

**Blue Print: Early Market Engagement for the Global Innovation Partnership (GIP) Programme's Investment Fund**

**1 Objective**

- 1.1.1 The Ministry of External Affairs (MEA), India and the Foreign, Commonwealth & Development Office (FCDO), UK propose to invest development capital to support the scale up of innovations under the Global Innovation Partnership (GIP) Programme. An Early Market Engagement (EME) event is being organised to consult the prospective investment managers, understand the market appetite, seek feedback on the proposed investment thesis and highlight the selection process. It is an opportunity for investment managers to understand the GIP programme, to ask questions and to contribute towards refining the delivery mechanism of the GIP programme. Interested managers are invited to register for the hybrid event (virtual as well as physical) scheduled from 3 pm to 5 pm IST on 1 February 2023 at Ministry of External Affairs – Jawaharlal Nehru Bhawan, 23 D, Janpath Rd, Rajpath Area, Central Secretariat, New Delhi, Delhi 110011.
- 1.1.2 **Background on GIP:** The Global Innovation Partnership (GIP) is a joint initiative by the Ministry of External Affairs (MEA), India and the Foreign, Commonwealth & Development Office (FCDO), UK. The governing structure of GIP is derived from the two MoUs signed between India and the UK which may be seen here:
  - a. <http://www.mea.gov.in/TreatyDetail.htm?3743>
  - b. <https://mea.gov.in/TreatyDetail.htm?3852>
- 1.1.3 Implementation of GIP is overseen by a Joint Steering Committee comprising members from both governments. GIP will foster, transfer and scale up demonstrated and sustainable, climate-smart innovations from India to third countries to promote and improve the economic development, accelerate the implementation of SDGs and primarily improve the lives and livelihoods of poor populations in the recipient countries. A focus of the programme will be on women, people with disabilities, and those with climate and health vulnerabilities. The programme will run for a period of 14 years between July 2022-June 2036.
- 1.1.4 The GIP proposes to have 4 distinct components equally co-financed by India and the UK, with a total budget of up to £75m. The 4 components are:
  - a) Investments – upto £35m (~INR 350 Cr.) growth capital and upto £15m (~INR 150 cr) early-stage capital
  - b) Grants – upto £10m (~INR 100 Cr.)
  - c) Technical Assistance – upto £11.5m (~INR 115 Cr.)
  - d) Impact Assessment – upto £3.5m (~INR 35 Cr.)
- 1.1.5 The transfer of innovations will be done through two different components – Investments & Grants. The Investment component (to be managed by a fund manager) will provide long term risk capital to support the transfer of private sector enterprises to other countries. The Grants component will identify innovations that can be scaled up in other countries and provide them support. The Technical Assistance will be overarching and support the enterprises across Investments and Grants as well as facilitate the transfer by enabling /strengthening the ecosystem in the specific regions. The Impact Assessment component will provide continuous monitoring and evaluation for learning and adaptation. All partners are expected to work together in collaboration to achieve GIP's overall objectives.
- 1.1.6 This EME covers only the Investment Component. The management of Grants, TA & Impact Assessment components is outside the scope of this EME.
- 1.1.7 Under the Investment component, MEA and FCDO aim to establish a new **Global Innovation Partnership Development Fund (“GIP Fund”)** under the SEBI AIF Regulations. MEA and FCDO will co-invest into this GIP Fund through their respective investment platforms (managed by SBICAP Ventures Ltd). The GIP Fund will be managed by a third-party investment manager

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and will invest development capital to scale up & transfer innovations. GIP Fund’s investment manager will play an important role in ensuring effective delivery of the GIP Fund.

- 1.1.8 This document sets out the background, current key investment thesis and broad selection parameters intended to be used to set up the GIP Fund and select its investment manager. The document is indicative (no final decisions have been made about GIP) and other subsequent documents shall be updated based on market feedback received in the EME.

