International Labour Organization | STRENGTHEN2

Employment impact assessment of parts of the NASIRA risk-sharing facility

Co-funded by the European Union

Project background

The NASIRA risk-sharing facility, co-funded by the European Union and the Dutch Government, is designed to provide second-loss guarantees to banks, enabling them to leverage loans to underserved groups. The credit guarantee scheme (CGS) encourages banks to extend loans to individuals and businesses that are typically deemed too risky, such as women, youth, and migrant entrepreneurs.

STRENGTHEN2 is a joint initiative of the European Union and the International Labour Organization with the overall objective of leveraging Employment Impact Assessments (EmpIAs) to promote the creation of more and better jobs in sub-Saharan Africa. This brief outlines the results of the EmpIA of parts of the NASIRA portfolio, which provides second-loss guarantees to three banks – two in Kenya and one in South Africa.

Methodology

The study employs an ex-ante employment impact assessment, utilizing input-output tables to model the national economies of Kenya and South Africa. It incorporates employment-related parameters from ILO's ILOSTAT database and sectoral loan distribution information provided by the Dutch development agency FMO. An input-output multiplier approach was used to simulate the indirect and induced employment impacts. These short-term non-direct employment effects are defined as the employment generated from the purchase of inputs required for scaling up production, after the loans have been granted, plus the jobs created because of increased income of employees. The results were disaggregated by age group, gender, formality and skills.

Sector

Finance

Financing

104 million euros

EU, Dutch Government

Between **2020** and **2021**

Objectives

1. Support underserved entrepreneurs, including youth, women, and migrants, by reducing financial risks for lenders.
2. Facilitate access to loans for MSMEs through guarantees that encourage lending to high-potential, overlooked markets.
3. Provide technical assistance to improve skills, sustainability practices, and financial technology adoption in local banks.
4. Leverage risk-sharing mechanisms to enable economic opportunities in sub-Saharan Africa and neighbouring regions.

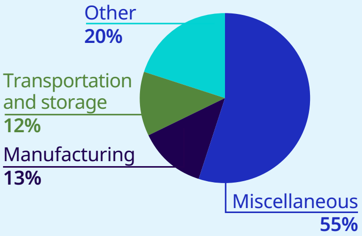
Lab, Walter Reed Project, Nairobi, Kenya © ILO/Richard Lord

Results

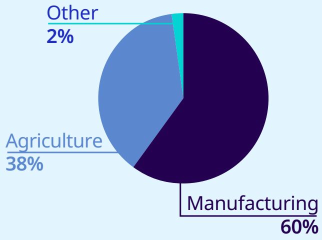
Sectoral distribution of loans

Manufacturing strong, but many loans unclassified

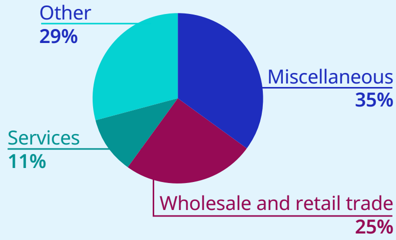
▶ **Customer 1** (South Africa)



▶ **Customer 2** (Kenya)

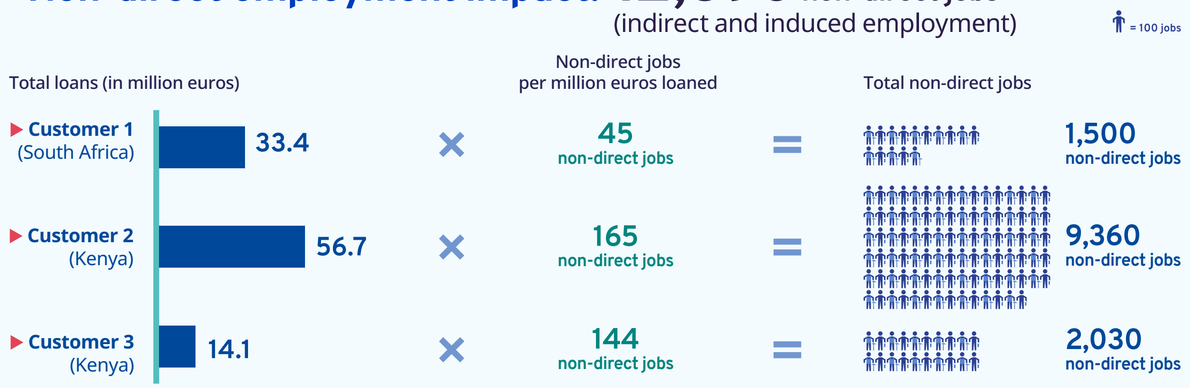


▶ **Customer 3** (Kenya)



Non-direct employment impact: 12,890 non-direct jobs

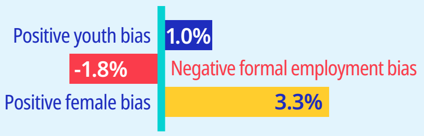
(indirect and induced employment)



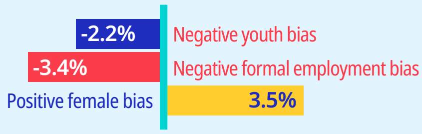
Employment: Positive bias for women, negative for formal jobs*

*relative to the average structure of the national labour market

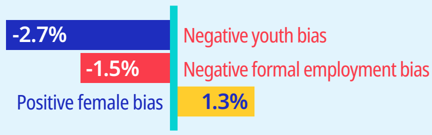
▶ **Customer 1** (South Africa)



▶ **Customer 2** (Kenya)



▶ **Customer 3** (Kenya)



Policy recommendations

- To address the programme's bias against youth and formal employment, policies should be implemented to encourage targeted funding for youth-led MSMEs and formal enterprises, ensuring equitable job creation across demographic groups.
- Develop a robust data collection framework requiring banks to gather comprehensive direct employment data from MSME clients. This will improve employment impact evaluations and ensure accurate monitoring of both direct and non-direct job creation effects.
- Introduce phased policies emphasizing decent work by improving wages, strengthening social protection systems, and fostering social dialogue. These measures will enhance worker welfare while supporting inclusive and sustainable employment growth in Kenya and South Africa.

Contact details

International Labour Organization
Route des Morillons 4
CH-1211 Geneva 22
Switzerland

T: +41 22 799 7861
E: STRENGTHEN2@ilo.org
E: EMPINVEST@ilo.org

ilo.org/strengthen2

Full report