



Photo: UN Women/David Snyder

CASE STUDY SERIES: Innovative Financing for Gender Equality via Bonds



Finland: SUSTAINABILITY BOND ISSUED BY A DEVELOPMENT FINANCE INSTITUTION

Finnish Fund for Industrial Cooperation (Finnfund)

Euro (EUR)





Issuer	<p>Finnfund is an impact investor with the mission to build a sustainable future and generate lasting impact by investing in businesses that solve global development challenges.¹</p> <p>The issuer operates in Africa, Asia and Latin America with risk capital, long-term investment loans, mezzanine financing and expertise on how to invest in developing markets. It invests only in developing countries, as defined by the OECD Development Assistance Committee's (DAC) list of Official Development Assistance (ODA) recipients.² It expects its projects to be profitable, socially and environmentally responsible and produce measurable development impact in target countries.</p> <p>At the end of 2021, Finnfund's portfolio was spread across 53 countries³ with investments and commitments totalling some EUR 1.12 billion, half of which are in Africa.⁴ Finnfund focuses on the following sectors: renewable energy, sustainable forestry, sustainable agriculture, financial institutions, and digital infrastructure and solutions.⁵</p> <p>The issuer is majority-owned by the Finnish government. Finnfund belongs to the group of European Development Finance Institutions (EDFI).⁶ Established in 1980, Finnfund today employs 90 professionals across its offices in Finland and Kenya.^{7,8}</p>
Issuance tranche	Not applicable
Amount issued	EUR 75 million
Date of issuance	17 October 2022
Date of maturity	17 October 2025
Number of issuances	Single issuance



Coupon rate	+125 basis points (bps)
Listing (domestic or international)	Private placement (not listed)
Stock exchanges where listed	N/A
Future issuances	N/A
Use of proceeds (Socioeconomic advancement and empowerment)	<p>As indicated in the Sustainability Bond Framework (the Framework), proceeds from the sustainability bond will go towards social projects:</p> <ol style="list-style-type: none">1. Access to essential services2. Affordable basic infrastructure3. Employment generation and improved livelihoods4. Food security and sustainable food systems



Gender considerations in the use of proceeds

Access to essential services

- **Financial inclusion:** Investments in financial institutions should be earmarked for the financing and/or insurance of unserved and underserved groups only, meaning groups with limited or no access to mainstream financial services such as MSMEs (micro, small and medium-sized enterprises), **women**, youth, low-income individuals/households and individuals/households in rural areas.
- **Affordable health products and services** counting products/services aiming to improve **women's rights**, including to make their own informed decisions regarding sexual relations, contraceptive use and reproductive healthcare, for example, relating to menstrual health and hygiene.
- **Digital infrastructure** that consists of digital infrastructure companies with a focus on closing connectivity gaps. The Framework highlights the opportunity to narrow the **gender gaps** via increasing access to welfare services, financial services and information among others.

Food security and sustainable food systems

Specifically agricultural projects in sustainable food value chain and production among others. The Framework notes that jobs in agribusiness are important from a **gender equality** perspective as agribusiness often generates jobs and provides training for women.

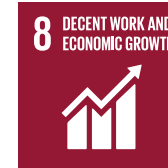
Employment generation

Involving investments in MSMEs based on a number of criteria including where investee companies, where applicable, contribute to **gender equality** as defined in Finnfund's statement on gender equality.⁹



Alignment with the Sustainable Development Goals (SDGs)

According to Finnfund's sustainability bond framework, social project categories have the following alignment:



SDG targets that the bond addresses

As reported in the Second Party Opinion report:¹⁰



Target 2.4

By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.



Target 3.8

Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.



Target 4.3

By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.



Target 6.4

By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

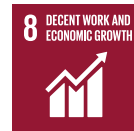


SDG targets that the bond addresses *(... continued)*



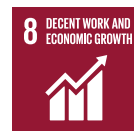
Target 8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.



Target 8.5

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.



Target 8.10

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.



Target 9.3

Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.



Target 9.c

Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020.



