



Impacts of private investment on sustainable development in developing countries:

Session note on Jobs - direct and indirect impacts on job creation and decent work

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1. Introduction – the challenge

Development finance institutions (DFIs) contribute to the Sustainable Development Goals, by promoting private investment, with the potential to create large numbers of quality jobs directly and indirectly through the indirect effects of private investment on suppliers and economy-wide productivity.

The United Nation’s (UN) Sustainable Development Goal (SDG) 8 aims to ‘promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all’¹. Whilst labour productivity increased globally, and unemployment decreased, more work needs to be done to create new employment opportunities for the young, help informal workers integrate into the formal labour market, resolve gender disparities (especially in terms of pay) and tackle precarious and dangerous work conditions, UN (2018).

Due to their young populations, the number of additional jobs that the world needs to create each year just to keep up with the new entrants to the labour market is significant. Most of the challenges fall on low income countries. An additional 35,000 jobs need to be created each day in Sub Saharan Africa – that is 13 million each year – until 2030. India needs to create 7.4 million each year. Data from the World Development Indicators (WDI) over the period of 2003-2016 show that only 2/3rds of the additional jobs had been created each year over that period. This means that there needs to be a 50% step-up in employment creation to meet the demand.

Table 1 Additional jobs required to address demographic changes each year until 2030

	Millions of additional jobs created each year between 2003-2016	Millions of new jobs needed each year until 2030	Thousands of new jobs needed each day until 2030
World	32.2	30.3	83
Sub-Saharan Africa	9	12.9	35
<i>Illustrative examples</i>			
India	4.5	7.4	20
Nigeria	1.3	2.3	6
Pakistan	1.6	1.8	5
Bangladesh	0.7	1.0	3
Tanzania	0.4	0.8	2
Uganda	0.6	0.6	2
Kenya	0.4	0.6	2
Mozambique	0.2	0.4	1
South Africa	0.2	0.3	1
Ghana	0.3	0.3	1

Source: Own calculations based on UNDESA (2018) population statistics; WDI (2018) for past employment statistics

An understanding of the role of DFIs in contributing to SDG8 requires tackling two debates:

¹ <https://sustainabledevelopment.un.org/sdg8>

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- How do DFIs measure the direct effects of DFIs, and should they focus on the quantity or quality of these jobs (Part A);
 - Given the way private sector investment have economy wide effects, how can DFIs get a handle on the indirect job effects? (Part B)

2. Part A: Direct Impacts of Investments on Job Creation

2.1. Decent work

Not only do we need to consider the number of jobs, we also need to improve the quality of jobs. The ILO (2018) estimates that in 2017, approximately 42% of global workers – 1.4 billion people – were in vulnerable employment, for developing countries this proportion of vulnerable workers increases to 76%. Although recent years saw a decline in the proportion of vulnerable workers, the ILO states that by 2017 this trend has been reversed and that we are likely to see an additional 34 million vulnerable workers, in the global workforce, by 2020.

‘Premature de-industrialisation’ is advancing in many countries trend continues. Whilst the percentage of the workforce in agriculture has been falling, this has led to an increase in more vulnerable jobs in low productivity service sectors, where issues of underemployment will likely become important contributing factors to poverty rates in developing countries.

The Decent Work agenda has come to forefront as a key response. ILO refers to work as decent when it provides a ‘fair income, security in employment, good prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives, and equality of opportunity and treatment for all women and men’ (Mallet, 2018). In 2008 the ‘Decent Work’ agenda was formally included under Millennium Development Goals (MDG 1), subsequently embedded in SDG 8, firmly placing it into the remit of bilateral and multilateral development donors, within their employment creation programmes (Jalles-d’Orey, 2017). Agencies such as the European Commission (2006) support the concept of Decent Work, emphasising that its introduction can have positive economic effects through the productivity impacts of better work conditions.

What makes the ‘Decent Work’ agenda different to traditional employment creation programmes is found in its original definition of 1999 by the ILO² as ‘not just the creation of jobs, but also the creation of jobs of acceptable quality’, making it clear that employment creation efforts were no longer just about creating a high number of jobs, but also about creating good quality jobs.

