



# Jobs, prosperity and sustainable development for developing countries

## Development impact of Finnfund investments in 2016

The private sector plays a key role in resolving the most pressing global challenges of poverty, inequality, and climate change.

The UN's 2030 Agenda for Sustainable Development Goals will not be met unless private businesses get involved: it is estimated that developing countries will require fresh investments worth up to USD 2,500 billion. Finnfund is one of the Finnish government's instruments for mobilising such funding.

Finnfund does not provide grants; it invests in profitable, responsible companies that generate development impacts. Finnfund is specialised in long-term funding for projects that would not otherwise be implemented. Finnfund is prepared to take higher financial risks than private lenders normally do.

In 2016, 82 per cent of Finnfund's new investments were made in countries in the three poorest income categories.

Finnfund uses three types of funding for its investments: repayments and profits received

from investments, state funding as well as loans obtained from markets.

### Companies create much-needed jobs

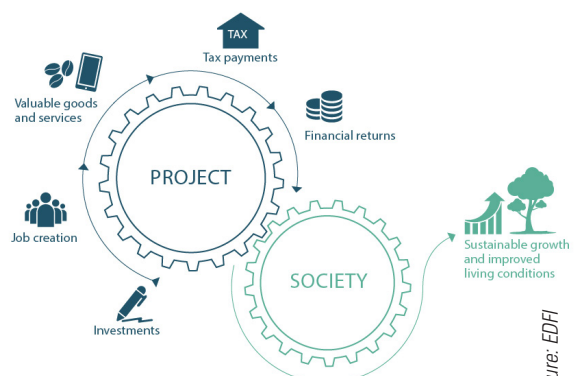
According to the World Bank, nine out of ten jobs in developing countries are created in the private sector. Creating jobs and offering opportunities to the growing young generations in developing countries is essential to eliminating extreme poverty. For this, responsible companies are needed.

This publication is a compilation of development results generated by companies financed by Finnfund in 2016. The investments always include other financing sources.

The results are not stated in proportion to the amounts funded by Finnfund, as determining the impact mechanism is challenging: the impact of the development funding provided typically varies depending on multiple factors.

**"The world has more than enough savings to finance the 2030 Agenda. But today these savings are not flowing in the right direction."**

UN Secretary-General António Guterres  
UN Private Sector Forum, September 2017



## More and better jobs in developing countries

Creating jobs in developing countries is one of Finnfund's key goals. At the end of 2016, the companies funded directly by Finnfund employed 29,950 people, approximately 9,500 or 32 per cent of them women. This is significant since in many developing countries, women are less likely to hold formal jobs. Approximately 8,810, or one third, of the jobs were in Africa.

**“Companies funded by Finnfund directly employed 9,500 women.”**

The financial sector, including banks and microfinance institutions, is particularly significant employer. Nearly half (14,870) of the directly created jobs were in the financial sector, 35 per cent of them for women. The biggest impact on jobs, however, comes indirectly through the companies financed by the banks and microfinance institutions.

Manufacturing and infrastructure projects provided jobs directly to 14,610 people, of which 28 per cent were women.

Besides direct investments, Finnfund finances companies indirectly through funds. Companies funded indirectly employed approximately 73,830 people, of whom 23,080 (31 per cent) were women. Most of these jobs were in the micro-

finance and services sectors, with agriculture, manufacturing and banking industries also being important employers.

### Indirect jobs matter

In addition to direct employment, Finnfund's investee companies create jobs indirectly as they procure goods and services from local companies. Jobs are counted as indirectly generated by Finnfund investments if at least half of the employer company's net sales is linked to services or goods provided to Finnfund's investee company.

From a development impact perspective, indirect jobs are important: Finnfund investee companies can significantly increase business activity and the number of jobs in its value chain.

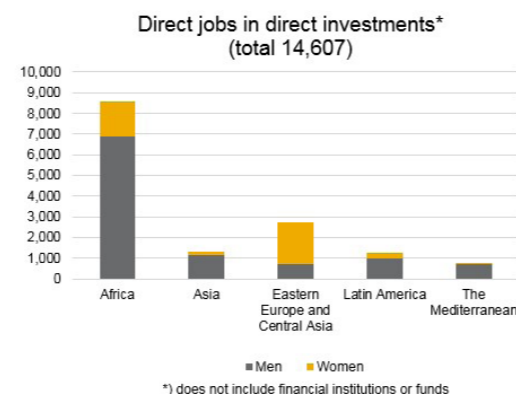
However, it is challenging to make a robust assessment of the indirect impacts of an investment. The European development finance institutions are working together to develop methods and tools especially designed for evaluating the indirect employment impacts of renewable energy projects.

In 2016, Finnfund's investee companies contributed to creating and sustaining 1,192,160 indirect jobs. Majority of these jobs were created in the financial sector.

### Why are jobs important for development?

A proper job is often the best avenue out of poverty. Typically, the problem is not lack of work as such, but the fact that there is not enough work or it is uncertain, informal or does not pay enough to live on.

The World Bank estimates that nine out of ten jobs in developing countries are created in the private sector. Hence, private sector jobs are so critical to the well-being of individuals and their families as well as the society as a whole.



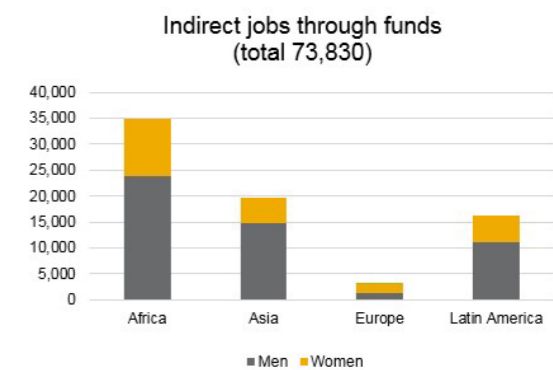
## Decent job paves the way out of poverty

The key qualities of a decent job are its quality, such as working conditions, terms of employment, and one's ability to influence his or her work.

