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Leveraging Foundation Balance Sheets for Greater Impact: Piloting a Pooled Guarantee Program

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Introduction

Guarantees, a credit enhancement financial tool commonly used in traditional financial markets, has the potential for leveraging billions of dollars to address pressing societal challenges. Simply put, this tool improves the risk–return profile of particular investments that have the potential to channel more capital to underserved communities. According to a recent issue brief published by the Global Impact Investing Network, foundations that engage in impact investing through program- or mission-related investments are well positioned to use this tool to further their impact (Schiff & Dithrich, 2017).

Spurred by that issue brief, the Community Investment Guarantee Pool (CIGP) was launched in 2019 as a collaborative syndicated approach to guarantee use. Created for philanthropies and allied impact investors, or guarantors, CIGP provides a novel opportunity to learn how to or advance existing practice of enhancing credit for intermediaries in the affordable housing, small-business, and climate markets while allowing investors to keep their endowments invested in the conventional financial market. The pool emphasizes addressing systemic barriers that sustain significant racial and gender wealth gaps. Participating guarantors derive operating efficiency from CIGP's dedicated guarantee sourcing, structuring, and portfolio management while also sharing risk with a syndicate of other guarantors.

Key Points

- A guarantee instrument is a credit enhancement tool that can enable philanthropies to unlock millions or billions of dollars for societal impact. The Community Investment Guarantee Pool, created in 2019 by a collaboration of philanthropies and allied impact investors, or guarantors, is a novel initiative that uses guarantees to leverage the balance sheets of foundations and other institutional investors for enhancing the credit of intermediaries in the affordable housing, small-business, and climate markets. As the guarantees are unfunded, foundations continue to keep their endowment invested in the conventional market.
- This article describes the Community Investment Guarantee Pool, details its theory of change, and shares early challenges and insights related to the underlying theory of change. It discusses investor "but for" contributions; treatment of risk (perceived versus actual), both for the guarantors and intermediary recipients; and adaptations for specific markets.

(continued on next page)

A guarantor advisory committee (GAC), finance advisory teams for climate and affordable housing, a GAC evaluation subcommittee, and external teams for evaluation and learning and for racial equity have been created to support and advise the pool and the guarantors. Importantly, CIGP is using a developmental evaluation

Key Points (continued)

- The pool is using developmental evaluation and emergent learning to surface insights for philanthropic and other impact investors. These insights can inform practices that hone the use of guarantees and a pooled impact investing approach. Foundations will benefit collectively and individually from the pool's experience as they learn how to best integrate the use of guarantees in their own foundations and initiate other collaborative guarantee pools focused on sectors or geographic regions. Additionally, financial intermediaries can become more familiar with this financial tool and will be able to experiment with innovative and equitable lending and investment decisions with greater confidence due to the guarantee backing and lessons surfaced through a learning community.

Glossary of Terms

Enterprise guarantee: CIGP provides a guarantee that enables an organization to receive debt or equity it otherwise could not.

Pool guarantee: CIGP provides a guarantee for a portfolio of loans/assets

Program guarantee: CIGP provides a guarantee that can be allocated on a loan/asset-by-loan/asset basis within a portfolio of loans/assets.

Qualified Beneficiary (QB): An organization with a formal guarantee agreement with CIGP which allows the organization to call for funds from CIGP if a program experiences losses (e.g., a CDFI).

Qualified Commitment (QC): A transaction by a QB which is covered by the guarantee agreement with CIGP (e.g., a loan to an affordable housing developer).

Ultimate Beneficiary: The individual or organization with whom the QB makes the QC (e.g., an affordable housing developer). This may sometimes also refer to the end user of the final product (e.g., an inhabitant of a new affordable housing unit).

approach along with emergent learning to surface insights for philanthropic and other impact investors. These insights will hone the use of guarantees and a pooled impact investing approach. Foundations will benefit collectively and individually from CIGP's experience as they learn how to best integrate the use of guarantees in their own foundations and initiate other pooled guarantees.

