



USAID Kosovo Investment Promotion and Access to Finance Activity

Diaspora Business Growth Fund

Annual Program Statement #2

No.: APS-2024-002

- Issued by:** USAID Kosovo Investment Promotion and Access to Finance Activity.
- Issued date:** August 9, 2024.
- Closing date:** July 31, 2025.
Early applications are strongly encouraged.
- Subject:** Invitation to eligible diaspora businesses and diaspora investors to submit applications for grant funding to attract investment opportunities in Kosovo.
- Purpose:** Receive proposals from eligible diaspora businesses and investors for strengthening sustainable economic growth through new investment projects.
- Eligibility:**
- Diaspora businesspersons who originally were born and lived in Kosovo but emigrated and lived for more than three years out of the country.
 - Diaspora businesspersons who are offspring (new generations) of Kosovan parents, extending to the second generation, originating from Kosovo.
 - Established diaspora businesses who have been operating for up to 36 months in Kosovo.
- Qualifying criteria:** a) Applicants must secure financing from a bank and submit the loan contract along with the application form. b) The loan must be guaranteed by the Kosovo Credit Guarantee Fund (KCGF).
- Funding:** Grant awards will range from €5,000 to €30,000 (the equivalent of ~\$33,000). Awards falling either below €5,000 or above €30,000 (or \$33,000) may be taken into consideration on a case-by-case basis if they are well-justified, bring an added value to the purpose of the fund and are approved by USAID.
- Funding use:** Business consolidation, staff training, organizational management, business and financial planning, marketing services, purchase of machinery, and other relevant advisory services.
- Information:** Additional information on the Diaspora Business Growth Fund can be found on the Kosovo Investment and Finance Network at:
<https://www.facebook.com/KosovoInvestemandFinanceNetwork>

1. Project Background

The USAID Investment Promotion and Access to Finance Activity (hereinafter “Activity”) is funded by the United States Agency for International Development (USAID). The Activity is a five-year project which aims to strengthen the private sector’s capacity to deliver sustainable economic growth through two mutually re-enforcing objectives:

- Objective 1: Attracting investment.
- Objective 2: Increasing access and utilization of diversified finance.

The Activity addresses one of the key constraints to private sector growth i.e. the lack of access to alternative forms of investment and financing. Increased sources of investment and finance will enable the private sector to expand, create productive jobs, increase exports, and adopt new technologies and business practices. By doing so, this activity contributes to USAID’s overall goal of increasing opportunities for inclusive democratic and economic participation.

2. Challenges and Opportunities

There are multiple indicators that show the potential of the Kosovar diaspora to improve the economic wellbeing in Kosovo. Current remittances inflows constitute 12% of Kosovo’s Gross Domestic Product (GDP), representing a vital financial lifeblood for the local economy. German-speaking countries, namely Germany, Switzerland and Austria, where Kosovo’s diaspora is mostly concentrated, are a top source of foreign direct investment (FDI). Increasingly, however, there is growing evidence of diaspora businesses undertaking investments in Kosovo, including in manufacturing and services sector.

To deepen Kosovo diaspora’s role in Kosovo’s economy, access to finance is a key issue. Currently, financing remains a key barrier for diaspora investors. Commercial banks are conservative in financing investment plans from diaspora investors since their credit technology is based on existing cash flows of companies seeking financing when assessing the creditworthiness of business applicants. Based on a survey performed by the local non-governmental organization Germin, involving 548 diaspora respondents and 30 interviews with diaspora businesspersons, 24% of respondents stated that access to finance could help increase their willingness to invest in Kosovo. Based on the same survey, agriculture, construction, education, energy, IT, and tourism are attractive sectors for diaspora investments.

A further survey by the Activity conducted in February 2024, involving 89 diaspora respondents, found that nearly 80% planned to invest in Kosovo. Around two-thirds of the respondents stated they would invest in Kosovo together with another investment partner, with nearly 40% stating they would invest through a bank loan. Notably, despite the restricted sample, diaspora respondents stated they would prefer to invest €1M in Kosovo, on average. Sixty percent (60%) of the respondents stated that the main goal of the investment would be to export goods and services. A third of diaspora businesses stated that access to finance was a key challenge to investing in Kosovo.

3. Diaspora Investment Window

The Ministry of Finance, Labor, and Transfers (MFLT) has taken an initiative along with the Kosovo Credit Guarantee Fund (KCGF) to launch a new program aimed at supporting diaspora businesses to channel their investment to Kosovo.

