

Development Impact of DFIs

What are their impacts and how are they measured?

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February 2015

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Abbreviations

AfDB	African Development Bank
BIO	Belgian Investment Company for Developing Countries
CDC	Commonwealth Development Corporation
DEG	Deutsche Investitions - und Entwicklungsgesellschaft
DFI	Development Finance Institution
DOTS	Development Outcome Tracking System
EDFI	European Development Finance Institutions
EIB	European Investment Bank
ESHS	Environmental, Social, Health & Safety
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden
GPR	Corporate Policy Rating
IADB	Inter-American Development Bank
IDG	International Development Goals
IFC	International Finance Corporation
IFU	Investment Fund for Developing Countries
KfW	Kreditanstalt für Wiederaufbau
MDG	Millennium Development Goals
ODA	Official Development Assistance
SIFEM	Swiss Investment Fund for Emerging Markets

1 Introduction

1.1 Methodology

The paper, carried out under the UK's Department for International Development (DFID) Economics and Private Sector Professional Evidence and Applied Knowledge Services (EPS-PEAKS) framework seeks to understand:

What are the Development Impacts of Development Finance Institutions?

Research was carried out through a desk-based literature review (including both academic papers and relevant websites) which analyses the different components of Development Finance Institutions (DFI) impacts on development. The review looks at a number of components of DFI impacts including:

- How DFIs measure their development impacts
- What development impacts DFIs report
- Third party evaluations (qualitative and quantitative) of DFI impacts

The report is focused on the developmental impacts of DFIs, hence only limited attention is given to other aspects of DFI operations such as additionality and catalytic effects or on the financial reporting of DFIs. The report focuses on a subset of bilateral DFIs (the CDC, the DEG, FMO, IFU, Proparco and BIO¹) as well as the IFC but uses examples from other bilateral and multilateral DFIs where appropriate. The report begins by providing a brief overview of DFIs (section 2.1), subsequently looking at how DFIs measure their developmental impacts (section 2.2) and what results they present (section 2.3). The report then looks at third party evaluations of the developmental impacts of DFIs (section 2.4) before presenting some conclusions that can be drawn from the literature review (section 3).

1.2 Summary of Findings

DFIs use a **variety of instruments** to measure their development impacts. The instrument vary by **DFI**, making impact comparisons between DFIs difficult to assess, although efforts are being made to **harmonise development impact indicators** used within the different instruments.

DFIs only report a **limited number of concrete development impacts**. These generally include **employment effects** (direct, within clients, and in some cases indirect employment effects), **government revenue** impacts, **consumer reach** (the definition of which varies between DFIs) and in some cases **environmental, social and governance** (ESG) outcomes and **private sector development** effects.

DFIs **report positive impacts**, however it is difficult to substantiate exactly what these mean since success metrics are often subjective and **insufficient data is (publicly) provided** in order to clearly assess the extent of the impacts. Evaluations of the impact of DFIs find that their investments do make a **positive contribution to employment and productivity**, both directly and indirectly. There also seem to be **positive links between DFI investments and economic growth**. There is also some limited evidence on the positive **impacts of DFIs on financial deepening** – however the **evidence is limited and qualitative in nature**, hence generalisations cannot be made.

¹ DFI acronyms are found within the list of acronyms on page iii

2 Assessing the Development Impacts of DFIs

2.1 Overview of DFIs

As Official Development Assistance (ODA) budgets are declining and budgets for bilateral donor agencies are decreasing, the use of DFIs is increasingly seen as a way to leverage private sector investments for development. DFIs are specialised financial institutions that invest in developing countries and are usually controlled by national governments, although the degree of control and independence varies (Dalberg, 2012). DFIs invest in private sector operations, whilst one of their aims is to provide a financial return on investments, where they differ from commercial financial institutions is the fact that DFIs seek to create positive developmental impacts through their investments. They operate on the basis of the additionality (additional to the market) that they can provide, the catalytic effect that they can have on private sector investments in target countries, the ability to maintain sustainable financial returns of investments and the development impact that their investments can have.

Additionality: DFI investments need to support the private sector in target country economies, hence they should not crowd out private sector investment. To this end, DFI investments should only be undertaken where they are additional to what the local market would already offer i.e. providing funding for investments that would not have otherwise have received it.

Catalytic Effects: DFIs aim to operate as catalysts, helping companies implement investment plans and provide a form of mitigation against risks as well as provide funding for projects that would not have been otherwise implemented (Te Velde & Warner, 2007). Catalytic effects also extend to the ability of DFIs to promote private sector investments within their operational country (Te Velde, 2011). DFIs often act as first movers and initial risk-takers (essentially piloting and testing investments) which would then spur (or provide evidence for) other commercial investments in the country or sector of interest.

Development Impacts: Development impacts are a core *raison d'être* of DFIs. DFIs carry out investments which are meant to have positive development impacts, harnessing the power of the private sector to promote growth and employment. The development impact of DFIs is based, at the primary level, on their capacity to stimulate private sector growth. At the secondary level, this translates into structural economic changes, which are a necessary pre-condition for widespread and sustainable development impacts. At the tertiary level, these structural changes can be divided into outcomes such as enterprise growth, competitiveness boosts, positive employment impacts and (positive) shifts in productivity patterns. Private sector enterprise growth results in both increased government revenues and the potential to directly and indirectly create more jobs in a country. In turn, employment creation can boost development by increasing living standards and incomes.

Financial Returns: DFIs employ a number of financial instruments in order to undertake their investments, these instruments can be broadly categorised as loans, guarantees and equity investments, with DFIs employing varied combinations of such instruments (Kingombe et al. 2011). DFIs diversify their portfolio, not only in terms of financial instruments, but also in terms of geographic coverage. Investments need to be sustainable in the long term in order to ensure their individual viability but also the long term viability of the DFIs that carry them out.

2.2 How do DFI's Measure their Impacts?

Development Finance Institutions individually use impact evaluation systems in order to determine what the development impacts of their investments could be. Broadly speaking, they evaluate and measure impacts before (**ex-ante**) investments are carried out as well as after (**ex-post**) they have committed to investments – monitoring on-going investments and evaluating the outcomes of completed investments. The results of ex-ante assessments help DFIs decide whether to carry out an investment, whilst ex-post evaluations are used for lesson learning and future investment decision making processes.

Each DFI uses a different toolset to evaluate ex-ante and ex-post impacts. This section examines the measurement systems in use by the German DEG, the UK's CDC, Denmark's IFU, France's Proparco, the Dutch FMO and the multilateral IFC.

Box 1: The DFI comparability & harmonization challenge

Most of the DFI scoring or impact evaluation systems look broadly similar to one another. However, these superficially similar systems hide complexities which make comparisons across DFIs (i.e. in order to compare impacts of similar investments) difficult to undertake. The difficulty stems due to the variations in the meaning of terminology, data collection, analysis and impact evaluation categories. To this end a large number of DFIs have signed a memorandum of understanding (MoU) aimed at harmonising their development impact indicators. The MoU was signed in October 2013 and helps to harmonise the collection of development impact indicators in the following fields:

- **Cross Sectoral:** Direct Employment, payment to Governments
- **Agribusiness:** Farmers reached, sales, exports
- **Education:** Enrolled students
- **Energy:** Power Produced
- **Financial Intermediation:** Outstanding SME , housing & Microfinance loans
- **Investment Funds:** Investments, employment
- **Health:** Patients served
- **Housing:** New dwellings built, improved dwellings
- **Information & Communication Technologies:** Mobile subscriptions, fixed data subscriptions, fixed voice subscriptions
- **Industries & Services:** Domestic purchases, total sales, export sales
- **Transportation:** Containers handled, bulk cargo handled, passenger use
- **Waste & Sanitation:** Waste disposal, wastewater treated
- **Water:** Potable water produced

The harmonisation of these indicators should help improve comparability across DFIs; however the usefulness of such a comparison hinges on the availability of data for comparisons and the willingness of DFIs to actually publish such results. Currently this is not the case since development impact reviews do not usually go into such detail on investment impacts, neither at the aggregated portfolio level nor for case studies.

