

IMPACT REPORT 2020

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COVER: Responsible skins and hides tanning practices in Somalia can create a significant social and environmental impact across the value-chain. PHOTO BY HANI ALMEGHARI / FCA INVESTMENTS

FCA INVESTMENTS AT A GLANCE

FCA Investments (FCAI) is an impact-driven company specialising in Small and Medium-sized Enterprise (SME) development. FCAI believes in the role of responsible and scalable SMEs as a driver for building sustainable and inclusive economic growth in developing countries. Therefore, FCAI aims to leverage the power of **finance** and **business development support** to turn the missing middle* challenge into an investable opportunity.

A vibrant and responsible SME sector (and the associated economic growth and job creation) is the backbone of any sustainable economy. However, in many low-income countries and fragile contexts, SMEs are largely absent and suffer from limited access to finance and low productivity levels. This phenomenon is widely known as the “Missing Middle”. In that context, addressing the missing middle challenge is highly linked to improving livelihoods, creating decent jobs, providing access to basic services, increasing local tax revenues, and ultimately meeting the Sustainable Development Goals (SDGs).

FCAI is a 100% subsidiary of FCA, the largest Finnish non-governmental organisation and second-largest in humanitarian aid. FCA has been in operation for more than 70 years in some of the world’s most challenging and fragile contexts. As a subsidiary, FCAI seeks to build on the core competencies of FCA to ensure that all the investments made are sustainable and have a positive social or/and environmental impact in the target countries.

To achieve this, FCAI has made a conscious decision to earmark its investments to those countries where there is already a presence of FCA in order to utilise the institutional knowledge and build on FCA’s record of accomplishment in these countries to maximise synergies.

* The term ‘Missing Middle’ refers to the absence of the SME-sector in many low-income countries mainly due to the lack of access to finance which is more available for large and micro businesses.

FCA Investments’ Mission

FCAI is a company with a social mission. Its primary objective is to make “capital” and “skills” available for economically, socially and environmentally sustainable SME’s that work to improve livelihoods in target countries for more resilient and productive communities. In practice, FCAI carries out that mission via two main approaches:

- Providing long-term risk capital to SMEs to ensure they can increase their productivity and grow into gazelles in their field.
- Providing pre- and post-investment technical assistance and other business development services to investees and across the spectrum of their activities, which is essential to magnify and sustain the Impact down the line.

FCAI (as per its mandate) is focusing on areas where economic growth and positive social and environmental outcomes can coexist sustainably. Nonetheless, the avoidance and/or the mitigation of any potential negative impact goes a long way with maximizing the net positive impact emerging from FCAI’s interventions on the ground. To put that in practice, FCAI conducts its Impact management practices as follows.

- **Avoiding and Mitigating Negative Impacts:** It is a combination of both preventive and corrective mechanisms integrated and implemented as an integral part of the investment process (or even pre-investment) to minimize negative impacts and their possible causes (as part of the ESG management system).
- **Managing and Measuring Positive Impacts:** A set of different activities integrated and implemented throughout the investment process to identify the baseline data, the expected and realized impact to systematically track progress towards the defined objectives.

The desired impact of FCA Investments: primary SDGs

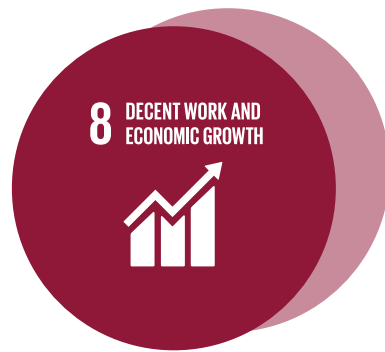
How will FCAI activities change the world for the better?



POVERTY REDUCTION

FCAI invests in the most underserved population. Investments will improve access to basic services and, ultimately, contribute to poverty reduction.

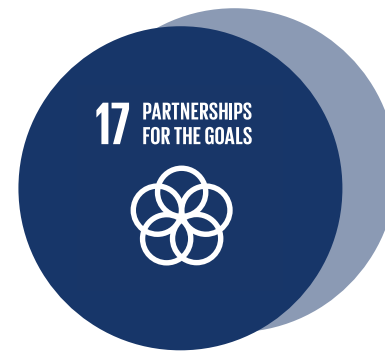
This is a long-term objective for FCAI!



