

Leveraging additional investment through Finland's development cooperation

Finland's development cooperation has helped leverage additional public and private investment in selected cases, but the review shows that such results are not automatic. Investment is mobilised when public support reduces barriers, prepares bankable projects, strengthens local systems and connects key actors early. The strongest results have come where Finland has combined long-term development cooperation, technical expertise, diplomatic engagement, development finance, EU and multilateral resources, and Finnish private-sector know-how into a coherent pathway.

The key message is therefore simple: Finland can help turn development needs into investment-ready opportunities, but this requires strong project preparation, clear additionality and sustained follow-up. Mobilising finance should not be treated as an end in itself. The real test is whether public support changes the behaviour of investors, companies and public institutions, and whether this leads to sustainable development results in partner countries.

What Finland brings to investment mobilisation

Finland has a broad range of instruments and channels to support investment. Finnfund provides development finance for private-sector investments in developing markets, while Finnpartnership helps companies explore new opportunities through feasibility studies, partner searches and pilots. Blended finance funds attract additional investment through concessional public finance, and the Public Sector Investment Facility supports infrastructure projects involving Finnish suppliers. Embassies, Team Finland and Ministry for Foreign Affairs' services help navigate local institutions and opportunities, while EU Global Gateway and Team Europe provide access to larger European investment initiatives. Bilateral and regional cooperation help create the conditions that make investment possible through stronger institutions, systems, skills and standards.

These instruments do not all do the same thing, and they should not be judged by the same criteria. Some mobilise capital directly. Others prepare the ground for future investment. Others open doors, reduce information gaps and build trust. The review found that Finland's added value is greatest when these roles are clearly understood and effectively sequenced.

Evidence of what works in practice

Finnfund provides the clearest evidence of direct private-capital mobilisation. In 2024, it reported private mobilisation equal to 58% of new investment decisions, made up of 12% direct mobilisation and 46% indirect mobilisation. It also raised almost EUR 200 million in private capital through green and sustainable bonds. Beyond the numbers, Finnfund can have a strong signalling effect by increasing investor confidence in project quality, governance and risk management.

Finnpartnership plays a different role. It does not finance large investments but helps companies assess business opportunities. Follow-up data from projects approved in 2019–2021 shows that, four years after grant decisions, 21–33% of supported projects had led to further company investment. The average post-project investment was around EUR 240,000, with the largest reaching EUR 2.4 million. In Vietnam, some supported Finnish companies established or expanded local operations and created jobs. In other cases, companies chose not to proceed. This should not necessarily be viewed as failure, as early-stage support can prevent unviable investments and redirect resources elsewhere.

Investment also depends on institutions and partnerships

The review also shows that investment leverage is not only about financial instruments. Long-term institutional cooperation can unlock local investment by improving the conditions under which people and firms operate.

In Ethiopia, Finland's support to rural land administration helped strengthen registered land-use rights. These rights are increasingly being used as collateral for loans. By June 2023, the national rural land administration information system had supported 50,865 registered mortgages, with a loan value of around USD 30 million. This is a strong example of how grant-funded development cooperation can improve access to finance and support rural investment without directly financing businesses.

Embassy facilitation can also be decisive. In Vietnam, a Finnish Embassy grant of under EUR 100,000 supported waste analysis for a municipal waste-to-energy project. This helped pave the way for a locally financed private investment of around USD 75 million. The company involved valued not only the grant, but especially the Embassy's support in dealing with regulatory issues and engaging public authorities. In Ethiopia, Embassy engagement helped bring together a telecom operator, Finnish supplier interests, the EU Delegation and European financiers around a Global Gateway telecommunications investment. These examples show that relatively small public inputs can unlock larger opportunities when they are targeted and timely.

What needs to improve

The main constraint is not a lack of instruments. Finland already has many. The bigger problem is that they are not yet connected into a clear pathway from early opportunity identification to bankable investment. Too often, a gap remains between feasibility studies and the financing needed for scale-up. This "missing middle" is particularly difficult for small and medium-sized enterprises (SMEs) for a range of reasons, including limited time, capital and administrative capacity to remain engaged through lengthy public-sector, EU or international financing processes.

Project preparation is therefore critical. Investment opportunities require thorough preparation, including demand validation, feasibility analysis, partner identification, financial structuring, safeguards and consortium building. Coordination helps, but it alone does not make projects bankable. Opportunities must be actively prepared and advanced from one stage to the next.

Why additionality matters

Additionality also needs to be clearer. Public development finance should be used where it addresses a real barrier or market failure. The key questions are whether public support is necessary, what risks it reduces, whether the finance is genuinely additional, what development results are expected, and who benefits. Mobilised finance alone is not proof of development impact.

The review also stresses the need to report different forms of finance separately. Investment packages may combine EU funding, development and commercial finance, and private capital. These are not the same. Co-financing is not always mobilisation. Development-bank finance is not the same as private capital. A Finnish supplier contract is not the same as Finnish investment. Clearer reporting would make Finland's contribution more credible and easier to explain.

For Finnish SMEs, a more practical route into investment opportunities is needed. Many SMEs cannot lead large Global Gateway or Development Bank projects, but they can contribute as specialist suppliers, subcontractors, consortium members or technology providers. This requires early information, matchmaking, support for consortium formation, workable financing arrangements and stronger links between existing support instruments. Without this, many opportunities will remain accessible only to larger firms with the capacity to manage long preparation and bidding cycles.



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