

External Case Study Evaluation 2022-2023: Evaluation of BIO's contribution to Decent Work and Quality Jobs

BIO's management response to the evaluation's conclusions and recommendations

January 2024

Introduction

The 2019-2023 management contract of BIO requires that each year a sample of BIO's interventions – ongoing as well as exited investments – must be selected for a detailed assessment of their relevance for local development. Beyond a purely accountability objective, BIO expects that evaluation findings and lessons guide improvements in BIO's processes and investment strategy.

The mission of BIO – the Belgian Development Finance Institution (DFI) – is to support a strong private sector in developing and/or emerging countries, to enable them to gain access to growth and sustainable development within the framework of the Sustainable Development Goals (SDGs). A core part of the Sustainable Development Agenda and a key priority theme for the Belgian Development Cooperation, SDG8 calls for the promotion of inclusive and sustainable economic growth, employment and decent work for all. The concept of decent work endeavours that all workers receive productive employment, a fair income, job security and social protection. The private sector currently provides a large majority of the jobs in developing countries. Based on present demographic trends, it is estimated that about 600 million more global jobs will need to be created during the next 10 years¹. ILO has recently stressed that progress on reducing unemployment around the world is not being matched by improvements in the quality of work, and progress towards SDG8 has been slower than expected², making the achievement of SDG8 at the current pace unrealistic for many countries.

European Development Finance Institutions like BIO share an explicit development mandate with a strong focus on economic growth and job creation as a pathway to poverty reduction. They promote employment generation through additionality and catalytic effect, demonstration effects, such as skills and technology transfer and upgrading, as well as forward and backward linkages in the economy. Over the past years, there has been increasing recognition that the quality of these jobs matters for development: where productivity is low, conditions insecure and incomes inadequate, the positive development impact of creating and sustaining employment is constrained, and even undermined. Therefore, BIO's aim is to support more, inclusive and better jobs, that is not only job creation but also job inclusiveness and quality.

Compliance with relevant local and (inter)national law, the ILO's Decent Work agenda, IFC Performance and other EDFI standards as well as sector-specific Environmental, Health and Safety (EHS) Guidelines is the primary means for BIO to ensure it supports formal jobs with adequate working conditions. While the E&S approach drives BIO's effort towards better jobs, BIO also

¹ <https://www.worldbank.org/en/topic/jobsanddevelopment/overview>

² https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_670171/lang--en/index.htm

pursues job creation and job inclusiveness (access to jobs for economically disadvantaged groups, e.g. women, rural populations, youth) as core development objectives. In 2023, BIO first formalised its ambition towards these objectives through a Decent Work policy. In addition, decent work was identified as a key theme for BIO's 2024-2029 Management Contract.

In this context, the aim of this evaluation was to conduct a first independent reference point on BIO's current contribution to decent work and quality jobs, and to provide further guidance in relation to the ongoing formalization of BIO's approach towards the topic, its new strategic impact framework, and related harmonization at EDFI level. In addition, the evaluation aims at helping BIO understand how to better assess key job-related issues and identify how to best support its clients on their transformational journey towards higher quality jobs.

The study was conducted by the specialised consulting firm Steward Redqueen, based on a specific evaluation proposal submitted following BIO's procurement process. The evaluation team was contracted by BIO under a three-year Framework Contract after being selected through a call for tender process. The evaluation team – consisting of Matthijs de Bruijn, Morgane Fleury and Roberta Lesma, with further contributions from Marijn de Haas and Ilana Tyler-Rubinstein – carried out the research and developed the evaluation report between March and December 2023.

The evaluation study followed a mixed-methods approach which combined both qualitative and quantitative data sources consisting of i) BIO strategy, policies, reports and project documents as well as external literature; ii) most-recent BIO portfolio data; iii) an online survey among 12 direct investees of BIO operating in the manufacturing and agriculture sectors (55% response rate); iv) about 50 in-depth interviews with BIO staff, investees, peers, and other relevant external stakeholders; and v) field visits to 3 BIO investees in Peru.

The research team was able to carry out a comprehensive analysis of BIO's strategy and policies, practices, processes and portfolio, and a more in-depth assessment for a sample of portfolio investment projects in the sectors identified as most relevant to the evaluation scope. More precisely, the evaluation considered four different evaluation samples (see table 1) and was conducted by relying on a set of financial and impact data from the overall 2022 portfolio.

Table 1 – evaluation samples

#	Sample	Function	Sectors covered	Sources	Sample size
1	BIO's approach	To assess consideration of decent work along the investment process	All sectors ³	Desk research Interviews	4 investments
2	Overall portfolio review	To assess overall portfolio contribution to decent work against key reported impact data	All sectors	Desk research	All investments
3	Focused portfolio review	To collect first-hand data and gather investees' views on decent work and on BIO's role	Enterprises	Desk research Survey Interviews	12 survey respondents 71 direct investments in portfolio
4	Case studies	To collect first-hand and in-depth data on decent work	Enterprises Financial institutions	Desk research Survey Interviews Field visit	3 investments

The evaluation process was supervised by a Steering Committee (SC) made up of representatives of the Belgian Ministry of Development Cooperation (Ivo Hooghe, Evaluation Coordinator of the Special Evaluation Office – S2 ; Boogaerts Andreas, Member of the Results Unit – D0.1; Anne Van Malderghem, Private Sector Development unit – D2.4), a member of BIO's Board of Directors

³ Enterprises, Funds, Infrastructure and Financial Institutions

(Annuschka Vandewalle), BIO Manager and Senior Portfolio Officer (Eric Suttor), and BIO Senior Development Officer (Jérémie Gross) who coordinated the assignment with BIO Development Officer (Silvia Kuehl) and further support by BIO Senior E&S Officer (Jana Vandoren).

