



International
Labour
Organization



Social
Finance



▶ ILO's Think Impact Toolkit for guarantee instruments

Launch event

21 May 2024



▶ Agenda

- ▶ Welcome and opening remarks
- ▶ What is in the toolkit?
- ▶ Moderated panel discussion: Sharing experiences from using the tools
- ▶ Q&A and discussion

Welcome and opening remarks

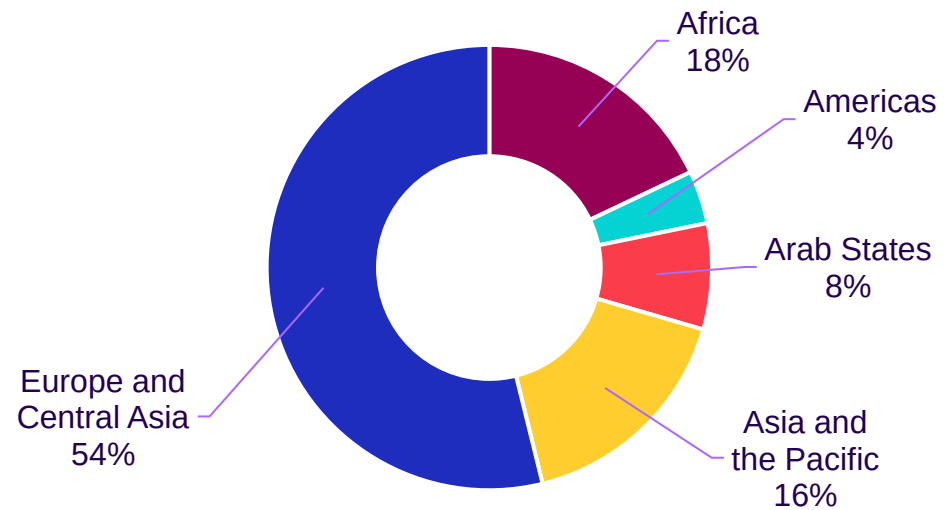
Rie Vejs-Kjeldgaard
Director Sustainable Enterprises Department
ILO

Ulf Källstig
ADG and Director Africa Department
Sida

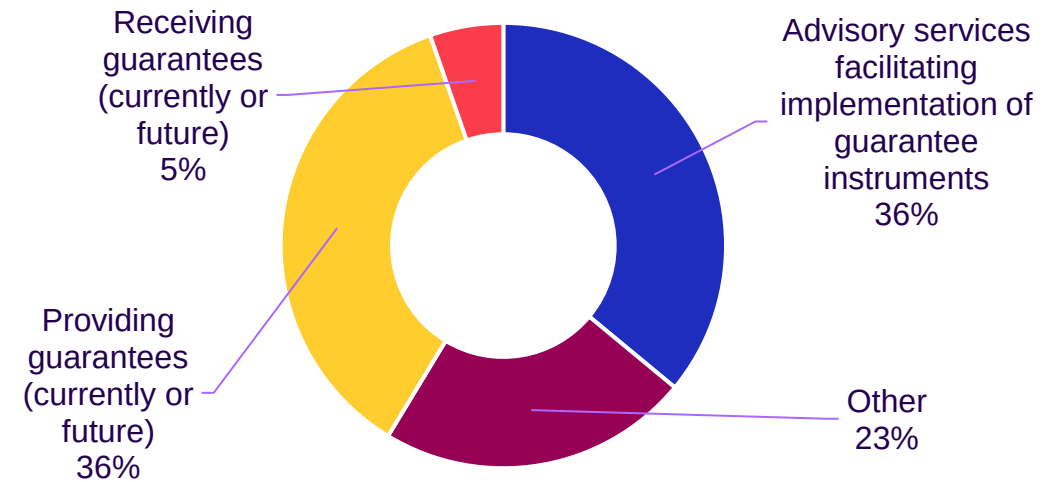
▶ **Who is in this session?**

Who is in this session?

