

Impact-Linked Fund for Education (ILF 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 their business and generate education outcomes. The fund will support impact organizations with three different impact-linked funding mechanisms: Social Impact Incentives (SIINC), Impact-Linked Loans, and Impact-Linked Payments, 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, 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)

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

Facility managers



Funding partners



Our Promise to Youth



Application and deadline

The call for application is now open, with a deadline of [September 23rd, 2022, at 8 pm \(CET\)](#).

You can apply via the following online application form:

[Apply here](#)

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 financing 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: Although there are no specific constraints regarding the legal form, the organizations need to generate commercial revenues from their activities. For Non-Profit Organizations, this means having in place a (non-grant) recurring revenue generated from market-based solutions or the possibility of becoming a contractor of the local Government. The organization must be operational for at least three years and operate in one of the target countries¹ (see table below under "Geography"). While there are no specific fundraising requirements for the Impact-Linked Loans or Impact-Linked Payments, in order to be eligible for SIINC, organizations must be seeking a repayable investment (e.g., debt, equity, etc.) in parallel.

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, the Impact-Linked Loan, or the Impact-Linked Payments 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 payments for education outcomes (for SIINC and Impact-

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.

Linked Payments) or interest rate reductions (for Impact-Linked Loans), granted to incentivize positive social impact. In order to design a realistic incentive schedule, the organization must already have baseline data of systematically tracked and reported impact indicators, which can act as a basis for structuring the SIINC payments, Impact-Linked Loans, or Impact-Linked Payments.

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 for this window lies around improving access to quality education for vulnerable children and youth. 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 impact organizations for the additional positive impact they create by enabling inclusive and equitable quality education for vulnerable children and youth in formal, non-formal, or alternative basic education
	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 sectors	Education (including EdTech, schools and service providers, supplemental education, educational products and services, and support services, among others)
	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 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), Impact-Linked Loans, and Impact-Linked Payments
	Ticket sizes	SIINC and Impact-Linked Payments: USD, EUR, or the local currency equivalent of approximately USD 150-500K 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 end of 2022 / early 2023. It will be followed by the structuring phase, which will terminate by mid-2023. The final closing and signing of the documentation are estimated to finish by Q3 2023.

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

About the funding instruments

Summary table

	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 and in some cases partial principal forgiveness linked to impact achieved)	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.
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.



	SIINC	Impact-Linked Loan	Impact-Linked Payments
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

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 investments in parallel. The nature of the investment round can vary (e.g. equity, debt, mezzanine, etc.).

SIINC example

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 an increased number of low-income students and improved children's test scores.

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:

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 on 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. Metrics are identified in close collaboration with enterprises and the outcome funders. 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 the increased number of low-

income students and improved children's 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:

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.

Impact-Linked Payment

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 SIINCs without having the requirement of raising a repayable investment round in parallel.

Impact-Linked Payment example

Education NGO serving both low and middle-income communities wants to expand its fee-based teacher training services. An Impact-Linked Payment of USD 300K is provided and outcomes are verified every six months. The Impact-Linked Payment metrics include teacher graduation rates and certifications from their training programs.

Why an Impact-Linked Payment is relevant

... for impact organizations:

The Impact-Linked Payment model makes it possible to scale while deepening impact and improving long-term financial sustainability, notably through a potential public contracting exit using a pay-for-results model. With the Impact-Linked Payment, the organization is not required to be raising a repayable investment round.

... for public funders and donors:

Impact-Linked Payments offer 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 the Impact-Linked



Payment is appropriately used, selected organizations will continue generating positive impact long after the agreement has ended.

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](#) 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



[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.



[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.