The exercise was carried out at the same time as a parallel evaluation implemented by the Special Evaluation Office (SEO) of the Belgian Development Cooperation, focused on the 'Integration of decent work into the development of value chains'. While diverging in terms of evaluation scope and methodology, with respect to BIO's role and contribution, the two assignments proved to be complementary, while overall consistent, both in terms of findings and recommendations.

Report findings

The final evaluation report discusses the findings of the systematic evaluation of BIO's contribution to Decent Work and Quality Jobs. On this basis, evaluators also identified how BIO could improve its contribution in the future, considering the recent and ongoing developments at the strategic and operational levels. This process was informed by an evaluation of:

- BIO's internal documents and other relevant/peers' documentation;
- BIO's investment portfolio (as of end of 2022);
- An evaluation of representative samples of project case studies (table 1);
- Engagement with stakeholders (through an online survey, in-depth interviews and field visits).

Below are the main conclusions from the analysis, structured in line with the evaluation report:

1. Rationale for BIO's focus on decent work: What are the challenges to which the Decent Work Agenda is responding? What drives BIO's focus on decent work and job quality?

- The global workforce is facing distinct challenges in achieving job quality especially in developing markets, which result in job insecurity and inequality;
- Falling short on decent work will have a consequence for reaching other SDGs including ending poverty, zero hunger, good health and wellbeing, gender equality, and reduced inequalities;
- DFIs are uniquely positioned to set an example for the wider financial sector and can support enterprises to advance the decent work agenda;
- BIO's overall approach to decent work aligns with other DFIs in terms of objectives, policies, approach to investments, and challenges faced during implementation, although concrete responses of DFIs differ;
- While BIO has a willingness to invest smaller, individual amounts in higher risk geographies and industries – enabling it to influence companies that may tend to operate in more informal economies, it has also set out ambitions to promote decent work even among low and medium risk companies, making BIO one of the more ambitious DFIs regarding decent work.

2. Decent work in BIO's strategy and policies: Is decent work adequately engrained in BIO's strategy and integrated in the Theory of Change?

- Decent work is embedded as a key objective in BIO's mandate, investment strategy and Theory of Change (ToC), and is supported by its new Decent Work policy adopted in 2023 which formalises its commitment to the global Decent Work Agenda;
- BIO adopts a realistic and pragmatic approach to decent work commensurate with the different requirements for direct and indirect investments and BIO's influence and leverage;
- In line with other DFIs, BIO adopts a flexible approach for 'willing but not yet able' clients by not requiring investees to comply with all E&S standards as from the start of the loan, as long as the investee is committed to concrete improvements through ESAPs;

- While BIO's decent work approach is in line with ILO guidance, it largely adopts a compliance-driven, do-no-harm perspective with emphasis on decency of jobs over job quality, job creation and inclusiveness;
 - BIO's beyond compliance objectives to support 'fulfilling work' focus on living wages and grievance management;
 - BIO's approach does not fully align with relevant SDG8 targets in relation to the protection and promotion of decent work for underserved and/or vulnerable groups such as youth, migrants and persons with disabilities;
 - Gender equality is clearly embedded in BIO's investment and gender strategies but has limited mention in its Decent Work policy as a cross-cutting theme in advancing the decent work agenda.
- 3. Integration of decent work in BIO's investment cycle: To what extent and how is decent work and quality jobs integrated and operationalized (practical approach, measures and initiatives) by BIO at the different stages of the investment cycle?**
- BIO considers decent work throughout its entire investment cycle, albeit at different levels of intensity, and mostly for investments in enterprises and infrastructure projects;
 - BIO's screening, due diligence and monitoring for enterprises and infrastructure projects covers all key decent work criteria, but two (skills development and employee engagement) can be considered as less advanced practices;
 - While BIO's E&S approach mostly applies a compliance-driven, do-no-harm perspective, BIO's Development Assessment Tool, especially through its gender equality indicators, promotes a 'do good' approach going beyond minimum requirements;
 - A deep dive into enterprises and infrastructure shows the ESAP is the main instrument through which BIO adds value to its investments on decent work;
 - Monitoring on the progress of specific decent work trends across the portfolio is limited and BIO's current approach to standardized monitoring to ensure that investees remain compliant with its requirements and/or implement the agreed ESAP is limited to BIO's monitoring tool.
- 4. Portfolio contribution to decent work: How does BIO's portfolio perform at (promoting) job creation, inclusiveness, and quality, including with the use of the BDSF?**
- Job creation – Analysis of BIO's direct investments in the period between 2018-2021 shows that job growth is mostly driven by MFIs and NBFIs, while job losses have taken place in agriculture and commercial banks;
 - Job inclusiveness – While BIO has a 46% share of female employees, its direct investments are behind the 2X Challenge targets in most economic sectors. There is room for more focus on gender by the BDSF, as all of BIO's gender-focused TA projects target financial institutions that already performed relatively well on the topic. BIO's contribution to job inclusiveness is not limited to gender equality and should be assessed also considering other underserved groups. Currently, however, no comprehensive data is collected on these groups or the types of contracts they have.
 - Job quality – The survey among direct investees showed that the average score for each decent work dimension is around, or above, compliance – although individual performances differ significantly. BIO tackles aspects of job quality in more than 80% of ESAPs provided to its 2021 direct portfolio investees and through 5 TA projects, which have delivered concrete results. BIO's contribution to job quality prioritises specific dimensions, such as secure employment, equal treatment, occupational health and safety, and workers' representation.
- 5. Case studies – What is the contribution of specific investment projects in terms of decent work and quality jobs? What is the role played by BIO to promote decent work and quality**

