**Spark+ Investment Readiness Program**

Questions and Answers

*12 June 2017*

**How many applicants are you likely to take on?**

While we are retaining flexibility depending on the quality and quantity of applications, our base case calls for conducting due diligence on ten (10) applicants, and awarding support to approximately five (5).

**It looks like the idea of this programme is to help companies to be investment ready within a 12 to 18 month horizon. We are planning our first equity raise (and debt) from institutions by the end of this year. This is much shorter than 12 months even if we missed our target by a few months. Would this disqualify us?**

No, 12-18 months is a realistic, but hopefully conservative, timeframe in which we expect each RFP winner to close an investment round. In the event a winner is more advanced/prepared, and will be investment-ready sooner, we are able to tailor our support to fit these circumstances. We would encourage all companies planning to raise capital in the near or mid-term to apply.

**There is also mention of potential bridge finance and /or grant that is disbursed over 24 months. Can you clarify if these are the same? Bridge is a short term solution because your investors round is delayed. Would this bridge be a grant or loan or even convertible? Whereas a grant disbursed over 2 years would be linked to specific milestones probably negotiated in advance and does not sound like a bridge to me.**

We are using the term bridge finance in a general sense – referring to grant funds we would make available to winners for their use prior to raising outside capital. In that sense, this will bridge the winner to other financing, and these funds are not contingent upon other financing (like for instance, matching grants). These funds will be disbursed as non-returnable grants, and are not convertible into equity or debt. Any milestones associated with the grant being disbursed will be determined and agreed upon as appropriate during the contracting phase. Please note that the primary value provided under this RFP relates to the investment-readiness technical assistance that selected winners will receive, and if appropriate based on the outcome of this support phase, capital raising / transaction advisory services. Any bridging grants to winners will be determined and awarded on an as-needed basis based on due diligence, and should not be the primary motivation for your application.

**What kind of links you have to potential investors already. Or do we need to bring those links?**

The Alliance is working with a specialized financial advisory firm(s) with a track record in preparing social enterprises for investment, and helping them to execute capital raising processes – including negotiating terms and closing financing rounds. This track record includes successfully helping businesses to raise capital that operate in the energy access sector broadly, including those involved in cookstoves and fuels-related business models.

Both the Alliance and its advisors have extensive relationships with relevant debt and equity investors, many of whom have indicated they are interested in investments in high-impact, commercially viable enterprises which enable adoption of clean cooking solutions. We will collectively work diligently to leverage these relationships in order to enable winners to successfully implement their growth plans.

**Are you earning a fee for an equity or debt investment? Is it the same fee?**

Once winners are selected, we see the path to supporting them to raising financing as two phases:

**Phase 1** involves investment readiness preparation. This includes services delivered by the Alliance and outside advisory firm(s) (strategy consulting, training, preparation of investor materials, etc.), as well as specific initiatives funded by an Alliance grant which will advance investment-readiness (e.g. implementation of an ERP system). This phase will be financed by the Alliance under this RFP.

**Phase 2** involves investor engagement and transaction negotiation. While the Alliance and its advisors may be interested in supporting winners to engage with investors, an engagement during Phase 2 will depend on the outcome of Phase 1 – and be at the discretion of each winner, the Alliance and its advisors. We are unable to assure winners that Phase 2 will occur, because it is impossible to pre-determine which companies will emerge from the investment-readiness support engagement as investment-ready. And it is critical that the Alliance and its advisors assess the winner as ‘investment-ready’ if they are to endorse that company to their investor networks, as well as to commit to work on a success-fee basis. In the event both the winner, and the Alliance and its advisors wish to proceed, this engagement will be success-based with a fee retained from investment proceeds. We believe this approach aligns incentives well between the Alliance, its advisors, and RFP winners.

**What about our existing conversations with potential investors? I am betting your list of interested parties is similar to ours. In other words can the Alliance open new doors to us if we work together?**

While we aim to avail winners of an extensive investor network, and one which is likely to be additional to RFP winners’ existing networks, it is impossible to determine to what extent our networks overlap at this stage in the process. However, much of the value this program will provide is helping companies and their management to prepare for engaging with investors. The investment-readiness technical assistance process will help companies to address existing bottlenecks and barriers to raising outside capital, build out appropriate growth strategies that will increase attractiveness to investors, and develop a robust financial model and materials to position them well for successfully pitching to investors. Once this is complete, should an RFP winner, or the Alliance and its advisors, determine that it makes more sense for the company to raise capital on its own without outside support, this is entirely acceptable.

