

## **COMPETITION TERM SHEET / SELECTION CRITERIA FOR KAKUMA KALOBYEI CHALLENGE FUND (KKCF)**

### **Social Enterprise Window**

The following term sheet provides a general overview of the KKCF, the objective of the Competitive Business Challenge, the scope of the Social Enterprise Window, including funding ranges, financing and technical assistance offered, and window-specific eligibility and selection criteria, in order to inform prospective applicants in preparation of the full application process.

IFC's first refugee and host community focused program in sub-Saharan Africa implemented jointly by IFC and AECF in Kakuma refugee camp, Kalobeyei settlement and host communities.

**1** KKCF aims to enable better economic inclusion and self-reliance of displaced populations and their hosts in the Kakuma and Kalobeyei refugee hosting area.

**The objectives of KKCF are to:**

1. Attract new private companies and social enterprises to Kakuma and Kalobeyei area, which should lead to better employment opportunities for refugees and the host community and increase access to products and services.
2. Provide opportunities to scale-up the operations of private sector companies and social enterprises already present in Kakuma and Kalobeyei area.
3. Develop and grow refugee and host community owned businesses.

The competitive business challenge, implemented by the AECF, will support established companies in implementing commercially viable and sustainable businesses that have the potential to raise incomes, provide goods and services, create jobs and/or improve living standards in both the camp and host community. Private sector companies will compete for performance-based grants, which will also require co-financing from the companies. Technical assistance may also be provided.

**2** **Duration of the programme** 5 years (from 2020 to September 2024)

**3** **Geography/ focus area** The target area is Kakuma Town, Kakuma Refugee camp and Kalobeyei settlement and town in Turkana County, Kenya.

Kakuma and Kalobeyei areas are 30 km from each another. Kakuma area has hosted refugees for the past 28 years, additional support is needed to ease the social and economic pressures of hosting an increasing number of forcefully displaced persons. Kakuma town is the economic hub for Turkana West sub County and has attracted thriving businesses supporting both refugees and host communities as customers and employees.

Funding is available for businesses that are commercially active or have a strategic plan to enter the Kakuma and Kalobeyei area. All funding is earmarked for activities specific to operating in this geography.

<p><b>4</b></p>	<p><b>Eligibility</b></p>	<p>Funding is available for social enterprises - organizations applying commercial approaches to maximize improvements in financial, social and environmental well-being. This may include maximizing social impact alongside profits for social enterprises, who are active in, or have a plan to enter, the Kakuma and Kalobeyei area.</p> <p>KKCF is targeting social enterprises that will create sustainable operations that extend beyond the life of the five-year duration of the program.</p> <p>To be considered a Social Enterprise your business should:</p> <ul style="list-style-type: none"> <li>• Have a clear social or environmental agenda included in your governing documents;</li> <li>• Re-invest a large chunk of your profits back into the business for sustainability purposes;</li> <li>• Generate most of your income through trading activities;</li> <li>• Not be a government institution; and</li> <li>• Be transparent and accountable.</li> </ul> <p>The following eligibility criteria will apply:</p> <ul style="list-style-type: none"> <li>• Request a grant within the stipulated range.</li> <li>• Legally registered as an organization (e.g. Companies Limited by Guarantee) or a company (e.g. Limited Liability Company) and physically established in Kenya at the time of grant award by AECF. International organizations are welcome to apply but will need to be legally registered and physically established at the time of funding award.</li> <li>• Business model must be in line with definition of a social enterprise. i.e an organization or business which uses commercial strategies for the benefit of society or the environment while making a profit.</li> <li>• Have been in operation for a minimum of two years, with the ability to produce two years of audited accounts [these could be from the parent company, if recently established as a branch/subsidiary in Kenya].</li> <li>• Compliant with all governmental statutory and regulatory requirements.</li> <li>• Passes AECF's KYC (know your customer), AMT/CFT (anti-money laundering and counter-financing of terrorism), PEP (politically exposed person) and IDD (integrity due diligence) screening, based on the information submitted as part of the concept note.</li> <li>• Businesses must comply with all applicable national laws relating to human rights, labor and social and environmental management and respect internationally recognized human rights standards, as expressed in the International Bill of Human Rights and in the core labor standards established through the International Labor Organization.</li> <li>• Businesses not listed on the International Finance Corporation (IFC) Exclusion List, i.e. businesses supporting terrorism, production/trade of weapons, radioactive materials, tobacco, etc.</li> </ul>
<p><b>5</b></p>	<p><b>Sectors</b></p>	<p>The KKCF Social Enterprise Window is open to businesses in any sector, with the following priority sectors:</p> <ul style="list-style-type: none"> <li>• Water,</li> <li>• Sanitation;</li> <li>• Recycling; and</li> <li>• Childcare</li> </ul>
<p><b>6</b></p>	<p><b>Funds available</b></p>	<p>Applicants are expected to submit a funding application (concept note) presenting a project to be funded, explain how the applicant meets the funding requirements, and state the funding amount applied for and the proposed project duration. Funding must be used for a specific project in Kakuma and Kalobeyei areas, e.g. entry to the market or scaling up an existing project.</p> <p>Applicants can apply for a range of grants depending on their need:  Minimum fund award: \$100,000  Maximum fund award: \$750,000</p> <p>Funding is in the form of grants, where disbursements are based on mutually agreed milestones that must be achieved. Disbursements are in USD.</p> <p>Maximum duration of the agreement: 4 years</p>

