



## Request for Proposals: Impact Investing Institute – CDFI Data aggregation project

Proposals due: 12pm, Wednesday 12<sup>th</sup> July 2023 to [Mark.Hall@impactinvest.org.uk](mailto:Mark.Hall@impactinvest.org.uk)

Project delivery: July / August 2023 – February 2024

### Context

The Impact Investing Institute (“the Institute”), runs a place-based impact investing programme to encourage more investors to adopt a place-based impact investing (PBII) approach.

A place-based impact investment approach is one in which investments are “made with the intention to yield appropriate risk-adjusted financial returns as well as positive local impact, with a focus on addressing the needs of specific places to enhance local economic resilience, prosperity and sustainable development.”

The ultimate goal of our work is to direct more private capital to underinvested places across the UK. Place-based impact investing (PBII) aims to address specific places’ needs, as defined by their communities, for the benefit of people and the planet.

This approach to investing has shown to be an effective way to raise living standards, provide economic opportunity, and build thriving, inclusive communities.

One of the workstreams within this programme is focused on increasing investment in Community Development Finance Institutions (CDFIs). CDFIs provide loans to individuals, businesses and social enterprises that cannot get the finance they need from banks or mainstream lenders. Our work focuses on CDFIs that lend to businesses and social enterprises.

This workstream is funded by the Department for Culture Media and Sport (DCMS) and Lloyds Banking Group (LBG).

### The workstream – Increasing Investment in enterprise lending CDFIs

CDFIs are non-bank lenders focused on creating economic value and delivering social impact. There are currently 35 CDFIs based across the UK, lending to communities and demographics that struggle to access mainstream finance. Thus far, the enterprise lending part of the sector has yet to receive major investment by large-scale commercial institutions. We believe and have seen evidence that interest from major UK investors is growing, including from Lloyds Banking Group who are funding this project. There is also an increasing appetite from CDFIs to take on additional finance and demand from small businesses to access finance and support to grow their enterprises.

The Institute convenes a CDFI Working Group and Advisory Panel (see p4 for membership), chaired by our Deputy Chair, Jamie Broderick, to guide our work supporting both the ‘supply’ and ‘demand’ side of catalysing capital into the CDFI sector. On the ‘supply side’ we are working with Social Finance to design a financing vehicle that will help more institutional capital to flow into CDFIs and move new capital into regions and towns across the UK. On the ‘demand side’ we are working with Responsible Finance to develop a capacity building programme that will help CDFIs to improve their governance, structures and processes, enabling them to take on more institutional investment that can be channelled into local enterprises. These projects aim to remove barriers that currently prevent institutional investors investing in the sector at scale.



#### Project overview

The UK CDFI sector currently doesn't have a mechanism to aggregate data that would give investors a clearer picture of key metrics (e.g. loan default rates, data on declines, and social value calculations) across the sector. A solution that aggregates CDFI data will facilitate an improved due diligence process for CDFIs when seeking investment and enable investors to make more informed decisions about investing into the sector.

We are seeking a collaborative partnership with a research team who can help us:

- Understand the best way the field can collect data about itself
- Consider where and how this data should be stored
- Decide how this data should be governed

Further background on the project can be found in [appendix 1](#).

#### The need

Good candidates will evidence experience and expertise in:

- Extracting, mapping, and analysing high volumes of complex data
- Collating and aggregating data
- Conducting quantitative and qualitative research
- Effectively reporting on research findings
- Developing and building solutions for data projects
- Working with lending data or financial data sets

As well as demonstrating:

- A passion for using data for the public good
- An ability to deliver agile project management
- An effective approach to embedding Diversity, Equity and Inclusion (DE&I) into the project
- Knowledge of the responsible finance sector in the UK would be an additional benefit
- Independent thinking and integrity - should you be an active market participant, please make clear how you will sustain your independence in the context of any final recommendations

#### The project and key tasks

The project is split in two phases as outlined below. Key tasks include:

##### Phase 1: Discovery

**AIM:** Explore the problem we are seeking to solve and outline solution option(s)

- Identify the types of data (both financial and impact data sources) that would be relevant to the due diligence process e.g. loan size, default related data, demographics of borrowers and declines, social value calculations
- Analyse the relevant data sources
- Seek perspectives from key stakeholders on challenges and possible solutions
- Develop a deeper understanding of CDFIs digital maturity, data quality, commonality and variations in data reporting
- Research on potential solutions that are within scope (e.g. data trust, third-party platform, blockchain)
- Outline solution option(s) to explore in solution development phase

**OUTPUT:** Key findings from discovery and proposed option(s) to explore in next phase



## Phase 2: Solution Development

**AIM:** Develop a detailed plan for the potential build of a solution, outlining key principles and suitable options to host

- Detailed research to understand the data sources that could go into the platform
- Detailed exploration of proposed option(s) including engagement with key organisations
- Develop clear outline of functions, principles, and governance for proposed solution
- Consideration of potential hosts for the solution
- Develop plan for potential build of preferred solution
- Soft market-testing with potential hosts

**OUTPUT:** Detailed plan for potential build of a solution, outlining key principles and options to host

Ancillary / supporting tasks:

- Participation in and reviewing notes from Working Group (monthly) and Advisory Panel quarterly meetings
- Progress meetings with the Institute team

## Outputs and Timelines

- Contracted to start July / August 2023
- Anticipated time per week – one day per week generally, rising to 1.5 days per week in Working Group and Advisory Panel meeting weeks (monthly and bi-annually respectively)
- Report on end of discovery phase by the end of October 2023
- Report on proposed solution by the end of February 2024
- Length of project – we anticipate a commitment of between 6-8 months

## Budget

In line with the budget that we anticipate being available for this work, we are expecting bids up to £35,000+VAT to February 2024.

## Process

The Institute would welcome a proposal of no more than 5 sides of A4 outlining your relevant experience and expertise, and your approach to delivering the project, along with a fixed-fee quote (you may include an Excel worksheet of budget breakdown) by 12pm on Wednesday 12th July 2023.

The Institute is committed to applying a gender / equity lens to all of its work. In the approach to our projects and particularly in the delivery of any events, we will seek to ensure that we are including and highlighting the role of people of colour and women. Please ensure you outline what Diversity, Equity and Inclusion (DE&I) considerations you apply to your project processes, deliverables and team.

Given the small nature of the market, should you be an active market participant, please make clear how you will sustain your independence in the context of any final recommendations.

Please send proposals to Mark Hall at [Mark.Hall@impactinvest.org.uk](mailto:Mark.Hall@impactinvest.org.uk)

If you have any further questions, please do get in touch.

**Notes**

The CDFI Working Group and Advisory Group include the following organisations:

- AskIF
- BCRS
- Big Society Capital
- British Business Bank
- Business Enterprise Fund
- Ceniarth
- Conduit Capital
- Connect Fund (Barrow Cadbury)
- CWRT
- Department for Culture, Media and Sport (DCMS)
- FaithInvest
- Finance for Enterprise
- Lloyds Banking Group
- Responsible Finance
- Social Investment Scotland
- Social Finance
- Triados
- Unity Trust Bank

See [appendix 1](#) for further background information on the project.