This article describes CIGP's aspirational potential and emergent learning about its implementations to date.

The Problems Addressed

The Community Investment Guarantee Pool addresses several problems faced by both philanthropic and impact investors and the qualified beneficiaries the guarantees support.

- *Increase supply of capital and products.* Demand for flexible, supportive community development capital outstrips supply. More readily available capital, especially debt, typically comes with conservative parameters, for instance the "five Cs" of credit risk assessment (Segal, 2023), even within the community development marketplace:

    - o Character — the creditworthiness of potential borrower,
    - o Capacity — the applicant's debt-to-income ratio,
    - o Capital — the amount of money a person has,
    - o Collateral — an asset that can back or act as a security for a loan, and
    - o Conditions — the purpose of the loan, covenants, the amount involved, and prevailing interest rates.

    Collectively these discourage intermediaries like community development financial institutions from thinking outside the box, testing their credit policies, or taking on more perceived risk. The products financial

intermediaries offer reflect the capital they receive, and therefore they do not always match their community/end borrowers' capital needs.

- *Building infrastructure.* Foundations and impact investors tend to focus on siloed programmatic objectives rather than taking a comprehensive, infrastructure approach to their work. In so doing, support for long-term systems change in economic development or community finance remains difficult to secure. While funders may work together when their programmatic objectives align, it is far less common for funders or impact investors to collaborate on investments that support infrastructure, systemic, or transformative change.

- *Technical knowledge and capacity.* The Global Impact Investing Network's issue brief focused on the use of guarantees in impact investing and documents barriers to the widespread use of this credit enhancement tool in community investing (Schiff & Dithrich, 2017). Due to its limited deployment outside of conventional finance, there is a significant amount of learning and testing that both investors and financial intermediaries need to do to reduce the complexity associated with the use of this tool. Both groups have misperceived that structuring guarantees is inherently complex. Difficulty in aligning expectations and interests of the multiple parties is also a misperception. Lastly, a general lack of awareness of guarantees as a community development tool creates its own barrier.

- *Utilization of innovative financial tools to create impact.* Foundations and impact investors have invested billions of dollars in societal impact, but these investments predominantly use grants as a tool to achieve it. Guarantees are still considered to be a new tool for philanthropies in community development finance. Guarantees that have been done between a single foundation and beneficiary are often highly bespoke and time-consuming. This approach in the medium term does not leverage efficiencies, build field support, or enable scaling. To unlock catalytic capital from foundations and other impact-focused investors, foundations' executive and investment teams (and potentially boards) need to learn more about and commit to using guarantees and other innovative social impact investing tools.

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How CIGP Works

The Community Investment Guarantee Pool receives and uses unfunded commitments from various foundations and mission-aligned investors (i.e., the guarantors) to issue financial guarantees to CDFIs, social enterprises, and other intermediaries (qualified beneficiaries) with the goal of helping them secure the capital needed to launch new programs/products or expand existing initiatives. (See Figure 1.) Guarantors are also asked upon joining to support the CIGP infrastructure and evaluation alongside their guarantee commitment. The pool targets the community development finance marketplace, which focuses on serving and benefiting communities of color, low- and moderate-income households, and other undercapitalized communities. In sourcing and considering guarantee opportunities, CIGP prioritizes those use cases that seek to help advance social equity, in particular racial equity, and innovation for the community development finance sector. (See Figure 2.) These use cases are systematically rated with an impact criteria rating tool.