For a full list of indicators and for signatories to the MoU see:

http://www.ifc.org/wps/wcm/connect/00dacf8043e3609689e4b9869243d457/Harmonized_Indicators_MOU_notSigned.pdf?MOD=AJPERES

DEG

The DEG has developed the GPR tool (Corporate-Policy Project Rating), introduced in 2002, aimed at making the 'corporate-policy quality of a project transparent and facilitates portfolio appraisals' (DEG, 2013) at both the ex-ante and ex-post phases of a project. This essentially means that the GPR is used both as a screening tool to select optimal investments as well as a monitoring and evaluation tool to assess the impacts of the investment. The GPR is based on an index of four benchmarks (DEG, 2013):

- **The long term profitability of the project:** Measuring the project company's financial sustainability within the investment country.
- **The Special Role of DEG:** Determines the degree to which DEG is able to provide additionality and catalytic outcomes through its investments.
- **Return on Equity of DEG:** Assesses the ability of a project to reach adequate returns on equity, which are necessary both for project financial sustainability as well as (in the aggregate) the long-term financial sustainability of DEG.
- **Development Effects & Sustainability:** The development and sustainability benchmark uses different indicators (dependent on the type of financed project). If a project provides finance to productive enterprises, the GPR looks at quantitative effects (such as government revenues, net currency effects, national income effects and employment effects) as well as qualitative impacts (technology and skills transfer, impacts on qualifications and training, gender effects, market and structural effects, impacts on infrastructure, social effects and compliance with environmental and social standards).

The GPR uses a weighting system to evaluate projects, based on a 500 point scale, for which the development/sustainability impacts account for 150 points. The GPR is used at the ex-ante level in order to gauge the expected effects of investment projects (where projects need to meet a certain minimum GPR score) and for project due-diligence. It is also used at the ex-post project monitoring phase looking at the effect of portfolio companies and allow ex-ante and ex-post comparisons and identify best practices. At the ex-post level the GPR is filled in every two years per project. There is no publicly available detailed exposition of the indicators that the DEG uses in order to measure development impacts.

The DEG recognises that the GPR cannot directly measure DEG's contribution to the MDGs, but a causal chain is created between the development impacts of the DEG and poverty reduction, where growth in a company leads to greater employment (and related increases in incomes and living standards) as well as increased government revenues, which, in turn, would lead to greater expenditure on pro-poor initiatives or the construction of facilities (i.e. schools or hospitals) and infrastructure which could have pro-poor outcomes (DEG, 2013).

Proparco

Proparco uses an adapted version of the GPR tool as developed by DEG in order to assess ex-ante impact. Proparco's version of the GPR tool uses a combination of quantitative and qualitative analysis aimed at steering investment choices and places particular importance on a project's developmental, environmental and social impacts. These indicators include impacts such as government revenues, net currency contributions, employment impacts, technology and skills transfer, the social effects of investments etc². The tool looks at four main criteria:

² http://www.proparco.fr/Accueil_PROPARGO/financement-responsable/Les-impacts

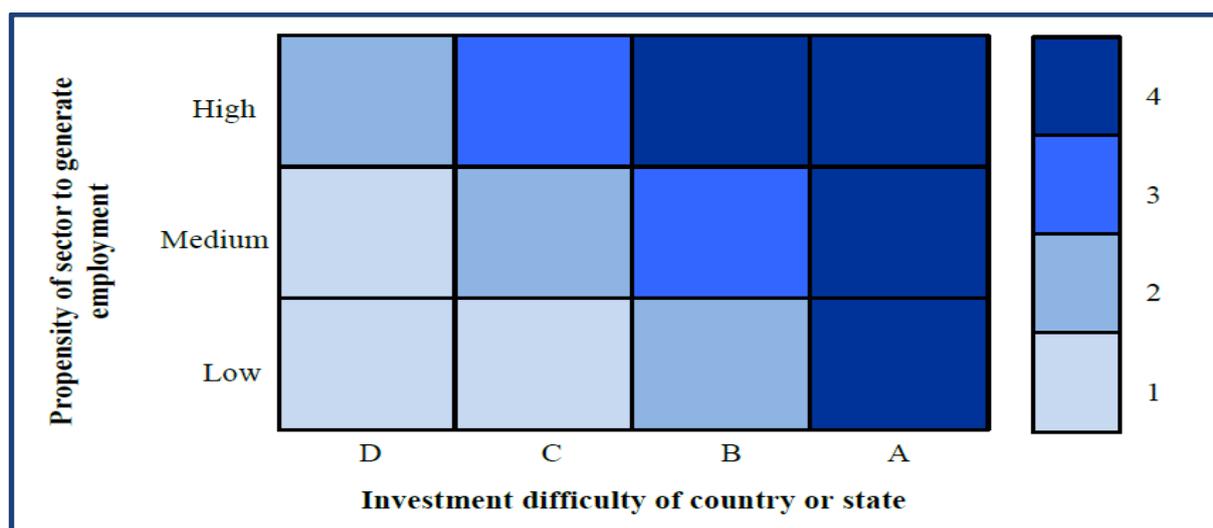
- **Impact on development:** What the estimated impacts on development will be of Proparco investments.
- **Profitability:** The financial returns and financial sustainability of investments.
- **Level of risk:** Political, monetary and other risks that investments could face.
- **Investment fit with Proparco's Strategy:** Whether the investment fits into Proparco's investment and development strategy.

Proparco states that it uses an impact monitoring and evaluation framework in order to assess impacts of on-going projects. Ex-post evaluations are selectively conducted in order to analyse investment outcomes and Proparco uses a series of indicators aimed at assessing results and impacts. There is limited exposition on behalf of Proparco of its impact evaluation systems; hence a more detailed explanation of its GPR amendments or its ex-post evaluation systems and the indicators that it uses are publicly unavailable.

CDC

The CDC use an ex-ante investment evaluation system, which is based on an impact grid, measuring two main investment metrics, the location of the investments (i.e. its geographic placement) and the sector in which the investment would occur (CDC, 2012). The CDC evaluation grid will be used until 2016, after which the CDC will most likely begin using a more comprehensive impact evaluation system (Velde et al. 2014).

Figure 1: CDC's Investment Impact Evaluation Grid



Source: CDC (2012)

Geography – Determines the difficulty to invest and is based on a) market size of the investment country³ b) the income level c) the ability to access finance and d) the ease of doing business.

Sector – Looks at the sector's ability to generate employment. This is based on its: a) potential to create employment directly, as measured by the ratio of employment (skilled & unskilled) to capital b) the potential of the sector to create employment through backward linkages in the supply chain, as measured by the local procurement to capital ratio and c) the potential for an investment into essential infrastructure in order to remove business constraints as well as create an environment conducive to employment creation. Table 5 below shows how the CDC classifies the impact of sectors.

³ Except for India, where each Indian state is evaluated in regards to GDP per Capita

Table 1: CDC Sectoral Impact Assessment

Low	Medium	High
Business Services Communication Financial Services Mineral Extraction Trade (subject to adjustments)	Agricultural crops Forestry/Fisheries Meat/Livestock Transport Utilities Trade (subject to adjustments)	Construction Food Processing Manufacturing Public Services Textiles Trade (subject to adjustments)

Source: CDC (2012)

Once the investment is placed in the impact grid (see figure 1 above), based on the two scores, it is given a final score ranging from 1 to 4. Where multiple geographies and/or sectors are involved, a blended score for each one is used.

