SOLUTIONS FOR SUSTAINABILITY

PROJECT FUNDING

PHILANTHROPIC FUNDING FOR PROJECTS THAT MEET UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Solutions for Sustainability

Solutions for Sustainability was primarily established to support the distribution of philanthropic funding from charitable funds available from major donors in the United States and elsewhere globally.

The purpose of the funding is to channel finances towards worthwhile projects that improve United Nations Sustainable Development Goals (SDGs). These can be relatively small 'kickstart' projects (starting at $1M value) ranging all the way up to major projects such as funding hospitals, improving educational services or establishing sustainable energy sources.

The scope is wide and the key criteria is that one or more SDGs are met, depending on the size of the project. Funding can take the form of covering all project costs (such as through grants or forgivable loans) or providing loans on very favourable terms.

The organisation has the purpose of making funding available which will improve conditions in this world and acts as a sourcing hub for projects that can qualify.

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Key Points

- An excellent opportunity to have valuable humanitarian and other projects that contribute to society fully funded or provided with a loan on very favourable conditions.
- There are 2 levels of funding: **$1M to $10M** and **$50M to $600M.**
- There are 2 key conditions to be met for funding to made available.
- a) that one or more SDGs, specified at the start of the project, are met (depends on value of project)
- b) that a reimbursable deposit amount (pledge) is made at project start which is returned within months of project launching
- There are no fees incurred in applying for project funding

1 Oct 2024: This is a revision on previous funding explanations. Please note that there may still be some final modifications to the structure of funding due to ongoing legal, technical and organisational issues as the product is being refined to meet US IRS requirements for organisations providing charitable funding. This clarification and documentation is expected within a matter of weeks.

Philanthropic Funding

The funding is from philanthropic sources that wish to advance the UN's Sustainable Development Goals (SDGs).

For projects of between $1M and $10M it is given in the form of a 2% simple interest rate loan (or outright grant if for non-profits) for 5 years which will be converted into a 'forgivable loan' at the end of the project life span provided at least one SDG target agreed upon at the start of the project is met.

This means the loan effectively becomes a grant, or some similar type of appropriate legal instrument (depending on country legal requirements). No payments need to be paid on the loan over the 5 year loan period.

The other level of projects are between $50M and $600M. These are only eligible for a loan on extremely favourable terms (2.5% interest rate) for for-profit organisations although for non-profits it can still be offered as a grant.

See https://sdgs.un.org/goals for UN SDGs.

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SUSTAINABLE DEVELOPMENT GOALS

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Catalytic* Funding Facility (CFF) Projects are between $1M and $10m

To qualify for a project, subject to due diligence, and final approval by the funders, applicants will have to:

- Meet at least one UN Sustainable Development Goal
- Provide an upfront reimbursable deposit of 50% the **basic project value**
- **a) Basic project value** is the amount needed to fulfil the project
- **b) The reimbursable deposit (called a Pledge)** is 50% of the basic project value.
- The project funding will be released in 4 equal amounts every 2 months after deposit of Pledge
- The pledge will be released shortly after the last drawdown.
- The great advantage is that the project owner will have all funds needed to do the project along with the pledge returned within approximately 8 months.
- **NB** If a loan is taken out by the project owner to cover the Pledge, any interest payable on the loan can also be included in the total project value and be reimbursed.

*Catalytic refers to a catalyst or something that causes change – which is the purpose of this funding.

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An example of funding for smaller projects (CFF) would be:

Let us say that you have a **basic project value** that needs $2M funding [point a) in previous slide]. Then the **reimbursable deposit (pledge)** would be $1M [point b) in previous slide].

The pledge is held in an escrow–type account called an IOLTA Trust Account (Interest on Lawyers' Trust Account) and released, with accrued interest, to the project owner within approximately 8 months of its deposit.

The full amount of $2M funding will be provided to the project owner within 8 months of contact signature and pledge deposit in 4 equal amounts - so $0.5M every 2 months in this example equalling $2M along with the $1M pledge shortly after the last drawdown at 8 months.

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Why is there a requirement for a reimbursable deposit?

The deposit is required to:

- to act as a filter against fraudulent or frivolous applications
- show that the project holder has some resources and credibility that will enable the project to be carried out

However, project funders understand that this may pose some difficulties, so it has also been made relatively easy to overcome because the deposit money, if borrowed on a short-term loan, for example, can be repaid in a relatively short time (approximately 8 months).

Even the interest amount on any short-term loan, if any, can be included in the total project value and covered by the project funding.