Where are you based ?

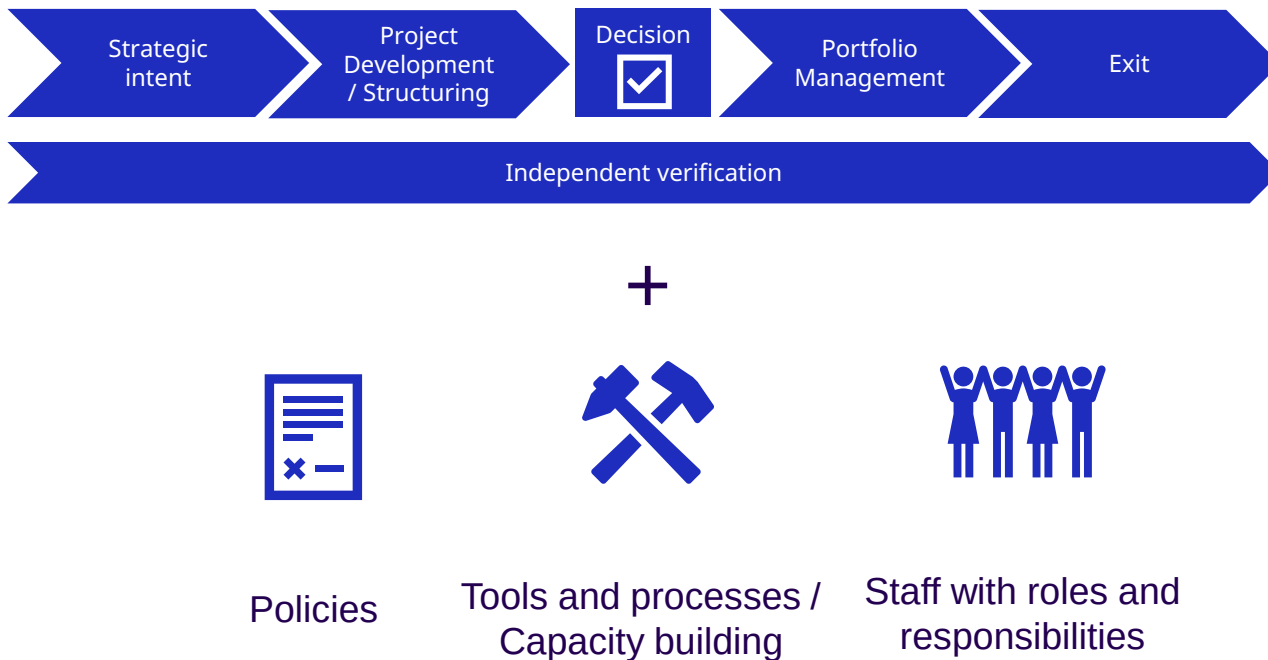


What is your organization's experience with guarantee instruments ?



► What is in the toolkit?

Impact management system



- ▶ To manage impact, institutions need to consider impact throughout their specific activities and project lifecycles. It means **think impact** throughout.
- ▶ The system typically consists of an impact management framework (IMF), guiding policies, tools and processes, and, importantly, staff with the capacity to implement it.

“You can't improve what you don't measure.”

¹ based on www.impactprinciples.org

► What is in the toolkit?

