



Impact-Linked Finance Learning Journey

Learning Workshop



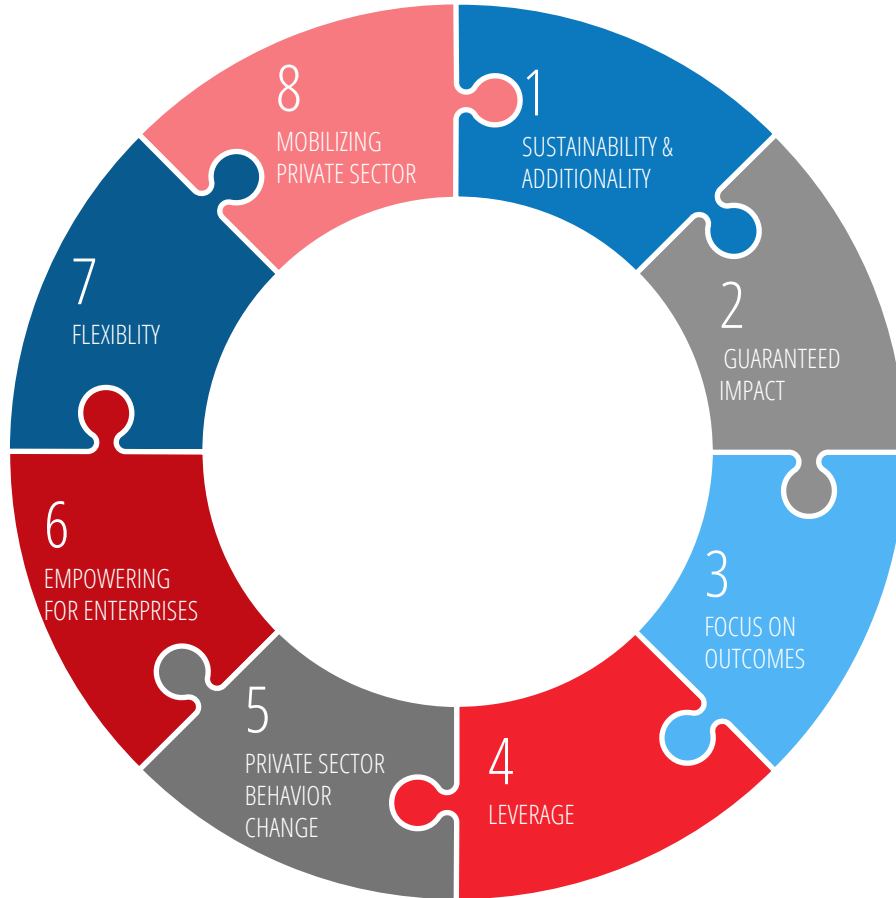
March 2024



THE VALUE OF ILF FOR SDC



The value of ILF for SDC



1 ILF promises sustainable impact with high additionality

2 Because payment is only released on outcomes, there's lower impact risk

3 The focus on outcomes rather than outputs is revolutionary

4 The leverage aspect of ILF makes it particularly cost effective