FMO

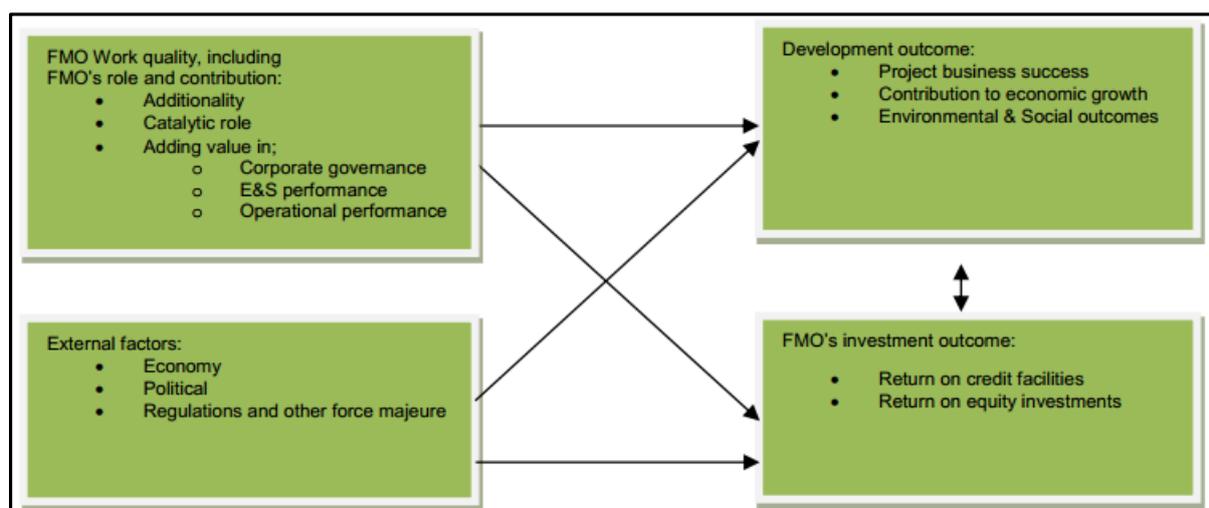
FMO evaluates its investment projects on both an ex-ante and ex-post basis. Whilst FMO is currently in the process of updating its evaluation systems (Velde et al. 2014), until 2013 it used three systems in order to evaluate impacts. At the ex-ante level, FMO used:

- **EDIS:** The Economic Development Impact Score, which assesses the potential contribution of an investment to the local economy. The EDIS system used a number of different scorecards, each tailored to different sectors.
- **DII:** Development Impact Indicator, based on a multiplication of EDIS scores with the volume of new investments
- **Quantitative Indicators:** A range of FMO QIs are used⁴ which differ across different types of investments and sectors.

Development on FMOs new impact framework system began in 2013 and aims to replace the current EDIS framework, linking FMOs financial and non-financial activities to expected future impacts.

At the ex-post phase, FMO takes a sample of 50% of its projects which it began five years prior to the evaluation year and applies its ex-post evaluation framework (see figure 2 below). The framework assesses outcomes in four different areas i.e. FMO's work quality, development outcomes, external factors that may have influenced outcomes and FMOs investment outcome. Similarly to the EDIS system, FMO is looking to replace the current framework in 2014 with a new framework that will use a set of sector-specific strategic impact and footprint indicators (FMO, 2014).

⁴ See Annex 2B in Velde et al. (2014)

Figure 2: FMOs ex-post evaluation framework

Source: FMO (2014)

IFC

The IFC (International Financial Corporation) uses two main systems, the DOTS (Development Outcome Tracking System) which measures investment progress (and impacts to some degree) and the IDGs (International Development Goals) measuring investment impacts.

The DOTS is used as a monitoring and evaluation tool, which helps track development results throughout the project cycle of IFC investments⁵. A DOTS rating is based on the evaluation of projects within four key performance areas. These four areas are meant to capture the multi-faceted contributions of the project to a host nation's economy:

- **Financial performance:** Financial performance is evaluated in order to assess the costs and benefits of IFC projects to project financiers. It is important for projects to be profitable as they can give positive signs to other investors (i.e. act as catalysts for further private sector investments) and can also help prove that developmentally sound projects can also mean good profits for investors.
- **Economic performance:** Measures the impact of the project on all of society. Impacts are measured on a number of different stakeholders beyond project financiers.
- **Environmental and Social performance:** The DOTS also looks at the effects of projects on neighbouring communities as well as its impacts on the environment. It also tries to assess whether the project complies with the IFCs environmental, social, health and safety (ESHS) policies.
- **Private sector development:** The DOTS framework aims to measure whether the project has succeeded in creating the right conditions to increase private capital within and through the investment. Changes in business environment conditions such as regulatory frameworks, corporate governance, increased competition and improvements in services are also measured.

Projects are deemed to be successful if they are 1) financially sound, 2) provide benefits to stakeholders (beyond the benefits provided to the project financiers) as well as not relying on any subsidy or market distortion, 3) meet the IFCs environmental and social

⁵http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IDG_Home/Monitoring_Tracking_Results/Tracking_System/

performance standards and 4) have broader positive impacts on private sector development.

In addition to the DOTs system, since 2011 the IFC also began using the International Development Goals (IDGs). The IDGs aim to integrate IFC results measurement with the MDGs and are high level targets which are used to influence the strategic and operational decision making process within the IFC. There are currently seven IDGs which are being tested (IFC, 2013c) and although they are not meant to cover all possible IFC projects, they can still be used as a management tool in the investment decision making process. The seven IDGs currently are:

- **Agribusiness:** Increase or improve sustainable farming opportunities.
- **Health & Education:** Improve health and education services.
- **Access to Financial Services:** Increase access to financial services for micro/individual clients. Increase access to financial services for SME clients.
- **Infrastructure:** Increase or improve infrastructure services.
- **Economic Growth:** Contribute to economic growth (value added); piloted without targets.
- **Climate Change:** Reduce Greenhouse Gas emissions.
- **Trade & Regulatory Services:** Increase the number of firms that benefit from improved investment, trade and regulatory services.

The IFC also carries out a number of in-depth evaluations of impacts at the project level (of which 80 have so far been carried out)⁶ and are used to help the IFC project impacts as well as provide real time feedback to both the IFC and their clients (IFC, 2013b). The IFC states that it has over 20 on-going evaluations per year (IFC, 2013) and that these evaluations are used to "1) credibly articulate IFC's development impacts 2) learn how to maximise the effectiveness of IFC interventions 3) provide useful business intelligence to clients and partners 4) exchange knowledge with others outside the IFC" (IFC, 2013).

IFU

The Danish IFU (Investment Fund for Developing countries) has been using a 'success criteria model' in order to evaluate all its investments⁷. The model is used, both at the ex-ante and ex-post phases of an investment, in order to estimate the effects that investments will have (or has had) on host countries through employment creation, knowledge transfer and CSR impacts. The model is divided into four parts⁸:

- 1) **Development Impact:** The development impact criteria carries a 50% weighting and looks at the additionality of the investment to the host country, employment impacts, knowledge transfer and CSR issues (i.e. links to MDG achievements etc.)
- 2) **Fund's Contribution:** Carries a 20% weight and assesses whether the project is new, IFUs level of participation, political or other risks to investments and capacity for external capital mobilisation.
- 3) **Project Sustainability:** Sustainability carries a 20% weight and looks at estimated investment returns, financial risks to investments, management quality of projects and corporate governance.
- 4) **Fund Efficiency:** Fund efficiency (10% weight) assesses project profitability, cash and cost management and the investment size and duration.