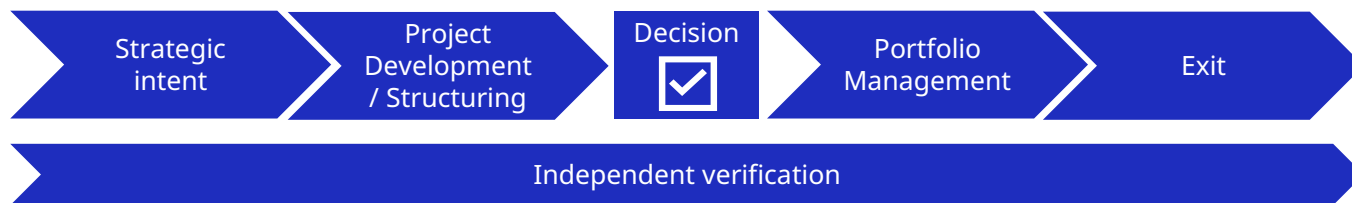
Different types of tools

- Terms of References for specific analyses and studies
- Questionnaires for assessing specific financial institutions for impact alignment and potential
- A catalogue of impact indicators (focused on inclusive economic development)
- A theory of change → from guarantees to development impact

Who is the toolkit for?

- Organizations providing guarantees to financial institutions, with the intention to obtain development objectives
- Some organizations might have internal capacity to use one or more of the tools themselves, others might need support from partners or consultants for specific tools
- Since the toolkit supports impact management of guarantees, it needs to be implemented considering other processes already in place (e.g. M&E framework, financial management of guarantees, etc)

Accessing the toolkit



Access the toolkit here:

[The ILO's Think Impact Toolkit for guarantee instruments](#)

Phase: Strategic intent

Analysis of the financial system and its potential contributions to specific development objectives	+
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Phase: Project development / structuring

Questionnaire and Guidance for Screening of Potential Guarantee Partners	+
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Questionnaire and Guidance for Detailed Assessment of Potential Guarantee Partners	+
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Theory of Change and Indicators Tool	+
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Phase: Portfolio management

Monitoring of progress against development objectives (<i>upcoming</i>)	+
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Terms of Reference – Baseline: Development impact of guarantee instrument	+
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Phase: Exit

Terms of Reference – Endline: Development impact of guarantee instrument	+
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▶ Tool: Terms of Reference for analysing the potential of the financial sector to contribute to development objectives

- ▶ Understanding the financial sector in a country is a critical step to identify how guarantees to financial institutions can contribute to mobilizing additional capital for achieving development goals.
- ▶ Taking a system approach, the analysis covers:
 - ▶ Demand side: current use and demand for financial and related nonfinancial services by a target group, barriers faced
 - ▶ Supply side: organizations currently working with the target group, barriers for further engagement, suitability of product offering
 - ▶ Regulatory environment and related support infrastructure
- ▶ The objective of the analysis is to understand how guarantees can address barriers to access finance faced by a target group

▶ A system analysis of the financial market in Bosnia and Herzegovina

Analysing the potential of the financial market in Bosnia and Herzegovina to contribute to Sida's strategy goals





Tool: Questionnaires to assess financial institutions from an impact angle

Questionnaire 1: Screening

- Light-touch, initial screening of potential partner financial institutions
- Most useful when you have several potential partners and you need to select the most suitable one(s).
- 13 questions, covering:
 - Description of the organization (geographical coverage, target clients, etc).
 - Expectations for use of the guarantee
 - Experience in working with guarantees and in serving the target group

Questionnaire 2: Detailed assessment

- Goes more into details on development-related aspects, including Environmental, Social and Governance (ESG) factors
- 23 questions, covering:
 - ESG / sustainability policies
 - Responsible practices towards clients and employees
 - Strategy to better serve target group with the guarantee
 - Capacities to track and report on development aspects
- Questions are complemented by a document request list



Structure of the questionnaires (1)

Main part of the questionnaires:

Questions	Answer	Suggested measures	Guidance – not to be shared with potential partner
Environmental, Social and Governance (ESG)			
1. Has the financial institution signed up to international or national sustainability initiatives (e.g. Equator Principles, Kenya Sustainable Finance Initiative) or adopted international sustainability standards (e.g. IFC Performance Standards, Universal Standards for Social and Environmental Performance)?			Sustainability initiatives and standards can be very different in nature: from high level principles / commitments to more specific procedures which need to be followed. In addition to understanding the consequences of signing up to such initiatives, it is important to verify the concrete steps that the financial institution has taken towards implementation (when applicable).
2. If the answer to the question above is “yes”, how has this affected the financial institution’s practices and operations, and possibly reporting?			
3. Does the financial institution have an exclusion list?			An assessment of differences between the institution’s and your organization’s exclusion lists can point to challenges in meeting requirements. This might not prevent you from working with the institution, but it might require bringing the attention of the institution to the differences to ensure compliance.



