Public report: 2025/26 Evaluation of Finnfund and Finnpartnership for the Ministry for Foreign Affairs of Finland

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Executive Summary

The 2025/26 external evaluation was commissioned by Finland's Ministry of Foreign Affairs of Finnfund, Finland's Development Finance Institution which provides loans, guarantees or equity to private sector businesses in emerging markets while serving Finnish interests, and Finnpartnership, a programme that aims to increase the involvement of Finnish companies in emerging markets through the provision of grants and other means. Last evaluated separately, in 2018 and 2012 respectively, this evaluation covers both entities. The evaluation period is 2019-2025.

The evaluation is expected to: (i) aid the preparation of the trade and development policy of the next Finnish government; (ii) support the possible transfer of Finnpartnership to a Finnfund subsidiary foreseen in 2026 (subject to approval of a draft revised Finnfund Act); (iii) provide input for the Ministry of Foreign Affairs in its ownership steering; and (iv) support the Finnfund Board and management in developing appropriate management strategies.

The three main questions of the evaluation are: How well do Finnfund (FF) and Finnpartnership (FP):

1. Align strategy with action, and does their strategy and action align with policy? In other words, how well do they do what they are supposed to do?
2. Realise their potential for value creation (principally, delivering development impact and serving Finnish interest) for domestic and international stakeholders?
3. Have the structure, resources and processes in place for efficiency and effectiveness?

The evaluation was required to be forward-looking, and recommendations to be made with a view on how to strengthen Finnish agency on the international scene. Support for Ukraine has been addressed at the portfolio level, but it is too early to assess project-specific results from the stepped-up support, and therefore this was not included in the evaluation.

The evaluation noted that Finnfund is the main vehicle available to the state of Finland to directly support the growth of a sustainable and responsible private sector in developing countries/emerging markets that: (i) directly delivers development impact via private sector companies operating in those markets; (ii) helps create markets and crowd in private capital through demonstrating that sustainable and responsible investing can be profitable in emerging markets; (iii) supporting and facilitating engagement between Finnish companies and those in emerging markets to the mutual benefit of both; (iv) improves environmental, social and governance standards in emerging market companies (including promoting inclusivity and gender equality); and (v) creating high reputational value for the government and people of Finland. All this while being financially self-sustaining thus operating at no cost to the people of Finland.

Regarding Finnpartnership the evaluation noted that the Business Partnership Support has been valuable and critical for companies which want to expand their businesses to emerging markets. As a business support instrument, it is not overlapping with any other Finnish support schemes. Especially now when other support instruments for internationalization efforts for small and medium enterprises have been closed at Business Finland, Finnpartnership's role is more important than ever in helping Finnish companies (particularly small and medium enterprises to enter demanding emerging markets.

Aside from the above, the evaluation also concluded the following:

Conclusions applicable to Finnfund only

1. Finnfund is the main vehicle available to the state of Finland to directly support the growth of a sustainable and responsible private sector in developing countries/emerging markets.
2. Finnfund has coped admirably well in very challenging times for emerging market private sector investing activity.
3. Over the evaluation period, both the objectives of Finland's development policy, and consequently the political guidance and objectives set for Finnfund, as well as the financing model have changed significantly. Finnfund's evolving strategy has adjusted well to changing government priorities expressed in Ownership Steering Memoranda and its actions have generally followed strategy. It has delivered well on its mandate.
4. Finnfund is significantly constrained in its ability to realise its potential to create value from its balance sheet because of uncertainty regarding the owner's future equity contributions.
5. Finnfund has shown commendable ability to create and manage the Digital Access Impact Fund for which the state's contribution of EUR 40 million as anchor investor was crucial.
6. Current steering and Finnfund's own strategy indicate that Finnfund should focus more on profitability.
7. Risk management in Finnfund is sound, though continued strengthening is always required.
8. Guarantees have proved to be useful in helping Finnfund deliver on its development impact mandate and resolve the tension between risk taking and being profitable.
9. Assuming funding constraints are resolved, Finnfund can realise its strategic ambition to grow its business.
10. Finnfund is a trusted and respected partner, and it excels in environmental and social considerations, and impact assessments and advisory.
11. Finnfund has a well-developed process of assessing development impact and additionality, yet the categories of additionality claims could be extended and the articulation of additionality in documents improved.
12. Finnfund has some of the elements in place to be a learning and knowledge organisation but steering and Finnfund's own strategy recognise that more needs to be done. The evaluation supports this while recognising current budget constraints.
13. Finnfund does an excellent job of mobilisation of private finance for funding its investing activity.

Conclusions applicable to Finnpartnership only

14. Finnpartnership has created added value to companies and has a good position in the Finnish public support system advancing Finnish companies' early steps in emerging markets.
15. There is good potential to increase the size of the Finnpartnership programme.
16. The strategic steering for Finnpartnership could better reflect the long-term needs of companies.
17. Finnpartnership should pay greater attention to the capabilities and competencies of companies for future business growth.
18. The Finnpartnership granting process is too bureaucratic and too slow, particularly in relation to the size of grants available – this to a level that prevents some companies from applying.
19. The development objectives of Finnpartnership grants should be driven by creating sustainable businesses.

Conclusions applicable both Finnfund and Finnpartnership

20. The strategic priority to increase benefits for Finnish businesses from both Finnfund and Finnpartnership is a good direction though fulfilling it for Finnfund is more complex to realise.
21. The new tasks set for Finnfund and Finnpartnership to increase Finnish business benefits are still at the piloting phase, with the benefits for Finnfund not yet being clear, and the activities had not yet been sufficiently resourced.
22. Global Gateway activities have been beneficial for both Finnfund and Finnpartnership.
23. Finnfund's and Finnpartnership's role at Team Finland network is clear and appreciated.

Recommendations made by the evaluation include:

For Finnfund

1. Further equity should be provided to Finnfund to support its future growth.
2. It is recommended that the Ministry of Foreign Affairs shows willingness to support Finnfund by acting as anchor investor in any new funds managed by FF.
3. It is recommended that Finnfund place increased emphasis on its own profitability.
4. It is recommended that Finnfund should resource its own plan for strengthening risk management in 2026 and consider extending its planning horizon for further strengthening risk management.
5. Given the highest priority given by the government to supporting Ukraine and the difficulty faced by Finnfund in finding opportunities in Ukraine that do not pose excessive risk to Finnfund even with a maximum of 80% guarantee, it is recommended that the maximum level of guarantee provided to operations in Ukraine be raised to 100%.

6. It is recommended that Finnfund should find viable ways to establish a field presence with country and/or sub-regional/regional responsibility in core markets and give consideration to planning for new growth sectors and perhaps having a greater concentration of business in a group of core countries.
7. It is recommended that Finnfund maintain its level of attention to environment and social considerations, and impact in its investment process and during portfolio management and ensure in-house expertise in these fields remains at high level. More attention should be paid on developing the requirements of development finance institution investor groups to be aligned with each other to decrease the burden of reporting from the investees.
8. It is recommended that Finnfund improve its articulation of its additionality in investment memoranda and review reports and consider expanding its potential sources of additionality.
9. Building on existing learning and knowledge management activities, it is recommended that Finnfund develop a multi-year plan for strengthening learning and knowledge management and possibly establishing a fit-for-purpose evaluation function.

For Finnpartnership

10. Finnpartnership's Business Partnership Support grant instrument should continue to exist.
11. Finnpartnership's grant making process needs to be revamped.
12. Finnpartnership should pay more attention on business growth of companies which receive support.
13. The monitoring of environmental and social effects of higher risk Finnpartnership projects should be strengthened.

For both Finnfund and Finnpartnership

14. The focus on Finnish business interest should continue but careful coordination is needed to design the tasks assigned to Finnfund and Finnpartnership.
15. Both Finnfund and Finnpartnership should continue with a proactive role within European Union Global Gateway umbrella and taking note of future changes and European Union structures. The priorities, roles for both and synergies of operations between Finnfund and Finnpartnership with Global Gateway need to be clearer.

1. Introduction

This is the Draft Final Report for the 2025/26 external evaluation commissioned by Finland's Ministry of Foreign Affairs (MFA) of Finnfund (FF), Finland's Development Finance Institution (DFI) which provides loans, guarantees or equity to private sector businesses in emerging markets while serving Finnish interests, and Finnpartnership (FP), a programme that aims to increase the involvement of Finnish companies in emerging markets through the provision of grants and other means. Last evaluated separately, in 2018 and 2012 respectively, this evaluation covers both entities. It also considers Finnish interest, which has always been present, but which has gained increased importance in the current Cabinet period. The evaluation period is 2019-2025.

This public version of the report has commercially confidential/trade secret information redacted.

1.1. Evaluation's rationale, purpose and objectives, scope, and evaluation questions

The evaluation is expected to: (i) aid the preparation of the trade and development policy of the next Finnish government; (ii) support the possible transfer of FP to a FF subsidiary foreseen in 2026 (subject to approval of a draft revised Finnfund Act); (iii) provide input for the MFA in its ownership steering; and (iv) support the FF Board and management in developing appropriate management strategies. As such, the principal audiences for the evaluation are ministers and other parliamentarians, MFA in its role as shareholding ministry for FF and being responsible for Finland's overseas development assistance (ODA) policy and its implementation, and the FF Board and management (to which can be added FP steering group and management). This evaluation does not consider FF in Ukraine at results level as the programme is young while FP's extensive role in the Ukraine reconstruction programme is taken into account where relevant.

The three main questions are: Do FF and FP:

1. Align strategy with action, and do strategy and action align with policy?
2. Realise their potential for value creation for domestic and international stakeholders?
3. Have the structure, resources and processes in place for efficiency and effectiveness?

1.2. The evaluation approach, methods and limitations

Mixed methods were used to address the core evaluation questions, including the following:

1. Interviews and data gathering from FF and FP
2. Reviewing relevant documents
3. Field visits to conduct case studies of 12 FF and 6 FP transactions in three countries – Kenya, Uganda and India.
4. Interviews with companies and different collaborators and stakeholders
5. Benchmarking of specific issues with other DFIs
6. Light analysis of approvals and the portfolio over the evaluation period 2019-2025.
7. Survey with FF and FP staff

The **FF case studies** were selected from countries where FF has been most active over the evaluation period, as well as being representative of core sectors and the main instruments deployed, while being doable with the resources available. The **FP case studies** were selected from the same countries, focusing on projects that had on-going activities that could be visited. There were 12 FF case studies and six FP case studies

At the time of writing the ToR, the assumption was that the new FF Act would have been accepted and would have provided the backbone for the evaluation against which to draw recommendations for the future. The new act was not yet approved at the time of the evaluation, and the evaluation did not speculate what might happen if the act does not pass. Conclusions and recommendations are drawn based on the assumption that the act will pass as written in the February 2026 draft. The latest public version of the new FF Act from June 2025 is available at Lausuntopalvelu. Core content relevant for the evaluation in the latest version is the same as in the public version.

2. Background and context

2.1. The global context

The evaluation period of 2019-2015 was a particularly turbulent time to be an impact investor in emerging markets. Some of the major global events that influenced FF and FP operations and performance over the last seven years include:

- The Covid-19 pandemic that struck in 2020 strongly affecting global investment and business activity, and for FF it delayed exits from equity investments. Additionally, FF along with other development financiers pivoted rapidly to support existing clients who were facing hardship. For FP, the pandemic meant a large share of projects being cancelled or delayed, and fewer new applications received during the pandemic years.
- The full-scale Russian invasion of Ukraine on 24 February 2022 started a war that is now in its 5th year. That had and continues to have regional and global effects on emerging market investment activity generally. It also had a direct effect on FF and FP as government policy required both entities to put a special focus on support for Ukraine.
- Major largely unexpected trade, exchange rate and other shocks to the global world order and the field of development cooperation from the assumption of office of the current United States (US) administration in early 2025.
- These and other factors caused significant macroeconomic pressures, including severe forex volatility and outflow of capital in key FF markets during the evaluation period. Thus, the operating environment for Finnfund's portfolio companies became more challenging. This has been particularly visible in FF's forestry sector portfolio, which is particularly exposed to commodity price movements.

Clearly, this context has had a very significant impact on FF. It has had to adapt and adjust to a wide range of unexpected events, and it has done so remarkably well given its size and the resources it has available. The global context continues to be challenging (as faced by other DFIs also) and this will call for continued agile management by FF.

There has been a significant decline in official development assistance (ODA) as well as Finland's bilateral aid programme. This makes an entity such as FF that is self-supporting and which mobilises private sector funding for development impact even more relevant.

2.2. The policy context

The evaluation period covers two cabinet periods. A change of government following the 2023 election led to a revised development cooperation policy.[1] Significant changes relevant to FF and FP are:

- Focusing aid more on supporting trade, increasing private sector participation in development cooperation and its funding, and a greater emphasis on the Finnish private sector deriving benefit from development cooperation, particularly small and medium enterprises (SMEs) that are ready for internationalisation.
- A focus on partner countries considered as growth markets of the future
- A focus on export opportunities for Finnish technology and expertise
- An increasing share of activities to focus on Ukraine.

Policy changes relevant to Finnfund

Much OSM content has remained relatively unchanged over the evaluation period, but some changes or greater emphasis in current steering are noted below.

- FF's most central task is to create and develop economic activity in developing countries with its financing by investing in companies operating sustainably and financially profitably in those countries. Finnfund's funding addresses market deficiencies in developing countries and complements private financing. At the same time the company leverages other funding.
- FF is guided to pay specific focus on reaching financial self-sufficiency
- FF should expand the geographical coverage of the investments, if needed. Africa is no longer mentioned as a geographical focus area for FF
- FF is to prioritize sectors where FF and Finland have special internationally acknowledged expertise, and where funding can be leveraged for other initiatives important to Finland.
- Support for the development of Ukrainian private sector was added.
- FF must ensure it has the expertise and tools for stronger risk management.
- FF is also expected to develop and systemise reporting on Finnish companies' participation in FF projects.
- FF is a key player for Finland in the implementation of the EU's Global Gateway initiative and FF must also continue to mobilise financing from EU channels.
- FF must further develop and strengthen the monitoring of the actual development results of its investments and the implementation of its evaluation policy.
- In addition to monitoring development impacts, FF must analyse how it can better achieve development impacts, identifying factors for success and challenges, and improve project, sector and portfolio performance through learning.
- Finnfund is encouraged to mobilize private capital

[1] Finnish Government. 2024. *Report on International Economic Relations and Development Cooperation*. Helsinki.

Policy changes relevant to Finnpartnership

The major event for FP during the evaluation period has been the renewal of the programme service contract through an open public tendering process in 2021. The new programme period which started in 2022 and was extended in 2024 until 2027 has set higher ambitions for the programme.

Legal changes

A major process affecting the evaluation is also the renewal of the law directing FF operations. The existing FF law is old dating back to 1979 when Finnfund was established. Also, since 2006, MFA has outsourced certain tasks to FF through a commissioning agreement related to the FP programme. The outsourced tasks have included public administrative duties, the transfer of which must, according to Section 124 of the Constitution, be regulated by law. FP programme cannot continue in the current format due to this inconsistency with law.

The draft of the new FF Act[2] has proposed that Finnfund Oy would become a group with a parent company engaged in commercial activities and a subsidiary handling public administrative task ("Finnpartnership Oy", FP Oy). The subsidiary would manage state aid grants and also manage other public tasks related to private sector development cooperation.

2.3. About Finnfund and its evolution 2019-2025

FF is the main vehicle available to the state of Finland to directly support the growth of a sustainable and responsible private sector in developing countries/emerging markets that: directly delivers development impact via private sector companies operating in those markets; helps create markets and crowd in private capital through demonstrating that sustainable and responsible investing can be profitable in emerging markets; supporting and facilitating engagement between Finnish companies and those in emerging markets to the mutual benefit of both; improves environmental, social and governance standards in emerging market companies (including promoting inclusivity and gender equality); and creating high reputational value for the government and people of Finland. All this while being financially self-sustaining thus operating at no cost to the people of Finland.

There have been a large number of positive developments in terms of policy and strategy development; fund raising; joining international agreements and adopting international statements and principles; firsts in terms of sector investments and data reporting, the first establishment of a regional office, first external member of the FF investment committee appointed; passing of EU pillar assessment and success in accessing EU guarantees, first for Africa and then extended to global coverage among other milestones.

A description of DFIs, and how FF fits among other bilateral DFIs is shown in Box 1 below.

Box 1: Brief introduction to DFIs

Development Finance Institutions (DFIs) are financial entities that invest in public or private sector projects in developing countries to promote economic growth and development. Typically, the term **DFI refers to** bilateral government-owned entities that focus on investing in private sector companies in developing countries. Another group of DFIs are Multilateral Development Banks (MDBs), such as the World Bank (WB) or the Asian

[2] Latest public version from June 2025 available here: Lausunto - Lausuntopalvelu

Development Bank (ADB), that mainly invest in large public sector projects by providing loans. Their mandates, instruments and portfolios differ from those of bilateral DFIs.

DFIs provide loans, equity investments, and other financial instruments to private companies to stimulate sustainable economic growth, create jobs, and improve social outcomes. Compared to regular banks or many private investors, DFIs are driven by the aim of creating development impacts through their investments. However, DFIs are not philanthropic, but they aim to make a profit out of their investments. They are often ready to take more risk, have longer term focus on their investments or they may be able to provide financing on softer terms compared to traditional investors, but they are still meant to be financially profitable and additional to the financing available in the market.

Spending public funds, DFIs are meant to be additional. This means that their investments should bring some kind of value to the project that would not occur otherwise. There are several types of additionalities relevant to DFIs. *Financial additionality* occurs when a DFI provides financing when other investors wouldn't or where features such as longer tenor are not available in the market. *Value additionality* can be e.g. expertise offered that strengthens the viability or responsibility of the project that wouldn't occur otherwise. *Development additionality* refers to creating development impacts that wouldn't materialize without the DFI's involvement. DFI investments also often aim to be *catalytic*, i.e. they mobilize private investments that would not have been invested without the DFI's anchor investment.

