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The Critical Role of Locally-Based Loan Guarantee Structures in Catalytic Capital Investments

CAREN TEAGUE
CASE WESTERN RESERVE UNIVERSITY

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Caren Teague

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ABSTRACT

Economically vulnerable populations, particularly women in the Global South, face severe and systemic exclusion from traditional capital systems, forcing them into exploitative socio-economic dynamics. While transnational social impact bonds deploy catalytic capital to address these inequities, executing these large-scale cross-border financial instruments introduces complex geopolitical, macroeconomic, and reputational risks such as currency volatility and "impact washing" concerns.

This paper evaluates the operational complexities of transnational social impact investing, utilizing the USD $60 million Women's Livelihood Bond 7 (WLB7)™, issued by the Impact Investment Exchange (IIX) as a case study. The study analyzes the efficacy of existing internal de-risking frameworks, such as the first-loss guarantees available under IIX's Women's Catalyst Fund™, along with loan guarantees offered by multilateral donors. To optimize risk allocation, the study proposes two alternative risk-mitigation structures (1) local currency-denominated guarantees and, (2) a "Pooled Community Capital Model" inspired by indigenous, trust-based "Community Money Pots."

The analysis demonstrates that relying exclusively on USD or other hard-currency financing exposes localized borrowers to debilitating macroeconomic shocks and currency fluctuations. Shifting to local currency guarantees may buffer borrowers against external geopolitical volatility and anchors repayment obligations within domestic economies. Further, the proposed Pooled Community Capital Model successfully lowers individual investor risk by distributing pro-rata financial exposure across a diversified ecosystem of local businesses, angel investors, philanthropic funds, and even the community of borrowers themselves. By merging formal contractual oversight with localized social accountability, these alternative structures maximize transactional efficiencies, de-risk frontier market investments, and demonstrably advance United Nations Sustainable Development Goals targeting poverty reduction (SDG 1), gender equality (SDG 5), and climate action (SDG 13).

Table of Contents

I. INTRODUCTION

A. Jaboya: Sex for fish

In several fishing communities across Eastern and Western Africa, Jaboya is a transactional exchange in which a person exchanges sex for fish.[1] Jaboya has become a last resort for many economically vulnerable women and is a harmful practice that can have lasting impacts on health, dignity, and livelihood. Jaboya is dangerous; it reflects the stark reality that many women around the globe have a deeply troubling lack of access to traditional capital and credit systems. Jaboya is a daunting reminder that traditional financial guarantees in vulnerable communities are crucial for the well-being of different groups.

At the core of the Jaboya transaction, there is an asymmetrical allocation of risk. On one hand, there is a woman in dire need of securing and maintaining her livelihood. On the other hand, the fish trader leverages the woman's need in exchange for sexual gratification. This transaction reveals one of the central issues with the exploitative practices present in marginalized communities that have a lack of access to capital systems across the Global South, an issue that expanding access to capital can mitigate.

Loan guarantees and the intervention of third-party actors help to mitigate this risk. A guarantor safety net encourages lending to higher-risk communities. Upstream interventions that social impact bonds finance serve as preventative measures for socio-economic issues like Jaboya. But social impact bonds need guarantors. Without loan guarantee structures, the parties that need the capital provided by the social impact bonds have a disproportionate burden of risk. Guarantee mechanisms can stand in as a mode of structural equity, to help correct systems where uneven risk distribution (such as public health concerns and gender-based violence) prevail.

But how do we equalize the disproportionate allocation of risk in a social transaction that is so deeply rooted in structural inequity? The solution is catalytic capital deployed through innovative loan guarantee structures. Solving the Jaboya problem requires an innovative approach: catalytic capital. The fishing market in the regions where this practice is prevalent needs a critical mass with enough actors in the marketplace so that women vulnerable to these issues have an actual choice to not engage in the exploitative transactions. This is where third-party loan guarantors come in: third-party guarantors can use their position to create a culture of compliance and non-harassment.

To move past passive funding and leverage investment power, loan guarantors can become active partners in ethical accountability. Loan guarantees are three way-contracts involving the borrower, lender, and guarantor.[2] In this way, loan guarantors can use their position as a signatory to any guarantee-agreement, as leverage to negotiate standards and attach strict conditions to the guarantees that support social justice and human rights accountability initiatives. Impact Investment Exchange ("IIX") acts as a loan guarantor through its Women's Catalyst Fund,

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[1] Pamela Nathenson et al., *No sex for fish: empowering women to promote health and economic opportunity in a localized place in Kenya,* 32 Health Promotion Int'l 5 (2017) (Date Accessed: Jan. 19, 2026).
[2] Loan Guarantee Agreement, 24 C.F.R. § 573.7 (2026), https://www.ecfr.gov/current/title-24/subtitle-B/chapter-V/subchapter-C/part-573/section-573.7

utilizing its authority to push equitable standards and prevent gender-based and discriminatory harm.

IIX recognizes the critical effect of discrimination on individuals with intersectional identities such as ethnicity, poverty, gender, and refugee status. Acknowledging the intensified vulnerability of these populations to abuse, IIX implemented its zero-tolerance Gender-Based Violence Policy ("GBV Policy").[3] IIX's GBV Policy prohibits staff and stakeholders from engaging in, or condoning gender-based violence. Specifically, section 2.3 of IIX's policy states that it is "targeted at preventing gender-based violence and harassment in the workplace."[4] In it, IIX "strongly condemns and forbids domestic abuse, child sexual abuse, female genital mutilation, forced marriage, so-called 'honor' crimes and commercial sexual exploitation through prostitution and pornography."[5]

IIX imposes a duty upon IIX's board, stakeholders, and staff to ensure that the policy complies with IIX's legal and ethical obligations.[6] IIX also penalizes parties that violate its GBV Policy, including taking disciplinary actions like dismissal from employment and termination of relationship.[7] IIX uses its authority to monitor and prevent all activity that might harm vulnerable populations, and to encourage openness and communications in raising concerns about suspected policy breach.[8]

While loan guarantees are still considered to be a new tool for philanthropies in community development finance, their impact is transformative. Loan guarantees and other third-party options provide women with greater access to capital, especially women who may otherwise have not had a choice not to engage in the capital marketplace. Under the Jaboya transaction, where women are vulnerable to sexual exploitation amid their economic vulnerability, loan guarantors are highly important. Loan guarantors provide opportunities to enable women in circumstances such as those in the Jaboya transaction to access other forms of capital. By de-risking transactions, loan guarantors unlock capital, channeling more into underserved communities and amplifying their social impact through the social finance.[9]

Through its work, IIX falls in line as a medium for social change – not only on the Jaboya issue, but on many other issues like it that burden women who have a lack of access to capital. IIX's Women's Livelihood Bond 7 (WLB7™), as the latest addition to the WLB™ Series, supports gender-lens investing businesses in emerging South and Southeast Asian markets.[10] IIX's mission promotes economic capacity building, mobilizes economically disadvantaged women to

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[3] IIX issued this policy and has also disseminated other policies such as a Child Protection Policy, Anti-Human Trafficking Compliance Plan, Risk Management Policy, and a Sustainability Policy. For the purposes of this section and paper, this paper will only reference and describe the Gender-based Violence Policy. Gender Based Violence Policy, https://iixglobal.com/gender-based-violence-policy/ (Date Accessed: Mar. 25, 2026)

