Impact-Linked Finance Fund Eastern and Southern Africa

We are providing impact enterprises with financial rewards for achieving positive impact.

About ILFF ESA

Roots of Impact and its partner iGravity are looking for impact enterprises in Eastern and Southern Africa to support them with two different impact-linked funding mechanisms: Social Impact Incentives - SIINC (time-limited payments rewarding the achievement of pre-determined positive social outcomes), and Impact-Linked Loans (repayable loans whose financial cost is lowered by achieving pre-determined positive social outcomes).

The overall objective of the ILFF Funding Window Eastern and Southern Africa (ILFF ESA) is to provide impact-linked funding to impact enterprises, thus enabling them to scale in both economic and impact terms. From an impact perspective, the aim is to help enterprises and local populations battle through the Covid-19 crisis, and strengthen the enterprises' focus on impact, particularly in terms of serving vulnerable, low-income populations. From a business management perspective, the impact-linked financing mechanisms provided through the Funding Window will allow enterprises to strengthen and scale their business models and ensure they continue to be or become economically viable and profitable over time.

iGravity and Roots of Impact are the Facility Managers of this Funding Window, responsible for pre-selecting enterprises and structuring terms. This initiative is sponsored by the Swiss Agency for Development and Cooperation (SDC) and the Medicor Foundation.

General criteria

Scope: The enterprises must be operational for at least three years and operate in one of the target countries (see table below under "Geography"). In order to be eligible for SIINC, enterprises must be seeking a repayable investment (e.g. debt, equity, etc.) that is at minimum double of the SIINC amount. There are no leverage requirements for the Impact-Linked Loans.

Business model: Although there are no specific constraints regarding the legal form, the enterprises need to have a business model and generate revenues out of their activities.

Financial sustainability: The objective of the ILFF ESA program is to support enterprises which will continue to generate positive impact long after the SIINC payments or the Impact-Linked Loan have ended. Thus, the enterprises must have either already achieved financial sustainability, or must have a clear plan for achieving breakeven in the short to medium term.

Impact measurement: The support provided to the enterprises in this program takes the form of time-bound outcomes-based payments, granted to incentivize positive social impact. In order to design a realistic payment schedule, it is necessary to have baseline data related to the impact generated by the enterprise. There should be a track record of systematically tracked and reported indicators which can act as a basis for structuring the SIINC payments or the Impact-Linked Loan.

Impact focus: Enterprises that target vulnerable populations will be of particular interest. Enterprises that do not have a specific impact focus are also eligible if they prove to be willing and able to deliver positive social outcomes.

Specific criteria

Overall, the parameters of the Funding Window are:

Overall objectives	Reward enterprises for the additional positive impact they create, with a particular focus on vulnerable, low-income populations
Target investees	Impact enterprises Impact-driven SMEs and local start-ups NGOs with market-based/entrepreneurial approaches
Covid-19	Enterprises that have been strongly negatively impacted by Covid-19, or that propose solutions that can help tackle the crisis
Geography	Operations in Eastern and Southern Africa, with a preference for one or more of the following: Tanzania, Mozambique, Uganda, and the Democratic Republic of Congo
Target sectors	Health (including nutrition and basic services), WASH (Water, Sanitation and Hygiene), sustainable agriculture and food security, and income and employment
Instruments	Social Impact Incentives (SIINC) and Impact-Linked Loans
Ticket sizes	SIINC: USD or local currency equivalent of approximately USD 150-350K ILL: USD or local currency equivalent of approximately USD 100-200K
Terms	Will be defined on a case-by-case basis
Time frame	The selection process will be finalized by August 2021. It will be followed by the structuring phase, which will terminate in October. Final closing and signing of the documentation are estimated to finish prior to year-end 2021

Application and deadline

The call for application is open and you can apply via the following online application form: The deadline for applications is **July 16, 2021**.

Application Form

About the funding instruments

Summary table

	SIINC	Impact-Linked Loans
Purpose / Fit	- Enable impact enterprises to attract additional investment and scale both in terms of income and impact - Improve the risk/return profile for potential investors	- 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 (2:1 financial leverage)	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”)

SIINC

Social Impact Incentives (SIINC) is a funding instrument that rewards impact enterprises with time-limited 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.

SIINC example

a) Healthcare company serving low-income communities wants to expand and is raising a USD 1.5M equity investment. A SIINC of USD 300K is granted and outcomes verified every six months. The SIINC metrics include: increased number of low-income patients and increased diversification of treatments available in clinics (with a focus on maternal health).

b) Sanitation company builds affordable sanitation facilities for urban slums and franchises them to community members to serve all residents. The company is raising a USD 300K debt investment. A SIINC of USD 150K is granted and ongoing payments are based on the % decrease of communities' diseases related to poor sanitation.

Why SIINC is relevant

... for impact enterprises and inclusive businesses:

The SIINC model makes it possible to scale without compromising on generating strong positive impact. SIINC can act as an additional revenue stream that directly improves the P&L. With the SIINC payments, the enterprise enjoys full flexibility about the type and source of investment to bring in.

... for investors:

SIINC improves the risk/return profile of high-impact enterprises by rewarding them for their impact. Enterprises will be able to continue or even accelerate their efforts to generate deep impact while offering sufficient returns.

... for public funders and donors:

SIINC offers great value, as outcome-funders only provide rewards for impact that is actually generated. Outcome funders work with the enterprises to decide on the desired outcomes and on the terms for incentivizing these. If SIINC is used properly, selected enterprises will continue generating positive impact long after the SIINC agreement has ended.

Read more about SIINC here, or watch a video explanation here. Get inspired by some SIINC success stories here.

Impact-Linked Loans (ILL)

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 leverage requirements for the Impact-Linked Loans.

Impact-Linked Loan example

An agritech company developed a digital marketplace linking farmers with international buyers. The company is looking for a loan to expand to new markets.

The enterprise is granted a USD 200K working capital loan via the ILFF ESA program. The interest rate is set at 10%, with the possibility of decreasing it down to 5% if social outcomes are met. The metrics considered are: increased economic benefits for farmers and reduced food waste. The tenure of the loan is 4 years, and the interest rate is adjusted every 6 months, upon verification of the outcomes.

Partners of ILFF ESA

Facility Managers

iGRAVITY

[iGravity](#) is a Zurich-based advisory firm specialized in impact investment and innovative finance solutions with the mission of connecting disruptive ideas, visionary people, institutions and capital to address some of the most pressing social and environmental issues.

Roots of Impact

[Roots of Impact](#) is a specialized advisory firm dedicated to making finance work for positive impact on people and planet. The firm collaborates closely with public funders and impact investors across the globe to scale high-performing enterprises and innovations with strong potential for impact.

Funding Organizations

Any questions regarding the ILFF Eastern and Southern Africa Window? Please check out our FAQ. Other questions – including on how to become a donor or investor – can be sent to iGravity's Impact Ventures team at impact.ventures@igravity.net.

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development and Cooperation SDC

The Swiss Agency for Development and Cooperation (SDC) is the Swiss Government's center of competence for international cooperation. The SDC is responsible for development cooperation with the South and East, multilateral cooperation as well as for Switzerland's humanitarian aid.

medicor foundation Liechtenstein

The Medicor Foundation is an independent and charitable foundation based in Liechtenstein. The Foundation contributes to the sustainable improvement of the wellbeing and empowerment of vulnerable and disadvantaged people in countries in Africa, Latin America and The Caribbean, as well as in Eastern Europe.