DECENT WORK AND ECONOMIC GROWTH

FCAI invests in the missing middle. Investing in sustainable and responsible businesses creates decent jobs, contributes to tax collection and promotes economic growth.

This is where FCAI will make a difference!



PARTNERSHIPS FOR THE GOALS

FCAI is one of the first NGO-based impact investors globally. Its operations will be all about partnerships between public and private, companies and investors, locally and in Finland.

This is where FCAI acts as a pioneer!

Other SDGs relevant for FCA Investments: secondary SDGs

Overarching themes for FCAI's investments



GENDER EQUALITY

Gender equality is an overarching theme for both FCA and FCA Investments. FCAI will pay special attention to gender issues in both company selection, by supporting female entrepreneurs, and employment.

Gender equality is an overarching theme!



INDUSTRY, INNOVATION AND INFRASTRUCTURE

As a fund operating closely with sole entrepreneurs and small companies, FCAI is able to promote early-stage innovations, support industrial development and contribute to infrastructure development.

Innovations and industries supported via investments!

Foreword

Most of the Least Developed Countries (LDCs) are not on track to meet the SDGs or the needed 7% annual GDP growth due to a wide range of challenges and some complex problems. The challenges in the LDC's are complicated and require multidimensional sets of action to address. In that context, FCA Investments (FCAI) views the development of the private sector (and especially the SME sector) as a key means to economic development and poverty reduction.

The ambition of "Leaving no one behind" cannot be achieved with a "risk-averse" approach but with an "eye for opportunity" one. Even in risky, fragile and vulnerable contexts, ambitious entrepreneurs, innovative solutions, and responsible SMEs can be a driver for creating inclusive and sustainable economies. Reaching out to those SMEs and helping them overcome development challenges is our way to promote impactful and sustainable business practices and contribute to the SDGs.

Unfortunately, the current international financial system, global economic dynamics, and local enabling environments do not press enough to develop the SME sector in the least developed countries and fragile contexts. However, there are promising initiatives and growing momentum now to challenge the status quo and explore new mechanisms for private sector development purposes. We at FCAI follow this momentum and try to create partnerships and join forces with like-minded actors to implement effective investment and capacity-building solutions to harness the "missing middle" opportunity in target countries.

Chief Executive Officer: Jukka-Pekka Kärkkäinen
Date: June, 2021

"A world where the most vulnerable contexts are empowered through a resilient and responsible private sector."

—FCAI's Vision

COVID-19: Impact and Response

The COVID-19 pandemic has been labelled the worst humanitarian catastrophe since World War II by the World Food Program. COVID-19 has exacerbated the vulnerabilities of many low-income countries and fragile contexts by exposing both the public and private sectors to unprecedented challenges. While the pandemic is a global health crisis, the short to medium term consequences on the local economies around the world (including food security, livelihoods, gross national income (GNI), employment, as well as the prospects of meeting the SDG's) are expected to be adverse especially in the least developed countries.

A scaling-up approach is needed now more than ever to support SMEs that can address vulnerabilities of local economies, provide accessible digital solutions, and enhance self-sufficiency in food production and distribution while maintaining and creating jobs.

FCAI does not have the capacity to target the repercussions of the pandemic directly; however, a strong emphasis has been put on prioritising SMEs with high potential to address some of the economic challenges associated with the COVID-19 crisis. In that regard, FCAI is doubling down on the approach that retains its long-term logic of supporting sustainable SMEs in target countries and helps boost economic resilience and job-creation amidst these challenging times.



€6.4M

Invested in SMEs in developing countries (accumulative as of Dec. 2020)



33

SMEs financed (directly or through funds) of which 19 are in the Agri-Sector and food supply chains (accumulative as of Dec. 2020)

+€24K

Worth of “Business-Development-Services” (BDS) delivered to SMEs in 2020

€832K

Value of all transfers to government made by the supported SMEs during the reporting period

3

Investments made in Clean-Energy (as of Dec. 2020).



€8.2M

Invested in Microfinance institutions in emerging and frontier markets (as of Dec. 2020)



4,419

employees in the supported SMEs of which 72% are young (18–35 Y) and **21%* are women** (as of Dec. 2020)

Accumulative as of 2020, **24 SMEs** received BDS or benefitted from knowledge transfer

* In many low-income countries, women tend to have more engagement with microenterprises and businesses at the bottom of the value creation as opposed to productive-SMEs. That is something we want to change by pushing our investee-companies to attract and encourage more women's participation in their operations.