jobs with the investment (including through the investment, E&S risk management and/or technical assistance)?

- The case studies identified a number of risks to job decency in agriculture. They showed that job insecurity is a common issue, especially due to agricultural seasonality. Other risks revolve around wages and working hours as employees tend to receive wages far below the living wage (although meeting the minimum wage) and can work excessive hours. In addition, when companies operate in a rural area with little economic competition, there is a higher risk of unbalanced power dynamics between employers and employees.
- The study identified two key risks for FIs. An important challenge for BIO is its limited visibility when investing in FIs, which constrains its ability to identify risks and promote job quality. BIO relies on FIs to implement their own processes for assessing and managing risks on job quality through the development of an ESMS. However, verifying and ensuring the effective implementation of the FI's ESMS and the application of BIO's standards can be challenging (although mitigated for high-risk FIs, as they need to comply with IFC PS as part of their loan, making it easier for BIO to review the process and risk management measures they have in place). Another challenge faced by FIs to implement BIO's requirements is the informality of the economy in which their clients operate, especially for microfinance.
- One of the case studies also revealed that supporting job creation and job quality can at times conflict or present dilemmas, which DFIs are generally aware of. Hiring vulnerable populations such as irregular migrants can be perceived as non-compliant due to the lack of formal contracts. However, by hiring such groups, there is an opportunity to improve their living standards and to pursue regular migration routes. This supports job access for vulnerable populations, but job quality from the perspective of employment formalisation cannot be ensured.
- A number of factors can be considered as 'success factors' for BIO's contribution to decent work and quality jobs. This includes (i) BIO's financial additionality level which may provide BIO with important leverage when engaging with the investee and developing ESAPs; (ii) the investee's intentionality on the topic and readiness to improve current practices; and (iii) the investee's local context and competition in the local labour market.

Management response

BIO's management response to the evaluation is positive and the final report is deemed generally comprehensive and interesting, specifically in terms of the conducted analysis and the resulting findings. BIO's management particularly welcomes the theoretical framework developed and applied for the analysis of decent work (Annex 1). BIO considers the Decent Work Scorecard a central added value to the evaluation exercise and welcomes the suggestion to adopt the tool in the process of further consolidation of its approach to the topic. Additionally, BIO appreciates the evaluation's output in terms of generation of new, first-hand data related to BIO investees' consideration, performance and approach towards the evaluation topic, as well as to BIO's role and added value.

In terms of points for improvements, BIO's management and the evaluation's Steering Committee noted that more in-depth findings could have been provided with respect to BIO's approach and performance on decent work aspects vis à vis its peers. Similarly, the collection of additional data relative to the operational and external environment where the case studies were carried out – in line with the gaps identified by the evaluators in BIO's practices (recommendations 21, 22) – could have further informed and enriched the analysis. These aspects could have strengthened the report's conclusions by offering more contextual insights, including on the relevance and applicability of the recommendations.

However, BIO acknowledges that ensuring a thorough coverage of all relevant components in the exercise was challenging considered the scope of the evaluation, and the broadness of the innovative approach of analysis.

Finally, BIO's management deems the recommendations relevant and in line with BIO's current ambitions; nonetheless, clear priority, rationalization and more actionability in terms of recommendations and related actions would have been welcomed. Still, BIO acknowledges all the 23 recommendations and assessed their relevance one-by-one, also taking into consideration BIO's own and external constraints and resources, as well as its operating context, including the Belgian development cooperation framework and its role as a DFI (see detailed management response matrix in Annex 2).

On both the strategic and operational levels, the recommendations highlight opportunities for improvement with respect to BIO's further formalization and broader consideration – including throughout the various phases of the investment process – of inclusiveness, specific job quality, and general beyond compliance aspects as part of its decent work approach. Despite this, the report recognizes the clear transformational ambition of BIO towards the promotion of decent work among its investees, as one of the most ambitious DFIs regarding the topic. While acknowledging the constraints and dilemmas relative to the sectors in which BIO invests, as well as its capacity and role as DFI, the report also sheds light on the differences, among and within investment sectors, in BIO's ambition and towards value additionality and its potential for realization. Reflections are offered on this point both from a perspective of existing investee needs, impact value creation potential, and effectiveness.

