2.1 SIINC (SOCIAL IMPACT INCENTIVES)

Brief Description

Social Impact Incentives (SIINC) is a funding instrument that rewards impact enterprises with time-limited premium payments for achieving social impact. By linking public or philanthropic funding to pre-defined and proven social outcomes, high-impact enterprises can earn extra revenue and improve their profitability, which in turn helps to attract additional investment to scale.

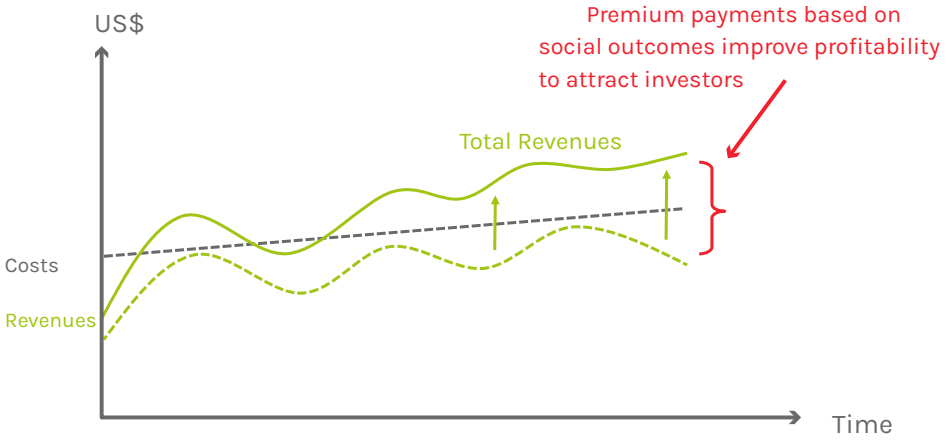


Figure 2.2 – "Business case with SIINC", source: Roots of Impact.

Given that raising repayable investment is a pre-condition for receiving SIINC payments, it can effectively be defined as a blended finance mechanism: catalytic funds are leveraged to mobilise private investment for impact enterprises.

Purpose/Fit	Enabling impact enterprises to attract investment and scale both in terms of income and impact Improving the risk/return profile for investors
Can replace	Grants, catalytic capital, and other blended finance instruments
Risk/Return Profile	Outcome payer seeks no financial return
Enterprise Lifecycle	Early and later growth-stage
Maturity	2-4 years

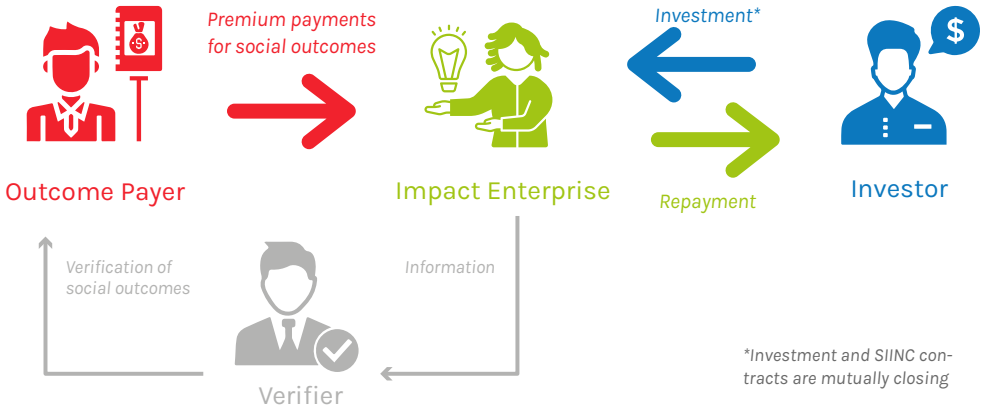


Figure 2.3 – "The Social Impact Incentives (SIINC)", source: Roots of Impact.

Defining Criteria

1. **Financial reward for impact:** Ongoing payments to impact enterprises are linked to direct and measurable impact (which aligns profitability with social impact).
2. **Outcome verification:** Independent verification of the results (outcomes).
3. **Cap for financial rewards:** Premiums are typically provided up to a capped amount.
4. **Capital mobilisation:** Mobilisation of private investment (closing condition for SIINC) creates leverage for the catalytic funding provided.
5. **Alignment of interests:** Impact enterprises and investors both carry the risk of underperformance in achieving outcomes, and both benefit from successful outcome achievements.

Variants and Optional features

- **Reimbursable SIINC:** similar to traditional SIINC, except that payments received from the outcome payer have to be reimbursed if pre-defined triggers are met. While conditions can be freely negotiated, the most obvious scenario is to tie reimbursement to the commercial success of the enterprise, e.g. using pre-defined profitability triggers.

