Ministry for Foreign Affairs of Finland

Reviewing how Finland is linking development finance, investment and economic partnerships for sustainable results

Trade and investment are becoming more prominent in development policy

International development cooperation is undergoing a **profound transformation**. Public development budgets are tightening globally while financing gaps for the Sustainable Development Goals continue to grow. Finland and other donor countries increasingly seek stronger links between development cooperation, trade, investment and economic diplomacy. At the same time, development cooperation should maintain a clear development focus, respond to partner-country needs, respect human rights principles and contribute to sustainable development.

The Review examined how Finland's development policy and cooperation have promoted trade and investment, what changes have resulted in partner countries and in Finland's bilateral economic and commercial relations, and to what extent development support for trade and investment has generated development effects.

Policy emphasis creates opportunities and requires a strategic approach

The Review finds that Finland's policy emphasis on trade, investment and private sector engagement creates opportunities, but also calls for clearer choices, stronger implementation capacity and better evidence of what public support actually achieves.

The current policy framing has increased **coherence** at the policy level, but the coherence remains uneven. Development policy has moved closer to trade and investment promotion, while trade and investment promotion continues to focus primarily on Finnish competitiveness and market access rather than partner-country development. The issue is not whether Finnish interests should be present, but how they should be balanced with development objectives.

The central message is not that Finland should add more instruments or attach commercial objectives to all development cooperation. Rather, Finland should use its **existing instruments** more strategically, distinguish more clearly between different types of results, and focus efforts where development, trade and investment objectives genuinely reinforce each other.

Implementation is still catching up: Finland needs a clear operating model

The Review finds that Finland has not yet translated this policy shift into a clear **operating model**. There is no shared results framework explaining how public interventions, Finnish participation, private finance, partner-country economic change and development outcomes are expected to connect. As a result, actors across the Ministry for Foreign Affairs, agencies and financing institutions may interpret the agenda differently.

Finland needs a **clearer development–trade–investment framework**. Concepts such as Aid for Trade, private sector engagement, investment mobilisation, blended finance, Finnish interests, Finnish content, additionality, and development effects should be clearly defined and applied consistently. Without this clarity, financing volumes, Finnish participation, procurement, mobilisation and development effects risk being treated as if they were the same type of result.

Results are positive but modest and selective

Finland's contribution to trade and investment is clearest at the level of specific firms, transactions, value chains and institutions. It is not visible in aggregate national trade or investment statistics.

In trade, Finland's contribution is largely indirect. Support to land administration, digital systems, standards, traceability, public services, taxation, regional cooperation and institutional capacity can reduce barriers over time, but these effects are not always easy to quantify or attribute.

For partner-country actors, the clearest market-access benefits arise where Finnish support strengthens standards, certification, traceability or regulatory compliance. Ethiopia's coffee-sector preparedness for the EU Deforestation Regulation is a good example. Finland's long-term support to land administration is now relevant not only for land rights, but also for traceability, access to finance and EU market access.

For Finnish companies, **market-access effects** are more visible. Finnish support has opened opportunities through partner-country governments, EU and International Financial Institution programmes, UN innovation platforms and locally financed projects. However, these opportunities mainly benefit firms that can engage early, remain involved throughout lengthy preparation processes and combine their own capacity with public-sector facilitation.

The Review therefore concludes: Finland has made a **positive contribution, but the overall scale of results remains modest**. The strongest results occur where partner-country demand, Finnish expertise, public-sector facilitation and a viable financing or procurement pathway align.

Public development finance matters most when it adds something extra

Finland uses several channels for supporting or catalysing investment. The strongest evidence of **private-capital mobilisation** comes from Finnfund. It has performed well compared with peer development finance institutions and has developed mechanisms that attract additional finance. Its contribution extends beyond capital: participation by Finnfund can strengthen confidence in project governance, risk management and environmental and social standards.

Finnpartnership plays a different role. It helps Finnish companies enter developing markets through feasibility studies, partner searches and pilots. This support has helped some companies invest or establish operations, especially in Vietnam. However, many supported activities remain at the feasibility or pilot stage, and the transition from early grant support to larger-scale finance remains weak.

Blended finance can **mobilise investment**, but results vary. Reported leverage ratios should be interpreted carefully. 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.

The key issue is **additionality**. Public development finance should be used where it addresses a real market failure, reduces a barrier that would otherwise block investment, or generates development outcomes beyond normal commercial activity. Mobilised finance alone is not evidence of development effectiveness.

The Review therefore recommends clearer reporting of different types of finance and development benefits. This would strengthen transparency, credibility and learning.

Long-term partnerships deliver the strongest results

Some of the strongest examples come from **long-term cooperation** rather than short-term investment promotion. Finland's support for land administration in Ethiopia (REILA) shows how sustained engagement can contribute to rural finance, investment, livelihoods and trade compliance. Meteorological cooperation shows how institutional expertise, Finnish technology, concessional finance and embassy support can build public-service capacity with both development and commercial relevance.

These examples show that investment is not only mobilised through finance. It is also enabled by trusted institutions, reliable data, functioning public systems, clear rights, standards, skills and regulatory capacity.

