Impact-Linked Fund for Education

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

About ILF for Education

The overall objective of the ILF for Education is to provide impact-linked funding to impact organizations active in the Education sector in West Africa and the MENA region (Middle East and North Africa), thus enabling them to scale both in economic as well as impact terms. The fund will support impact organizations with two different Impact-Linked Finance mechanisms: Social Impact Incentives (SIINC), and Impact-Linked Loans, for amounts ranging from USD 150K to USD 500K.

Target organizations*

Target sector	Education (incl. EdTech, schools and service providers, supplemental education, educational products and services, support services, among others)
Target investees	Impact organizations Start-ups, growth companies and impact-driven SMEs NGOs with market-based/entrepreneurial approaches
Target end-beneficiaries	Vulnerable/marginalized groups in the K12 age group, with a focus on pre-primary (ECD), primary and secondary education level. Organizations addressing basic educational gaps of youth/young adults.
Geography	Organizations should be active in, or be looking to expand to, West Africa and MENA (Middle East and North Africa) *(see detailed list of eligible countries on p.4).*

* *See more details on the eligibility criteria and the funding instruments on the following pages.*

Application and deadline

The call for application is now open, with a deadline on **March 25th, 2022, at 8pm (CET).** You can apply via the following online application form:

Apply here

Facility managers

iGRAVITY
Roots of Impact

Funding partners

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development and Cooperation SDC

JACOBS FOUNDATION
Our Promise to Youth

Objective

From an impact perspective, the aim of the ILF for Education is to boost inclusive and equitable quality education, and strengthen the funded organizations' focus on impact, particularly in terms of serving vulnerable children and youth. From a business management perspective, the Impact-Linked Finance mechanisms provided through the funding window will allow organizations to strengthen and scale their business models and ensure they continue to be or become economically viable and profitable over time.

General criteria

Scope: The organization must be operational for at least three years and operate in one of the target countries[1] (see table below under "Geography"). In order to be eligible for SIINC, organizations must be seeking a repayable investment (e.g. debt, equity, etc.) in parallel. There are no specific additional requirements for the Impact-Linked Loans.

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

Financial sustainability: The objective of the ILF for Education program is to support organizations that will continue to generate positive impact long after the SIINC payments or the Impact-Linked Loan have ended. Thus, the organization must have either already achieved financial sustainability, or must have a clear plan for achieving it (through market-based commercial channels, public contracting, or other self-sustaining revenue generation activities).

Impact measurement: The support provided to the organization in this program takes the form of time-bound outcomes-based payments (for SIINC) or interest rate reductions (for Impact-Linked Loans), granted to incentivize positive social impact. To design a realistic incentive schedule, it is necessary to have baseline data related to the impact generated by the organization. In that respect, there are two possible scenarios:

a) The organization already has a baseline data of systematically tracked and reported impact indicators, which can act as a basis for structuring the SIINC payments or the Impact-Linked Loan.
   ➔ The organization is immediately eligible to obtain Impact-Linked Finance.

b) The organization doesn't yet have this track record but is able and willing to put systems in place to develop it, and then continue monitoring the organization's impact over time.

[1] Note: Organizations are not required to have their HQ in one of their target markets, but their products/services must either be already offered in one of these markets, or the organization shall be planning and willing to enter one of these markets.

- The ILF for Education will provide TA (technical assistance) to high-potential companies in the form of training and support in developing personalized impact measurement systems. Such companies will then be eligible to obtain Impact-Linked Finance either via an accelerated process, or through a subsequent call for proposal, scheduled for July/August 2022.

Impact focus: Organizations that target vulnerable children and youth will be of particular interest. Organizations that do not have a specific impact focus are also eligible if they prove to be willing and able to deliver positive social outcomes for such target populations. The focus of the ILF for Education window lies around improving access to basic education, and learning outcomes of pre-primary, primary and secondary students (K12), including non-formal basic education opportunities (e.g., accelerated or catch-up education, remedial education etc.). The window is also open to organizations contributing to bridging education gaps for youth and adults on skills such as literacy/numeracy.

While a technological aspect as part of the organization's business model is appreciated (EdTech companies), we also encourage providers of non-technological products and services to apply as well.

Specific criteria

Overall, the parameters of the funding window are:

Overall objectives	Reward organizations for the additional positive impact they create, with a particular focus on enabling mainly vulnerable children and youth the right to an inclusive and equitable quality basic education and develop basic education skills and competencies by increasing access to such products/services provided by impact organizations in formal, non-formal or alternative basic education.
Target investees	Impact organizations Start-ups, growth companies and impact-driven SMEs NGOs with market-based/entrepreneurial approaches
Target sectors	Basic education (including EdTech, schools and service providers, supplemental education, educational products and services, support services, among others)
Target end-beneficiaries	Vulnerable/marginalized children in the K12 age group, with a focus on pre-primary (ECD), primary and secondary education level. Organizations addressing basic educational gaps of youth/young adults (such as literacy/numeracy skills).

Geography	Organizations should have, or be looking to expand, operations in West Africa and MENA (Middle East and North Africa). More specifically, the following countries are in scope: West Africa: Ivory Coast, Ghana, Benin, Burkina Faso, Chad, Mali, Niger MENA: Egypt, Jordan, Lebanon, Tunisia, Occupied Palestinian Territory Others[2]
Instruments	Social Impact Incentives (SIINC) and Impact-Linked Loans
Ticket sizes	SIINC: USD, EUR or local currency equivalent of approximately USD 200-500K *(ex.: organization raising USD 400K in equity, and on top receives USD 200K in SIINC payments)* Impact-Linked Loans: USD or local currency equivalent of approximately USD 150-400K
Terms	Will be defined on a case-by-case basis
Time frame	The selection process will be finalized by July 2022. 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 2022. Note: there will be a second call for proposal in mid-2022, with transactions for companies selected in this second round estimated to close in February 2023.