5 ILF offers opportunities for systemic change by changing the behavior of the private sector

6 Because it is co-designed with enterprises, ILF is empowering

7 ILF is flexible and can be adapted to multiple contexts

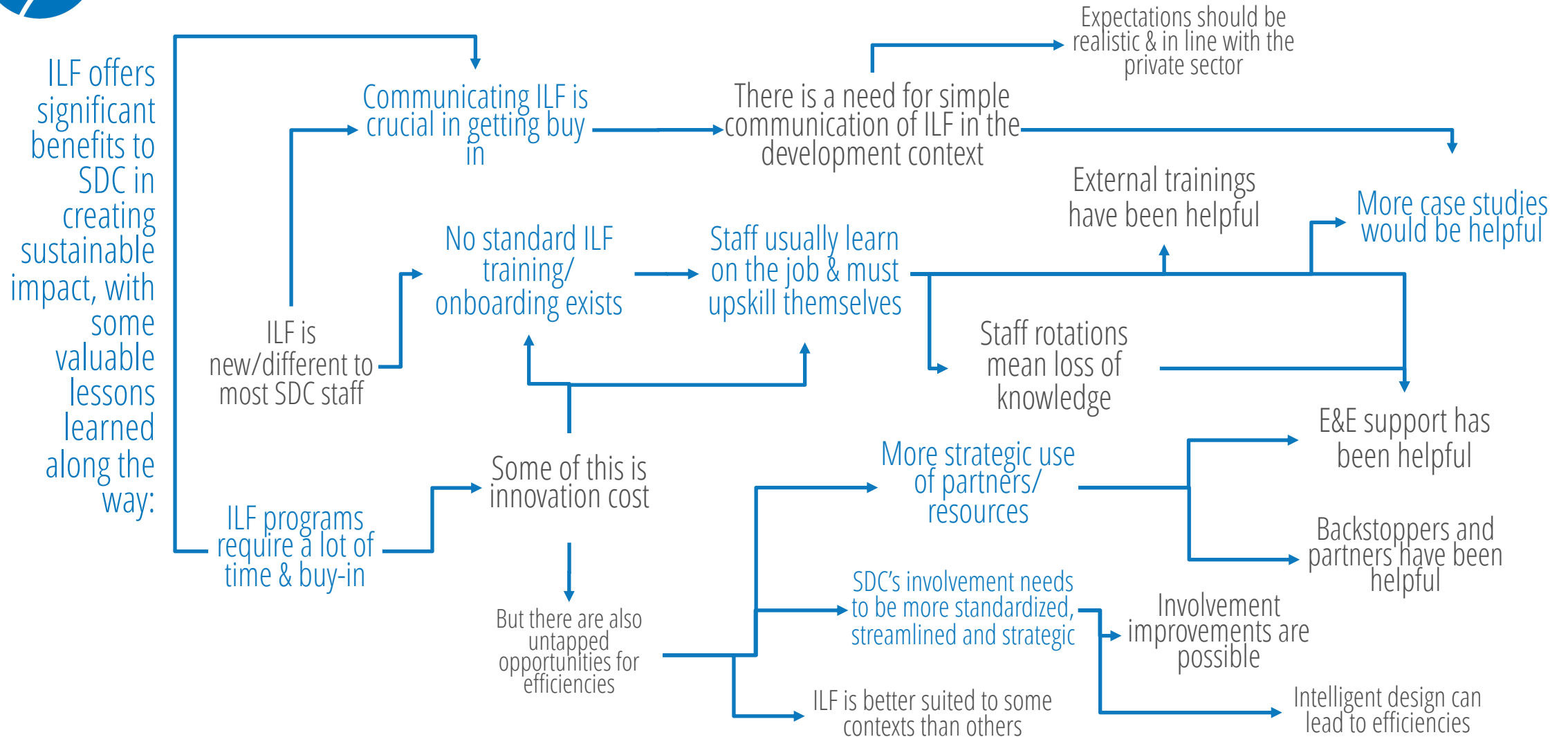
8 Mobilizing the private sector is responsive to a geopolitical situation of declining development funding & weak governments



