



## The Forum for Cities in Transition

an initiative of the Moakley Chair of Peace and Reconciliation  
McCormack Graduate School of Policy and Global Studies  
University of Massachusetts Boston



### FCT IMPACT FUND

The Forum for Cities in Transition (FCT) is an international network of mayors, councillors, municipal officials, business people, and representatives of the voluntary and community sector. The Forum is an initiative of the John Joseph Moakley Chair of Peace and Reconciliation at the University of Massachusetts Boston. The Secretariat is run by the International Communities Organisation, London and supported by Northern Ireland Foundation, Belfast.

FCT Impact Fund is delivered by ICO-Impact which is an investment programme available to local governments, cities and regions to enable cross-cultural development. By partnering with private sector businesses and facilitating the investment process, FCT members can use their local autonomy to implement projects.

Member Cities can source and nominate businesses which can numerically demonstrate the capacity to grow quickly, operate across communities, increase employment and generate a positive social impact overall.

To qualify, businesses will have to pass through a due diligence process in which their business plan, financials, management team and potential for impact will be analyzed both internally and by third party investment advisers. Successful applicant businesses will show a robust business plan, a validated growth plan, market traction and most importantly a strategy for how they will support cross community projects. This support will have to be illustrated in number of ways through: the donation of profits to FCT approved projects, internal policies which reflect values of inclusion, sustainability and collaboration as well through civic outreach programs that allow employees to support community needs. Key sectors of interest include, fintech, education, healthcare, infrastructure and energy but not limited to.

**The seed hypothesis remains the guiding principle –one divided society is in the best position to help another & the emphasis on outcomes remains the same, conferences are a secondary consideration; *what matters are projects that either help ameliorate reconciliation in a divided city or allow one city on a higher rung of transition to help a city on a lower rung.***

#### FCT Impact Fund's objectives:

- **Commitment to FCT's core mission:**
  - Cross-Community interaction
  - create jobs and/or support entrepreneurs
  - contribute to the reduction of social and economic inequalities.
  - Provide opportunities to young people and women
- **Business Aspects:** Companies need to demonstrate a strong track record with a competent management teams and scalable growth, including growth in sales revenue and/or asset value.

The due diligence process is estimated to last 3 months, *(however this will vary depending on the size of the deal and the quality of information provided by the business).*

1<sup>st</sup> month: ICO-Impact team runs first meetings and collect some basic information regarding the business and its social mission in Cities. We then present the inputs to FCT Founding Director, Professor Padraig O'Malley.

**In this first step, the company has to produce a document to show how they will uphold the FCT principles and what activities they will undertake to support and develop reconciliation in their cities. When Prof O'Malley has approved that we move to the next stage of the commercial route.**

2<sup>nd</sup> & 3<sup>th</sup> months: If Directors agree on the proposed business plan and its social impact in Cities, the team completes the rest of the due diligence. (Example investigation shared in below, but not limited to depending on the sector, region, country or other factors.)





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The results of the investigation of the ICO-Impact team and its partners (Valens and/or Impetus) will be presented to the Investment Committee and the Investment Advisors for further rounds of due diligence. IC members and investment advisors will have access to this information on an ongoing basis.

### Impact investment in small to medium sized companies in FCT Cities

Companies must:

- Need capital between £500k-£10m
- Be willing to acquiesce to a debt structure, however equity component to the deal could be approved
- Have a Minimum Revenue of 400k GBP p.a.
- Be a for-profit company and have a corporate legal entity with a strong independent governance system
- Have met the expectations of their first round of funding and are looking to enter the growth stage
- Have displayed strong revenue generation potential measured by its past experience (At least 2 years of audited financials)
- Be engaged in a high potential and impact creating business
- Be engaged in a businesses which is scalable
- Have development a social mission which must be approved by the FCT Founding Director Professor Padraig O'Malley.
- Have a strong balance sheet made up of assets such as properties, plant and machinery, land and contracts
- Be able to procure 10% of the investment themselves, preferably through another investor who can act as a co-investor and help us run the due diligence
- Be able to demonstrate that their assets (land, machinery, plants, rolling stocks and buildings, etc) can act in some way as collateral for the loan and that their growth plan, for instance an increase in sales by 50%, can be validated through demand analysis and already contracted agreements from customers.

### Impact investment in large infrastructure projects in FCT Cities

US \$1.5bn funding for infrastructure and large business investments for a mix of private and public bodies in Cities.

Aim: Large scale infrastructure projects to assist with economic development, job creation and cross community cooperation such as new airports, toll roads, ports, factories and commercial buildings.

Method: Insurance Backed Bonds

Advisor: Valens Emerging Markets, London-UK

Traditionally Bonds have financed large corporations, but are increasingly are used for funding alternative asset classes such as infrastructure developments and portfolios. The Bond is a form of loan note for the construction of the infrastructure project from the governments or large corporations. In all other respects the construction is standard.

- Payment is deferred for up to 3-12 years.
- The Bond, has an insurance wrap around it and is posted on Bloomberg. The proposed development sits inside the Bond, which is then funded by the ICO's panel of Banks and pension funds.
- The Bond has a life to 3-12 years and is a 8% coupon bond.
- Two structures, one funds 100% and one funds 90%.

*Where a project is introduced by an FCT City is invested in, a percentage fee over the investment will be paid to the FCT City. Funds are held centrally (or locally if FCT is registered) by FCT on behalf of the City for projects agreed by the parties in the City.*





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### Methodology

FCT Member cities will be responsible for:

1. Working with the company to develop an impact strategy in line with FCT vision that must be approved by Padraig O'Malley initially.
2. Pushing the company to collate key documentation: 1. Pitch deck 2. Business plan, 3. Audited accounts for last 2 years 4. Investment proposal (*opportunity and financial projection during/post investment*) 5. Basic information on the management team (*such as CVs and organisational structure chart*) 6. Proposed structure of the deal and finally 7. Impact strategy.
3. Sending us the right information.

We will be responsible for:

1. The analysis and the in-depth 3 stage due diligence (DD) process.
2. Communicating with the FCT member city within 4 weeks an initial screening decision **WHEN** we receive the key documentation
3. Communicating to FCT member cities regular updates on the DD progress and timeline adjustment

**Passing the initial screening process does NOT guarantee that the investment will pass subsequent DD stages, successful investments will only occur when analysis carried out by FCT Directors, VEM, ICO and third party advisors have approved the opportunity.**

If you meet the criteria please get in touch, introduce yourself, the company and organise a call. Our team will then share more information on the due diligence requirements and give you the templates.