The following key follow-up actions were identified for BIO in order to address these recommendations:

1. Further integrate decent work topics in strategic documents

- Integrate and implement a more comprehensive narrative of BIO's approach and contribution to decent work, both through its investment and capacity building (recommendation 3, 4) interventions, in line with the more holistic ambition of the upcoming MC (Management Contract) (recommendations 1 and 2)
- Continue flagging projects, in line with specific MC targets, based on intended purpose and contribution to job creation through BIO's interventions (recommendation 17)

2. Review and update the decent work policy

- Reinforce and make explicit BIO's approach's alignment with ILO's decent work pillars (recommendation 2), including by integrating aspects related to skills development and employee engagement (recommendation 9)
- While continuing to focus on living wage (recommendation 5), identify other 'beyond compliance' objectives for all decent work dimensions (recommendations 6), with a focus on strengthening BIO's ambition on job quality and inclusiveness (recommendations 7, 18, 19)

3. Strengthen the decent work assessment, monitoring and investee capacity building

- Pilot the decent work scorecard and/or develop other guidelines and material to (i) support internal E&S due diligence assessment and monitoring (recommendations 14), and to (ii) promote decent work aspects among BIO investees (recommendation 4)
- For all direct projects and for high-risk FI and funds projects, consider (further) context and/or transaction-specific risks and opportunities (recommendations 8, 11, 16, 21, 22, 23)
- Further support decent work ambitions through BIO's indirect investments, possibly via their ESMS development and BDSF support via Technical Assistance Facilities (TAF) (for funds); and in line with DFI E&S sector practices (for FIs) (recommendations 3, 4, 8, 11)

- Continue developing BIO's approach to monitoring decent work dimensions, including through the development of the monitoring strategy (recommendations 10, 11, 15, 18), and the adoption and analysis of relevant EDFI-aligned portfolio metrics (recommendations 12, 13)

All in all, BIO's management is satisfied with the output of the study and while further internal reflections will be necessary to make some of the recommendations operationally actionable, it welcomes the comprehensiveness of the assessment regarding its current approach and practices, and the usefulness of the insights provided for BIO to strengthen its approach to decent work in the future.

In conclusion, BIO's management would like to thank the evaluators for the comprehensive assessment and the relevant output of their report, that directly contribute to the relevance of the study findings, including with respect to BIO's current approach to the evaluation topic. Moreover, BIO highlights the positive continuing collaboration with the evaluation team who confirmed its commitment, attention and openness throughout the assignment, despite the constraints of the operational environment.

Annex 1: Theoretical framework: Decent Work Scorecard

ILO DW Pillar	DW criteria	Exploitative	Room for improvement	Compliant	Good	Exceptional
Full & productive employment for all	Secure employment	Company does not provide written and formal contracts to any employees (except executive staff)	Company only offers written contracts to permanent staff and regularly hires a large portion of seasonal workers	Company offers written contracts to permanent and seasonal staff	Company offers written contracts to permanent and seasonal staff and limits casual work for seasonal or peak works only.	Company offers written contracts to all staff and limits casual work for seasonal or peak works only and systematically converts fixed-term contracts into permanent contracts after repeated renewal.
	Fair wages	Company does not provide minimum wages to its employees	Company provides legal minimum wages to permanent employees	Company provides legal minimum wages to permanent and temporary employees	Company pays all employees above the legal minimum wage and ensures that the supply chain provides minimum wages or has defined what a living wage is , has conducted a gap analysis between paid wages and living wages	Company pays all employees above the legal minimum wage and ; Company has defined what a living wage is, has conducted a gap analysis between paid wages and living wages and ; ensures supply chain provides minimum wages
Rights at work	Work-life balance	Company has employees that regularly work more than 48h/week, 8h/day, and Employees do not have a rest period of at least 24 consecutive hours every seven days	Company has employees that work more than 48h/week or ; Employees do not have any rest period of at least 24 consecutive hours every seven days	Employees work a maximum of 48h/week (excluding overtime) and ; have a rest period of at least 24 consecutive hours every seven days and ; overtime is remunerated in compliance to local law	Employees work a maximum of 40h/week and ; have a weekend of at least 48 hours and ; have compensated overtime and paid leave days	Employees work a maximum of 40h/week with high degree of flexibility and ; have a weekend of at least 48 hours and ; have compensated overtime, and paid leave days
	Equal treatment	Company does not actively prohibit discrimination or some form of discrimination has been experienced and not addressed	Company does not allow any form of discrimination but there is no formal statement or policy	The HR Policy includes a non-discrimination statement	The HR Policy includes a non-discrimination statement and the statement is regularly communicated to all staff	The HR Policy includes a non-discrimination statement and Company regularly communicates its anti-discrimination policy and Plays an active role in promoting equal rights
	Skills development	Company discourages skills development training for its employees	The Company does not provide training or Company is only willing to provide skills development training to its executive staff	Company provides skills development training to all employees to meet essential needs required by the position	Company provides skills development training to all employees on an individual basis and entry-level training for starting employees	Company provides fixed budget for skills development training to all employees for overall career advancement and entry-level training for starting employees
	Occupational health & safety	Company ignores health and safety risks or does not investigate on-site injuries and fatalities	Company has informal health and safety risk assessment and management	Company has a formal procedure that meets local legislation to manage health and safety risks (risk assessment, PPE, training, emergency preparedness, accident register) and ; provides accident insurance	Company has a formal procedure that meets industry best practices to manage health and safety risks (risk assessment, PPE, training, emergency preparedness, accident register) and provides accident insurance	Company has a formal procedure that meets industry best practices to manage health and safety risks (risk assessment, PPE, training, emergency preparedness, accident register) and provides accident insurance and has demonstrated reviews of accidents