Since its inception in late 2018, FCAI has made three fund investments. A total commitment of €11.5 million was dedicated to two funds specialising in SME financing, whereas the third fund-investment has been made in an intentional microfinance fund with no fixed commitment (as a liquidity management tool in line with FCAI's mandate). In 2020, FCAI closed its first direct investment with a total value of €459K. The investment was made in an egg-poultry farm (Kande Poultry Farms), which is the biggest indigenously owned poultry farm in Uganda and one of the main egg-suppliers to UN agencies and refugee settlements in the region.

Plans do not always unfold exactly as expected, and with the COVID-19 crisis, this could not be truer.

The pandemic took the whole world by surprise. Consequently, the disruption in market dynamics (e.g. fluctuations in prices, less predictable supply and demand trends, lockdowns and logistical difficulties, etc.) has created complicated challenges not only to SMEs but also to actors like FCAI.

As of Dec. 2021, the 33 supported SMEs have been the employer of 4,419 employees, of which 72% are young, and 21% are women. In addition, those SMEs paid a total of \$832K approx. as tax and tax-like fees in the host countries.

These figures alone shed some light on SMEs' role to support vulnerable economies and improve livelihoods.

Geographic Focus

When it comes to its direct investments, FCAI's geographic focus is in line with that of the parent foundation Finn Church Aid (FCA). FCA is active in (and will continue to focus on) fragile contexts and countries. It has offices and different ongoing programs in 13 countries across Africa, Asia and the Middle East. Aside from direct investing, FCAI also invests in funds that target developing countries with impact as a first lens.

In theory, FCAI has the potential to operate in all FCA's program countries, given the existing contextual knowledge, experience, and strong presence the foundation has there, which could be utilised to pave the way for FCAI's entry. Concerning its direct investments, FCAI has decided to focus on the East Africa region and have **Uganda** and **Somalia** as initial target countries to allow for deliberate scaling where **Kenya** will likely be the natural expansion in the region.

From an active-investment point of view, it is more practical and less risky to focus on a specific region and scale the investment portfolio there as opposed

to having a limited number of direct investments scattered across different regions and countries with different legal, administrative, cultural, financial, and connection challenges. Nonetheless, it is worth mentioning that this does not prevent FCAI from investing in other countries and regions via fund-participations or directly when the capacity and resources are available.

Main Targeted Sectors

As per its mandate, FCAI focuses on value creation and improving the productive capacity of the target SMEs and the associated value-chains, especially regarding the direct investment. In principle, the productive sectors attract special attention with an emphasis on:

-  **Farming**
-  **Agribusiness**
-  **Fisheries**
-  **Livestock**
-  **Poultry**
-  **Manufacturing**
-  **Renewable Energy**

These sectors are believed to be the largest overall employers, which also tend to employ a substantial number of women and youth and provide better access to basic goods and services. In addition, FCAI is open to investment in other impactful sectors (e.g. Hi-Tech) that have a strong connection to the productive sectors mentioned above.

SME Development

“Competence” and “Growth” are largely inseparable. In a way, companies need to develop competence to grow, and they need to grow to keep building their competence.

Given the contextual complexity of the missing middle challenge, we believe that providing capital or extending lending to SMEs alone will not necessarily help them grow sustainably. At FCAI, we want to target SMEs that can both do good and do well and our approach is to act as a strategic partner through offering capacity building and essential services to SMEs (pre and post-investment) for more impactful interventions down the line.

Hani Almeghari
Chief Business Development Officer

DIRECT INVESTMENTS

Across the spectrum of private sector development, and given the challenging contexts of the target countries in which it invests, FCAI considers building resilient and responsible SMEs an essential step towards having inclusive and sustainable economic growth.

To help catalyse sustainable economic growth (via a responsible and vibrant SME sector) and make it a reality in the target countries, FCAI puts both “Impact-first and do-no-harm” concepts at the heart of its strategy, decision-making, and operations. As a result, policies relating to; Environmental, Social, and Governance (ESG) management and Impact Management have become an essential part of FCAI’s investment processes.