- **Convertible SIINC:** along the lines of Reimbursable SIINC, Convertible SIINC can tie a partial or full conversion of SIINC payments (e.g. into debt) to the commercial success of the impact enterprise. Both variants are best suited for high-growth ventures expected to become commercially strong, and both allow outcome payers to "recycle" their resources to generate further impact (see the Reimbursable and Convertible SIINC factsheet).

- **Direct integration of SIINC in investment (e.g. Impact-Linked Loan):** social impact incentives can be directly integrated into loans, tying the interest rates (potentially even parts of the repayment obligations) to the borrower's impact – the higher the social outcomes achieved, the better the terms. Possible (re)payment adjustments range from discounted interest to partial or even complete forgiveness of interest and principal payments.

PRACTICAL APPLICATION

Benefits and Considerations, Outcome Payer

Benefits	Considerations
Outcome payers only pay for additional results, beyond the projected business as usual impact of the enterprise	No financial return to the outcome payer: funds are catalytic and are not recovered (unlike Reimbursable/Convertible SIINC)
Catalytic funding is leveraged: mobilisation of private investment is a closing condition, and it is tied to repayable capital in its design	Potential additional cost and effort for baseline assessment, appropriate data-gathering methodologies and independent verification
Investors indirectly benefit from the investee's improved revenue situation, improving the risk/return profile	Design principle: financial rewards are calibrated using financial and impact modelling to support the enterprise's scaling strategy. As a result, financial and impact strategy from the enterprise should be available
Allows targeting of specific outcomes (e.g. women's empowerment, rural area development, focus on the bottom of the pyramid), across sectors and geographies, with no restrictions on investor type, investment size or instrument (equity, debt or mezzanine are all possible)	Selecting enterprises with genuine potential for impact and scale requires upfront assessment on two dimensions

Benefits and Considerations, Enterprises

Benefits	Considerations
Premium payments provide extra revenue and improve profitability, helping to attract additional investment to scale	Raising repayable investment is a pre-condition for receiving SIINC payments, so investment readiness is required
Reduces potential frictions between impact and commercial concerns (can enable the enterprise to serve more rural, vulnerable or disadvantaged groups)	Payments are time-limited (typically 2–4 years); the end of the scheme (exit) has to be planned from the beginning so impact continues via economies of scale (market-based exit) or a public contract (public exit)
No dilution and no repayment obligation; the SIINC agreement is separate from the investment contract, with no need for a special purpose vehicle or overlay structure	The enterprise carries the risk of underperformance against the agreed outcome targets, which means lower or no premium payment (not a penalty)
Freedom in choice of investors and instruments for the accompanying investment round	
Ongoing impact measurement, reporting and independent verification allow the enterprise to maintain an impact management system	

Selection Criteria Checklist

Use to test whether SIINC is a good fit for a given deal.

- ☐ **Measurable outcomes:** suitable outcome metrics exist, with a credible baseline as a benchmark for incentives. Where they are not yet available, they can be built up or evolved over time (see "How it works and optional design features", e.g. IMM build-up phase and evolving metrics).
- ☐ **Investment readiness:** the enterprise can realistically raise repayable investment, the closing condition for SIINC.
- ☐ **Committed outcome payer:** a public or philanthropic funder is available for premium payments over 2–4 years.
- ☐ **Verification feasibility:** independent verification is practical and affordable relative to payment size.
- ☐ **Additionality:** payments reward outcomes beyond the enterprise's projected business as usual impact results.
- ☐ **Sustainability of impact:** the impact pathway is expected to continue or endure beyond the funding of the SIINC.

Common Pitfalls

1. Linking payments to outcomes the enterprise cannot directly influence, breaking the incentive logic.
2. Using an unreliable baseline assessment, leaving no credible benchmark against which to verify additional outcomes.
3. Designing rewards without financial and impact modelling, so payments fail to support the scaling strategy or end abruptly without a sustainable and durable impact pathway beyond the SIINC.

Examples of Relevant Terms

As formulated in a contract; bracketed values are illustrative and negotiable.

Raising repayable investment as closing condition	The contract enters into force after the Company submits evidence of having secured repayable external investments in an amount equating to a minimum of (3) times the amount of the SIINC funds eligible for disbursement.
SIINC Payments Example I (diabetes treatment for low-income groups) – Improvement in blood sugar values	Indicator: Average improvement in HbA1c values of people from low-income households. Payment system: every additional (0.2%) improvement in HbA1c values triggers a different payment between (USD 1,000) and (USD 12,500). Example: if in a given period the verified average improvement is (1.4%), the impact enterprise receives (USD 6,250) in SIINC payments. Total payments are capped at (USD 75,000).
SIINC Payments Example I – Reach	Indicator: Average growth rate in the number of fee-paying patients from Bottom of the Pyramid (BoP) households. Payment system: for every additional (2.5%) average growth rate of BoP patients, a SIINC payment between (USD 1,500) and (USD 12,500) is provided. Example: if within a six-month period BoP patients increase by (12%), the impact enterprise receives (USD 7,500). Total payments cannot exceed (USD 50,000).
SIINC Payments Example II (inclusive agricultural business) – Improvement in income	Indicator: Number of harvesters who move to a higher earnings bracket as a result of their moss-harvesting activities. Payment system: for every additional moss harvester entering a higher earnings bracket, the impact enterprise is eligible for a SIINC payment between (USD 40) and (USD 70), with increases in lower-income brackets providing higher payments. Example: if within a year a harvester moves from bracket 2 to bracket 3, the impact enterprise is eligible for a payment of (USD 70); if a harvester jumps two or more brackets (e.g. from 1 to 4) in one measurement period, the payment is doubled to (USD 140).