<p><b>7</b></p>	<p><b>Financial contributions from applicant</b></p>	<p>KKCF requires a financial contribution from the applicant to demonstrate commercial viability and readiness to share risk. Acceptance of match funding is subject to approval by the KKCF and relate only to the proposed KKCF project expenses.</p> <p><b>AECF funding requirements from the applicant for the Social Enterprise window is 1 (KKCF) to 0.25 (applicant) based on the application value.</b></p> <p>Financial contributions to the project can be made either all in cash or a combination of cash and/or 'in kind' as highlighted below:</p> <p><b>Types of financial contribution accepted:</b></p> <p><b>1. Cash</b> Where at least one party (e.g. commercial bank/MFI, venture capital firm, impact investor, incubator / accelerator, mobile operator, foundation or the founder/other shareholders) agrees to provide funding to the KKCF funding applicant. Evidence accepted includes a signed MoU or contract, a bank statement and letter confirming the total amount disbursed or to be disbursed by the party. The submitted documents to the KKCF of co-funding commitments must include all conditions, timescales and any other considerations.</p> <p><b>Examples Include:</b></p> <ul style="list-style-type: none"> <li>• Investment funding (equity finance)</li> <li>• Impact investment</li> <li>• Crowdfunding</li> <li>• Grants (from governments, foundations or NGOs).</li> </ul> <p><b>2. In Kind</b> In kind contribution includes any significant and monetizable contribution to the project that is not financial. Applicants must be able to quantify and demonstrate what results any contribution given in kind will achieve for the proposed project. In kind contributions should be incremental/ would not have happened without the project.</p> <p>In kind contribution is capped at 25% of the total contribution from the applicant. In cases where in-kind contribution is approved, the KKCF project team will discuss with the applicant how to best agree the contribution commitment and valuation.</p> <p><b>Examples Include:</b></p> <ul style="list-style-type: none"> <li>• Use of goods (i.e. inventory), utilities and/or facilities (e.g. rent for factory and/or office space)</li> <li>• Services (e.g. marketing services specific to the project)</li> <li>• Provision and access to equipment (including software)</li> <li>• Management time (this includes un-paid overtime or reduced pay for time contributed)</li> <li>• Technical assistance</li> </ul>
<p><b>8</b></p>	<p><b>Disbursement milestones/ requirements</b></p>	<p>The first disbursement is an advance payment, with subsequent disbursements contingent on verification of the use of the previous funds disbursed, achievements of pre-agreed milestones, and fulfilment of reporting requirements.</p> <p>At the time of contracting, disbursement milestones and reporting requirements will be agreed on between AECF and the applicant, which the applicant will then be required to meet in order to be eligible for each scheduled disbursement.</p>

