

Frequently Asked Questions (FAQs)

Impact-Linked Fund for Education Program (ILF for Education)

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 investments in parallel. The nature of the investment round can vary (e.g., equity, debt, mezzanine, etc.) but the size must be at minimum double 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 Education 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 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 some real-life case studies [here](#).

Enterprise description and challenge	SIINC intervention
A Healthcare company serving low-income communities wants to expand and is raising a US\$ 1.5M equity investment.	A SIINC of US\$ 300K is granted and outcomes are verified every six months. The SIINC metrics included: an increased number of low-income patients and increased diversification of treatments available in clinics (with a focus on maternal health).
A 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 are 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 populations served in (semi-) urban areas, as well as the number of (semi-) rural households reached.
A 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 Payment (ILP) and how can it support an enterprise?

Impact-Linked Payment is a funding instrument that rewards impact organizations with time-limited payments for achieving pre-defined and independently verified social outcomes. Usually, Impact-Linked Payments will help an organization to improve their long-term financial sustainability by focusing on their market-based revenue generation. Impact-Linked Payments are similar to SIINC without having the requirement of raising a repayable investment round in parallel.

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, Impact-Linked Payment, or an Impact-Linked Loan?

When your enterprise applies, it will be asked to give a preference for a SIINC, Impact-Linked Payment, 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 Impact-Linked Payment or Impact-Linked Loan 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 Payment or Impact-Linked Loan. Even though enterprises of all stages are eligible for all three 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.

	SIINC	Impact-Linked Loan	Impact-Linked Payments
Description	Time-limited, non-repayable payments linked to impact achieved	Loan with highly favorable terms (such as interest rate reduction)	Time-limited, non-repayable payments linked to impact achieved
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-Linked Payment candidates need to be in either growth, expansion, or maturity phase.
Impact stage	To receive SIINC, organizations require strong evidence and a 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 little track record, if enough evidence on the impact that can be created, is provided.	To receive Impact-Linked Payments, organizations require strong evidence and a track record of the impact they create.

	SIINC	Impact-Linked Loan	Impact-Linked Payments
Investment round	Candidates need to be raising or planning (in the immediate future) to raise a repayable (equity, debt, ...) investment round in parallel to SIINC.	Organizations can, but do not necessarily have to be raising investments in addition to the Impact-Linked Loan.	Organizations can, but do not necessarily have to be raising investments
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.	Candidates should have a recurring non-grant revenue stream and have clear plans on how to increase financial sustainability in the near future.
Future profitability	In three years' time, candidates should have reached breakeven.	In three years' time, candidates should be profitable.	For NGOs: organizations must cover all of their operating costs and not be running at a deficit. For private enterprises: in three years' time, candidates should have reached breakeven
Cash needs	SIINC organizations receive regular (every 6-12 months), impact payments of smaller ticket sizes. The Impact-Linked Finance amount will <u>not</u> be disbursed at once or in advance.	In the case of Impact-Linked Loans, the full amount is disbursed straight away, which benefits organizations that need upfront capital to strengthen existing operations or launch new business lines.	Impact-Linked Payment recipients receive regular (every 6-12 months), impact payments of smaller ticket sizes. A small portion of the Impact-Linked Finance amount might be disbursed upfront on a case-by-case basis

Who is paying for the social outcomes?

The [Jacobs Foundation](#) and the [Swiss Agency for Development and Cooperation \(SDC\)](#) are the funders of the ILF Education funding window.

What is the process and timeline for this ILF for Education program?

The application deadline is **September 23, 2022, at 8 pm (CET)**. 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 end of 2022 / early 2023.

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 consideration aspects such as the impact KPIs of the enterprise, and the cost structure of the enterprise, among others. This activity will be by mid-2023.

The final closing and signing of the documentation are estimated to finish by Q3 2023.

Who should apply for the ILF for Education program?

Target sector	Education (incl. EdTech, schools and service providers, supplemental education, educational products and services, and support services, among others)
Target investees	Impact organizations Growth stage companies and impact-driven SMEs, NGOs/NPOs with recurring commercial revenues Minimum commercial revenue generation of USD 50,000
Target end-beneficiaries	Priority focus on pre-primary and primary education Additionally open to basic skills training for adolescents and adults (literacy, numeracy etc.) and vocational training
Geography	Organizations should be active in or be looking to expand to one of our priority countries in West Africa and MENA (Middle East and North Africa), or in one of our secondary countries (see the detailed list of eligible countries on p.4)

Which countries are eligible for the ILF for Education program?

Organizations should have or be looking to expand, operations in West Africa and MENA (Middle East and North Africa). 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. More specifically, the following countries are in scope:

West Africa: Ivory Coast, Ghana, Benin, Burkina Faso, Chad, Mali, Niger

MENA (Middle East and North Africa): Egypt, Jordan, Lebanon, Tunisia, Occupied Palestinian Territory

The second priority countries are the following: Afghanistan, Albania, Algeria, Armenia, Azerbaijan, Bangladesh, Bolivia, Bosnia and Herzegovina, Burundi, Central African Republic, Colombia, the 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.

How can I apply to the ILF for Education program?

Via the [application form available here](#)

The deadline to apply is **September 23, 2023**. Please note that we will only consider applications submitted through the online application form.

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