Typical financing instruments of DFIs:

- **Equity**: purchase of shares in a company, leading to partial ownership of the company.
- **Loan**: lender (DFI) provides funds to a borrower (company), who agrees to repay the principal amount plus interest over a set period.
- **Quasi equity (e.g. mezzanine)**: a hybrid financing tool bridging the gap between high-risk equity and low-risk senior debt.
- **Guarantee**: a legally binding contract ensuring that if a debtor fails to meet a payment or contractual obligation, the guarantor will cover the debt reducing risk for lenders/creditors, allowing borrowers to secure better financing terms.
- **Grant**: Non-repayable funding. Mainly used in small quantities to cover costs of activities required to meet the DFI requirements. Not available from all DFIs.

The *financing terms* offered by DFIs can be, but are not always, softer than those offered by other investors. E.g. for loans, a DFI can provide junior loans, meaning that the loans would be repaid only after other, more senior, debt commitments from other investors have been covered by the investee. DFIs also provide e.g. longer pay-back periods, instalment-free periods or lower interest rates compared to other investors in the market.

In addition, the *requirements* of DFI financing can differ from those of other investors. Financing can be tied to following strict environmental and social regulations or to creating development impacts that wouldn't occur otherwise. While these requirements should not compromise the financial profitability of the project, in some cases they may affect the short-term profitability of the project (for instance, due to additional resource needs). The additional requirements related to responsibility or impact can make DFI financing less inviting to companies that would have access also to financing from traditional commercial investors.

DFIs can *access capital* from different sources. Most national DFIs receive capital injections from their owners (states) in equity, while some source financing also from capital markets. When capital comes in the form of a loan (all capital from markets and sometimes also from owners), it has a price (interest) that needs to be paid to the borrower in addition to the loan repayment. The price of the capital invested affects the profitability requirements of DFI investments, as the cost of the investment rises with the price of the capital used.

Finnfund among bilateral DFIs[3]

There are 15 bilateral DFIs in Europe, Finnfund being one of them. Other bilateral DFIs include Development Finance Corporation (DFC) in the US and FinDev in Canada. The European DFIs collaborate through the Association of European Development Finance Institutions (EDFI) promoting interests of and sharing

[3] All figures from EDFI. Figures for FF may not be fully comparable to FF's own reporting due to differences in reporting methods.

information among the members of the association. EDFI members also have a joint EDFI Management Company, that provides financial services especially to the EU Global Gateway and other European initiatives.

FF is one of the smaller DFIs in Europe with a portfolio of EUR 1142 million compared to the EDFI average of EUR 3995 million in 2024, FF representing about 2% of the total EDFI's portfolio. Largest European DFIs compared in portfolio size are Proparco (France) at EUR 12 332 million, DEG (Germany) at EUR 11 566 million, BII (Great Britain) at EUR 11 073 million and FMO (the Netherlands) at EUR 10 516 million in 2024. Norfund is the largest Nordic DFI with a portfolio of EUR 3 665 million in 2024. FF's average project size is also at the lower end of the EDFIs at EUR 8 million in 2024 compared to the EDFI average project size of EUR 14 million.

For geographical coverage, FF has significant focus on Africa with a total of 51% of its investments in regional African or country specific projects in Sub-Saharan Africa, exceeded only by Norfund with 58% of its investments in Sub-Saharan Africa and SOFID (Portugal) with 78% of investments on the continent (SOFID's overall portfolio is the smallest among EDFIs at EUR 2 million). FF is also among the leaders in investments in fragile states as percentage of the total country-specific portfolio, having the third highest share at 16% of its investments in fragile states, exceeded only by Proparco (19%) and Swedfund (17%).

Regarding financial instruments, FF has more investments in equity and quasi equity (62%) compared to the EDFI average of 43%. For sectors, FF is the clear DFI leader in agriculture and forestry, with 22% of its portfolio there, followed by FMO and IFDK both at 13% when the investments funds have been distributed along with other investments. For currency, FF portfolio has slightly more investments made in USD (77%) compared to the EDFI average (68%).

2.4. About Finnpartnership and its evolution 2019-2025

The MFA launched the business partnership programme FP in June 2006. The administration of the FP programme has been outsourced to FF through a public procurement tender. The current agreement initially covered the period 2022-2024 and was extended in 2024 until the end of 2027.

FP provides advisory services and business development financing to Finnish companies in different phases of business development in emerging markets. In addition, the programme supports matchmaking between companies in Finland and in emerging markets and promotes developing country exports to Finland. Programme activities can be carried out in all the countries defined to be developing countries by OECD DAC and in all industries, depending on the demand from Finnish and partner country companies and other organisations doing business. FP promotes and supports specific themes such as the participation of companies in EU Global Gateway projects and the reconstruction of Ukraine.

The intended impact of the Programme is to accomplish economic development through supporting the private sector in emerging markets by creating jobs and by diversifying the production structure according to the principles of sustainable development. This is achieved through increasing commercial cooperation between companies in Finland and companies and other organizations in developing countries, especially in the least developed countries, and through encouraging long-term business partnerships.

Total volume of the programme has varied over the evaluation period total granted amounts ranging from just over EUR 2 million to more than EUR 7 million per year covering 50-80 new projects annually (without grants to Ukraine). Covid-19 affected the demand for financing, and the pandemic was still active in 2021 when the new programme period tendering process took place resulting an obvious discontinuation moment. For the new programme period starting in 2022, the ambition level of FP programme was substantially increased to get more projects, with larger project sizes, and with better development impacts. FP's role and additional funding from Finland's national plan for the reconstruction of Ukraine has played an important role in this. Total volumes of support granted have increased although without Ukraine the level has stayed about the same with a decline in 2025. The evaluation does not focus on the Ukraine reconstruction programme (it is considered too early to evaluate it) and does not present details on this, but the role of Ukraine programme has been taken into account where relevant. Especially with FP the role of the Ukraine programme is specified.

Other actions FP has taken over last years to meet the more ambitious goals include the increased marketing activities and collaboration in Team Finland (TF) network, efforts made to develop workshops for applicants, Global Gateway activities to actively support Finnish companies to seek funding opportunities from EU and UN programmes and from the beginning of 2025 the use of new innovation funding. The details of these actions are described in connection of the analysis in section 4.

3. Findings related to Finnfund

3.1. Alignment of strategy, action and policy

A core question for the evaluation is to consider the extent to which FF strategy aligns with action and whether strategy and action align with policy. Policy for FF is established primarily through the government's 2024 report on international economic relations and development cooperation (see footnote 1) and further elaborated in OSMs. The current OSM covers the whole government period (2024-2027). The FF strategy is established through periodic strategy documents the most recent strategy document was adopted in 2024.[4] The government's 2024 policy on development cooperation, the 2024-2027 OSM and FF's reporting against the indicators set in the OSM provide a framework for assessing the alignment between policy, strategy and action.

FF is uniquely placed as a publicly owned DFI working exclusively with the private sector in emerging markets, and with Finnish companies, to deliver on the government's policy to see greater private sector involvement in Finland's development cooperation programme. It is also strongly placed to focus on partner countries considered as growth markets of the future, to consider export opportunities for Finnish technology and expertise where relevant, and to help in the reconstruction and recovery of Ukraine as conditions allow.

The evaluation found that there is a strong alignment between policy guidance in the OSM and FF strategy in most areas. The only areas with less alignment are the education and health sectors, that have been encouraged but not obligated to be covered by FF. Not all areas of policy guidance have indicators associated with them, but where there are indicators, these generally show that FF actions are well aligned with policy guidance and its strategy. The main areas of divergence, where divergence occurred, were in the value of operations approved in Ukraine and the five-year moving average of return on equity. Strong performance was demonstrated in the areas of opening opportunities for Finnish companies, investing in the digital infrastructure and solutions sector and paving the way for increased future investment through establishment of the DAIF, climate investments, investments

[4] Reference documents are: Finnfund. October 2024. *Finnfund Strategy 2024-2027*. Otherwise known as Strategy 2024-2027 Background Document. Finnfund. Undated. *Finnfund strategy 2024 – 2027: Key priorities and targets*.

meeting the 2X criteria for gender, and mobilising EU funds.

3.2. Funding of Finnfund

FF is more reliant on debt financing than its Nordic peers. FF's 2024 balance sheet published in its annual report of that year shows EUR 533 million of long-term interest-bearing debt and EUR 37 million short-term interest-bearing debt. Of the long-term debt, EUR 340 million (64%) is accounted for by two subordinated convertible bonds provided by the Finnish state. Both have a loan period of 40 years, with the first 10 years being instalment (repayment) free with an interest rate of 0.5% for the first five years, after which the state could have adjusted the interest rate if it wished (the state has not adjusted the interest rate to date). The government can convert the debt in whole or part to equity whenever it wishes. The first convertible bond (EUR 130 million) was signed in 2016 and drawn down in 2017 so the repayment free period will end in 2027 at which point repayment will start unless converted earlier. Without conversion, this will see an outflow of EUR 4.7 million/year, almost equal to the government's most recent annual equity injection of EUR 5 million. The second loan (EUR 210 million) was signed in 2019 and drawn down in 2020 and 2021 so repayment of this loan will start in 2030 unless converted earlier. The combined repayment of the two loans will be EUR 11 million/year from 2030 if conversion does not occur at which point the government will be taking out twice what it puts into FF each year, assuming the current annual input of EUR 5 million remains as is. The balance of long-term interest-bearing debt shown in the 2025 balance sheet comprises a EUR 75 million sustainability bond issued in 2022 (now fully repaid), and a green private placement bond issued in 2023. New sustainability bonds of approximately EUR 200 million were issued in 2025.

FF is more highly geared than its Nordic DFI peers as shown in Table 1 and this would remain true even if 100% of the state's convertible bonds are converted to equity.

Table 1: Comparative debt and equity ratios for Nordic DFIs

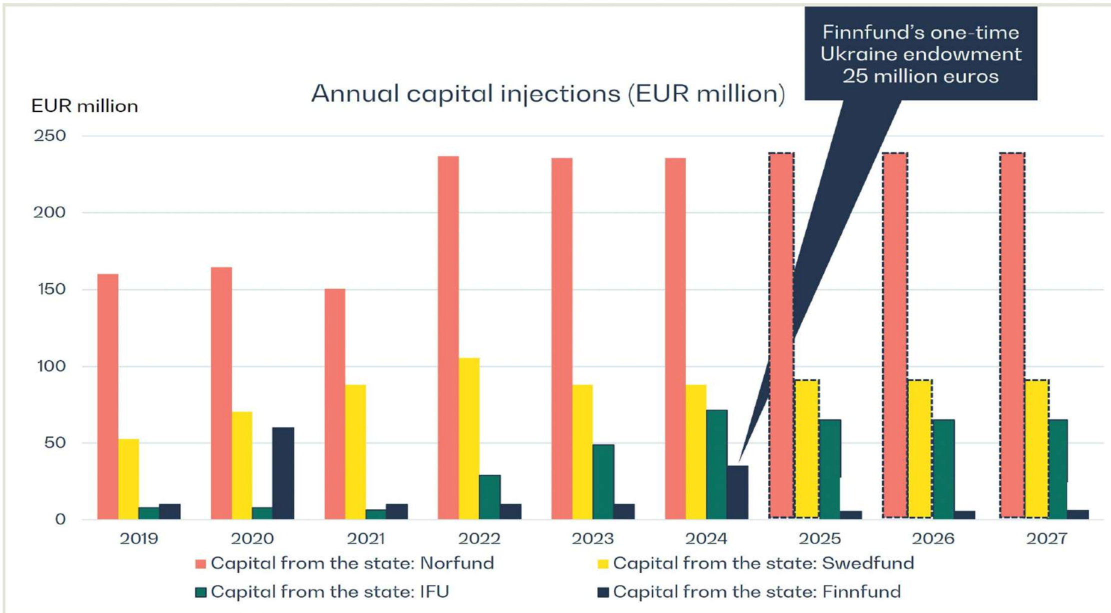
DFI	Equity ratio	Debt to equity ratio
Impact Fund of Denmark	78%	28%
Swedfund	95%	0%
Finnfund (without conversion)	39%	151%
Finnfund (with full conversion)	64%	50%

Sources: 2025 Annual reports of Impact Fund Denmark, Swedfund and Finnfund (covering the 2024 year)

Meanwhile, the government reduced its previously regular annual equity contribution from EUR 10 million per year to EUR 5 million per year in 2024 despite committing to EUR 10 million per year in its 2024-2027 OSM as noted earlier (while making a one-off EUR 25 million equity injection for operations in Ukraine). The Finnish government's annual contribution is much less than that of Nordic peers (see Figure 1).[5] With an interest expense of EUR 16 million in 2024, FF's relatively high indebtedness may affect FF's profitability in the future if the convertible loans are not converted.

[5] Finnfund and KPMG. 2024. *Finnish companies and Nordic DFIs: Findings from a 2023 KPMG study*.

Figure 1: Annual capital injections in Nordic DFIs



Source: KPMG Comparative Analysis 2024

In terms of funding provided by the state to support FF's operations it is important to acknowledge the MFA's contribution of EUR 40 million as anchor investor of the DAIF, which is essential for the success of this valuable off-balance sheet vehicle. The evaluation strongly supports this and similar contributions to any future funds managed by FF.

As pointed out in the 2023 performance audit report of FF by the National Audit Agency (footnote 5), there is a reason why the state provided FF with convertible bonds rather than equity – namely, that debt financing falls outside the government's spending limits (since it expects to be repaid) whereas equity investments come within those limits.

While the evaluation understands the fiscal constraints under which the government is currently operating and the many demands on scarce public funds, a plan for conversion of debt to equity should be put in place to give FF a greater degree of certainty than exists currently. Predictability (the word is used in the OSM 2024-2027) should be provided to FF regarding the conversion of state debt to equity. The evaluation notes that no promises were made regarding conversion at the time the convertible bonds were issued. However, the fact that the debt was made convertible rather than being provided as straight debt created a not unreasonable expectation that they could be converted in whole or part.

In making its decision the evaluation suggests the state should take account of the following:

- The bonds provided funding for significant growth in the size and reach of FF (mostly occurring prior to the evaluation period). Now the need to plan for repayment is acting as a constraint to growth. Removing this constraint would ensure a sound basis for future growth
- The state is not the only stakeholder affected by the decision to inject more equity into the company or not – bondholders also have a vital interest too and their needs must be considered

- With further equity, FF can use its experience with DAIF to explore further mobilisation of private sector capital through new FF managed funds.
- FF is the main vehicle (see conclusion FF1 on page 48 for the unique features of FF) the Finnish state has to support the growth of a responsible and sustainable private sector in emerging markets – it should not lose this.
- Not providing FF with additional equity could pose a reputational risk as some could take it as indicative of a lack of state support for FF.
- FF has proven very adept in accessing EU funds under the Global Gateway initiative and with further equity it can extend this success.
- While the injection of additional equity into FF would, according to the 2023 performance audit report, come within government spending limits it would be an investment that could be multiplied many times (assuming FF's profitability) and even returned to the government at some future date if the business was ever wound up. As such, the equity injection would be an investment and not funding of recurrent expenditure.

It should be recognised that there has been an upside to the low shareholder equity in FF – it has forced the company to be more innovative in sourcing funding than it might have been, exceeding other DFIs in these efforts, but this does not outweigh the risks inherent in FF's balance sheet.

3.3. Profitability of Finnfund

In commenting on FF's profitability, it is important to acknowledge that Finnish Accounting Standards (FAS) only allow equity investments to be shown at cost rather than fair market value whereas impairments are accounted for when identified. The upside situation is not shown until a profitable exit occurs, as happened most notably with the highly successful exit from the Lake Turkana wind farm investment. Thus, when discussing the realized results and profitability of Finnfund, the financial accounts portray only a partial picture. It is also important to recognise that current results reflect decisions made in prior periods (in a prior cabinet period and/or prior to the evaluation period) – particularly for equity and fund investments many years may be involved. Also, comparisons with the profitability of other DFIs is problematic since different accounting standards are followed along with different portfolio compositions. Finally, FF is a small DFI with a relatively small portfolio compared to most peers so its performance can be more variable year-on-year.

Finnfund's operational cash flow and realized returns have been positive over the evaluation period, but changes in book values have led to FF recording a net loss over the last seven years according to reporting following Finnish Accounting Standards (FAS)

Given the global context described in section 2.1, it is not surprising that the long-term profitability of FF as reported under FAS has been negative on average over the evaluation period with an aggregate net loss of EUR 67 million for an average annual return on equity (ROE) of -3.1%. The two Covid-affected years (2020 to 2021) were understandably lossmaking (EUR 26 million and EUR 20 million respectively) while unexpected adverse events in 2025 resulted in a loss of around EUR 36 million. Profits according to FAS were made in 2019 (EUR 0.7 m), 2022 (EUR 0.3 m), and 2024 (EUR 10.7 m). The 2023 performance audit report on FF by the National Audit Agency quoted above (see footnote 5) also notes that as of that date FF had not met its then mandated MFA financial return target since 2011. The 2025 report against OSM targets shows a return on equity as a five-year moving average of -2.6% versus the previous target of greater than 2% that applied for part of the evaluation period, but which was reduced to being positive (>0%) in 2024.

Other key performance metrics portraying realized financial performance show more positive results

Accounting-based results can fluctuate significantly due to factors only partly within management control, such as fair value changes, currency movements and the timing of impairments. By contrast, indicators such as realised profits, gross returns relative to portfolio size, and operating cash flow focus on value creation and cash generation from core investing activities. As such, they better reflect underlying earnings capacity and support meaningful year-on-year comparison. These metrics also provide a clearer view of operational performance and financial sustainability, consistent with how several peer DFIs frame performance amid valuation-driven volatility.