Target 10.2

By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



<h2>Target population</h2>	<p>Unbanked or underbanked, unconnected or poorly connected people, farmers in rural value chains, rural populations, low-income populations and vulnerable groups such as youth and women with limited access to specific services.</p>	
<h2>Indicators related to gender equality</h2>	<p>As reported in the framework, the impact assessment will, if applicable, be based on the impact indicators below for social projects:</p>	
	Social project categories	Impact indicators
	<p>Financial inclusion</p>	<ul style="list-style-type: none"> • Micro/SME loans (number, volume, % women clients) • Housing loans (number, volume, % women clients) • Mobile loans (number, volume, % women clients)
	<p>Affordable health products and services</p>	<ul style="list-style-type: none"> • Number of hospital beds (total, % women) • Number of consultations (total, % women)
	<p>Education</p>	<ul style="list-style-type: none"> • Students (number, % women)
	<p>Food security and sustainable food systems</p>	<ul style="list-style-type: none"> • Smallholder farmers reached (total, % women) • Agricultural loans (number, volume, % women)
<p>Employment generation</p>	<ul style="list-style-type: none"> • Jobs (total, % women) • Indirect jobs (total, % women) 	



International standards alignment	<ul style="list-style-type: none">• ICMA Sustainability Bond Guidelines• ICMA Green Bond Principles• ICMA Social Bond Principles
Link to framework	Finnfund. 2022. Sustainability Bond Framework. September. https://www.finnfund.fi/wp-content/uploads/2022/09/Finnfund-Sustainability-Bond-Framework_FINAL_150922.pdf
Link to Second Party Opinion	Sustainalytics. 2022. Finnfund Sustainability Bond Framework. Second-Party Opinion. 12 September. https://www.finnfund.fi/wp-content/uploads/2022/09/Finnfund-Sustainability-Bond-Framework-Second-Party-Opinion.pdf
Second Party Opinion provider	Sustainalytics
Credit enhancement <i>(yes or no)</i>	No
Was the bond oversubscribed and were there any special considerations?	Information available on investor demand indicates that the private offering was allocated to 10 Finnish and international investors. ¹¹



Partners	<ul style="list-style-type: none">• Castrén & Snellman (legal firm)¹²• Danske Bank A/S (brokerage firm)¹³
Other features	<p>The Framework details Finnfund’s gender lens assessment. This means that Finnfund looks at the investee companies with a defined gender lens in terms of ownership, leadership, workforce and clients.¹⁴</p> <p>Finnfund stands out for having produced a gender equality statement, which guides the issuer’s internal and investment processes.¹⁵ It set a strategic target in January 2022 to fund 50 per cent of its investments with private capital by 2030, leading to develop its Sustainability Bond Framework in September 2022.¹⁶ This issuance is the first under Finnfund’s Framework.</p> <p>Finnfund joined the 2X Challenge in 2019. The 2X Challenge aims to “shift more capital that empower women in developing countries to access entrepreneurship and leadership opportunities.”¹⁷</p>
Lessons learned	<p>Finnfund’s sustainability bond is particularly interesting considering how detailed and exhaustive the gender elements and gender-specific impact metrics are relative to other sustainability or social bonds with a gender focus.</p> <p>Given the recent date of the issuance, it is too early to provide comments on the actual impact achieved since figures are not yet available. However, it will be interesting to see how much capital and what impact from a gender perspective that this specific issuance will have generated. It is expected that the gender impact metrics of the framework, such as the share of women receiving housing loans and mobile loans or employed in indirect jobs, to prove very insightful.</p> <p>The issuer indicated that, where possible, the monitoring metrics were broken down by gender and implicitly, it did use a gender lens for each investment, studying the eligibility of the investment as “2X eligible gender investment.” The issuer also constantly monitors the policies and practices of its investee companies to mitigate risks of any form of harmful or discriminatory activities toward women.</p>