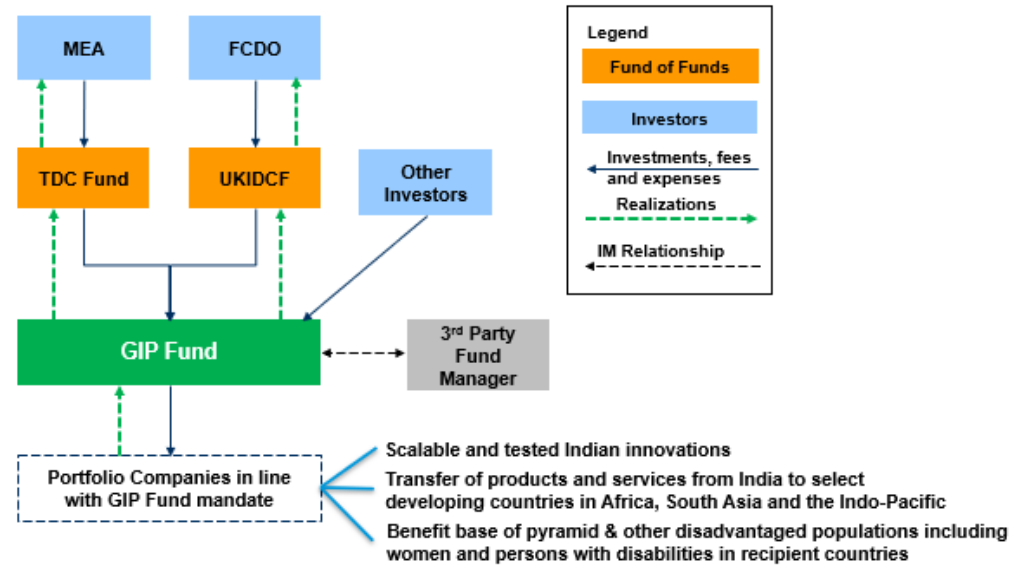
2 Background – Global Innovation Partnership Development Fund

2.1 Inception and investment objective –

- 2.1.1 The main objective of GIP is to foster, transfer and scale up demonstrated and sustainable innovations from India (including ones developed by Indian innovators in partnership with innovators from other countries) to select third countries to promote economic development, accelerate Sustainable Development Goals (SDGs) and improve the lives and livelihoods of poor people in recipient countries.
- 2.1.2 The Investment Component of GIP (upto £50 million) will invest in enterprises that meet the objectives of GIP and have growth potential. This will likely be into two components:
- a Component 1 (upto £ 35million/ ~ INR 350 Cr.) for the growth stage investments i.e. innovations that are at a more advanced stage but lack access to capital for expansion to other developing countries. The GIP Fund will be registered under the Securities Exchange Board of India’s (SEBI) Alternative Investment Fund (AIF) Regulations in India and will be managed by a third-party Investment Manager.
  - b An additional Component 2 (upto £ 15million/ ~ INR 150 Cr.) to support earlier-stage and higher risk enterprises businesses (that have development impact potential) with flexible / concessional funding instruments. The structure and investment vehicle of Component 2 is currently under discussion.
- 2.1.3 Same company / group of companies will not be able to avail funding from both the components simultaneously.

2.2 Investors –

- 2.2.1 A brief diagram of the structure of the GIP Fund is presented below:



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- 2.2.2 The anchor investors in the GIP Fund will be:
- a FCDO through its Fund of Fund investment platform known as UK-India Development Co-operation Fund<sup>1</sup> (UKIDCF) that is managed by SBICAP Ventures Ltd.
  - b MEA through its Fund of Fund investment platform known as Trilateral Development Cooperation Fund<sup>2</sup> (TDCF) that is managed by SBICAP Ventures Ltd.
- 2.2.3 FCDO is a department of the Government of the United Kingdom, responsible to lead the Government’s diplomatic, development and consular work around the world. The mission is to lead the UK in influencing and inspiring the world, building a network of liberty, rooted in economic and development partnerships, technology leadership and security ties, for a stronger Britain and stronger world.
- 2.2.4 MEA is responsible for all aspects of India's relations with the world. It formulates, implements & presents the foreign policy of the Government of India. The main objective is to advance India's national security & developmental priorities in a globalized and independent world.