METHODOLOGY



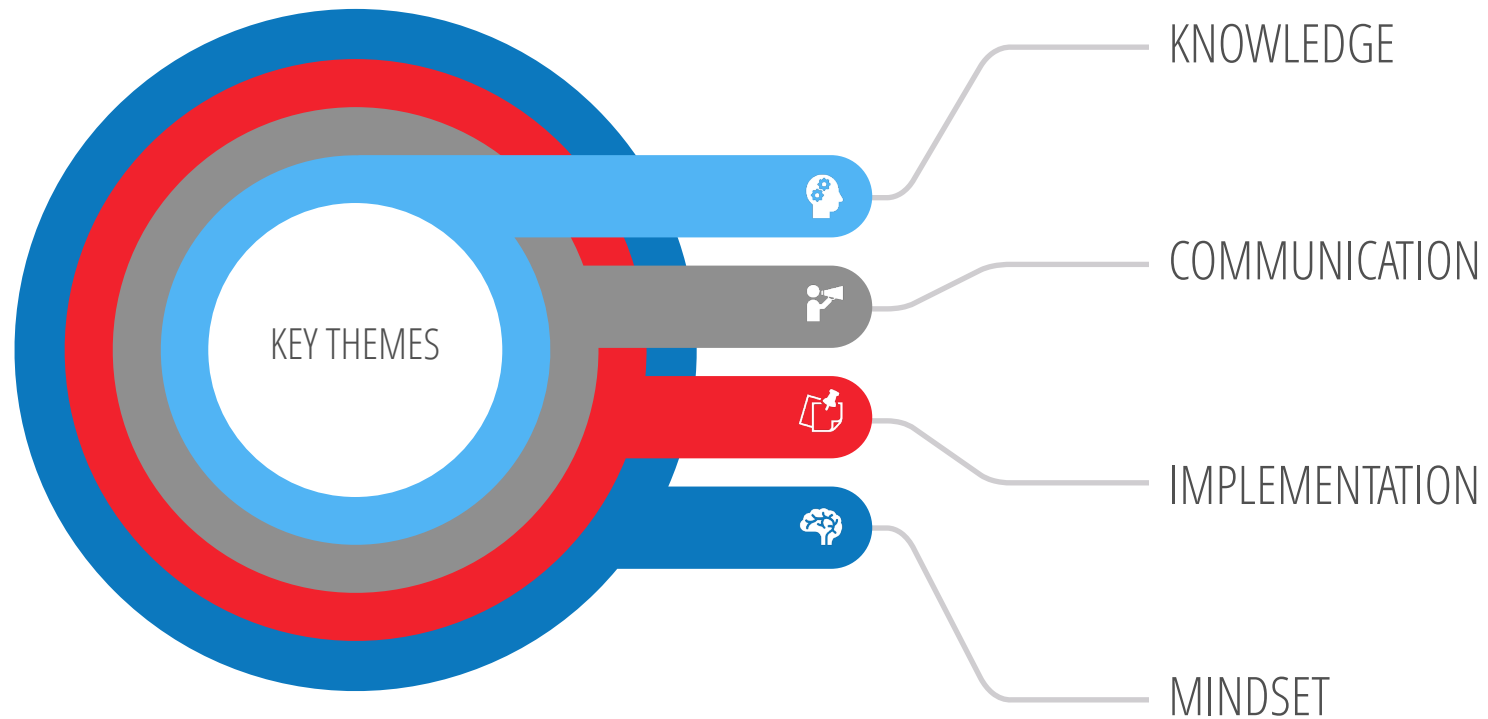
What we heard: Highlights





Four major themes emerged

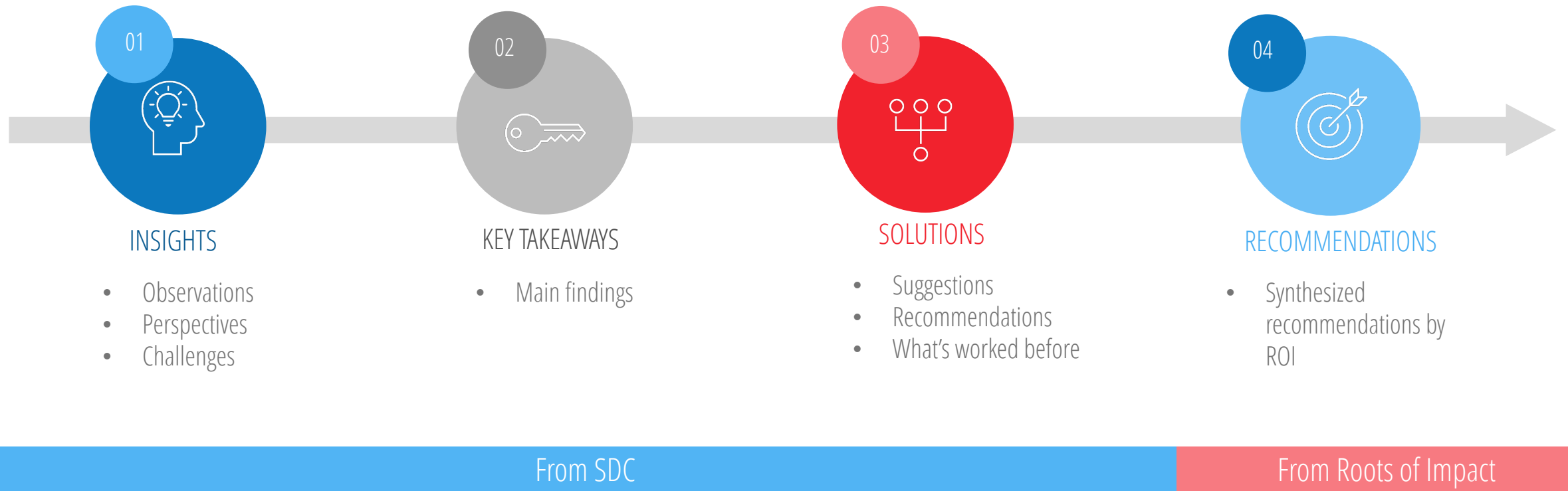
Based on the responses from the survey and the twelve interviews conducted, the most common insights and feedback was clustered around four major themes:





Framework per theme

Within each theme, we have utilized the following framework to extract key insights:





KNOWLEDGE



Knowledge: Insights

01



INSIGHTS

- There is **no structured onboarding or training** for staff new to ILF.
- SDC's HR structure makes it **difficult to retain experience and capacity** on ILF.
- To date, most ILF training or onboarding has been 'on the job', ad hoc, and unstructured.
- Most staff familiar with ILF were intrinsically motivated to learn themselves. Staff have had to be willing to go the extra mile, be willing to try new things, and be willing to upskill themselves.
- The **internal ILF Champions have been very valuable** for staff new to ILF.
- More **documents/policies/tools are not needed**: "There are enough of those already".

"ILF requires staff to go the extra mile and be willing to try new things"

"It's been a lot of on-the-ground learning"

"There is very little onboarding... I would prefer to have had a structured introduction."



Knowledge: Key Takeaways

02



KEY TAKEAWAYS

- The breadth of knowledge of ILF needs to grow within SDC.
- Structured capacity building and onboarding on ILF is crucial to achieve this.
- Colleagues running ILF programs must usually also be the drivers and motivators of ILF. Having capacity building more widely would help with this.

"Onboarding at the beginning of a program is crucial."

"It's not a subject that you catch on to immediately, it takes a while to understand the different elements."



Knowledge: Solutions

03



SOLUTIONS

- Trainings should be **widely available** for anyone working on or interested in ILF:
 - Structured training (such as the ROI bootcamp/Efiko Academy/IIBF) is significantly helpful to staff who have attended, and attractive to those who haven't.
 - Content should include case studies, implementation advice, and a mapping of different ILF partners and instruments (e.g. aligned investors).
- Internal learning opportunities, such as **brown bag events to share lessons on ILF**, have also been helpful.
- **Case studies to bring ILF to life** would be very helpful. There is a need for the data and facts to be put into stories in an easier to digest way. These should be tangible and include outcomes and budgets.
- Building on the informal support offered by E+E, **a mentorship or buddy program** for ILF would be beneficial, offering ongoing support/advice/sparring partners.

"Trainings were very helpful, everyone working on ILF should go through these."

"Brown bag events have been successful to share knowledge."

"Trainings and exchange with E+E were very helpful."

"SDC is creating a mentorship program. This would be great for ILF."