Although the pandemic and the associated challenges significantly slowed its progress in 2020, FCAI continued preparing deals and building pipelines for direct investments in the target countries (namely, Uganda and Somalia).

Uganda

Apart from FCA’s strong presence in Uganda (FCA’s biggest partner country in terms of personnel) and the close collaboration with Yield Fund Uganda, FCAI has also actively worked with other partners and actors in several areas. These include pipeline building, co-investing, and SME’s capacity building to advance its operations in the country.

As of December 2020, the pipeline in Uganda consisted of 22 deals from different sectors totalling €10M+, and the majority of these deals were in the Agri technology, food and beverage sectors.

Portfolio Companies:

Kande Poultry Farms – Uganda

Kande Poultry Farm (KPF) is a family-owned business set up in 2008 as a 2,000 chicken layer farm employing the deep litter farming system. The business has since expanded to 30,000 layers using a battery

“FCAI considers building resilient and responsible SMEs an essential step towards having inclusive and sustainable economic growth.”

cage system with a daily average egg production of 23,000 eggs. With the investment received from FCAI, the farm has started a second expansion round to increase its capacity to 50,000 layers and ultimately hit 100,000 layers (70,000 eggs per day) by the end of 2024.

Impact Objectives

- Increasing Access to and Use of Quality Eggs
- Increasing Farm Profitability
- Increasing Financial Health of Farmers and Employees
- Improving Layer Poultry Farming Practices and Pollution prevention & waste management
- Sustainable energy

As per the 5-year ESG action plan, KPF is working on improving:

- The governance structure and management procedures of the company
- The chicken welfare to reach the ISA/FAO standards related to poultry and egg production.
- The manure collection mechanism to prevent contact with soil (drying or bio-digesting system) and to produce bio-fertiliser by using a renewable source of energy.
- Working conditions and the environment by putting in place proper safety measures, equipment, and systems.

Moreover, the company kept supplying some refugee settlements in Uganda (during the reporting period) with eggs as per a contract with a UN-backed food program aimed at fighting malnutrition.



FCAI and KPF aim to increase the bird spacing (per hen) in line with the ISA/FAO spacing standards and part of the animal care and welfare requirements.
PHOTO BY HANI ALMEGHARI

Key Impact Indicators

Key Impact Metric	Baseline	Realised	SDGs	Time Frame
Total amount of capital invested in the portfolio company (EUR)	N/A	€460,170		Disbursed in 2020
Full-time Employees: Total	21	21		As of Dec 2020
Full-time Employees: Female	1	4		As of Dec 2020
Full-time Employees: Female Managers	0	1		As of Dec 2020
Percent Female Ownership	1	1		As of Dec 2020
Board of Directors: Female	1	1		As of Dec 2020
Payments to Supplier Individuals: Smallholder (EUR)	0	€327,498		Jan 2020–Dec 2020

Somalia

DESPITE SOMALIA’S challenging and fragile context, FCAI managed to conduct a successful feasibility and market study (during 2019–2020) to map the financial sector and the SME’s needs in the country to prepare for active and effective investment processes. The project was funded by FCAI and Finnpartnership. It has resulted in collaborations with different actors and

establishing proper investment products and modalities to ensure impactful and successful interventions (see strategic partners).

As of Dec. 2020, the FCAI pipeline in Somalia consisted of 10 deals amounting to €5.6M, and the majority were in the food and beverages sector.

Portfolio Companies: As of Dec. 2020, no direct investments were made in the country.

FUND INVESTMENTS

Capital for Development (C4D) Asia Fund

FCAI committed in late 2018 to invest \$8.5 million (approx. €7.5 million) in the \$30 million **C4D Asia Fund**. The fund finances growing and inclusive Small and Medium-sized Enterprises (SMEs) that demonstrate strong social-economic impact for the under-served communities in Asian emerging economies, primarily in India, Indonesia, and the Philippines.

The investment strategy of the Capital 4 Development Asia Fund is geared to bridge the finance gap. The fund views the combination of economic growth and the solutions SMEs have to offer as an opportunity to contribute to inclusive economies and achieving the Sustainable Development Goals.

Though the fund is sector agnostic, it invests typically in SMEs in the following sectors because of the impact potential:

-  **Agriculture-related activities**
-  **Food processing**
-  **Renewable energy**
-  **Education and skill development**
-  **Financial inclusion**
-  **Healthcare**
-  **Sustainable consumer goods**



“The investment strategy of the Capital 4 Development Asia Fund is geared to bridge the finance gap.”