[4] Gender Based Violence Policy Section 2.3, https://iixglobal.com/gender-based-violence-policy/ (Date Accessed: Mar. 25, 2026)

[5] *Id.*

[6] *Id.*

[7] *Id.*

[8] Gender Based Violence Policy Section 4.1, 4.2, 4.3., https://iixglobal.com/gender-based-violence-policy/ (Date Accessed: Mar. 25, 2026)

[9] Jonathan Reisman et al., Leveraging Foundation Balance Sheets for Greater Impact: Piloting a Pooled Guarantee Program, 14 The Found. Rev. 45 (2022) (Date Accessed: Mar. 27, 2026)

[10] Women's Livelihood Bond 7 https://wlb.iixglobal.com/wlb-7/ (Date Accessed: Mar. 25, 2026)

level power imbalances that endanger their health and livelihoods, and promotes gender equality through network expansion and providing access to sustainable finance in the Global South.[11] In the spirit of continued innovation and support for Sustainable Development Goals put forth by the United Nations, IIX has developed and implemented an instrument of catalytic capital to manage credit risks in order to enable third-party investment that would otherwise not be possible.[12]

II. Impact Investment Exchange's Mission

Impact Investment Exchange's ("IIX") Women's Livelihood Bond™ Series ("WLB Series") grew out of turbulent times in the global political landscape. The WLB Series was created as a way to address market shortcomings and mobilize investment for impactful projects in emerging and developing markets. IIX realized the transformative power of innovative finance and has been championing innovative finance mechanisms for the last sixteen plus years. WLB7™ was an extension of this series, driven by a continued demand for gender-lens investments. WLB7™ is a $60 million USD bond issued in July 2025 and maturing in July 2029.[13] WLB7™ bonds support a wide range of high-impact women's enterprises.

IIX supports women through multiple platforms: forming partnerships, innovating financial products, and strategically selecting its choice of recipients. IIX has formed strategic relationship with investors such as Nuveen, an asset manager with $1.3 trillion in assets under management that has worked with IIX since IIX's second WLB™ Series.[14] Each partnership and decision has an underlying goal of breaking barriers for women and gender minorities to provide them access to capital in emerging markets. Through WLB7™, IIX reaches underserved women in emerging economies across the Global South, for example, communities in India, Indonesia, the Philippines, Sri Lanka, and more.[15] Further, IIX has consistently sought to innovate its financial products. IIX pioneered gender-lens investing, creating the first gender-lens security listed on a stock exchange: the Singapore Exchange (SGX).[16]

IIX has implemented a thorough process to select high-impact enterprises that have a positive effect on women, including microfinance institutions, housing, sanitation, and agriculture institutions for its Women Livelihood Bond.[17] In a case study conducted by Convergence, a private equity firm, organizers conducted interviews and analyzed internal documentation from IIX. The case study incorporated information that details IIX's extensive process in selecting businesses and projects for the Women Livelihood Bond. IIX builds a pipeline of candidates, evaluating each

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[11] *Id.*
[12] Tideline, Catalytic Capital: Unlocking More Investment and Impact 2 (Mar. 2019) (defining catalytic capital as accepting "disproportionate risk and/or concessionary return to generate positive impact and enable third-party investment that otherwise would not be possible").
[13] Women's Livelihood Bond 7 https://wlb.iixglobal.com/wlb-7/ (Date Accessed: Mar. 27, 2026)
[14] *Id.*
[15] *Id.*
[16] Women's Empowerment Principles, U.N. Women & U.N. Glob. Compact Off. (2020) https://www.weps.org/sites/default/files/2022-04/UN%20Women%202020%20Asia-Pacific%20Awards%20Regional%20Awardee%20Profile%20%28Leadership%20Commitment%2C%20Durreen%20Shahnaz%29_compressed.pdf (Date Accessed: April 09, 2026)
[17] Convergence, Blending Global Finance: Case Study: Women's Livelihood Bond. (2018), https://www.convergence.finance/ (Date Accessed: April 06, 2026)

candidate's "risk-return profile and impact potential."[18] IIX pools the candidates together, and focuses specifically on enterprises such as "women-owned businesses," businesses "with a strong track record of employing women," or companies that improve the lives of women and girls with their products and services."[19]

IIX utilizes its strong partner network and existing databases to streamline organizations that are "aligned to the bond's objectives." Then, after conducting "both a negative and positive screening" for social and financial impact capacity, IIX conducts a thorough due diligence inquiry on a shortlist of organizations.[20] IIX's process ensures that entity level screening weaves in IIX's target SDGs. Key considerations in the entity level screening process includes: "mission orientation," which has a clear focus on women's empowerment; "financial sustainability," which confirms an entity's ability "effectively absorb, deploy and repay capital"; and "governance," including country conditions and overall risk-return-impact of pool of entities.[21] IIX's final due diligence includes site visits conducted by financial and impact experts.[22] Expert presence ensures that the final selected businesses meet both the investment and social objectives.[23]

WLB7™ has several external accreditations that demonstrate IIX's trustworthiness and dedication to the United Nations Sustainable Development Goals. Namely, WLB7™'s presence on the Singapore Exchange, Orange Seal™ certified, and Sustainable Fitch Limited has examined IIX's WLB Series framework and provided its Second-Party Opinion considers it to be "fully aligned with the ICMA[24] Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, and is in fact '[e]xcellent.'"[25]

III. The Framework of Gender-Lens Investing by IIX

WLB™ 7 is moving towards a sustainable future by supporting women-owned businesses that advance the SDG goals. As an institution, IIX and its project offer realistic and feasible mechanisms to achieve the United Nations Sustainable Development Goal "No Poverty" target ("SDG 1").[26] IIX serves one of the most vulnerable groups of marginalized people contemplated by the UN's Sustainable Development Goals: Women. By directly targeting women as its core focus, IIX is actively working towards Target 1.2 to "reduce at least by half the proportion of men, women and children of all ages living in poverty." IIX confronted poverty at scale by targeting 594,532 women from underserved communities with its financial inclusion initiatives.[27]

In line with Target 1.4, IIX has facilitated access to affordable credit resources in a way that promotes "equal rights to economic resources… including microfinance."[28] IIX has contributed USD $228 million, a sizable amount which has mobilized women across the Global

[18] *Id.* at 3.
[19] *Id.*
[20] *Id.*
[21] *Id.*
[22] *Id.*
[23] *Id.*
[24] The international Capital Market Association; https://www.icmagroup.org/
[25] https://orangeseal.iixvalues.com/
[26] G.A. Res. 70/1, *Transforming Our World: The 2030 Agenda for Sustainable Development*, Sustainable Development Goal 1 (No Poverty) (Oct. 15, 2015), U.N. Doc. A/Res/70/1.
[27]https://wlb.iixglobal.com/impact/
[28] Poverty Eradication. United Nations. https://sdgs.un.org/topics/poverty-eradication

South and enabled them to combat structural gender inequities, both in opportunity and access.[29] IIX's financial efforts further demonstrate large-scale resource mobilization. Advancing SDG 1.1a, IIX's engagement with public and private sector partners including three banks, seven law firms, three government bodies, two United Nations bodies, reinforces the long-term poverty reduction systems that the SDG's promote, and "significant[ly] mobiliz[es] resources from a variety of sources."[30] This intentional and multi-sector engagement promotes collaboration and amplifies the social impact of projects that seek financial support through IIX.