9	<b>Additional support available</b>	<p>Technical assistance (TA) will be available under this funding window - this is non-financial assistance that will be provided as value-add services to the targeted beneficiaries in order to maximize the quality of the project implementation outcomes, business sustainability and impact. TA will primarily encompass Business Development services (BDS) and Investment Readiness (IR) support.</p> <p>Technical assistance services include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Pre-contract/preparatory technical assistance support in the form of webinars to all interested applicants, providing information on the competition including the opportunity for funding, the competition process and market intelligence on Kakuma;</li> <li>• Onboarding will provide information on logistics, security, lodging, local partners, etc.</li> <li>• Contracting technical assistance will be provided to enhance the understanding of business contracts and set expectations related to compliance of such; and</li> <li>• Post-contract technical assistance provided to those investees awarded funding, throughout the duration of their engagement with KKCF. This assistance includes the following: <ul style="list-style-type: none"> <li>• General business trainings/workshops for all funded companies;</li> <li>• Individual, tailored advisory services, addressing identified capacity development needs; and</li> <li>• Investments advisory support to access additional financing from impact and commercial investors in addition to KKCF funding.</li> </ul> </li> </ul>
10	<b>Required socio - economic impact</b>	<p>KKCF will support increased economic activity in Kakuma and Kalobeyei that will boost the socio-economic inclusion of the refugees and host communities, boost incomes and job creation for the refugees and host population and gradually facilitate economic development in the area. Applicants must make it clear in their application how the enterprise will incorporate local players that are already active in their sector of engagement so as to absorb them, thereby avoiding economic displacement.</p> <p>The KKCF will incorporate a Gender Lens Investing (GLI) approach to ensure that women and youth gain equal opportunities for employment and business support as the rest of the target market. Gender will be incorporated into every stage of the competition with the use of gender scorecards and gender assessment tools, and throughout the program duration, through support and engagement on gender policies and gender actions plans for continuous improvement at the business level.</p> <p>Concept notes must clearly demonstrate how the project will deliver and sustain systemic change in the target markets and create measurable improvements to the livelihoods of refugees and host communities; such as improvements in job creation or access to services, or enhancement in the quality of services already provided. The applicant must be able to communicate the envisioned results in the application (concept note), and clearly connect them to the activities proposed.</p>
11	<b>Selection criteria</b>	<p>Each applicant will be evaluated and scored against the following criteria:</p> <ul style="list-style-type: none"> <li>• Geographic focus areas of Kakuma and Kalobeyei and the project intends to benefit either host or refugee communities, or both.</li> <li>• Capacity of the project to deliver and sustain social impact, particularly on refugees and women and youth.</li> <li>• Strength of the project's commercial viability (including consideration of price point of product/service if relevant) and sustainability.</li> <li>• Demonstrated potential to attract further commercial funding, beyond the grant provided by KKCF, if needed.</li> <li>• Demonstrated capacity of the applicant's management team to implement the proposed business / project (adequate internal resources/capacity) - headquarters and in-country.</li> <li>• Demonstrated understanding of the humanitarian development context, gender issues and culture of Kakuma refugee camp and host community.</li> <li>• Adherence to the blended finance principles, <b>see a high-level guide in text box 13, below.</b></li> </ul> <p>Women and youth-owned/led businesses are highly encouraged to apply.</p>
12	<b>Application process</b>	<p>Applications will be accepted between 10 November 2020 and 22 December 2020. The application window closes at 11:59pm EAT on 22 December 2020. All applicants must submit their application through AECF's online platform- the application package can be found here: <a href="https://kkcfke.org/competitions/">https://kkcfke.org/competitions/</a>.</p>

<p><b>13</b></p>	<p><b>Blended finance principles</b></p>	<p>KKCF will use blended finance principles to judge whether a particular applicant is eligible for a KKCF grant. In doing so, KKCF will apply five blended finance principles below when evaluating applications to ensure the effective and efficient use of KKCF grants:</p> <ol style="list-style-type: none"> <li><b>1. Economic Case for Concessionality:</b> the proposed project has a clear development impact, provides additionality through scope or scale and addresses specific operational barriers that commercial funding would not allow it to.</li> <li><b>2. Minimum Concessionality &amp; Crowding-In:</b> an appropriate level of concessionality is determined and supported by data; the concessionality does not cause unfair competition; and the concessionality supports cost-sharing and crowding-in of other sources of funding.</li> <li><b>3. Commercial Sustainability:</b> confidence that the project and subsidy will support the applicant to achieve commercial sustainability, ensuring that the activities supported by the project will continue and/or expand after the funding terminates.</li> <li><b>4. Reinforcing Markets:</b> the project will address root causes of market failures, in collaboration and coordination with complimentary players, including other development and private sector actors, that are seeking to address the same or related market failures.</li> <li><b>5. Promoting High Standards:</b> the project will uphold the utmost standards in corporate governance, environmental impact, social inclusion, transparency, integrity and disclosure.</li> </ol>
<p><b>14</b></p>	<p><b>Commitments from selected applicants</b></p>	<p>If selected, applicants must be committed to:</p> <ul style="list-style-type: none"> <li>• Uphold the highest level of integrity to achieve specified goals.</li> <li>• Collaborate with AECF to finalize contract milestones and KPI's. Milestone indicators are agreed with AECF before signature of the contract.</li> <li>• Commitment to gather, analyse and share learnings from the project with AECF.</li> <li>• Report according to agreed schedules and requirements.</li> <li>• Participate in AECF/IFC annual program reviews.</li> <li>• Ensure financial data and other management systems are accessible for audit purposes upon request.</li> <li>• Comply with all applicable laws and regulations.</li> <li>• Comply with KKCF Environmental and Social requirements, those of NEMA and IFC's Environmental and Social Performance standards.</li> </ul>