ILO DW Pillar	DW criteria	Exploitative	Room for improvement	Compliant	Good	Exceptional
	Elimination of child labour and forced labour	There is child labour, forced labour or labour performed under threat of force or penalty at company and ; there are no checks in supply chain	No child or forced labour in company and ; there is no position, policy or audits in supply chain	No child or forced labour in company and ; company has a formal position on child and forced labour and ; company conducts occasional audits in supply chain	No child or forced labour in company and ; company has a formal policy on child and forced labour and ; company conducts regular audits in supply chain	No child or forced labour in company and ; company has a formal programme to diminish child or forced labour in supply chain and ; company conducts external audits
Social protection	Non-wage benefits	Company does not provide any social protection benefits, or; employees face risk of job loss in case of sickness or temporary absence	Company follows some aspects of national law on social protection	Company complies with national law on social protection	Company goes beyond national law and contributes to key non-wage benefits (e.g., pension schemes, health insurance, paid maternity leave)	Company goes beyond national law and contributes to wide package of non-wage benefits (e.g., childcare, healthcare) and ; Company has requirements on non-wage benefits for supply chain or subcontractors
Social dialogue	Workers' representation	Company does not allow worker representation which does not comply with national law and ; actively prevents workers to join workers union or form workers representation associations	Company does not allow worker representation which does not comply with national law and ; does not prevent workers to join workers union or form workers representation associations	Company complies with national law on workers organisation and ; Allows workers to join workers union or form workers representation associations	Company complies with national law on workers organisation and ; there is an active participation in workers' unions or representation association	Company complies with national law on workers organisation and ; there is an active participation in workers' unions or representation association and ; participation is compensated or; workers' representation regularly interacts with management
	Internal grievance mechanism	Company has no internal grievance mechanism and designated persons of trust;	Company has no internal grievance mechanism and ; has a designated person of trust	Company has a formal internal grievance mechanism in place and ; has a designated person of trust	Company's formal internal grievance mechanism is easily and discreetly accessed and ; appropriate level of management is involved to supervise how complaints are addressed	Company's formal internal grievance mechanism is easily and discreetly accessed and ; appropriate level of management is involved to supervise how complaints are addressed and ; company records complaints and improvement actions taken
	Employee engagement	Employee runs risk of negative consequences as a result of feedback	Company is open to informal and unstructured employee feedback/input	Occasional structured formal mechanism for employee feedback/input	Regular structured formal mechanism for employee feedback/input	Regular structured formal mechanism for employee feedback/input and ; response and follow up

Annex 2: Specific recommendations and BIO response

Strategy and policies

Area	#	Recommendation	Priority	Relevance	Response	Responsibility	Actions	Deadline
Investment strategy/ToC	1	Further develop narrative within the overarching strategy on the pathways of how BIO's decent work inputs and activities are anticipated to deliver against desired decent work pillar outcomes, including by specifically mentioning technical assistance and ESAPs that have a focus on ensuring decent work and moving to quality jobs.	Medium	Accepted	While the evaluators show clearly that decent work is engrained in BIO's DNA through its mandate and strategy documentation, there is an opportunity to make more explicit references in BIO's ToC to inputs, activities and outputs, and what the pathways are to achieving full and productive employment; rights at work; social protection and social dialogue. As Decent Work will remain a core transversal commitment within the upcoming new management contract, BIO will update the ToC to provide a more cohesive reflection of its decent work approach and explicitly refer to the ILO decent work agenda and its four pillars, as well as including more dedicated indicators, regularly monitored to assess BIO's contribution to decent work.	D&S unit (DE)	Integrate more comprehensive narrative on how BIO can contribute to DW improvements in BIO's ToC, as part of the more general update in the context of the new MC.	Q2 2024 (update of BIO's Theory of Change)
	2	Explicitly refer to BIO's Decent Work policy and the ILO's agenda including the four pillars within the Theory of Change and include dedicated indicators to regularly monitor BIO's contribution to decent work.	Medium					
Decent work policy	3	Further engage on the integration of BIO's decent work requirements into financial institutions and funds' ESMS and their implementation. This should be proportional to the FIs and Funds' indirect employee reach and their risk level (e.g., FI-A).	High	Partially accepted	For investment in FIs, further engaging on the integration of DW considerations at client-level of the bank is not straightforward and, in most cases, unrealistic, except for FIs that have IFC PS-triggered transactions (i.e., they apply IFC PS and can therefore influence DW aspects through the application of IFS PS2 as part of their loan documentation). However, ensuring that all FIs have a proper ESMS (commensurate with their risk portfolio) is part of BIO's objective. The recommendation appears therefore more relevant when BIO invests in investment funds, especially agnostic funds for which there is a core focus on (decent) job creation. Indeed, indirect investments through investment funds often involve (i) several DFIs enhancing the potential for strategic leverage on DW improvements, and (ii) local presence and strong advisory role as fund managers usually have a strong focus on improving the invested company	D&S unit (E&S/TA)	Develop and/or distribute DW guidelines and material, and consider promoting the scorecard tool. Identify specific requirements related to DW that could be applicable and further investigated when assessing a fund manager's ESMS development.	Q4 2024 (update of BIO's DW policy)
	4	Develop a standardized TA module to help funds upgrade their ESMS and enhance the company analysis and a fund managers' added value on decent work. Furthermore, BIO	High					

