

## **Agenda Item: Working Capital Loan – WISH Programme**

### **Summary:**

IPPF is in the process of securing a working capital loan of US \$3 million from the Children Investment Fund Foundation (CIFF) to safeguard the operations of the WISH programme until the end of the programme current contract repayable on 31<sup>st</sup> October 2021. This note is to update the C-FAR of progress achieved to date and get a sign off for the next steps.

### **Action Required:**

On the recommendation of the C-FAR, the Board of Trustees approve:

- the working capital loan for the WISH programme of US\$ 3 million repayable on 31<sup>st</sup> October 2021,
- the Alvaro Bermejo, Director General and Elizabeth Schaffer, the C-FAR chair, as authorized signatories to the facility agreement for the above said loan.

### **1) Background**

Women's Integrated Sexual Health (WISH) is a Foreign Commonwealth and Development Office, Government of UK (FCDO) funded commercial contract providing up to £260m to deliver integrated sexual and reproductive health and rights across 26 countries in Asia and Africa. The programme was tendered by FCDO in two Lots with differing Geographical focus:

- a) WISH Lot 1: West & Central Africa £77m (circa £8m is IPPF's sub-contract value)
- b) WISH Lot 2: East and Southern Africa & Asia £132m

IPPF has been delivering the WISH Lot 2 as lead supplier and WISH Lot 1 as a subcontractor to MSI Reproductive Choices. The current term of the contract comes to an end by August 2021.

Project delivery through the IPPF MAs is pre-financed through monthly cash advances to support salaries and other expenditures in the field. £34 million has been budgeted to support these advances over the 3-year (2018-2021) lifecycle of the programme.

Current advantages built into the PBR contract led to a positive cash flow position for the first half of the programme. This has enabled IPPF to deliver the programme (via the MAs) without disruption from cash deficits and the payment in arrears policy of FCDO.

Given that the payments to IPPF are received in arrears of the delivery and the programme is becoming to a closure phase, it is expected to run down its cash balance available in hand, with expected an average negative cash flow position £2.5 million over the next couple of months up till October 2021, when all the final project settlements take place. In order to cover this deficit, additional financing support will be required to protect cash flow and prevent significant disruption to project activities. The cash position at the end of the programme is projected to be

nil as it is planned that all funding will be spent on implementing the project and re-investment in IPPF activities and core costs that support SRH programming.

## **2) CIFF Agreement**

An agreement has been reached with the Children Investment Fund Foundation (CIFF) for a working capital loan of \$3 million which will be used to secure the operations of the WISH programme through to the end of the current contract period.

The terms of this loan as negotiated with CIFF are attached at Annex 1.

CIFF will now be presenting this term sheet for approval to the CIFF Investment Committee on 3<sup>rd</sup> March. Following this process, a loan agreement will be shared with IPPF for agreement and signature.

## **3) Action Required**

The Finance, Audit and Risk Committee (C-FAR) is requested to review the terms of the loan agreement and recommend approval of the working capital loan of US\$ 3 Million to the Board of Trustees.

The Finance, Audit and Risk Committee (C-FAR) is also requested to recommend approval of Ms Elizabeth Schaffer, C-FAR Chairperson and Dr Alvaro Bermejo, Director General, as authorised signatories to the term sheet and facility agreement.

## Annex 1 - Term Sheet – IPPF Working Capital Loan

THE BELOW TERMS DO NOT CONSTITUTE OR IMPLY A COMMITMENT TO PROVIDE FUNDING BY THE LENDER, NOR A REPRESENTATION THAT SUCH FUNDING WILL BE MADE AVAILABLE. ANY SUCH COMMITMENT IS SUBJECT TO CONTRACT, COMMITTEE APPROVAL AND SATISFACTORY DUE DILIGENCE AND DOCUMENTATION. THIS TERM SHEET IS NOT EXHAUSTIVE AND IS NOT INTENDED TO BE LEGALLY BINDING, EXCEPT WHERE SPECIFICALLY STATED.