Over the evaluation period, gross profit from investing activities averaged 3.85%. Gross profit shows a cyclical pattern, declining to a low point in 2022 (after Covid) before recovering strongly and peaking, then moderating. The recovery is driven by higher financial income and realised gains, while the peak reflects strong Lake Turkana exit. Overall, the trend indicates improved underlying return generation, with variability driven by timing and market conditions. Operating cash flow follows a similar path, moving from negative to clearly positive and peaking before moderating. This shift reflects improved cash generation from portfolio performance and exits. Despite some decline from peak levels, cash flow remains positive, indicating strengthened liquidity.

The following tables present a series of other metrics on FF financial performance.

Table 2 : Alternative financial performance indicators

Metric	2021	2022	2023	2024	2025
Realised profits from investing activities (EUR million)	19.9	7.9	31.6	56.2	39.4
Gross profit from investing activities	2.6%	1.0%	3.8%	6.3%	4.6%
Operating cash flow (EUR million)	5.8	-0.5	10.1	29.1	12.8

Source: Finnfund

Table 3: Breakdown of gross profits from investing activity

	2019	2020	2021	2022	2023	2024	2025
Sales gain/loss (‘000EUR)	-6,075	4,860	-6,359	-1,988	-11,626	10,096	-4,755
Financial income (‘000EUR)	31,370	27,531	26,279	27,743	43,245	46,145	44,178
Gross profit (‘000EUR)	25,295	32,391	19,920	7,855	31,619	56,241	39,423
Portfolio size (‘000EUR)	619,339	709,877	779,805	619,339	830,774	886,906	856,030
Gross profit % (relative to the portfolio size)	4.08%	4.56%	2.55%	0.97%	3.81%	6.34%	4.61%

Source: Finnfund

FF is mandated to be profitable but not profit maximising

The mandate for FF to be profitable, though not profit maximising, is clear. The 2024-2027 OSM states “*FF is guided to pay specific focus on reaching financial self-sufficiency and to operate in a cost-effective and financially profitable manner*.” The February 2026 draft of the new FF Act states “*The* *operations of the parent company must be economically profitable in the long term. The parent company may only make investments or provide financing to companies that are assessed to have the potential for profitable business operations*." There was a similar statement in the existing FF Act.

Steering in terms of risk appetite has changed over the years

FF has moved from a very high-risk, high-impact strategy towards a more typical DFI risk profile with a stronger emphasis on steady income generation and private capital mobilisation. Until recently, FF operated under an ownership mandate that prioritised high additionality, a very -high-risk appetite, and a strong focus on low-income and least-developed countries. The emphasis on impact and additionality was not only stronger than today but also more pronounced than what was required of many peer development financiers. A substantial share of the current portfolio was built under this earlier mandate and as expected, has resulted in a high-risk portfolio characterised by both successes and failures. Although FF now operates under a revised mandate, the composition of the existing portfolio – and the volatility of annual financial results continues to reflect the previous one.

Despite implementing a very high-risk, high-impact strategy, FF has over the long term been able to generate positive results, cover its operating expenses, and preserve the capital entrusted to it.

FF's 2025 book loss

In 2025, FF reported its highest ever book loss at EUR 36.22 million. The three main items which caused this loss were the reduction in interest income, net exchange rate loss and reduction in the value of investments. The realised interest income was 37% below that budgeted. The analysis by management in August 2025 on the decline in interest income showed a roughly equal contribution from the effect of pre-payments, the decline in the USD versus the euro, and interest rate write-downs.

The unexpected loan prepayments were a result of rapidly reduced interest rates in the markets following policy decisions and resulting uncertainty created by the current US administration (meaning clients could get cheaper money elsewhere). The prepayments reduced the amount of interest received and adverse exchange rate movements in the USD versus the EUR further contributed to reduction in interest income in the reporting currency.

The major write-downs in the value of investments in 2025 are as follows:

- EUR 23 million write down in three forestry equity investments and one renegotiated loan
- EUR 5 million for three other non-forestry sector projects

While there were individual considerations in each transaction, FF management considers the forestry write-downs were primarily caused by a long low-performance phase of global forestry industries, caused by the Covid-19 pandemic and the Russian invasion of Ukraine among other factors. In turn, this contributed to a slowdown in construction especially in China, reduced demand for wood products in the USA as well as Russia dumping its products to emerging markets.

It should also be noted that a write-down in a forestry sector transaction does not necessarily mean losing the assets or development impacts created, as the forests continue to grow, produce timber, sequester carbon and produce income opportunities for local communities.

Low profitability means low retained earnings

FF's low profitability has implications for its sources of funding which have been reported in Annual Reports since 2022. Table 4 shows that only 3-4% of FF's funding was sourced from retained earnings. The retained earnings will have been significantly reduced by the loss of 2025.

Table 4: FF sources of funding 2022 to 2024

Funding source	2022	2023	2024
Government loan	41%	36%	35%
Government equity	33%	31%	33%
Other private funding and investors	15%	23%	21%
Institutional investors/OP Fund	8%	7%	7%
Retained earnings	3%	3%	4%
Total	100%	100%	100%

Source: FF annual reports

FF's low profitability over many years makes it much more dependent on external sources of finance and so more vulnerable to adverse events than would be the case if it had significant retained earnings available. However, based on other indicators such as gross profit and operating cash flow, underlying profitability appears stronger than suggested by the FAS results, reflecting continued value creation and cash generation from core investing activities despite accounting-driven volatility.

The case for FF to become more profitable

As noted above, the OSM 2024-2027 directs FF to pay specific focus on reaching financial self-sufficiency and to operate in a cost-effective and financially profitable manner. This is a challenge facing FF particularly given the global context, FF's size and its funding situation. It also needs to be acknowledged that profitability may run counter to FF's mandate to be a risk-taking impact investor charged with achieving development impact. Managing this potential trade-off is further discussed in the next section on risk management. It should also be noted that FF's development impact objectives are described before the requirement to be cost effective and profit making which may imply a greater importance for the former over the latter.

A more profitable FF may have some of the following characteristics with Box 2 providing some relevant observations from the India field visit:

- Perhaps operating in fewer countries overall to deepen market knowledge and market penetration in niche areas relevant to those markets and to achieve efficiencies from a more limited focus along with an ability to extend FF's field presence in core countries. In noting this, the evaluation acknowledges current steering is for FF to expand the geographic spread of its investments with Africa no longer mentioned as a region of focus. The evaluation also notes that FF's agreement with the EU on the provision of guarantees is predicated on global coverage. Perhaps a compromise of a greater focus on core countries while not precluding operations in other countries could be considered.
- Having a higher proportion of investments in middle income countries which is already occurring.
- Moving to larger ticket sizes.
- Consider the potential for having a separate (ring fenced) small investment facility with

abbreviated processing and delegated authority, in part to help bridge the gap between FF and FP projects but also to increase the pool of investment opportunities for FF. Such a fund would need a solid business case and demand assessment, and additional resources may be required to make it a viable option.

- Having a wider range of more innovative products.

Box 2: Relevant findings from the India field visit

The findings from consultations with investees, Finnpartnership grantees, and peer DFIs suggest that India represents a structurally large and strategically important market for FF. However, clarity of positioning, stronger local engagement, and sharper instrument design will be critical to deepen impact and additionality.

The India market is entering a phase where scale, sector concentration, and institutional positioning matter more than opportunistic participation. Peer DFIs operating in India have moved beyond transactional engagement and increasingly operate through clear thematic positioning, local presence, and catalytic platforms.

India should be positioned as a selective priority market with scale potential, rather than an opportunistic market. The opportunity size (climate transition, digital finance, EV ecosystems, SME productivity) justifies deeper engagement. However, competitive intensity suggests that a "core market" classification would require materially greater local capacity and capital allocation than currently deployed, which in turn would require amendment of Finnfund's country concentration limits.

Consultations with other DFIs highlighted that product flexibility is essential in India's diverse and rapidly evolving market, where company needs vary significantly by sector and stage. BII's ability to deploy minority equity, structured equity, mezzanine and credit instruments enables it to remain relevant across growth phases and to crowd in commercial capital. Evidence from other DFIs active in India similarly demonstrates that blended capital structures enhance both competitiveness and development additionality. In comparison, a predominantly debt-led approach may constrain Finnfund's ability to participate in high-growth climate, digital and financial inclusion sectors, where equity and hybrid capital are often preferred. Greater openness to equity, mezzanine and structured instruments - aligned with company maturity and risk profile - would strengthen Finnfund's catalytic role, improve co-investor alignment, and enhance its capacity to influence governance, ESG and gender outcomes.

3.4. Risk management and the use of guarantees

Financial or commercial risk management is an important area in the ToR for this evaluation. The focus here is predominantly on the risk management as the second line of defence where the role is to define policies, processes, limits and controls, and to monitor that these are appropriately followed across the organisation. The first line of defence consists of the business functions that engage directly with clients and investments. This includes responsibility for preparing investment decisions, structuring transactions, and continuously monitoring investees and portfolio performance. Commercial judgement, investment selection and day-to-day risk ownership therefore reside primarily in the first line. Risk management cannot substitute for these responsibilities, nor can it prevent all commercial or valuation outcomes – particularly in equity and equity-like investments where outcomes are driven by market conditions and external factors. Its role is to provide an independent framework, challenge and oversight, rather than to eliminate risk altogether.

As part of the conclusion of European Commission's Pillar Assessment (2019–2020), FF received a high rating for its risk management, confirming the robustness of the framework already at the beginning of the evaluation period. External assessments, including the State Audit Office evaluation, have also acknowledged the strength of the risk management framework while recommending further development, which has since been implemented.

Recent actions taken to enhance risk management in FF

FF has a robust risk management process. Still, strengthening risk management is on ongoing task and FF has already taken significant steps to improve its risk management, particularly in the last two years, and it plans to take more resources permitting. Changes made in 2025 include staffing/management changes and approval of new risk management and investment policies.

Use of guarantees

FF has successfully utilised guarantees from the MFA and European Commission, allowing it to invest in riskier projects, and especially riskier countries, than would otherwise be feasible. In 2012-2015, and again in 2017-2024, the Finnish state provided partial guarantees for some of FF's riskier investments through the Special Risk Instrument (SRI). SRI's maximum guarantee value reached EUR 150 million in 2020, with a maximum compensation of EUR 15 million in any single year and a maximum guarantee of 60% per project.

In 2024, the state provided FF with a new special risk financing instrument for investments in Ukraine. The loss compensation commitment to Ukraine totals EUR 20 million and allows for covering 80% of the losses of the investment.

In 2023, FF successfully gained access to partial EU guarantees directly through the EFSD+ programme which is part of the EU's Global Gateway programme. Initially the direct access was only for digital sector investments in Africa through the Africa Connected programme but funds available have been increased with coverage extended globally under the updated Global Connected programme for digital investments in Africa, Asia and Latin America. There might be possibilities to extend the sectoral scope of the programme further in the future. FF can also access four other EU guarantees through the EDFI Management Company. The EFSD+ guarantees provide risk sharing on a pari passu basis, typically covering 40-70% of losses, while in some special cases the coverage can be higher. The EU guarantees can be used for both FF's own balance sheet and off-balance sheet investments, thus they support FF de-risking its own investments, as well as in mobilizing private capital from the markets. Other benefits of the guarantees include that they enable FF to do bigger investments, as well as riskier smaller investments, than would be done without the risk financing instrument. EFSD+ guarantees come with funds for technical assistance (TA) "to create more impactful and bankable projects." This is an important first access to TA funds for FF, even though the TA can only be used for projects guaranteed by EFSD+.

While the source and terms and conditions changed somewhat during the various periods of the SRI and now with the guarantees sourced from the EU, the availability of guarantees helps address the potential contradiction between seeking development impact in riskier contexts while remaining profitable and so they help FF deliver on its mandate.

3.5. Originating new business

The following discussion focusses on a more general consideration of factors than may influence FF's ability to originate new business.

Geographic spread of FF's operations

Largely driven by shifts in steering and a need to source deals opportunistically and/or in partnership with other sector investors, for a relatively small DFI FF has a portfolio that covers many countries and the main emerging market regions of Africa, Asia and Latin America. As noted above, shifts in portfolio composition do not occur rapidly in response to changes in guidance. Another important consideration regarding FF's geographic spread comes from its growing use of EU funds for guarantees. The agreements with the Commission securing these funds are founded on the understanding that FF operates globally, and they explicitly include almost all the current operating countries. The agreements contain clauses stating that FF needs to originate deals in a regionally diverse manner rather than focusing only on the larger or more stable economies.

This context shows that there are limits to the degree of geographic focus that FF can achieve. Nonetheless, there may be the prospect of establishing core countries in each of the main regions with a sub-regional or regional office along with a greater share of the portfolio in so-called core countries.

Priority sectors

FF has five core sectors of focus – digital infrastructure and solutions, forestry, agriculture, energy, and financial institutions. Agribusiness makes up the lowest share of the portfolio and over the 4 years for which data is currently available shows a small decline in its share. Meanwhile, digital infrastructure and solutions (DIS) is the second lowest share but was showing rapid growth over the period 2022-2024, but growth plateaued in 2025. This is expected to be temporary slow-down as investments from the DAIF commence. In fact, while DIS is FF's newest sector, its growth has been a great success for the company. Forestry and energy made up a similar share in 2024 with both declining in 2025 with energy showing a steeper decline. Financial institutions have the largest share of the portfolio among the core sectors and overall, and it has shown growth over the four years of data availability albeit with a decline in 2025.

It can be hard to change sector focus because of historical involvement and hence track record, staff experience and expertise and composition of the portfolio. Nonetheless, there is merit in keeping core sectors under review in terms of market developments and growth prospects. FF has shown admirable ability to add digital infrastructure and solutions to its core sectors and there may be opportunities to add others to give some sub-sectors greater prominence by elevating them to core sectors – an example could be e-mobility.

Forestry and agribusiness are both high-risk and high impact sectors, affected by global market risks. Agricultural production in many regions is vulnerable to climate change, while forestry is one of the most feasible ways to contribute to climate change mitigation, and to some extent to climate change adaptation. Plantation forestry is a long-term investment which also increases risks involved, as markets often evolve faster than forests grow. On the other hand, nature-based solutions, especially carbon credits created through carbon sequestration of forestry plantations and renewing natural forests, present new, interesting earning opportunities in forestry without compromising the availability of traditional forestry products and the positive impact potential on local communities. FF already has a great opportunity to follow the development of a business focusing on nature-based solutions and carbon trade through its investment in a company, where a co-investment with a public company has been made to produce climate credits in Africa.

Finland and FF have a long tradition of investing in forestry. Among development investors, FF's strong expertise in forestry is widely recognised and appreciated, and FF has had a substantial role in developing the forestry sector especially in Sub-Saharan Africa. At the same time, development investors see good prospects in carbon positive investments, especially forestry, and it's seen as one of the key sectors where significant private capital is expected to be leveraged in the years to come. However, according to stakeholders consulted, development investors are still needed to pave the way for this to happen.

Another consideration is that the portfolios for forestry and agribusiness contain production and processing projects. The question can be asked if it makes sense to combine forestry or agriculture production and processing as a sector, or would it make more sense to create a core sector of manufacturing which would include investments that process forestry or agriculture products? This thought is not offered in the sense of suggesting a cessation of activities in forestry and agriculture production, but it does recognise that the expertise required for plantation forestry and agriculture production are quite distinct from processing and marketing manufactured products. On the other hand, some agriculture and forestry companies are vertically integrated, handling production, processing and marketing. Here the consideration would be the expected utilisation of FF's financing. Would manufacturing as a core sector provide greater growth prospects and more opportunities for development impact in terms of job creation? These questions are simply posed as 'food for thought' and are not being made as suggestions or recommendations.

The creation of the digital infrastructure and solutions core sector has been a big success for FF, and it is expected to continue to show strong growth.

Currently, energy includes e-mobility. FF has shown strong growth in e-mobility in India and there are further growth prospects in this sector in India. Most emerging markets are at early stage of adoption of e-mobility solutions, and this sector may provide real growth prospects for FF. Perhaps it should become a core sector? Meanwhile, renewable energy may still show real growth prospects in some markets while in other markets may be more mature.

FF has developed an investment framework on planetary boundaries, that assesses the potential of investments for generating positive and controlling negative planetary effects, helping to direct investments to businesses that have positive impact on keeping human activities within the planetary boundaries. Many of the sectors mentioned above are considered as priority sectors for investments within planetary boundaries, which is a good indicator for their ability to contribute to positive development impacts at global and regional levels.

<u>Role of field presence in development financing</u>

Most development investors have developed their presence in the target markets to grow their business and improve the success of their investments.[6] The investors consulted during the evaluation process noted quite uniformly, that local presence not only helps in project origination, but also in managing the projects in the portfolio, as possible risks and challenges can be identified earlier than if working from the headquarters only. Local presence gives them a valuable taste of reality of the market and investments, and proximity to potential and existing clients helps to have a personal

[6] An evaluation of EBRD's experience with resident offices may be useful: https://www.ecgnet.org/document/ebrds-experience-resident-offices

touch, that is such an important part of doing business in many emerging markets. Many of peer DFIs' offices in case study countries are staffed mainly or fully with local experts for maximum market understanding and potential for long-term commitment as well as cost and efficiency reasons.

3.6. Mobilisation of private sector funds

The mobilisation of private funds by MDBs and DFIs is vital for the achievement of the Sustainable Development Goals. Mobilisation comes in two forms – mobilisation at the MDB/DFI level and mobilising funds at the transaction level. The smaller DFIs tend not to have the same degree of 'convening power' to crowd in private finance at the transaction level. That said, even small DFIs can play a meaningful catalytic role at the transaction level. This often occurs through demonstration and signalling effects: a DFI's participation can improve confidence in project quality, governance, and risk management, thereby reducing perceived risks for other financiers. Smaller DFIs can also mobilise private finance through targeted co-investments, risk-sharing structures, alignment with reputable sponsors, and by supporting first-time or innovative transactions where commercial financiers are initially cautious. Also, clients in India spoke of the positive influence FF's presence has had on the attitude of local banks to provide financing.