Impact Objectives*





















- Creating decent and sustainable jobs, providing employees with (new) skills and stable incomes to improve their living conditions and opportunities.
- Improving the market position of small, under-served suppliers and entrepreneurs to grow their business and positively impact (local) economies.
- Offering affordable and quality products and services to low-income and vulnerable populations by providing them access to better, innovative, more efficient, more sustainable solutions, which have the potential to improve their living conditions.
- Boosting the development of efficient and sustainable supply chains by supporting supply chain integration and solutions to market inefficiencies, which can improve linkages, lower costs, improve sustainability outcomes, strengthen the position of vulnerable players, and increase outreach.
- Supporting gender equality by encouraging gender balanced business strategies, including women in supply chains and staffing, and by investing at least 30% of the committed capital in women SMEs.

* <https://www.c4dpartners.com/funds-under-management>



C4D supports a sustainable company specializing in cinnamon and patchouli in Indonesia. PHOTO BY CASSIA CO-OP

Key Impact Indicators*

Indicators	Values	Related SDGs	Time Frame
No. of SMEs Supported/financed to date	25		Accumulative as of Dec 2020
No. of employees in the supported SMEs	4198	 	As of Dec 2020
No. of employees in the supported SMEs (female)	824	  	As of Dec 2020
No. of employees in the supported SMEs (young 18-35Y)	3099	 	As of Dec 2020
Total amount of capital invested in the portfolio companies to date (EUR) .	€15,498,716		Accumulative as of Dec 2020
No. of investments made in clean energy to date	3	 	Accumulative as of Dec 2020
Value of all transfers to the governments made by the investee-companies during reporting period (India)	€647,090	  	Jan 2020–Dec 2020
Value of all transfers to the governments made by the investee-companies during reporting period (Indonesia)	€64,866	  	Jan 2020–Dec 2020
Value of all transfers to the governments made by the investee-companies during reporting period (others)	€22,474	  	Jan 2020–Dec 2020

* Some figures were converted (from local currencies to USD) as per the average annual FX rage

Yield Uganda Investment Fund

The Yield Uganda Investment Fund is a partnership between public and private investors that offers innovative and tailored financial solutions, using equity, semi-equity and debt to Small and Medium-sized Enterprises (SMEs). These businesses have the potential to generate both strong financial returns and significant social impact. Deloitte Uganda and Pearl Capital Partners Uganda (PCP) established the fund, currently managed by PCP Uganda, with the mandate to make investments in the range of €250,000 to €2 million (approx. UGX 1 billion to UGX 8.5 billion).

FCAI committed in 2019 to invest €4 million in this €20 million fund.

Yield Fund was launched by The European Union (EU), the International Fund for Agricultural Development (IFAD) and the National Social Security Fund (NSSF) in January 2017, and it is also backed by The Soros Economic Development Forum (SEDF).



Impact Objectives**:

- Yield Fund seeks to support businesses with a clear competitive advantage and ambitious local management.
- The fund aims to benefit the Ugandan economy by improving an estimated 100,000 rural household livelihoods and increasing access to markets for an estimated 26,000 farmers.
- It also creates jobs and employment opportunities and ensures food security while generating income, foreign exchange, and new export opportunities – all fundamentally contribute to Uganda's economic growth and the Sustainable Development Goals (SDG) objectives.

“Yield Fund seeks to support businesses with a clear competitive advantage and ambitious local management.”

** FCA Investments commits 4 million euros to Yield Fund Uganda – Finn Church Aid ([kirkonulkomaanapu.fi](https://www.kirkonulkomaanapu.fi))



High quality seeds producers are key for the development of the Agri-sector. PHOTO BY HANI ALMEGHARI