IIX's work also mirrors the emphasis on gender-equality that is advanced by the UN's "Gender Equality" Sustainable Development Goal ("SDG 5").[31] Addressing the harsh realities of marginalized women across the Global South, IIX's bond series has empowered 1,052,864 women, and counting, to sustain their livelihoods and better combat gender-based discrimination. By advocating for financial inclusion and climate action through capital investment models, IIX is actively advancing gender equality through its work.[32] The scale is substantial.

IIX also contributes to the United Nations Sustainable Development Goal to take "Climate Action" ("SDG 13").[33] By expanding access to sustainable solutions and financially supporting businesses that aim to do so, IIX is using a gender-lens to protect the planet and promote sustainability in the Global South. IIX reports that 14,031 women, girls and women-owned and/or women-led SMEs were provided access to clean and reliable energy sources.[34] Educating communities to become self-sustaining is a core aspect of promoting climate adaptive capacity, and IIX is committed to that mission. IIX has empowered 70,009 women to build climate resilience in their communities, through training smallholder farmers in climate-smart agriculture. Beyond this, IIX has improved climate adaptive capacity through access to clean energy, water, and agricultural inputs as well.[35]

IV. Gender Inequities in Social Impact Finance and IIX's Approach

Gender-inequality has a detrimental effect on women in the Global South and their ability to participate in financial markets. This issue presents itself in two main ways: (1) through the gendered division of labor, and (2) through gender-based violence.

The gendered division of labor is a double burden. The concept reflects the fact that the fate and success of well-functioning communities is built upon a bureaucratic structure that thrives on the oppression of the liberties and personal well-being of women; a system which is often perpetuated through capitalist systems. Gender performance and the stereotypes associated therewith are foundational in the outward recognition of traditional gender norms and are crucial in maintaining the structure of capitalist societies.[36] In practice, this looks like

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[29] WLB Series Social Bond. https://wlb.iixglobal.com/impact/ (last accessed: March 22, 2026)
[30] *Id.*
[31] G.A. Res. 70/1, *Transforming Our World: The 2030 Agenda for Sustainable Development*, Sustainable Development Goal 5 (Gender Equality) (Oct. 15, 2015), U.N. Doc. A/Res/70/1.
[32]WLB Series Social Bond. https://wlb.iixglobal.com/impact/ (last accessed: March 22, 2026)
[33] G.A. Res. 70/1, *Transforming Our World: The 2030 Agenda for Sustainable Development*, Sustainable Development Goal 13 (Climate Action) (Oct. 15, 2015), U.N. Doc. A/Res/70/1.
[34] *Id.*
[35] WLB Series Social Bond. https://wlb.iixglobal.com/impact/ (last accessed: March 22, 2026)
[36] Heidi Hartmann, Carole McCann and Jun Seung-kyung (eds.), *The Unhappy Marriage of Marxism and Feminism: Towards a More Progressive Union*, Feminist Theory Reader, 4th ed. New York: Routledge, (2016). pp. 214-228.

women being undervalued or underpaid, or even unpaid for skills that are not rationalized as efficient or important in a capitalist society. As a result, women's work is generally feminized and undervalued.[37]

Outside of the gendered division of labor, women of the Global South face the burdens of gender-based violence, which may be linked to public health and safety issues. The effect of economic disadvantages on financial autonomy and gender equality in these contexts are heightened. It puts a strain on social progress when women are not included in emerging financial markets.

Impact investing can reshape gender inequality and access-to-capital issues across the Global South. Gender inequalities persist regarding gender pay gaps, access to quality employment, workplace equity issues, etc. IIX seeks to mitigate gender-equality and gender-based violence issues by providing access to capital to bridge the gender gap through its WLB Series.

A. The Wildflower Foundation in Chiang Mai Thailand: A Case Study

> *"Imagine this: Imagine growing up in a remote hill-tribe village. Imagine being an ethnic minority in Thailand, an ethnic minority rarely helped by the Thai government. Imagine not speaking the Thai language. Imagine being 15 and pregnant. Then imagine being beaten by your "man" and abandoned. Imagine having no family to turn to. Imagine having no real job skills. Imagine not having enough money to even buy food. What would you do? If you were fortunate, you'd find Wildflower…"*
>
> *The Wildflower Foundation*

The Wildflower Home Foundation ("Wildflower") is a not-for-profit organization committed to enhancing the health, welfare, and education of disadvantaged women. Founded in 2005, in Chiang Mai, Thailand, this organization aids and uplifts abandoned, marginalized, domestically abused, and pregnant women, mothers, and their children. Wildflower collectively strategizes with non-profit consultants, community architects, and individuals who have extensive experience in sustainable and integrated agriculture to institute operational sustainability mechanisms within the organization.[38] One key goal of the organization is to cultivate an acre of land to prepare organic row crops for engagement in local markets.[39]

This case study demonstrates how Wildflower is a prime example of an organization that would benefit from WLB7™. Wildflower targets highly vulnerable populations: women, refugees, and survivors of domestic violence. Wildflower has clear economic integration strategies and a strong capacity to improve the lives of the women it supports by enabling them to enter capital markets. While right now, Wildflower is soliciting donations for its project, the organization has demonstrated a revenue stream that could potentially support paying back debt; Wildflower is engaged in the business of local farming and selling crafts. While this discussion lacks an inquiry into the robustness of Wildflower's revenue stream, the fact that it exists already differentiates Wildflower from many grant-dependent nonprofit organizations. Its existence is indicative that

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[37] Gibson-Graham, J.K. "The End of Capitalism (as We Knew It): A Feminist Critique of Political Economy." Minneapolis: University of Minnesota Press. Chapter 1: Strategies (1996). pp. 7.
[38] https://seafund.org/wildflower-home-foundation/. SE Asia Foundation.
[39] *Id.*

there is room for strengthening Wildflower's financial structure and expanding beyond grants and donations to debt financing. Loan guarantors in this context could provide Wildflower with a first loss guarantee, which will enable it to kickstart the expansion of their sustainable agriculture business and make the social impact bond more viable. Additionally, Wildflower could benefit from IIX's technical assistance, to support it in business and financial planning and measuring impact.

Wildflower could also benefit from a crowdsourcing vehicle such as the Kiva U.S. Hubs program.[40] Kiva Hubs offer a non-traditional pathway for small business funding. In fact, Kiva serves borrowers in more than 70 countries on five continents.[41] Many traditional financing methods are barricaded by access issues. But Hubs are local organizations invested in the success of small businesses and advance economic inclusion in their community. Hubs offer a rare and valuable funding mechanism. Kiva offers 0% interest loans, and no fees, collateral or minimum credit score requirement. Kiva Hubs typically include city and state governments, chamber of commerce, foundations, technical assistance providers and accelerators. Although fundamentally different from IIX's social impact investing model, Kiva Hubs (and those international equivalents) are similarly an organized group of professional investors seeking to financially support socially impactful causes.

V. The Problem: Operational Complexities in Managing a Large Transnational Social Impact Bond

The economic, operational and political environments in which the WLB7™ (and previous bond issuances in the Series) were released presented complex challenges in disbursing, managing, and tracking the uses of a $60 million USD bond. The management of bond proceeds by IIX and its downstream partners needs to consider the economic, legal, and reputational risks to IIX.