FIGURE 1 CIGP Core Activities

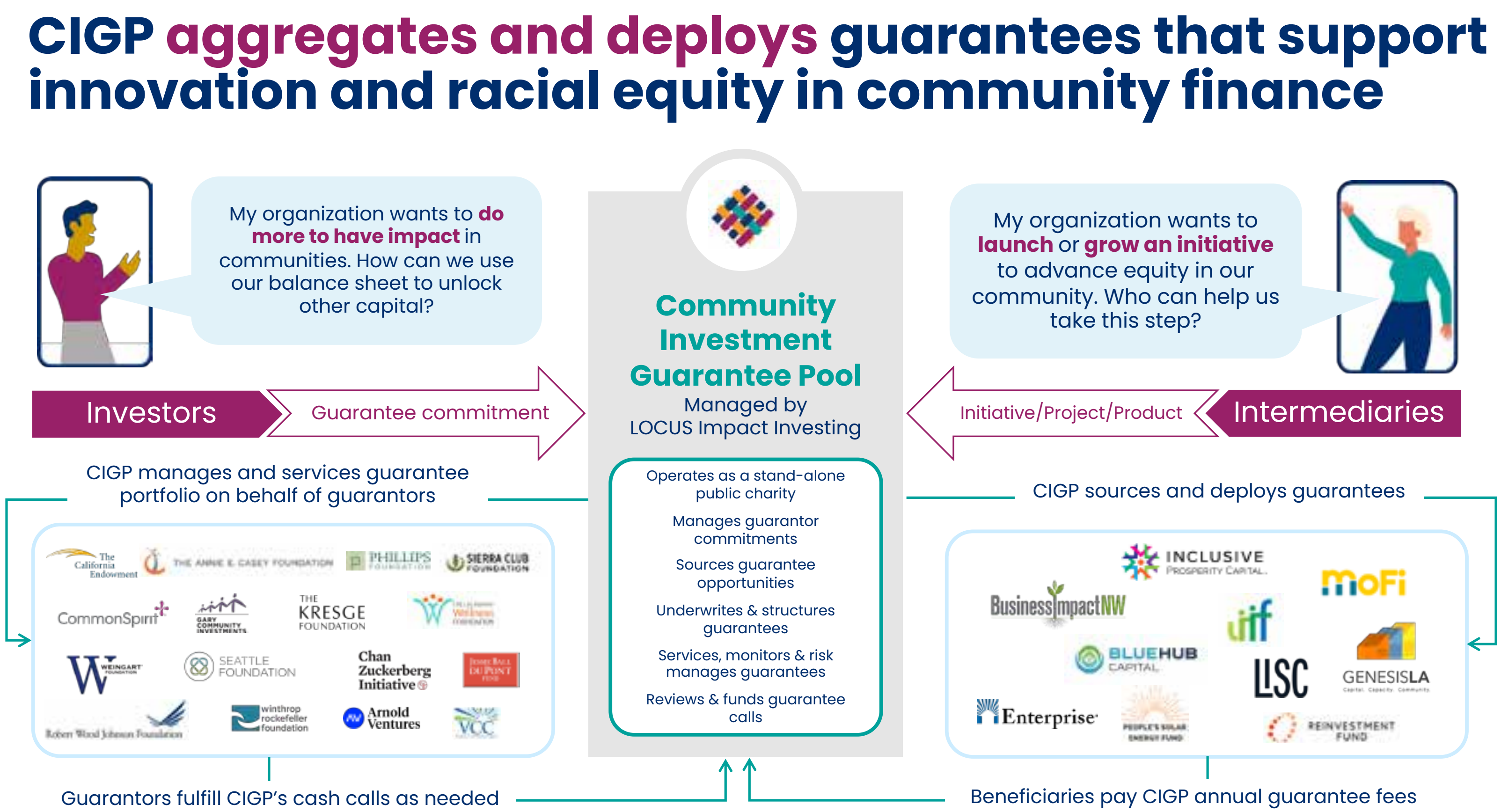

FIGURE 2 CIGP Program Parameters

CIGP works with beneficiaries to co-design guarantees that unlock capital for innovation and racial equity