In terms of mobilising funds at the institution level FF does an excellent job. Mobilising private capital is part of the 'building partnerships and mobilising private capital' enabling factor in FF's 2024-2027 strategy.

The comparative performance of European DFIs on mobilisation of private finance (and blended finance) shows that, with the notable exception of Impact Fund Denmark, direct mobilisation by EDFIs is modest. However, indirect private mobilisation can be significant – ranging from 0% of new investment decisions to 95%. Finnfund reports 46%. Combining direct and indirect mobilisation sees a group of six DFIs that mobilise from almost 80% to 100% of the amount on new decisions as private finance. FF comes in top of the next group at 58%, which is a creditable performance.

3.7. Development impact and additionality

In the Nordic DFI community and more broadly, FF is seen as a leader in the area of development impact, and the evaluation supports this view. Some observations follow.

FF has developed its own tool for ex-ante assessment of expected development impact called the Development Effectiveness Assessment Tool (DEAT).

Additionality is assessed as part of DEAT. Whether to incorporate the assessment of additionality in the ex-ante development screening tool is a matter of institutional preference.

The evaluation provides the following thoughts on FF's assessment of additionality:

- FF has a robust method for assessing its additionality in each transaction.
- However, it could do a better job of articulating its additionality in investment memoranda and annual review reports.
- While as noted above, the inclusion of additionality as part of the ex-ante assessment of development impact is a matter of institutional preference, this important dimension could be made more prominent if included as a standalone assessment.

- Under financing structure, FF could add provision of patient capital. Two clients in India and several in East Africa told the evaluation that when there was a market downturn local banks panic whereas FF takes a more measured approach, helping the client work through difficult times. FF could also play a counter-cyclical role when local credit becomes tight.
- Where FF is investing alongside another DFI or an MDB it is legitimate for both to claim financial additionality if the terms and conditions provided by each financier are unavailable in the market. The evaluation does not consider this double counting as both (or all) publicly owned financiers should meet the condition of being additional to what is available in the market.
- Visits to FF projects in Africa and India revealed cases where FF staff had contributed knowledge and this had gone unreported. In Kenya and Uganda, almost all case studies reported that FF had provided significant support for considering environmental and social aspects in the projects exceeding similar support from other investors. In one project visited, FF had an instrumental role in restructuring the company, keeping it afloat and guiding it to profitable direction, even though FF is a minority investor.
- Another area where FF could claim additionality is improved project design and better development outcomes. An example where this was the case was revealed in India where FF was instrumental in getting two microfinance entities to change their policies to allow for lending to widows and unmarried women (in fact this was claimed in these cases).
- Another area where FF, because of its size, has not claimed additionality is market creation. Despite its modest size, it is not impossible for FF to be a first investor in a region and sector/sub-sector and that its demonstration effect could influence others to enter the market so FF could add market creation to its potential sources of additionality.
- Finally, the serving of Finnish interest may be able to be claimed as additionality. Finnish interest is expected to provide value to two parties – the Finnish company (for which additionality cannot be claimed) and the emerging market company. If there an identifiable benefit for the FF client from a relationship with a Finnish company brought about by FF, then it is legitimate to claim this as additionality FF brings to the transaction.

Sector performance as reflected in theories of change and validated by field visits

FF gives considerable prominence to the theories of change it has developed for its five core sectors in its 2024 annual report (also earlier reports as theories of change were first developed in 2018 for the agriculture, forestry and financial institutions sectors and later extended to other sectors). The theories of change guide FF's impact thinking in both the origination of projects, as well as monitoring of project impacts during portfolio management. The theories of change describe how FF's financing and other inputs are expected to lead to changes in a company's performance, generating direct, indirect, and wider economic, social and environmental impacts. FF can also invest in projects that are outside the five core sectors and their defined theories of change, if the projects match FF investment strategy and other requirements.

Digital infrastructure and solutions is FF's most rapidly growing investment sector, and among the key priorities of the organisation. FF invests in commercially attractive high development impact businesses, with special focus on rural connectivity, improving existing infrastructure to enable high-speed and affordable internet, and technologies that promote digital and financial inclusion. At the end of 2024, FF's investments in digital infrastructure and solutions, covering portfolio and commitments, were worth EUR 81.4 million, representing approximately 7% of its total portfolio. More than half (58%) of the portfolio investments in this sector were in Africa, 40% were international, and 2% focused on Asia.

Forestry has traditionally been one of FF's key sectors, and it has a substantial role in FF's climate action. A large majority of FF's investees in forestry have been certified by the international Forestry Stewardship Council (FSC), indicating that they are socially and environmentally responsible and sustainable. At the end of 2024, FF's investments in forestry were approx. 15% of the total portfolio. More than half of the forestry investments were in Africa (58%), a quarter in Latin America and the Caribbean, 9% in Asia and 7% international. While the profitability of FF's forestry projects has not met the expectations in the recent years, the impact created and reflected by the theory of change has not disappeared, as the companies are still growing and protecting forests benefitting not only climate and environment, but often also the local communities.

The evaluation found during field visits that the FF theory of change for forestry sector is sound. By strong commitment to community engagement, as well as growing and conservation of natural forests alongside plantations, the investment has created jobs and income, improved infrastructure, increased biomass and forest areas, leading to development of remote areas, benefits to out-grower farmers, and reducing local conflicts between forest industry and local communities, directly contributing also to climate change mitigation and adaptation. It is, however noted by the interviewees from the forestry sector, that in part, the strong focus on sustainability and impact has reduced the sector's profitability especially in Africa. Responsible forestry and timber production are costly, yet there is only a very limited market for sustainably sourced products in the local markets. Therefore, the products would need to reach international markets, which for plywood have been disturbed by the global trade imbalances affected by the Russian invasion of Ukraine. Still, while forestry sector stakeholders would like DFIs to pay more attention to the commercial viability of the companies they invest in, the companies are willing to stick to international sustainability certifications, as the certifications give them a backbone for how to do things right.

Sustainable agriculture is the smallest of FF's key sectors with a portfolio of 6% of the total portfolio at the end of 2024, focusing mainly on Africa (88% of commitments and portfolio), followed by Asia (11%) and Europe and Central Asia (1%). FF has invested in the entire value chain of agriculture with the objective of improving primary farm production in a sustainable manner, aiming to create jobs and raise the income of people dependent on farming. In agriculture, improvements in environmental and social sustainability are often easily linked to positive financial performance through, for example, improved resource efficiency and workforce commitment, thus the linkage between the theory of change and financial returns is potentially clearer than in some other sectors.

Renewable energy has a strong foothold in FF portfolio with investments of 15% of the total portfolio. The energy portfolio includes a wide variety of investments such as solar power, bio power, renewable energy funds, wind power, geothermal power and energy supply, generation, transmission and distribution. FF invests in companies that generate more reliable, affordable, and sustainable energy than existing alternatives. The FF theory of change for renewable energy is more concise compared to other theories of change, as it focuses on creating access to a commodity, that can enable further impacts. The most significant, yet indirect impact from renewable energy is reduction of CO_2 emissions by replacing fossil fuels. While the impacts on renewable electricity generation, infrastructure and tax revenues can be expected to be quite similar among the powerplants, even though their technologies and production capacities are different, one of the investment plants has paid significant focus on minimizing the negative and maximising the positive impacts of the plant on local communities compared to its neighbours. While these aspects are not directly relevant to the theory of change but fall rather under environmental and social governance, they do differentiate the DFI-supported power plant from others. On the other hand, the case example shows that the theory of change can be applicable to other types of investors than those focusing on creating development impacts.

Financial institutions have the largest sector of the FF portfolio, covering 29% of the total portfolio at the end of 2024. A bit less than a third of the sector focuses on both Asia (32%) and Africa (30%), while the rest is spread across international (20%), Europe and Central Asia (11%) and Latin America and the Caribbean (8%). FF invests in local financial institutions, to build their capacity to better reach micro, small, and medium-sized businesses. The investees in the sector include both commercial banks and micro-finance institutions. The investments can be seen to follow the theory of change. By financing a credit line that focuses on providing loans to SMEs, the investment provides new companies access to financial services, allowing them to invest more and grow, potentially leading to enhancing inclusive growth and more tax revenue for the society. It is, however, worth noting, that while one of the banks studied decided to take the syndicated loan in 2022, today its liquidity is such, that it would rather take a similar loan from regular markets than from a group of DFIs requiring extra reporting on environmental and social aspects. Therefore, also in financial institutions, the FF theory of change is not only relevant to development investors but to may apply also to regular investors active in the market.

Relevance to target country societies and final beneficiaries

All the main sectors FF invests in are relevant from the development perspective of developing countries in general, yet naturally the relevance of different sectors and investments depends on the country. While the evaluation didn't have the resources to analyse the relevance of the projects to societies and final beneficiaries at the portfolio level, the topic was approached through the 12 case studies conducted.

Among the 12 case study projects, three projects represented the financial institution sector; three belong to the renewable energy sector, including e-mobility; two projects in the digital infrastructure and solutions sector; two projects in the agribusiness sector; one to, and one is classified as' other' sector.

The role of financial institutions is critical in private sector development. FF's approach to focus on mobilising funding to micro, small, and medium-sized enterprises (MSMEs), as well as to individuals who have few alternative sources of reliable and formal banking services, helps make financial services more inclusive. The renewable energy sector is significant enabler for sustainable growth in developing countries. FF's investments in the sector visited during the evaluation directly contribute to the national strategies of the project countries. For digital infrastructure investments, the benefits are tangible through improved access to internet, allowing households to make use of the connections for income generation, education and leisure. Investments also contribute to building inclusive digital systems across societies. In agriculture, the case studies show strong alignment with the needs of the final beneficiaries as well as with national development goals. In forestry sector, significant efforts have been paid on community engagement and collaboration, as well as on reforestation of degraded lands, aligned with national policies.

3.8. Environmental and social risk management in FF investments

FF pays due and extensive attention to managing environmental, social and human rights risks in both project origination and portfolio management. The environmental and social issues are considered throughout the investment process. FF pays focus on assessing the E&S risk levels and impact as part of their analysis, so that the resources of the investee company and FF are used efficiently when targeting the issues identified.

While due focus on E&S issues paid throughout the investment process, FF does not expect a company to be perfect to qualify for an investment. Rather, during the investment process, focus is paid on identifying gaps in the E&S and human rights issues and ensuring if the company committed to setting clear sustainability goals and prepared to continually enhance their environmental and social management and performance. Data is collected for an Environmental and Social Action Plan (ESAP), which will be agreed before signing the investment contract. FF's E&S advisers follow up compliance with and progress in the ESAP regularly and provide support to the company on meeting the set objectives as needed. It typically takes the investee company between 1 and 3 years to complete the ESAP and reach the required performance level. The follow-up of E&S issues continues also after that, as typically new aspects arise as the investee's business grows and develops.

While preparing an ESAP and including it into the financing agreements is a standard procedure for development investors, FF is praised for their professionalism and expertise when it comes to E&S issues by its stakeholders. FF sets strict but fair requirements, takes into account the investee's capacities and position to tackle the challenges, and provides advice and support according to the needs.

The main challenge related FF's E&S support from the investees' side is the lack of technical assistance or other grants to implement tasks that are not directly related to the business itself. Until recently FF did not have any form of TA to offer, unlike many other DFIs. However, since the introduction of the EU EFSD+ guarantees, FF has been able to source some TA to the investments that are connected to the guarantee scheme, thus this challenge can be tackled in some, but not all the new FF investments.

In addition to investees, also FF's co-investors appreciate FF's strong expertise and practical approach to environmental, social and human rights issues. In some cases, co-investors have managed to reduce their own reporting requirements and/or information gathering thanks to the information FF has provided. Several of the investees that have multiple DFI's as investors mentioned that the different DFI's often come with different reporting requirements, which creates an additional burden. However, partly thanks to FF's active involvement in the field, many of the DFIs have managed to streamline their requirements in recent years, leaving the investees more time and resources to spend on other critical matters related to the business. Still, according to the investees, there's room for further streamlining and collaboration among development investors to reduce the reporting burden on investee companies.

FF's ability to create an impact on environmental, and social and human rights issues is often strongest in the investment phase, when the ESAP is prepared and negotiations with the investee are held. In some sectors, and especially in case of equity investments, FF's role can be substantial also during the portfolio phase of the investment. Regardless of the phase of the involvement, FF aims that the changes made to the investee's operations to improve its environmental and social sustainability are long-lasting, and support also the financial sustainability of the company. This way the inputs can be substantial and persistent also after FF's involvement with the investment is over. Once the investee companies have good understanding of the impacts of the E&S risks and opportunities on their business, they are typically more likely to maintain and develop these issues further also on their own. Due to the nature of private sector investments, however, an investor like FF or any other, does not have decision making power on a company after they exit, thus there's little FF can do to affect the company's choices after exit takes place.

3.9. Evaluation, lesson capture and learning

Structured learning does take place in FF – specifically, that sector teams regularly conduct structured "lessons learned" sessions, reviewing approximately 10 or more cases per year, with around 60 cases analysed and discussed since 2021. Similarly, E&S risks are addressed through a monthly forum to share insights and agree appropriate actions in cases where risks have materialised or concerns are elevated. These are important steps for turning implicit knowledge in staff members' heads into explicit knowledge that can be shared and retrieved by new staff and for similar transactions in the future. However, experience elsewhere has shown that a significant investment is required for an institution to become a knowledge institution and beyond this a learning organisation.

FF and its core stakeholders recognise that more needs to be done on evaluation, lesson capture and learning. The current OSM states "*In addition to monitoring development impacts, FF must analyse how it can better achieve development impacts, identifying factors for success and challenges, and improve project, sector and portfolio performance through learning*." For its part, management KPIs for 2026 includes identifying the need for **"***Establishing a systematic way to learn from unsuccessful deals"* and the need to better understand the reasons for low disbursements and the potential for improvement. At some point there was discussion on FF introducing an evaluation function, but this did not proceed.

4. Findings related solely to FP

4.1. Functionality of FP grant as a funding instrument

At the core of FP programme is the Business Partnership Support grant. FP is a demand-driven programme with no actual country or sector specific restrictions. Business Partnership Support can be granted for all projects in developing countries defined by the OECD's Development Assistance Committee (DAC) that comply with the terms and conditions of Business Partnership Support. However, the programme concentrates on countries that are key to the Finnish development policy. As a company subsidy, EU and Finland state aid related legislation is followed. Box 3 presents general conditions and funding rules of FP Business Partnership Support as well as changes in the rules over the evaluation period.

Box 3: Evolution and changes in FP funding rules

The FP Business Partnership Support is available for five different project types, and it can be used for up to seven different project phases. The maximum support per project is EUR 400,000, and it can be allocated for projects that do not fall under the de minimis regulation, except for the feasibility studies for investment projects, where the maximum amount of support to be granted is EUR 150,000. Innovation funding is considered as de minimis support. The project may consist of several project applications, in which case the total sum of separate project grants related to the same project cannot exceed the maximum amount of support granted. Minimum sum per project application has been EUR 15,000 since 2022.

Accepted project types since 2022

1. Long-term business partnership
2. Piloting with an ODA eligible international organization
3. Feasibility study for an investment project (PIF or min 1MEUR project)
4. Support functions (joint projects between civil society organisations/educational institutions/research institutes and companies related directly to companies' Finnpartnership business partnership projects)
5. Innovation funding (since 2025) - Support can be granted to a project that promotes development of an innovative solution – a product, service, process or business model – in a developing country if the project is linked to a research and development (R&D) project of the same company with funding from Business Finland (or from Elinvoimakeskus / Economic Development Center from 1.1.2026 onwards) (see further details in Box 5).

Approved project phases (phases available depend on project type)

1. Partner identification
2. Feasibility study
3. Business plan
4. Environmental and social impact assessment
5. Piloting of technology and solutions, and demonstrations
6. Training of local staff
7. Development of existing business in the project country

FP's financing rules have remained relatively stable during the current programme period. The project types have remained the same since the beginning of the programme period, with the exception of the Innovation funding channel that was moved to FP from BF DevPlat in the beginning of 2025. No significant changes to applicable project phases have been made during the programme period.

Regarding grant shares, the most substantial changes have been affecting the grant levels for large enterprises and similar operators in low-income countries, least-developed countries and fragile countries ranging from 85% in 2022-2023 to 50% in 2025-2026. The trend has been declining also from SMEs but with smaller change coming down from 85% in 2022-2024 to 70% in 2026. Ukraine has been specifically mentioned and included in the highest grant target countries since 2023.

Source: FP documentation

FP's Business Partnership Support grant differs from other similar business support instruments used in Finland. The main comparison point for companies are Business Finland (BF)'s support instruments. Use of ODA funds sets specific reporting requirements for development impacts, and defines that the target countries need to be ODA eligible, but the same state aid legislation defines the acceptable rules for the funding as for other business support instruments. Despite this, over the history of FP, MFA has defined very much its own specific features and processes for FP's grants.

Based on the company interviews, there is generally very high satisfaction with FP as a funding instrument supporting business development. In the interviews it was often mentioned that FP staff are very helpful and responsive. FP's additional services are used. Application workshops, matchmaking services, databases as well as general seminars and country visits were most often mentioned in the company interviews.

It is clear that FP is not providing all services a company needs. Finnish companies which have capacity for expanding their business to new demanding markets tend to be well aware of FP offering and also use other public services. Most often the interviewed companies had used BF services and grants (especially former Tempo-funding which has been a EUR 60 000 grant for general export business development was mentioned often as a very useful instrument), participated in business delegation trips and export promotion activities (like joint Team Finland events) and had gotten various help from embassies. For FP being "one-stop-shop" for companies would not even be possible with current mandate, resources and competencies.

Generally, in the company interviews the overall funding conditions and rules as well as requested own funding were considered reasonable and understandable. Among companies with previous experience in development cooperation, FP's approach to allowing adjustments to project activities during implementation was considered flexible an easy to adapt to. Most of the changes that have been made over the years to the funding rules were considered as positive steps. Especially the change that also the work in Finland is an acceptable cost. Criticisms related to the changes in rules were mainly related to the decreasing share of grant funding in most country groups.

