs to be scaled up and strengthened?**

Whilst we are not excluding new businesses completely, there is a concern on the high risks associated with the start of a new business and therefore with the feasibility of job targets to be achieved. If a convincing case can be presented how these targets could be achieved, potentially with supporting historical figures, this can be considered under this call.

Added in the second version of questions and responses as per 15 February 2022

- 27. A question around eligibility point number 10. Does this mean that Applicants must have a running project with an investment of 250,000 Euro to qualify for the 500,000 Euro fund? Or does it mean that applicants should source the 250,000 elsewhere?**

Both of the options you mention are possible. Please note that the investments come are available during the envisaged period of the programme of CFYE. More details on the requirements in terms of co-funding can be found in section 6 on the business case & guidance pack that can be found on the website.

- 28. Management of the Own financial Contribution: two of our consortium partners have the needed financial contribution which they secured from two other donor organizations which will be available by July 1st. We would like to inquire about the oversight process of this contribution from CFYE. For example, will these funds need to be transferred to a separate bank account and added to the CFYE funding where they will be managed together? Do they have to adhere to the CFYE audit criteria. Etc**

It will be important for CFYE to know any conditions that are tight to the grant from the other donor organizations as specified on page 31 of the business case & guidance pack. It needs to be clarified how this will be aligned to the objectives and conditions of CFYE.

CFYE does not require that all funds are managed from one bank account. CFYE requires financial statements that provide oversight of the overall programme, including the different contributions of the consortium members which needs to be compared with the budget. On top of this, we also ask for audited accounts of the lead and where relevant from consortium members. At the end of the programme, we will carry out an audit on the programme itself following a specific audit protocol. CFYE will carry the costs of this audit.

- 29. *The call requires us to secure further funding along the way during the program implementation to amount to double the CFYE contribution. We are confident we can meet this target however, and as part of our internal risk assessment, we want to inquire about whether there will be any financial liabilities/repercussions for the lead partner in case the programme falls short on this target for reasons beyond our capacities to anticipate at this stage.***

The feasibility of meeting the planned leverage will be assessed based on the business case submitted. The leverage to be achieved from the different sources will be discussed during the contracting phase. Actual leverage will be monitored during the implementation phase. This could potentially lead to a lower financial contribution from CFYE compared to the amount originally agreed. This is generally done in such a way that it only affects future payments.

- 30. *The guidance packs refers to milestones. What are the implications if milestones are not reached? What are the payments at risk?***

During the contracting and inception phase, milestones will be agreed for outputs and outcomes. Outcomes will be employment and gender targets based on the business case submitted. 20% of the total budget will be outcome based. The actual outcome payment made is proportional to the percentage of target achieved. A minimum of 50% of milestone needs to be achieved in order to qualify for payment. A proportional payment will be made in case 50 to 75% of the annual target is reached and 100% of payment to be due when 75% of the milestone is achieved.

- 31. *Is one organization allowed to submit more than one application to this call? Is there a limit on the number of countries we can include in the proposal?***

Yes, it is possible for an organization to submit more than one application. Please note that this is a competitive process, so would only make sense in case of a different consortium and/or approach. One of the requirements of the call is that it needs to cover at least two countries. It is possible to cover more than 2 countries. There is no limit to the number of countries as long as these are CFYE countries. You might want to consider to make a country specific budget and express flexibility in the number of countries of operation depending on the budget availability.

- 32. *Can indirect jobs be included in the impact targets***

The focus lies on the direct job effects in the businesses that the intermediaries support. Indirect jobs, so jobs created in the wider value chain such as upstream suppliers and/ or downstream service providers can be included as long as there is a plausible causal link between the growth of the supported business and these jobs, and that they can be verified by the CFYE. During inception phase, the way of measuring this will be discussed as well as the way in which this can best be harmonized with the overall CFYE programme.

- 33. *If we operate in 2 countries, can one country be weighted more than the other?***

Yes this is possible. Also in case of more countries, there is no need for an even split.

- 34. *For the match funding, can recycled funds be included in the initial match funding or if it needs to be another investor what kind of proof is sufficient?***

The match funding can include recycled funds, though the level of certainty of funding coming in will be considered less than other types of funding. As proof for other investors coming in, a contract will be ideal. Alternatively a letter of commitment or a letter of intent can be submitted as well.

35. What is the maximum programme period?

There is no fixed programme period. The maximum is three years.

36. Can some of the budget be used for R&D and technology tools

Yes, this is possible, especially if this is in line with the learning agenda of CFYE.

37. We are not locally registered, but work via a hosting arrangement with a local organization. Does this imply we are not eligible to bid without a locally based consortium partner?

In case an organisation is not locally registered, you will have to provide evidence on how you ensure legal compliance in country. This evidence has to be attached as a separate document to section 1 of the business case to ensure eligibility.

38. Can co-financing generated from micro-finance institutions and banks into SGBs be counted as leverage?

Yes that is possible. It will be important that this information can be verified by CFYE.

Added in the third version of questions and responses as per 1st of March 2022

39. There appears to be no request for a Logframe or any outline of 'Results' beyond jobs created/matched/improved. Is that correct? We certainly would be intending to work towards complementary results (such as 'number of ecosystem actors engaging with learning products' or 'amount of investment leveraged for jobtech start-ups') - would this just come in our own format submitted under 'Other Supporting Documents'?