This has important policy implications. If Finland reduces bilateral cooperation and support for **enabling environments** too far, it may weaken the very foundations on which the most credible development, trade and investment effects have been built.

EU Global Gateway and Team Europe can multiply Finland's reach, but they do not fully replace Finland's own country-level knowledge, institutional relationships and ability to support locally owned solutions over time. The strongest future results are likely to come from **combining** EU and multilateral opportunities with sustained Finnish expertise and field presence.

The missing link is project preparation

The Review identifies a persistent gap between early opportunity identification and bankable projects. Finland has instruments for feasibility studies, investment finance, export credit and diplomatic facilitation, but **connections** between them remain weak.

Promising ideas often require demand validation, technical design, financial structuring, environmental and social assessments, legal analysis, partner identification and consortium building before they can attract finance. This work is time-consuming and expensive. Without this preparation, many opportunities remain at the stage of dialogue, pilots or project concepts.

This is especially important for EU Global Gateway and Team Europe. These initiatives create larger opportunities but also require **stronger national capacity** to originate and prepare projects. Finland needs to engage early, shape project concepts, identify credible demand, mobilise Finnish and European expertise, and carry opportunities through to financing and implementation.

The Review also highlights a **missing middle** for small and medium-sized enterprises (SMEs). Finnpartnership can support early-stage exploration, while Finnfund, Finnvera and financing from international financial institutions (IFIs) generally require larger and more mature transactions. Many SMEs cannot bridge this gap alone. They need practical entry points into larger projects as consortium partners, subcontractors, specialist suppliers or technology providers.

Team National needs a clearer delivery role

Finland is also developing a Global Gateway-oriented **Team National approach**. This could strengthen coordination between the Ministry for Foreign Affairs, public agencies, Finnfund, Finnvera, companies and other stakeholders, including organisations outside the Team Finland network. However, the Team National is still taking shape. Roles, information flows, project ownership and implementation responsibilities are not yet sufficiently clear.

The Review suggests that Team National should become **operational**. This means focusing on a limited number of country-sector pilots where four conditions align: credible partner-country demand, a significant development or investment gap, relevant Finnish or European expertise, and a realistic financing pathway. Each pilot should have a named case owner, clear decision points and defined responsibilities.

Coordination alone is not enough. Team National will only add value if it helps move concrete **opportunities** from concept to preparation, financing, procurement and implementation to tangible results.

Development effects are strongest when the development problem is explicit

The Review found **meaningful development effects** in selected cases. These include jobs, improved access to finance, stronger public services, digital connectivity, climate-related benefits, improved learning outcomes, more responsible value chains and better productive capacity.

However, development effects are strongest when interventions are designed around a specific **development challenge** and integrate human rights principles and cross-cutting objectives from the outset. In company-led activities, these issues are often addressed through due diligence and risk management, but less often through deeper analysis of participation, inclusion, distributional effects or benefits for people in vulnerable situations.

Climate and environmental objectives are relatively well aligned with Finnish business strengths and investment demand. Gender equality, disability inclusion and the

Leave No One Behind principle require more deliberate attention, especially as business-oriented activities often concentrate in middle-income countries.

The implication is that **the development–trade–investment nexus should not be applied everywhere**. It should be used where it can generate development additionality. Other forms of development cooperation, including civil-society, humanitarian assistance, peacebuilding, governance and rights-based work, should continue to be assessed against their own primary development purposes.

What should change?

The Review points to a practical reform agenda. The aim is to make the existing system clearer, more focused and more results-oriented. The Review recommends that Finland should:

1. **Define the development–trade–investment nexus in operational terms.** Clarify when the nexus is relevant, what purpose it serves, and what results should be expected.
2. **Create one lightweight national portfolio and pipeline.** Use a practical management tool to track strategic opportunities, responsible actors, financing pathways, expected results and next steps.
3. **Invest more systematically in project preparation and the missing middle.** Strengthen support for project development, partnerships and progression to larger-scale financing.
4. **Protect a focused foundation of enabling-environment cooperation.** Maintain support in areas where Finland has proven expertise and long-term added value.
5. **Strengthen results management, additionality assessment and risk learning.** Improve reporting and use both successes and failures as evidence for learning and decision-making.

Methodology

The review covered **2019 to 2025** and employed a **mixed-methods**, participatory and utilisation-focused approach to support both accountability and learning. It combined policy, programme, financial and portfolio analyses with extensive stakeholder engagement.

Evidence was gathered through a desk review, 160 interviews and consultations, field missions to Ethiopia and Vietnam, interviews with Finnpartnership-supported companies, outcome harvesting, investment-facilitation case studies and analyses of selected countries, instruments and initiatives.

Acknowledged limitations: Trade, investment and development outcomes are shaped by many factors beyond Finland's support, making it difficult to attribute results directly to individual interventions. Evidence was also constrained by gaps in data on private investment and company-level results, while many investment-related initiatives remain at an early stage and their impacts have yet to fully materialise. In addition, the review relied primarily on interview-based evidence and purposive sampling rather than statistically representative data.

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For the full evaluation report and other materials, please visit:
https://um.fi/development-cooperation-evaluation-reports-comprehensive-evaluations