For over ten years, Finnfund has required its investee companies to comply with international practices and standards. Central standards include the International Labour Organisation (ILO) declaration on principles and rights at work. It is also essential that employees can report work-related deficiencies anonymously and safely.

This type of mechanism, the so-called *grievance mechanism*, is also part of the environmental and social responsibility standards of the International Finance Cooperation. Finnfund requires its investee companies to adhere to the IFC performance standards.

The specific requirements are determined case-by-case based on a detailed assessment of the environmental and social impacts and risks.



### Fuzu matches workers with jobs

“Hardly a day goes by when I don't fill out a new application. Fuzu makes job seeking easy and keeps you informed of what's on offer. If you create your own profile on Fuzu, it looks for the jobs that suit you and sends you messages about them,” says **Gregory Oyolo** from Nairobi, who dreams of a job as a buyer.

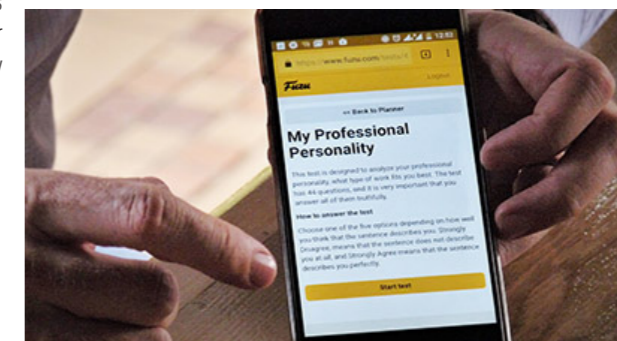
Youth unemployment is a major issue in Kenya. The big problem is that people usually find out about vacancies via a friend or a friend of a friend. Without connections it is difficult to go forward.

Fuzu, founded in 2013, is a Kenyan-Finnish service designed to meet this challenge. The online service matches job seekers with companies, who may contact suitable people directly via the service. For job seekers the platform provides career counselling and guidance for writing a CV. More than 800,000 Kenyans have already used it.

Fuzu's aim is to rapidly expand operations in Africa, as millions of new people are entering the African labour market every year. When young people find jobs they are not forced to leave their home country.

Country: Kenya  
Sector: Information technology  
Investment year: 2016  
More information: Finnfund's Annual report 2016

[Fuzu matches workers with jobs.](#)





# Affordable and clean energy for homes and businesses

Promoting clean energy generation is one of Finnfund's goals. Finnfund finances energy projects directly and indirectly through funds focused specifically on renewable energy.

At the end of 2016, Finnfund had invested in 25 clean energy projects. These investments with a total portfolio value of approximately EUR 162 million represent nearly a fourth of Finnfund's total investments.

The energy investments cover solar (27 per cent), wind (23 per cent), biogas (18 per cent), hydro (13 per cent), biofuels (16 per cent) as well as projects that promote energy-efficiency (3 per cent).

In 2016, the companies funded by Finnfund generated a total of 6,610 GWh of electricity. Of this, nearly 90 per cent was produced by companies Finnfund finances indirectly through funds especially in the Southeast Asia and in Sub-Saharan Africa. The produced energy exceeds, for

example, the annual energy consumption of Ethiopia or Tanzania in 2014.

The amount of energy generated by Finnfund's direct investments rose to 720 GWh from 447 GWh in the previous year. The growth comes mainly from increased production in biogas plants in Thailand and from the inauguration of solar plants in Jordan and Honduras.

Electricity generation by Finnfund's investee companies is expected to increase significantly once wind and solar plants currently under construction start their operations in a few years.

In addition to power plants, Finnfund finances off-grid solar panel solutions for households and small businesses. These solutions provide electricity and lighting as well as create significant economic and health benefits, being more affordable than the widely used, inefficient and polluting kerosene lamps.

## Mobisol's solar panel brings light to Mary's family

"I didn't want the children to have to breathe kerosene fumes, which are bad for the lungs. That's why I decided to get a system to produce electricity from solar panels and give us real light," says Kenyan **Mary Muigai**.

Mary Muigai lives with her family in the rural district of Kajiado, a few dozen kilometres from the capital Nairobi. In December 2016, she bought Mobisol's solar power system. The package consists of a panel for the roof and a battery to store electricity generated during the day.

Mobisol sells individual solar systems to rural African households beyond the grid, paid for in low monthly instalments using mobile money.

Finnfund's financing is supporting the company's growth, aiming to raise living standards and increase the use of renewable energy.

After receiving senior funding, Mobisol has been able to scale rapidly and expand from Rwanda and Tanzania into Kenya, as well as to establish partnerships in another nine countries.

By the end of 2016, the company had installed over 67,000 solar home and business systems, benefitting more than 330,000 people in East Africa. In total, the power systems generated over 6.5 MW of solar capacity. In 2016, Mobisol employed a global team of over 1,000 staff and contractors.

Country: Tanzania, Rwanda, Kenya  
Sector: Solar energy systems  
Investment year: 2016  
More information: Finnfund's Annual report 2016  
**Solar brings electric light to Mary's family**



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# Renewable energy mitigates climate change

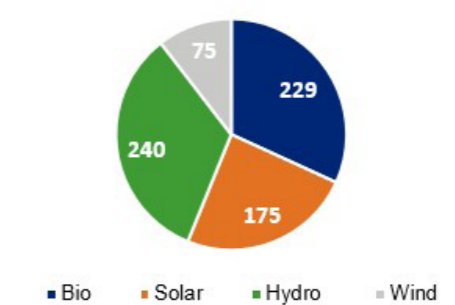
In the renewable energy sector, Finnfund typically funds power plant construction. This brings direct development impacts in the form of jobs as well as new infrastructure, such as roads.

During the construction phase, local economy gets a boost when significant amounts of goods and services are bought from local operators. On top of that, better transport connections enable local farmers and businesses to sell their products more broadly.