Program Parameters	
Community Finance Sectors:	Climate, small business, affordable housing
Uses:	Liquidity, equity substitution, collateral substitution, credit enhancement in order to create or expand programs that can drive innovation and racial equity
Structure:	Enterprise — Provide a guarantee for an organization to receive debt or equity Pool — Provide a guarantee for a portfolio of loans/assets Program — Provide a guarantee that can be allocated on a loan/asset-by-loan/asset basis
Size:	$1 to >5M (can increase as pool grows)
Leverage:	Should "unlock" at least five (5x) times the amount of the guarantee
Preferred Geographies:	AR, CA, CO, DE, FL, GA, MD, NC, NM, TX, VA, WA
Pricing:	-2% of guarantee annually based on risk, impact, and program factors
Term:	Currently <13 years (15 years from inception)
Risk Tolerance:	Up to 15% losses across portfolio, beneficiary must have some exposure (e.g., first loss)
Equity Lens:	Should advance racial and/or gender equity and benefit low or moderate-income communities

Focus on Learning

The pool's intentional focus on learning how guarantees can best be used by foundations who invest in or provide grants for community finance is an important characteristic of this initiative. This framing positions the initiative to use emergent learning and adaptive management throughout its development, implementation, and evaluation. While learning and adaptive management are embedded across all CIGP activities, an evaluation team is engaged in developmental evaluation that provides data and evaluative thinking to facilitate learning for action. The intentional learning cuts across the full CIGP ecosystem, with regular emergent learning exercises, an evaluation and learning subcommittee comprised of guarantors, evaluation and learning discussions built into quarterly guarantor meetings, and facilitated peer-learning sessions for the financial intermediaries.

Essential for supporting emergent learning and adaptive management are finance advisory teams comprised of sector experts and market participants. The climate finance advisory team and affordable housing advisory team provide market-specific:

- deal flow; market and policy insights; emerging opportunities/needs for guarantees;
- subject matter expertise to strengthen underwriting and risk analysis; and
- thought partnership to aid ideation on how to use guarantees to scale climate change solutions for community development.

Theory of Change

The evaluation team led the development of a theory of change over several months in early 2021. (See Figure 3.) It was informed by CIGP's

FIGURE 3 CIGP Theory of Change

CIGP THEORY OF CHANGE *DRAFT*[1]

The Community Investment Guarantee Pool (CIGP) is a first of its kind platform allowing guarantors to combine resources and share in risk to create easy access to guarantees for intermediary lenders to take on greater risk across climate, affordable housing, and small business

Resources

- **Capital**
  - $40 million in centralized unfunded guarantee pool (envision growing this to $100 million)
  - Shared 15% accepted loss rate
  - $3 million in grants
- **Commitment to learning**
  - Guarantor commitment to collective learning and action
  - Evaluation and emergent learning model
- **Engaged group of guarantors**
  - Field leadership and influence
  - Standing committees (e.g., executive, evaluation, credit, guarantor advisory committees)
- **Stand-alone and sustainable public charity**
  - Dedicated operations team
- **Expertise and innovation**
  - Expertise in guarantees and community development finance
  - Thematic based finance advisory teams
- **Equity focus**
  - Commitment to racial, gender, and economic equity

Strategies

Investor Focused

- **Aggregate capital in the form of a guarantee pool**
  - Increase the scale and impact of guarantees
  - Develop a financially sustainable operational model
- **Manage guarantees on behalf of guarantors**
- **Create collective learning experience on using guarantees as an innovative finance strategy**
  - Build and refine the business model
  - Understand risk in community development finance across climate, small business, and affordable housing
  - Learn how a collaborative guarantee pool can change systemic barriers faced by intermediaries and businesses led by women and people of color

Qualified Beneficiary Focused

- **Intentional portfolio construction**
  - Balance guarantee risk
  - Balance guarantee uses across climate, small business, and affordable housing
  - Apply equity lens
- **Provide guarantees to qualified beneficiaries**
  - Conduct due diligence and clarify potential risk
  - Structure custom guarantee products
  - Encourage co-creation and innovation with qualified beneficiaries
- **Document, surface, and share learnings about use of guarantees**
  - Clarify use of guarantees in climate, small business, and affordable housing
  - Understand power and limitation of guarantees for mitigating risk
- **Provide technical assistance for qualified beneficiaries to use guarantees**

Outcomes

Short Term Outcome (1-5 years)

CIGP
- Increased guarantor commitments
- Greater diversity of types of guarantors (e.g., health systems, insurers)