CASE STUDY: APON BAZAAR, BANGLADESH

Instrument	Social Impact Incentives (SIINC)
Enterprise	Apon Bazaar, founded 2017
Sector	Omnichannel marketplace for ready-made garment (RMG) factory workers
Outcome Funder	Embassy of Switzerland in Bangladesh through the Biniyog-Briddhi programme
SIINC Size	Up to USD 250,000 in premium payments
Signed	April 2021
Follow-On Investment	USD 938K raised in 2021-2022; USD 1.5 million raised in 2024

The Challenge

Bangladesh's RMG sector employs around four million people[33], many of them women earning roughly USD 100 a month. Workers lose up to 15% of income to healthcare costs and spend over half their income on groceries. Mainstream retailers target middle-income urban customers, leaving this segment underserved.

Apon Bazaar runs discount stores inside factories, selling groceries up to 10% below retail, offering interest-free credit, and unlocking free health insurance once a worker reaches a set level of monthly spending. Although the model delivers strong impact, it runs on tight margins that limit its ability to raise growth capital.

How the Deal Works

In April 2021, Roots of Impact signed a SIINC agreement with Apon Bazaar worth up to USD 250,000 in premium payments as a part of the catalytic funding initiative of Biniyog-Briddhi. The agreement was signed before Apon had closed any additional commercial capital investment, and its purpose was to help Apon attract that capital. Raising such additional investment was a precondition for any payment from the SIINC.

Payments were tied to three metrics: average monthly savings per customer, growth in the percentage of female customers, and percentage increase in the number of eligible clients with health insurance. These impact metrics not just allowed, but fostered the enterprise's commercial growth plans.

Apon reported on the metrics regularly, and the results were externally verified at least annually before each payment was released. The payments were premiums that Apon could use at its discretion.[34]

Results

SIINC Metric	Pre-SIINC Baseline	Post-SIINC Result	Change
Average Monthly Savings per Customer[35]	USD 1.26	USD 1.93	+53%
Share of Female Customers	39.0%	43.7%	+4.7 pts

When the SIINC concluded, the female customers share rose while the total customer base nearly doubled, so the absolute number of women served grew much faster than the percentage suggests.

What Changed Inside the Business

- Added dedicated 'women's corners' inside its stores, with a wider range of products for female workers.
- Covered rickshaw fares home for female workers who spent above a minimum threshold.
- Used impact data to show factories that Apon stores reduce employee churn, strengthening its sales pitch to new factories.

33 B-Briddhi, Apon Wellbeing: SIINC Case Study (2021)

34 B-Briddhi, Social Impact Incentives (SIINC): Supplementary Information (April 2024)

35 Ibid

- The additional revenue stream improved investability. Apon raised USD 1.5 million in a pre-seed round in February 2024, with Startup Bangladesh and Village Capital among the investors.[36]

A Closer Look: Apon Bazaar's SIINC

Apon's stores sit inside the factories where its customers work, so its sales depend on repeat purchases from the same workers. The SIINC metrics suited this model. Higher savings per customer and a larger share of women among customers were outcomes that also supported Apon's revenue and sales to factories, so impact and commercial goals pointed in the same direction.

Because each payment depended on externally verified results, Apon tracked its customer data closely. That data showed factories that Apon stores reduce employee churn, which strengthened its sales pitch to new factories and gave investors evidence of both impact and growth.

The premium payments covered the gap until Apon could attract investment on commercial terms, which was the purpose of the agreement. Apon raised USD 1.5 million in a pre-seed round in February 2024.

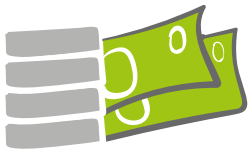
Lessons Learned

- **Choose metrics that align profitability with impact:** Apon's savings and gender metrics also drove revenue and factory sales. Impact achievement and commercial growth reinforced each other rather than competing for management attention.

- **SIINC improves the revenue of thin-margin impact models:** the time-limited premium payment budget bridges the gap until the business can attract investment on commercial terms.

- **Verified Impact Data Becomes a Sales Asset:** independently verified outcome data on churn and savings opened doors with factories and investors.

Other external case studies and additional resources about SIINC can be found **here.**



36 The Daily Star (Feb 2024)