Area	#	Recommendation	Priority	Relevance	Response	Responsibility	Actions	Deadline
		could orient intermediaries towards external tools (e.g., BII toolkit2) which provide further guidance on how to embed the management of decent work issues in existing ESMS.			through active advice and monitoring, possibly including on DW aspects. BIO cannot directly support funds to upgrade their ESMS and enhance the company analysis through subsidies, but BIO will consider having a more active focus and/or support on DW considerations through the development or distribution of more concrete DW guidelines and material (e.g., DW scorecard) and possibly through the identification of specific requirements related to DW that could be applicable and further investigated when assessing a fund manager's ESMS development. BIO will also promote fund managers' added value on decent work at investee level as part of TAF objectives.		Make DW improvements an explicit objective of TAF	
	5	Continue focus on living wage as a beyond compliance ambition and further enhance its implementation.	Medium	Partially accepted	The development of BIO's Decent Work Policy in early 2023 was an important step forward which, alongside with its E&S policy, provides BIO with a realistic and pragmatic approach to decent work, that aligns with peer good practices, and positions BIO at the forefront. Moreover, both E&S and decent work policies - i.e. depth of the assessment and the required compliance level - are pragmatically tailored to BIO's sectors and investees' risk level, size, economic sector and country. In this perspective of having an ambitious, realistic and gradual approach adequately suited to its context of intervention and activities, BIO largely adopts a compliance driven and do-not significantly harm perspective while at the same time focusing on a more beyond compliance perspective on a few crucial DW aspects, including living wage which is certainly one of the most striking and challenging topics. This said, BIO acknowledges that the operationalization of the living wage aspiration could be more systematic and effective, especially in projects where wages are particularly low and BIO's leverage relatively high (mostly in direct projects). While not a priority, clarifying beyond compliance aspirations for the other DW dimensions can be useful to raise awareness and further steer DW commitments and related improvements, which could be considered as part of a future revision of the current DW policy. The latter could also include an explicit link to the more holistic approach to DW that is currently managed under BIO's development AME framework.	D&S Unit (E&S/DE)	Identify 'beyond compliance' objective for all DW dimensions	Q4 2024 (update of BIO's DW policy)
6	Formulate beyond compliance objectives for clients that strive for quality and fulfilling jobs.	Low	Make explicit BIO's approach to DW in line with the more holistic ambition of the upcoming MC					
7	Update Decent Work policy to provide a more holistic approach covering job creation and inclusiveness	Medium						

Investment process

Area	#	Recommendation	Priority	Relevance	Response	Responsibility	Actions	Deadline
Screening	8	Strengthen the contextual risk assessment for FIs and Funds to identify key issues that should receive special attention by the FIs' or Fund's ESMS.	Low	Partially accepted	In line with other European DFI practices, BIO categorises every new investment project according to the environmental and social risks it carries. Categories A, B+, B and C, respectively represent projects with a high, medium-high, medium-low and low potential risk. For FI and investment funds, the E&S risk assessment takes into account countries and sectors related, respectively, to the bank's portfolio or prospective investments. Based on this E&S risk category, BIO adapts the depth of E&S due diligence and provides advice, appropriate tools, and assists (prospective) clients in developing appropriate E&S action plans to improve their E&S performance. BIO requires an E&S Action Plan (ESAP) to be part of the investment contracts for every signed project and almost all ESAPs related to FI and investment funds incorporated measures in relation to the E&S risk management at the level of their clients/investees (IFC-PS 1). Based on the outcome of the ongoing DFI task force on FI's E&S standards, BIO will align with other DFI and sector practices, which may include further strengthening its E&S risk assessment practices for low-risk FIs and PE/DFs. In parallel, BIO will consider adapting its requirements related to DW for fund managers to best align with DW-specific requirements for direct investments. As part of its E&S assessment, BIO is also performing a contextual risk assessment that includes DW-related checks that are (i) the country's ratification of core ILO conventions and (ii) the frequency of violations reported to workers' rights. Going forward, BIO might consider further formalizing its contextual assessment for high-risk FIs and country-focused funds building on the existing tools for direct projects.	D&S Unit (E&S)	Align with DFI sector practices resulting from ongoing SPTF task force on FI's E&S standards Consider adapting the contextual assessment tool for high-risk FIs and funds	No specific timing (DFI task force deliverable)
Due diligence	11	Further assess FIs and Funds management practices particularly regarding wages and employment security as those are recurrent issues in the portfolio. Strengthen engagement on specific decent work topics during due diligence with high-risk FIs and Funds based on the contextual risk assessment findings.	Medium					
	9	Further embed the topic of skills development and employee engagement within its due diligence assessment for enterprise and infrastructure projects, in order to improve alignment with all decent work criteria.	Low	Accepted	As outlined by evaluators, BIO's E&S due diligence assessment on labour and working conditions covers the most critical dimensions of DW. Through its progressive approach and by considering the context and challenges of the investment, BIO alongside with the investee company is able to select a few key DW aspects for improvement. It is worth noting that the level of ambition crucially depends on the maturity and engagement of the investee company, with some less mature	D&S Unit (E&S)	Integrate reference to skills development and employee engagement in DW policy Revise ToR for consultancy missions to ensure integration of BIO-specific DW	Q4 2024 (update of BIO's DW policy)