Specifically, the MFLT and the KCGF have agreed to establish the *Diaspora Investment Window*, which is a new risk-sharing credit guarantee scheme providing loan guarantees specifically for diaspora investors and businesses. The Diaspora Investment Window will provide credit guarantees to registered financial institutions to cover a portion of the default risk associated with loans extended to diaspora investors and businesses.

To establish the Diaspora Investment Window, the Government of Kosovo, specifically the Ministry of Finance, Labor and Transfers, will provide a capital base of €8M. Additionally, the Kosovo Credit Guarantee Fund will provide €2M in capital, resulting in a combined capital base of €10M. Under the new Diaspora Investment Window, the maximum KCGF guarantee coverage for an individual loan will be €2M, enabling the financing of significant new productive capacity.

As a supporting partner to this initiative launched by MFLT and KCGF, USAID – through its Investment Promotion and Access to Finance Activity – will provide support in the promotion of the new window in key diaspora markets. It aims to do so through the engagement of a capable service provider that will implement a comprehensive outreach campaign. The Activity will implement the outreach campaign in close collaboration with MFLT and KCGF, aimed at sensitizing diaspora investors about the benefits of utilizing the Diaspora Investment Window. Additionally, the Activity will aim to support MFLT and KCGF's initiative with grant funding (see Section 4) and potentially other advisory services that support diaspora investors to consolidate and establish their businesses in Kosovo.

In summary, the Diaspora Investment Window will enable investors to initiate and scale investment projects in Kosovo, ranging from startups and small businesses to larger investment projects. Financial resources are needed to fund business operations, purchase equipment, hire employees, and expand market reach.

4. Diaspora Business Growth Fund

In support of the Diaspora Investment Window, catalytic grant funding will be provided by USAID's Investment Promotion and Access to Finance Activity to qualifying diaspora businesses for multi-purpose use, including but not limited to business consolidation, various advisory services, machinery purchase, and marketing. The Activity's grant fund to support qualifying diaspora businesses will be known as the Diaspora Business Growth Fund.

The Diaspora Business Growth Fund will help alleviate financial burden for diaspora investors by providing support for their operational expenses, allowing them to focus on growing their businesses and creating employment opportunities in Kosovo.

5. Purpose of the Diaspora Business Growth Fund

The purpose of the Diaspora Business Growth Fund is to:

- Expand diaspora direct investment to eligible micro-, small-, and medium-sized (MSMEs) and start-ups.
- Expand direct investment to high-potential diaspora-related startups, joint ventures, and MSMEs.
- Expand access to existing and new financial instruments to enable the flow of private capital to diaspora-related MSMEs.
- Stimulate and facilitate the transfer of diaspora knowledge and investment capital to local companies.

Through the Diaspora Business Growth Fund, the Activity invites prospective eligible applicants to submit proposals for funding the following initiatives:

- Business consolidation.
- Staff training.
- Organizational management.
- Business and financial planning.
- Equipment purchase.
- Marketing services.
- Other advisory services, as relevant.

The Activity encourages applicants interested in securing funding through the Diaspora Business Growth Fund to view the opportunity as more than just receiving a grant. The purpose of the funding is to foster partnerships between the Activity and capable diaspora businesses/investors to work jointly toward the achievement of key economic development objectives.

The Activity will use facilitative, market-based methods to strategically apply grants to reduce risk, demonstrate impact, incentivize innovation, and scale up inclusive activities across the objectives.

Applicants should align with the goals and objectives of the Diaspora Investment Window initiative, which includes promoting economic development, fostering entrepreneurship, and strengthening economic and commercial ties between the diaspora and Kosovo. The investment that will be supported by the Diaspora Investment Window and through the Diaspora Business Growth Fund should be for business purposes and not for private purposes. Purchase of real estate, renovation of residences, and other private purposes, do not qualify neither for the Diaspora Investment Window, nor the Activity's Diaspora Business Growth Fund.

6. Areas for Funding

Through the Diaspora Business Growth Fund, the Activity welcomes any impactful and innovative applications that support the stated objectives, generate economic impact, contribute to attraction of investment, generation of new productive capacities, introduction of new competitive products and services, creation of new jobs, and penetration of export markets.

Grants will be awarded for business activities that have the greatest potential for overall impact in areas such as:

- Increasing direct diaspora investment.
- Stimulating business growth through increased sales and/or exports.
- Introducing new products and/or services for Kosovo and export markets.
- Creating new jobs.

7. Eligible Companies

All awards issued under the Activity's Diaspora Business Growth Fund will be subject to the eligibility requirements set forth below. Under the Diaspora Business Growth Fund, only businesses who have been approved for a loan from a partner registered financial institutions and placed under Diaspora Investment Window, will be eligible to apply for a grant under the Activity's Diaspora Business Growth Fund.