⁶<http://www.ifc.org/wps/wcm/connect/cbe0198041562db693bdb39e78015671/Development+Impact+FACTSH+EET+FINAL.pdf?MOD=AJPERES>

⁷ <http://www.ifu.dk/en/about-ifu/background/success-criteria>

⁸ <http://www.ifu.dk/dk/materiale/pdf-filer/success-criteria-ex-post>

IFU projects that score below 50% are rated as *poor*, a *fair* rating is given to projects scoring between 50% and 60%, a *good* rating is given to projects between 60% and 80% and an *excellent* rating is given to projects scoring over 80%.

2.3 DFI Reported Development Impacts

The following section looks at the development impacts as reported by DFIs. The section focuses on examples of quantitative measures development impacts as reported by the DFIs and attempts to categorise them in similar categories i.e. employment impacts, government revenue impacts, consumer reach and where available environmental impacts and Environmental, Social & Governance Impacts (ESG).

Bio

Bio's 2013 annual report provides a number of development impacts for its investment activities. These include:

- **Employment:** Bio estimates that the projects it contributed to in 2013 will help create or maintain around 73,000 jobs, of which 23,000 are direct and around 50,000 are indirect jobs.
- **Government Revenue:** The report states that its investments have helped generate €64 million in government revenues in 2013.
- **Financial Sector investments:** Bio states that it approved 16 projects for financial institutions amounting to €67 million in 2013, raising total commitments to €236 million. Investments were mainly in banks (47%) and microfinance (35%).

Proparco

In its latest annual review (for 2013) Proparco (Proparco, 2013) offers a number of examples on its impacts on development. Proparco development impacts include reporting on:

- **Employment:** The annual report estimates that Proparco investments directly have led to the creation (or maintenance) of 125,000 jobs, whilst indirectly to 147,000 jobs
- **Tax Revenues:** The report states that Proparco investments have led to an increase in €429 million per year in tax revenues.
- **Environmental Outcomes:** Investments have helped reduce or avoid GHG emissions by 870,000 tCO₂eq per year. Proparco's projects have also led to the production of 2,748 GWh of renewable energy per year. The report states that 26% of projects in 2013 were climate related
- **Implementation of CSR & ESG standards:** The annual report states that Proparco has helped banks implement environmental and social risk management systems, helped companies implement environmental and social certification schemes etc.

DEG

DEG's latest available annual report is for 2013 (DEG, 2014), the DEG's annual report does not, however, include the DFI's development impacts. These are found in a separate document (DEG, 2014b) which is dedicated to the DEG's development effects. Within it, the DEG highlights impacts on:

- **Employees:** The DEG supports companies employing 210,000 people. It expects its new investments in 2013 to lead to the creation of 30,000 new jobs within these companies. Over half the companies that they support pay wages which are above the (local) national average and the DEG has ensured that financed companies will adhere

to ILO core labour standards and ILO basic terms and conditions of employment. Indirectly, the DEG estimates that it supports around 370,000 jobs through people working within the value chain of supported enterprises. The report also states that all supported companies offer training to their employees.

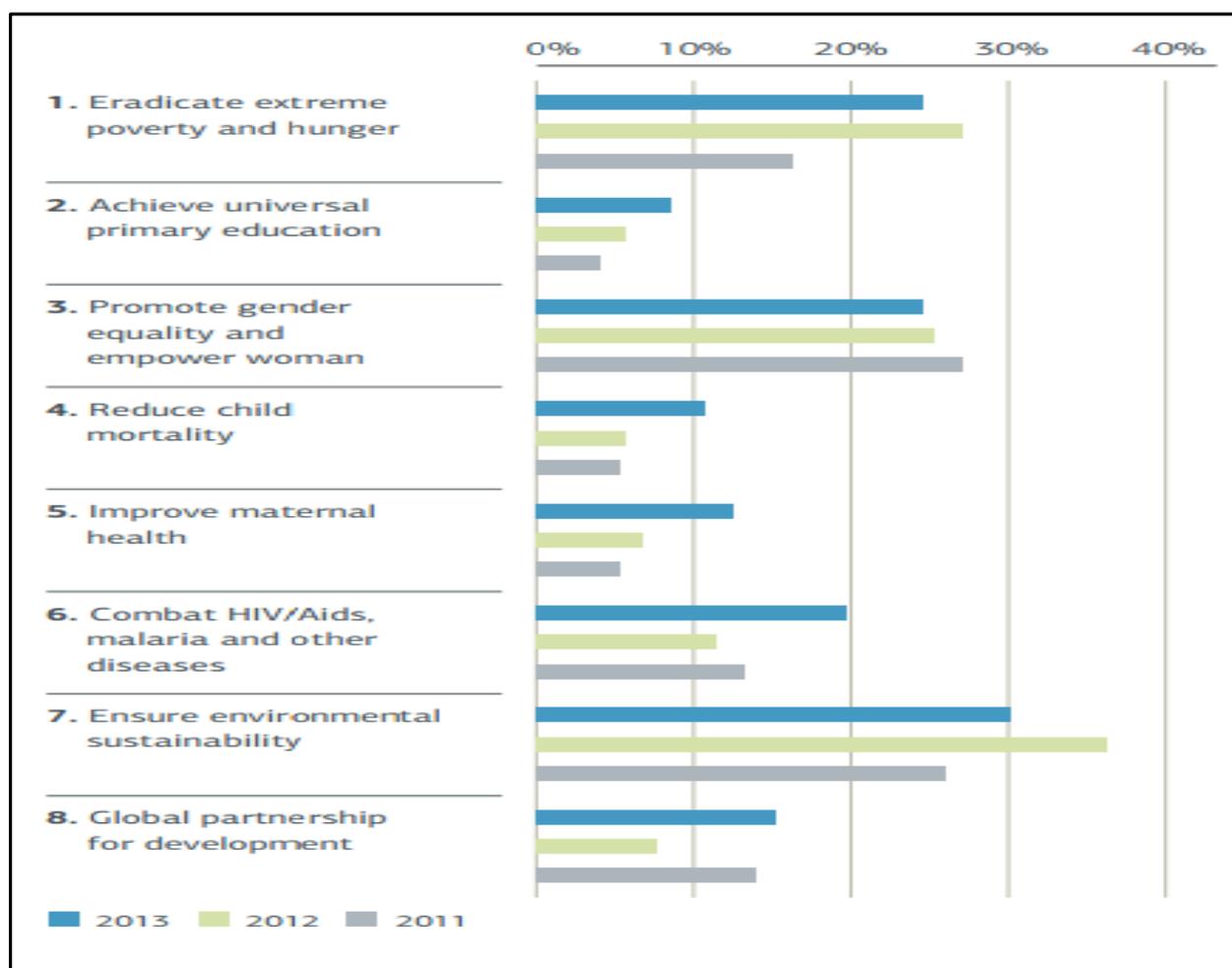
- **Consumers:** The report highlights the fact that 2/3 of DEG supported companies contribute to a broadening in product ranges, whilst 3/4 help improve product quality. Investments also helped provide energy and telecommunication access.
- **Community:** 43% of productive companies which the DEG has invested in have set up nursery schools, schools or health care centres which are open to both employees and to the general public. 26% of financing to productive companies helped improve public transport, whilst 13% of financing (also to productive companies) helped improve access to water and wastewater disposal facilities.
- **Government:** The DEG reports on the taxes paid by the companies it supports, stating that in 2013, taxes paid will be the equivalent of € 800 million.
- **Economy:** DEG estimates that the productive companies that were financed in 2013 will contribute € 3 billion (annually) in foreign currency or savings and will also contribute €2.2 billion in annual national incomes. Increased diversification of products (by region and by sector) can help reduce migration and promote broad-based economies. 50% of DEG financing (to productive companies and financial institutions) went to less developed regions and 40% of financing to productive companies helped to diversify their local economies.
- **Environment:** The DEG has ensured that all productive companies and infrastructure investments that they have financed in 2013 adhere to the IFC Performance Standards. The report states that close to 27% of all investments were relevant to climate protection (i.e. clean energy production, energy efficiency projects or production of environmental technologies). Of all the newly committed investments in energy supply (representing 10,000 GWh of electricity per year), 51% were in hydroelectricity, 43% in wind power and 5% on solar power.
- **Contribution to the MDGs:** The DEG states that 75% of its new commitments contribute to at least once MDG (see figure 3 below).

