

First Call for Concept Notes

In this first Call for Concept Notes, the IMPACT Programme is inviting innovative ideas for specific impact investing products, tools and services that address system level market barriers and that aim to increase the flow and distribution of capital aligned to the Global Goals to Sub-Saharan Africa and South Asia.

About the IMPACT Programme

The IMPACT Programme (“the Programme”) is a 4-year programme funded by the UK Department for International Development (DFID) managed by Palladium in partnership with Enclude Capital Advisory and The Good Economy.

The Programme’s overall goal is to unblock constraints preventing Impact Investing from scaling in Sub-Saharan Africa and South Asia. It seeks to support the flow of investment capital from Impact Investors into businesses reaching the underserved as consumers, suppliers, distributors or employees, in hard to reach/difficult geographies, and/or through innovative business models.

Programme Background and Context

Estimates suggest that the Global Goals are facing an annual investment gap of \$2.5trn per year and on current projections the international community is unlikely to achieve these aims by 2030. At the same time the Global Goals offer an estimated US\$12trn investable opportunity and could create and support around 380m jobs by 2030. There is an opportunity for the private sector to create value and returns and build inclusive and sustainable economies.

Current investment structures do not deliver on a ‘double bottom line’ of impact and financial return. To achieve the SDGs, businesses and investors need to operate in a way that respects human rights, is environmentally sustainable, and tackles the challenges of our time, including poverty and climate change. The UK recognises the key role that the private sector plays in driving economic growth and poverty reduction, paying particular regard to the role of impact investment – i.e. investing with the central purpose of generating positive impact for people and the planet, alongside financial returns - in the effective mobilisation of private sector capital to contribute to the SDGs.

Well-functioning markets require a range of infrastructure components and supporting functions along with an effective set of formal and informal regulations and norms, and the Impact Investing market is no exception. While the mobilisation of capital for impact investing is generating more and more interest among a broad spectrum of investors, it is constrained by various market barriers and constraints often linked to the relatively early stage of this market.

These barriers and constraints include, among others, a lack of variety in investment products available to businesses from existing investors, a lack of generally available tools and services which support the investment value chain, challenges in the management, measurement, and reporting of impact performance resulting from a lack of generally accepted standards in the field, and, often, a lack of widespread awareness and participation in impact investing across Sub-Saharan Africa and South Asia.

The Programme will aim to strengthen the impact investing markets in Sub-Saharan Africa and South Asia, resulting in broader access to impact investing opportunities for enterprises.

The Programme's principal focus will be:

1. Development of **a range of Products, Tools and Services**, which help to increase the flow and distribution of investment to impactful enterprises;
2. Development of **generally accepted principles and methodologies for managing and measuring Impact Investing performance, with a focus on impact** (as opposed to financial) outcomes and outputs; and
3. **Deepening awareness, identity and practice** of Impact Investing in Sub-Saharan Africa and South Asia in order to encourage more impact investing activity.

Call for Applications

Focus of this call

Development of Impact Investing Products, Tools and Services to catalyse more impact capital to Sub-Saharan African and South Asian Markets

In this first Call for Concept Notes, the Programme is inviting applications with innovative ideas for the development of specific impact investing **products, tools and services** that will strengthen the impact investing ecosystem (i.e. the provider of service or support function in market) and stimulate investor interest and investment in enterprises in Sub-Saharan Africa and South Asia.

(i) Development and/or adoption of tools and services for use by ecosystem actors

While efforts have been made by stakeholders in the impact investing sector to develop a range of impact investing tools and services, more needs to be done in order to attract the large institutional investors (both international and domestic) who are able to supply capital at the volumes required.

Examples of the types of Tools and Services required might include:

- Impact Ratings and Audit/Accreditation systems
- Strengthen intermediaries in African and South Asian markets
- Matchmaking and Corporate/Blended Finance services
- Development of Impact Investing curriculum to develop professional expertise specifically in Impact Investing

(ii) Development and/or adoption of new investment products for investors and investees

Currently, impact investors tend to adopt traditional investment approaches to the investment process, but there is a persistent challenge with a perceived lack of “investable” businesses in many markets and sectors. In order to accelerate the deployment of impact capital, there is a need to create new investment products which increase the number of “investable” businesses qualifying for consideration by impact investors and intermediaries.

Examples might include:

- New investment vehicles, able to meet the needs of impactful enterprises
- New investment products for investees, tailored towards the needs of investees
- Products which build secondary markets for investments and/or which increase liquidity
- De-risking products

First Call: funding window

The Programme is now accepting funding applications for projects between £250,000 and £1,000,000. Exceptions can be made for compelling applications for grant amounts which fall outside of this range.

The Programme highly encourages initiatives and concepts that focus directly on interventions in South Asia and Sub-Saharan Africa, either directly to organisations based in these regions or through partnerships with organisations currently working in these regions.

Please note that the Programme will not be funding business-as-usual operations or be making direct investments into Impact Investment Funds or Accelerators.

The deadline for submitting a concept for this call is Wednesday 20th November 2019, 12 p.m. BST / 2 p.m. EST/ 4.30 p.m. IST. You must submit your application to applications@theimpactprogramme.org.uk before the deadline.

Late submissions will not be accepted.