As per criteria set forth under Diaspora Investment Window, eligible companies must be:

- New businesses initiatives planned to be established, or existing ones with the business age up to 36 months.
- In situations involving a new business venture (start-up), the business idea should be documented with a proper business plan.
- In situations involving a new business venture, investors or local partners should possess relevant know-how or business experience, either within or outside Kosovo, in the planned business activity. Previous expertise (know-how) is fundamental for the future success of the business.
- The business or enterprise should be registered and have fewer than 250 employees.

Eligible companies must also:

- Demonstrate an ability to contribute to the objectives of the Activity and perform the award in accordance with USAID and DT Global principles and practices.
- Display sound financial, administrative, and technical management in the form of a system of controls that safeguards assets and protects against fraud and waste.
- Have a satisfactory performance record and record of business integrity and ethicality.
- Be able to attest to and sign all mandatory certifications (listed in **Annex A**).

Prior to the award of a grant under this funding opportunity, successful applicants will be required to sign a Certification Regarding Terrorist Financing certifying that the applicant's organization does not provide and has never provided assistance to terrorists for terrorist activities. Successful applicants will be required to sign other Certifications applicable to the award. The certifications are attached as **Annex A** of this APS.

Prior to the award of a grant under this APS, successful applicants will also be subject to a pre-award responsibility determination, which will be conducted by the Activity. In making this determination, the Activity will determine whether the applicant possesses the organizational capacity, financial capacity, internal controls, procurement systems (if required), and past performance record in order to successfully implement the grant activities. Only organizations that are determined to be responsible will be eligible for an award.

No activities will be considered that have a negative environmental impact that cannot be mitigated.

8. Key Expected Outcomes

Applications submitted under this solicitation are required to demonstrate how their funding requests and proposed activities contribute to at least one of the indicators below. While applications are evaluated from multiple angles, those that clearly demonstrate greater potential for impact in one or preferably more outcome indicators below will (all else equal) have a greater chance of receiving funding.

- Increase the value of new investment.
- Increase the value of new financing.
- Increase the number of private sector enterprises with increased access to finance.
- Increase the number of new private partnerships that lead to increased private investment.
- Increase the number of new links between Kosovo business and foreign investors.

9. Grant Size and Implementation Period

Subject to the availability of funds, any awards resulting from this funding opportunity are expected to be in the range of:

- €5,000 to €30,000 (or the equivalent of ~\$33,000).
- Awards falling below €5,000 or above €30,000 (\$33,000) may be taken into consideration in well-justified and exceptional circumstances, and subject to USAID approval.

The implementation period of funded activities is a maximum of **2 years**.

10. Grantee Cost Contribution

Applicants are strongly encouraged to share the costs of implementation of the proposed activities.

The leverage/cost contribution may be financed from recipient resources or from an approved third-party contribution. All contributions must be clearly identified, and all assigned costs must be reasonable and in accordance with prevailing open market conditions. Third-party contributions are acceptable and may be considered part of the recipient contribution in part or in whole. The nature and amount of this contribution will be clearly defined in the Grant Application and in the Grant Agreement.

11. Requirement for obtaining a Unique Entity Identifier (UEI)¹

Applicants shall be requested to provide a UEI number if selected to receive an award valued at \$25,000 or more. If the organization has an exemption (under 2CFR § 25.110 (b) or (c)), they will not be required to provide an UEI.

¹ UEI – The Unique Entity ID is a 12-character alphanumeric ID assigned to an entity by SAM.gov.

It is possible for an entity to obtain a UEI without completing a full registration in System for Award Management (SAM).

12. Application Process

This funding opportunity will involve a single-stage evaluation process. During the application process, including in the pre-application stage, the Activity may utilize co-creation with applicants, which involves working together with prospective and apparently successful applicants to steer applications toward greater impact and alignment with the objectives of the Activity. The full scope of what co-creation with applicants will involve is outlined in Section 14 below.

Submission of Grant Application

Eligible entities will submit a grant application (GA). All applications must be submitted in the Grant Application format included in **Annex B** of this solicitation. The GA format requires applicants to expand in detail on the proposed grant activity, its objectives, the intended systemic impact, and expected results, including a description of target beneficiaries and stakeholders, and a proposed staffing structure. Applicants are also required to fill-out **Annex C** that requires applicants to present a detailed grant budget. The Grant Application must not exceed 15 pages. Applications in excess of 15 pages may not be reviewed by the Activity.

13. Evaluation and Selection

The Activity will convene a Grant Evaluation Committee that will review GAs submitted in response to this funding opportunity on a rolling basis.