The ILO (2019) highlights the importance of the private sector to enable the ‘Decent Work’ agenda, placing emphasis on how promoting enterprise development and improvements in business enabling environments could contribute to the right preconditions for firms to employ people on a decent basis. This spotlight on private investment suggests a crucial role for DFIs in their capacity to enable investments that create decent work, promoting higher value sectors and potentially curbing the rise of low-quality jobs.

² <https://www.ilo.org/public/english/bureau/dgo/speeches/somavia/1999/seattle.htm>

Key Concepts (ILO, 2019; Ergon, 2019 forthcoming)

Job: defined as 'a set of tasks and duties which are meant to be performed by one person'

This can take the form of either:

Paid employment: with an explicit employment contract, providing basic remuneration.

or

Self-employment: where remuneration depends on profits from the goods or services produced

Employment can be distinguished by duration i.e. **part-time** employment which is a job where working hours are less than those of a comparable **full-time** job.

Fixed Term: A contractual arrangement between an employee and an employer for a specific set or time.

Casual Work: Hiring workers on a very short term or occasional & intermittent basis in return for a set wage for an agreed period (day, week etc.) or task. Prevalent in informal labour and the 'gig' economy.

Job Quality: No formal definition exists but considered to be the operationalisation of ILO's Decent Work agenda.

Labour Productivity: A measure of output per unit or production i.e. US\$ output value per worker

2.2. Decent work versus numbers of jobs

Private investment plays a crucial role in job creation to meet the employment challenges. Hence, there are implications for the development community, including for DFIs through which private sector assistance is increasingly channelled. But does the promotion of decent jobs come at the expense of more jobs? The OECD (2016) examine this question and argued that there were no major trade-offs between creating more jobs or focussing on the quality of jobs, in fact noting that there are synergies between the two aspects as OECD member states that had good quality of jobs also had higher employment rates and vice-versa.

DFIs commissioned studies in this area. For example, the Ergon (2019, forthcoming) report cites three compelling reasons, at the firm level, to focus on job quality:

- improving access to export orientated markets and international finance by meeting key standards requirements
- improving productivity through better work conditions; and
- reducing skills shortages by retaining staff and increasing firm attractiveness for workers.

2.3. Measuring direct job effects.

How do DFIs measure the impact on jobs? We first discuss how DFIs engage with SDG 8 and the 'Decent Work' agenda, looking at the general employment creation strategies that DFIs use and how the decent work agenda fits in. The evidence suggests very clearly that employment impacts matter for DFIs as a useful impact metric for DFIs. They use employment impact as part of their accountability to their stakeholders and for monitoring and evaluate purposes which can be used to improve the focus and impact of their investments. Employment impacts help build the case of DFIs.

Investment strategies in most DFIs explicitly mention employment as a key development impact of their investments and jobs are usually a core component of their theories of change. There are many good examples from DFIs. For some DFIs employment creation is a key component of their investment decision-making process. The CDC states that its decision-making process prioritises investments in sectors that lead to jobs, using a Development Impact Grid where employment generation is one of the two criteria used to approve (or reject) an investment. DEG uses its recently introduced Development Effectiveness Rating (DERa) evaluation toolkit to assess the employment creation potential of investment ex-anted. Job

creation potential has a significant influence on the investment decision making process.

Some DFI's consider employment impacts as part of their investment impact analysis but do not specify how these alter their investment decision making processes, one example is SIFEM's Impact Policy which mandates the systemic analysis of SIFEM investment impacts, including employment effects, but does not link these to how investment decisions should be made. FMO is another example, As part of the investment process³, FMO investments must meet development impact criteria, which include employment impacts. FMO's ex-ante impact methodology (FMO, 2018) tracks 'jobs supported' as one of two development impact indicators. However, their investment process does not explicitly state how the results of the ex-ante evaluation affects the investment decisions.