Knowledge: Recommendations

Recommendation	1. Develop an ILF training program	2. Continue fostering internal learning and sharing	3. Develop an ILF case library
Description	An online ILF training program should be offered to all staff new to ILF, whether they will be managing ILF programs or involved in an adjacent role. The training should consist of 2-3 hours of material and may be self-paced or facilitated.	<ol style="list-style-type: none">1. The E+E team should continue to function as the knowledge center of ILF2. A buddy/mentorship program, in which staff experienced in ILF are paired with staff new to ILF, would offer opportunities for support, advice, and sparring partners.3. Brown bag events and other informal learning opportunities offer continuous value and opportunities for dialogue	A library of case studies, including data, details on structuring, outcomes, and budgets, are an excellent learning tool. These should be easy to digest, tell the story of the enterprise, and demonstrate the linkage to SDC's development goals.
Internal/ external	Internal or external	Internal	External
Level of effort for SDC	Internal: High External: Low	Low	Low
Time to complete	Mid-term	Short term	Mid-term



COMMUNICATION

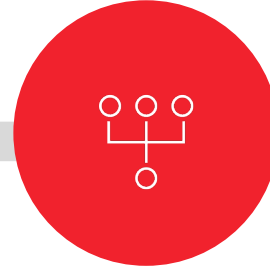


Communication: Overview



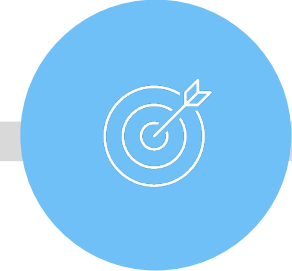
INSIGHTS & KEY TAKEAWAYS

- Effectively communicating ILF internally and externally would help with **buy-in and understanding**, which would also help with internal efficiencies.
- Communication efforts need to be simple and focus on **how ILF is relevant for the development agenda**.



SOLUTIONS

- Communication materials should be **simple and easy to understand**.
- Communication should **highlight why ILF is relevant for SDC**, how it fits into SDC's overall strategy and goals, and how it **fits into mainstream development understanding**.
- Materials should should showcase what's **already been done at SDC**, as well as the **opportunities for future work**.
- **Case studies are particularly useful**, especially where these can be combined with details and results.



RECOMMENDATIONS

1. Revamp/create ILF-specific communication materials
2. Develop an ILF case library



Communication: Recommendations

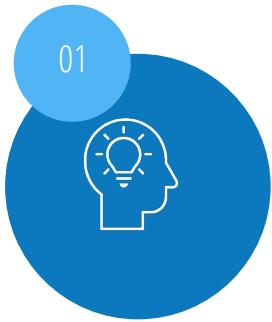
Recommendation	1. Revamp/create ILF-specific communication materials	2. Develop an ILF case library
Description	A set of ILF communication materials should be created, that are simple, easy to understand, and focus on the relevance of ILF for SDC and the development agenda. The communication pack should include: <ol style="list-style-type: none">1. A 2-pager introduction to ILF2. A short pitch deck introduction to ILF3. A set of boilerplates which can be used in emails, articles, social media, partner communication, and external communications	A library of case studies, including data, details on structuring, outcomes, and budgets and results should be used alongside communication efforts. These should be easy to digest, tell the story of the enterprise, and demonstrate the linkage to SDC's development goals.
Internal/ external	Internal or external	External
Level of effort for SDC	Internal: High External: Low	Low
Time to complete	Mid-term	Mid-term



IMPLEMENTATION



Implementation: Insights



INSIGHTS

- Aligning with the internal SDC processes and getting approvals for ILF was initially challenging because they were new and different – ‘**innovation cost**’. Follow up programs did not have the same issues.
- However, as ILF program size and complexity increases, **time required from SDC staff has increased**.
- ILF programs now require more time and capacity from SDC staff than other programs. There are **concerns around analyzing and approving individual transactions at the SDC level, especially as ILF scales**.
- There are **opportunities and ideas for efficiencies**, for example by having more flexibility in funding allocations upfront. One credit proposal spanning multiple regions/themes/sectors would maximize efficiency.
- **Partners and technical backstoppers have been shown to be useful resources** for SDC program managers, not only from a capacity perspective, but also from a risk mitigation perspective. These relationships have provided new insights, security, and comfort.
- The **E&E team have also been an incredibly useful resource** for non-ILF-expert staff.

