

2.3 IRMF (IMPACT-READY MATCHING FUND)

Brief Description

The Impact Ready Matching Fund (IRMF) is a non-repayable matching fund provided at the seed stage of an impact enterprise, with disbursements linked to milestones in the development of an impact management system. IRMF is a novel approach to supporting early stage impact enterprises, designed to be provided parallel to an investment by seed-stage (e.g. angel) investors. If milestones are met the IRMF matches the seed investment 1:1 and thus lowers the financing cost of the enterprise significantly. The model involves a donor/philanthropic entity committing to provide non-repayable funding to the enterprise against the achievement of milestones linked to the development and implementation of impact management system within the enterprise. The amount of the grant is tied to the amount of investment provided by a third-party private investor. The logic is to provide straightforward support in order to catalyse more early-stage investments while simultaneously incentivising enterprises to improve their impact management capacity. The achievement of the milestones is assessed by the provider of funding or an independent verifier.



*Investment and total matching fund sums are equal, and contracts are mutually closing

Figure 2.5 – "IRMF", source: Roots of Impact.

Purpose/Fit	Catalysing of angel investment round in order to support seed-stage impact enterprise with low cost capital. Supports creation of impact management systems by enterprises for later-stage access to impact investments.
Can replace	Grants (technical assistance, development grants).
Risk/Return Profile	n/a
Enterprise Lifecycle	Startup/seed (could conceivably be utilized for later stages, but investment sums might be prohibitive).
Maturity	Funds released over usually one year.

Defining Criteria

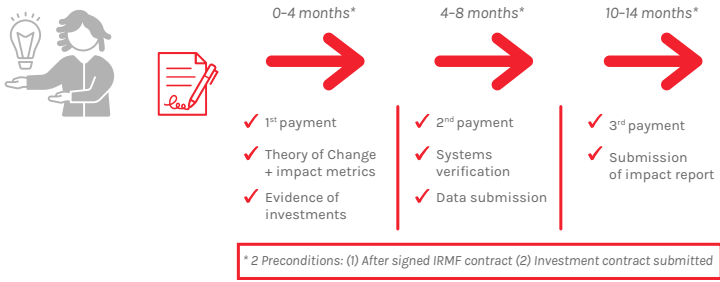
- **Milestone-based:** Funding is milestone-based, with disbursements released against advances in the development and implementation of an impact management system.
- **Impact management system:** The impact management system refers to structures and/or processes internal to the enterprise which enable the conceptualizing, tracking, managing and reporting of impact.
- **Capital mobilisation:** The IRMF is tied to an angel investment round which must involve the investment of repayable capital by a third-party investor.
- **Milestone verification:** Verification of the milestone achievement is conducted by the fund manager or an independent verifier, who check that the impact management system has been developed and implemented to a minimum standard.

Interesting Variants and Options

- Instead of paying for several milestones the funding could be provided in one sum with achievement of the end result (i.e. the first impact report meeting pre-determined requirements).

Example of IRMF transactions

- n/a (first transactions planned in Bangladesh in 2020).

Examples of relevant terms (as formulated in a contract):	
Matching	The IRMF matches (1:1) repayable investment received by the enterprise in the (time period) up to an amount of (USD 100k).
Milestones-based disbursement	<ul style="list-style-type: none"> ○ 1st milestone/disbursement: Initial 30% of the matching funding will be disbursed after the enterprise has developed a theory of change ("TOC") and a plan to track a set of impact indicators that address a key element of the organisations impact. ○ 2nd milestone/disbursement: A further 30% of the payment will be disbursed upon submission of data and after verification that the agreed-upon metrics have been established and operationalised. ○ 3rd milestone/disbursement: The final 40% will be disbursed after enterprise has submitted an impact report meeting minimum requirements.  <p>* 2 Preconditions: (1) After signed IRMF contract (2) Investment contract submitted</p>

Main Advantages

- Straightforward means of catalysing early-stage investment rounds.
- Builds pipeline for later-stage impact investors.

- Can put enterprises on a strong impact trajectory and institutionalise an impact focus from an early stage (relevant also for access to impact investment).
- Helps promote impact management throughout the eco-system.
- Unlike a simple matching grant, an IRMF directly links payments to milestones/results.
- Unlike technical assistance grants, an IRMF has a direct link to an investment round while at the same time supporting the enterprise to build up impact management capacity.

Main Challenges

- Ensuring cost efficiency (compared to a simple matching grant).
- Greater administration requirements than a simple matching grant.
- Choosing most suitable enterprises with strong potential for impact and scale.
- Ensuring that the impact focus and systems remain in place after the IRMF funding has been fully disbursed.



A hypothetical case study and additional resources about IRMF can be found [here](#).