Key Impact Indicators*

Indicators	Values	Related SDGs	Time Frame
Number of Agri-SMEs supported/financed to date	7		Accumulative as of Dec 2020
No. of permanent employees in the supported SMEs	200		As of Dec 2020
No. of permanent employees in the supported SMEs (female).	67		As of Dec 2020
No. of permanent employees in the supported SMEs (young 18-35 Y)	97		As of Dec 2020
Total value of investment contracts between the fund and investee-SMEs to date (EUR)	€5,608,606		Accumulative as of Dec 2020
No. of farmers supplying investee company during reporting period (female)	784		Jan 2020–Dec 2020
No. of farmers supplying investee company during reporting period (male)	1,040		Jan 2020–Dec 2020
Total payment to small-scale farmers during reporting period (EUR)	€1,235,377		Jan 2020–Dec 2020
Value of all transfers to the governments made by the investee-companies during reporting period (EUR - Uganda)	€98,185		Jan 2020–Dec 2020
Value of exports of the supported SMEs during reporting period. (EUR)	€316,650		Jan 2020–Dec 2020
Value of concessional business development services delivered to the supported SMEs during reporting period. (EUR)	€28,413		Jan 2020–Dec 2020

* The fiscal year of three out of seven portfolio companies is (May–Jun)

BlueOrchard Microfinance Fund (BOMF)

Aside from its strategic investments in the C4D Asia Fund and the Yield Uganda Fund, FCAI is currently investing in three **BOMF** Series (investment products) mainly for liquidity management and an impactful use of the temporarily available capital. The BlueOrchard Microfinance Fund (BOMF) was founded in 1998, by the initiative of the UN, as the first private and fully commercial microfinance investment fund in the world. Since its inception, it has been managed strategically as a pure fixed-income fund, investing in microfinance institutions in emerging and frontier markets with systematic currency hedging. This allows investors to obtain stable and attractive financial returns while fostering financial inclusion.

Note: the FCAI invested capital as of 31 December 2020 amounted to €8,244,479. Yet, that amount is frequently changing and is expected to decrease significantly based on the calls received from the other funds and the capital needed for direct investment.

“The BlueOrchard Microfinance Fund fosters financial inclusion and shared prosperity.”



Impact Objectives***:

- The BlueOrchard Microfinance Fund fosters financial inclusion and shared prosperity.
- Microfinance institutions provide loan capital and, increasingly, savings, insurance and related products to low-income groups, enabling them to create and grow income-generating activities and break out of poverty.
- The BlueOrchard Microfinance Fund supports microfinance institutions in expanding their outreach, improving the quality and appropriateness of their financial services, and encouraging new products such as savings, insurance and payment services.

Key Impact Indicators

Given the size of BOMF (over \$2 billion AUM approx.), FCAI opted not to report on the “key Impact Indicators” associated with BOMF to avoid “Impact Washing”. The investment made in the fund does not bring significant financial additionality to the BOMF from the management perspective.

*** BlueOrchard Microfinance Fund - BlueOrchard

HIGHLIGHTS AND KEY IMPACT-RELATED NOTES



Berbera Tannery - Somaliland. PHOTO BY EMMANUEL OBWORI

Looking ahead

FCAI is keen to provide innovative and ecosystem-based solutions for SME development in target countries. In practical terms, FCAI plans to establish a vehicle with a viable business model to engage effectively with the target SMEs. That engagement aims to create a path for those SMEs not only to become investment-ready but also to be financed (potentially through the same partner). On the other hand, the model would offer considerably safer investment opportunities for lower-risk tolerance investors with a high impact appetite.

The new planned vehicle, called the Missing Middle Opportunity Fund (MMOF), would offer an interconnected package that consists of two core elements:

- Concessional Technical Assistance TA
- Commercial SME-Funding.

By targeting SMEs that match the basic investment requirements, MMOF would initiate a process (in focus countries) that allows SMEs to apply for the offered package. According to the initial screening, those companies who qualify for investment (more invest-

ment-ready) would be offered financing and a set of post-investment TA. However, those that are not ready but show high potential would be offered a 1-2 year Pre-Investment TA facility with clear milestones. Once they are reached, the financing element would be provided along with the needed post-investment TA (considering that the provided Pre-Investment TA is expected to reduce the financing cost).