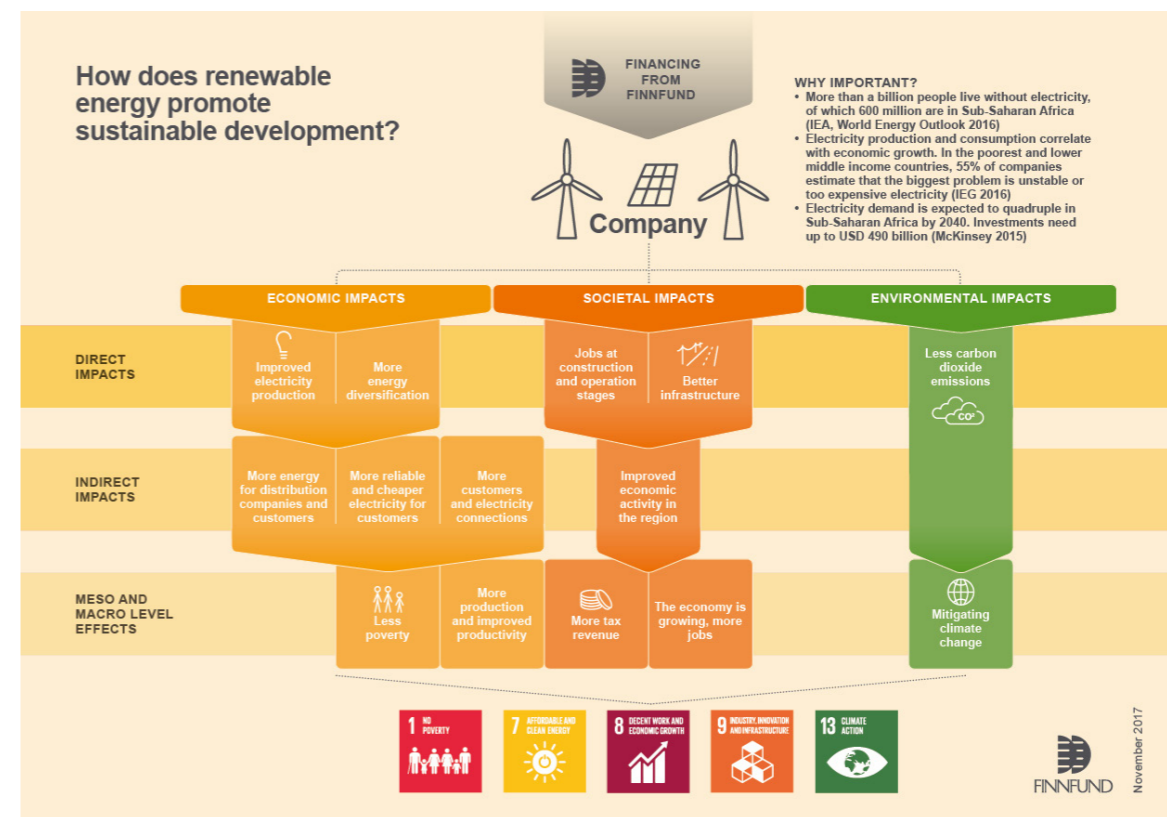
Once operational, such power plants generate cleaner energy and reduce the need for more polluting technologies, such as diesel generators. This reduces carbon dioxide emissions and mitigates climate change. Increased electricity generation boosts the economy by, for example, increasing access to energy, stabilising electricity

distribution, and lowering the price of electricity. These impacts increase the economic output, creating more jobs and economic growth.

Electricity generated by Finnfund's direct investments total 720 GWh



## How does renewable energy promote sustainable development?



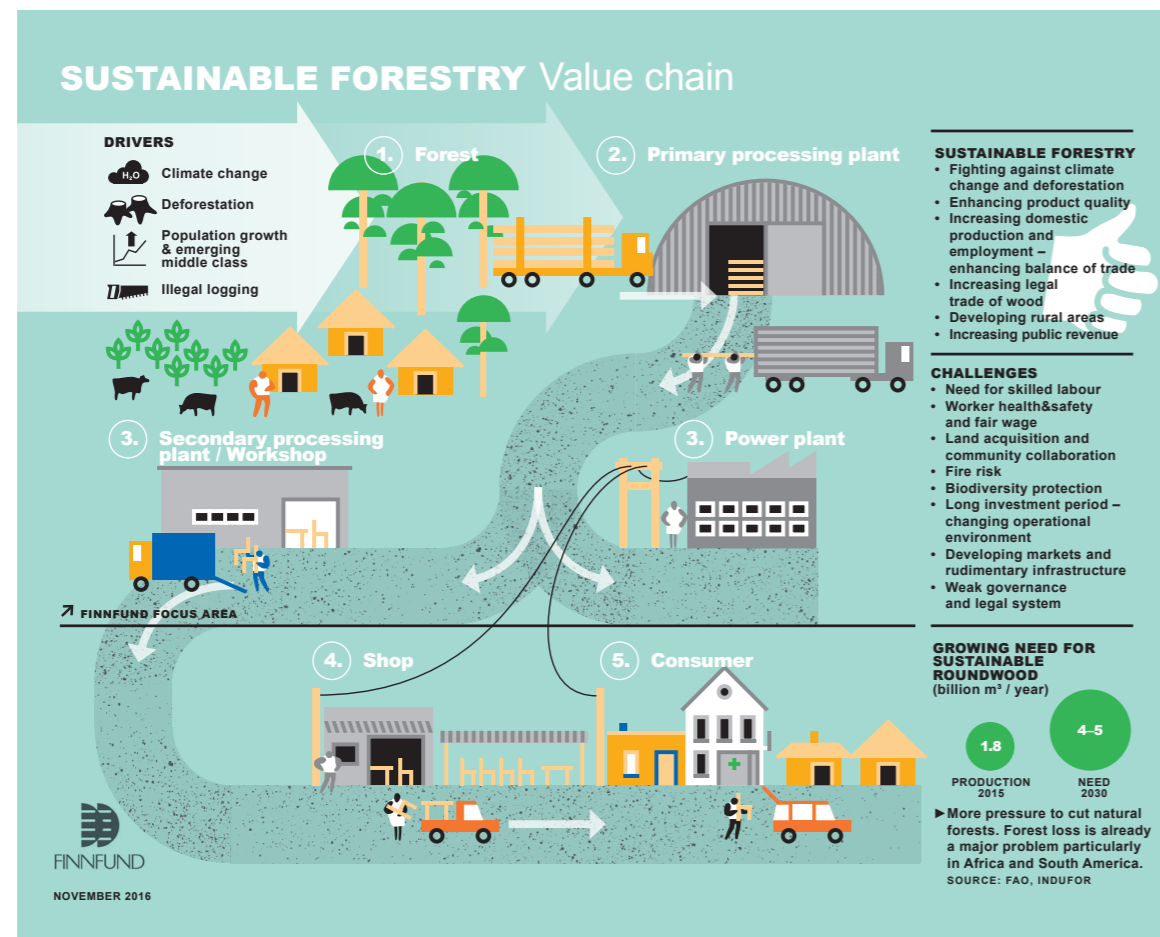
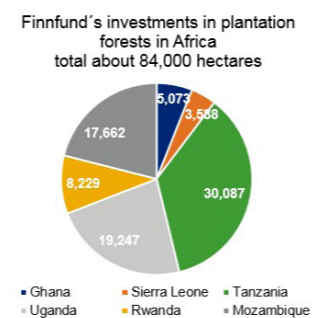
# Combatting climate change and deforestation with sustainable forestry