2.3 Key Metrics for the GIP Fund

Key metrics for GIP Fund set-up are as follows:

Parameters	Particulars
Sectors	Sectors aligned to SDGs including but not limited to: Climate Change (SDG13) & Clean Energy (SDG7), Health & Well Being (SDG3), Agri & Nutrition (SDG2), Education (SDG4), Water & Sanitation (SDG6) and Digital & Financial Inclusion (SDG 1,8, 9). Climate smart sectors shall be prioritised.
Geography	Indian businesses that are looking to expand into countries in South Asia, Africa, Indo Pacific
Term	Term of the Fund is expected to be 12 years
Focus Stage	The Fund currently proposes to house Component 1: Growth Stage Investments. Hence the Fund will provide risk capital to support the transfer of growth stage enterprises that have proven market and scalability. An additional component may also be housed under the Fund, referred to as the Component 2. Refer 2.5 for further details.
Corpus	The base corpus of the Fund is expected to be upto £35 million i.e. approximately INR 350 Cr (being contributed equally by MEA and FCDO through their respective fund-of-fund platforms). The investment manager for the GIP Fund shall be responsible to attract additional capital for the GIP Fund. Therefore, the final corpus is likely to change.
Instrument	Equity or structured convertible instruments.
Incentives to IM for development impact	The remuneration model is expected to include incentives for financial and development returns

<sup>1</sup> UKIDCF is a Category II FoF under SEBI set up in 2021 to make investments focussed on achieving UK - India bilateral development cooperation objectives including those identified in the [UK India 2030 Roadmap](#). It invests in sectors that promote sustainable economic development and contribute towards achievement of India’s SDGs. Further details can be seen [here](#).

<sup>2</sup> TDCF is a FoF to make investments under the Trilateral Development Cooperation work of Govt. of India in partnership with other countries. The process to register the Fund as an AIF with SEBI is currently underway.

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**2.4 Investment Manager of the Fund**

- 2.4.1 MEA and FCDO propose to launch an RFP process whereby a potential fund manager for the GIP Fund would be appointed. The indicative process and selection criteria are subject to change/amendment and MEA & FCDO reserve the right to do so at any point.
- 2.4.2 The Investment Manager of the Fund is expected to:
  - a. Be cognizant of and help achieve the objectives of the GIP Fund
  - b. Understand and deliver upon the need to raise additional capital in GIP Fund
  - c. Shall be well-networked and have a demonstrated ability to source, consummate, monitor and exit the underlying portfolio companies in GIP Fund
  - d. Charge commercial terms in line with current market standards.
  - e. Contribute to lessons and share knowledge with wider stakeholders
  - f. Assess & manage the various risks along with mitigations
  - g. Collaborate with all stakeholders to achieve the overall objectives of GIP
- 2.4.3 The fund manager will be selected through a transparent and robust screening and selection process which will be set out clearly in an RFP, the link to which will be provided later.
- 2.4.4 Indicative evaluation parameters will include:
  - a Experience with GIP Fund's mandate viz-a-viz sectors (including climate) countries, innovation transfer, development orientation and ESG focus
  - b Investment Manager and Team
    - Performance track record of past funds, investments, exits, mobilisation of capital
    - Portfolio construction and investment/ exit process
    - Skills and experience of team
    - Experience in raising capital
    - UK-India linkages
    - Alignment of Interest (Fund Manager's investment in the fund)
    - Commercial terms (Fee structure and charges)

**2.5 Additional component – Component 2 for early stage businesses**

- 2.5.1 This component of up to £15 million /INR 150 Cr. Is envisaged to provide capital to support the transfer of early-stage enterprises that have significant development potential. The sectors and geographies remain the same as Component 1.
- 2.5.2 The exact structure and vehicle for deployment of Component 2 is still under discussion.
- 2.5.3 Subject to feasibility, Component 2 may also form a part of GIP Fund – inclusion of the same will be per the sole discretion of MEA and FCDO.