In the business case format we do ask in section for the programme's TOC (in Section 4) and their approach (4.2). Section 5, question 6 asks for a list of proposed output and outcome indicators. These can follow your own format and logic. You can list them there. Feel free to attach a separate document if you feel that the format does not enable you to provide a full and clear oversight.

40. Do the consortium members also need to submit audited accounts as part of the application?

No this is not required as part of the application.

41. What is the overhead percentage that is allowed as part of CFYE?

This is specified in section 6 under section direct and indirect programme expenses: Applicants can include expected costs for the different direct and indirect programme activities based on their best estimate. However, we expect the total indirect expenses (including personnel) to be around 15-17% of the total programme budget and not to exceed 20% of total programme budget. Indirect overhead expenses (excluding personnel) are expected to be somewhere between 5-7% of the total programme budget and not to exceed 7%. CFYE will use these ranges as a rule of thumb rather than an ineligibility criteria, but please note that deviation from these ranges without clear reason can affect the chances for selection.

42. Is there a scoping report available for Tunisia, similar as there is for Egypt and Jordan?

Yes it is. It has now been uploaded to our website and can be found under the Tunisia call.

43. Can we submit an application together with 2 of our country offices. Both country offices work a lot with SGBs and private sector and they have interesting but unrelated ideas for a proposal. Is it under this call possible to have 2 separate ideas under 1 umbrella?

Though it is possible to have two separate proposals under one umbrella, this is likely to be considered a slightly artificial approach and therefore a less attractive solution. One option would also be to go for the current call in Ethiopia (concept note already passed) and the anticipated launch for a call for proposals in Egypt later this year?

44. Does the matching funding at the start of the co-investment be available in cash?

No this is not required. We do however want to see the commitment. How firmer the commitment is, the better. So how firmer the commitment of the matching funding, the higher the assessment of the quality of leverage will be.

45. Can you provide more information on how the milestones would work?

We have now uploaded this document to our website. It can be found under the tools and templates button placed at the bottom of the landing page: <https://fundforyouthemployment.nl/thematic-call-for-solutions-scalable-employment-models/>

46. What is the frequency of the payments?

Payment frequency will be agreed during inception phase. A quarterly payment schedule is the highest frequency that is possible.

47. How will you assess the leverage?

As part of the eligibility check, a proposal needs to show the total leverage (both direct and indirect) that will be achieved at the start of the programme (refer also to the table provided under question 2 as well as in section 6 of the business case guidance pack.

The CFYE aims for a portfolio that has a 1:2 (33%) leverage outcome on average, meaning that every 1 EUR provided by CFYE is matched with 2 EUR from other sources. At the evaluation stage, the score on the leverage of the business cases will be determined based on the likelihood that the anticipated leverage is achieved at the end of the programme.

48. How will the contract document the direct leverage at the end of the programme?

The direct leverage as committed per the end of programme is a contractual agreement. In case there is less direct leverage achieved, the CFYE has the right to proportionally reduce its contribution.

49. How will the contract document the indirect leverage at the end of the programme?

The leverage at the end of the programme is a guidance. It is important to report on this data and ensure it can be verified as also mentioned under question 3. However there will be no financial consequences if only this indirect leverage is not met.

50. What is the reporting requirement for leverage?

We expect direct leverage to be reported in the financial report template comparing actuals versus budget. Additionally we require audited reports of the organisation. We will provide a format to report on the indirect leverage coming from microfinance institutions, banks or other investors that are lending to or investing in the SGBs during contracting / inception phase. As mentioned under question 3, it is important that applicants are able to report on the actual amounts invested and this can be verified.

51. The answer to question 34 is missing. Can you please provide this? Question being: For the match funding, can recycled funds be included in the initial match funding or if it needs to be another investor what kind of proof is sufficient?

The match funding can include recycled funds, though the level of certainty of funding coming in will be considered less than other types of funding. As proof for other investors coming in, a contract will be ideal. Alternatively, a letter of commitment or a letter of intent can be submitted as well. Also, here the likelihood of funding coming in will be assessed lower compared to a contract being in place.

Added in the third version of questions and responses as per 1st of March 2022

52. Are our chances of winning less because we are a first-time applicant?

No, your chances are not lower. We will assess each proposal based on the information provided in the proposal.

53. Do the jobs have to be green jobs?

No, not all jobs have to be green jobs. You can also create jobs that would not qualify as green jobs or you could indicate a combination of the two.

54. *After reviewing the requirements and conditions to apply or to submit a business case, we struggled a bit with the definition of the annual turnover/revenue. It is mentioned that the requested contribution cannot exceed the annual turnover of the lead applicant. And the organization's annual revenue reported can include both grant and sales revenue as well as assets under management / outstanding loan portfolio. Right now, our staff is on the payroll of the parent organization. The question is: could we include the support we receive from/via the parent organization (grant, loans, salaries etc) in the annual turnover? And could we consider the available AUM as part of the turnover as well?*

The requested contribution compared to the annual turnover of the lead applicant as appearing in the terms of reference can be ignored. It is not reflected in the business case that needs to be submitted online neither in the business case guidance pack. The latter two documents are leading.