

Frequently Asked Questions (FAQs)

Impact-Linked Finance Fund - Eastern and Southern Africa Program (ILFF ESA)

What is the Impact-Linked Finance Fund (ILFF)?

The Impact-Linked Finance Fund provides finance to impact enterprises and directly rewards these for positive outcomes generated through their business activities. It was established by Roots of Impact and iGravity in order to pool their know-how and activities for implementing scalable Impact-Linked Finance programs and facilities.

The ILFF, set up as a Dutch foundation, is acting as a capital provider and knowledge hub for the practice of Impact-Linked Finance. We also advocate for embedding impact-related principles and terms in other areas of business, policy and finance.

What is SIINC and how can it support an enterprise?

Social Impact Incentives (SIINC) is a funding instrument that rewards impact enterprises with temporary payments for achieving pre-defined and independently verified social outcomes. Enterprises can earn additional revenue and improve their profitability, which in turn helps them to attract additional investment to scale. To be eligible for receiving SIINC, impact enterprises need to raise repayable investment in parallel. The nature of the investment round can vary (e.g. equity, debt, mezzanine, etc.) but the size must be at minimum double of the SIINC amount.

You can read more about SIINC [here](#).

Does the enterprise have to close the investment round before applying for SIINC?

No. Ideally, the enterprise should already be engaging with potential investors when it applies for SIINC. In the case it is selected for SIINC for the Eastern and Southern Africa Program, it can use the SIINC contract to get investors on board because it can build the SIINC payments into its financial forecast. However, closing the investment round is a pre-condition to the execution of the SIINC contract. Further, enterprises should bear in mind that the SIINC payments are conditional to the achievement of predefined social outcomes.

Can the enterprise raise grants to qualify for SIINC, instead of investment(s)?

No. SIINC is provided to selected enterprises under the condition that they raise repayable investments (e.g. equity, debt or mezzanine, etc.) for an amount at minimum double of the SIINC amount. This means an enterprise can raise additional grants, but this should be in parallel to its (repayable) investment round.

Does the enterprise have to pay SIINC back?

No. SIINC are non-repayable premium payments based on the impact performance of an enterprise.

Are there any restrictions on how an enterprise should use SIINC?

No. All stakeholders agree on carefully thought through impact metrics. The enterprise has the freedom to decide how to achieve such pre-determined outcomes. Bear in mind that payments are not provided upfront, but rather upon validation (by an independent verifier) of the outcomes achieved in any given measurement period.

What metrics are used for the SIINC payments?

There are no fixed indicators for SIINC. Provided that an enterprise is selected for the program, the ILFF team would co-develop the metrics for the payments with the enterprise, based on the baseline data that the enterprise has and the additional outcomes that it can achieve. The enterprise will need to provide data around the indicators it is already tracking.

What happens if the enterprise does not achieve the social outcomes agreed upon?

Carefully thought through metrics are developed on a case-by-case basis to encourage the impact enterprise to deepen its impact. The exact SIINC amount to be received depends on what outcomes the enterprise achieves in any given measurement period. In the case the enterprise does not even reach the minimum outcome indicator, it will not receive any payment for that specific period.

I am still confused about what SIINC pays for. Can you provide some examples?

Of course. Below you can find three examples of imaginary possible SIINC examples. You can also read a real-life case study [here](#).

Enterprise description and challenge	SIINC's intervention
Healthcare company serving low-income communities wants to expand and is raising US\$ 1.5M equity investment.	A SIINC of US\$ 300K is granted and outcomes verified every six months. The SIINC metrics included: increased number of low-income patients and increased diversification of treatments available in clinics (with a focus on maternal health).
Water company provides an innovative solar powered water pumping and treatment system that produces hot drinking water. They are raising debt for US\$ 300K.	A SIINC of US\$ 150K is granted and outcomes verified every six months. Prior to SIINC, the company focused mostly on (semi-) urban households. SIINC incentivizes the company to increase its outreach to (semi-) rural areas. Outcome payments are linked to the increase of lower-income population served in (semi-) urban areas, as well as the number of (semi-) rural households reached.
Sanitation company builds affordable sanitation facilities for urban slums and franchises them to community members to serve all residents. Waste is collected and converted into valuable end-products such as organic fertilizers.	Ongoing payments are based on the % decrease of communities' diseases related to poor sanitation. The company is thus incentivized not to focus on providing toilets and waste management services only, but rather to ensure users are aware and make use of amenities such as the handwashing station. Bonus payments are provided for entering urban slums with little or no prior sanitation facilities.

What is an Impact-Linked Loan (ILL) and how can it support an enterprise?

An Impact-Linked Loan is similar to a traditional loan, with the main exception that the interest rates are tied to the borrowers' achievement of pre-defined and independently verified social outcomes. The enterprise receives "better terms for better impact". Enterprises of all stages are welcome to apply for the Impact-Linked Loan track, particularly those at a growth stage. As opposed to SIINC, there are no investment and no leverage requirements for the Impact-Linked Loans.

Should my enterprise apply for a SIINC or an Impact-Linked Loan?

When your enterprise applies, it will be asked to give a preference for a SIINC or an Impact-Linked Loan. While we will try to accommodate candidates' preferences, we may decide to propose to the candidate a different instrument, depending on what the facility managers or funding partners see as a better fit for the enterprise.

The main difference between a SIINC and an ILL lies in the fact that an enterprise seeking a SIINC has to be raising repayable investments, whereas that is not needed in the case of an Impact-Linked Loan. Thereby, even though enterprises of all stages are eligible for both instruments, typically an Impact-Linked Loan would be a better fit for a more mature enterprise that has reached break-even and is able to take on debt.

Here is an overview of the main differences between the two instruments:

	SIINC	Impact-Linked Loans
Purpose / Fit	<ul style="list-style-type: none"> - Enable impact enterprises to attract additional investment and scale both in terms of income and impact - Improve the risk/return profile for potential investors 	<ul style="list-style-type: none"> - Provide impact enterprises with access to loans with highly favourable terms - Support enterprises in scaling
Enterprise lifecycle	All stages	All stages, particularly growth stages
Duration	2-4 years	Flexible, but usually longer tenors of 3-5 years
Requirements	Raising a repayable investment round in parallel (debt, equity, etc.) that is at minimum double of the SIINC amount	None
Type and size of incentives	- Time-limited, non-repayable payments linked to impact achieved	- Loan with highly favourable terms linked to impact achieved (“Better terms for better impact”)

Who is paying for the social outcomes?

The [Swiss Agency for Development and Cooperation \(SDC\)](#) and the [Medicor Foundation](#) are the funders of the ILFF ESA funding window.

What is the process and timeline for this ILFF ESA program?

The application deadline is **July 16, 2021**. At this time, the facility manager will review the applications and perform interviews with pre-selected candidates. The final selection process will be finalized by September 2021.

It will be followed by the structuring phase, during which time the enterprises and the facility managers will co-create the mechanism of the impact-linked financial incentives, taking into considerations aspects such as the impact KPI's of the enterprise, the cost structure of the enterprise, among others. This activity will terminate in October.

Final closing and signing of the documentation are estimated to finish prior to year-end 2021.

How can I apply to the ILFF ESA program?

Via the application form available [here](#).

The deadline to apply is **July 16, 2021**. Please note that we will only consider applications submitted through the online application form.

For further information, please contact impact.ventures@igravity.net.