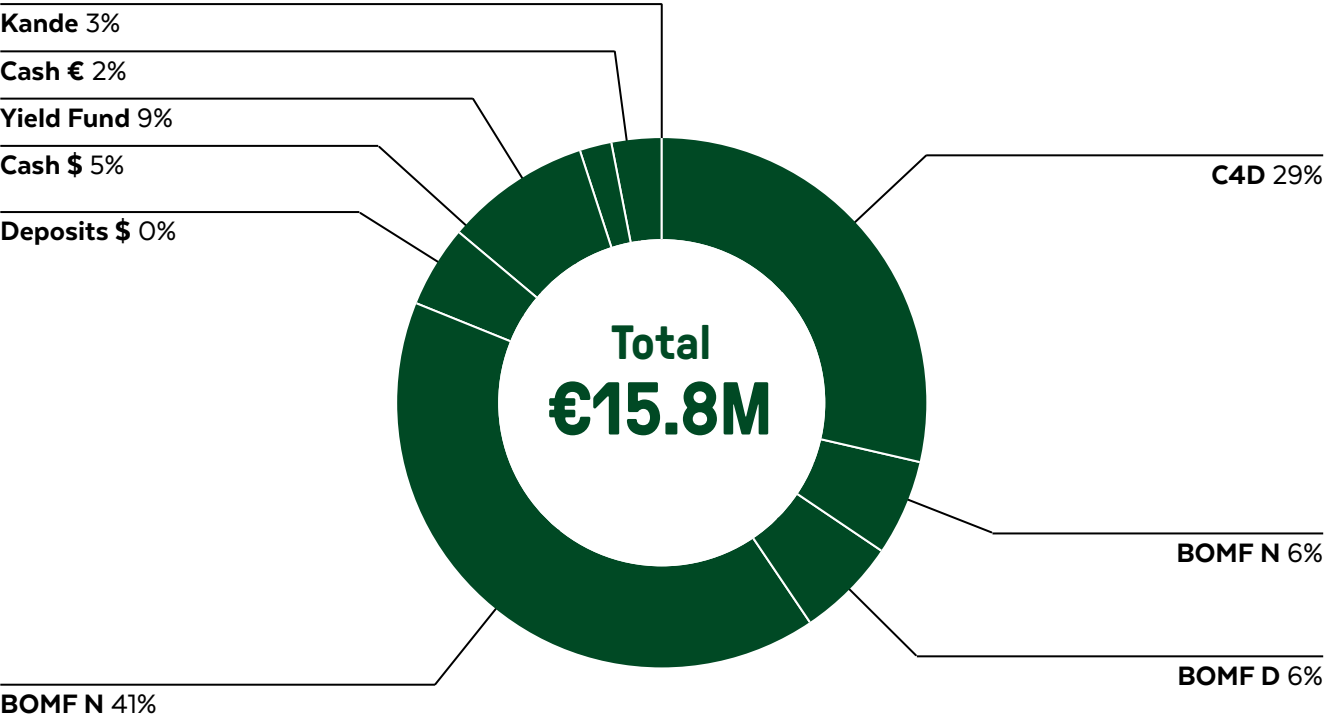
It is acknowledged that different SMEs have different TA needs. Therefore, MMOF would be focusing mainly on key cross-cutting areas (mentioned below) to help build SMEs' capacities. We call this approach “essentials as a service”.

- Accounting and Financial Management**
- Business Scalability**
- ESG management**
- Sales, Marketing and Quality Management**
- Digitalization & connectivity**

The FCAI Portfolio in numbers:
Allocations and Financial Highlights

Name	Currency	Commitment	Valuation (EUR)	Portfolio Allocation
C4D	USD	8,500,000	4,601,947	29%
BOMF N	USD		886,676	6%
BOMF D	USD		910,836	6%
BOMF N	EUR		6,446,967	41%
Deposits USD	USD		-	0%
Cash USD	USD		862,589	5%
Yield Fund	EUR	4,000,000	1,388,763	9%
Cash EUR	EUR		247,628	2%
Kande	EUR		419,344	3%

Portfolio Allocations Dec. 2020




Having a proper and efficient distribution mechanism is of high importance for Molto Ice-Cream.
PHOTO BY HANI ALMEGHARI





Collaboration and joint efforts


The Finnish Ministry for Foreign Affairs (MFA) is the main funder and sponsor of FCA Investments (FCAI) was Launched in October 2018 by a EUR 16M Loan received from the Finnish Ministry for Foreign Affairs). In addition to the enormous support from MFA, FCAI has also established connections and collaborations with international and local like-minded institutions active in the SME development sphere. As it acknowledges the challenges associated with financing SMEs in the target countries, FCAI continues to work with development actors to advance its operation on the ground and maximise the impact of its investments:


Collaboration in the area of pipeline building and SME's capacity building

 **International Trade Centre (ITC) SheTrade:** FCAI is working closely with ITC-SheTrade, which aims to create investible women-led/owned companies. ITC-SheTrade has been sharing their active pipeline companies (that match our investment criteria), of which four are in FCAI's pipeline now progressing with the investment process.


