

Social Impact Incentives (SIINC): Detailed Information

Timeline and Content

Pre-condition for payment of any SIINC premium payments is that the enterprise successfully raises investment. An agreement for SIINC is signed before closing an investment contract and help the enterprise to attract this investment. The actual timeline of SIINC will vary based on your profile, the impact metrics you generate, and your overall goals with the Programme.

If you have been shortlisted after submitting an application, we will interview you. Based on this interview and a number of other factors, you will be informed of any necessary next steps.

Once the transaction is closed, the impact enterprise will be responsible for monitoring and measuring these metrics on an ongoing basis. The impact enterprise will regularly submit a report on the selected outcomes that will determine what proportion of the incentive you will be paid. The achievement of these outcomes will be verified (externally) on an annual basis and, based on the results, calculate and release SIINC premium payments.



To learn more about SIINC, click <https://www.roots-of-impact.org/siinc/> and check out our white paper: http://bit.ly/SIINC_WhitePaper



Examples of Past SIINC Deals

Detailed case studies of our deals with CdA and VIA can be found on <https://www.roots-of-impact.org/siinc/>. The table below gives practical examples of how companies leverage SIINC.

| Company description and challenge | How SIINC addresses the challenge |
|---|--|
| <p>Clinicas del Azúcar is a one-stop-shop chain of diabetes clinics serving low income populations in Mexico. As the company is raising investment to scale faces the risk of moving towards a middle-income population segment and of compromising on the quality of its service.</p> | <p>SIINC pays Clinicas for increases of its BoP patients and it ensures that they receive high quality treatment by monitoring their health improvements (HbA1c levels).</p> |
| <p>Village Infrastructure Angels provides solar-powered mills and off-grid electrification in the poorest regions in rural Honduras. The company struggles to attract investment to scale its operations.</p> | <p>SIINC will reward VIA for leasing contracts of the solar mills that VIA's female agents conclude, for the time saved from manual activities. In this way, the payments act as an additional revenue stream and help the company cover its operational costs</p> |
| <p>Inka Moss works with native high Andean communities in Peru to harvest, process and sell moss. Although there is high demand for the product, it is difficult to reach and train new communities to increase production.</p> | <p>SIINC payments are disbursed if the company reaches more communities of harvesters and helps them in increasing their income bracket.</p> |
| <p>Root Capital is an agricultural lender operating in Latin America for small agricultural cooperatives. Due to the high cost related to lending to smaller and first-time clients, Root Capital struggles to disburse credit to organisations that need it the most.</p> | <p>SIINC rewards Root Capital for disbursing “high additionality loans”, meaning loans that the lender would not consider profitable enough. A bonus is granted for gender inclusive businesses.</p> |
| <p>Novulis is a mobile dental clinic serving low income populations in Ecuador via a B2B model.</p> | <p>SIINC rewards the company for higher levels of customer satisfaction as a proxy of service quality. It also aims to increase the proportion of low-income family members who access the dental service.</p> |



Detailed Example: Inka Moss

Inka Moss is a for-profit social enterprise that preserves unique Andean nature while strengthening the employment opportunities for regional communities. Inka Moss collects, processes, and exports sphagnum moss (white moss) harvested by local communities. The product is in high demand across the world due to its unique ability to absorb water and its natural antibacterial properties, which make it useful in flower production, sustainable farming, water purification and for hydroponic farming. This high-impact approach made Inka Moss an obvious candidate for a Social Impact Incentives (SIINC) transaction. Inka Moss leveraged the SIINC support to secure investment and expand into new moss supply zones and increase the volume of moss produced. Beginning production in new areas makes the company more resilient to changing rain patterns that has stunted the growth in previous years. The SIINC transaction was structured around three metrics which reflected both strong commercial and impact-related considerations (the ‘sweet-spot’ between the commercial and impact models).

These metrics are:

- Number of communities graduating to a higher 'level' of production
- Number of new harvesters
- Number of harvesters who ‘jump’ into a higher earning bracket

The year one results showed an expansion, which doubled the number of communities actively harvesting moss, rising from 20 to 40. Inka Moss had been attempting to raise funds for several years, but were now also able to raise over USD 600K in investment – and say that this is largely attributable to having the SIINC component in place.

As with this example, there are investment opportunities that have strong potential for social or environmental impact which cannot generate the financial returns expected by impact investors or traditional investors. Moreover, because of the market where they operate, they are perceived as having high financial risk. Others suffer from a lack of information or track record given the novelty of either the market or a particular type of investment opportunity. Of course, SIINC is not the only means of encouraging the flow of capital to these investment opportunities by improving their risk-return profiles and, thus, incentivizing more investors to invest. It is, however, a pioneering approach in directly connecting the catalytic potential with measurable social impact.

Hypothetical B-Bridddhi case study

Shamin is a mechanical engineer returning to Bangladesh after several years working abroad for a multinational company. Shamin’s family has an energy business across the Rajshahi region supplying fuel, generators and related goods. Shamin has now introduced a model of improved/clean cookstove from an international supplier. The cookstoves have sold extremely well, and Shamin has launched his own social enterprise – Rajshahi Stoves – as a joint venture with his family’s business.