“A challenge is how time intensive ILF is for SDC staff”

“SDC needs to find ways to roll out ILF more efficiently”

“We should apply to ILF the same guidelines applied to other partnerships: an advisory/steering role but not on a transaction by transaction level.”

“The framework contract with *<backstopper>* has been crucial to get early insights without slowing things down.”



Implementation: Key Takeaways

02



KEY TAKEAWAYS

- The 'innovation cost' is temporary and can be reduced through effective communications and staff training.
- SDC's internal involvement in ILF needs to be more standardized, streamlined and strategic.
- SDC can make more strategic use of both internal and external resources (E&E team, partners, and backstoppers).

"If I were to do it again, I'd have less hands-on involvement, but a good balance is necessary. Program managers need the opportunity to learn without being overwhelmed."

"SDC should not have a direct role in analyzing and approving specific ILF transactions. This would be completely impossible going forward as it scales."

"For staff doing ILF for the first time, backstoppers are very helpful. They also provide the opportunity to build capacity of the SDC teams, because they bring the experience and decision-making power while explaining the rationale."



Implementation: Solutions

03



SOLUTIONS

- Streamlining involvement:
 - SDC's **involvement should be heaviest at the beginning of the prep work**, that is, during feasibility and setting the impact thesis, to ensure that realistic expectations are set.
 - SDC should apply the same partnership guidelines to ILF as other partnerships ie take an **advisory/steering role but not an individual transaction-level role**.
- E&E team should remain the **detailed knowledge hub**, with program managers not needing the same level of expertise.
- External partners (implementers, backstoppers, and experts) should be relied on more heavily and be **used strategically to build internal capacity**.
- **Efficiencies should be sought**, such as setting up larger, cross thematic, cross geography funds that can be tapped into by different units effectively.

"The idea going forward is not to be involved in an operational level on each deal."

"It's not realistic for SDC to be assessing each proposal in the TIC."

"A global fund would be a good idea: the more boundaries/ restrictions, the harder it is. Diversity across sectors/ geographies is also important in lowering risk of issues."

"A global fund would be a good idea: the more boundaries/ restrictions, the harder it is. Diversity across sectors/ geographies is also important in lowering risk of issues."



Implementation: Recommendations

Recommendation	1. Reconsideration on SDC's involvement in ILF programs	2. Better use of partners	3. Intelligent program design to harness efficiencies
Description	SDC's should reconsider the level of involvement in individual transactions. This may vary from program to program, depending on the capacity and experience from SDC staff and the implementing partner.	Partners hold potential to increase capacity, decrease risk, and streamline programs: <ul style="list-style-type: none">• Implementation partners can be provided autonomy in small decision-making e.g. TA approvals.• Backstoppers can provide expertise and sit on the TIC in place of SDC staff.• The E+E team can hold detailed expertise within SDC.	SDC should design programs to be as broad as possible in terms of regions and sectors, while being specific about the type of impact achieved. For example, a global, cross-sector fund with priority on certain impact objectives (e.g. pro poor) aligned with SDC's goals would maximize internal efficiencies and allow multiple parts of SDC to participate.
Internal/ external	Internal	Internal	Internal + External
Level of effort for SDC to implement change	Low	Low	Medium
Time to complete	Short- to mid-term	Short-term	Mid- to long-term



MINDSET

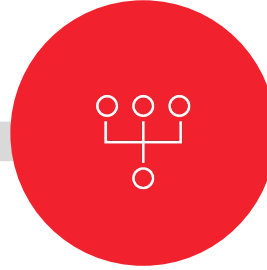


Mindset: Overview



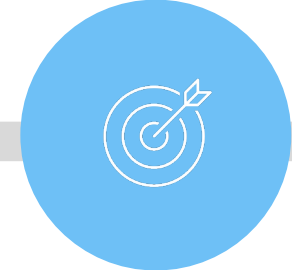
INSIGHTS & KEY TAKEAWAYS

- Private sector concepts are often not expected by staff who are experienced in development. For example:
 - It's normal for investment and fundraising to take a long time.
 - It's expected that ILF/investments may be a moving target.
 - If funds aren't disbursed, this doesn't necessarily indicate failure.
- SDC's role as a catalytic funder (being the first one in) should be emphasized.
- ILF is not a panacea for everything, and should be used where likely to achieve the best results.