**3 Key Governing Principles**

- 3.1.1 The key governing principles for the GIP Fund are outlined below:
  - a Developmental (i.e. support inclusive economic growth and achievement of SDGs in third countries.)
  - b Sustainable (i.e. focus on innovations that are socially and environmentally sustainable)

- c Replicable (i.e. commercially viable to attract investors to successive funds)
- d Leverageable (i.e. attracting both domestic and international capital into the fund and investee enterprises)
- e Governed in line with SEBI AIF industry best practice

**4 Objective of the Early Market Engagement (EME) exercise**

4.1.1 We welcome suggestions on how the investment thesis and fund manager selection process can be improved, keeping in view the objectives set out above. We welcome responses to the following questions:

4.1.2 Investment Strategy

1. Whether the combination of proposed sectors/sub-sectors present a feasible option keeping in view both the developmental and commercial aspects? Are there any adjustments necessary to improve developmental/commercial returns and mitigate risks?
2. What specific sectors (within those defined above), with respect to innovative enterprises that have the ability to expand to other developing countries, can be focus areas to maximise impact? Is there evidence emerging pointing towards changing outlook towards these sectors?
3. Is the proposed fund tenor appropriate to meet the development and commercial objectives?
4. What should be the minimum fund size in order to meet the objective? What should be the target corpus? Will it be able to attract global investors? Are there similar funds in the market?
5. Within Africa, South Asia and Indo Pacific, what are the success stories from particular geographies and the under lying drivers for success? Were these drivers regulatory, market driven? Etc.
6. At what stage would enterprises expand to other geographies? What are the typical formats for expansion?
7. What are some of the examples of incentivising fund managers progressively in line with development impact targets? Impact may be measured through an impact score calculated based on measurable parameters.

4.1.3 Investment Pipeline

8. Is there sufficient market for identifying and scaling-up innovations from India that may be relevant for other countries?
9. Apart from capital, what support do these companies seek in order to expand to other developing countries?
10. What are the number and value of deals that you have broadly seen in the target sectors in this stage of investment over the past 2-3 years?

4.1.4 ESG<sup>3</sup>

11. How can ESG add to the value of the portfolio? What are the opportunities and challenges you see in implementation of ESG at potential investee companies?
12. How easily can ESG practices be implemented in the target geographies?

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<sup>3</sup> Environmental, Social and Governance

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4.1.5 Expected Returns

- 13. What could be the typical returns in the above sectors (climate change and clean energy, health and wellbeing, agriculture and nutrition, education, water and sanitation, and digital and financial inclusion)?
- 14. What could the typical returns be for Component 1 and Component 2 given that these components have different risk profiles?
- 15. How different would these returns be for the stated objective of GIP to transfer to other geographies?

4.1.6 Risks & Challenges

- 16. What are the key risk factors specific to this asset class (innovation in the sectors identified) which drives returns?
- 17. What other risks relating to investing, monitoring, exits, regulatory, jurisdiction and tax matters do you foresee, more specifically related to the regions identified for expansion (South Asia, Africa, Indo Pacific)?
- 18. What are the potential mitigants for these risks and challenges?

4.1.7 Role of Government

- 19. What are your views on what the Governments of India and UK could do beyond capital to facilitate the operation of the fund? How can other global investors be attracted to contribute to the GIP Fund?
- 20. What role can the Government of the Partner Country play in strengthening the linkages between partner countries, UK and India?

4.1.8 Strengthening Partner Countries

- 21. What are the opportunities you see in the partner countries (in terms of trade, technology, investments with view to taking innovations from India)?
- 22. What is the support (Policy or regulatory etc.) required in specific partner countries?

4.1.9 IM Selection Process

- The potential fund managers will be selected through a transparent and robust screening and selection process which will be set out clearly in an RFP. Indicative evaluation parameters have been mentioned in section 2.4 above.
- 23. What is the timeline required for preparing a response for the proposal?
  - 24. What are some of the evaluation criteria that can make the process competitive?
  - 25. What specific detailing would make the RFP more comprehensive? Is there a need to have single stage RFP or a two stage process for selection of fund manager?
  - 26. Would Fund Managers have experience of Indian and foreign geographies to successfully manage/ deploy the GIP Fund?

Investment Fund managers interested in participating should register vide <https://ukidcf.com/global-innovation-partnership/> to receive updates and the latest information. The said web portal is being used as a mechanism to ensure access to a broad range of interested parties.