**Could you please clarify what exactly you are looking for in terms of the ‘existing financial model’? Is this the past and future yearly P&L's and cash flow statements? Or something different?**

You are correct. We are requesting whatever excel workbook you use to track your historical and projected financials – including cash flow statement, balance sheet and income statement. Models may include other sheets such as your capitalization table, which would be useful as well. Bear in mind there is no need to prepare anything new for this requirement, only to provide what you already have.

**Regarding Requirement no. 4: we have a pitch deck, an impact deck and a company presentation. Guess that will do?**

Yes, whatever you have is fine. Pitch deck, impact deck, and company presentation should work well.

**We applied for and won a grant from the Alliance in the past – are we eligible to apply again?**

Yes, absolutely – we would encourage you to apply. Though please bear in mind that you must evaluate your suitability in light of the criteria listed on this RFP, since the criteria for this program may be different than criteria for previous Alliance programs.

**Does this mean the $150k is earmarked for investment banker work to help prep businesses?**

$150k is the maximum funding that could be allocated to any winner of the RFP. This is not a firm number, and in fact the average amount awarded will likely be less – perhaps $50-100k. Bear in mind this also reflects the entire support package including a combination of investment-readiness technical assistance (pre-transaction investment/strategic advisory – so the preparation component of, presumably, what you refer to as ‘investment banker work’), as well as funds for specific initiatives that will better position winners for investment. The details of what will be included in the package will be determined collaboratively between the Alliance and its advisors, and individual applicants, during the due diligence process. RFP winners that, after the support is provided, are assessed to be investment-ready, may also engage the financial advisors that have provided the investment-readiness support to help execute the capital raising process on a success fee basis (the transaction advisory component of what you refer to as ‘investment banker work’).

**Does this mean that only the businesses selected in the investment readiness program would qualify for the bigger Spark + Investment program when it is hopefully ready?**

No. While winners will be particularly well-positioned for this funding given that we have already conducted due diligence, and they should have benefitted from the support provided under this RFP, we plan to support a pipeline of businesses through Spark+ that extends beyond RFP winners.

**What if this pre-investment work is not needed and a business is already ready for investment? Does it make sense for us to apply? Is this something we should apply for if we are not looking for investment banker help?**

We would encourage all companies that meet the criteria listed on the RFP to submit an application. If you are completely averse to working with an advisory firm, and make that clear in your application, we are unlikely to select your application as this is a key component of the offering. However if you are unsure of what value may be delivered by an advisory firm, we would still encourage you to apply and address this in future conversations during due diligence if selected.

There is an additional reason to consider applying as well. In addition to allowing the Investment Committee to evaluate your business for this program, the application will also provide the Alliance an up-do-date overview of the business which may improve its ability to direct other resources that may benefit your business, including Spark+ investment capital once available.

**Does this mean that there currently is not a Spark + Investment fund? What is your fundraising status for the Spark + Investment Program? What would the min/max investment be? Timing?**

We are currently in continuing discussions with potential funders (including family offices/HNWIs, private and corporate foundations, bilateral donors, and multilateral institutions). The identification of an investible pipeline is one of the primary challenges in fundraising for Spark+, and is one of the primary motivations for launching this RFP. We are hopeful that identifying and supporting a pipeline of businesses to become investment-ready will benefit both businesses and investors. We also see the potential for this work to demonstrate the need for a sector-focused investment facility, and we are hopeful that this work will accelerate discussions with potential funders.

**What is your fundraising status for this Investment Readiness Program?**

This is complete – which is why we have issued the RFP.

**Is the $150K per enterprise and how is the amount per enterprise determined?**

$150k is an indication of the approximate average amount of funds we will have for each winner of the RFP. This is not a firm number, and the entire support package (including what is needed on the TA front, as well as funds for specific initiatives that will better position winners for investment) will be determined collaboratively between the Alliance and its advisors, and individual applicants during due diligence. The specified ‘up to $150k’ accounts for a combination of grant funds and investment-readiness TA services.