Structure of the questionnaires (2)

Concluding section of the questionnaires:

Questionnaire 1: Screening

Potential fit: Positive aspects	
Potential fit: Challenges	
Recommendation (proceed or not to appraisal)	
Recommended areas for further analysis at appraisal stage	

Questionnaire 2: Detailed assessment

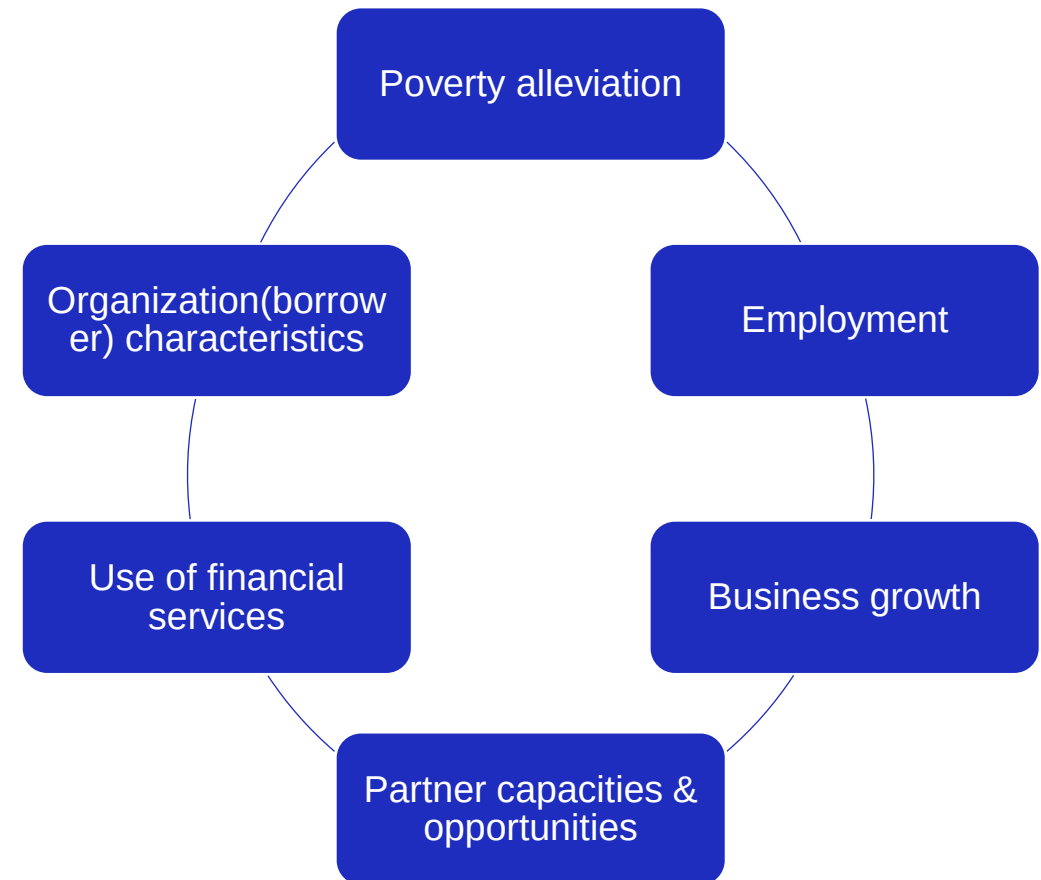
Summary of assessment	
Recommendation (proceed or not to agreement)	
Suggested measures to be further clarified, including, if any, undertakings to be included in the guarantee agreement	
Technical Assistance needs identified (including the problem to be addressed through TA, the activities supporting the solution and expected results)	