A. Social Impact Investing: Risk Profiles

Managing a large, transnational social impact bond carries substantial risks. Primarily, due to the transnational reach of the bonds, geopolitical sentiments are an important consideration, as they are "intrinsically linked" to financial markets and heightened by volatility across international capital markets.[42] Tensions between nations will more than likely have adverse effects on global capital markets, and operationally, may influence significant uncertainty that challenges the "accuracy of cost and revenue forecasts" in a given market.[43] Alongside the legal risks, there are other economic and distributional risks that should be carefully considered by IIX.

As a cautionary note, IIX may need to gauge the impact of its large social impact bonds and the public perception of them to ensure that these bonds do not pose any reputational risks for IIX.[44] Specifically, a concept known as "orange washing," adds to public criticism of the optics of

[40] Kiva U.S. Hubs Program. https://www.kiva.org/lp/faqs-kiva-us-hubs
[41] *See* https://www.kiva.org/about/where-kiva-works.
[42] Debashis Dey & Marcin Zawadzki, *Geopolitical Tensions and Conflict: Key Areas for Consideration for Capital Markets Issuers in the Gulf Region*, White & Case (Mar. 12, 2026)
[43] *Id.*
[44] When Emerging Narratives Become Reputational Threats: How to Track Shifts. https://sigwatch.com/when-emerging-narratives-become-reputational-threats-how-to-track-shifts/

profiting from vulnerable populations.[45] Impact washing occurs when "the social and/or environmental benefits or 'impacts' of an investment product or service are exaggerated or made up in order to sell more of it."[46] As a result, reputational fallout occurs. With respect to the WLB™ Series, IIX has continuously engaged in rigorous due diligence practices from the outset and has monitored the lending practices and accountability of its downstream partners.

Transparency has been key. As the size and geographic spread of the WLB bonds grows, these due diligence, monitoring, and accreditation practices may need to be continuously updated and strengthened to face new challenges in the social impact sector.[47]

Scholars further highlight how "shallow outcome design" can reinforce skepticism in social impact investing.[48] Generally, investors and recipients alike may already come to the table with concerns that a party is extracting returns or funds without delivering meaningful change. In a large cross-border context, its issues are amplified.[49]

As bond facilitator, IIX must ensure from a public view that its recipients comply with IIX's policies. Where one IIX affiliated company may be applauded in their market, it is very possible that a different company will be criticized in theirs. Inconsistent public narratives, where both companies are under the same bond, will negatively impact WLB7™ by putting a poor image out into the public.[50] Thus, consistent narratives in public communications and alignment with organizational missions is critical to maintaining a positive image in the social impact space.

B. The Methodological Approach

The methodological approach to reducing the risk posed by the operational complexities of a transnational social impact bond such as this shall include (1) offering alternative loan guarantee structures; and (2) expanding to include new loan guarantors. In this section, I propose both novel and emerging loan guarantee structures that incentivize both investors and guarantors to support IIX's WLB™ Series.

This paper will first examine the Women's Catalyst Fund, an internal catalytic de-risking facility offered by IIX. Next, this paper will re-examine loan guarantees which are offered by multilateral, bilateral, and regional actors. Finally, I will propose alternative loan guarantee structures, including (i) local currency denominated loan guarantees and (ii) a pooled community capital model. Both structures offer feasible, sustainable, and scalable ways to expand IIX's loan guarantee offerings and increase their efficacy and impact.

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[45] Catherine Cote, *Impact Washing: What It Is & How to Stop It*, Harv. Bus. Sch. Online (Aug. 4, 2022)https://online.hbs.edu/blog/post/what-is-impact-washing
[46] Impact Capital Partners https://impactcp.org/glossary/impact-washing/
[47] Cambaz, Nilay and Corzo, M. Teresa, Behind Claims in Impact Investing: Mechanisms and Remedies for Impact Washing.
[48] *Id.*
[49] Differences in government oversight and legal standards can make it easier to for businesses to seem like they are underperforming, which further increases the risk that a project may be seen as an impact washer.
[50] *Id.*

1. *Women's Catalyst Fund*

IIX's Women's Catalyst Fund is a catalytic de-risking facility that aims to provide a first-loss guarantee (FLG) to potentially bridge loan impacts for partners. An FLG is a risk-mitigation tool where a guarantor (often a philanthropic organization or government) agrees to cover the initial losses in a portfolio, up to a set limit, if the borrower defaults. For example, an FLG may guarantee repayment of the first $100,000 loss of the investment to be paid by the guarantor. This structure incentivizes lenders to finance riskier sectors like small businesses (MSMEs), green projects or enterprises operating in the Global South.

Catalytic capital is a complex, yet critical form of impact investment; it accepts higher risks or lower returns than traditional investments, and is often needed to make high impact transactions suitable and attractive for a broader range of investors.[51] This form of investment is essential, as it facilitates enterprises to capture economies of scale, new geographies, and population segments.[52] As a de-risking facility, catalytic capital investments are significantly affected by the significant uncertainty of an unproven enterprise, market, or innovation.[53] Catalytic capital is a core aspect of many broader impact investment models, including innovative finance, blended finance, and frontier finance.[54]

IIX strategically situated its Women's Catalyst Fund as a catalytic capital de-risking facility. By providing first-loss guarantees, IIX skillfully offers a loan guarantee structure that makes high impact transactions suitable and attractive for a broader range of investors.[55] As any catalytic capital fund would, guarantors in IIX's Women's Catalyst Fund are first in line when the time comes to absorb some or all of any losses incurred. This process allows investors to benefit from a greater share of any financial returns.[56]

As IIX's Women's Catalyst Fund is a blended finance fund that uses catalytic capital, it strategically channels greater amounts of capital to enterprises by "providing conventional investors access to an aggregated portfolio of underlying investments that otherwise would not meet their target requirements."[57] While IIX's strategic channels are integral to its attraction of conventional investors, IIX has room to grow in expanding its reach to unconventional investors who may wish to engage in social impact investing projects, but share similar concerns as conventional investors when it comes to risk. This may be especially true of local loan guarantors, such as local banks, credit agencies, credit unions, insurance companies or private capital funds, as explored below.

IIX's contributions are critical, as capital in social impact investing projects is a necessary component to the success of addressing the world's most pressing social and environmental issues

[51] *Catalytic Capital: Unlocking More Investment and Impact*. The report was commissioned by John D. and Catherine T. MacArthur Foundation and focuses on the importance of investment capital and catalytic instruments, page 5.
[52] *Id.* at 8.
[53] *Id.* at 5.
[54] *Id.* at 5.
[55] *Id.* at 7.
[56] *Id.* at 7.
[57] *Id.* at 7.

across a broad spectrum of risk-return profiles.[58] IIX has worked with organizations such as The Swedish International Development Cooperation Agency ("Sida")[59], the U.S. International Development Finance Corporation ("DFC")[60], and the Minderoo Foundation[61] to provide first-loss guarantees for loan investors, all of which were successful collaborations. Minderoo is Minderoo Foundation, a leading Australian philanthropy who provided $2.6 million USD in catalytic first-loss capital to IIX in support of WLB7™.

