

Development Effect Assessment Tool (DEAT) – Scoring and definitions

Categories	3 points	2 points	1 point	Bonus +1
A. Strategic relevancy (40%)				
A1. Country category	Fragile state	LDC/LIC	LMIC	
A2. Sector			Finnfund priority sector	
A3. Inclusive business		Identified and quantifiable	Identified	Main target (+1)
A4. Gender marker		Principle	Significant	
A5. CSR / Community development	Benefit sharing	Community involved	CSR policy in place	
A6. Climate change mitigation	Significant positive effect	Positive effect		Negative effect (-1)
B. Correcting market failures (40%)				
B1. Customers and end-users		Three	One or two	
B2. Local producers		Services/goods are bought from local producers in significant amounts	Services/goods are bought from local producers	
B3. Local competition & market development		Three or four	One or two	Challenges existing market monopoly (+1) Exports (+1)
B4. Payments to government		Significant positive effect	Positive effect	
B5. Direct job creation		Significant positive effect	Positive effect	
C. Additionality (20%)				
C1. Finance	No other investors	Only DFIs or impact investors	Also other private investors, but Finnfund has better terms	Mobilization / Catalyzation (+1)
C2. Value			Finnfund is anticipated to have significant positive impact on some of these fields	

Definitions

A1. ODA status of project country: [OECD list of Fragile states](#) and [DAC list of ODA recipients](#). If the project is located in various countries, assess according to the DAC classification of the country/countries where most of the activities are located.

- 3 points – fragile states
- 2 points – least developed country or low income country
- 1 point – lower middle income country
- 0 points – upper middle income country

A2. Sector relevancy: Promoting economic activities in strategically relevant sectors. The priority sectors are defined in the ownership policy of the Finnish government.

- 1 point – project is either on forestry, renewable energy, financial institutions or agriculture sector
- 0 points – not a priority sector

A3. Inclusive business: Inclusive development. Assess the project's effect on people in the low-income segment of the population or in a vulnerable position.

The project is expected to promote inclusive development, if it i) generates employment, income generation, business opportunities or other forms of livelihood for those with relatively low incomes or in a vulnerable position including climate change; ii) provides goods or services that were previously unavailable or scarce to low-income or vulnerable groups has positive effects; iii) provides goods or services at affordable prices or for free to low-income or vulnerable groups has a significant positive effect.

The effect need not to be exclusive.

- 2 points – Identified and quantifiable positive effects
- 1 point - Identified effects. Positive effects but the effects are not explicitly quantifiable or verifiable
- 0 points – No effect. The project is not expected to have any quantifiable or verifiable positive effect

A3 (bonus). Inclusive business as the main target of the project

- 1 point – One of the project main target is to have a positive effect on low-income or vulnerable groups
- 0 points – Effect on low-income or vulnerable groups is not the main target of the project.

A5. Gender marker - The project's effect on women. The project is expected to promote gender equality if it i) generates employment, income generation, business opportunities or other forms of livelihood for women (e.g. women programs, hiring quotas) ii) provides access to goods or services with positive development impact that were previously unavailable or scarce specifically to women or iii) provides goods or services at affordable prices or for free to women. iv) Addressed gender biases on different sectors using specific measures to remove obstacles hindering women participation and empowerment. This part requires a completed gender assessment.

- 2 points – Gender equality is the main objective and fundamental in the project design and expected results.
- 1 point – Gender equality is an important and deliberate objective, but not the principal reason for undertaking the project.
- 0 points – No specific focus on gender.

A6. CRS / Community development programs - Assess to what extent the investee company directly promotes local community development with activities and projects in the health and education sectors, infrastructure development, and in the protection of the environment and of cultural heritage as part of their CSR activities.

- 3 points – CSR policy and profit-sharing plan. The company actively supports the local community and has set up a profit-sharing plan which gives local community a share in the profits of a company
- 2 points - CRS policy and local participation. The company actively supports the local community by applying the company's CSR policies in a permanent, sustainable and predictable manner. The local community participates in the identification, selection and design of projects and activities, and in their implementation. The company allows external evaluation and verification of the projects and makes the report publicly available.
- 1 point - Company supports local communities. The company actively supports the local community development as described above.
- 0 points – Company does not have any community development activities.

A5. Climate change mitigation - Assess the projects or the financed activity's effect on climate change mitigation.