Sustainable forestry is one of Finnfund's priority areas. Sustainable forestry is environmentally sustainable, benefits local communities and is profitable for companies.

By the end of 2016, Finnfund had made investment decisions into sustainable forestry for a total value of EUR 129 million. Of these, EUR 95 million are direct investments into ten plantation forestry companies and the rest indirect investments into forestry projects through funds.

The forest plantations are typically located in sparsely populated rural areas and usually are the biggest employers in their region. In 2016, the ten forestry companies directly funded by Finnfund employed 5,400 people, 990 or one fifth of them

women. In the course of the year, these companies purchased over EUR 60 million worth of local services and products. They paid nearly EUR 10 million in taxes and invested EUR 1.2 million in developing the local communities.



# Sustainable forestry is good business

Finnfund requires from its customers that they adopt or pursue the adoption of international standards.

One of the best known international standards is the FSC® (Forest Stewardship Council®) certification. International studies<sup>1)</sup> show that FSC-certified forests in developing countries have lower occurrences of environmental damage, illegal hunting, illegal felling, illegal mining and forest fires than nationally protected nature reserves do. Furthermore, felling and road construction are implemented more responsibly than in uncertified forests.

Studies also show that FSC certification has positive impact on work conditions and occupational safety and especially on the relationships between the forestry company and its surrounding communities.

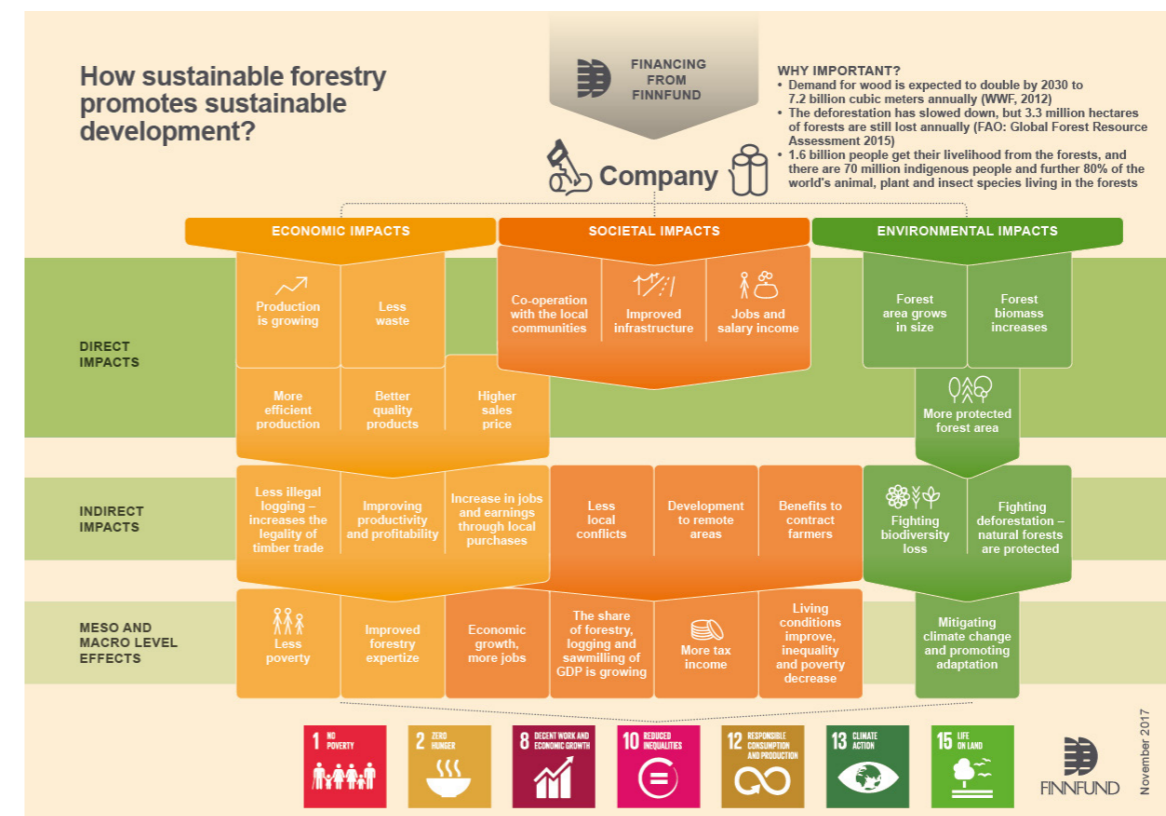
Certification also has a positive impact on profit: due to their more efficient operations, certified forest companies gain approximately USD 1.8

**“Finnfund encourages and provides support to its forestry customers to acquire the certification.”**

more per cubic metre of wood. Generally, small and mid-sized producers operating in tropical areas benefit the most from certification.

Finnfund is a co-investor in over 80 per cent of the FSC-certified forestry companies in Sub-Saharan Africa (excluding South Africa and Swaziland).

