ANNOUNCEMENT
RFA No. 72052022RFA00006
CALL FOR CDP CONCEPT PAPERS TO SUPPORT FINANCIAL INCLUSION IN GUATEMALA

ADDENDUM TO
COOPERATIVE DEVELOPMENT PROGRAM (CDP)
ANNUAL PROGRAM STATEMENT
APS No.: 7200AA18APS00002

PLEASE NOTE: This is an addendum to an existing announcement. All interested organizations should carefully review both this addendum and the full announcement, which can be found in here:
View Opportunity | GRANTS.GOV
Important information contained in the full worldwide announcement is not repeated in this specific addendum.

This program is authorized in accordance with Part 1 of the Foreign Assistance Act of 1961, as Amended.

Through this Addendum to the 2019-2023 Cooperative Development Program (CDP) Annual Program Statement (APS) No. 7200AA18APS00002 (the CDP APS), USAID/Guatemala is making a special call for the submission of Concept Papers focused on expanding access to a range of financial services for smallholder farmers, MSMEs (with an emphasis on businesses in the agriculture value chain), remittance recipients and others in rural Guatemalan communities of the Western Highlands and the Verapaces regions. The deadline for concept submissions is **October 31, 2022, at 2:00PM (Guatemala time).**

The approach for improving access and utilization of financial services should include the development of new products and new channels for financial service providers (credit unions, cooperatives, banks, mobile money operators) and improved financial literacy among target populations.

The activity will be implemented through a consortium of cooperatives, credit unions and other relevant private sector entities and include significant private sector support. The activity should be developed and implemented in coordination with key stakeholders who are active in this space, including Government of Guatemala (e.g., Superintendent of Banks, Ministry of Economy, Central Bank), civil society organizations (CSOs), non-government organizations (NGOs), and private sector actors. Importantly, this activity should complement and advance the objectives of other USAID/Guatemala rural development programs implemented in the same geographic areas, particularly Feed the Future (agriculture) activities, whose effectiveness is partially predicated upon smallholders' and MSME's ability to access credit and financial services in general. In line with USAID/Guatemala's CDCS, particular attention should be paid to providing services and expanding access for women, youth, indigenous people, and returned and/or potential migrants.

The specific objectives are to:

1. Expand and/or improve the capacity of cooperatives, credit unions, and financial institutions to provide appropriate financial services to smallholder farmers, MSMEs, and rural households. This will include support for the development of new financial products such as insurance products, credit products tailored to the needs of target populations, digital financial products, remittance related products, and others.

2. Improve the financial literacy of smallholder farmers, MSMEs, and rural households. Improved literacy will promote increased utilization and demand for formal financial products, increased savings, and better decision-making regarding investments, consumption, and utilization of remittances. Financial literacy and education programs should leverage existing platforms and methodologies in partnership with credit unions, banks, and other relevant actors. This should include building the capacity of MSMEs (and others as relevant) to successfully apply and manage credit and other financial products.

3. Leverage online platforms, fintech and other approaches to reduce costs and improve access for targeted populations with financial services. Strengthen and expand the fintech ecosystem to create incentives for participation in the formal financial system (e.g., bill pay, G2P payments, expanding merchant networks).

4. Develop and implement strategies to aggregate and mobilize remittances for productive investment (e.g., improved farm technologies, housing) and to expand access to credit. Harness remittances to increase overall savings rates and to promote financial inclusion.

USAID/Guatemala reserves the right to fund one, none, or more than one concept. Award(s) are anticipated to fall into the $5 million to $13 million range depending on availability of funding. Proposed activities will be implemented over a five-year period given availability of funds. The activity should be implemented in Guatemala with a focus on the Western Highlands and the Verapaces regions.

There is extensive private sector interest and potential for supporting the envisioned programming, from credit unions, banks, mobile network operators and remittance transfer providers (Money Transfer Operators - MTOs). As such, USAID encourages applicants propose a minimum of 20 percent cost share and/or leverage[1] in their concepts.

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[1] Leverage, exclusive of cost-share, refers to all reasonably quantifiable non-USAID resources, including cash and in-kind resources, which are expected to be mobilized for and applied to a program that USAID is supporting or advancing in some manner. Leverage can be provided by various types of organizations, including but not limited to private sector entities, public sector entities, civil society organizations, non-governmental organizations, higher

The USAID/Guatemala Office of Acquisition and Assistance will manage the review and procurement of activities that may result from qualified concept notes.

Unless otherwise stated herein, all terms and conditions of the CDP APS FY22 apply.