Other DFIs aim to create more jobs but do not explicitly state that they consider employment as part of their investment criteria. For example, Norfund sees employment creation as one of their development objectives but does not explicitly link this objective to its investment decision making process. This does not mean that jobs do not factor into the investment decision-making process of these DFIs, only that it is not explicitly stated within their publicly available investment strategies.

The direct jobs creation impacts of DFI investments are assessed by directly measuring the employment impacts in DFI supported projects, usually by directly involving the investee companies. This method has the advantage that it is directly measurable either by DFIs or by the firms directly involved in the DFI investment project, a simple counting of jobs before the investment compared to the number of jobs after a given, arbitrary, interval of time has passed. One disadvantage is that the method does not include displacement effects (i.e. what is the net employment outcome if competitor firms that not supported by the DFI investment are also considered?) and that it might overstate effects which could be directly attributable only to the DFI investment.

DFIs report direct employment creation of their investments through annual development impact reports. For example, all EDFI members report 'direct jobs' which is a joint EDFI indicator which eliminates double counting of direct jobs from co-invested projects. Specifically, both IFU and COFIDES track direct employment creation for total commitments, whereas other DFIs, such as FMO and the CDC provide more disaggregated information showing employment by geographic region and investments sector (i.e. energy or financial sector investments), amongst other metrics. Some DFIs also report distributional employment impacts i.e. Proparco and Norfund illustrating the percentage of jobs going towards women.

To further improve employment impact reporting, DFIs have made strong efforts to harmonise the indicators they use, especially in light of the varied multi-lateral initiatives aimed at promoting SDGs that most adhere to. A prominent example is the Harmonised Indicators for Private Sector Operations (HIPSIO), where a set of 38 indicators were agreed on by a group of 25 International Financial Institutions (IFIs). The aim of the harmonisation exercise is to foster collaboration amongst DFIs in order to enhance their development impacts with 4 of the 38 indicators dealing with direct employment, which should help improve comparability between DFIs as it is then implicitly understood that when a DFI reports that it has created jobs, this would be a one-to-one equivalent of another job created by another DFI, without having to worry about whether these all use the same definition of a job. An example of a DFI

³ <https://annualreport.fmo.nl/ar2017/reporothmanagemenboar2/ourbusinessmodel2/ourinvestmentprocess>

that directly cite the use of HIPS0 is the IFU, which uses the harmonised indicators to evaluate its development impacts vis-à-vis other EDFI members.

There are also more strategic harmonisation efforts underway. Through EDFI's 'Principles for Responsible Financing' (EDFI, 2009), member DFIs are also committed to upholding the IFC's Performance Standards on Environmental and Social Sustainability, where 'Performance Standard 2: Labour and Working Conditions' states that growth through employment and income creation should be 'accompanied by protection of the fundamental rights of workers' (IFC, 2012), applying the principles to workers directly employed by the firms as well as temporary workers, contract workers and workers within the firm value chains. This means that where DFIs apply these principles, decent jobs should be promoted not just by directly working with the investee firm but also by working with firms all along the supply chain. For example, FinnFund states that its investee companies must comply with international practices such as the IFC performance standards.

DFIs are increasingly adopting best practices on decent jobs and would like to understand how decent jobs factor into DFI investment decision making processes. Given the developmental remit of DFIs it is not surprising that the majority refer to the SDGs as aspirational development impact goals for their investment activities.

As employment impacts are an important impact metric for DFIs, SDG 8's employment aspect is mentioned by most DFIs. Whilst DFIs do not have employment impact targets that precisely align with the relevant SDG targets (SDG 8 targets 8.5 to 8.8)⁴, the SDG certainly does shape DFI strategic thinking as most DFIs state that the creation of decent jobs is one of their desired investment impact outcomes. For example, FMO's 'Vision and Mission' sets itself the goal of making a 'distinguishing impact' on SDG 8 (amongst other SDGs), IFU singles out decent employment and a strategic objective, the OeEB sees SDG 8 as a 'central point of reference for (its) strategic positioning' (OeEB, 2017).