1) WWF: The impact of FSC certification; Medjibe et al (2013): Certified and uncertified logging concessions compared in Gabon; Cerrutti et al (2014): Social impacts of the FSC certification.





# Funding for climate change mitigation and adaptation

Finnfund is one of Finland's key instruments for climate change mitigation and adaptation in developing countries.

In 2016, Finnfund made payments worth EUR 46.2 million to 26 companies or funds whose operations help climate change mitigation or adoption. In practice, this means clean energy production, sustainable forestry, agricultural development and microfinancing that creates new ways to make a living.

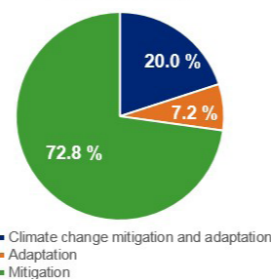
Of the total EUR 46.2 million, EUR 7.6 million was classified as Finland's official climate funding. This includes only funding considered to be official development aid (ODA), i.e. equity financing, not investment loans.

Finland's total public climate funding to developing countries was approximately EUR 43 million.

Of this funding, 58 per cent was allocated to climate change mitigation and 42 per cent to adaptation.

Over the past five years (2012–2016), Finnfund has made EUR 155.1 million worth of payments to climate change mitigation or adaptation projects.

Finnfund's investments in climate change mitigation and adaptation EUR 46.2 million



## Miro Forestry received FSC certifications in Ghana and Sierra Leone

Deforestation and climate change are acute problems in West Africa. At the same time, there is a strong and growing need for sustainably produced wood and wood products.

Miro Forestry currently operates 3,200 hectares of sustainable forestry plantations in Ghana and Sierra Leone. In 2016, the company started the audition process, and now, the company is there; the units in both of the countries have received an FSC certification.

"In West Africa, an area where FSC certification is rare, it is of increased importance that Miro Forestry operates responsibly, delivering significant social development and environmental enhancement, with an overall goal of being the favoured partner for all stakeholders, local and international," says **Stephanie Doig**, Director of Environmental, Health, Safety and Social Development.

In 2016, the company employed 994 people, of whom 175 were women. The company also bought local products and services worth more than 3 million euro.

Climate change mitigation and the fight against deforestation are in the core of its operations: In 2016, over 350,000 net tonnes of atmospheric carbon dioxide equivalent (tCO<sub>2</sub>e) were sequestered by Miro's plantations, and the company managed over 3,000 hectares of conservation area. By the end of the year the company had planted over 9 million trees during the years of operation.



Country: Sierra Leone, Ghana  
Sector: Forestry and logging  
Year of investment: 2014  
More information: Finnfund's Annual report 2016

**Miro Forestry leads the way for sustainable FSC certified plantation forestry in West Africa**



# Tax revenue for developing countries

In 2016 companies funded by Finnfund paid a total of EUR 334 million in taxes and tax-like payments in their respective countries. EUR 59 million of this was paid by companies that Finnfund funds directly and EUR 220 million by companies that Finnfund has invested in through funds. In addition to that, Finnfund has invested in financial institutions which offer funding for small businesses. These financial institutions paid EUR 55 million in taxes and tax-like fees.

Geographically, the most taxes and tax-like payments were paid in African countries: a total of EUR 115 million.

Corporate tax the companies pay on their profits totalled EUR 148 million (44 per cent of all taxes and tax-like fees). Majority of this, or EUR 110 million, was paid by companies that received investments through funds.

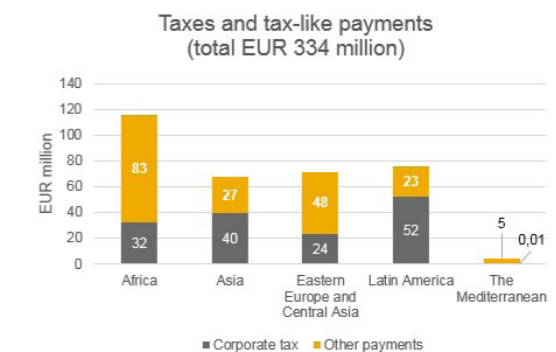
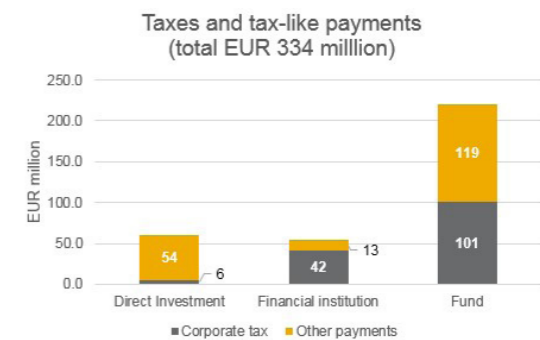
Banking and financial sector companies paid the largest share of the corporate taxes. Renewable energy projects, however, typically pay relatively little in corporate taxes during the Finnfund's investment period, because the projects require large investments before they start generating a profit. Renewable energy projects and other large infrastructure projects often benefit from tax holidays issued by governments for early investment stages.

Like other development finance institutions, Finnfund often takes part in the early stages of

project implementation in order to reduce risk and help the project get started.

On top of corporate tax, companies paid EUR 186 million (56 per cent of total taxes and tax-like payments) in other tax-like payments, such as sales taxes, business taxes, value added taxes, licensing and customs fees, dividend taxes and different types of management and concessions fees paid to governments. If a company has received subsidies from the government, they have been deducted from the reported total payments to government.

Monitoring tax-like payments is important because many developing country governments collect part of their income from the private sector through various payments and fees. Such payments also contribute to financing and improving public services.



## Why tax revenues matter?

Finnfund's mandate is to promote the economic and social development in developing countries. The countries need tax revenue for their Governments to be able to build and offer services, such as schools, healthcare and infrastructure, to their citizens

One of Finnfund's key development objectives and achievements is the amount of taxes paid to the developing countries.