The GEC will evaluate GAs based on the following evaluation criteria:

Evaluation criteria	Key evaluation aspects	Points
Impact	What is the expected impact on new investment and other key indicators of the Activity?	20
Financial viability	What is the participation of equity investment and bank finance to the total investment plan?	30
Innovation	What innovation will the potential grantee/business generate? New products? New services?	10
Scale-up	How scalable is the proposed investment initiative?	10
Capacity of applicant	Does the applicant have relevant past experience implementing similar business plans?	10
	Does the applicant have sufficient in-house human, technical, management, and other resources at disposal to successfully implement the proposed activity?	

Sustainability	How credible is it that the potential grantee/business will continue with the activity without grant support?	10
Cost effectiveness and applicant cost share	What level of cost contribution will the applicant provide to leverage the cost of the grant?	10
	Is the proposed budget realistic, well-thought out, and in-line with the proposed activities?	
	Are the proposed costs reasonable, allowable, and allocable to the grant?	
Total		100

The Activity reserves the right to fund any or none of the applications submitted. Issuance of this APS does not constitute an award commitment on the part of the Activity, nor does it commit the Activity to pay for costs incurred in the preparation and submission of a grant application. Further, the Activity reserves the right to reject any or all applications received if such an action is considered to be in the best interest of the US Government. **Applications are submitted at the risk of the applicant; should circumstances prevent making an award, all preparation and submission costs are at the applicant’s expense.**

14. Co-Creation with Applicants

In line with the application process outlined in Section 12 of this document, the Activity may actively and closely co-create activities and proposals with prospective applicants. This can involve co-creating one-on-one or with multiple applicants. Co-creation is an allowed practice within USAID projects with the aim of improving the quality of interventions based on a proactive collaboration between the funder and potential implementers.

Furthermore, co-creation provides the needed space between the Activity and potential applicants to incorporate the input of the private sector and other important stakeholders in the process of identifying problems and proposing solutions. Through co-creation, the Activity can further validate and dissect constraints that hinder investment and finance flows through joint collaborative effort with interested partners. Co-creation can also lead to an improved understanding of partner interests and objectives, thereby improving substantive buy-in.

To maximize substantive input and collaboration into the design of successful proposals, the above co-creation process would be characterized by extensive and broad communication among the Activity, the private sector, potential implementing partners, and other prospective partners, such as relevant government and non-governmental entities. Through co-creation, the Activity may have robust and detailed discussions with relevant partners throughout the process, from early engagement with main actors on potential approaches and solutions prior to a submission of grant applications, to the final design and negotiation of agreements or awards.

Co-creation by the Activity will allow the project to engage with prospective applicants at any stage of the application process, including during pre-application, in the form of brainstorming sessions with partners about potential intervention ideas that might be fundable under the APS.

These engagements can help the Activity and partners to begin formulating potential interventions, activities, and approaches. Pre-application engagement with partners may be needed to better understand specific challenges facing an issue and its actors and explore pathways for enacting systemic change.

Once a Grant Application is submitted, the Activity may engage with applicant(s) to further build, develop, and refine the overall approach and proposed activities. During this stage, it would not be unusual, through a highly collaborative co-creation process, for ideas and activities to evolve significantly, as partners refine their approaches in order to identify the best way to achieve the greatest results.