Guarantors
- Increased use of unfunded guarantees
- Increased comfort with making community investments

Qualified Beneficiaries
- Improved efficiency in accessing capital
- Greater understanding of risk perceptions across climate, small business, and affordable housing
- Increased capital to intermediaries and developers led by women and people of color
- Improved capacity of qualified beneficiaries to use guarantees
- Expanded the number and type of organizations that utilize guarantees

Communities
- Increased capital to communities of color and those with low incomes
- Increased capital to businesses led by women and people of color
- Increased capital towards climate adaptation, resilience, and sustainability

Long Term Outcomes (5-10 years)

CIGP
- Attained financial sustainability and balanced use of guarantees
- Established part of community development finance market infrastructure
- CIGP model replicated at a regional level

Guarantors
- A greater proportion of guarantors' assets are committed to community investments
- Increased acceptance of syndicated approach for deploying capital

Qualified Beneficiaries
- **Revised lending approaches reflecting greater risk tolerance**
- Improved balance sheets and available assets of smaller intermediaries or those led by women and people of color

Communities
- Measurable positive effects through investments in affordable housing, small business, and climate. For example[2]:
  - Increased renewable energy produced
  - Reduction in greenhouse gas emissions
  - Greater FT, PT, contract, and or temporary jobs created or retained
  - Greater living wage and high wage jobs created or retained
  - Increase in businesses created/expanded/preserved
  - Greater affordable housing units available in low-income communities

Desired Impacts

- **Widespread and innovative use of guarantees to scale community investing**
- **Change the definition and criteria of risk that is used by the industry (e.g., CDFIs, banks, government agencies' criteria for credit risk, etc.)**
- **Reverse systemic barriers in community development finance that disadvantage women and communities of color**

Key
Core
Aspirational

1 – This draft does not address Contribution and Risk (IMP Framework) will be addressed in an associated assumptions document
2 – Examples based on output metrics listed in ***CIGP Impact Metrics*** from ***July 9, 2020***

BOX 1 Methods and Tools for Assessing Impact and Advancing Learning

Methods and Tools for Assessing Impact and Advancing Learning

The evaluation and learning framework employs a variety of evaluation and learning tools used to test the theory of change's hypotheses and generate insights all CIGP actors can use in utilizing guarantees.

- Co-creation and implementation of a learning agenda, aligned with the theory of change and coordinated with the evaluation process throughout the full CIGP ecosystem. Included are:
  - o active use of emergent learning practices, tools, and exercises developed by Fourth Quadrant, such as development of framing questions, emergent learning tables, and before and after-action reviews, and
  - o development of regular practices that "return learning to the system."
- Co-creation and implementation of numerous evaluation tools, including:
  - o an impact rating tool applied ex ante to assess anticipated impact and to compare with actual performance;
  - o an annual survey of guarantors about their practices;
  - o annual interviews with guarantors, partners, and intermediaries to interrogate the theory of change;
  - o "most significant change" stories, collected for and processed with intermediaries and their borrowers and investees; and
  - o peer-learning sessions to explore and share evaluation experiences, practices, and plans.

written documents and communication materials along with perspectives gathered through interviews with the guarantors, LOCUS, and grant funders. Interviews with intermediaries (both those funded and those who had considered seeking a guarantee) were instrumental in validating the initial theory of change.

In a nutshell, the theory of change recognizes that CIGP was designed to influence the actions and conditions for four groups: 1) guarantors; 2) LOCUS Impact Investing (project manager); 3) intermediaries (qualified beneficiaries); and 4) borrowers and their communities (target beneficiaries). Short-term and longer-term outcomes are described for each of these groups. All of the outcomes feed into a longer-term impact statement which envisions a greater flow of capital to community finance efforts that address racial and gender equity wealth gaps.

