* Think Impact Toolkit

Questionnaire and Guidance for Detailed Assessment 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 the basis of a deeper analysis of the potential guarantee partner. Most guarantee providers conduct such an assessment once a preliminary agreement has been reached regarding the willingness to work with a particular financial institution. The questionnaire covers information about current client groups, financial and non-financial services offered, motivation for applying for the guarantee, potential technical assistance needs, and current capacity to generate development impact data. Having acquired a general understanding of the financial institution at the screening stage, the analysis will now go into more detail on development-related aspects, including Environmental, Social and Governance (ESG) factors. As such, it will provide the information that is important for the advanced appraisal stage.

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. Moreover, although the questionnaire is a standalone document, it can be incorporated into existing due diligence processes / questionnaires of the organization.

After obtaining the answers to the questions, the task owner should add content in the column “suggested measures” whenever a gap or potential improvement is identified. 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. To support the analysis, a list of documents to be requested from the financial institution is also suggested at the end of the questionnaire.

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

* Questionnaire: Detailed assessment of potential guarantee partners to identify development impact alignment

|  |  |  |  |
| --- | --- | --- | --- |
| 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). |
| 1. If the answer to the question above is “yes”, how has this affected the financial institution’s practices and operations, and possibly reporting? |  |  |
| 1. 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. |
| 1. Has the financial institution committed to responsible lending practices / client protection? This could include policies related to fair and respectful treatment of clients, transparency, privacy and security of client data, social and environmental risk management, etc. |  |  | Such commitment would typically be in the form of a specific policy. |
| 1. Does the financial institution provide training to staff on sustainable finance, responsible lending practices, or other sustainability management topics? Please describe the length of the training and the staff receiving it in the last year. |  |  | Building capacity of staff is a key aspect to assess implementation of sustainability / responsible finance commitments. |
| 1. Does the institution have an ESG Policy? |  |  | The policy should cover ESG aspects (not limited to voluntary initiatives but looking at environmental and social impact of the clients of the institutions). The policy should assign responsibilities for environmental and social management within the institution, ideally to dedicated staff, supported by periodic reporting. |
| 1. Does the institution have staff with assigned responsibilities to ESG management? How is their work integrated in the institution‘s operations? |  |  |
| 1. Does the institution report on the achievement of its social or environmental objectives? How? |  |  |
| 1. How many employees does the institution have? (gender breakdown) |  |  | These questions aim to assess whether the financial institution effectively engages with its workforce. Although the objective is not to conduct due diligence of the institutions human resources management, the questions might show gaps (e.g. lack of an employee grievance mechanism or lack of compliance with local labour law). |
| 1. Does the institution pay at least minimum wage and provide social security benefits for all employees? |  |  |
| 1. What channels are available to the institution’s employees (and their unions) to raise workplace concerns or file complaints? (e.g. on issues related to harassment or discrimination) |  |  |
| 1. Are there any recent disputes or complaints about labour and working conditions at the institution? |  |  |
| **Guarantee use and outreach to the target group** | | | |
| 1. What are the main risks that could prevent the financial institution from using the guarantee? How can the institution address them? |  |  | This could point to bottlenecks (e.g. lack of qualified staff) which should be addressed in the guarantee agreement. |
| 1. Will there be changes in staff as a result of the guarantee (e.g. new departments / units created, hiring of additional staff)? In case of new hires, will these be temporary or permanent positions? |  |  | Hiring staff in permanent positions or setting up dedicated departments and units are indicators that the institution will be able to continue serving the target group after the guarantee period. |
| 1. What is the financial institution’s strategy to serving the target group(s)? Does it contain specific aspects related to gender? |  |  | Ideally, this would be supported by a document outlining the strategy to serve the target group(s), which should include time-bound targets (see document list). |
| 1. Are there ways in which the financial institution can (currently and in the future) serve [the target group, sector or geographical area] without the guarantee? |  |  | The objective of this question is to assess whether the guarantee will generate financial additionality, i.e. direct more capital or in better conditions to borrowers who wouldn’t otherwise be served. It could also point to whether the institution has thought about how to maintain the operations with the target group(s) after the guarantee period. |
| 1. Does the financial institution’s geographical presence (branches) match with the location(s) of the target group(s)? What other channels does the institution use to reach clients (e.g. banking agents, digital / mobile channels)? |  |  | Accessibility is key for the delivery of financial services. However, not all services require a branch and some can be delivered through online, mobile channels or banking agents. Banking agents are usually individuals or small enterprises who provide basic banking services on behalf of a bank, usually with the objective of expanding the institutions’ outreach. |
| 1. What tools does the financial institution have to assess the needs (for financial and non-financial services) of [the target group(s)]? What are these needs? |  |  | Tools could be surveys, focus groups, customer service reports. |
| 1. Has the financial institution developed or does it intend to develop specific products for [the target group(s)]? How do they differ from existing products? Please describe the products to the target group in terms of (i) currency, (ii) maturity, (iii) interest rate, (iv) collateral requirements? |  |  | Specific features of products designed for the target group could include: term, repayment schedule, interest rate, accepted collateral, collateral levels, settling mechanisms, currency, among others. |
| 1. Does the financial institution provide or intend to provide training to its staff on serving the target group(s)? Please describe the training as well as other internal communication activities regarding the target group(s) and the guarantee. |  |  | Relationship managers, credit analysts, monitoring staff could all receive training to better communicate with the target group(s) or assess their creditworthiness. |
| 1. Does the financial institution provide non-financial services to clients in general, and to the target group(s) in particular (e.g. financial education, access to markets, entrepreneurship training)? How many clients received such services last year? |  |  | Providing support services is a strong driver of positive impact. The question addresses the scope (i.e. which products) and the depth (i.e. is it a significant part of the clients?) of such services. |
| 1. Does the financial institution have a management information system allowing it to obtain data for reporting purposes? This includes operational and impact data, at institutional and client levels. |  |  | The list of indicators needed by your organization should be shared with the financial institution during the appraisal.  It is important to understand whether operational and impact data is available and accessible (i.e. can the financial institution generate a report with individual data for guaranteed loans?) |
| 1. In which area(s) does the institution need support to effectively use the guarantee? (e.g. product development, strategy, training of staff, internal systems, reporting, client training) |  |  | This will inform Technical Assistance opportunities / needs, as well as potential risk factors. |

*- End of questionnaire -*

**Documents to be requested:**

* Portfolio overview (including segmentation per sector, client group, geographic region, etc.)
* Strategy to serve the target group(s)
* Exclusion list
* Annual Report
* ESG (Environment, Social and Governance) / sustainability policies
* Client protection policy
* Human resources policy
* Additional documents to substantiate answers provided, as applicable

Based on the answers and suggested measures from the table above, the task owner should fill in in the following table:

|  |  |
| --- | --- |
| 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) |  |

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