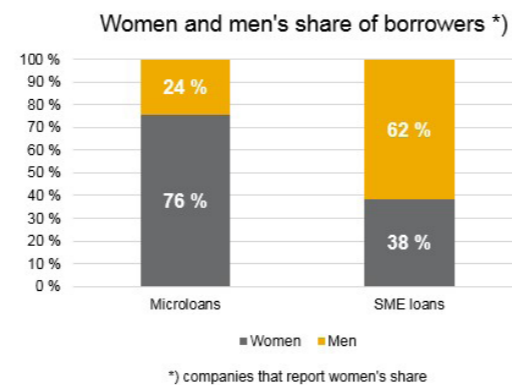


# Microloans and SME financing to developing countries

Finnfund funds – directly and through funds – financial institutions especially in Africa and in poor Asian countries. These institutions typically offer financial services to individuals or small and mid-sized companies that often do not have other possibilities to access reliable and formal banking services. The smallest microloans are usually provided to individuals or small-scale entrepreneurs who have a store, farm or dressmaker’s shop, for example.

In 2016, Finnfund made two new investments into financial institutions offering microloans. The financial institutions funded by Finnfund had a total of 1.7 million microloans outstanding at the end of 2016, which was fewer than the previous year. However, the average size of the loans increased and the total value of increased to EUR 1.8 billion. Majority of the loans were issued in Asia. Microloans were issued especially to women; three out of four of loan recipients were women.

In addition, Finnfund funded small and mid-sized companies through funds and microloan institutions in Africa, Asia and Latin America. The value of the issued small business loans was a total EUR 2.3 billion, which was 50 per cent more than the previous year. A bit over a third of the loan recipients were women.



**Sathapana offers micro and small business loans for people in rural areas**  
 Sathapana is a Cambodian bank offering micro and small business loans especially for poor people and small businesses in rural areas. Sathapana has a large office and service network, so it can reach customers also in rural and sparsely populated areas where banking has traditionally been challenging. Sathapana finances particularly agriculture, which is also the largest employer in Cambodia. Through its funding, farmers can grow their business and improve their income by acquiring the seeds, fertilizers and machines they need.  
 In 2016 Sathapana employed nearly 4,000 people, of whom about 37 per cent were women. At the end of 2016, Sathapana granted more than 92,000 microloan accounts with outstanding balance of USD 158 million while the small business loans of approximately 45,000 accounts were also granted with outstanding balance of USD 412 million. Approximately 55 per cent of micro and small business customers are women.



Country: Cambodia  
 Sector: Financial institution  
 Investment year: 2014  
 More information: [www.sathapana.com.kh](http://www.sathapana.com.kh)



# Effective financial services are fundamental to economic development

The availability of financial services plays a significant role in poverty reduction, job creation and reducing gender inequality.

A significant share of jobs in the developing markets are in small business with limited access to financial services. Lack of financing is a central barrier to the growth of these businesses.

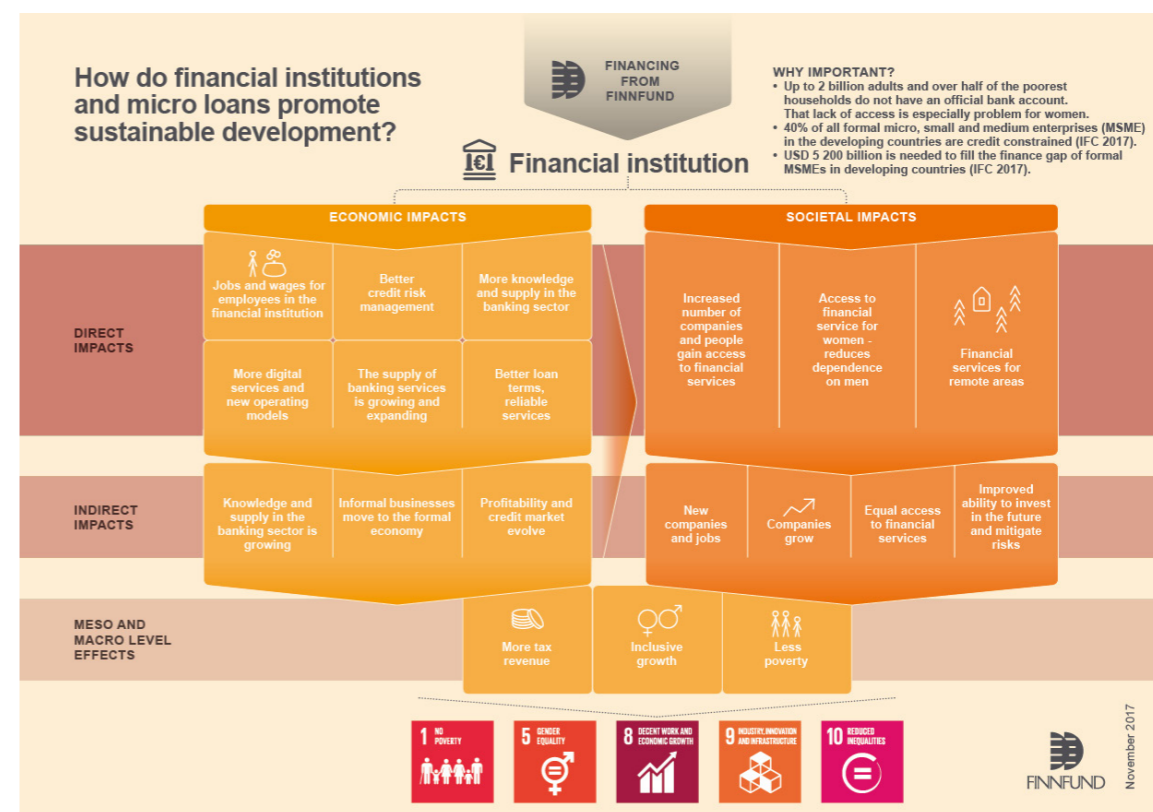
Banking services also play a key role in empowering women and the poorest people. Access to savings accounts and electronic payment methods help people invest in their future and protect themselves from external shocks.

Development finance institutions, such as

Finnfund, can offer banks and other financial institutions in developing countries affordable long-term financing, which enhances their ability to issue credit and develop digital services.