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| Date                 | [ ] February 2021  |
| Borrower             | International Planned Parenthood Federation, registered Charity no. 229476, 4 Newhams Row, London, SE1 3UZ   |
| Lender               | The Children’s Investments Fund Foundation (UK), registered Charity no. 1091043 and Company no. 4370006, 7 Clifford Street, Mayfair, London, W1S 2FT   |
| Facility             | USD 3 million which may be drawn only by way of a single loan in USD (“Loan”)  |
| Purpose              | To provide financial support to Borrower’s working capital requirements related to the WISH programme (“WISH”) and Borrower’s contract with Foreign, Commonwealth and Development Office (“FCDO”) in respect of the WISH programme (as amended but excluding any renewals, extensions or new awards thereto) (“WISH Contract”)<br><br>Lender is making Facility available as a “programme-related investment” to further accomplishment of its charitable purposes through facilitating success of the WISH Programme. |
| Term                 | From the date of 1 April 2021 (“Start Date”) to 31 October 2021 (“Termination Date”)   |
| Availability Period  | 1 week from the Start Date   |
| Drawdown             | Loan may be drawn down by Borrower in full on Start Date, subject to delivery to Lender of a drawdown notice by Borrower (“Drawdown Notice”).<br><br>Loan will be paid by Lender within 30 days after receipt of Drawdown Notice.<br><br>Facility must be drawdown in full within Availability Period. If Loan is not drawn during Availability Period, it shall be cancelled automatically at end of the Availability Period.   |
| Repayment            | Loan must be repaid in full on Termination Date.   |
| Interest             | Interest-free, save that, upon on Event of Default, “Default Interest” of LIBOR plus 4% on all amounts outstanding under Facility, calculated monthly on a cumulative outstanding balance basis to immediately, applies.   |
| Voluntary prepayment | Not permitted.   |
| Mandatory prepayment | Loan must be repaid if it becomes illegal or unlawful for Lender to perform any obligations as contemplated under facility agreement or to fund or to maintain Facility or Loan.   |
| Security             | None, save for negative pledge   |
| Conditions precedent | (1) Execution of facility agreement.<br>(2) Payment of all fees, costs and expenses under this term sheet.<br>(3) Drawdown Notice in respect of first drawdown.<br>(4) Certified copies of constitutional documents of Borrower.<br>(5) Certified copies of Governing Council resolutions of Borrower approving Facility and specimen signatures.  |

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|                                | <ul style="list-style-type: none"> <li>(6) Certified copy of WISH Contract and any amendments.</li> <li>(7) Legal opinion from Borrower's legal adviser.</li> <li>(8) Financial Statements for last year end and Management Accounts for most recent trading period.</li> <li>(9) Cashflow Forecasts for remaining quarters of year during the Term.</li> <li>(10) Annual budget including cashflow forecast for 2021.</li> <li>(11) Schedule of all major donors with level of current disbursed and future commitments ("Donor Schedule").</li> <li>(12) Schedule of all Borrower member associations and entities ("Borrower Members") with details of relationship to Borrower ("Borrower Members Schedule").</li> <li>(13) Copies of any other document, authorisation, opinion or assurance specified by the Lender.</li> </ul>            |
| Representations and warranties | <p>Standard representations and warranties, including but not limited to:</p> <ul style="list-style-type: none"> <li>(1) Due incorporation.</li> <li>(2) Power and authority.</li> <li>(3) Non-conflict with other documents and obligations.</li> <li>(4) Authorisations.</li> <li>(5) Binding obligations.</li> <li>(6) No default or breach of laws.</li> <li>(7) No Event of Default has occurred or is continuing or will result from Drawdown.</li> <li>(8) No misleading information.</li> <li>(9) No litigation.</li> <li>(10) In relation to the WISH Contract, no amendments, no dispute, no Wish Contract Event and no event or circumstance that will have Material Adverse Effect.</li> <li>(11) No serious incidents that are or are likely to affect the WISH Contract reported to Charity Commission in last 2 years.</li> </ul> |
| Covenants                      | <p>Standard covenants, including but not limited to:</p> <ul style="list-style-type: none"> <li>(1) No event which has a Material Adverse Effect.</li> <li>(2) No event that constitutes a WISH Contract Event.</li> <li>(3) Borrower to not amend or waive all or any part of the WISH Contract.</li> <li>(4) Borrower to exercise rights and comply with obligations under the WISH Contract.</li> <li>(5) Negative pledge in respect of WISH Contract.</li> </ul>   |
| Information covenants          | <p>Standard information covenants, including but not limited to:</p> <ul style="list-style-type: none"> <li>(1) Audited financial statements within 180 days of the end of each financial year ("Financial Statements").</li> <li>(2) Management accounts within 45 days of the end of each month ("Management Accounts"), including cashflow forecasts for subsequent month ("Cashflow Forecasts").</li> <li>(3) Copies of the quarterly technical reports excluding the annexes provided to FCDO pursuant to the WISH Contract. Such other information as the Lender may reasonably request.</li> <li>(4) Borrower to notify Lender of any potential Event of Default promptly (and in any case within 5 business days) on becoming aware of its occurrence.</li> </ul>  |
| Financial covenants            | <p>Borrower to maintain ratio of Available Cash to Loan ratio of not less than 1.5 times the outstanding Loan amount, to be tested and reported to CIFF on a monthly basis.</p>  |