In appreciating the key role that catalytic capital can play in driving meaningful change, John Hartman, the CEO at Minderoo Foundation, stated: "Minderoo's investment in the Women's Livelihood Bond™ 7 reflects our deep commitment to unlocking capital for gender equity and inclusive economic growth… This initiative directly aligns with Minderoo Foundation's priorities: supporting women-led enterprises, expanding access to finance, and advancing equity across all levels of society."[62]

2. *Multilateral Donor Loan Guarantee Programs*

Loan guarantee mechanisms are typically arranged as part of specific projects, risk-mitigation strategies, or through contributions to multilateral platforms like the ADB's Credit Guarantee and Investment Facility (CGIF). But this structure is different: it tasks IIX with forming arrangements based on currency, which would deeply reframe local participation in capital markets. Expanding access to capital in such a community-first way, prepares IIX to implement guarantee systems that would impact IIX's economic capacity building among gender lens businesses in the Global South.

Most critically, local currency guarantees provide a meaningful shield against the destabilizing effects of transnational geopolitical disputes. Take for example if the U.S. dollar weakens, countries tied to the dollar as a currency absorb devastating knock-on effects. Specifically, it helps borrowers protect themselves against currency fluctuations, which is only one aspect of volatile geopolitical disputes. Local currency guarantees may also buffer borrowers against market instability by anchoring their repayment obligations in the domestic economy of the host government where IIX-based financing has been deployed.

A compelling regional example is the Chiang Mai Initiative Multilateralization (CMIM). CMIM is a multilateral "currency swap" arrangement that allows for member countries to access

[58] *Id.* at 2.
[59] Sida is the Swedish International Development Cooperation Agency. It is a government agency that cooperates with organizations across 35 countries globally to fulfill the mission of combating poverty, advancing gender equality, and promoting international development cooperation. https://www.sida.se/en/sidas-international-work
[60] The DFC mobilizes private capital around the world. DFC prioritizes infrastructure and critical materials, energy, food security and agribusiness, Health, and financial services, and in doing so advances U.S. foreign policy and national security. DFC offers debt financing and equity investments, and as of 2024, has several Investment Fund portfolio investments that are valued at $10 million USD or more. Under the current administration, DFC is changing course. See e.g., https://www.dfc.gov/media/press-releases/dfc-board-approves-new-investments-bolstering-regional-stability-economic
[61] https://www.minderoo.org/
[62] https://iixglobal.com/iixs-womens-livelihood-bond-7-to-fund-high-impact-women-enterprises-across-south-and-southeast-asia/

emergency liquidity when facing short-term balance-of-payments crises.[63] Proving to be an effective system, the CMIM example highlights that when nations cooperate to build locally sensitive financial safety nets, they create more resilient, self-sufficient economic ecosystems.

Regional financing arrangements such as this one, are typically set up in response to different types of crises. In this case, CMIM was designed specifically to prevent catastrophic failures such as the 1997 Asian Financial Crisis.[64] This type of arrangement usually mitigates risks related to currency, sovereign debt imbalances or bank runs to limit the detrimental effects of the next financial crisis.[65] As with every loan guarantee model, there are challenges. Here, developing an adequate local currency conversion system, and addressing practical issues such as not releasing too much local currency too quickly into the local economy which may increase inflation are both major challenges.

Another example of a multilateral donor loan guarantee program is the Credit Guarantee and Investment Facility. This program was developed in 2010, by ASEAN+3 and the Asian Development Bank (ADP).[66] ASEAN+3 consists of 10 members of the Association of Southeast Asian Nations with the People's Republic of China, Japan, and the Republic of Korea.[67] The fund has received capital contributions of $700 million USD.[68]

Yet another example is the ASEAN Catalytic Green Finance Facility. This ADB-managed facility uses sovereign and bilateral funds to provide "de-risking" components, such as guarantees and concessional loans, to attract private capital for green infrastructure.[69] In 2024, ADB held climate finance clinics and supported the first social bonds/sukuk in Indonesia.[70] IIX would greatly benefit from a multilateral donor loan program because it would expand its reach into frontier markets, and provide IIX with stable, long-term, and high impact funding to continue its mission. A multilateral donor loan program would be available to both private companies and international governments, so as to amplify its impact. In fact, as ADB uses private partners and commercial co-financiers in its loan guarantees and financial products, it may enlarge the scope of IIX's investments.

3. *Expand IIX's Alternative Loan Guarantee Options*

As IIX currently only uses the United States Dollar (USD) for financing options, expanding IIX's loan guarantee options to include local currency funding creates an opportunity to involve more community-centered social impact investors. Grounding loan guarantors to a particular region helps create a local ecosystem of both borrowers and lenders who have access to local

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[63] Beomhee Han and Masato Matsutani. *How the CMIM has Evolved as ASEAN+3's Self Help Mechanism* (Dec. 28, 2023). https://amro-asia.org/how-the-cmim-has-evolved-as-asean3s-self-help-mechanism/ (Date Accessed: Mar. 22, 2026)
[64] *Supporting RFAs and the Implementation of the CIMM.* International Organization AMRO. https://amro-asia.org/about-us/regional-financing-arrangements/ (Date Accessed: Mar. 22, 2026)
[65] *Id.*
[66] *Id.*
[67] *Id.*
[68] *Id.*
[69] *Id.*
[70] *Id.*

currency. Loan guarantee options that help create, deepen, and institutionalize local actors' participation in the social impact space supports IIX's objective in creating deeper and more accessible local capital markets for underserved communities.

i. Local Currency Guarantees

Notwithstanding any plans that IIX has for expansion, the scope of this paper is limited geographically to countries within the Global South, with particular focus on businesses within the gender-lens investing arena. In the social impact investing space, local currency loan guarantees are in high demand. Currently, IIX only operates using USD. With the fragile state of the global economy, currencies such as the USD could render a borrower, investor, or guarantor vulnerable to financial distress in the event of a major political or economic shift.

Offering local currency loan guarantees is a powerful mechanism that IIX can implement to enhance community participation, reproduce socially inclusive de-risking facilities, promote financial independence, and stabilize risk from outside geopolitical forces. Even in situations where development finance institutions incur losses, local currency lending mechanisms can significantly impact the local economy.[71] By extending credit to low-income sub-borrowers, these programs help individuals and small businesses, especially those owned by small or medium enterprises and women, to "build a credit history" and later access credit on better terms in future instances.[72] Further, local currency financing options invite the participation of local financing institutions, including banks, local government subsidy programs and pension funds, and more. Local currency guarantees directly align with IIX's mission and the UN's SDG goals, as they foster inclusive, community-centered development by restructuring traditional loan guarantees into locally grounded financial products.

ii. Example of How it Works: Limitations and Comebacks to Local Currency Challenges

The Development Finance Corporation (DFC) is a strong example of an investment project that engages in local currency endeavors for the purpose of aiding in social impact projects abroad.[73] The DFC was created and is empowered by the Better Utilization of Investments Lending to Development (BUILD) Act of 2018.[74] The DFC is a federal agency in the United States which encourages mutually beneficial U.S. business investment in developing countries.[75] Notably, the agency has now expanded its focus to include developed markets; DFC now focuses on critical minerals and infrastructure, although it hopes to continue to support social impact projects.[76]

While DFC's primary goal is to provide risk insurance, the agency has recognized the need of offering sustainable financing methods for countries already at risk of debt default, and thus has engaged in local currency lending mechanisms which accelerate development objectives that