Main criticisms and development areas for FP coming up from the interviews were related to the practicalities of the granting process and reporting. Many interviewees said that FP grant is the most complex and most bureaucratic grant they have seen and that requested administration work is not in proportion to the size of the grant. Some grantees also felt that the guidance for what costs would be acceptable and what are not, was not clear enough and led to companies doing activities, that were not accepted as costs for the project. There were some remarks that the burden of the heavy process prevents applying for grant again and that the reputation of FP as being too heavy has prevented some companies applying. Main specific development ideas from company interviews for FP support grant are listed in the following:

- **Speed up decision making time.** Markets change rapidly and long waiting times for the funding decision is a huge problem. If companies want to proceed, they need to do this with full own risk or they need to decide to wait which may be lost opportunity. Almost all interviewees mentioned first the long waiting times of the decisions to be the main problem with the FP grant. This problem is further elaborated in section 4.4.
- **Enable pre-payments.** Especially for smaller companies a big challenge is that reimbursement takes place after costs have incurred. Companies which have experience also with BF grants and are thus financially viable, wondered why a similar system cannot be used also with FP grants enabling some pre-payments after the positive grant decision. The companies have an opportunity to apply for Finnvera's bridge loan to cover the period before payments. This is applicable for grants over EUR 75 000 and has its own costs of applying. An interesting finding is that all companies that have passed FP's financial

assessment have not passed through Finnvera's financial assessment of creditworthiness for the bridge funding.

- **Simplify budgeting and cost reporting.** At the moment, the requested budgeting for the project and following cost reporting is at a far too detailed level. There are too many detailed categories and too little room for adjusting the cost division during project implementation. This takes too much unnecessary working time. Broader cost categories would be sufficient.
- **Enable shifts between cost categories.** Projects need to be planned years before the payments and some flexibility would be needed to move euros between cost categories, e.g., between travel costs and sub-contracting. Interviewed companies hoped that same flexibility as BF is using would be introduced. In addition, for the travel costs it was suggested that instead of each cost being based on receipts (which one does not get in many of the target countries) a small lump sum daily allowance would be simpler and efficient. More flexible shifts between cost categories would also be aligned with FP's existing approach to allow changes to project activities during implementation.
- **Reduce number of different phases**. At the moment, there are seven different project phases for which funding can be used. While there's no recognized need to limit the project types applicable to FP funding, the differences between the current categories are not always clear to the applicants. Restructuring the current project categories to broader and fewer categories would be easier to understand. Reason for this many narrow categories is unclear and only creates additional bureaucratic burden.
- **Increase person level contacts at the application phase.** FP people get feedback of being very helpful and easy to contact. But actual decision is made by the MFA and at that phase there is unnecessary rotation of papers when mistakes or misinterpretations are corrected. MFA making direct contact by phone would often be more helpful.
- **Improve IT system for applications.** MFA's eService system is difficult to use and unreliable. The problem is known and improvement should take place when the new governmental VA Digi system will replace the existing system.
- **Increase flexibility in eligible costs (especially marketing).** FP support cannot currently be used for marketing activities, which is a significant limitation for companies trying to enter new markets. Interviewees note that competitors from other countries receive much more public support for marketing. FP should consider allowing a portion of funding to be used for market entry and promotional activities.
- **Reduce reporting burden.** While the application process is generally considered clear, reporting requirements are seen as burdensome relative to the amount of funding received, and in comparison to other similar grants (like BF grants). Reporting of the development impacts divided opinions. FP has done good work in informing the applicants of the reporting requirements related to ODA funding. Most interviewed companies said that it is understandable that the reporting needs to be done and good that they had to develop requested competencies, but it was also questioned whether this detailed development impact reporting is really needed as self-reporting from companies or if it would be better to do more external follow-up monitoring?
- **Take into use a lighter auditing practice.** The auditing is much heavier than with any other similar grants, and it may take a significant share of a project's budget. Is this expensive and

detailed auditing really needed?

- **Develop consortium funding mechanism.** The current requirement that only single companies can apply for FP support is a major barrier for creating a consortium project, especially for large, complex projects that require multiple partners (see further discussion in section 5.1 and in Box 4).
- **Improve coordination and information sharing with other public support instruments.** FP is actively informing the participants about other relevant instruments through its application workshops which also include a session of other financing options. Despite of this, companies often mentioned that it is difficult to navigate the landscape of public support. This problem is more a problem of the whole national public support system and Team Finland coordination rather than only FP's responsibility. Few times it was mentioned that individual FP contact persons do not proactively inform applicants or are aware about other available instruments (e.g., Business Finland).

4.2. Added value to companies

FP's grants and support aim to build long-term business partnerships. Grants can also be used for piloting with an ODA eligible international organisation or to do a feasibility study for a public investment project. In addition to these there can be support projects for consortia of companies, research organisations, and NGOs (see Box 4 for further details). Since January 2025 there has also been an opportunity for innovation funding where a solution is developed in cooperation with a local partner (see Box 5 below for further details).

Box 4: FP consortia funding

FP allows research organisations and NGOs to apply for supporting grants together with companies to create consortia which together aim for business development. During 2025, there were about 10 consortium projects developed and/or in the application process. The number of consortium projects is set as an annual target for FP and FP encourages applicants to create these.

All members of a consortium must go through the same application process, as the support will be granted separately for each part. This means that consortium projects have higher management and administration costs. Also, project risks are higher when work is dependent on multiple actors. In the interviews it was highlighted that costs of applying, reporting and running consortium projects are way too high with respect to the available grant size. FP grant conditions are also built for companies and are not appealing for non-profit NGOs. Overheads of the administration cannot be included in the eligible costs and small NGOs do not have resources for the requested own funding.

Generally, collaboration with NGOs and research organisations is beneficial and an opportunity to create bigger projects through consortia is good. Consortium projects that have had only two partners (a company and a support organisation) have also often functioned well. FP's support in building consortia could, however, be also directed to supporting Finnish organisations access to EU and other international funding opportunities. Rather than setting the FP target to be a number of consortium projects, the attention should be more on their quality and potential impacts for helping businesses.

Box 5: FP innovation funding

Originally innovation funding was part of Business Finland's (BF) and MFA's joint Developing Markets Platform (DevPlat) activities. Companies that had BF's Research, Development and Innovation (RDI) project had an additional follow-up funding opportunity if the same concept was further developed to be appropriate for developing markets. Funding was available after a maximum of one year from closing of the related RDI project. Funding was based on joint allocation from BF and MFA and managed by BF. BF's company contact persons screened the on-going RDI projects and suggested the follow-up project opportunity to potential companies.

During 2025 BF's DevPlat activities were stopped. As part of this change, MFA decided to continue innovation funding opportunity and MFA's allocation was moved to FP from January 2025. The innovation funding follows the same application and project reporting process as other FP support grants. Innovation funding is considered as de minimis support. FP manages the marketing and advice as well as makes the statement of the application and MFA makes the grant decision. An addition is that BF provides a statement that an applicant company has had a RDI project funded by them and closed less than five years ago. BF is not doing anymore screening of their projects and companies.

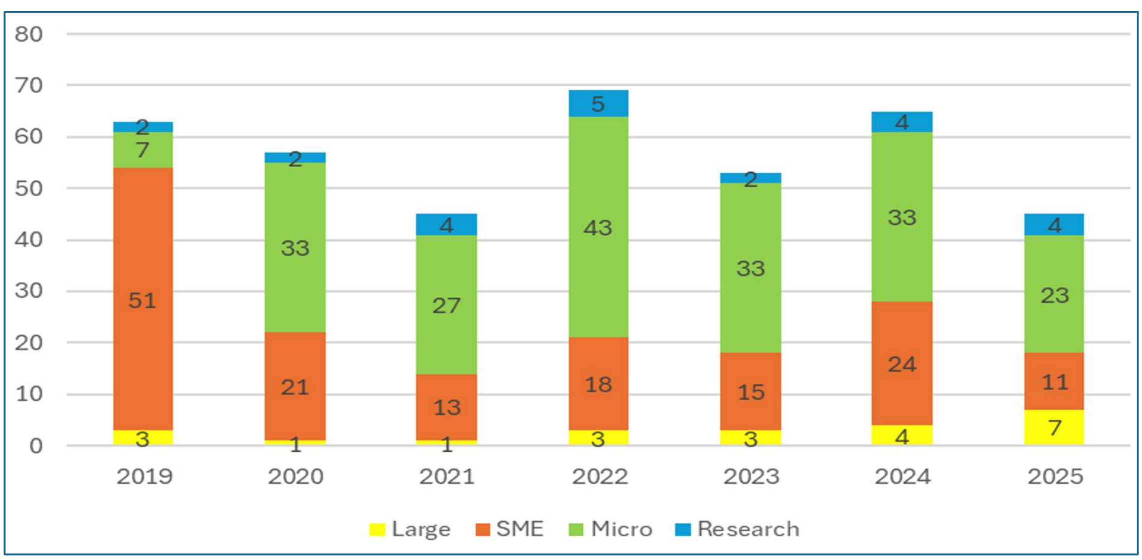
Over 2025 FP had 11 applications and 6 accepted projects which are on-going. During its last year BF DevPlat had 15 accepted grants and over 8 projects on average over the years.

As such there is need and logic of innovation funding instrument to further develop new products and concepts to be applicable to developing markets. FP does not, however, at the moment have sufficient channels for marketing and finding the companies which would benefit from the opportunity. From 1.1.2026 onwards, previously related projects companies have had with Elinvoimakeskus / Economic Development Center (former ELY-centers) are also eligible for applying for innovation funding. The collaboration with Elinvoimakeskus and also potential future access for FP Oy to Team Finland CRM (Kasvu CRM) helps to identify companies which have had RDI work and are interested in developing markets.

For one project, a company can apply for a financial grant for one or more of the eligible phases ranging from preparation (finding a partner, developing business plan, doing an ESG assessment, etc) to implementation (training of local staff or development of existing business in the target country). In practice most of the FP grant projects have focused on the early phases of business expansion to the developing markets.

Over the evaluation period 2019 – 2025, 298 Finnish companies and other organisations have received FP grant support (excluding the Ukraine programme) with 86 companies receiving more than one grant. Mostly, the additional grant support is for a continuation of the previous project – for example, moving from the preparation phase to implementation. Figure 2 shows the distribution of the companies receiving grant support by their size.

Figure 2. Number of companies and research organisations receiving FP grant support by size of entity (Ukraine excluded)



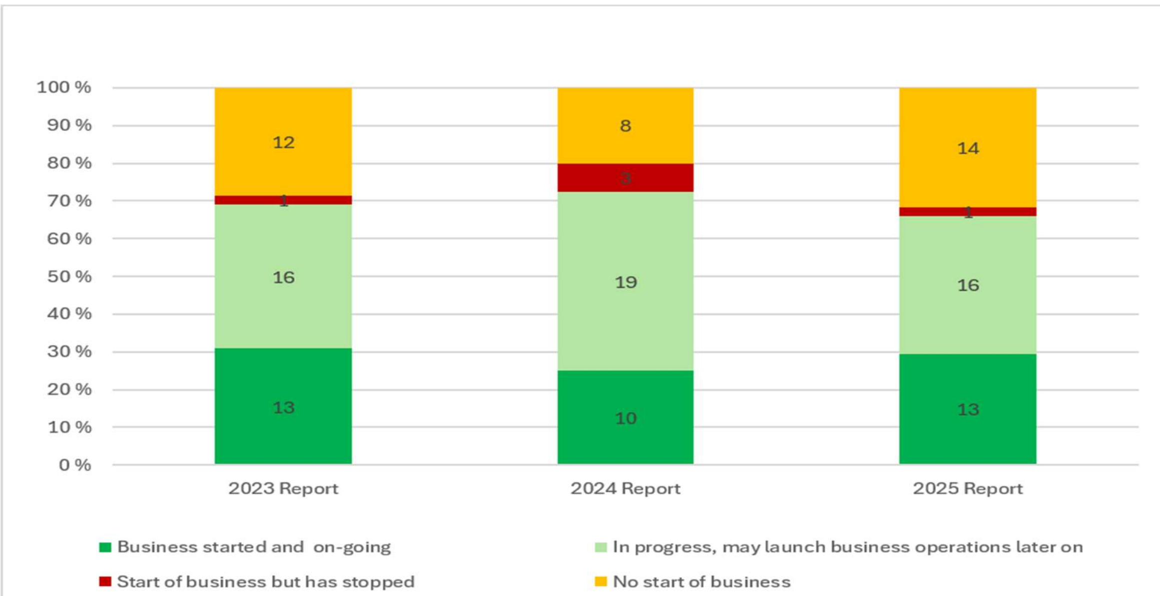
Source: FP data and analysis by the evaluation team

Note: Many of the research and educational organisations are of Finnish company format "Oy" and classified as large companies in statistics. In this figure separated as a category of their own.

FP collects information of the results from the projects through a survey four years after the support grant decision. Figure 3 shows the distribution of the status of the business activities from the reports 2023 – 2025 representing projects that started 2019 – 2021 and which applied for reimbursement two years after the project start. Since the grant support most often focuses on the early stages of business development in new markets, approximately 30% of the projects have been discontinued after four years. Around 40% are still under development, while 30% have already resulted in ongoing business operations. Overall, about 70% of the projects are either operational or continue to progress towards the establishment of new business activities.

Few cases have started but then stopped due to a bankruptcy or other reasons. One should note that the Covid-19 pandemia took place exactly over these years and has caused more than usual delays, postponements and changes to project executions.

Figure 3. Status of FP supported businesses 4 years after grant decision



Source: FP yearly development impact reports 2023, 2024, 2025, exclusion of support projects and graph done by the evaluation team

Note: Status of the business four years after the support grant decision (2023 reporting for projects that got positive funding decision 2019 etc.). Numbers include also projects that were on-going during the reporting request and double counting is excluded. Support projects which do not aim to establish new business are excluded

FP's follow-up reporting does not include clear information of longer-term growth and viability of businesses. Based on the interviews and case studies, a majority of the existing businesses in target countries are not growing fast or are not growing at all. In many cases high country and market risks have materialised. Based on annual development impact reporting four years after grant decision from projects that started in 2019-2021, there have been yearly 10-12 cases (21-33% of projects covered by reporting, 42-47 depending on the year) where companies have done further investments. Investments done after the project completion made by a company has been about EUR 240 000, largest one reaching EUR 2.4 million. Interviews and case studies also indicate that the self-assessment views of the grant recipients that they may start the business in the future are over optimistic. There is a need for more systematic follow-up on project business outcomes and longer-term business impacts, as well as mechanisms to support continued growth after the initial FP-funded project. Examples of ways to do this include using and analysing the business information collected with milestone reporting and payment requests to support companies with their follow-up actions, more in-depth analysis of the projects that have established business in connection with the development impact reporting four years after grant decision (e.g. interviews focusing on what happened and what would be needed in the future, focus especially on those companies which indicate that they may establish business), and longer term follow-up (for instance, eight years after grant decision). Further support for the companies does not mean only support provided by an FP grant, but other instruments potentially available for supporting growth.

Based on the evaluation interviews and case studies the support provided by FP has been very valuable and critical for the companies. Without FP's support, most of the interviewees said that company would not have done anything in developing markets. There are no other support instruments that focus on business development in these markets. As a public support instrument, FP grant is additional and targeted to help companies in risk-taking but as an instrument it is not sufficient by itself for promoting investments by Finnish companies in developing markets.

Types of companies getting FP support

With respect to the business prospects and value added to Finnish companies, one should acknowledge that the programme has provided support to very different types of companies over different sectors and altogether to 80 different countries over the period 2019 - 2025.

Most of the companies that have received grants are small and micro size. Although for the grant decision the basic financial capacity of the company is checked (i.e., that a company has sufficient financial position to complete the project), most often the capabilities of these companies to invest further in business growth is poor. Based on evaluation findings, the FP's assessment of the viability and financial capacity of the company has not been deep enough, as it has focused on companies' ability to implement the project, rather than running the planned business. One should note that FP has already taken actions to improve the assessment of business capabilities of the applicants. Good measures for this are for example taking the business development understanding into account in recruiting new FP persons and trainings in this for those who make the assessments. The results of these actions have resulted in 2025 higher rejection rate of applications due to financial reasons which shows that the new actions are working. It was also noted in the company interviews that over the evaluation period the economic situation in Finland has been in decline. It has been even harder than previously to get bank loans for very high-risk investments in developing markets for example. For very small companies FP grant has been critical and may have been the only support. However, these companies would also need more help in business development. In some of the interviews it was noted that the process of applying FP grant and support provided by other FP services indeed improved their competencies in basic business development such as in making a business plan. If the aim for the future is to have potential that companies supported by FP create potential cases for FF, the path from most of the micro and small size companies to this is too long. One should note that in the past during previous programme periods developing impacts have been even more important than viable business and sufficient attention has not been paid to capabilities of the company for successful long-term growth. Many stakeholders said that in the past FP projects got financing if their development impact story was written the right way, regardless of the actual business potential of the project.

During the on-going programme period since 2022, FP has aimed to get bigger companies involved. This is a good direction to develop the programme and to aim to reduce the gap towards potential FF investments although one needs to keep in mind that Finnish medium size companies or even large ones are small on a global scale. For very large multi-national companies the FP grant on the other hand is not appealing and those basically have not been recipients of FP grant.

Middle size companies which have well established operations in Finland are the most suitable companies for benefiting from the FP grant. Many good business examples exist from companies that had succeeded in establishing business in developing markets but not many that would have managed to grow their business in these markets. The grant sizes for the middle and larger size companies need to be bigger in order for the FP grant to be interesting for them in the first place. This means that the FP programme support could be directed to fewer with the current funding allocation. Also, an additional funding instrument for scaling up businesses is missing (see further discussion in section 5.1 on Finnish interest).