Putting the Theory of Change into Action

The theory of change frames and guides CIGP strategy implementation. For example, the collaboratively developed impact criteria rating tool screens potential deals during due diligence to ensure deals align with the theory of change and therefore help ensure alignment of projected outcomes and impacts with the theory of change. Moreover, the evaluation and learning framework and its implementing activities seek to test the underlying hypotheses posed by the theory of change. (See Box 1.)

Developing and implementing the framework has to date surfaced several key insights, developments, and challenges. Given the developmental evaluation approach, these learnings will inform the next iteration of the theory of change.

Investor Contribution

As clarified by The Impact Management Project (IMP) (Impact Frontiers, 2023), impact investors offer two unique contributions: the unique contribution of the investors and the impact contributed by the underlying investments.

The pool's two unique investor contributions track with IMP specifically by:

1. providing access to flexible capital (higher-risk capital) relative to capital that is more readily available for affordable housing and

small-business lending, such as the Small Business Administration, the federal low-income housing and new markets tax credit programs, and traditional lenders, such as banks and investors; and

2. growing new or undersupplied capital markets by demonstrating importance of guarantees for advancing racial equity.

Early data indicate that the first contribution — flexible capital — has been important to the intermediaries that work within constrained environments dictated by conventional finance rules. For example, a CIGP's guarantee allows one intermediary affordable-housing lender to make early-stage development loans that extend up to 160% of the loan to value, while more conventional loans restrict lending to 80% or 90% loan to value.

This flexibility provides a security to intermediaries who want to test new products and initiatives to advance racial or gender equity but are less likely to shoulder the risk of applying nontraditional underwriting criteria if they were fully responsible for the full amount of potential loss in the case of loan default. It also allows for more loans to be made to people of color, women, and other developers from underrepresented groups who do not meet conventional criteria but demonstrate their creditworthiness in ways not typically part of the criteria. Without this flexibility, these developers are more likely to subcontract with larger, more established firms (often white-male owned). Caught in a cycle of earning less for their work than if they were the primary developer, they lose out on opportunities to build their wealth and creditworthiness and demonstrate their ability to lead projects.

Growing new markets, the second investor contribution, is more challenging. Ironically, CIGP was designed prior to two globally significant events: the coronavirus pandemic, well recognized as disproportionately impacting women and communities of color, and 2) the racial reckoning spurred by the murder of George Floyd. The unprecedented flow of capital from the private, public, and philanthropic sectors following these events has affected the uptake of the guarantee program.

Yet, while the increased flow of capital to address the widening wealth gap is encouraging, much of it is in the form of time-bound grants (Hadero, 2021; Wells Fargo, 2020). Historically, grants alone have not offered sustainable solutions to equity gaps (Holly, 2020; Dorsey et al., 2020; Rockefeller Brothers Fund, 2022). Nonetheless, interviews with intermediaries who considered applying for a guarantee but did not complete the process as well as intermediaries who did receive guarantees indicated that the unprecedented availability and ease of obtaining grant dollars has been affecting their use of guarantees. For those intermediaries who did not pursue a CIGP guarantee, the cost of the guarantees was a limiting factor considering the less-expensive capital available from grant sources in the wake of COVID-19 and the Floyd murder. Furthermore, for those intermediaries who did engage with CIGP and availed themselves of this guarantee program, the availability of inexpensive capital has, in some cases, limited their deployment of loans tied to the guarantee.

Impact on Intermediaries

Early data signal that the greatest impact of the underlying investments is likely to be on the financial intermediaries. They identified that the most profound impact will be on their risk-assessment systems and investment practices informed by the innovations in programs and products secured by the guarantees.

As noted previously, testing perceived risk is a key part of the learning agenda for both the intermediaries and the guarantors. If the innovations the intermediaries have created and applied to existing or new programs or products yield data that challenge the conventional view of perceived risk, then the intermediaries will have evidence that could support significant practice changes that would be aligned with more equitable economic and community development.