About the funding instruments

[2] Impact organizations operating in the following second priority countries are welcome to apply: Afghanistan, Albania, Algeria, Armenia, Azerbaijan, Bangladesh, Bolivia, Bosnia and Herzegovina, Burundi, Central African Republic, Colombia, Democratic Republic of the Congo, Eritrea, Ethiopia, Georgia, Honduras, Iraq, Kenya, Kosovo, Kyrgyzstan, Libya, Mekong region (Cambodia and Lao People's Democratic Republic), Moldova, Mozambique, Myanmar, Nepal, Nicaragua, North Macedonia, Rwanda, Serbia, Somalia, South Sudan, Sudan, Syria, Tajikistan, Tanzania, Ukraine, Uzbekistan, Yemen

Summary table

	SIINC	Impact-Linked Loan
Description	Time-limited, non-repayable payments linked to impact achieved	Loan with highly favourable terms linked to impact achieved ("Better terms for better impact")
Business stage	SIINC candidates need to be in either growth, expansion, or maturity phase.	Impact-Linked Loans are provided to organizations at either growth, expansion or maturity stage.
Impact stage	To receive SIINC, organizations require strong evidence and track record of the impact they create.	In general, organizations need to showcase a strong track record. However, on a case-by-case basis, debt may also be provided for new impactful business lines with no or little track record, if enough evidence on the impact that can be created, is provided.
Investment round	Candidates need to be raising or planning (in the immediate future) to raise a repayable (equity, debt, ...) investment round.	Organizations can, but do not necessarily have to be raising investments in addition to the Impact-Linked Loan.
Current profitability	Candidates should have either reached breakeven, or have clear plans on how to become self-sustainable in the near future.	Candidates should ideally, but not necessarily be already profitable. There should be clear plans and signs of the ability to repay the loan.
Future profitability	In three years' time, candidates should have reached breakeven.	In three years' time, candidates should be profitable.
Cashflows	Whether an organizations' cash flow is stable or unstable does not play an important role, as SIINCed organizations are not required to repay any of the SIINC payments.	Organizations are expected to have a stable and significant enough cash flow to be able to abide by the repayment obligations.
Cash needs	SIINC organizations receive regular (every 6-12 months), impact payments of smaller ticket sizes. The Impact-Linked Finance amount will not be disbursed at once or in advance.	In the case of Impact-Linked Loans, the full amount is disbursed straight away, which benefits organizations who need upfront capital to strengthen existing operations or launch new business lines.

SIINC

Social Impact Incentives (SIINC) is a funding instrument that rewards impact organizations with time-limited payments for achieving pre-defined and independently verified social outcomes. Organizations 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 organizations need to raise repayable investment in parallel. The nature of the investment round can vary (e.g. equity, debt, mezzanine, etc.).

SIINC example

(1) a) Education company serving both low and middle-income communities wants to expand and is raising a USD 1.5M equity investment. A SIINC of USD 300K is granted and outcomes are verified every six months. The SIINC metrics include: increased number of low-income students and improved children test scores.

(2) b) Education company offering services to low-income students is facing the dilemma between short-term profitability and keeping its impact focus as it scales. The company raises a USD 300K debt investment, and a SIINC of USD 200K is granted to support the company in continuing to serve low-income students and reach a critical scale of users, therefore avoiding an "impact shift".

Why SIINC is relevant

... for impact organizations 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 (Profit & Loss statement). With the SIINC payments, the organization enjoys full flexibility about the type and source of investment to bring in.

... for investors:

SIINC improves the risk/return profile of impact organizations by rewarding them for their impact. Organizations 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 organizations to decide on the desired outcomes and on the terms for incentivizing these. If SIINC is appropriately used, selected organizations 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

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 organization receives "better terms for better impact". Organizations 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 with regards to obtaining additional external financing.

Impact-Linked Loan example

An EdTech company developed a digital solution for K12 students. So far, its market focus has been on higher-income students, but the company has identified an opportunity to start serving lower-income populations (including in rural areas). However, moving into these markets requires specific investments.

The organization is granted a USD 200K Impact-Linked Loan via the ILF for Education program. The interest rate is set at 5%, with the possibility of decreasing it down to 0% if social outcomes are met. The metrics considered are: increased number of low-income students and improved children test scores. The tenure of the loan is 4 years, and the interest rate is adjusted every 6 months, upon verification of the outcomes.

Why Impact-Linked Loans are relevant

... for impact organizations and inclusive businesses:

Impact-Linked Loans allow impact organizations to finance their expansion under affordable terms. Impact-Linked Loans, for instance, can enable companies to further broaden and / or deepen their impact, e.g. by moving into initially less profitable or higher-risk target segments, or to launch risky yet high-impact products or services.

Impact-Linked Loans are generally provided to organizations who would otherwise struggle raising (comparably favorable) commercial investments to scale, or to organizations that want to transition to a more impactful model.

Partners of ILF for Education

Facility Managers

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 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.

Any questions regarding the ILF for Education window? Please check out our FAQ on the ILF for Education page. Other questions – including how to become a donor or investor – can be sent to iGravity's Impact Ventures team at impact.ventures@igravity.net

Funding Organisations

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.

JACOBS FOUNDATION

Our Promise to Youth

The Jacobs Foundation is an independent and charitable foundation based in Switzerland. The Foundation focuses on transforming learning and education around the world, with the objective of allowing children and youth the chance to reach their full potential, whatever their background, place of residence or family income.