I. Background

Guatemala is the largest economy in Central America, Panama, and the Dominican Republic region, accounting for 29 percent of the population and 23 percent of GDP. The country is populated by 16.3 million inhabitants, 46 percent of whom live in rural areas. Guatemala is a middle-income country that has experienced moderate stable economic growth over the past decade, averaging 3.1 percent annually, but the country is challenged in increasing the potential output and inclusivity of growth. In 2020, GDP was US$77.1 billion, but per capita GDP in terms of purchasing power parity (PPP) stood at $8,293, the fourth lowest in the region and the sixth lowest in Latin America and the Caribbean.[2]

Despite Guatemala's upper-middle-income status, almost 60 percent of the population lives in poverty. While access to finance in Guatemala has greatly expanded over the past few years, only 44 percent of the population has an account at a financial institution, and the vast majority of account owners reside in the greater Guatemala City area. The gap between rich and poor segments of the population with access to formal financial services is approximately 22 percent.[3]

Although micro, small, and medium enterprises in Guatemala account for an estimated 85 percent of employment and contribute 40 percent of GDP, these businesses often struggle to access financing. According to the SME Finance Forum, SMEs and microenterprises in Guatemala face a $14 billion financing gap, and women-owned businesses and businesses in small cities and rural areas are particularly challenged.[4] Similarly, smallholder farmers have the potential to play an increasing role in the economy and ensure Guatemalan food security through the sustainable supply of key agricultural commodities. However, most smallholder farmers lack funds to invest in their farms to improve productivity and connect to markets. Without inclusive market systems, smallholder farmers must rely on their own limited savings to invest in their farm, education, and other household needs which contributes to lower productivity, persistent income inequality, and slower economic growth.

USAID seeks to improve access to finance in targeted regions through increased access to formal financial services to individuals, smallholder farmers, and MSMEs to fuel economic growth and improve livelihood opportunities which will mitigate the temptation to migrate. USAID envisions that these financial services will support a wide range of rural economic activity, including USAID's agriculture,

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education institutions, other cooperatives, and foundations. Whether an entity receives an award of USAID funding has no bearing on an entity's eligibility to provide leverage.

[2] IDB Group Country Strategy 2021-2024

[3] From Access to Usage: Digital Financial Inclusion of Smallholder Farmers in Guatemala's Western Highlands

[4] DFC Supporting Small Business Growth

livestock, and forestry value chains programs. This project will advance this objective through partnerships with cooperatives, credit unions and financial institutions to facilitate the development of new channels and new products which are tailor made for cooperatives, smallholder farmers, producers, rural non-farm enterprises, rural household consumers, and remittance recipients.

Remittances, which were the equivalent to approximately 20 percent of GDP in 2021, play an enormous role in the rural economy (in the Western Highlands more than two of every three individuals (69%) receive remittances). They are also an important entry point for advancing financial inclusion. Furthermore, remittances, beyond helping households meet current needs, have significant potential to be leveraged for productive investment including in microenterprises (smallholder farms), but also housing, education, and nutrition, which in turn improve individual earning capacity over a lifetime.

II. Solicitation

This addendum is issued for concept papers describing how to accomplish the specific objectives listed above.

III. Evaluation Criteria

Proposed concepts will be evaluated based on the general criteria set forth in the CDP APS in Section V: Concept Paper and Full Application Review Criteria. As stated in APS No. 7200AA18APS00002, USAID has limited eligibility for US cooperatives or cooperative development organizations, requiring the following:

- U.S. cooperatives, or an organization with substantial membership and/or financial links to U.S. cooperatives and/or their associations; and
- A demonstrated track record of not less than five years in the planning, management, monitoring, and evaluation of overseas cooperative development programs.

In addition, the applicant will be evaluated on the following criteria:

- Demonstrated knowledge of and experience with providing credit, financial literacy training, and cooperative management in Guatemala.
- Demonstrated knowledge of working with smallholder farmers and/or MSMEs in Guatemala.
- Experience or existing partnerships with local financial institutions, credit unions, or other related private sector entities; and
- Ability to incorporate local institutions into the concept.

Proposed concepts should be consistent with USAID legal and policy restrictions, including those set forth in USAID's Automated Directives System (ADS) and in the Foreign Assistance Act of 1961.

IV. Application Instruction and Review Process

The USAID/Guatemala Office of Acquisition and Assistance are responsible for the review process and management of any award(s) issued under this Addendum. Applicants are required to follow the Concept Paper instructions set forth in the CDP APS and submit Concept Papers using the Concept Template.

Applicants must include at least 20 percent cost share and/or leverage in their applications.

The completed Concept Paper Template (including the Concept Paper and required Supporting Information) should be sent to USAID/Guatemala through Guatemalaproposals@usaid.gov with a copy to cdp-aps@usaid.gov.

After review by USAID/Guatemala, applicants will receive instructions from USAID on whether to proceed with a full application.

V. Questions and Further Assistance

Questions regarding the substance and objectives of this addendum should be directed to Guatemalaproposals@usaid.gov with copy to cdp-aps@usaid.gov.

Questions regarding the substance and terms of the 2019-2023 CDP APS should be directed to cdp-aps@usaid.gov.

For additional information regarding guidelines and procedures to submit a concept paper, please refer to the CDP APS which can be found at this website.

[End of 7200AA18APS00002 Addendum]