Most DFIs are explicit about their support for the ILO's Decent Work agenda. A report looking at EDFI member engagement in the Decent Work agenda (Ergon, 2019, forthcoming) states that DFIs often 'structurally' support the Decent Work agenda in their target countries by supporting investments in higher-value, higher-productivity sectors, even though investments are carried out at the individual firm level which makes it hard to affect systemic changes to employment. In addition, weak governance and labour standard enforcement structures, together with pressures to keep wages low to enhance international competitiveness, in tandem with low levels of worker collective organisation in target countries means that DFIs face significant challenges to help implement the decent work agenda.

However, these issues do not prevent a range of DFIs from including decent work as part of their desired investment impacts. DEG is a strong example of how the 'Decent Work' agenda is included in DFI impact evaluations. Its DERA explicitly includes the number of decent jobs created by DEG investments, following the ILO's standards and aiming to contribute to SDG 8. Almost all other EDFI members include the creation of decent jobs as part of their desired development impacts. The Ergon (2019, forthcoming) study provides a summary (table 1) of how EDFI

⁴ Some independent studies have linked DFI investments with SDG 8.1, 8.2 & 8.3 relevant issues. For example, the effects of DFIs on labour productivity were measured by Jouanjean and te Velde (2013), who used panel data to evaluate DFI investments in 63 countries and found a statistically significant positive relationship between DFI investments and labour productivity, where an increase of 1% in DFI investments as a proportion of GDP can result in an increase of 3.4% in labour productivity. More recently, Massa et al. (2016) measured the individual impacts of DFI investments on three relevant metrics: economic growth, labour productivity and gross fixed capital formation (GFCF). Lemma (2018) links DFI investments to economic transformation and how these can contribute to higher productivity and economic growth.

members engage in the decent work agenda, where it is evident that the key aspect to implementing the agenda is strong collaboration between DFIs and their stakeholders.

Table 2: EDFI member decent jobs approaches

Decent Jobs Approach	Practical Measure
<i>E & S Compliance</i>	EDFI members incentivise investee companies to adopt Environmental & Social standards which always include labour rights, health and safety and work standards.
<i>Engaging with Clients</i>	Some EDFI members provide technical assistance to clients to introduce or strengthen modern workforce management systems
<i>Engaging with Financial markets</i>	EDFI members engage with private equity funds and financial institutions to raise awareness of labour rights, providing training and guidance to fund managers and financial institutions in order to manage labour compliance risks.
<i>Engaging with Partners</i>	EDFI members collaborate with one another and with other multilateral and bilateral DFIs, trade unions, private sector and civil society actors in order to spread and deepen the implementation of decent work.
<i>Demonstration Effects</i>	DFI investments can demonstrate the commercial and economic benefits of decent work practices to firms and governments in partner countries, incentivise their autonomous uptake.

Source: Adapted from Ergon (2019, forthcoming)

DFIs have either internally carried out or externally commissioned evaluations to understand the direct employment impacts of their investments. For example, DEG commissioned a set of studies to assess employment effects, one example is a study that assess a DEG loan (in syndication with FMO and Citibank) for a Chinese textile manufacturer, finding that the investment helped increase the workforce by around 30% (DEG & BCG, 2016). A case study of a joint CDC & IFC investment to provide SME finance for an Indian bank (Khanna and Kehoe, 2017) found that every US\$1 million of SME loan financing created between 10 to 15 direct jobs in fund client SMEs. An evaluation of Swedfund’s direct employment impacts (Spratt, O’Flynn & Flynn, 2018) compared ex-ante and ex-post data from portfolio case studies and found that its newer equity and loan investments in Africa had a significant direct employment generation capacity.

Case studies are also used to assess impacts on decent jobs i.e. a series of case studies commissioned by the DEG are used to assess the decent jobs and skills gap impacts of its investments. As an example, one study looks at its investments in a garment manufacturer in India, it finds that the company paid wages were on average 20% higher than the national minimum (Dangelmaier & DEG, 2015) or a second example from DEG (Dangelmaier, 2018) which found that DEG investments supported a 39% growth in decent jobs within a Peruvian agricultural exporter firm. Case studies can also be short online highlights of investments, such as one carried out by the CDC looking at the job quality impact of one of their investments in a Bangladeshi electronics manufacturer⁵ where technical assistance by CDC has helped improve working conditions and gender equality in the firm.