IFU

The IFU's 2013 Annual Report (IFU, 2014) looks at the achievements and impacts of the Danish DFI.

- **Employment:** IFU investments carried in 2013 have led to the creation of 2,400 jobs. Investments carried out before 2013 have directly led to the creation or support of 35,000 jobs. The IFU estimates that over the years, its investments have led to the indirect creation and preservation of over 350,000 jobs.
- **Development Impact Success:** According to internal IFU metrics, 76% of projects satisfied IFUs success criteria.
- **CSR Compliance:** The report states that 81% of projects were classified as having a good or excellent CSR compliance rating, using internal IFU metrics.

The IFU annual review is severely limited in terms of providing rigorous evidence of development impacts. The only quantitative indicator of development which is presented is the amount of jobs created by IFU investments. The report does not explicitly state what success looks like, although the IFU does highlight its success criteria (see section above) in other documentation.

Figure 3: Contribution of DEG's New Commitments (2013) to MDGs

Source: DEG (2014b)

CDC

CDC's latest annual report is for 2012, the report looks at the impact of CDC's investments. CDC investments are directed solely towards Sub-Saharan African countries and countries in South Asia, reasoning that these regions contain over 70% of the world's poor, limited stable employment opportunities and capital poor markets. The development impacts reported by the CDC include:

- **Employment Impacts:** The CDC reports that it supports 1,250 business in 2012, in turn supporting a total of 1,109,000 jobs (see table 2 below for a breakdown of jobs by sector). The CDC recognises that measuring the direct employment impacts of its investments is not sufficient, however there are methodological challenges in clearly assessing indirect and induced employment effects and the CDC aims to develop good methodologies to measure and evaluate indirect and induced impacts.
- **Taxes Paid:** CDC reports on the amount of local taxes paid by companies which the CDC invests in. The report states that by 2012, companies paid the local equivalent of £2.2 billion in taxes (up 20% from 2011).
- **Additionality:** The CDC measures additionality by looking at the amount of new investments that it has carried out and the amount of new fund managers that it has supported. In 2012 the CDC showed that it committed to first close in 108 funds and

committed to 34 funds after first close⁹. In terms of backing first time fund managers, in 2012 the CDC backed first time fund managers in 1/3 of its investments.

- **Third Party funds mobilised:** The CDC provides an assessment of its catalytic effects in SSA and South Asia. In 2012 the CDC mobilised £252 million in Sub Saharan Africa and South Asia.

Table 2: Direct, Indirect & Total Jobs Supported by the CDC (active investments by 2012)

Sector	Direct Jobs ('000)	Indirect Jobs ('000)	Total Jobs ('000)
Trade	63	144	207
Financial Services	141	40	181
Business Services	140	34	174
Manufacturing – Heavy	91	50	141
Food Processing	4	81	85
Mineral Extraction	17	67	84
Public Services	41	31	72
Agricultural Crops	34	12	46
Utilities	32	7	39
Communication	23	12	35
Manufacturing – Light	5	21	26
Transport	15	1	16
Forestry & Fisheries	3	0	3
Total	609	500	1,109

Source: CDC (2013)

FMO

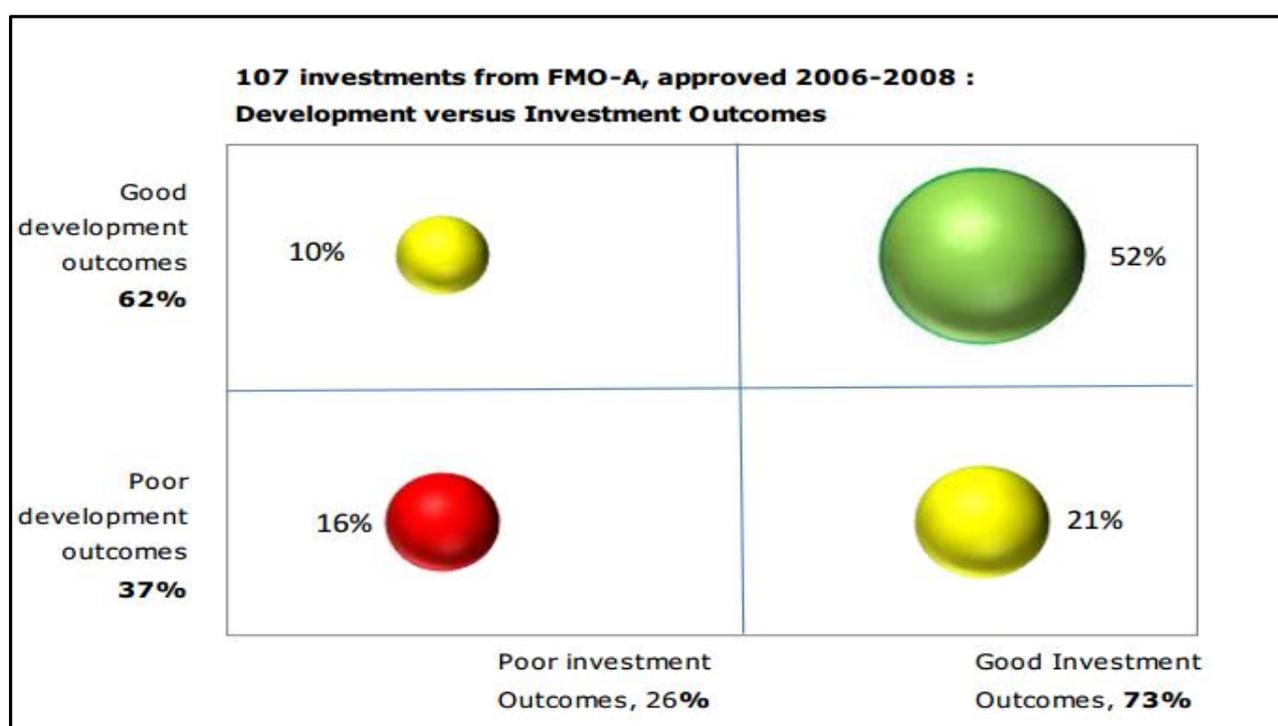
FMO's latest annual report – the Annual Report 2013 – evaluates the impact of FMO projects. Unlike other DFI's, FMO's evaluation in 2013 looked at projects for which it committed to in 2008

- **Additional Role of FMO:** FMO reports on its additionality and catalytic effects as well as non-financial impacts. The report states that FMO deemed 87% of its projects to provide additionality.
- **Quantitative indicators:** The report also reports on a limited selection of quantitative indicators (at the portfolio wide level, which include
 - **Employment:** FMO investments led to the creation or support of 1.37 million jobs in 2013

⁹ First close occurs when a certain set quantity of money has been raised, once this occurs the company raising money can start making investments and closing deals, whilst other funders can still join the fund (usually for a limited amount of time).