Impact on Borrowers and Communities

A third area of change — at the borrowers and community level — is more difficult to track and will likely vary widely. Nor has it historically been required by most funders or investors, thus there is little experience or culture of doing so. Evaluation of CIGP has been influenced by a normative evaluation culture in the financial intermediary community focused on performance monitoring outputs as proxies for outcomes. The philanthropic grantmaking world commonly operates in a culture of theories of change, outcome measures, and data collection throughout the life cycle of investments. The community investment world focuses mainly on pre-investment due diligence and active investment output data; follow-up outcome data is difficult to obtain and post-investment outcome evaluation is infrequent.

Furthermore, each guarantee deal is deliberately intended to be a unique use case. This places another constraint on tracking, quantifying, and analyzing trends. The quantitative descriptive data gathered about borrower and community change focuses on diversity of borrowers and investees, and community-level demographic data on housing developed (types and amount), jobs created and retained, and reduced greenhouse gas emissions. Using the pre-investment impact rating tool, a systematic quantitative comparison of it to active investments periodically during the investment life cycle will be conducted.

To capture more meaningful impacts on and insights from the borrowers and communities, the "most significant change" (MSC) story will be utilized. These stories will capture and lift up specific ways that the guarantees have affected entrepreneurs, housing developers, and climate solution providers, as well as the communities and customers served by these businesses and organizations. An approach widely used in development evaluation, significant change stories articulate the kinds of outcomes that the guarantees facilitated from the point of view of stakeholders most affected (e.g., underrepresented developers and entrepreneurs). Each intermediary will assemble multiple stories and select a representative one to demonstrate how the guarantee has made a difference. Those selected will receive a stipend for the additional work, as will the community borrowers asked to tell their MSC story. The collection of these case illustrations will represent the range and depth of positive outcomes that are associated with this innovative finance tool.

Investment Infrastructure for Guarantors

The building of a syndicated approach to guarantee deployment is another significant area for evaluation and learning. CIGP's intentional learning journey is anticipated to provide the guarantors and the broader field of philanthropy with policies and how-to practices on structuring, managing, and using guarantees.

The investment in LOCUS as project manager for the guarantee pool as an infrastructure model to support use of guarantees offers one learning opportunity. The baseline study of guarantors conducted in 2022 points to other opportunities. It indicates a low level of field knowledge about how guarantees fit into the philanthropic capital stack of the impact financial equation. Indicative of a large amount of room to learn and grow, the survey revealed low-level interest or commitment to using guarantees at the executive level. Building the infrastructure intends to demonstrate the potential of guarantees to advance a philanthropy's financial and impact performance goals as part of a blended finance approach, create predictive models for risk exposure, and develop portfolio-level risk profiles.

Equity Considerations

Another recently surfaced notable challenge is clarity about racial equity goals and how gender and economic equity are weighted in relation to racial equity. The nature of the CIGP collaborative syndicate approach necessitates consensus-building about equity goals and priorities. The impact rating tool used as part of the due diligence and co-created with the CIGP, the guarantors, and evaluation team provides equal weight to gender, racial, and economic equity — each worth 20% of the total point allocation.

The impact rating tool development and early application of it sparked a deeper conversation about racial equity — with a focus on defining equity as more than demographic diversity data. To clarify and sharpen the focus on race, racial equity consultants were engaged. Their conclusion? Systemic racism cannot be successfully addressed through applying a "racial equity lens." Rather, transformative change requires a racial equity mandate.

The impact rating tool development and early application of it sparked a deeper conversation about racial equity — with a focus on defining equity as more than demographic diversity data. To clarify and sharpen the focus on race, racial equity consultants were engaged. Their conclusion? Systemic racism cannot be successfully addressed through applying a "racial equity lens." Rather, transformative change requires a racial equity mandate. As one of their recommendations put it, LOCUS should

> leverage all our staff and guarantee resources to provide financial guarantor resources to provide financial guarantees in service of initiatives that help beneficiary organizations advance racial equity as well as identify and elevate racially equitable guarantee practices in service of intermediaries led by people of color.

This mandate is viewed as a precondition for replicating and scaling the use of guarantees as a financial tool that promotes racial equity.