⁵ <https://www.cdcgroup.com/en/story/rfl-electronics/>

3. Part B: Indirect Impacts of Investments on Job Creation

There are two core concepts that would be beneficial to illustrate in the context of indirect employment creation. Using the IFC (2013) definitions, the first is that of *indirect employment* – defined as ‘employment changes in suppliers and distributors’ of the beneficiaries of investment. An example of this indirect employment channel is a DFI direct equity investments into a firm, which helps increase their productivity and profitability leading to larger purchase volumes from local firms within their supply chain, therefore generating jobs within these.

The second impact channel are the *induced employment* effects which are the ‘jobs resulting from direct and indirect employees spending more and increasing consumption’ i.e. jobs generated due to additional purchases or expenses made by the (net) additional direct and indirect jobs supported by DFI investments. Induced employment effects includes *secondary (or second order) effects* which are economy level jobs created increased levels of productivity for example, through the efficiency and costs benefits of improved (IFC, 2013) such as roads and power which can increase productivity and reduce costs at the firm level (i.e. the Bugoye power plant investment in Uganda, see Scott et al. 2013), factors which can contribute to increased output levels with associated increases in employment etc. which can then be aggregated up at the economy wide level.

An additional example of an indirect employment channel are the impacts of DFI investments in SME financing fund. A DFI provides a facilitated funding stream to a financial institution or supports a dedicated investment fund. The fund then lends money to SMES which grow and generate (what are counted as) direct jobs, these could then *subsequently* generate second order induced employment effects due to economic activity generated by these additional indirect jobs, i.e. the people newly employed by the SMEs buying more consumer goods, which would then generate jobs in the associated retail and manufacturing firms.

How do DFIs estimate their indirect jobs impacts of their investments? There are four main methodologies that DFIs use, these are summarised in Table 1 below. These models can be divided into two main categories i.e. model based estimates and tracer-based estimations. Model based estimates such as Input Output tables, associated Social Accounting Matrices (SAMs), multiplier-based analysis etc. are based on the use of econometric models to estimate employment generation. Tracer studies, on the other hand, follow the investment throughout a supply chain to count actual jobs created in the investee firms and within relevant firms within its supply chain.

Of these, the most commonly used method is the use of Input-Output (I/O) tables which help to estimate the indirect and induced employment impacts of investments and can also be used to look at the disaggregated effects i.e. employment by skill level or across different sectors etc. The method is widely used and accepted as a good estimator of indirect employment effects in both in academic and non-academic econometric literature and can rely on existing datasets, which makes it a convenient and practical estimator tool. DFI examples of the use of this

What type of indirect job is tracked?

It is important to point out that sometimes a job is not simply a *job*. For example, you cannot count seasonal labour on a farm in the same way as a permanent worker in a factory. In addition, can indirect job tracking distinguish between urban and rural jobs, high or low skilled jobs, youth employment or gender? Therefore, it is important to understand what type of indirect jobs DFIs track.

However, this is not a simple task as DFIs do not generally report what types of jobs they track, even within their more detailed impact methodologies, assuming these are made publicly available.

For example, BIO mentions an ex-ante employment assessment toolkit but does not specify what type of employment is created whilst DEG’s DERa includes decent jobs as a tracked outcome and also mentions that decent work is also tracked for potential indirect job effects, but the methodology used to estimate the potential impact is not provided. Even a good example of disaggregated employment tracking, such as IFU’s DIM which includes female, youth & unskilled employment only does so for its direct employment effects.