Middle sized or larger companies also often use other Finnish business support instruments such as being BF clients for their R&D projects, use other BF instruments and have their own capabilities and competence for business development. The added value of FP grant is increased if the other FP services support further developing market/country knowledge. Business visits to target countries got very good feedback but lack of clear target setting for the visits (what are the key objectives) and follow-up work was brought up. Companies make contacts but further building of partnerships takes long time and there would be room for follow-up work for example by a follow-up visit to the same country and need for further support to continue high level contacting.

Sectors using FP grants

The market knowledge covers also understanding of different needs of different industrial sectors.

Figure 4 shows the distribution of FP's grant support by industrial sectors for years 2019–2025. The educational sector has clearly dominated the programme. One explaining factor for educational sector activity may be that there are other strong governmental programmes supporting export activities in this sector (e.g. Education Finland is governmental cluster programme supporting the best education providers in their growth on the international market). These programmes increase awareness of the opportunities and direct the companies to apply for FP grant since they do not have similar funding instruments available. FP is also actively collaborating with them in marketing activities. Generally, the distribution of FP grants does not correlate with FF's priority sectors or investment portfolio (education makes up less than 1% of FF's portfolio). Nor has the FP sector allocation been guided by programme strategy. Based on the company discussions and other interviews one should note that FP people do not have specific sector or business area understanding. With the current structure and resources this is a conscious decision. FP as a programme is designed to be agile and responsive to new emerging needs of MFA and sector specific focus can become outdated quickly.

Figure 4: Sectors of FP grant recipients (Ukraine projects excluded, majority of those are in construction sector)

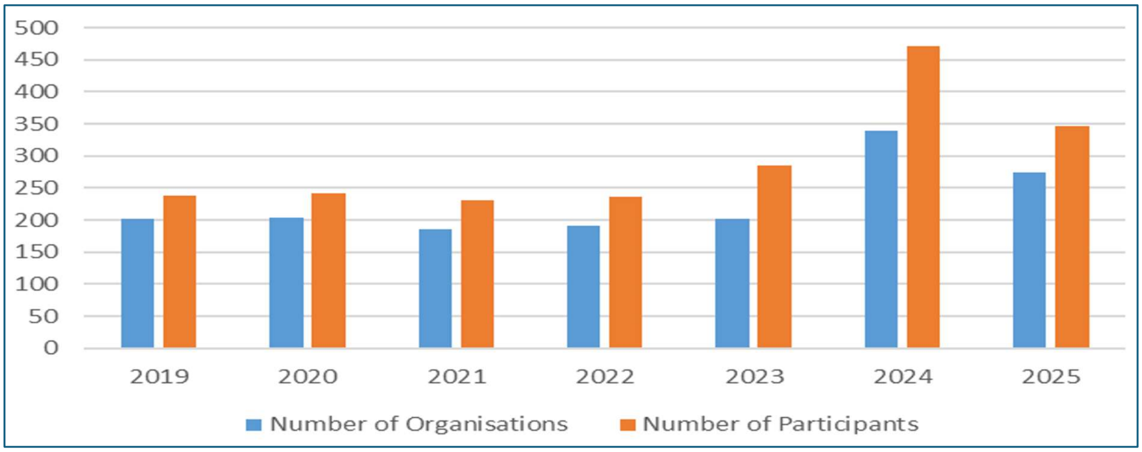
Industry	# of grants	Amount of grants 2019 - 2025
Educational services	84	€ 6 142 548
Health and pharmaceutical	43	€ 4 970 727
Services	44	€ 3 384 193
Construction	32	€ 2 966 201
Environment	33	€ 2 850 916
Information and communication technology	35	€ 2 511 897
Energy	23	€ 2 220 749
Other	25	€ 1 764 673
Agriculture and food processing	29	€ 1 478 554
Mining	10	€ 1 252 506
Textiles and clothing	19	€ 770 457
Metal and industry engineering	6	€ 763 216
Electrical engineering	5	€ 728 636
Manufacturing engineering and machinery	5	€ 660 001
Crafts	13	€ 509 498
Tourism	10	€ 469 770
Transportation	3	€ 291 775
Research and development	3	€ 268 772
Chemicals	3	€ 212 425
Finance	2	€ 209 274
Forestry, wood and paper	2	€ 183 180
Electronics	1	€ 107 138
Rubber and plastics	1	€ 19 024

Source: FP data and analysis by the evaluation team
Note: Excludes projects in Ukraine

Excluding Ukraine, the number and volume of FP projects has been in slight decline. The Ukraine reconstruction programme opportunity, however, has created increased interest towards the instrument which can be seen for example in the number of attendees to the application workshops organised by FP (see

Figure 5). Also, different events, FP's country visits, and Doing Business with Finland TF events got a lot of positive feedback in the company interviews. Marketing and information sharing of FP are good, but perhaps not reaching the most appropriate target groups of companies. In this respect, the planned collaboration with Economic Development Centres (Elinvoimakeskus, former ELY-centers) is a good direction and efforts to continue close collaboration with Business Finland should be sustained. Also, the future potential access to TF CRM (Kasvu CRM) provides FP an opportunity to do better screening and targeting of potential Finnish companies. It is estimated that in Finland there is about 1,000 companies which already have extensive export (over EUR 300 000 annually). Among these there most likely would be more companies than now who would benefit from FP support.

Figure 5. Number of organisations and participants in FP workshops



Source: FP data and analysis by the evaluation team
Note: Ukraine reconstruction programme related workshops are included which partly explain the increase in interest 2024

4.3. Development impacts and relevance for final beneficiaries

Development objectives of FP

Since the establishment of the FP programme in 2006, its objective has been to create positive development impacts in developing countries through business development of Finnish companies and their partners in developing countries. FP contributes to Finnish development policy, and especially its second priority *of strengthening the economic base of developing countries and creating jobs, with an emphasis on innovations and the role of women in the economy and female entrepreneurship*.

The purpose of the FP programme is to promote sustainable development by increasing long-term profitable, sustainable and responsible business between Finnish companies and their partners in developing countries. The founding idea of the programme is that companies operating responsibly produce development impacts in their target countries and that Finnish companies have the expertise, technology and resources needed to develop the private sector in developing countries.

The Evaluation of Economic Development, Job Creation and Livelihoods commissioned by the MFA in 2021 notes that while FP may well contribute to the Finnish development policy objectives, it is difficult to assess to what extent and how effectively it happens, as the causal or contribution chains are long and fragile. The latest FP programme document emphasises the importance of strengthening this connection, by collecting data on development impacts already during project implementation, and by defining the development needs which each proposed project aims to address.

The impact level objective for FP in its theory of change is to promote such private sector growth in developing countries that operates responsibly and promotes sustainable development. The theory of change has identified two outcome level goals: 1) to increase profitable and responsible business in the target countries in line with the UN Sustainable Development Goals; and 2) to increase the number of Finnish companies operating profitably and responsibly in emerging markets.

The main principle of the Finnpartnership programme is that, in addition to local legislation, projects supported by Business Partnership Support must comply with internationally accepted environmental and social responsibility standards as well as human rights principles concerning, among other things, the environment and workers' rights. Promoting gender equality is also one of FP's key principles.

Relevance to beneficiaries and development challenges

FP projects address a huge variety of beneficiaries, ranging from informal waste pickers to government officials and staff of sub-contractors. All projects are required to describe their targeted beneficiaries in the project application, and to report who have been the actual beneficiaries during the project. The quality of information on targeted beneficiaries varies between projects, and the data provided is based on companies' own reporting. The evaluation studied the relevance of FP projects to their targeted beneficiaries and development challenges through case studies. In most of the case studies, the targeted beneficiaries were clearly defined in the project application phase, and based on the evaluation data collection, they were relevant to the projects. All the projects also targeted some development challenges that were relevant to the country in question. Gender equality is mainly targeted through employment of women in different levels, also in management positions.

Monitoring development impacts

The development impacts targeted by the projects are very varied, yet all projects are required to target and reach at least some impacts. All the case study projects targeted real and relevant development challenges and aimed to create a positive impact on them. As most of the FP projects focus on planning and developing of business activities, and the most tangible development impacts can therefore be achieved only after the two-year project period, all projects that have received grant support, are obligated to report their development impacts after four years from the beginning of the project. These results are aggregated to FP's annual development impact reports. Since the beginning of the current programme period in 2022, companies have had to report the first development impacts after 8 and 16 months from the start of the project, or if their reimbursement requests fall at those times, development impacts can be reported together with the reimbursement request. FP reports these monitoring results to the MFA on quarterly basis.

The development impacts monitored by FP have changed over the years, following requests from the MFA. Currently, all projects are obligated to report on the direct and indirect jobs they have created, and on at least one other SDG-related indicator relevant to the project and selected by the applicant twice during project implementation. The full development impact reporting collected four years after the project start covers established businesses and collaboration agreements, investments in target countries, employment impacts, social impacts, impact on the employment and equality of women, training and increased competence, environmental impacts and market and infrastructure impacts.

For the programme period 2022-2027, the non-binding target for creating new jobs was 500-600 per year, noting that most of the projects have been designed and started before setting the targets. So far, the average number of new jobs reported during the current programme period was 327, which is significantly less than targeted, annual figures ranging from 131 in 2025 (for projects that started in 2021) to 711 new jobs in 2022 (for projects that started in 2018). Lower job creation figures mainly reflect the impact of COVID-19. During this programme period, 36%-51% of projects reporting their development impacts declared that their product or service had an impact on gender equality, which can be considered to be quite significant. Number of women employed has ranged between 46 and

470, average being 164 women, but it is not clear how many of these jobs have been new, so the figures are not comparable to the total new jobs created. During the evaluation consultations, it has also been brought up that jobs created are not the only, or always the best way to assess the development impacts of a project. While one project can have significant impacts on employment through e.g. providing jobs for rural women or people with disabilities, another project can create a very significant effect on the society e.g. by introducing new, more environmentally sustainable production methods in construction, or by creating a business around circular economy directly contributing to improved resource efficiency.

The development impact monitoring of the FP projects is based on reports from the companies with no independent field verification. Many of the companies consulted reported that development impact reporting is a heavy process for them, and it is not always clear what is required to be reported. Still, based on the data reviewed, the companies seem to be able to report the impacts created at a sufficient level.

Understanding environmental and social effects of FP projects

FP offers external advisory support for identifying potential environmental and social risks to projects, that are considered to potentially face these risks. The support is provided in a form of a voucher, that allows the project to have their project plans reviewed by an external expert. For some of the projects, these voucher services are voluntary, while for those considered to be at highest risk, the voucher consulting is an obligatory requirement for accessing financing from FP. FF environmental and social advisors support FP in assessing the environmental and social risks of the projects and defining the risk categories for each project. Based on the feedback on the voucher service, most companies consider it very useful to identify critical risks, and to adjust their operations to the conditions in the target country.

While the use of the voucher service is monitored as part of the project monitoring processes, and the companies are asked to report on the projects' effects on environment and society, there is no systematic, external follow-up or monitoring of actual environmental and social effects of the projects. A few projects are monitored through monitoring visits annually, but the selection of the monitoring visits is only partly based on environmental and social risks identified. The evaluation case studies identified some potential negative environmental and social impacts from the projects and their partners, that were not really considered problematic by the stakeholders consulted on site. These observations have not been verified and studied in-depth, but they do raise some concerns related to the sufficiency of the current self-assessment of environmental and social effects of the projects.

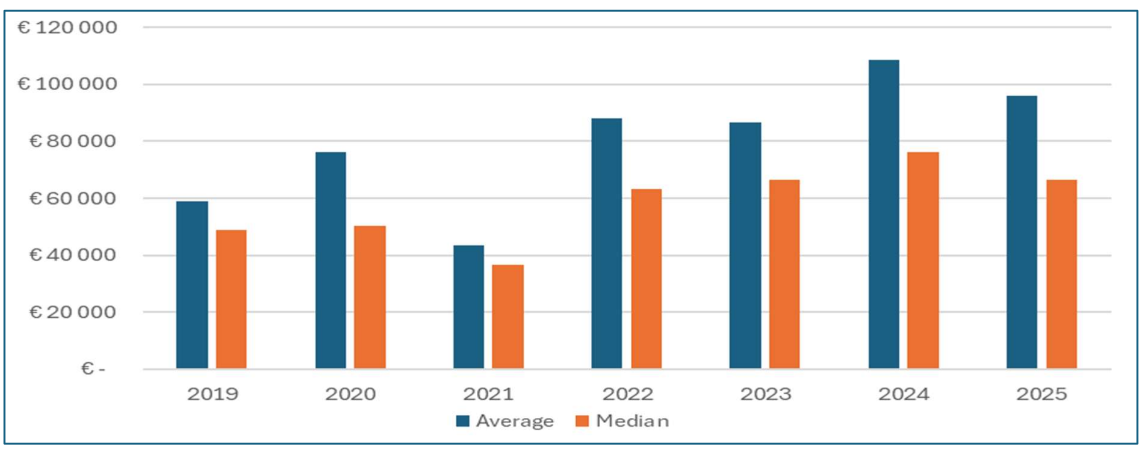
4.4. Cost efficiency of operations

Generally, FP operates with very small resources. For the current programme period the planned yearly budget for personnel costs in Finland was EUR 900 000 until 2024 (EUR 945 000 2025) and yearly budget of EUR 500 000 for operations and persons abroad. The yearly budget was increased to a total of EUR 1,6 million with the launch of the Global Gateway campaign (years 2023 and 2024) and another increase in the yearly budget was done late 2024 for the remaining years 2025-2027 to about 2 million euros. At the moment, FP team consists of 10 people at Finnfund and two full-time equivalent (FTE) staff subcontracted through a consulting company. MFA has budgeted only one person year for tasks related to FP programme, which is drastically limiting their ability to process the applications within the ministry. In addition, MFA is taking care of the steering of FP.

During the evaluation period additional tasks like Ukraine funding, innovation funding, emphasis on GG activities and synergy seeking with FF have been given to FP. These thematic additions need further planning and testing of different ways of working. Additional resources of one FTE were provided for GG campaign activities. FP has coped well with the situation and has been innovative and flexible, but new operations have expanded FP's role and operations. The connection of Key Performance Indicators (KPIs) set by MFA for FP to policy objectives are not clear enough.

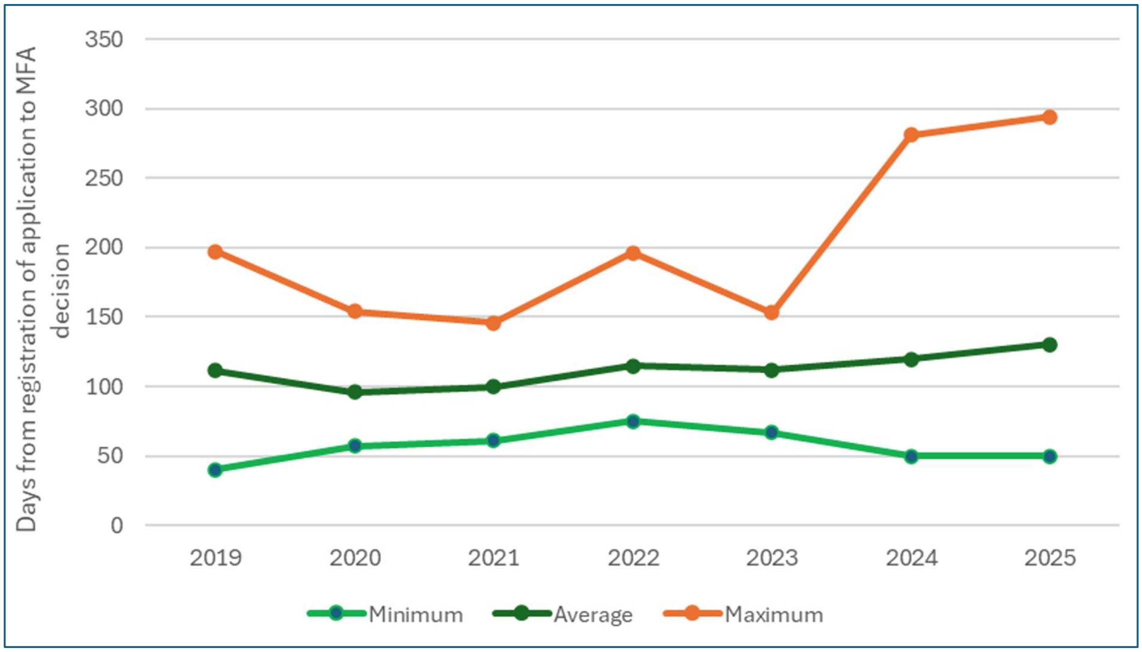
FP's granting process is not cost-efficient. The process is slow and too complicated involving double work when MFA needs to make independently the funding decisions based on FP statements and regional unit statements. Innovation funding requires additional statement steps to the process (see Box 12, innovation funding). The cost of processing each application is the same regardless of the grant size. FP has aimed to increase efficiency by increasing grant size and has to some extent been able to do this over last years (see Figure 6). Since 2022 the minimum grant size has been EUR 15 000 which has helped the situation. Main problem is in any case the long time it takes from the registration of the application to MFA's decision. Only one person is handling the applications at the MFA. In the FP programme document 2022-2027, MFA defines the processing time should be shortened from the 3-5 months it took during the previous programme period. However, against MFA's own advice, the average time for making the decision has slightly increased and was in 2025 4,3 months (see Figure 7). FP makes their statements in few weeks, but the main bottleneck is at the MFA side.

Figure 6: Changes in FP grant size (Ukraine included)



Source: FP data and evaluation team analysis

Figure 7: Processing times for FP grants (Ukraine included)



Source: FP data

An obvious help to the situation could be addition of human resources at the MFA for application handling, but a better solution would be to make a total renewal of the instrument. It is unclear why the FP granting process is so different and heavier from some other state aid grants. Simpler grant could be planned without increasing risks related to fraud and misuse of ODA funds. In the company interviews FP grant was often compared to former BF's Tempo instrument which was a maximum EUR 60 000 grant for 75% of costs with 70% payment immediately after the positive decision and meant for the company to prepare international growth. Application workshops are needed and they have helped the applicants, as have very responsive and helpful FP people. FP team members give hands on support for the companies to file the applications, but this work would not be needed to this extent if the granting process was clearer and easier for the companies.