CIGP was asked to reimagine, resource, reflect, and refine its theory of change accordingly. It is currently discussing with the guarantors and the guarantee recipients how best to make the recommended changes. Meanwhile, CIGP is adapting; its most recent guarantee takes the greatest risk to date in terms of financial due diligence with the community of beneficiaries intended to be 100% people of color.

Adaptations for Market

CIGP has found early success in identifying compelling guarantees in the affordable housing market (greater than 80% of its current guarantee portfolio); however, identifying qualified beneficiaries and suitable use cases for its climate equity guarantees has been more challenging. Among the reasons:

- The U.S. affordable housing market has a history of guarantee utilization, whereas guarantees, particularly those unfunded guarantees issued by philanthropy, are less familiar to the climate finance market.

- Affordable housing and small-business finance are core, well-established segments of the community development finance marketplace, whereas climate finance is relatively young and underdeveloped. This is especially true for climate finance that serves communities of color and those whose members have low and moderate incomes.

- Because climate finance — and in particular, community climate finance with an equity focus — are relatively underdeveloped, CIGP found that many of the qualified beneficiaries advancing climate guarantee use cases were themselves young and often had lower financial and operational capacity — making development and consummation of a CIGP guarantee more challenging for the beneficiary.

- The climate community finance market also features a different type of beneficiary/intermediary compared to housing or small business. The current pipeline includes a significant number of non-CDFIs, whereas small business and housing are dominated by CDFIs.

- Learnings through the climate finance advisory team established that venture capitalists are active in the climate space and willing to invest large sums of capital and take significant risks because of potential payoffs. This also affects the pipeline development.

CIGP actively looks to issue guarantees to back initiatives that can help address the racial gap in homeownership in the United States. Along with climate, this has been challenging; CDFIs, the most prevalent intermediary in the community development finance marketplace, have historically focused on financing rental housing. Not surprisingly, then, affordable rental housing use cases predominate among the early guarantees issued by CIGP.

Building a pipeline of guarantees with the same type of intermediaries as housing and small business has been challenging for the community-focused climate market. The climate finance advisory team has developed recommendations for adapting the climate market strategy, one that differs from the one originally envisioned. An example of adaptive management, CIGP and the GAC will share and discuss the team's recommendation in determining how to adapt CIGP's approach to the community-focused climate market.

Going Forward

Using a developmental evaluation approach from the onset has allowed for a productive, transparent, engaged learning journey — one that started with ambitious goals and is becoming more sculpted through the developmental evaluation processes and additional learnings from other associated efforts (e.g., GAC, financial advisory teams, racial equity consultants). Each guarantor committed to the evaluation as part of their engagement with GAC. LOCUS, in its role of program manager to execute CIGP, holds the evaluation and learning process. Learning over a decade will provide proof of concepts across multiple use cases that shine a light on use of guarantees as a unique addition to the community finance ecosystem and innovations that are impactful.

CIGP's flexibility and transparency in learning and adapting will be significant in demonstrating guarantees' value for advancing philanthropy's contribution to community finance and social equity.

CIGP's flexibility and transparency in learning and adapting will be significant in demonstrating guarantees' value for advancing philanthropy's contribution to community finance and social equity. The pool will have developed a proof of concept that can lead to replication and the ability for guarantees to be used more often, as is currently done in the private and public sectors. This proof of concept will be relevant for both foundations and intermediaries (qualified beneficiaries) alike — as well as impact investors and other investors writ large. In particular, the proof of concept has the potential to help reframe the credit risk calculations and traditional "five Cs" of loan underwriting and credit decisions. Through the various use cases that comprise CIGP, alternative criteria for risk assessment will be better understood and validated where appropriate. This understanding and validation will hopefully offer increased comfort among philanthropic and other investors to use the strength of their balance sheet to unlock capital for community finance, improving social equity, and reducing the racial and gender wealth gap.

The intentional use of unfunded guarantees for increasing capital in community finance will also be instructive to philanthropy for strengthening connections between grantmaking efforts and investment activities — replacing the current state of affairs in which the connection of investments to philanthropic mission is largely opaque.

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