Whilst the CDC does not provide a distributional disaggregation of employment, its ‘Lean Data’ methodology specifies that both direct and indirect tracked jobs **are Full-Time Equivalent (FTE)** it also points out an important caveat that decent jobs cannot be measured through indirect employment estimation models such as I/O tables.

methodology include both by the CDC through its ‘Lean Data’ methodology (MacGillivray et al. 2017) and by the FMO through its ‘Impact Model’. The I/O methodology is also used for thematic impact studies i.e. FMO (2016), uses the I/O methodology to estimate the direct and indirect employment effects of its infrastructure, manufacturing and service sector investments. The study found that for every €1 million invested, it was estimated to create 370 jobs if invested in the transport sector, 85 in the telecommunication sector and 420 in the manufacturing sector.

Table 3: Methods used to estimate indirect employment effects

	Method	What can it be used for?	Why is it useful?	What are its potential caveats?
Model Based	Input-output models	Used to measure indirect employment by examining backward linkages across industries in traditional industries and could be linked to different types of skills, tax etc. to compile a Social Accounting Matrix (SAM).	<p>The tool is useful to obtain multipliers by sectors relatively easily.</p> <p>It is widely accepted by the academic community as a useful and practical indirect impact estimating tool.</p> <p>It does not usually require primary data collection and can rely on ready-made I/O tables, making it a convenient option.</p>	Less useful in case of transformative changes in production structures (e.g. large-scale infrastructure investments) or when inputs are price dependent and substitutable, or when behavioural links change (in which case input/output coefficients would change). It measures expected impacts and double counting issues should also be considered.
	Macro production function approaches	Can be used at macro level to see how (DFI) investment leads to output changes (could use ICOR, C-D / CES / Leontief / TFP approaches) which could then lead to employment effects.	Useful for quick assessments at aggregated level, for manufacturing, but less useful when the quantity of “output” is not the main or only factor of interest.	Involves 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 effects.
Tracer Based	Case Studies/ Direct Counting	Good for detailed information on individual investments, information is provided by investee firms and firms involved within their supply chains.	Can be used to directly measure indirect employment impacts. Useful to also verify multiplier effects or aggregated economic effects.	Data & resource intensive, difficult to obtain macro effect and counterfactuals.
Mixed	Firm level / national level econometrics	Can be used to assess induced employment effects. Can use a mixture of methods i.e. tracer study impacts of individual investments that are could be combined with econometric models to estimate portfolio wide or national level impacts.	Useful to either assess the impacts of individual investments or use the results of the empirical effects of individual investments upscaled up either at the portfolio level or national level using models and assumptions.	Data intensive (needs panel data at the investment level) and is still subject to attribution issues and still subject to modelling technique limitations, when these are used.

Source: Adapted from Jouanjean & te Velde (2013)

Ex-Ante & Ex-Post Evaluation

Direct & Indirect employment impact assessments can be undertaken ex-ante i.e. before an investment and (or) ex-post i.e. after an investment has occurred.

Ex-ante evaluations are usually based on a theoretical model such as sectoral employment multipliers and are used to predict the number of jobs an investment is likely to generate.

Toolkits that include the ex-ante approach (i.e. used by BIO, CDC, FMO) are typically used to evaluate the direct & indirect employment impacts of investments at the national or sectoral level and should determine whether an investment meets required employment impact criteria.

Ex-post evaluations are, for direct impacts, based on tracer studies whilst for indirect employment effects usually dependent on modelling (I/O tables or SAMs etc.). They are typically used when evaluating the impacts of investments either for impact case studies or to be potentially used as the basis for future investment decisions.

Examples of DFI investment impact macroeconomic production function based studies include a set of studies that looked at the effects of DFI investments in energy in the Philippines (Steward Redqueen, 2015), IFC energy investments in Turkey (Steward Redqueen 2017), IFC investments in energy in Bhutan (Datta et al. 2012) or PIDG investments in energy in Senegal (Steward Redqueen, 2017b). These studies all used a mixture of production functions and I/O models to estimate indirect and induced employment effects of DFI investments at the macroeconomic level.

Case study approaches focus on the employment impacts of individual investments. For example the previously mentioned Scott et al. (2013) Bugoye hydropower study uses the IFC (2013) toolkit to estimate employment effects. It finds that the power plant would have contributed through the wider effect of supplying approximately 2.9% of Ugandan energy between 2009 and 2012, to between 8,434 and 10, 256 induced jobs.