SOLUTIONS

- Internal communication should set realistic expectations for SDC staff of what can be expected from impact enterprises. For example:
 - While enterprises should create impact, they are still businesses that need to make money.
 - ILF's role is to push the impact bar higher, but should not change the business model.



RECOMMENDATIONS

1. Private sector considerations should be kept in mind when communicating to internal SDC staff
2. Develop an ILF relevance decision-tree



Mindset: Recommendations

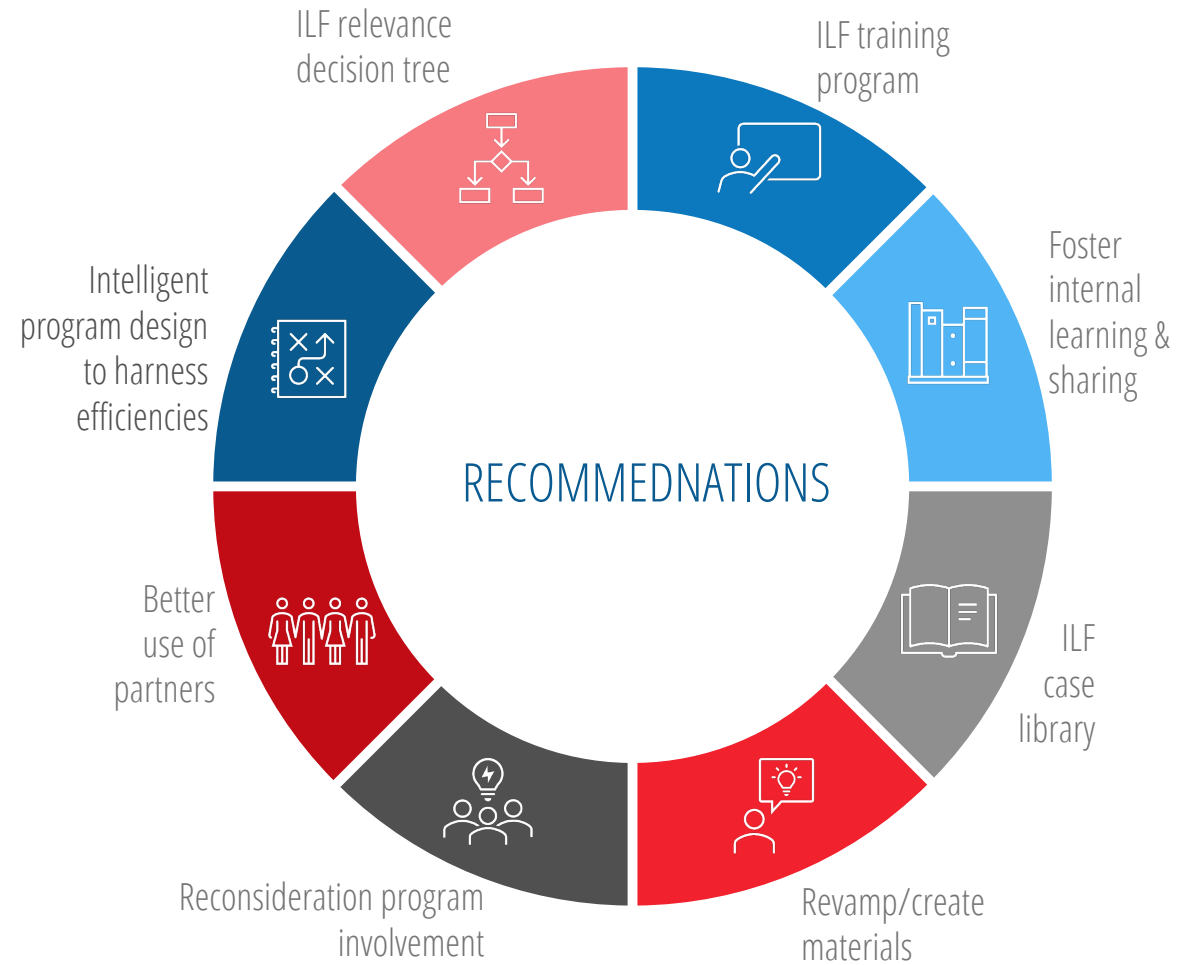
Recommendation	1. Private sector considerations should be kept in mind when communicating to internal SDC staff	2. Develop an ILF relevance decision-tree
Description	Private sector nuances should be incorporated into the narrative around ILF. This could be achieved through closely tying ILF to the rest of PSE work, or having colleagues with experience in private sector investment be Champions/Experts for ILF transactions.	Recognizing that ILF is not suitable for all circumstances and contexts, a decision-tree could be developed to help SDC staff assess whether ILF is a useful toolbox to apply to a specific program.
Internal/ external	Internal	External
Level of effort for SDC	Low to medium	Low
Time to complete	Short- to mid-term	Mid-term