- 2 points – Significant positive effects. The project aims at
 - climate change mitigation
 - renewable energy production
 - significant carbon capture through afforestation, reforestation, forest and cropland management, avoided deforestation
 - methane/GHG capture or avoidance projects
- 1 point – Positive effects. Industrial projects that result in emissions, but positive effects on the climate in absolute terms can be demonstrated. E.g.
 - project resulting in an increase in energy efficiency;
 - manufacturing of long-lived products or equipment for the generation of renewable energy;
 - alternative energy projects (e.g. from waste streams);
 - energy generation with cleaner fuels, etc
- 0 points – No or minimal effect.
 - no positive effects on climate change mitigation
- 1 points – Negative effect
 - the project results in emissions (with no significant energy efficiency or emission reduction targets)

B. Correcting market failures

B1. Effect on customers and end-users. Assess the effect of the financed activity on: i) the availability of previously scarce or unavailable products and services through increased or new access to customers and end-users; ii) the reliability of the products or services delivered through increased quality, stability and frequency of supply; ii) the affordability of products or services through lower prices to customers and end-users.

- 2 points – all three
- 1 point – one or two
- 0 points – none

B2. Effect on local producers/suppliers. Assess to what extent the financed activity will generate additional income and economic activity for local producers / suppliers of inputs (i.e. raw materials) and services and of complementary products and create positive incentives for producers / suppliers to increase availability or quality of the provided inputs and services in the project country or in other emerging markets.

2 points – Positive and demonstrable effect. *For example*, if at least a third of inputs are sourced locally or from other emerging markets or the effect on local services is positive. This effect is quantifiable and verifiable.

1 point – Positive effect. For example, if at least a third of inputs are sourced locally or from other emerging markets or the effect on local services is positive

0 points – No effect.

B3. Effect on local competition and market development. Assess to what extent the financed activity will have an effect on local competition in the project country or in other emerging markets through possible demonstration effects, for example i) stimulating higher production ii) improvements or adoption of new technologies and processes iii) attracting new entrants to the market iv) adoption of new and better standards in the relevant market and v) effects on regulatory framework

2 points – Three or four of the above

1 point – One or two of the above

0 point – None of the above

B4. Exports / balance of payments. The financed activity is likely to have a positive effect on the country's balance of payments; any negative effects during the investment stage are clearly outweighed by positive effects in the operational stage, either through the generating or the saving of foreign exchange. The average net annual contribution to the balance of payments is over EUR 100,000 and 300,000 per EUR million invested.

1 point – yes

0 points - no

B5. Payments to the government. Assess the effect of the financed activity on the government revenues of the project country, thereby enabling government expenditures with a positive development effect.

2 points - A significant positive effect. The company's contribution to annual net government revenues is over EUR 50,000 per invested EUR million.

1 point - Positive effect. The company's contribution to annual net government revenues is EUR 20,000-50,000 per invested EUR million.

0 points - No effect. The company is granted extensive tax holidays, it operates in an Export Processing Zone or the company's contribution to annual net government revenues is under EUR 20,000 per invested EUR million

-1 points - Negative effect on government revenues, because it is dependent on investment subsidies or tariff protection.

B6. Direct job creation / direct employment. Assess the effect of the financing activity on direct employment of the company and how much additional productive and permanent direct employment will be created once the project is fully operational.

2 points – Significant and demonstrable positive effect. The number of new direct jobs created per million EUR invested is 10 or more.

1 point - Positive effect. The number of new direct jobs created per million EUR invested is between 1 and 10.

0 points - No effect. No new jobs created

-1 points - Negative effect. Jobs destroyed – the net effect of the investment on the number of jobs is negative.

Additionality

C1 Finance – Finnfund has a mandate to invest in underserved geographies, sectors and segments and invest where others don't. Assess the degree of additionality of the capital Finnfund is offering to the client company.

- 3 points – No other financier (other than the sponsor)
- 2 points - Only DFIs or other impact investors (in addition to the sponsor)
- 1 point – Also private financiers but FF has better terms
- 0 points – No effect. Private capital is readily available

C1 (bonus) Catalytic role of Finnfund. Assess if Finnfund has a catalytic role in mobilizing additional financing for the project from third parties, including other development finance institutions and commercial financiers.

- 1 point – Yes
- 0 points - No

C3. Value – Assess to what extent Finnfund's organizational experience with respect to a specific sector, country or project type can contribute in a demonstrable and significant manner to the completion and realization of the project.

- Environmental, social
 - Governance
 - Human resources / training
 - Community development / CSR
 - Resource and energy efficiency
 - Process management (reporting, financial, supply chains)
 - Strategy development
- 2 points - Three or more of the above
 - 1 point – One or two of the above
 - 0 points – None of the above