In terms of firm level econometric studies, a good example of is the IFC (2013) 'Jobs Study' which proposes a section of quantitative methods that could be used to estimate the private sector's contribution to employment. The study uses IFC investment data to illustrate the use of the methods. Micro case studies are presented estimating the number of direct and indirect jobs created per US 1\$ million invested by the IFC. It also presents several macroeconomic impacts which also estimate total direct and indirect employment generated per US\$ 1 million invested. These studies were commissioned by the IFC to independent researchers, using IFC provided client data. These studies use a mixture of multiplier analysis, I/O

analysis etc. to estimate indirect employment impacts of IFC investments, although the IFC also presents the study as a toolkit of methodologies that other financial institutions could use to evaluate their own impacts. Another example is a Proparco commissioned study that used two Proparco energy investments as case studies, the results of which were then upscaled to estimate the impacts of Proparco's energy investment portfolio (Steward Redqueen, 2016).

Some DFIs use econometric studies to assess employment impacts at the sectoral level. For example, FMO carried out an assessment of the induced employment impacts of its energy sector investments (FMO, 2015) which found that that by the end of 2014, 21 FMO projects were producing energy, for a total of 10,353 GWh per year, estimating that this energy is would support a total of 106,000 direct & indirect jobs.

4. Conclusions: What do we know, what don't we know and challenges?

We know that DFI investments create jobs and transform economies. EDFIs record or estimate major contributions to employment creation, both directly and indirectly, through their investments (see Table 3). In 2015 EDFI member ongoing investments were estimated to have contributed to 4 million jobs, by 2017 this had increased by 1.4 million, with approximately 2 million direct and 3.4 million indirect jobs supported by these investments.

Table 4: EDFI Member Contributions to jobs (and other key impact areas)

EDFI Contribution	2015	2017
<i>Jobs Supported (direct & indirect)</i>	> 4 million	> 5.4 million
<i>Taxes Paid</i>	€ 11 billion	€10.4 billion
<i>Electricity Supply</i>	74,000 GWh	67,000 GWh

Source: ODI & CSIS (2016) & EDFI⁶ (2019)

DFIs put a lot of effort in understanding their employment impacts and often drive innovations in the (employment) impact evaluation field. The strategic focus on the employment creation impacts of their investments is universal amongst EDFI member institutions and multilateral DFIs such as the IFC. Methodologies on how these impacts are measured differ, with some institutions more able to experiment with impact estimation methods, whilst more resource constrained DFIs are more likely to adopt already tried and tested model-based estimation methods.

However, we still do not know how much we can confidently attribute employment effects solely to DFI investments, rather than other factors (i.e. changes in market conditions etc.). More robust estimation techniques which would compare employment creation effects in DFI supported firms with effects in a comparator group of firms (which are otherwise similar) would help provide a better understanding of attribution.

It would also be good to make further disaggregation on the types of tracked jobs more readily accessible. This would help us understand the direct distributional impacts of DFI investments on for example youth workers, the division between skilled and unskilled jobs, the impacts across gender and the rural/urban employment divide.

It is really encouraging to see that the focus on the SDG 8 and the Decent Work agenda is shared by all DFIs, even though there has only been limited uptake in the number of DFIs that either explicitly estimate the impact of their investment on decent jobs or include decent jobs as part of their investment decision making process. This can be attributable, in part, to differences in the development objectives that DFIs want to achieve, with some DFIs more focussed on employment as an impact target and others viewing it more as an implicit outcome of their investments.

DFIs are increasingly under pressure to provide more evidence on their impacts on SDGs, both in terms of better quality of evidence and on the quantity of evidence. It is possible that more could be done to enhance tracking and reporting on the different types of jobs that are being created by DFI investments. However, to do so DFIs

⁶ <https://www.edfi.eu/about-dfis/impact/>

would require tangible support from their shareholders, in terms of resources and specialised personnel, to effectively track such impacts.

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