Until the beginning of the current FP programme period, the annual disbursements were only about 40% compared to the grants approved for companies. Efforts were made to increase the level of disbursements, and in 2021-2023 disbursements reached more than 50% of the approvements.

To develop the granting process efficiency some different levels could be considered for different grant sizes and steps. Lighter process and assessment could be developed for very small projects of first steps and more detailed assessment taking into account also the applicants' capabilities for business growth for larger grants.

Big improvements for the efficiency are expected if FP would be a subsidiary of FF in the future as defined in the draft of the new Finnfund Act. Key changes that would lead to improved efficiency are the following:

1) FP would have the rights for making state aid decisions and in that way could redesign the whole process to be more efficient and user friendly. The rotation of applications between FP and MFA would

stop and there would be one organisation taking care of the process.

2) FP grants would be connected to the governmental “VA digi” IT system so that the non-functioning application system would be history. At the moment, applications are received in one IT system (AHA) and then manually one by one transferred to FP for their own processing, and then back again manually. With the new Finnfund Act there will be only one IT system in use, and everyone involved in the processing of applications have access to it. This change needs to be implemented hand in hand with the redesign of the grant process.

3) FP would have connection to TF CRM (“Kasvu CRM”). Two first points would significantly improve the efficiency of FP operations. Kasvu CRM connection would help the marketing activities and help in identifying more potential companies for innovation funding and for FF sourcing function.

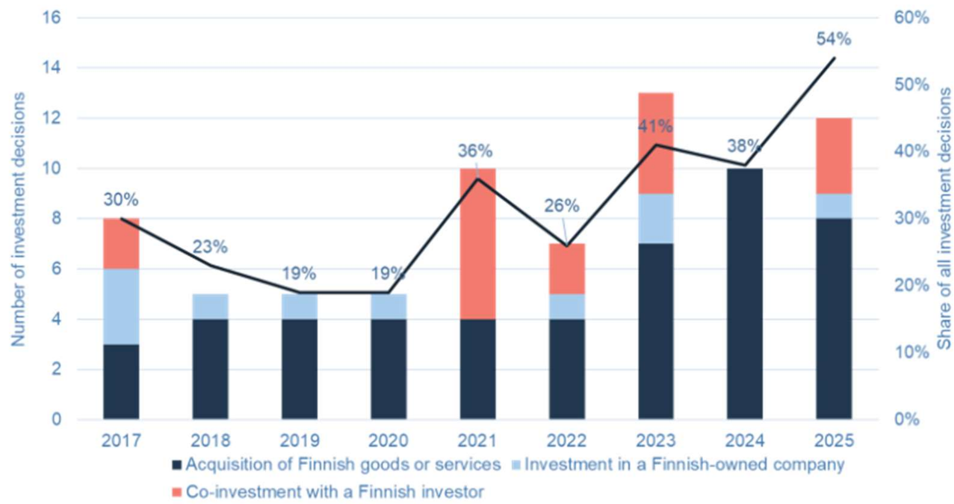
5. Findings related to both FF and FP

5.1. FF&FP jointly contributing to Finnish interest

An emphasis on developing both FF and FP operations so that the benefits for Finnish business are clearer has become a strategic priority in the current OSM. While already earlier OSMs noted that FF funding should aim to create new opportunities for Finnish companies and other Finnish actors in developing markets and FF has had the priority sectors for its operations since 2020, only since the latest memorandum from 2023, is FF to prioritise sectors where FF and Finland have internationally acknowledged expertise, and where funding can be leveraged for other initiatives important to Finland. This has strongly affected FF’s new strategy in 2024. FP has been built from the beginning for supporting Finnish businesses and the business view is deeply rooted into FP’s mandate. The current FF’s strategy calls for deeper synergy between FP and FF towards Finnish interest objective. They are also expected to be more actively involved with Team Finland network (further elaborated in section 5.3).

FF has developed and put in place new modes of operation since beginning of 2024, so long term experiences and results are not yet available. Annual reporting to MFA now has a new target “number of Finnish companies involved in Finnfund's investments and their share of Finnfund's portfolio (%)” Involvement is defined as follows: “Finnish companies were involved as suppliers, owners, investors or service providers”. Figure 8 shows the development of the work and increase in Finnish business interest in investment decisions since 2023.

Figure 8. Finnfund's annual new investment decisions with Finnish business interest.



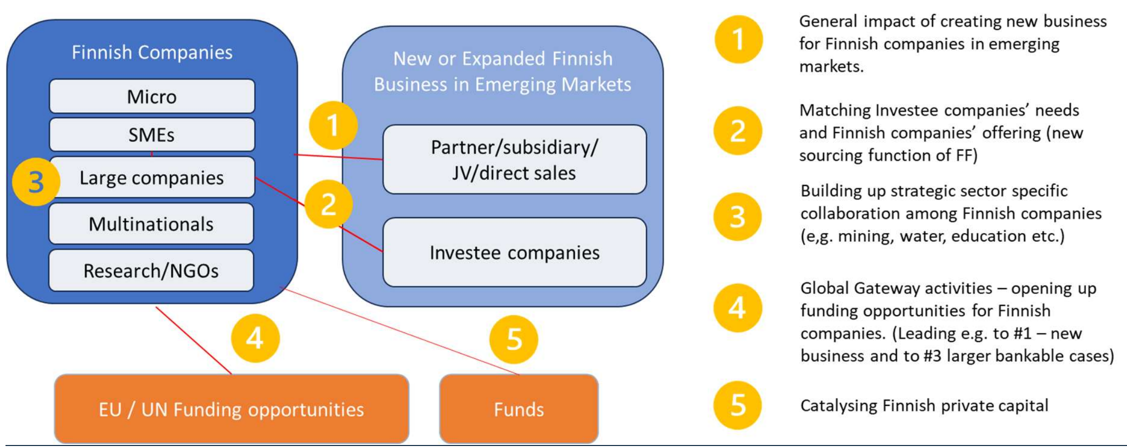
Source: Finnfund

Based on the evaluation discussions and interviews with stakeholders and companies, the strategic priority for Finnish business interest is considered as a good direction and following what other countries are doing within the development cooperation field. Business progress and development impacts are win-win. However, according to many stakeholders, the focus on Finnish interest should not compromise FF's core objective of delivering development impact.

For FF and FP specific interpretation and targets of Finnish business interest have been set together and agreed by the Owner and the Board of FF for FF. Evaluation could have analysed these separately for FF and FP but we aimed to analyse the fulfilment jointly focusing on areas of potential synergies. Based on the evaluation team's understanding how FF and FP aim to create added value for Finnish businesses, five different paths of business impacts are identified for the analysis. These are illustrated in Figure 9**Error! Reference source not found.** and elaborated below.

Generally, the Finnish business interest main target customers are all Finnish companies on the left side of the figure. Needs of, benefits for, and roles of the companies vary. Different companies can be, for example, classified by different size classes. SMEs, for example, have been main customers of FP grants. Research/educational organisations and NGOs also have a role in business ecosystems and need to be incorporated in the overall picture. Actions of FP and FF aim to increase new business in developing markets so that Finnish companies are involved. The general business impacts of Finnish companies creating new business impact in emerging market is illustrated as **impact path 1**. Counterparts in emerging markets are all companies that Finnish companies do business with or establish joint ventures. A special class of companies in emerging markets are those which are FF's investee companies. **Impact path 2** illustrates the business of Finnish companies with investee companies. Based on the experiences of promoting export, success often depends on group of companies working together and of the support provided by the public sector in the form of, e.g., bilateral agreements and export promotion events. These actions and impacts are included in the **impact path 3** and actions are paving the way for the actual business. Specifically, these more strategic collaborative efforts which also include companies and partners from other countries, are often needed for getting access to other funding opportunities. **Impact path 4** illustrates these particularly from GG point of view which has been a priority both for FF and FP over the evaluation period. Finally, in case of FF the role of Finnish investors and the aim to mobilize Finnish private capital cannot be excluded and is illustrated with **impact path 5.** The current status and evaluation findings along the five different ways to promote Finnish business interest are elaborated in the following sections.

Figure 9. The means for FF and FP to fulfil the Finnish business interest objective.



Source: Elaborated by the evaluation team

New business in emerging markets (1)

This is the key area and mandate for FP work. FF is also keeping track of the Finnish business connections in their investment cases and aims to invest in Finnish-owned companies or their partners in emerging markets. Key KPI for FF is the number of new investment decisions where Finnish companies were involved as suppliers, owners, investors or service providers (In 2025 13 investment cases, (54% of cases) where in 3 cases there were Finnish co-investors). There is increased collaboration between FP and FF and attempts to find well-functioning working methods together. FP and FF for example have regular meetings to screen companies that have successfully concluded an FP project and are now looking for the next step. The main challenge is that the gap between FP customers' businesses and potential bankable projects for FF is far too wide in most cases. FF investment targets are much bigger than what FP companies can develop into. The median of FP grants over last years has been around EUR 65 000. Based on the interview discussions with successful FP cases, the next step investment need for the companies which have succeeded to start or expand the business is often of size EUR 1 – 2 million. For FF the minimum ticket size has been EUR 4-5 million, and average has been around EUR 8 million over recent years. Because FF's investment is always in a minority position, the actual FF projects size would typically be around EUR 30 - 50 million. Companies which would be big enough and would have potential for leading to FF investment cases do not need FP support. In the Finnish support system, there is a clear lack of a support instrument that would help companies to scale up their business to the bigger scale or would support scaling up of different decentralised business models.

Matching investee companies with offering from Finland (2)

This "sourcing function" activity is new for FF (it was introduced in 2024). FF actively seeks potential

Finnish companies which could do business with their investee companies and organises joint meetings. The number of connections is one indicator for monitoring the strategy implementation and is based on the number of meeting attendees and meetings organised. During 2025 there were 59 of these connections with 44 companies. Meetings were organised with 16 investee companies. The level of the overall Finnish company connections in all new investments is tracked with a new indicator system where a scale from 0 to 3 is used to grade the level of Finnish interest in investments. Grade 0 means that there is no on-going discussions and grade 3 means that the company is fully or partly Finnish owned. Sourcing can help investments with grades 1 or 2 where there are promising discussions ongoing between the investee and a Finnish company (grade 1) or the investee is an existing client of a Finnish company (grade 2).

Sourcing model is new and as yet there have been only a few cases leading to potential business results. Concrete closing of the deals after first discussions takes a long time and FF's resources for the operations have been limited. For finding the potential Finnish companies FF has made use of previous experience, Team Finland networks, FP's customer lists, AI-tools and basic knowledge and networking in the events and alike. Companies' awareness of the opportunities was low the beginning, and developing new processes to reach them has been resource intensive. Many companies have been contacted individually, requiring a lot of work. In 2026, more systematic and formal processes are introduced to improve the situation. The situation would further improve should both FF and FP Oy have tailored access to Team Finland's CRM system (Kasvu CRM). For a better understanding of Finnish companies in different sectors, collaboration with Business Finland and Finnvera should be strengthened-FF and FP could also further strengthen targeted collaboration with different Finnish industry associations and other export promotion organisations.

FF has emphasised collaboration directly with larger multinational Finnish companies (Nokia and TietoEvry being the main collaborators). This may lead to good results since companies have global operations and existing interest in developing markets. Use of FF's resources is justified when the collaboration leads to potential investment cases where these companies are also co-investors or otherwise support the quality of investments. There are, however, also challenges with large multinationals. Collaboration requires a lot of resources and time, contact persons change and added value of FF may be marginal. Also, in the field work for this evaluation a lesson was identified that working with large conglomerate companies, whether Finnish or others, can be problematic as the investment involving FF may not be material to the large company who may take arbitrary decisions such as pulling out of a country entirely. Considering these issues, it is positive that the list of companies involved with sourcing function activities in 2025 show a more balanced view including more different type of companies. In addition, the latest few business cases that have positive prospects are with small start-up companies.

Based on the interviews, the companies value FF's work in opening the opportunities with investee companies. However, considering the resources FF has to invest in this against the results of having few business leads, one needs to question if this is type of support for Finnish companies is something FF should be doing. Direct business development support for Finnish companies is not FF's core function but an additional task that requires specific resources and competencies. Fulfilling this policy imperative perhaps should be subject to a specific contractual arrangement whereby FF is fully compensated for the costs involved.

Sector specific collaboration among Finnish companies (3)

Many of the interviews highlighted that there is a need for more collaboration among Finnish companies as well as a need to be more aware of each other and to have joint efforts. This means, targeted export activities which also have longer term implementation plan and building of consortia among companies, NGOs, and research/educational organisations. FP is doing some of this by providing funding to consortia projects but in a modest scale and with a need to develop the funding to be more appropriate for consortia. Rather than looking for one company and their business or having only the number of consortia as a KPI target set by MFA, FP's effort could be directed to selected sectors and bigger entities or group of companies which together would have a better offering and would be stronger. FP's role is to bring forward opportunities for companies. FP is doing good collaboration with sector export organizations, such as Education Finland, Finnish Water Forum and Mining Finland, but this collaboration could be further strengthened with more strategic planning and more targeted information exchange so that different parties are more aware of each other's goals. Stakeholder interviews indicated that the strategic goals and intentions of FP are not that clear which hinders some joint planning of work.

FF's proactive work towards developing Finnish business ecosystems seems to be mainly targeted through Global Gateway activities where telecom and digitalisation are FF's priority sectors, and here FF excels. One should note that Finnfund's core mandate and task is to be a source of financing and it is not a Finnish business development organisation. Despite of this, FF has significantly increased the collaboration with other stakeholders that have a mandate to develop business ecosystems.

Although many of the company interviews called for the need for this intensified collaboration, this overlaps with other export promotion activities and should not be the core functions for FF and FP but rather joint Team Finland work and collaboration with export promotion entities. Also, MFA should take a bigger role in this with the new structure of providing business services. MFA's Business Services Unit has responsibility of the development and coordination of the industry-specific expertise, and participation in national and international cooperation in various sectors as well as of market-driven trade promotion, including its guidance and implementation, making use of business ecosystem operations and offerings and, where applicable, International Business Innovations (IBI). FF and FP close collaboration with the unit in the future is essential. FP could, for example, make greater us of MFA's international network rather than maintaining it own staff abroad.

Interviews pointed out that the coordination, transparency and information sharing from FP and FF towards embassies has not been working as well as it could t. Improved processes to share information among embassies and between companies that have received FP support would create a basis for collaboration. All FP projects are recorded in the Kasvu CRM which provides access to project information, but this information could be used more systematically. FF has identified the need for all DD delegations to meet more regularly with local embassies.

Global Gateway activities (4)

The Global Gateway (GG) launched in 2021 is a new European strategy to boost smart, clean and secure links in digital, energy and transport sectors, while also strengthening health, education and research systems across the world. MFA is a national coordinator of GG activities. FF and FP have been given tasks to develop their GG activities by the MFA. Finnish interest is fulfilled by Finnish companies getting funding from EU. FF and FP active work with GG is highly valued based on the interviews. GG activities are analysed separately in Chapter 5.2.

Catalysing Finnish private capital (5)

As analysed and elaborated in Section 3.6, FF is generally doing well in mobilising private fund in comparison to peers. Mobilising specifically Finnish capital has been an FF priority for a long time and progress is also monitored. EU pilar assessment and following guarantee schemes and new funds improved the situation. In total over the period 2019–2025 FF has had 17 investment cases with Finnish co-investors; 10 of these have been with OP Global Impact Fund I. In 2025, other Finnish investors were involved in four cases out of total 24 with a total volume of EUR 13,8 million (total volume of FF new investments 183 MEUR). All these four cases were with OP Global Fund I and DAIF. Expectations for the increase in the future are with the potential successors of OP Global Fund I and the newly created DAIF.

5.2. Global Gateway and FF&FP

In 2021, the EC and the EU High Representative launched the Global Gateway (GG). GG aims to mobilize infrastructure investments in five key areas: digital sector, transport, climate and energy, health and education. GG has little funding of its own, but it draws on the new financial tools in the EU multi-annual financial framework 2021-2027, and makes use of Interreg, InvestEU and Horizon Europe, and the EU research and innovation programme. About half of the investments under the GG umbrella have been targeted to African countries.

GG is delivered through a Team Europe approach, which aims to bring together the EU and EU Member States with their financial and development institutions. Team Europe Initiatives (TEI) are actions that Team Europe members put together to focus on common objectives at the most appropriate level of action, be it country, multi-country or regional level. At the moment there are 161 TEIs.

GG strategy continues until 2027, and some Team Europe Initiatives (TEI) parts continue up to 2029. EU's next financial framework negotiations for the future are going on at the moment defining also future development directions.

GG is a complex entity collecting different EU activities under one umbrella. At a high level, it is an EU strategy; at the operational level, it involves projects and programmes using different financial instruments. Relevant financing tool geared towards private sector is the European Fund for Sustainable Development Plus (EFSD+), a group of risk sharing instruments promoting sustainable investments in the European Union's partner countries. Under GG umbrella there are huge number of projects. GG lists as flagship projects those that are of value over 100 MEUR.

Especially at the start, GG strategy was very confusing, as the content and rules had not yet been defined - like "a ship launched from the dock without an engine and full of holes." Based on the interviews, GG is still very complex and there is still a lack of clarity and many rule changes. A recent addition to GG actions is the new GG Investment Hub (GGIH) launched in October 2025. GGIH aims to collect lists of potential investment projects and provide a bridge between project sponsors, public authorities and financiers. Each Member State defines their national structures for coordination of GGIH activities.