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|                         | <p>“Available Cash” means, in respect of the Borrower,</p> <ul style="list-style-type: none"> <li>(a) any unencumbered cash from operating activities of the Borrower to the extent it is credited to a UK bank account with a reputable financial institution and is freely available to the Borrower; plus</li> <li>(b) liquid investments</li> </ul> <p>less</p> <ul style="list-style-type: none"> <li>(c) proceeds of Loan.</li> </ul>   |
| Performance covenants   | Borrower to ensure that on each quarterly reporting date to FCDO under WISH Contract, it has complied with more than 75% of cumulative payments by results targets under WISH Contract.   |
| Events of default       | <p>Standard events of default for a transaction of this nature, including but not limited to:</p> <ul style="list-style-type: none"> <li>(1) Non-payment, unless failure to pay is caused by technical or administrative error and is remedied within two Business Days.</li> <li>(2) Breach of Financial Covenants, provided no Event of Default will occur if failure to comply is remedied within 14 Business Days of earlier of Lender giving notice to Borrower and Borrower becoming aware of its failure to comply.</li> <li>(3) Breach of other obligations, undertakings and covenants, provided no Event of Default will occur if failure to comply is capable of remedy and is remedied within 14 Business Days of earlier of Lender giving notice to the Borrower and Borrower becoming aware of its failure to comply.</li> <li>(4) Misrepresentation or breach of warranty, unless circumstances giving rise to misrepresentation or breach of warranty are capable of remedy and are remedied within 14 days of earlier of Lender giving notice of misrepresentation or breach of warranty to Borrower and Borrower becoming aware of misrepresentation or breach of warranty.</li> <li>(5) Any event or circumstance occurs which has Material Adverse Effect.</li> <li>(6) Insolvency, insolvency proceedings and creditors’ process.</li> <li>(7) Unlawfulness and invalidity.</li> <li>(8) Cessation of business.</li> </ul> |
| WISH Contract Event     | <p>Each of following events or circumstances:</p> <ul style="list-style-type: none"> <li>(a) it is or becomes unlawful for a party to WISH Contract to perform obligations under WISH Contract; or</li> <li>(b) WISH Contract (or part of it) is or becomes invalid or unenforceable; or</li> <li>(c) party to WISH Contract is or becomes in default or does not perform its obligations under WISH Contract; or</li> <li>(d) WISH Contract is terminated or repudiated, or valid notices of intention of termination or repudiation is issued pursuant to WISH Contract, otherwise than by reason of its full performance or expiry of its term; or</li> <li>(e) WISH Contract is assigned or transferred, other than pursuant to any sub-grant or sub-contract entered into accordance with such WISH Contract.</li> </ul>   |
| Material Adverse Effect | <p>Means material adverse effect on:</p> <ul style="list-style-type: none"> <li>(a) ability of Borrower to perform obligations under facility agreement; or</li> <li>(b) rights or remedies of Lender under facility agreement; or</li> <li>(c) ability of Borrower to deliver WISH Programme; or</li> </ul>  |

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|  | (d) business, operations, performance, condition (financial or otherwise) or prospects of Borrower.  |
| Consequences of Events of default                    | <p>On or at any time after occurrence of Event of Default:</p> <p>(1) Each outstanding Loan to become immediately payable on demand by the Lender.</p> <p>(2) Lender may accelerate and terminate Facility.</p> <p>(3) Default Interest to automatically apply and be immediately payable by Borrower on demand.</p> |
| Costs  | Legal and other fees, costs and expenses (plus VAT) incurred by Lender payable by Borrower (by deduction from first drawdown) up to USD 16,000 including VAT, provided that the legal advisors are not required to do no more than three mark-ups of the facility agreement.   |
| Taxes  | All payments to be made by Borrower must be made free of withholding and any other taxes.  |
| Governing law  | Laws of England and Wales  |
| Jurisdiction   | Courts of England  |
| Other  | All other terms and conditions standard for a transaction of this nature shall be included in the facility agreement.  |
| .....<br>International Planned Parenthood Federation | .....<br>The Children's Investments Fund Foundation (UK)   |