[71] Addressing Infrastructure Financing Gaps in Emerging Markets. https://www.csis.org/analysis/addressing-infrastructure-financing-gaps-emerging-markets
[72] *Id.*
[73] U.S. International Development Finance Corporation. https://www.dfc.gov/who-we-are/about-us
[74] H.R. 3524, The Better Utilization of Investments Lending to Development (BUILD) Act of 2018.
[75] https://www.csis.org/analysis/addressing-infrastructure-financing-gaps-emerging-markets
[76] *Id.*

typically support health, education, climate adaptation, and other social impact objectives.[77] Among other requirements, the investors that DFC insures must be located in a country where DFC operates and must demonstrate that the project complies with DFC's environmental and social standards and will advance the social and economic development goals prioritized by the agency and in support of the host country.[78]

Most relevant to the discussion of local currency loan guarantees is DFC's Political Risk Insurance protections, which the agency offers to mitigate major political risks.[79] Specifically, DFC protects against political violence, expropriation, and inconvertibility issues.[80] It protects conversion and transfer earnings, returns of capital, principal and interest payments, technical assistance fees, and even protects against potential unlawful, discriminatory, or restrictive host government acts that would negatively impact an investors capital return.[81] Several of DFC's protections would be valuable adaptation-strategies for IIX if it pursues a local currency loan guarantee option.

Convertibility of a loan guarantee in a local currency context refers to the contractual option for a lender to change the currency of their debt investment into a different currency, rather than the one it used initially.[82] Thus, a loan guarantee is inconvertible when an investor is unable to convert into U.S. dollars the local currency received as profits, earnings, or return of capital on an investment.[83] To protect investors against adversely discriminatory exchange rates, DFC offers coverage which assures that conversion is feasible. In DFC plans, conversion is assured only to the extent that such currency could have been exchanged for U.S. dollars at the time DFC issued the insurance.[84] One limitation of DFC's inconvertibility insurance plan is that the coverage does not protect against currency devaluation in a given country.[85] As the risk of political violence, war, or other geopolitical issues may have detrimental impacts on currencies across the Global South, IIX should be equipped to deal with such practical challenges when they arise.

To mitigate expected challenges, IIX could employ various techniques such as arranging index accounts that closely approximate the real level of inflation, purchasing necessary business products and making advanced payments for local goods and services. To mitigate currency devaluation issues, IIX could engage in swap banks with host country affiliates, to arrange for redemption of bonds in local currencies.[86] In a swap bank, each bond would be converted at a pre-agreed exchange rate, where the amount of local currency received is greater than the amount paid for the bond. Under this system, the investor uses the funds to make a local equity investment, and the host country retires the debt. If IIX adopted this system, it would be responsible for negotiating

[77] *Id.*
[78] Development Finance Corporation, "Eligibility Checklist," (Date Accessed: Apr. 02, 2026) https://www.dfc.gov/what-we-offer/work-with-us/eligibility-checklist
[79] Development Finance Corporation, "Political Risk Insurance," (Date Accessed: Apr. 05, 2026) https://www.dfc.gov/what-we-offer/our-products/political-risk-insurance
[80] *Id.*
[81] *Id.*
[82] The International Risk Management Institute. https://www.irmi.com/term/insurance-definitions/currency-inconvertibility
[83] *Id.*
[84] The Development Finance Corporation, "Political Risk Insurance" https://www.dfc.gov/what-we-offer/our-products/political-risk-insurance
[85] *Id.*
[86] *See e.g.*, Hung Tran, "Understanding the growing use of local currencies in cross-border payments," *Atlantic Council* (Aug. 25, 2023).

and closing the swap, in partnership with local banks and financial institutions. DFC requires that the investor immediately take precautions to protect the value of the swapped local or soft currency.

Investors receive many benefits from the use of local currency. Investors receive a discount on the local currency costs of their investment, and host countries reduce their foreign currency-denominated debt. In a social impact space, investments becomes more attractive for local loan guarantors who wish to advance social impact initiatives in their region. Thus, IIX should give serious consideration to employing local currency-based methods and solutions.

VI. Non-Governmental Loan Guarantors: Pooled Capital from INGOs and Philanthropic Sources: A Cultural Mirror to Collective Community Investments

This paper proposes a model which fuses crowd-funding methods utilized by local communities in the Global South to overcome poverty. "Community Money Pots" are traditional loan guarantees that vary significantly from western financing mechanisms. Under this system, communities bypass traditional banks to access trust-based capital. Community Money Pots are a unique, community-centered method of financing that encourages small investor participation. This paper also proposes an alternative loan guarantee option: the Pooled Community Capital Model. This system presents itself in several variations in many communities across the Global South, with foundations that are based in the Community Money Pot structure, as explained below.

A. Community Money Pots: A Traditional Approach to Money Lending

As a response to the systematic and systemic exclusion of women in the Global South, community money pots offer a culturally grounded and forward-thinking alternative to traditional loan guarantee models. Financing models based on western-centric financing capital systems, historically have not centered on women, and do not align with the cultural or gendered realities of women in the Global South. Community Money Pots rely on social bonds and mutual trust, rather than formal contracts.[87] These community-centered financial institutions embed indigenous financial practices that formal banking systems do not incorporate.[88]

In integrating this Community Money Pot model into IIX's loan guarantee structures, IIX would be actively engaging the type of innovation that would advance SDG 1 and SDG 5. By leveraging and formalizing local knowledge, through a medium that invites local populations to invest in themselves, IIX is going beyond what is asked in the UNs SDGs; In this model, IIX would be creating a culture of self-sustenance.

Community Money Pots, if integrated in this loan guarantee structure, will align with the unique needs of women who are navigating informal economies and trust-based transactions. Institutionalizing a culture of trust for a population of individuals who have been historically overlooked is monumental. In doing this, IIX would be supporting local needs, and use local practices. IIX would be acknowledging that individual and communal behaviors may vary

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[87] *Financial Inclusion: An African Approach to Financing Models*. World Economic Forum. https://www.weforum.org/stories/2024/10/financial-inclusion-african-financing-models.

[88] *Id.*

significantly and accordingly, approach different markets with nuanced understandings of cultural differences of diverse communities.

B. Pooled Community Capital Model

The second model proposed in this paper will be referred to as the "Pooled Community Capital Model." As explained below, this Pooled Community Capital Model suggests a platform to foster collaboration between community investors with varied levels of economic strength, professional networks, and sophisticated knowledge, all with a shared purpose of social impact investing. The model accounts for parties who have an independent, socially driven interest in the investment, while simultaneously having a geographic tie to the community.

A key aspect of the Pooled Community Capital Model is to pool resources from non-governmental local entities. At the core of community investments is community empowerment and unity. Thus, the structure requires engagement from a diverse range of candidates who are willing to collectively support a single project.

Among others, the initial funders may include local community leaders, private businesses, investment clubs or religious groups. Initial funders may also include community leaders who may have disposable income like traditional "angel investors" and may become especially strong candidates to be guarantors in a Pooled Community Capital Model. Enlarging the definition of what constitutes an "angel investor" may be useful in this context. Locally based guarantors may offer a unique and impactful economic strength, professional network, and business expertise essential to the success of bond recipients.