**“Banking services play a key role in empowering women and the poorest people.”**

New digital solutions and innovative business models bring previously excluded groups of people and geographical areas within the range of banking services.





# Financing and expertise to developing country businesses through funds

In many developing countries SMEs in particular have difficulties obtaining risk-tolerant financing for setting up or expanding their operations. Finnfund uses private equity funds to support especially these smaller companies.

Private equity funds are able to raise venture capital for projects and companies that would otherwise be excluded from financial services. Moreover, funds typically can offer other types of support for business development, such as expertise on the industry or social and environmental responsibility.

## Fewer fund investments

The share of investments into funds in Finnfund's investment portfolio has been reduced significantly in recent years, with only a few new fund investments been made.

Finnfund's goal is to make investments into funds only when they operate in the poorest and most fragile countries where companies struggle to obtain affordable financing, or in the case of specific industries, such as renewable energy or sustainable forestry.

At the end of 2016, Finnfund had 36 fund investments in its portfolio, with a total commitment value of EUR 186 million. Their total balance sheet value was EUR 70 million, representing approximately 20 per cent of Finnfund's total investment portfolio.

Half of the fund investments were made in Africa and one fifth in Asia. Global funds operating on various continents made up 17 per cent (6 investments) of fund investments. Ten per cent of the funds (5 investments) operate in Latin America.

Finnfund's focus is on funds that finance investments needed for expanding business operations. Of the fund investments, 75 per cent (EUR 140 million) were made in funds that invest in SMEs (EUR 82 million), forestry, agriculture or renewable energy (EUR 58 million).

Half of the fund investments in Finnfund's portfolio (EUR 122 million) were made in 2006–2010. Only a few new investments decisions were made over the past few years. In 2016, for example, no new decisions to invest in funds were made. Finnfund's average funding share of the funds is 7 per cent.

## Expertise on funds

Before taking the investment decision, Finnfund reviews the fund's investment policies and ensures that the fund has a knowledgeable manager and an investment strategy with principles that meet Finnfund's requirements.

Finnfund often takes part in the management of the funds, which allows it to ensure that the funds invest in an appropriate and sustainable manner and in accordance with development policies.

### How funds can help small businesses grow?

In developing countries, access to financing is the biggest obstacle especially for SMEs. According to the World Bank's IFC, some 65 million small businesses suffer from lack of financing. The estimated funding gap of micro, small and mid-sized businesses in developing countries is USD 5,200 billion. Approximately one third of this is for companies owned by women.

Equity funds are a significant source of funding for small companies seeking growth anywhere in the world, both in developing and developed countries. In Nepal, for example, the funding received by SMEs is currently about USD 731 million whereas the need is several times more: the funding gap is USD 3.6 billion, majority of the companies in need of funding being micro companies.<sup>11</sup>

<sup>11</sup> IFC MSME Finance Gap. Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets (2017)



# Toward sustainable development goals

The private sector plays a significant role in advancing sustainable development and reducing poverty.

It is clear that the goals of the 2030 Agenda for Sustainable Development signed by UN member states in 2015 cannot be met by official development aid only.

Eliminating extreme poverty, mitigating climate change, stopping the loss of biodiversity, or making affordable and clean energy available to everyone are examples of goals that cannot be achieved without the contribution of companies. It is also clear that companies alone cannot resolve all development challenges; different types of actions and actors are needed.

It is estimated that developing countries will need up to USD 2,500 billion in additional investments to achieve these goals. A significant share

of this would need to come from the private sector. Finnfund is one of Finland's instruments to mobilise this funding.

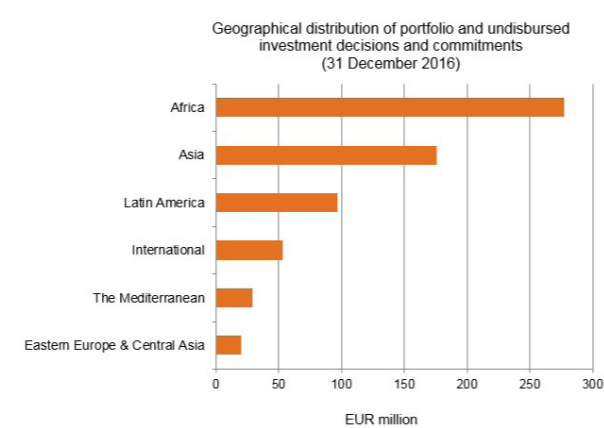
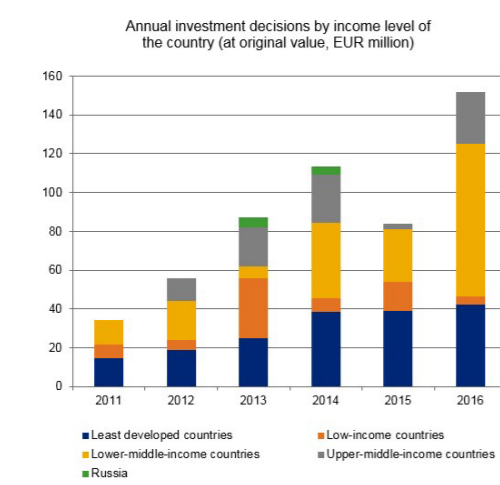
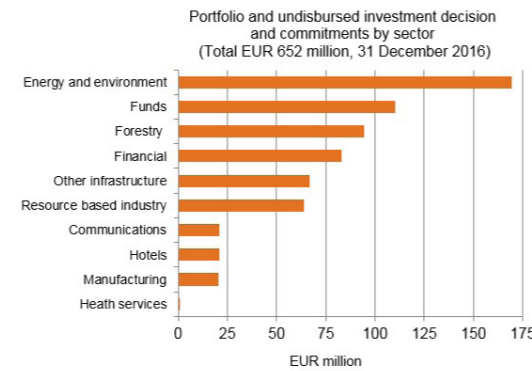
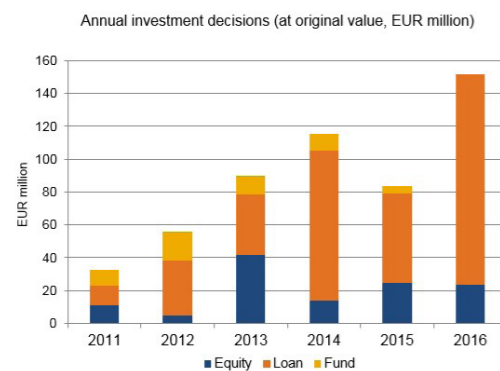
Finnfund's funding often leverages additional financing to projects that otherwise might not be implemented. At the same time, Finnfund aims to strengthen the development impacts of these investments and improve the companies' responsibility towards people, the environment and society.