- **Government Revenues:** FMO reports that investments led to around € 1.3 billion in government revenues
- **Microfinance Loans:** FMO helped provide 30 million MFI loans through its FI clients.
- **SME Loans:** FMO helped provide 1.42 million SME loans
- **Customers Reached through Infrastructure Services:** 5.99 million new electricity connections were created through FMO energy projects.
- **Development Outcome:** Projects where finance was committed in 2008 received an 68% development outcome success rating. 71% of projects received good *Economic Growth* outcomes, 42% showed strong *Business Success*, whilst 84% of projects showed good *E&S¹⁰ Outcomes*.
- **Investment & Development Outcome Correlation:** As figure 4 below shows, 53% of projects carried out by FMO showed both good development and investment outcomes

Figure 4: FMO Investment Outcomes against Development Outcomes



Source: FMO (2014b)

IFC

The IFC latest annual review (for 2013) looks at its organisational wide impacts for results in 2012 and 2013. The report contains a number of case studies as well as wider evidence of its development impacts, as reported below:

- **Employment:** 2.7 million jobs were supported by IFC clients in 2012.
- **Government Revenues:** IFC investments have helped local governments raise the equivalent of US\$ 27 billion in government revenues.

¹⁰ Environmental & Social

- **Consumer Reach:** The report provides the most robust evidence of IFC impacts through figures illustrating the consumer reach of IFC investments i.e. 17.2 million patients treated by IFC supported clinics, 3.1 million farmers benefited from IFC work whilst 46 million customers received access to power and 1 million students were created thanks to IFC investments. In addition, IFC projects have also helped distribute water to 45.7 million people, gas to 33.8 million people and telephone connections to 192 million people.
- **Microfinance & SME Loans:** 5.8 million SME loans were disbursed amounting to US\$ 241 billion in 2012 whilst 22 million MFI loans amount to US\$ billion were also disbursed in the same period.
- **Private Sector Development:** The report states that IFC interventions have led to 76 investment climate reforms in 2012.

The IFC (2014) also publishes how well it is performing against its IDG (see table 3 below), showing that in 2013 it achieved the majority of its targets (in fact it overachieved) except for its targets on farmer and SME impacts.

Table 3: IFC Development Goals

Goal	2013 IDG Target	2013 IDG Achievement	Percentage of Target Achieved
<i>Increase or Improve sustainable farming opportunities</i>	Benefit 1 million people	760,000 people	76%
<i>Improve health and education services</i>	Benefit 4.22 million people	7.06 million people	167%
<i>Increase access to financial services for microfinance clients</i>	Benefit 28.05 million people	41.25 million people	147%
<i>Increase access to financial services for SME clients</i>	Benefit 1.15 million people	1.04 million people	90%
<i>Increase or improve infrastructure services</i>	Benefit 19.75 million people	36.74 million people	186%
<i>Reduce greenhouse-gas emissions</i>	Reduce by 4.9 million metric tons of CO ₂ equivalent per year	6.2 million metric tons reduced	127%

Source: IFC (2014)

2.4 DFI Impact Evaluations

Challenges to Impact Evaluation

DFIs use different types of evaluation systems and different measures for the same variable, both for ex-ante and ex-post evaluations (see sections above). These different systems make comparisons between DFI impacts difficult to carry out, even more so when success criteria between different DFIs can (and does) vary.

Whilst certain indicators might be comparable (and efforts are being made in order to harmonise indicators – see box 1), the issue of the counterfactual still remains (Velde, 2011) i.e. it is impossible to say with any given certainty whether the outcomes reported by the DFIs would not have occurred without their intervention simply because there is no counterfactual example against which investments could be assessed.

Different estimation methods for the employment impacts of DFI investments (see table 3 below) each have their own positives and negatives. Some DFIs also estimate the number of indirect jobs that their activities contribute to. These indirect estimates present may not be directly comparable across institutions due to different data collection methodologies used which makes precise comparisons between DFIs (and hence a comparison of their development impacts) difficult.

Table 4: Pros and Cons of employment assessment methodologies

Approach	Pros	Cons	Data Sources
Direct employment in DFI projects	Directly measurable	Does not measure displacement (i.e. jobs lost elsewhere) effects and induced or second order growth effects. It may also overstate effects that can be directly attributable to DFIs.	Company Reports
Macro production function approaches with multiplier analysis	Can be used at macro level to see how (DFI) investment leads to output changes which could then lead to employment effects. Useful for quick assessments at aggregated level, for manufacturing, less useful when the quantity of “output” is not main or only factor of interest.	Involves the use of assumptions, estimations of production functions and employment intensities and are based on predicted rather than empirical effects. Does not measure second order growth / productivity effects	Sectoral Level National Accounts
Input-Output Models	Useful to examine backward linkages across industries in traditional industries and hence indirect employment, could be linked to different types of skills, tax etc. to get a Social accounting Matrix. Useful to obtain multipliers by sectors relatively easily	Cannot be used where transformative changes in production structures occur (i.e. due to large scale infrastructure investments) or where inputs are dependent on prices and are substitutable. Measures expected impacts.	Labour force Surveys & National Accounts
Firm level and national level econometrics	Can be useful to examine the empirical effects of the level and quality of services supply on firm performance amongst a range of factors (and hence the induced effects, including on employment)	Is data intensive (uses panel data) and needs good respondent identification strategies	Existing firm level surveys & National databases
Household level econometrics	Useful to examine the importance of DFI supported services in the household budget	Requires panel data	Household level surveys
Case Studies	Useful to get detailed impact to verify multiplier effects or aggregated econometric effects	Difficult to obtain macroeconomic effects and counterfactual	Field work

Source: Jouanjean & Velde (2013)

Whilst DFIs are starting to address the inter-DFI comparability challenge, the significant problem of correctly attributing impacts (i.e. the counterfactual issue) also still remains. Whilst DFIs can (and do) report their direct employment impacts, these are often measured as changes in enterprise employee numbers. Whilst DFIs (i.e. DEG) can attribute a proportion of these changes in employment to their investment, based on the proportion of their investment within the total investments carried out by a firm (in a given period), these may not accurately reflect their contribution.

The problem stems from not being able to account for the numerous factors that may have contributed to impacts i.e. investments may have occurred at the same time as changes in factor prices or in regulations which may have amplified or attenuated impacts (Jouanjean & Velde, 2013). Similarly, these impacts may have occurred regardless of the investment. Finally, measuring impacts also requires an extensive use of resources (i.e. time, personnel and money) which can act as a further constraint for impact measurement (Sinha et al. 2010)

Box 2: Does the Private Sector Evaluate its Impacts?

Private sector enterprises and Commercial financial institutions (CFIs), unlike DFIs, are not required to undertake impact evaluations of their development effects for their commercial financial activities. This, however, does not mean that some do not attempt to carry out similar evaluations. One of the most prominent impact evaluation studies by a CFI was carried out by Standard Chartered) which uses the Input-Output methodology in order to broadly evaluate the economic impacts of SC operations. Similar studies were carried out by private sector enterprises such as Unilever's impact evaluation of its operations in Indonesia and in South Africa. These studies broadly use either the input-out model of estimating impacts (which are also used in DFI impact studies - see section 2.3) but they also use the social accounting matrix (SAM) or the Economic Rate of Return (ERR) – which are typically not employed for DFIs impact evaluations:

Input-Output Model: The basic I/O model measures how much additional output is needed from each sector in response to a unit increase in final demand. It looks at what happens to different economic sectors if consumers buy an additional unit of a good within a particular sector.

Social Accounting Matrix: SAMS are a matrix representation of national accounts and can form the basis on which Computable General Equilibrium models run. They help identify all monetary flows from sources to recipients within disaggregated national accounts. They can be extended to include other flows such as capital and labour and disaggregated into a number of sectors.

Economic Rates of Return: The ERR is a comparison of the costs and benefits of investments. The costs represent financial expenses whilst benefits include increased incomes or value added created.