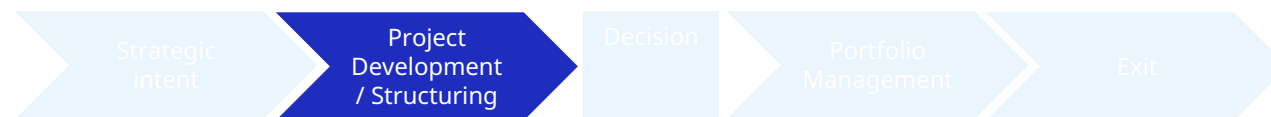


Tool: Theory of Change and Indicators

- The tool contains a **generic Theory of Change (ToC)** for guarantees for inclusive economic development, to be **adapted** to the **specific guarantee** being considered
- The ToC is the basis for the subsequent steps of selecting relevant development indicators to be tracked
- Excel-based tool contains a list of indicators to be selected as applicable and in agreement with the partner financial institution
- Indicators can be part of the guarantee agreement for self-reporting by the financial institution or to inform additional studies

Groups of indicators in the tool





Theory of Change and Indicators Tool

Stakeholders		Key general results on employment and economic growth		Indicators, description and comments	
Stakeholder	Results level	Result	Indicator	Definition	
Employee	Impact	Employment	Full - time employees - permanent	Number of paid full-time employees with permanent contract	T
Employee	Impact	Employment	Gender Wage Equity	Ratio of the average gross wage paid during the reporting period	T
Employee	Impact	Employment	Employment benefits - full - time employees	Describes the benefits that are provided to full-time employees	T
Employee	Impact	Employment	Employee Feedback and Grievance System	Indicate whether the organization has in place a grievance mechanism	F
MSME/Smallholder	Impact	Business growth	Net income	Value of the organization's net profit, calculated as total income minus total expenses	M
MSME	Outcome	Business growth	Access to a new market / value chain of the organization	Describes whether the organization entered a new market or value chain	M
Partner	Outcome	Partner capacities and opportunities	Partner lending portfolio increase with the guarantee fund	Lending portfolio value of the partner before the guarantee fund	F



Tools for Portfolio Management and Exit

- ▶ Some indicators selected with the previous tool will be reported by the guarantee partner, while others might require additional effort to be obtained.
- ▶ The terms of reference for baseline and endline studies guide the work to:
 - ▶ **Gather data** related to the selected indicators i) from the guarantee partner, and ii) from its clients receiving guaranteed loans.
 - ▶ **Analyse data** collected, including by comparing with established targets and relevant benchmarks.
 - ▶ **Identify challenges** faced by the partner in utilising the guarantee, and potential **TA needs** to face such challenges.
 - ▶ **Establish changes (+/-)** that occur at different levels (partner / borrowers / employees) according to the project's ToC
- ▶ Importance of **coordination** with other M&E processes



► What's next for the toolkit?

- More tools will be developed and posted in the [toolkit page](#) as they become ready
- Support to organizations interested in working with the tools (reach out to us)
- Please provide your feedback (via e-mail and in the survey after this webinar)
- Stay up to date with the Think Impact Toolkit and other Social Finance updates by [signing up to our newsletter](#) or [following us on LinkedIn](#)

► Moderated panel discussion

Discussion

- ▶ Anders Rönquist
Head of Unit for the Horn, East Africa and Team Environment
Sida, Sweden

- ▶ Gustav Lindskog
First Secretary, Humanitarian affairs and nexus/resilience
Embassy of Sweden in Kampala, Uganda

- ▶ Osman Kajmović
Head of Business Department
ProCredit Bank, Bosnia and Herzegovina

► Q&A and discussion

► **Thank you!**

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