**What will be the reporting and any other ongoing requirements for selected enterprises?**

The detailed requirements will be determined at a later date and specified in the grant contracts. It will be in line with previous Alliance processes, but as with other aspects of this program, streamlined where possible so as to ensure that while the Alliance receives the information it needs to report to its donors, there is no unnecessary burden for RFP winners.

**Will the data in the application be kept confidential? If so, what is in place for that and who will the applications be shared with?**

Any data shared with the Alliance is treated with the highest degree of confidentiality, and will not be shared beyond Alliance staff and an advisory firm(s) that is/are contractually obligated to maintain confidentiality.

**I just had a quick question about the mandatory summary financial table at the end. Should that be the same table that is in the first sheet of the financial spreadsheet template (excel)? The exec summary template lists topics, but I wasn't sure if there was a specific table we should use or if we just need to provide a text explanation of the financial spreadsheet template that is also required.**

This is an error, and a holdover from a previous version of the exec summary template. Please ignore that bullet point instruction. You should include the commentary specified in Section IX, but you are not required to paste the financial table into the executive summary. Please just submit that in excel form.

**To clarify, on the $150k, any idea the split between TA and grant support?**

No, this will be determined on a case-by-case basis during the due diligence process. We do not want to be prematurely prescriptive about what will be needed by companies without having a solid understanding of their current status, growth plans, operational challenges, etc.

**For the TA services what type of services will be offered, from whom and have all been already secured? What is the agreements with these providers?**

We will discuss this in more detail with qualifying applicants at a later stage in the process. We have identified potential TA services (and providers of those services) and have a sense for the services that will help position winners to be able to raise capital. However we see this as a very collaborative effort, and to the extent individual winners have identified certain needs which we have not, we remain open to exploring how we might procure services to meet those needs. Ultimately our goal is for businesses to be ready to successfully raise debt and/or equity capital – and while we have a good sense for the path towards that, we realize we may wish to adapt specifics of that journey, and therefore the use of Alliance funds, to best meet the needs of RFP winners.

**One of the eligibility criteria states: “They should have an established full-time management team and operations, and be able to outline plans for raising investment capital.” How complete does a management team need to be? Could a company potentially received Spark+ support to recruit and hire a full-time CFO, for example?**

The lack of a full-time CEO should not deter you from applying. The purpose of investment is often to provide resources in order to build out the management team. The key questions you should be asking yourself when considering whether to apply are, ‘do I believe that with some financial and advisory support, I have potential to raise capital from external debt and/or equity investors in the next 12 months?’ and ‘am I able to make that case to experienced impact investors with my executive summary and supporting materials?’

With regards to the use of Spark+ funds, as stated in the RFP, the proposed use will be determined collaboratively between the Alliance and shortlisted applicants during due diligence. It is relatively unlikely to be allocated for hiring a member of the management team for a variety of reasons, including the amount of funds available, however we will refrain from providing definitive guidance at this stage.

**Is there a set percentage split between how much a company can receive as venture capital and technical support?**

No, there is no set percentage, and this will vary on a case-by-case basis and will be determined during due diligence.

**In this RFP, like in nearly all the previous Spark Grants, are the recipients going to be limited to Kenya, Uganda, India, and Haiti? Last time we spent a lot of time and over $5,000 on the due diligence process, only to discover that the GACC investment committee would not fund anything outside the limited number of "target countries" that were at the time listed on your website.**

We address this in the RFP: “All qualified businesses, regardless of location, are encouraged to apply. Although the Alliance has a preference for Partners operating in its focus countries, as well as Haiti and Nepal, organizations operating in other countries are encouraged to apply. The most competitive applications will be selected regardless of location, with Alliance focus countries being a factor only in the unlikely circumstance of a final selection between applications of equal quality.”

To reiterate – while we do have a preference for focus countries, our intention with this program is to identify companies with the best business models, management teams, etc. that are most likely to raise follow-on investment. Our primary KPIs relate to leveraging grant funding with follow-on investment, so we are disinclined to select a company that we assess as less likely to raise capital just because it is operating in a focus country. That said, everything else completely equal with two applications (this is obviously an unlikely hypothetical situation), we would choose the company that operates in one of our focus countries.