Source: Clay (2005); Kapstein (2008); Kapstein & Kim (2012); Mitra-Kahn (2008); MCC (2014); Velde et al. (2014)

Employment

DFIs place particular emphasis on the employment impacts of their operations and a number of these i.e. the AfDB, the IFC, the EIB and the CDC see employment creation as a priority objective and also use employment as a key indicator to measure their development impact (Massa, 2013). DFIs promote employment through four main channels which, in turn, lead to three employment impacts. The four main channels include:

- *Additionality* – By focussing on their mandate on additionality, DFIs should help increase the volume of economic activities in a country, contributing to employment creation.
- *Demonstration Effects* – DFI projects can demonstrate the potential of new investments, leading to further investments by the private sector, in turn leading to more employment creation (potential).
- *Technical Change* – DFIs can contribute to knowledge enhancement within investment countries by supporting capacity building, technical assistance, changes in business regulatory environments and the uptake of environmental and social standards. Such support fosters better managerial and innovation capabilities, which increases firm potential to grow and invest in technology and skills, with associated employment opportunities.
- *Forward & Backwards linkages* – DFIs can support firms which have both forward and backward linkages in an economy i.e. manufacturers need inputs from suppliers (backward linkages) but can also sell their products to distributors (forwards linkages). By supporting growth in these firms, there may be both forward and backward effects which in turn will also affect employment.

These impact channels translate into three different kinds of employment impacts:

- *Direct Jobs*: Jobs created within companies supported by DFI investments
- *Indirect Jobs*: Jobs created in supplier/distributor firms linked to DFI supported companies.
- *Induced Jobs*: Jobs created from changes (i.e. increase) in consumption by direct and indirect employees within DFI supported companies.

As table 5 below shows, in 2012 and 2013, DFIs were able to create or support a number of new direct and indirect jobs through their portfolio activities¹¹. The table shows that for most of the DFIs (for which these employment figures were reported), there are an average of nearly 1.7 indirect jobs resulting from every direct job created by DFIs. Of course the methodology here is not precise – the issue of how DFIs measure indirect (and direct) employment impacts will largely determine the robustness of these figures, however it is still interesting to note that wider DFI employment effects could be significant.

Table 5: Direct Jobs Supported by DFIs for 2012/13

DFI	Year	New Direct Jobs Created or Supported through Portfolio Activities in given year	Indirect Jobs	Ratio of Direct to Indirect Jobs
BIO	2013	23,000	50,000	1 : 2.2
CDC	2012	133,000	-	-
DEG	2013	210,000	370,000	1 : 1.8
Proparco	2012	125,000	147,000	1 : 1.2
IFU	2013	2,400	-	-
Average¹²	-	-	-	1 : 1.7

Source: BIO (2013), CDC (2013), FMO (2014), DEG (2014), Proparco (2013), IFU (2013)

¹¹ New jobs refer to jobs created through investments carried out within the given year

¹² Excludes IFU figure

A 2010 Dalberg study found that, up to 2010, EDFI member investments had directly led to the creation of around 422,000 jobs and indirectly to about 1.3 million jobs. In addition, the projects helped governments raise close to €1.7 billion in revenues. The study also found that for every €1,000 spent on an EDFI member project the effect would result in the creation of 0.08 direct jobs, 0.27 indirect jobs and an increase in €338 in tax incomes.

Finally, Jouanjean and Te Velde (2013) carried out a production based estimates of the direct and indirect employment effects of DFIs at national level. The paper uses a production function approach as used by Löwenstein (2011) and Kim et al. (2011), assuming that DFI investments help to increase gross fixed capital formation within project countries as well as assuming that DFI investments cause an increase in GDP which, in turn, increases employment. The paper uses a set of DFI investments (from the EIB, CDC, IFC, PROPARCO, DEG and EBRD) for 2007 and finds that these investments have helped create 2.6 million jobs in over 70 developing countries. The numbers of jobs created varied amongst DFIs from 1.3 million by the EIB, 1.2 million by the IFC, and 0.1 million by CDC, reflecting the amounts invested.

Macroeconomic Impacts of DFIs: Growth & FDI

The theoretical link between DFIs and growth is strong. The theory is that as DFIs invest in the private sector they help reduce a number of stumbling blocks to growth i.e. by providing SMEs with much needed finance, help companies create jobs (and associated increases in incomes and living standards), promote the private sector (as an engine of growth) etc. (Dalberg, 2012). The empirical link between DFIs and growth is, however, not yet examined deeply. There are only a very limited number of studies that look at the macroeconomic impacts of DFIs such as growth and FDI effects.

Massa (2011) assesses the impact of DFIs on economic growth, looking at macroeconomic impacts. The paper focuses solely on multilateral DFIs (the IFC, the EBRD, the AfDB, the IADB and the EIB), although the results can also be applicable to investments carried out by bilateral DFIs. The paper looks at the relationship between multilateral DFI investments and economic growth in 101 countries between 1986 and 2009. It applies the Generalised Method of Moments methodology to analyse panel data. The paper finds that:

- There is a strong positive correlation between DFI investments and growth;
- There are stronger growth impacts in low income countries than in high income countries;
- A 10% increase in DFI commitments increases growth by 1.3% in low income countries and 0.9% in high income countries;
- DFI investments in infrastructure, industry and agriculture have the strongest effects on enhancing growth;
- Low income countries benefit most from investments in agriculture and infrastructure, whilst high income countries benefit most from investments in industry and infrastructure.

Te Velde (2011) looks at some evidence of the impacts of DFIs on investment and growth during crisis. Before the 2008 to 2009 financial crisis DFIs investments were limited by the amount of feasible investments in developing countries that they could participate in, during (and after) the crisis, the reduction in commercial bank investments was, in some cases, replaced by DFI investments i.e. the IFCs Infrastructure Crisis Facility. Whilst total portfolios increased by 16% between 2008 and 2009, not all DFIs were able to provide counter-cyclical investments and the total number of new DFI investments declined in the same period.

The study also looks at whether DFI investments are directed towards countries which are FDI-poor (i.e. do not usually receive large amounts of FDI), showing that DFI investments are actually concentrated in regions where FDI is less present. The paper also shows that

DFIs play a (slightly) more important role in poorer countries (as measured with DFI investments as a percentage of GDP against GDP per capita) – but there is large variations between different DFIs. Finally, the paper shows (through regression analysis) that DFI investments lead to more investments within the country than would have otherwise have occurred (Te Velde, 2011).

Additional Impacts of DFIs

The EDFI carried out research in 2010 (Dalberg, 2010) which (amongst other impacts) also looked at the additional role of DFI investments throughout a number of EDFI member investments (see table 7 below for a case by case highlight of effects). The examples are qualitative, hence not entirely robust, but they do provide an indication of how DFI investments can extend beyond employment impacts.

In a similar vein, the IFC undertook a number of econometric impact analysis studies, led by Kapstein, looking at their impacts of their activities, at the national level, on employment. The analysis of IFC's impacts on socio-economic development (Kapstein 2012 & 2012b; Kapstein et al. 2012 & 2012b) showed that:

- In Sri Lanka, IFC investments in capital scarce sectors would lead to the greatest employment (specifically in construction and agriculture) and output effects whilst investments in larger companies would lead to increased labour productivity and transformational effects but less jobs in the short run.
- In Tunisia, the same tensions occur as in Sri Lanka, however given the context, investments in capital intensive sectors have the greatest effect on
- In Ghana, the IFC creates the largest employment and value-added impacts where it has invested in the financial sector as these financial institutions then provide loans to other 'capital starved' companies within the country.