RECOMMENDATIONS

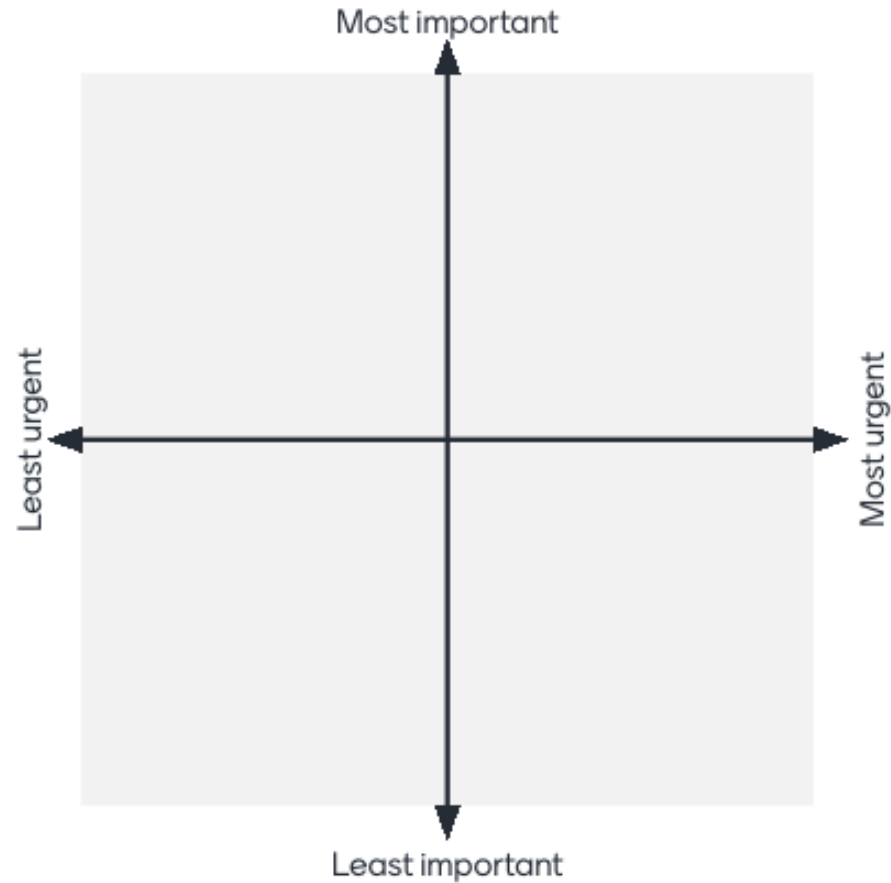


Recommendations: Summary





Prioritization of next steps



Don't agree	ILF training program	Strongly resonate
	Foster internal learning & sharing	
	ILF case library	
	Revamp/create materials	
	Reconsideration program involvement	
	Better use of partners	
	Intelligent program design to harness efficiencies	
	ILF relevance decision tree	



Thank you very much!