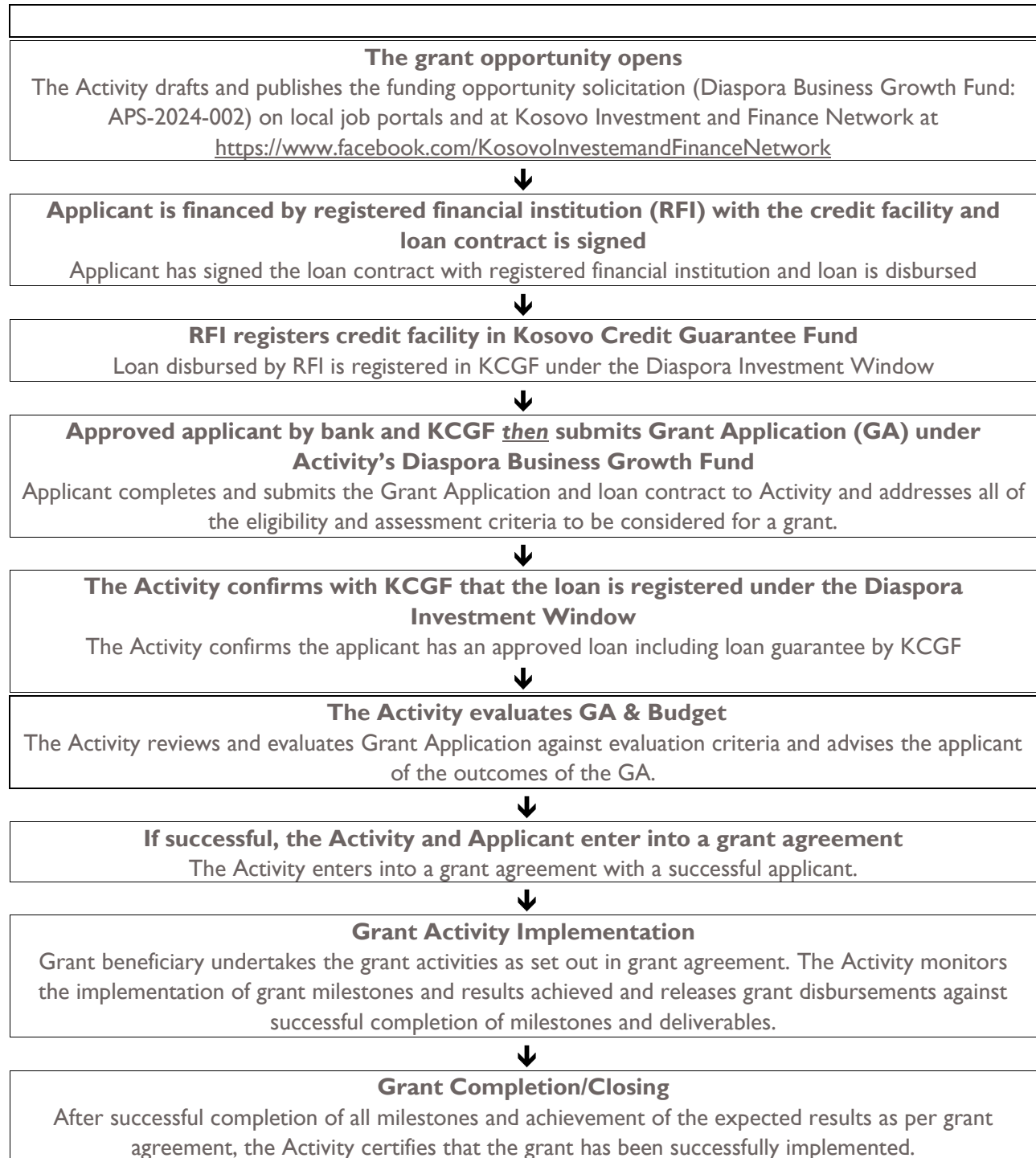
In engaging in co-creation, the Activity will also ensure that strict safeguards are in place to avoid conflict of interest challenges. Namely, the Activity will ensure that no unfair competitive advantage is created for any entity. The Activity will strive to the maximum extent possible to ensure that all potential implementing partners have access to equal information. Should any non-public information be disclosed during co-creation, such will take place with the understanding of involved actors that the same information must be made available to all interested parties who wish to apply. The Activity will also ensure that an equal chance is provided to all applicants regardless of their participation in co-creation discussions with the project.

15. Mitigation of Market Distortion

The Activity will ensure clear, transparent, and competitive procedures for grants funded from the project with key considerations to include expected results, market distortion, and leveraged cost contribution. Grant proposals will be assessed and approved with the goal of avoiding market distortion or favoring one entity over another.

The purpose of the Activity's grant program is not to be used as direct funding or providing subsidies, but to advance the general competitiveness within the Activity's focus areas. The funds will not be used to provide unfair subsidies that compete with existing financial institutions. The fund will be structured and managed to ensure that it does not distort the local market. The principal criteria for reviewing and approving grant awards will be the expected quantitative and qualitative benefits of the proposed activity, including reasonable estimates of an increase in investment and finance to be generated in comparison with the total cost of the activity and the proposed cost-share. All grants, and in particular those for-profit firms, will include appropriate provisions to ensure that program income is used to further eligible program objectives.

16. Pre-Grant Phase, Grant Application, Evaluation, and Implementation



17. Award Administration

Pursuant to 2 CFR 200 Subpart E and 2 CFR 700.13, it is USAID policy not to award profit under assistance instruments. However, all reasonable, allocable, and allowable expenses, both direct and indirect, which are related to the grant activity and are in accordance with applicable cost standards (the Federal Acquisition Regulation (FAR) Part 31.2 for for-profit organizations), may be paid under the grant.

Any resultant award will be subject to the terms and conditions of the Prime Contract for the Activity.

18. Annexes

- A. Annex A: Certifications, Assurances, and Other Statements of Offerors.
- B. Annex B: Grant Application Format.
- C. Annex C: Budget Form (Excel).