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For easy reference the chart shows the project amount, drawdowns and pledge amount required for CFF projects

Amount needed for project	Drawdowns occur for project owner every 2 months in 4 tranches	Pledge held in escrow/IOLTA account and returned after last drawdown
$1M	$0.25M x 4	$0.5M
$2M	$0.5M x 4	$1M
$3M	$0.75M x 4	$1.5M
$4M	$1M x 4	$2M
$5M	$1.25M x 4	$2.5M
$6M	$1.5M x 4	$3M
$7M	$1.75M x 4	$3.5M
$8M	$2M x 4	$4M
$9M	$2.25M x 4	$4.5M
$10	$2.5M x 4	$5M

Advanced Funding Facility (AFF) Projects from $50M to $600M

For projects that are above $50M, unless the entity requesting the funding is a charitable/non-profit organisation*, the funding can only be provided as a long term loan under very favourable circumstances at this point in time with no repayments for 10 years. Repayments starts year 11 through to year 30 at 2.5% per annum interest.

The amount of upfront reimbursable deposit (pledge) is 20% of amount needed for the project and 5 SDGs should be covered. There is also a consultation and costs fee of 5% of the basic project value (NB these fees are not required for the smaller projects).

As with the CFF projects the 20% deposit will go into an escrow-type account (IOLTA Trust account) to be released after the last drawdown. There will be 5 equal drawdowns, one every 2 months after contract signing and deposit of pledge. The 6th will be the return of the pledge amount (after 12 months).

*** At this point in time the AFF terms and conditions are undergoing review and enhancement so this section will give a simple overview. It is expected to be finalised within the very near future.**

As a simplified example, if **the basic project value** was $60M (100%), **a pledge** of $12M would be required from the client to be held in the escrow/IOLTA account.

Whatever the total project value, there will be five drawdowns over 10 months i.e. every 60 days with the 6th and final drawdowns being the release of money from the escrow/IOLTA account at month 12.

There is a 5% intermediary fee payable to the onboarding partner to the fund. However this is only payable after each drawdown on the first five drawdowns of loan funding (i.e. 1% after each of first 5 drawdowns). These fees may be built into the basic project value as may any interest on the loan needed to cover the pledge, or may be paid independently.

NB all figures quoted in this presentation may have small variables which can arise from interest on loans for the deposit amount or other factors. For example if interest on a short term loan is payable to meet the 20% pledge then this amount can be included in the total project value. If that is the case it will increase pledge, fees and total project value accordingly. They are also subject to change when final documentation is available. This is therefore a broad outline of the funding schedule.

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Conditions of repayment for AFF projects (above $50M)

After the 11th year, the loan becomes repayable and can be repaid over 20 years.

Details of this product are still being finalised but the above is the broad concept of how the larger scale loan funding will work.

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For easy reference the chart below shows the pledge amounts required for AFF projects

Amount Needed For Project	Drawdowns occur for project owner every 2 months in 5 tranches	Pledge held in escrow/IOLTA account and returned as last drawdown	Costs and fees paid separately
$50M	$10M x 5	$10M	$2.5M
$200M	$40M x 5	$40M	$10M
$400M	$80M x 5	$80M	$20M

What security exists to ensure that the reimbursable deposit does not disappear?

Nothing is deposited until the project is approved and contract is signed.

The reimbursable deposit is held in an escrow-type account (IOLTA trust account) with conditions it must be returned to the project owner within 5 days of the 4th drawdown after 8 months (equalling full funding for the project plus return of pledge for CCF projects) or as the 6th of 6 drawdowns after 12 months (equalling full funding for project plus pledge for AFF projects).

For further guarantee and protection of client interests, a Lloyds of London syndicate, through one of the largest global brokerage firms has agreed to insure clients reimbursable deposit against any fraud that on the unlikely event might prevent the Lender or Guarantor from receiving back an amount equal to the Financial Commitment (pledge).

This is not obligatory but must be noted that there is a separate fee for this payable directly with the insurer which amounts to 0.5% of the Pledge amount.

If no claim is made then one quarter of the insurance fee guaranteeing the Pledge amount can be claimed back from the insurer - the final cost for the insurance therefore amounting to 0.375% of the Pledge.

How do I make an application?

1. A short 1-2 page summary of the project and project owners is submitted.

2. A non-disclosure agreement is signed.

3. Full explanation of the project application process is provided. Further documentation is provided so due diligence can be done.

4. Full application is made.

5. On approval, term sheet/contract is signed off by all parties.

6. First draw-down of funds occurs 60 days after project approval (i.e. signature of contract and deposit of pledge) and continues in equal amounts every 60 days thereafter until full amount is received over 8 months (CFF projects) or 12 months (AFF projects).

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