 **Innovations Against Poverty (IAP):** FCAI (among other well-known actors such as UNCDF, OikoCredit and UBERIS) is a partner in the Strategic Investment Partners (SIP) network consists of 11 leading investors. The Network is part of IAP's investment matchmaking strategy, which aims to provide guidance and mentoring to assist the target companies in becoming investment ready and creating opportunities for financing, networking, knowledge-sharing, and co-investment synergies.


 **GEEL:** In Somalia, FCAI is collaborating with GEEL to help identify promising and scalable SMEs across Somalia and provide the needed pre- and post-investment technical assistance. That collaboration resulted in signing a memorandum of understanding (MOU) to support FCAI's operation on the ground and provide access to more investment-ready SMEs (GEEL's Pipeline).

 **Accenture:** FCAI has a strong relationship with Accenture-Finland, which has the ability to provide high-end services and technical support to potential investees in areas such as digitisation, IT, cybersecurity and technological advancement.


 **International Labour Organisation (ILO):** Given the solid expertise ILO has in "market system analysis" and training for financial service providers operating in the private sector development field, ILO and FCAI have been sharing their experience in challenging contexts (especially in Somalia and Uganda) as both have similar objectives associated with SME's development and capacity building.


Collaboration in the area of advisory services, risk management, and market studies


 **C4D Partners:** FCAI and C4D have an agreement to share their knowledge and expertise in SME's funding. Since 2019, C4D has been of tremendous help to FCAI by providing valuable advice to improve FCAI's in-house capacity relating to ESG integrating, portfolio management, and valuation.


 **IFC:** Since 2018, FCAI has coordinated its plans closely with International Finance Corporation (IFC), especially with their FCS (fragile & conflict affected states) program. FCAI has also received support from IFC especially related to ESG management and compliance with IFC performance standards.

 **MIGA:** In 2020, the Multilateral International Guarantee Agency (MIGA) reached an agreement with the Federal Government of Somalia to reopen its political risk insurance (PRI) facility, and that encouraged FCAI to engage with MIGA to mitigate the country risk and advance its activities in the country. FCAI has already made an application late in 2020 to receive MIGA's PRI facility for its potential investments in Somalia. The application included two investments totalling €1.4m (a fishery company and an ice-cream manufacturer and distributor) and the due diligence process is ongoing.

 **IsDB:** As all investments in Somalia have to be Shari'a compliant, FCAI has been working with the Islamic Research and Training Institute (IRTI), part of the Islamic Development Bank Group (IsDB), to ensure that FCAI's investment instruments and contractual agreements in Somalia are in-line with Shari'a requirements. After thorough discussions and close engagement, both parties have signed an agreement to allow IRTI to provide Islamic-finance advisory services to FCAI related to its investment activities in Somalia.

 **Finnpartnership:** Finnpartnership is a key partner in conducting market studies and launching innovative ideas in target countries. Finnpartnership partially funded a market mapping study to assess the feasibility of FCAI's activities and the best implementation modalities to ensure effective and impactful interventions in Somalia.

 **OECD:** FCAI is part of the Community of Practice on Private Finance for Sustainable Development (CoP-PFSD) emphasises blended finance approaches. The objective of the CoP-PFSD is to enhance the ability of DAC members to mobilise private sector resources through blended finance approaches and stimulate impactful investments in the SDGs.

 **Advisory group (AG):** To be more efficient and augment expected impact in destination countries, FCAI launched its Advisory Group (AG) in late 2018. The group serves as a supply vehicle to facilitate the donation of skills from Finnish experts and companies. These sets of skills would complement FCAI's internal resources for the provision of technical assistance to prospective investee companies and later add to the portfolios of SMEs in their target markets. AG functions as a technical advisory body of FCAI by providing inputs on technical assistance matters.

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**MAKING FUNDING AND SKILLS AVAILABLE
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IN LOW INCOME COUNTRIES.**

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