Endnotes

1. Finnfund. Homepage. <https://www.finnfund.fi/en/finnfund/>.
2. Finnfund. 2022. Sustainability Bond Framework. September. https://www.finnfund.fi/wp-content/uploads/2022/09/Finnfund-Sustainability-Bond-Framework_FINAL_150922.pdf
3. Finnfund. Homepage. <https://www.finnfund.fi/en/finnfund/>.
4. Finnfund. 2021. 2021 Annual Report, p. 5. <https://www.finnfund.fi/wp-content/uploads/2022/05/Annual-Report-2021.pdf>
5. Ibid.
6. European Development Finance Institution (EDFI). Homepage. <http://www.edfi.eu/>
7. Devex. "Finnish Fund for Industrial Cooperation (FINNFUND)." <https://www.devex.com/organizations/finnish-fund-for-industrial-cooperation-finnfund-46263>
8. Finnfund. "Our people." <https://www.finnfund.fi/en/finnfund/people/>
9. Finnfund. 2019. Promoting gender equality in Finland. Statement. 29 March. https://www.finnfund.fi/wp-content/uploads/2019/04/Finnfund_Gender-Statement_29-March-2019.pdf
10. Sustainalytics. 2022. Finnfund Sustainability Bond Framework. Second-Party Opinion. 12 September. <https://www.finnfund.fi/wp-content/uploads/2022/09/Finnfund-Sustainability-Bond-Framework-Second-Party-Opinion.pdf>
11. Finnfund. 2022. "Finnfund issues a EUR 75 million sustainability bond." 17 October. <https://www.finnfund.fi/en/news/finnfund-issues-a-eur-75-million-sustainability-bond/>
12. Castrén & Snellman. 2022. "FINNFUND: Issuance of a EUR 75 Million Sustainability Bond." Cases. 24 October. <https://www.castrén.fi/cases/cases-2022/finnfund/>
13. Finnfund. 2022. "Finnfund issues a EUR 75 million sustainability bond." 17 October. <https://www.finnfund.fi/en/news/finnfund-issues-a-eur-75-million-sustainability-bond/>
14. Finnfund. 2022. Sustainability Bond Framework. September. https://www.finnfund.fi/wp-content/uploads/2022/09/Finnfund-Sustainability-Bond-Framework_FINAL_150922.pdf
15. Finnfund. 2019. Promoting gender equality in Finland. Statement. 29 March. https://www.finnfund.fi/wp-content/uploads/2019/04/Finnfund_Gender-Statement_29-March-2019.pdf
16. Finnfund. 2022. "Finnfund issues a EUR 75 million sustainability bond." 17 October. <https://www.finnfund.fi/en/news/finnfund-issues-a-eur-75-million-sustainability-bond/>
17. Finnfund. 2021. "Global gender finance initiative sets ambitious new \$15 billion fundraising goal after securing more than double its original \$3 billion target." 10 June. <https://www.finnfund.fi/en/news/global-gender-finance-initiative-sets-ambitious-new-15-billion-fundraising-goal-after-securing-more-than-double-its-original-3-billion-target/>

Recommended citation: UN Women. 2023. Finland: Sustainability Bond issued by a Development Finance Institution – Finnish Fund for Industrial Cooperation. Case Study Series: Innovative Financing for Gender Equality via Bonds. New York: UN Women.

**UN WOMEN IS THE UN ORGANIZATION
DEDICATED TO GENDER EQUALITY AND
THE EMPOWERMENT OF WOMEN.
A GLOBAL CHAMPION FOR WOMEN AND
GIRLS, UN WOMEN WAS ESTABLISHED TO
ACCELERATE PROGRESS ON MEETING
THEIR NEEDS WORLDWIDE.**

UN Women supports UN Member States as they set global standards for achieving gender equality, and works with governments and civil society to design laws, policies, programmes and services needed to ensure that the standards are effectively implemented and truly benefit women and girls worldwide. It works globally to make the vision of the Sustainable Development Goals a reality for women and girls and stands behind women's equal participation in all aspects of life, focusing on four strategic priorities: Women lead, participate in and benefit equally from governance systems; Women have income security, decent work and economic autonomy; All women and girls live a life free from all forms of violence; Women and girls contribute to and have greater influence in building sustainable peace and resilience, and benefit equally from the prevention of natural disasters and conflicts and humanitarian action. UN Women also coordinates and promotes the UN system's work in advancing gender equality.



220 East 42nd Street
New York, New York 10017, USA
Tel: 212-906-6400
Fax: 212-906-6705

www.unwomen.org
www.facebook.com/unwomen
www.twitter.com/un_women
www.youtube.com/unwomen
www.flickr.com/unwomen