Selection Process

The IMPACT Programme will be selecting initiatives for funding through an open and collaborative process. Selected initiatives will ultimately be contracted by Palladium as the lead firm responsible for managing the IMPACT Programme. The process the Programme will follow as part of this call for Proposals is as follows¹:

Step 1 - Concept note stage

- **Submission:** The template outlining the information required is enclosed in the application pack. During the application period, interested applicants are encouraged to attend the planned information webinars. During this concept development stage there will be opportunities to clarify your queries and send specific questions to the IMPACT programme team. The programme team will respond to all clarifications online through a transparent process.
- **Assessment:** After submission, concepts notes will be assessed by the IMPACT programme team with support from leading experts in the Impact Investing Ecosystem (programme ecosystem advisors). Successful applicants will be invited to submit a more detailed proposal, and each selected initiative will be paired with a designated ecosystem advisor who will provide detailed feedback on the concept note and who will be available for support during the development of the proposal.
- **Communication of decision:** All applicants will receive brief written feedback on their concept notes, setting out significant strengths and weaknesses of the concept. For those concepts which are rejected, applicants will also receive feedback on the reason(s) not to proceed. For concepts which are selected to proceed to the second stage, applicants will receive feedback on issues/concerns that will need to be addressed in the full proposal, in consultation with an ecosystem advisor.

Step 2 - Proposal Development stage

- **Advisory support:** Selected applicants from concept note stage will be connected to their allocated ecosystem advisor for feedback, support and guidance for developing a strong and viable detailed proposal.

¹ Subject to change

- **Due diligence / contracting:** Selected applicants from concept note stage will undergo a standard due diligence process and receive additional information and guidance on the standard applicable DFID Terms and Conditions for contracts and grant agreements. DFID's Standard Terms and Conditions can be downloaded [here](#)² and additional guidance can be obtained from [Palladium's Partner Handbook](#)³. All documents and guidelines that will be applicable during implementation of the initiative will be made available to selected applicants at the time of inviting them to prepare detailed proposals.

Step 3 - Assessment of full proposals

- Full proposals will be presented to the Investment Committee of the IMPACT Programme. This committee will assess each proposal to ensure that investments made by the Programme are aligned with the strategy and market needs. The Investment Committee will recommend the initiatives meeting the programme strategy and aims to the Programme Steering Committee for funding. The Programme Steering Committee will make the final decision with regard to allocating funding to a proposed initiative.

Eligibility Criteria

Any organisations with a valid legal registration, and therefore a mandate to operate, may apply for funding under the IMPACT Activity Fund. This includes, but is not limited to, private sector organisations, civil society and not-for-profit organisations and entities.

To be eligible to receive funding, interventions should:

- Meet minimum eligibility criteria
- Do no harm;
- Contribute to delivering systemic changes to the impact investing ecosystem particularly in Sub-Saharan Africa and South Asia;
- Have the potential of being adopted / replicated by the wider ecosystem;
- Include proactive and inclusive measures for knowledge sharing with stakeholders in the impact investing ecosystem; and
- Avoid excessive reputational risk to DFID, the IMPACT Programme, Palladium, and The Good Economy.

Assessment Criteria

Concept notes will be assessed against the following criteria:

1. Alignment and System level Impact: Concept demonstrates aligned objectives with DFID Impact Programme and the focus of this Call for Concepts (products, tools and services). It should operate at sector or market level and is likely to have a systemic impact in Sub-Saharan Africa and/or South Asia.

2. Sustainability (self-perpetuation): as part of the design of each investment, prospective grantees will be required to demonstrate how their initiatives will become independent of the Programme as part of their business cases and proposals, outlining how the initiative will become embedded in the impact investing ecosystem.

3. Inclusiveness: applications are expected to outline how stakeholders (local, regional) in Sub-Saharan Africa and/or South Asia will be included in the design, implementation and adoption of the proposed intervention; and

4. Additionality: The Programme operates according to a principle of additionality. This means that the provision of funding under the IMPACT Activity Fund through a contract or grant agreement must not substitute or replace an organisation's core funding, or crowd out other funding sources. Initiatives

² DFID Terms and Conditions

³ Palladium's Partner Handbook

funded under the IMPACT Activity Fund will show additionality by ensuring that the outcomes would have been delayed or not achieved without support from the Programme.

NB. Concept notes with a significant co-funding or match-funding component will be prioritised.

Grant Evaluation Guidelines

For successful concept notes which move to the Proposal stage, we will assess formal proposals against the criteria listed above, but also according to the following additional criteria: -

- 1. Impact Investing Identity:** Each Proposal is expected to contribute to establishing and/or strengthening the identity of impact investing on a global, regional or local level through knowledge sharing and targeted dissemination activities.
- 2. Innovation:** Proposals will clearly articulate the innovation that they are bringing to the Impact Investing ecosystem, and how this innovation will result in positive changes to the market.
- 3. Scale:** The outputs from proposals should be scalable. The Programme will consider the “return potential” when it invests, particularly whether initiatives will kick-start or otherwise build the impact investing market.
- 4. Measurability:** Proposals must set out clearly how they will measure performance, either according to quantitative and/or qualitative metrics.
- 5. Knowledge transfer:** Proposals are required to include a plan for communicating and sharing knowledge and lessons learned within the Impact Investing ecosystem.

Important Dates

Call for concept Note submission open	25 th October 2019
Regional Webinar for clarifications- Sub-Saharan Africa	29 th October 2019
Regional Webinar for clarifications- South Asia	30 th October 2019
Deadline for posting queries	4 th November 2019
Clarification response posted from IMPACT programme team	8 th November 2019
Deadline for concept note submission	20 th November 2019
Shortlisting decision communicated through emails	18 th December 2019
Full Proposal submission	7 th February 2020
Final selection of grantees	28 th February 2020