In practice, this means, for example, that Finnfund assesses development impacts before making the investment decision and ties its payment instalments to completed improvements in corporate responsibility.

The picture below shows examples of how Finnfund's investments promote the achievement of the 17 sustainable development goals.



## Key figures on Finnfund's portfolio



**152** million euros of new investment decisions.

**397** million euros invested in projects on 31 December 2016.

**82 %** of new investment decisions in three poorest income categories.



## Development results from projects funded by Finnfund

This page compiles the development results from projects funded by Finnfund.

The information is collected using a questionnaire that is administered annually to all companies and is tailored by industry. Finnfund uses the questionnaires to monitor the development results of the companies it has invested in for the entire investment portfolio. In addition, Finnfund conducts project specific monitoring and evaluations for development impacts.

When comparing the results between different years, it is important to note that Finnfund's investment portfolio changes every year – new investments are included and others end.

Therefore, one new or one less investment in the portfolio can significantly change the results for an individual indicator. The comparison between years is more useful for describing the development of the entire investment portfolio than an individual project or indicator.

Development result	Direct investments	Funds	Financial institutions	Total (2016)	Total (2015)
Direct jobs	14,607	479	14,866	29,952	25,603
Direct jobs for women	4,137	185	5,177	9,499	9,137
Indirect jobs	9,085	73,829	1,109,242	1,192,156	105,483
Indirect jobs for women	1,530	23,076	5,544	30,150	24,388
Taxes and tax-like payments (EUR million)	59	220	55	334	285
Local purchases (EUR million) <sup>1)</sup>	4,164	-	-	4,164	300
Number of supported farmers <sup>2)</sup>	38,046	-	-	38,046	15,812
Energy produced (GWh) <sup>3)</sup>	720	5,899	-	6,619	3,124
Number of housing loans <sup>4)</sup>	-	89	57,634	57,723	8,446
Value of housing loans (EUR million) <sup>4)</sup>	-	-	386	386	397
Number of microloans <sup>5)</sup>	-	1,414,694	263,041	1,677,735	3,339,060
Value of microloans (EUR million) <sup>5)</sup>	-	1,570	251	1,821	755
Number of SME loans <sup>6)</sup>	-	5,154	452,139	457,293	236,219
Value of SME loans (EUR million) <sup>6)</sup>	-	111	2,182	2,293	1,547
Share of Finnfund's funding reported as official Finnish climate funding (EUR) <sup>7)</sup>	-	-	-	7,600,000	14,000,000

Responses were received in 92 companies in total companies (a total of 89 companies in 2015). Some of the indicators are sector-specific, the number of respondents to them differs from the total number of respondents as follows:

<sup>1)</sup> 31, <sup>2)</sup> 25, <sup>3)</sup> 18, <sup>4-6)</sup> 12

<sup>7)</sup> Finland's official climate funding can only include the funding considered development cooperation, i.e. equity financing, which means it does not include loans, for example.







# Assessing development impacts at Finnfund

Finnfund has a mandate to promote the economic and social development of developing countries by funding profitable and responsible companies that operate in them. When assessing development impacts, the focus is on the companies and their nearest stakeholder groups.

The indicators used in the assessment tool (DEAT, Development Effect Assessment Tool) have been developed in cooperation with other European development finance institutions, so that the assessment and comparability of investments would be as easy as possible. The indicators are also used in the annual guidance note prepared by the Ministry for Foreign Affairs.

The development results are presented as a whole for each company. The results have not been attributed or separated according to Finn-

fund's share of the funding, as determining the impact mechanisms is challenging and an internationally reliable method for assessing them has not yet been developed.

With development funding, it is typical that in addition to the investment amount, the impact depends on the characteristics of the financial instrument (e.g. loan, equity investment, mezzanine financing, securities), the risk level of the project, degree of involvement of the investor, and the ability to influence, for example, catalysing external funding, reducing risks or developing responsibility.

Finnfund, however, actively participates in the discussion on attribution and the development of methods and is engaging in cooperation with other European development finance institutions.

## How is the data collected?

- The data describing the end of 2016 were received from 92 companies.
- The development results of investments have been monitored for the entire portfolio since 2010. Evaluation of development impacts is continuously being developed.
- The monitoring of development results is based on indicators collectively agreed on by international development finance institutions (HIPSO), which are compatible with the IRIS indicators used in the Global Reporting Initiative.
- The information is collected annually with a questionnaire that is tailored by industry. In addition, development impacts are monitored and evaluated at project level.

## More information

- Finnfund's website [www.finnfund.fi](http://www.finnfund.fi)
- Map of investments <http://map.karttapalvelut.fi/finnfundnew>
- Annual report 2016 <http://annualreport.finnfund.fi/2016>
- Harmonized Indicators for Private Sector Operations (HIPSO)
- Maaillanpankin World Development Report 2013: Jobs
- WWF (2014): The impact of FSC certification
- WWF (2015): Profitability and sustainability in responsible forestry
- WWF (2012): Living forest report
- FAO (2015): Global forest resource assessment
- Medjibe et al (2013): Certified and uncertified logging concessions compared in Gabon
- Cerrutti et al (2014): Social impacts of the FSC certification
- IFC (2017): MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets
- IEA (2016): World energy outlook
- IEG (2016): Financial viability of the electricity sector in developing countries
- McKinsey (2015): Brighter Africa
- UNCTAD (2014) World Investment Report