Area	#	Recommendation	Priority	Relevance	Response	Responsibility	Actions	Deadline
	10	Remain critical on the actual implementation of IFC PS2 as some practices are less tangible and therefore more challenging to capture (e.g., work-life balance). This especially holds true when the due diligence is conducted by external consultants as they may have a different interpretation of the standards. This requires clear definitions of BIO's decent work requirements beforehand through the terms of reference.	Medium		companies for which an objective to complying with BIO's minimum requirements is already very ambitious and transformational. This implies that, during due diligence, BIO tends to prioritize issues considered of primary importance (wages, employment security, safe working conditions, etc.) to set adequate and realistic targets for investees. Furthermore, BIO's experience allows its E&S team to be fully aware of the challenges and limitations of IFC PS2 assessments, that may include limited evidence regarding the implementation of practices. BIO remains critical on this issue and also develops further internal guidance and requirements where needed (e.g. DW policy), relying in some cases on external consultants with solid experience and sector knowledge. While not a priority, BIO recognizes the relevance of more structurally embedding the dimensions of skills development and employee engagement in its assessment, specifically for enterprise and infrastructure projects and will (i) formalize these aspects as part of the update of its DW policy, towards full alignment with the ILO's four pillars, and (ii) better integrate them as part of its due diligence process where relevant. BIO will also consider revising its Terms of Reference templates for external E&S consultancy missions, to ensure explicit alignment with its DW approach.		approach and requirements	
Job quality	21	On E&S due diligence, focus on more intangible but crucial factors that can enhance job quality aspects including an entrepreneur's and overall company's intentionality as well as external factors such as local competition, as these may prove to be more important than having certain documents in place.	High					
Monitoring	12	Aggregate all data monitored at a portfolio level related to decent work and quality jobs to assess contribution to decent work across the full portfolio.	High	Partially accepted	While challenges exist with relation to the collection of monitoring data at investee level, BIO considers the need of harmonized metrics to define and monitor quality jobs at investee level a key aspect on the impact finance agenda. In this context, a working group composed by EDFI and HIPSO has been active since 2021 to develop a core set of metrics to define DW and job quality. As active member of this working group, BIO took part in a consultation on preliminary identified metrics in 2023. However, a number of technicalities still need to be addressed by EDFI to be able to use, collect and jointly report on these indicators. From an impact perspective, BIO's AME framework enables the aggregation of all portfolio monitoring data on a yearly basis, which is structurally done by BIO for reporting purposes. A major update of the AME framework performed in 2022 relates to portfolio reporting and enables standardized	D&S Unit (E&S/DE)	Consider using the DW scorecard to support E&S due diligence assessment and monitoring	2024 onward (following implementation of the new E&S monitoring strategy and EDFI DE reporting requirements on quality jobs)
	13	Develop new indicators that measure investees' contribution to decent work beyond minimum requirements.	Medium				Continue collaborating with EDFI on quality jobs measurement	
	14	Apply the decent work scorecard which promotes a harmonized and standardized approach to capturing performance against the decent	Medium				Reporting annually on harmonized EDFI quality jobs metrics	

Area	#	Recommendation	Priority	Relevance	Response	Responsibility	Actions	Deadline
		work criteria, in particular job quality. This would allow BIO to make robust comparisons between its investments.			monitoring of all investees' data against adopted indicators. On the E&S front, BIO's monitoring strategy to be approved over the course of 2024 defined clear processes, roles and responsibilities for structured monitoring of projects across the investment cycle. Also, BIO foresees the integration of the newly adopted EDFI harmonized DW indicators in its own impact framework. Besides its informal promotion with partners and investees, BIO will consider adopting the DW scorecard in a structured manner for its internal assessment.			
	15	Continue implementing the new monitoring strategy (including guidelines for monitoring visits) which is currently under development.	High					