Angel investors are typically "wealthy individual[s]" investing "personal funds," yet remain closely connected to the ventures they support. [89] Unlike institutional actors, they are "willing and able to invest in an idea and help founders bring it into reality," often stepping in at the earliest stages to "develop a prototype," "conduct market research," and "make initial hires."[90] Their value extends beyond capital: they offer their prior experience and actively mentor and advise, while also offering access to their extensive networks, which may span customers, talent, and future investors.[91]

Angel investors offer a unique and valuable combination of liquidity, hands-on expertise, and relational capital, suiting them as quality candidates as social impact bond loan guarantors. Angel investors also sometimes operate through syndicates which function in a similar manner to the Pooled Community Capital Model.[92] Even when operating through syndicates that pool their

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[89] Understanding Angel Financing and Investing, J.P. Morgan & Chase (Sept. 12, 2024). https://www.jpmorgan.com/insights/banking/commercial-banking/what-is-angel-financing; (Date Accessed: Mar. 22, 2026)
[90] *Id.*
[91] *Id.*
[92] Angel Investors often operate through two common syndicates:
(1) Groups of individuals who pool resources to invest through a special-purpose vehicle, allowing for larger checks but requiring more involved due diligence and collective approval; and,
(2) Groups that source investment opportunities while leaving each individual free to choose their own investments, without requiring group consensus; in all cases, investors expect founders to show a product and some traction.

resources to support larger projects, angel investors retain a sort of flexibility and commitment to individuals that reinforces their role as high-capacity guarantors who can absorb risk effectively. However, one downside to the use of angel investors is that they may want to have a more hands-on experience with the bond recipients whose loans angel investors are guaranteeing. This may pose challenges related to contracting and confidentiality issues. Nevertheless, these challenges are not insurmountable.

Philanthropic capital is a strong candidate for the Pooled Community Capital Model. Philanthropic funds are instruments created for raising and distributing resources, that are created to receive donations that may come from different sources.[93] There are several types of philanthropic funds: temporary funds[94], endowment funds,[95] and permanent (or continuous) funds, which are addressed below. As a baseline principle, philanthropy can catalyze private capital for the public good. At its core, philanthropic funds adopt a mission-first stance on capital allocation and have the power to mobilize money in pursuit of mission.[96] Permanent or continuous funds that are locally based can make strong candidates for the Pooled Community Capital Model because they are already, by nature, a form of pooled capital. These philanthropic funds may become an essential partner in mobilizing a large number of grant makers and organizations around the promotion of social movements, and actors are usually engaged in the business of supporting marginalized communities seeking to expand their reach and financial capacity.

INGOs, NGOs, and locally based financial actors may all be good candidates for the Pooled Community Capital Model. Similarly to angel investors and philanthropic funds, each of these organizations as a guarantor will be local, social-impact driven investors who will be pooling resources for a shared cause.

Under the Pooled Community Capital Model, each participating guarantor would select a first-choice category of investment projects to guarantee in their region (i.e., local projects focused on water and sanitation, agriculture, clean energy, financial inclusion, etc.). Once a guarantor opts to guarantee a particular type of project, their guarantee will be pooled with a range of higher and lower monetary contributions alongside a number of other guarantors in their community, to reach a specific amount of money. IIX administrators will be responsible for distributing loan guarantors into groups to spread risk and financial burden accordingly and in an appropriate manner. IIX will

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[93] Letícia dos Santos, *Philanthropic Funds: Definitions, types and how to differentiate them* (January 9, 2025) https://www.idis.org.br/en/2025/01/09/philanthropic-funds-definitions-types-and-how-to-differentiate-them/

[94] Temporary funds are philanthropic funds that are created to respond to urgent socio-environmental situations. The funds are designed to act over the course of a determined time frame, and they support recipients immediately and significantly, in times when emergency demands. Temporary funds are often spontaneous and short lived, many having notably been used to minimize negative impacts caused by climate emergencies, the Covid-19 pandemic, and wars. *Id.*

[95] An endowment fund is used to generate resources to manage the organizations who support philanthropy. Endowment funds promote the long-term financial sustainability for causes and institutions supported. Endowment funds share the sustainability and community focused characteristics of the Pooled Community Investment Model. However, because an endowment funds' use is centrally poured into operational financing for the management of the financial resources and the sustainability of the causes and institutions supported, an endowment fund is less viable for a loan guarantee structure. *Id.*

[96] Pham, Phuong, *The Face and the Flow of Finance: How Impact Investing can Move the Racial and Gender Wealth Gap. SoCal Grantmakers*, https://socalgrantmakers.org/media/blog/face-and-flow-finance-how-impact-investing-can-move-racial-and-gender-wealth-gap

be facilitating the mechanics of the loan guarantee pool. In the event that there is not a big enough pool of guarantors from a particular region, IIX may supplement the financing with the participation of larger guarantors from outside of the region, at IIX's discretion.

C. How Does a Pooled Community Capital Model Work?

One active example of a pooled guarantor model is called the Community Investment Guarantee Pool ("CIGP"). The CIGP receives investments from philanthropists, and funds projects sometimes ranging from $500,000 USD to multimillion dollar guarantee programs.[97] Through CIGP, guarantors deploy financial guarantees jointly and efficiently in the affordable housing, climate, and small business sectors. The structure of the loan guarantee amplifies the impact that the smaller-scale guarantor could traditionally fund. The multi-guarantor set-up enabled the organization to "catalyze additional investments totaling at least five times the guarantee amounts."[98] The pool enables guarantors to realize more "transactional efficiencies" and to distribute the risk that they would have incurred if they issued the guarantees on their own.[99]

(1) Benefits of the Pooled Community Capital Model

The Pooled Community Capital Model offers several benefits. It spreads risk and shares financial burden on multiple guarantors, promotes networking and transparency, and expands IIX's impact by permitting smaller-capacity individuals to contribute to IIX's mission within their means. In this model, guarantors reduce individual risk and the pro rata risk of loss and are able to support impactful larger projects without having to bear the burden alone.

In the traditional Money Pot System, the loan guarantee structure is trust-based and has less formal procedures because internal, communal-governance is centric and typically does not resort to dispute resolution by using the local judicial system. Communities in the Global South tend not to utilize contracts nor seek legal recourse because courts can be very expensive and many legal systems in these regions may be weak or unreliable. The informal process that usually sustains the model is community pressure. Thus, where risk might be higher due to limited legal recourse, intimate communities engaged in shared funding mechanisms tend to find recourse in exerting community pressure on the borrower in question. (This may be a highly effective system of maintaining trust in and the reliability of such money pot systems.) Thus, the Pooled Community Capital Model has the strength of both: it contains the foundational values of trust underscoring Guarantor's initial participation, and IIX would be the sole facilitator of the loan guarantee, maintaining a source of oversight readily available for dispute resolution.

The Pooled Community Capital Model would work through IIX, in a contract-based agreement. Depending on how IIX's participation is negotiated and agreed to by the parties, IIX may also have limited recourse to formal judicial remedies to resolve any disputes that

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[97] McCluckie, Anne. Guarantees Making a Difference (Dec. 14, 2021) https://www.guaranteepool.org/guarantees-making-a-difference/

[98] https://www.guaranteepool.org/guarantees-making-a-difference/

[99] Community Investment Guarantee Pool. https://www.guaranteepool.org/

may arise. To avoid this issue, IIX may "formalize" the informal nature of the parties' obligations. IIX can apply the safeguards present in traditional business relationships, while simultaneously utilizing the traditional Money Pot System. If IIX offers an intentional mix of investors for a particular portfolio, IIX may mitigate this issue by diversifying the network, skills, and economic strength of investors into different projects.

