How to Use Guarantees to Mitigate Risk and Reach Your Financing and Impact Goals
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Agenda

1. Research Presentation
2. Panel Discussion on HealthCo Case Example
3. Small Group Discussions
The Global Impact Investing Network

The GIIN is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing around the world.

To help accelerate the development of a coherent impact investing industry, the GIIN:

- Builds critical market infrastructure
- Supports education and industry research
- Convenes an investor community.

Definition of impact investments

Impact investments are investments made in companies, organizations, projects, or funds with the intention to generate a positive social or environmental impact alongside a financial return.

Core characteristics of impact investing:

- Intentionality
- Investment generates financial return on capital
- Range of return expectations and asset classes
- Impact measurement by investor and/or investment manager
A diverse market

Investor collaboration through credit enhancement

#OFNCONF #CDFIsINVEST
The power of guarantees

- Address **real and perceived risks** to draw more capital into impactful projects and organizations
- Enable investors to gain experience with **unfamiliar sectors or business models**
- Facilitate access to capital for nonprofits or community development organizations at **favorable terms**

Concentrated in a few sectors

Impact themes addressed by number of guarantees

$n = 58$ guarantees; some guarantees target multiple themes

Source: GIN
Limited uptake and scale

- Most guarantees are small – under $5 million.
- Most projects or funds they back are small – under $50 million.
- Most guarantees are negotiated at the loan or fund level (not programmatic).

Wide variety of structures

- Percentage of losses covered ranges from <10% to 100%.
- Can include full, partial, or no up-front funding.
- Triggers and access to capital vary.

Guarantees by size

\[ n = 46 \text{ guarantees} \]

Guarantees by coverage level and funding

\[ n = 44 \text{ guarantees} \]
Barriers to greater use

• Lack of awareness and experience using guarantees.

• Complexity – can be time and resource-intensive.

• Difficulty aligning multiple stakeholders.

Source: NYCEEC

Recommendations

1. Streamline: Focus on five key considerations.

2. Scale: Pooling capacity and working at programmatic level.

3. Sectors: Expand use to promising sectors where guarantees are needed.

Energy efficiency Renewables Healthcare Food access Small business
Streamlining

Focus on five key considerations to streamline structuring:

1. Objectives of the guarantee
2. Type of risk addressed
3. Coverage level
4. Financial return
5. Triggers and access

Source: Healthy Neighborhoods

Key takeaways

• Guarantees can draw private capital into projects and companies generating positive impact.
• They can be used to:
  ✓ **Prove the creditworthiness** of nonprofits or new business models.
  ✓ Enable **investors to gain familiarity** in new sectors.
  ✓ **Facilitate access to capital** at favorable terms.
• Expanding the use of guarantees will require **streamlining processes and aligning expectations**.
Case Example: Collaborative for Healthy Communities / HealthCo

- Two CDFIs began lending in a new sector – Federally Qualified Health Centers.
- $5 million unfunded guarantee from the Kresge Foundation on initial pool of $25 million.
- Later enabled further capital raise and addition of a third CDFI, more than doubling the amount of capital.
- Enabled CDFIs to gain experience with FQHCs and demonstrate their creditworthiness.

Panelists

Kimberlee Cornett
The Kresge Foundation

Anne Dyjak
Primary Care Development Corporation

Kimberly Lattimer-Nelligan
Low-Income Investment Fund

Scott Maxfield
Goldman Sachs Urban Investment Group

Nancy Wagner-Hislip
The Reinvestment Fund
Thank you!

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