Portfolio contribution

Area	#	Recommendation	Priority	Relevance	Response	Responsibility	Actions	Deadline
Job creation	16	Focus efforts on stimulating job growth and quality in companies where attribution shares are the highest and working conditions are lowest, such as agriculture.	Medium	Accepted	BIO's strategy to pursue economic growth through employment creation focuses on supporting investee companies in creating and promoting jobs that also provide decent wages, ensure safe working conditions, contribute to social protection, and safeguard workers' rights. This objective is formalized in BIO's ToC, strategies and policies, among which the DW policy. The focus on job creation will continue to be a key objective of BIO through the new management contract and will be addressed by specific targets. In addition, all BIO's projects are flagged at approval stage based on the expected development goals they contribute to, including job growth. These goals are aggregated at portfolio level and translated in project-specific indicators that are monitored yearly over the course of the investment. BIO's additionality and related contribution (including on DW objectives) to specific interventions is determined by various factors that include its financial leverage (based on attribution shares), the project risk level, and contextual factors related to the investment. Agriculture projects usually present higher risks, but also high job creation potential, and are hence an informal focus of BIO's impact value creation. Nonetheless, it is important to note the latter is always dependent on investees' financial sustainability, which is also more difficult to achieve for projects in this sector.	D&S Unit (DE/E&S)	Continue flagging projects, in line with new specific MC targets, based on purpose and contribution to job creation	Q2 2024 (update of BIO's Theory of Change)
	17	Apply standardized labels to investments based on the type of finance provided and the intended purpose to assess its contribution to job creation.	Medium					
Job inclusiveness	18	Increase efforts to achieve impact on gender equality among its enterprise and infrastructure projects.	Low	Accepted	Gender equality is a key intervention objective for BIO, and is mainstreamed across all projects, strategies, policies and actions. BIO's strategy to enhance economic opportunities for women through a "360° gender lens" considers all the positions of women in BIO's projects, be they entrepreneurs, leaders, workers, consumers, or community members. This offers a framework to collect gender-disaggregated data, assess key dimensions of gender equality, and support clients to improve on gender-related issues, in line with the 2X Challenge framework but also from an E&S risk perspective. The 2023 update of BIO's gender assessment tools will allow BIO to strengthen and conduct more structured gender data collection, assessment and development of project-specific gender actions. The update includes major content upgrades for enterprise and infrastructure projects, that will facilitate the identification of specific gender actions to be proposed, but also the formalization of client intentionality to implement	D&S Unit (DE/E&S/TA)	Strengthen the proposition of gender-specific actions, with a focus on enterprise and infrastructure projects Consider developing guidance to ensure further assessment of gender dimensions during monitoring visits	Q2 2024 (update of BIO's gender strategy)

Area	#	Recommendation	Priority	Relevance	Response	Responsibility	Actions	Deadline
					such actions, to be monitored through ESAP and impact indicators across the investment cycle. As part of its portfolio-level initiatives, in 2023 BIO organized a training specifically addressed to infrastructure clients focused on mitigating GBVH risks and on proactive integration of gender during project planning and due diligence. Gender additionality for all projects remains a focus for BIO, and as part of the upcoming update of the Gender Strategy for the 2024-28 period, BIO will also consider developing guidance to ensure further assessment of gender dimensions during monitoring visits.			
	19	Explore collecting data on other underserved groups to comprehensively assess job inclusiveness, and if possible, include a focus on type of employment contracts provided.	Low	Accepted	BIO's new management contract will include a focus on broader inclusiveness dimensions, especially through BIO's efforts to support inclusive businesses. This objective will be formally integrated in BIO's strategies, integrated into operational processes (e.g., E&S and DE assessments and requirements) and monitored based on indicators related to un(der)served (vulnerable) individuals reached (i.e. low-income, rural, smallholder, youth, refugees, etc.), to be further developed as part of the operationalization of BIO's new MC and related strategic impact framework, as well as reflected into BIO's updated Gender Strategy. In parallel, the formalization of jobs will remain a key focus for BIO's interventions, while BIO will continue to take a pragmatic, context and project-based approach with respect to informal employment with the aim to maximise impact for vulnerable and un(der)served groups.	Management D&S Unit (DE/E&S/TA) Investment Unit	Further integrate inclusiveness dimensions in BIO's ToC and related D&S approach, as part of the more general update in the context of the new MC	Q2 2024 (update of BIO's Theory of Change)
	20	Be pragmatic and flexible when it comes to informal contracts offered by clients, as it can support the inclusion of highly vulnerable groups, but support clients in every effort to formalize jobs as much as possible.	Medium					

Case studies

Area	#	Recommendation	Priority	Relevance	Response	Responsability	Actions	Deadline
Enterprises	22	Intensify assessment on working conditions when investees operate in areas with little economic activity. In those circumstances, the competition with other companies to retain employees is low which does not incentivise companies to improve working conditions. BIO should adopt a more critical approach as the risk of poor working conditions increases.	High	Partially accepted	Informally through its practices of E&S and DE assessment and monitoring, BIO already prioritizes its DD efforts and resources to high-risk projects that largely correspond to the agriculture sectors, where generally most vulnerable and informal jobs are concentrated. Many of these projects concern areas of limited economic activity. Going forward, BIO will maintain and, to the extent possible, strengthen its level of efforts for investees operating in low economic activity areas, while calibrating this effort to its levels of exposure and additionality with respect to the investment. BIO will reflect on the impact of risk for projects located in areas of low economic activity. Finally, BIO will continue to keep the assessment of the client's intentionality a top priority in the overall assessment of all projects.	D&S Unit (E&S)	Reflect on (further) context- (e.g., low economic activity) and/or transaction-specific (e.g., BIO's leverage) risks and opportunities	Q4 2024 (update of BIO's DW policy)
	23	Assess investees' intentionality to improve on the topic as it is a key determinant for their contribution to decent work and quality jobs. Key factors influencing a company's intentionality include BIO's financial additionality, the company's governance, and its productivity objectives.	High					