Table 6: Additional Outcomes of EDFI Member Investments

DFI	Project	Additional Outcomes
<i>BIO</i>	Loan to Global Broadband Solutions, DRC	Technical training to employees and long term loans to GBS, leading to 10% GBS growth.
<i>SIFEM & FMO</i>	Support to Firm	Encouraged external private sector investments into the company and helped improve the company operation systems.
<i>DEG</i>	Investment in "Cotton made in Africa"	Improved cotton productivity and training to farmers (est. to benefit 1.2 million people)
<i>DEG & KFW</i>	Olkaria Power Plant (Kenya)	Expanded energy production by providing investment finance which was not commercially available, subsequently helping the company raise €5 m annually in government revenues.
<i>CDC & Norfund</i>	Investment with Aureos Capital Partners in Africa, Asia and Latin America	Growth in SME employment and incomes as well as increased tax revenues from affected SMEs.
<i>FMO</i>	Slum Rehabilitation in India	Provide housing for over 30,000 households, created 50 jobs and indirectly responsible for the creation of 1,000 jobs.
<i>PROPARCO</i>	Investment in cut flowers in Kenya	Improved productivity in the flower production process (by around 20%)
<i>IFC, ADB & DEG</i>	Investments in Health in Africa Fund	Investment in socially responsible and financially sustainable companies. Helped increase the affordability and quality of healthcare in Africa and reach more poor people.

Source: Adapted from Te Velde et al. (2014)

A study evaluating the impact of DFI investments in energy infrastructure (Dalberg, 2012), found that (beyond filling gaps in local markets) DFI investments contributed to the implementation of strong environmental and social standards which, in turn, led to increased environmental and social sustainability – important outcomes in countries such as Kenya and Zambia, where the private sector is not strong in such fields. In addition, the study found that DFI involvement in the project helped to better align the investments with development goals.

Financial Deepening

DFIs undertake a large share of their investments within the financial sector i.e. in 2009, 32% of EDFI member portfolios was in the financial services sector (Dalberg, 2012). Therefore DFI activities should theoretically have an impact on financial sector deepening in target countries, where interventions that should have positive impacts on the sector (Sinha et al. 2010) include:

- Supporting the development of well-functioning micro finance providers and commercial banks, by strengthening microfinance institutions (MFIs), expand services to underserved sectors such as SMEs;
- Investments help diversify the financial sector, increasing product coverage (and filling product gaps) as well as help hedge against risk;
- They can strengthen the effectiveness of stock exchanges by helping mobilise local resources (through guarantee provision)

There is, however, limited evidence on the impacts of DFIs on financial sector and financial sector deepening (Sinha et al. 2010). Table 8 below shows some qualitative impacts of DFI investments within the financial sector and highlights the contribution that DFIs can have, however they are qualitative impacts and cannot be taken as robust quantitative evidence.

Table 7: Financial sector impact of DFI Investments

DFI	Project	SME Outcomes
<i>FMO</i>	MASSIF Fund for SMEs	Provided a model for governments to increase investments to high risk sectors such as SMEs in developing countries.
<i>IFC</i>	Capital Strengthening in India	Equity investments in second tier banks and upper tier 2 capital aimed at strengthening private bank, improve competitiveness and meet Basel 2 Capital Adequacy standards.
<i>EBRD</i>	Equity & Debt Operations	Provision of technical assistance to banks i.e. basic credit technology training and provision of sophisticated risk management systems
<i>Multiple DFIs</i>	Currency Exchange Fund (TCX)	Promotes lending in local currencies and offers protection against currency fluctuations

Source: Dalberg (2012); Sinha et al. (2010)

Poverty Impacts

The reported development impacts of DFIs concentrate on a number of important, but limited, metrics. Typical indicators include employment effects, government revenue impacts and environmental outcomes (usually qualitatively assessed). External evaluations of DFIs also usually concentrate on the evaluation of DFI impacts based on this subset of impacts.

This means that, apart from the IFC's use of the IDGs, poverty (and the poverty impacts) of DFIs are typically not rigorously measured or evaluated i.e. as the DEG's (2014b) development impact measurement shows, poverty reduction is an expected effect of DEG's activities – as seen through the lens of the 'Input-Output-Outcome-Impact' model, where the DEGs expects poverty reduction to occur due to its investments but does not explicitly measure it.

The problem of focussing on outputs rather than impacts and outcomes is prevalent across DFIs (Sinha et al. 2010) i.e. apart from the DEG (indirectly) and the IFC (directly through the IDGs) other DFIs do not make any explicit mention on the impact of their operations on poverty reduction. This means that DFIs find it difficult to explain their impact on poverty reduction.

However, the inclusion of poverty impacts would not be a perfect fit for the operations that DFIs carry out. DFIs are a combination of commercial and developmental practices, this means that their main clients will be (first and foremost) private sector enterprises rather than communities at the local, regional or national level. Dealing with enterprises means measuring feasible impacts and results, and the impacts on poverty rates are indirect. Adding a poverty layer would increase workloads (and increase resource use) on both DFIs and on their client companies which may dilute the commercial value of DFI business partnerships (on both ends of the spectrum); hence poverty metrics are rarely touched upon.

3 Conclusions

The research seeks to answer the question of 'what are the development impacts of Development Finance Institutions?'. The assessment, based on secondary data, first looked at the methods DFI use to assess impacts, followed by reported and external assessments of impact. The following section provides some brief conclusions on these issues.

Development Finance Institutions assess their development impacts using **a variety of different tools** i.e. the DEG's GPR system, the CDC's impact grid or the IFC's DOTS. These tools can be either used before (**ex-ante**) an investment is carried out in order to determine whether to undertake the investment or they can be used after (**ex-post**) money has been committed in order to evaluate progress, impacts and lessons learned from an investment.

These tools are broadly comparable, but **each one is tailored to the requirements of the institution** that is using it and each one assesses impacts differently often using different measures, making it difficult to compare results between DFIs. However, impact indicator **harmonisation efforts are underway** in order to make results broadly comparable.

DFIs only report a **limited number of concrete development impacts, and with a focus on direct rather than indirect impacts**. These generally include **employment effects** (mainly direct employment and in some cases indirect employment effects), **government revenue** impacts, **consumer reach** (the definition of which varies between DFIs) and in some cases **environmental, social and governance** (ESG) outcomes and **private sector development** effects. Quantitative impacts are usually only provided for direct employment, consumer reach and government revenue effects, whilst other impacts are generally more descriptive in nature.

DFIs broadly speaking **report positive impacts**, however it is difficult to substantiate what these mean since these are subjective measures assessed by DFIs themselves and **insufficient data are (publicly) provided** in order to clearly assess the extent of the impacts.

Third party evaluations of the impact of DFIs find that their investments do make a **positive contribution to employment** and to **positive (upward) shifts in productivity**. Although studies are limited, there also seem to be **positive links between DFI investments and economic growth**. In addition, evidence suggests that **DFI investments do help promote private sector FDI, are targeted towards FDI poor regions and do go to poorer countries**.

There is also some limited evidence on the positive **impacts of DFIs on financial deepening** – however the **evidence is mainly qualitative in nature**, hence **the precise contribution of DFIs to financial sectors, cannot be explicitly evaluated**. There are other contributions that DFI investments make i.e. the implementation of ESG standards, helping governments make changes to the business regulatory environment, technical (skills and knowledge) and technological transfer etc. which are difficult to measure but do, nonetheless, have a developmental impact. DFIs could improve their reporting of these impacts in order to highlight their non-quantitative effects.

However, there is very little on the DFI impacts on poverty. **There is no real measure of poverty and poverty reduction effects** within DFIs. Due to the nature of DFIs, their impacts often does not directly affect the poor – hence these statistics are not used in

their impact reporting measures. Measuring poverty effects may be beyond the scope of DFIs, however further deep-dive research could shed some light on poverty impacts as well as provide rigorous evidence on employment (and associated income effects) – but it needs to be undertaken across multiple sectors, instruments and DFIs if lessons learned can be widely applicable across DFI investments.

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