The cookstoves marketed by Rajshahi stoves offer significant benefits for his target customers, people living on less than USD 1.90 a day. The stoves are much more fuel efficient than comparable products. For an average household of 4.7 people cooking two meals a day, the savings in fuel costs are significant, which mean that the stoves pay for themselves. At a price point of USD 20 dollars per stove, it takes two months for the average household to recoup the purchasing price, after which the



cost savings worth USD 10 per month for every customer household over 10 years, the average lifespan of the cooking stove. In addition, if properly used, also result in significant improvements in the indoor air quality of his customer households, generating health benefits as well.

Of course, his customers cannot afford a down payment of USD 20, so Shamin has a distribution model that allows his customers to pay off the cookstoves in weekly instalments. This makes his product accessible for his customers, but adds a lot to his costs. Overall, including all of Rajshahi's operating and distribution costs and his bulk purchasing price of USD 18 per stove, his costs amount to USD 23 per stove. At a sales price of USD 20, Shamin is still losing USD 3 Dollars per stove sold. Shamin cannot raise his price, as his customers are extremely price-sensitive, but he has ambitious plans.

Shamin intends to produce the stove locally under license agreement, which would bring down his costs to USD 16 dollars per stove. This would make Rajshahi stoves a profitable venture, earning USD 4 dollars on every stove sold for Rajshahi stoves. In order to implement this plan, however, Rajshahi Stoves needs investment to set up the local production. It is clearly not ready to take it on. There is no impact management system in place to track the organisation's inputs, outputs, outcomes, and impacts and communicate these to the wider world.

Shamin hears of an incubation program, whereby he gains access to a co-working space that Rajshahi Stoves can use during visits to Dhaka. The incubator connects Rajshahi Stoves with mentors and provides support developing leadership skills, business planning, marketing, and attending pitch events. Rajshahi Stoves gains access to a network of investors and other actors involved in the social entrepreneurship and impact investment spheres. These are just some of the resources that the enterprise now has access to. All of this adds up to targeted support specifically to allow it to better prepare for investment and impact management.

Shamin, through participation in this program, also benefits from an online platform that guides him through the whole incubation process. The platform even connects him to another entrepreneur in India who markets a similar product and gives him valuable advice on how to improve his marketing strategy. Through the online platform, Shamin also participates in an investment readiness online course free of cost from the comfort of his home in Rajshahi.

At the end of this whole process, the Rajshahi Stoves receive an invitation to an angel investment pitch event. The pitch is successful and an investor comes on board. The investor is an experienced business angel that invests with a revenue sharing model inspired by the innovative finance toolbox. The advantage of the revenue sharing model chosen by Shamin and the investor lies in eliminating the necessity for pre-defined exit dates, leaving room for Rajshahi stoves to develop organically. The investor is willing to take an early stage risk considering the large potential market and strong impact results. But he can invest only 100,000 USD at first. A further 100,000 USD is provided by the impact-ready matching fund from the Biniyog Briddhi: SIE-B financing vehicle.

With this, Rajshahi Stoves can set-up the local production and begin to scale. The next round of financing is now being planned. The investor and Rajshahi Stoves are in agreement that they would like to incorporate a SIINC component, ensuring that Rajshahi Stoves will secure further finance based on impact performance. Rajshahi stoves negotiates a three year contract with the Biniyog Briddhi: SIE-B financing vehicle in which the reduction of fuel used by Shamin's customers living on less than USD 1.90 a day using the cook stoves is measured and verified by a third party. Based on this data the increased disposable household income of BoP customers is calculated. This additional disposable income of the households serves as the main indicator for premium payments to the Rajshahi stoves.





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For every 10 dollars saved by Rajshahi stoves' poor customers, the enterprise receives USD 1 dollar from Biniyog Briddhi: SIE-B. The more additional income generated by properly using the cook stoves the more premiums the enterprise can earn. This is very different to subsidizing sales of these products where the proper usage and maintenance of the products would not be considered.

With the SIINC payments, Rajshahi stoves is now a profitable business. With his new balance sheet and his SIINC contract, Rajshahi stoves manages to find another investor, who this time invests USD 1 million into the business in exchange for a 20% stake in the company. This allows Rajshahi stoves to scale even further. It now sells 20'000 stoves a month. This justifies an investment in a bigger production plant, which allows to bring down the production unit cost for every stove to USD 10, making Rajshahi stoves profitable without the SIINC payments.

With only USD 100'000 of matching funds and USD 200'000 of SIINC payments, Biniyog Briddhi: SIE-B has leveraged investments worth USD 1.1 million while Rajshahi Stoves continues to sell 20'000 stoves every month, without any external support, generating significant income increases for its customers. Because Shamin received support and was incentivised to introduce proper impact management practices in order to participate in the incubation process and be eligible for the impact ready matching funds and SIINC payments, Rajshahi Stoves now continues to apply the same practices, as it has understood that the provision of embedded messages on the proper use and maintenance of its stoves not only increases its impact on the customers, but brand value and sales as well.

