* Think Impact Toolkit

Questionnaire and Guidance for Screening of Potential Guarantee Partners

Social Finance

Enterprises Department

May 2024

* General guidance

The following **questionnaire** helps to assess alignment of potential guarantee partners with the development objectives of your organization. It is part of the [ILO’s Think Impact Toolkit](https://www.ilo.org/resource/other/ilos-think-impact-toolkit-guarantee-instruments). The toolkit supports organizations (guarantors) which provide portfolio guarantees to financial institutions to embed impact considerations throughout their guarantee process. The questionnaire shall be used during the Project Development / Structuring phase of the guarantee process as described below:



This questionnaire is used for an initial light-touch screening of potential partners. That is, when you have identified several financial institutions and you need to select the most suitable one(s) from an impact perspective. This is typically the situation before a formal guarantee appraisal process starts. The questionnaire covers information on current client groups of the financial institution, financial and non-financial services offered, motivation for applying for the guarantee, potential technical assistance needs, and current capacity to generate development impact data.

At this stage, the objective is to get to know the financial institution(s) and to identify the degree of mission alignment with your organization. This includes the willingness to understand and cooperate on the development objectives and strategy goals of your organization. The use of the questionnaire is flexible. The task owner (i.e. the person in your organization in charge of this process or alternatively a consultant) may, for instance, send it to potential guarantee partners with the request to fill in, or fill it in during a meeting with the financial institution – or a combination of both. The task owner may also find the need to add additional queries to the questionnaire or remove some, based on the local context, organizational priorities and prior knowledge of the financial institution.

During screening, the number of potential partners can be significant. The questionnaire can support the decision which potential partner(s) should be prioritized and move to a more formal (and detailed) appraisal stage.

Moreover, when meeting with a potential partner, the task owner should first introduce the organization and its development priorities in the country or region, as well as the overall goals of the guarantee instrument. It is also recommended that the financial institution is informed of requirements for guarantee partners (e.g. exclusion lists, legal status) in order for its eligibility to be assessed.

To facilitate the work of the task owner, the questionnaire contains a guidance column. If the questionnaire is sent to potential partners to be filled in, this column should be removed.

Note: the following pages contain the questionnaire – text marked in green must be adjusted by the user to align with their specific requirements.

* Questionnaire: Screening of partners to identify development impact and strategic fit

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| --- | --- | --- |
| Questions | Answer | Guidance – not to be shared with potential partner |
| 1. When was the financial institution founded and what are the main milestones in its history? |  | Gaining some context on when the organisation was founded, how and what changes it has seen over its lifetime can help build the overall picture of its suitability as a partner. A very young organisation might for instance signal that the development of their institutional capacity may still be in a nascent stage. |
| 1. What does the financial institution hope to achieve with the guarantee? (e.g. access to a new market, increase lending to client segments that are new or already in the portfolio) |  | Increasing the access or affordability of financial services, lending to new client segments or markets (rather than, for example, freeing up capital for other sources) may be some of the reasons that align with your organization.  Here, you could also ask whether the potential guarantee partner has a possible pipeline of projects that it is hesitant to invest in due to e.g. perceived high risk which the guarantee could help mitigate. |
| 1. Do the financial institution’s vision, mission, and values reference sustainable development priorities [of your organization]? |  | Mission alignment or willingness to understand and cooperate on similar development objectives is important for a successful collaboration. This can be identified by looking for mentions of your priorities in the financial institution’s vision, mission and values. Ideally, it will be formalised into the organisation’s policies and guidelines. An evaluation/assessment at a later stage will dig deeper into whether these aspects trickle down to more operational levels. |
| 1. Who are the financial institution’s shareholders? |  | Institutions with shareholders aligned with your organization’s mission are more likely to be good guarantee partners. In the case of publicly listed institutions, they might have to comply with specific reporting requirements of capital markets authorities. It may sometimes be worth asking about all of the institution’s shareholders, not just the “main” ones, depending on the context. |
| 1. What is the business model of the institution? (e.g. universal bank, microfinance institution) Please describe main products and services, financial and non-financial. |  | The business model is relevant to understand what the institution can provide to the target group(s), in addition to the regulatory framework affecting its operations. |
| 1. Please describe your existing client base (e.g. large companies, MSMEs, private customers etc.) and explain whether there are any target client groups which your institution has the ambition to work more with. |  | This will help you understand how close the existing client base and the target clients are to your organization’s target group(s). Institutions usually segment their clients in different ways, so it is important to know the definitions used (e.g. what qualifies as a small or medium enterprise). This question will also give you a sense of whether the institution is capable of structuring loans that are suitable to your prioritised sector(s) and target group(s) (e.g. agriculture loans, microloans). |
| 1. Please describe the geographical spread of the existing client base and the geographical presence of the institution. |  | The geographical spread of the *existing* clients can indicate whether the institution has been successful in reaching a wide base of clients in all parts of your region/country, urban vs. rural, etc. Similarly, the geographical presence of the bank, such as branch offices in various locations, can also inform about the institution’s readiness to serve a wide range of clients. |
| 1. What experience does the institution have in providing loans to [the target group and sector]? (e.g. portfolio size, products) |  | Experience in working with the target group is an important aspect of the assessment. Lack of such experience does not mean the partner is not eligible, but it might indicate the need for tailored support through technical assistance parallel to the guarantee for training of staff or product development, for example. |
| 1. Does the institution have experience working with guarantees as an instrument? |  | Previous experiences with guarantees can be a good indicator of the financial institution’s understanding of the mechanism and capacity to work with your organization. |
| 1. How does the institution fund its operations? (e.g. deposits, grants, capital markets, etc.) |  | The sources of funds used by a financial institution to fund its operations influences its capacity to provide loans to a target group. due to e.g. matching maturity long-term sources of funds allow the institution to provide long-term credit), currency, and others.  Moreover, the source of funds can create incentives or obligations regarding sustainability management, social performance and reporting requirements. |
| 1. Does the institution have experience working with international lenders, donors or other financial organisations (e.g. development finance institutions, impact investors)? |  | History of working with development partners like donors or development finance institutions also signals an understanding and willingness to work on development impact. Development finance institutions and impact investors might have started engagement with the financial institution on sustainability and impact-related actions, including through Technical Assistance. |
| 1. Describe your collateral requirements for loans to [the potential target group(s)]. |  | High collateral requirements in relation to loan size and depending on the client group will give you a better understanding of how difficult it is for some clients to access finance. It will also indicate whether a guarantee can help address this issue. |

*- End of questionnaire -*

Based on the answers to the questions above, the task owner should fill in in the following table

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

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