VII. Loan Guarantor Incentives & Scope of Coverage

IIX, in its role as an intermediary between the loan recipient, investor, and the guarantor, could provide strong incentives and a clear scope of coverage for guarantors who opt to participate in the Pooled Community Capital Model. One of the least costly and most effective incentives that may enhance the reputational benefits associated with being an impact leader, is a practice that IIX already engages in: publicly recognizing the loan guarantor's support. As a predominant presence in the social impact world, IIX's mission attracts new borrowers, generous investors, and positive publicity. IIX's reputable impact history incentivizes the allegiance of its partners, and should continue, expanding to even the smaller donors participating in the Pooled Community Capital Model.

"Impact Leaders" have great reputational benefits in the corporate world. Impact leaders are those organizations, firms, and corporations who not only comply with the UN's sustainable development goals, but they also lead in financing SDG projects in support of issues such as climate mitigation, and gender equity. For example, in the context of environmental and sustainability goals, impact leaders experience great reputational benefits.[100]

Reputation is "an essential intangible asset that affects employee happiness, investor confidence, and consumer loyalty," making it a central priority for these firms.[101] By engaging in sustainable finance, Impact Leaders fortify "their capacity to endure financial, legal, and environmental risks," while signaling a deeper commitment to responsible governance.[102] This engagement "reflects a company's commitment to social responsibility and ethical leadership, enhancing its brand equity."[103] In the context of climate-focused SDG specifically, the relationship between green bond issuance, environmental expenditures, and board diversity has revealed a positive and significant relationship with corporate reputation.[104] Financial instruments such as green bonds "inspire a positive public view of corporations by showcasing alignment with societal ideals, especially those related to sustainable development and climate change." This concept likely has a similar application to other sustainable development goals.

IIX could also offer an option which would allow guarantors to deploy their guarantee at the most critical stages of the loan cycle. This way, a guarantor can maximize the impact of their contribution and the recognition that follows from it. This option offers guarantors the ability to self-select the specific tranches or periods of highest risk, giving them meaningful control over their exposure rather than broad, undifferentiated liability. To incentivize this option, IIX can offer

[100] The Strategic Role of Sustainable Finance in Corporate Reputation: A Signaling Theory Perspective. https://www.mdpi.com/2071-1050/17/11/5002
[101] *Id.*
[102] *Id.*
[103] *Id.*
[104] *Id.*

enhanced reimbursement terms or priority recovery rights to guarantors who elect to cover higher-risk periods, compensating them commensurately for their exposure.[105]

The Pooled Community Capital Model is a breakthrough resolution for IIX to consider and adopt. This Model offers an outlet for both IIX and investors to create a diverse portfolio of non-governmental guarantors interested in social impact investing. This model encourages smaller investors to engage with larger like-minded investors who are interested in similar missions or project and who are able to contribute to loan guarantees on a more expansive scale. As the facilitator of the loan guarantee, IIX could leverage its position to create new kinds of locally-based guarantees and thereby energize its efforts in carrying out the United Nations Sustainable Development Goals.

VIII. Thinking Ahead and Looking Towards Africa

Looking forward, as IIX now has operations in Kenya and may expand to other African countries, there are at least three Africa-based regional and private financing options to consider, as described briefly below. The first example, is the Dhamana Guarantee Company, Ltd., a Nairobi-based specialized financial institution, that is a publicly sponsored, private limited liability company that enables public and private sector borrowers by providing loan guarantees in local currencies.[106] It focuses on making domestic capital for infrastructure and private sector investments in East Africa (Kenya, Uganda, Tanzania, Rwanda) available to its borrowers, and is supported by the Private Infrastructure Development Group, African Development Bank, and the CPF Group[107] Dhamana mitigates risk to help borrowers access long-term funding.

Another example is GuarantCo, part of the Private Infrastructure Development Group, is a private loan guarantee company that seeks to promote sustainable infrastructure development in Africa and Asia.[108] GuarantCo's reach is powerful. As recently as January, 2026, GuarantCo has been a key contributor to organizations seeking to build local market guarantee capacity and profitability for shareholders.[109] GuarantCo has scaled its impact across continents, working with projects from Cote D'Ivoire to Cambodia, and across sectors such as agribusiness and clean energy. [110]

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[105] Notably, IIX has a very strong history of its bond recipients not defaulting on the underlying loans made to them. The Women's Livelihood Bond™ Series, which has been active since 2009, includes six publicly listed bonds with zero ("0") credit defaults. https://iixglobal.com/iixs-womens-livelihood-bond-7-to-fund-high-impact-women-enterprises-across-south-and-southeast-asia/

[106]Dhamana Guarantee Co., *Pioneering Change in East Africa's Debt Capital Markets*, https://www.dhamana.com/ (last visited on March 22, 2026).

[107] https://pidg.org/portfolio/dhamana-guarantee-company/; See also https://www.afdb.org/sites/default/files/documents/projects-and-operations/multinational_-_dhamana_guarantee_company_limited_dhamana_-_project_summary_note.pdf; See also https://fsdafrica.org/right-honourable-andrew-mitchell-mp-joins-stakeholders-at-cop28-to-celebrate-progress-on-the-newly-incorporated-dhamana-guarantee-company/

[108]GuarantCo, *Enabling Sustainable Infrastructure in Africa and Asia*, https://guarantco.com/ (last visited Mar. 22, 2026).

[109] Bashamuher, Nadra. GuarantCo guarantees the Contingent Capital Facility of Dhamana to mobilise sustainable infrastructure finance in East Africa, Dhamana Guarantee Co. (Jan. 29, 2026), https://www.dhamana.com/news/guaranto-contingenet-facility-for-dhamana

[110] https://guarantco.com/our-portfolio/

The third example is the Africa Guarantee Fund ("AGF"). The AGF is a publicly sponsored, private company that offers a range of risk-sharing mechanisms to financial institutions as a means of encouraging local engagement in economic development and poverty reduction.[111] The AGF offers several portfolio coverage options: equity guarantees, bank fundraising guarantees, capacity building guarantees, and more.[112]

As IIX grows and develops, it can reframe itself as a risk-transfer platform rather than as a mere funding vehicle. IIX can continue to absorb borrower risk via local guarantees and continue to create a culture of socioeconomic-driven innovations to ensure inclusive access to capital for underserved populations.

IX. Conclusion

IIX's loan guarantee structures are more than just financial safety nets; these programs are the engines that drive social change. Expanding IIX's reach into local communities via local organizations while utilizing local currencies goes beyond the SDG's primary goals of eradicating poverty, empowering women, and mitigating climate change. It serves to uplift the women of the Global South by providing foundational tools as a gateway to generational financial freedom and independence. IIX's WLB Bond Series reflects how innovative and flexible IIX's approaches to empowering women entrepreneurs worldwide have been and will continue to be. IIX has made significant strides in social impact investing, and its accomplishments and future trajectory offer insight into the promising future that IIX envisions and is working toward.

[111]African Guarantee Fund, *About Us*, https://agf.africa/ (last visited Mar. 22, 2026).
[112] *Id.*