Finland has chosen digitalisation, education, and the climate-energy twin transition as national priorities for its GG activities. In addition to overall main responsibility for national GG coordination, MFA has taken on the main responsibility for coordinating and directing GG work in digitalisation, with FF involved. The education side is the responsibility of Ministry of Education/Finnish National Agency for Education (Opetushallitus). Climate and renewable energy issues have been somewhat overlooked, but now critical materials have become a GG priority and responsibility for Finland, with the EC pushing Finland to take this role. All of Finland's GG priorities have directly affected the steering of FF and FP. FF especially has taken a strong lead role with digitalisation within GG and FF's work in this area is highly valued.

Generally, both company and other stakeholder interviews see GG very positively and EU funding opportunities as an area where both FF and FP have a very appropriate role which could be further enhanced in the future. Access to support mechanisms is, however, very challenging and is a complex world which means that both FF and FP should be sufficiently resourced with clear priorities set if these tasks will be continued and strengthened.

FF has been very successful in EU initiatives, and the EC has become a key partner for FF. FF has built access to EC guarantee programmes and is active especially with digitalisation and telecom sectors. FF has highly valued expertise in these areas and has positioned itself as a key player in these sectors. The guarantee programmes allow FF to invest in larger tickets and riskier markets albeit with significant residual risk remaining with FF since guarantees range from 40% to 70%. In addition, guarantee programmes are helping FF to mobilise private capital. National organisation for GGIH is under development, but FF is planned to have a role in screening the leads of potential investments. FF's potential investments would be part of national allocation (10% of investments needs to come from a participating Member State). In the future, it is recommended to give high priority to ensuring FF's and Finland's access to the EFSD+ guarantees.

FP aims to position its role and services in the changing GG landscape, both as an individual programme as well as in the planned TEI framework together with European partners. As an active collaborator in TEI framework, FP has succeeded well together with other Finnish organisations. An example is active collaboration with TEI OP-VET (Opportunity-driven Skills and Vocational Education and Training in Africa) where Finland/National Agency for Education is one of four programme implementation partners. FP has a representative in the action's Private Sector Advisory Board and participates in active information sharing of the programme's opportunities for Finnish companies. A challenge for the future is to remain active and streamline all information sharing among organisations as well as to further define FP's core role in different TEIs.

Towards companies FP focuses on information sharing on EU opportunities. Information sharing is good but based on the company interviews it seems to be that companies do get information and guidance for getting into programmes also through other channels. It would need more resources and competencies within FP to make this role stronger. Access to different EU funding streams is really complex and "a jungle" where clear priorities should be set which programmes the FP's support should be targeted to.

FP's actual project generation functions towards EU funding mechanisms are very much in the early stages. FP has the ambition of having Finnish private sector involvement increased also through FP's grant instrument. This work could be strengthened. At the moment FP keeps track of companies which apply funding from larger EU/UN programmes under GG umbrella in a way that all companies that have received FP grant are asked of their connections and plans with EU programmes and FP is offering direct support and advice if needed. All identified plans or on-going application processes are tracked, and the number of these cases are a KPI for FP's work. The process is relatively new and could be strengthened in the future. Generally, synergies at the operational level between FF and FP GG activities are rather thin but could be higher if FP had clearer sector priorities and is given resources in the new structure for strengthening EU level policy work. To tap the potential of EU funding, FP Oy should go through the EU pillar assessment. This would require future FP Oy to run independently the grant awarding operations at least 12 months. FF's EU pillar assessment does not cover awarding grants and would not help FP.

5.3. FF and FP as members of Team Finland (TF)

Team Finland (TF) is a network of Finnish organisations which provide internationalisation services to companies. TF's core mission across strategy periods is to accelerate exports and international growth of Finnish companies. The core group of the network consists of the Ministry of Economic Affairs and Employment, Ministry for Foreign Affairs, Business Finland, Finnvera, and Economic Development Centres (Elinvoimakeskus, formerly ELY-centers). FF and FP belong to a larger group of TF's key partners. FF is also a member of TF's Extended Executive Group and participated in the process for developing TF's latest strategy. TF's strategy for 2025–2027 specifies FF's and FP's role as follows in connection of defining TF priority countries for the strategy period: "*Promoting Finnish companies' access to emerging markets through the state's export and development financing (Finnvera, Public Sector Investment Facility (PIF), Finnfund, Finnpartnership) in a synchronised manner to generate comprehensive offerings and identify international projects aligned with the offering of Finnish companies*." According to the FP programme document 2022-2027, specific focus should be paid on collaboration with other Team Finland actors, and to maintain close collaboration with the BF Developing Markets Platform (that was closed down in 2025). Based on the interviews, both FF and FP have now a clear role in the Team Finland (TF) network and collaboration has increased over last years. In the discussions with other TF network members, it was mentioned that in the past their role and activities had been somewhat distant and not that much at the core of TF operations. This has improved and at the moment their role is not overlapping with other TF members and is well complementary.

FF and FP have both taken an active role which is valued, and information exchange has improved. Both organisations have actively informed others in TF network of their existence and of their instruments. There were some remarks in the interviews both with companies and stakeholders of FP and FF not being active informants of other TF services, e.g. FP people are not always aware of e.g. BF services. Some stakeholders also gave remarks of difficulties to understand the strategic longer-term plans and priorities of FF and FP which would help in coordinating the joint activities.

The main part of practical level collaboration is information sharing and organising events together, both in Finland and abroad. FP's Doing Business with Finland events being one main type of activity. In the company interviews different events abroad were most often mentioned additional FP and TF services that have been very beneficial especially in early market exploring phases. Main criticism towards them was the lack of clear longer term follow-up plans. FF and FP, like many other key partners of TF, do not have access to TF's CRM (Kasvu CRM). This limits some co-operation opportunities. New FF law and the proposed structure would help in this when FP and FF would have some access to Kasvu CRM.

In the company interviews there appeared some criticism towards TF work – lack of coordination and lack of strategic joint targets. Embassies got generally very good feedback from the companies, but variation naturally exists. Some companies gave feedback that the roles and tasks of different people in embassies are somewhat unclear now when former BF people are moved to MFA. Also, BF's department for organising country visits and events is now moved to MFA. Generally, this structural change and changes in BF's strategic priorities mean that MFA has a bigger coordination responsibility and resources so that in the long run coordination should improve. Especially FP could lean more on the MFA's international network in the future. The transition period is on-going, and one critical factor will be that country experts' link to BF knowledge of Finnish businesses, Finnish companies, sectoral markets and technology areas continues to exist. BF and Finnvera will remain to be the main channels towards Finnish companies and the close collaboration with them is ever more important when MFA will have more responsibility of activities in developing markets. For FF and FP, the main task next to BF and Finnvera collaboration is to continue close collaboration with embassies. Finnish embassies are critical for both in market intelligence, stakeholder engagement, and local information exchange.

6. Conclusions

6.1. Strengths, weaknesses, opportunities and threats

Finnfund

Strengths	**Weaknesses**
• Committed staff with deep expertise • Good reputation with clients and other DFIs. • Leader among DFIs in some sectors, especially forestry. • Leader among DFIs in supporting E&S and the delivery of development impact. • Respected for smooth and prompt handling of issues with investees. • Innovative in sourcing alternatives to state funding – strong learning from the establishment of DAIF. • Ability to adapt to changes in steering including greater incorporation of Finnish interest • Strong risk management • Strong policies and strategies • Strong investment process, HR processes, hiring of international staff, adoption of English as the working language, first regional office established • Very strong gender commitment • Large number of international agreements and principles adopted • Weathered the Covid crisis and helped its clients to do so, now supporting Ukraine • Partners well with other DFIs • Strong strategic relationships with the European Commission including EFSD+ guarantee	• Generally modest profitability which limits the level of retained earnings as a source of funding, and increases its vulnerability to adverse events • Generally slower growth over the last 7 years compared to the prior period when considerable additional funds were provided to FF. • Declining staff efficiency in terms of number and value of new decisions and of disbursements/ staff member • Geographic dispersion of effort is quite high • Only one field office which is below that of many other DFIs • Much of the knowledge remains implicit (in people's head) or fragmented such that it is difficult to "know what FF knows" and to access that knowledge • Synergy with FP is weak and FP as a programme managed by FF is not providing sufficient added value to FF.

mechanisms • Active and appropriate role in Team Finland network. • Financially self-sustaining. • Strong catalytic role in investee level and significant share of Finnfund's funding from the private sector • Long-term capital preserving and cost recovering operations. • Strong liquidity position, combined with ability to generate positive gross profits from investment activities and positive cashflows	
Opportunities • Significant growth potential through further equity injections. • FF increases its profitability to reduce its vulnerability to adverse events, and to increase its retained earnings as a source of funding • FF deepens its market penetration in growth sectors • Increased focus on a group of core countries while not excluding others • Ensuring funding for continuous strengthening of risk management • FF can expand its areas of additionality and better articulate it in documents • New activities towards increasing Finnish business involvement have potential • FF becomes more of a learning organisation and knowledge provider from its own experience • Planetary Boundaries Investing Framework could help to assess impacts and risks of investments to the planet in a new, more coherent way. • Nature based solutions, and especially carbon trade related forestry has potential to improve the profitability of forestry sector investments. • FF could increase its partnership with other DFIs and MDBs, and with Finnish representatives overseas	**Threats** • Uncertainty regarding conversion of the state's convertible bonds • Further cuts to owner's annual equity injection which was already cut in half despite the commitment in ownership steering to provide EUR 10 million per year. FF fares the worst among Nordic DFIs for owner equity injections and it has the highest debt to equity ratio. • Challenges in meeting convertible bond repayments from 2030 in the absence of conversion. • Product range constrained by having to prepare for possible repayment of the state's convertible loans • The lack of predictable funding (predictability of steering is mentioned in the OSM) is a weakness that constrains the Board and management's ability to plan for the future and to grow the business. • Unfavourable EU GG decisions that take away opportunities from FF and Finland to use guarantee schemes to full potential and make decisions on potential investments. • Ownership steering that in some aspects may negatively affect profitability with only partial compensation for the risk involved

Finnpartnership

Strengths	**Weaknesses**
• Business support instrument is well known and established and is well positioned in the Finnish business support system. • Business support instrument's added value to companies has been very significant for the early phases of business development. • FP team is very helpful and responsive towards companies and very innovative and flexible in responding to the new tasks assigned to FP by MFA. • Following trends in development cooperation, FP programme is a key tool for Finnish development policy. • FP collaboration in Team Finland network is working well.	• Business support instrument is too heavy and bureaucratic and the process is inefficient. • Clear and more stable longer-term strategy is missing. Too many new tasks have been given for FP which has created fragmentation. • Size of the programme is too small. Ukraine reconstruction programme has been very successful and created a lot of interest, but other parts are in decline. • Too many of the companies receiving grant cannot build up growth business in target markets.

• Some FP projects have created tangible development impacts in target countries and generated investments. • FP is able to collect and report development impacts from projects after the projects have ended through client self-reporting.	• Business development and market knowledge competencies of FP are weak (but not a problem if there is good collaboration with other Team Finland members) • Synergy with FF is weak. Gap between FP grants and companies and FF target investments is too big. • Unable to field verify results
<u>Opportunities</u> • New structure as a company provides great opportunity to renew the business support instrument and redesign the programme execution. • Trends and success with Ukraine programme show potential for volume increase (). • There is more potential with EU/GG activities to both activate Finnish companies and to get EU funding and this needs to be managed in a more targeted and strategic way. • Further focus on environmental, social and economic sustainability of the projects instead of expected development impacts would help identifying projects that have potential to create lasting impacts through responsible business. • Two funding windows for different project sizes could help to target funding to viable businesses at different levels of development. • Integration of innovation funding to general FP funding could open room for further product development in developing countries.	**<u>Threats</u>** • New structure as a company is established with too few resources – both for the operations and for the grant funding. • New FF Act will not pass. • In any case, FP programme in its current format will stop by end of 2027 and preparation for the transition period is on-going. Transition period is too short and there may be discontinuation. • MFA does not succeed to keep up the competencies and service level provided to companies with the new structure when relevant BF functions were moved to MFA. • Environmental or social risks materialise in projects without more careful monitoring or riskier projects.

6.2. Conclusions regarding Finnfund

It should be noted that these conclusions relate solely to FF. There are other conclusions, such as responding to Finnish interest, in section 6.4 that apply to both FF and FP.

Conclusion FF1: FF is the main vehicle available to the state of Finland to directly support the growth of a sustainable and responsible private sector in developing countries/emerging markets that: directly delivers development impact via private sector companies operating in those markets; helps create markets and leverage private capital through acting as an anchor investor often in collaboration with other DFIs; supporting and facilitating engagement between Finnish companies and those in emerging markets to the mutual benefit of both; improves environmental, social and governance standards in emerging market companies (including promoting inclusivity and gender equality); and creating high reputational value for the government and people of Finland. All this while being financially self-sustaining thus operating at no cost to the people of Finland, aligned with the ownership steering target set by MFA. This ability of FF to deliver these value-additions should be strongly supported by the owner and it should ensure the conditions exist for FF to flourish and grow.

Conclusion FF2: **FF has coped admirably well in very challenging times for emerging market private sector investing activity** – the main challenges were, or still are: the Covid-19 pandemic; the full-scale Russian invasion of Ukraine on 24 February 2022; major largely unexpected trade, exchange rate and other shocks to the global world order from the assumption of office of the current United States administration in early 2025.

These and other factors caused significant macroeconomic pressures, including severe forex volatility and outflow of capital in key FF markets during the evaluation period, largely contributed to by the global market challenges noted above. Thus, the operating environment for Finnfund's portfolio companies became more challenging. This has been particularly visible in FF's forestry sector portfolio, which is particularly exposed to commodity price movements. Clearly, this context has had a very significant impact on FF. It has had to adapt and adjust to a wide range of unexpected events, and it has done so remarkably well given its size and the resources it has available. The context has not become any more certain in 2026 with war of the US and Israel on Iran.

Conclusion FF3: Over the evaluation period, both the objectives of Finland's development policy, and consequently the political guidance and objectives set for FF, as well as the financing model have changed significantly. FF's evolving strategy has adjusted well to changing government priorities expressed in OSMs and its actions have generally followed strategy. It has delivered well on its mandate.

FF is uniquely placed as a publicly owned DFI working exclusively with the private sector in emerging markets, and with Finnish companies, to deliver on the government's policy to create positive development impacts while promoting greater Finnish private sector involvement in Finland's development cooperation programme. It is also strongly placed to focus on partner countries considered as growth markets of the future, to focus on export opportunities for Finnish technology and expertise and to help in the reconstruction and recovery of Ukraine as conditions allow.

A comparison between the policy guidance contained in the OSM 2024-2027 and FF strategy covering the same period shows there is a strong alignment between policy guidance in the OSM and FF strategy in most areas. Annual reporting on OSM indicators (and in some cases targets) contained in annual reports shows strong progress in most areas.

The greater predictability of a single OSM for a whole of a cabinet period helps FF to have deeper strategic focus and to make longer-term plans. However, this brings with it the need for some flexibility to adjust strategy in light of emerging events over the longer time period.

Conclusion FF4: Potentially, FF is significantly constrained in its ability to realise its potential to create value from its balance sheet because of uncertainty regarding conversion of the state's convertible bonds.

FF is more highly indebted than its Nordic peers and there are funding issues surrounding conversion or not of convertible bonds. If the bonds are not converted and if the annual equity injection remains at EUR 5 million (see next conclusion), the government would be receiving more annually from FF in interest payments than it is putting in as equity. It is not the government's intent to take money out of FF. As noted in the conclusion FF7 below, FF is not to pay a dividend to its shareholders.

Conclusion FF5: The government's decision in 2024 to cut its equity injection to FF from EU 10 million per year to EUR 5 million runs counter to the objective of providing predictable steering to FF, and its commitment in the OSM 2024 to 2027 to provide EUR 10 million per year.

While FF can grow its business through off-balance sheet vehicles, growth from the balance sheet comes from retained earnings from profits and equity injections from the state. A halving of the annual equity injection limits FF's growth prospects as well as being inconsistent with steering.

Conclusion FF6: FF has shown commendable ability to create and manage the Digital Access Impact Fund for which the state's contribution of EUR 40 million as anchor investor was crucial.

FF has developed skills and expertise in managing off-balance sheet funds. Funds provide the organization with an opportunity to expand its operations even if new capital injections from the owner would be limited. That said, they are an addition to investing from the balance sheet rather than an alternative to it. The state's anchor investments help attracting other external investments to the funds, contributing to the OSM request to mobilize private capital.

Conclusion FF7: Current steering and FF's own strategy indicate that FF should focus more on profitability.

FF is mandated to be profitable though not profit maximising, nor is it to pay a dividend to its owners. Past steering has had a significant influence on FF profitability. FF has taken actions to become more profitable such as focussing more on MICs now that the mandate to focus on LDCs and LICs is not included in the current OSM.

Conclusion FF8: Risk management in FF is sound, though continued vigilance is always required.

The evaluation concludes that risk management in FF is sound. It also notes that this is recognised as part of the conclusion of European Commission's Pillar Assessment (2019–2020) which gave a high rating for FF's risk management,

FF has taken valuable steps in the last 2 years to strengthen risk management. More actions to strengthen risk management are planned for 2026, subject to the availability of resources. There will always be an ongoing need for vigilance on risk management and the need for further strengthening, which FF well understands. The evaluation makes a number of suggestions that are offered as "food for thought" as there is no urgent problem that needs addressing (see section 3.4).

Conclusion FF9: Assuming funding constraints are resolved, FF can realise its strategic ambition to grow its business. Considerations include geographic spread/focus, sector selection and field presence among others.

For a relatively small DFI, FF has a portfolio that covers many countries in the main emerging market regions of Africa, Asia and Latin America. This spread potentially has impacts on efficiency and may limit market penetration in some markets with good potential for business growth. However, there are limits to the degree of geographic focus that FF can achieve. Nonetheless, there may be the prospect of establishing core countries (likely to be MICs) in each of the main regions and increasing the share of approvals in those countries. This may require adjustment to country limits.

FF has shown admirable ability to add digital infrastructure and solutions to its core sectors and there may be opportunities to add others to give some sub-sectors greater prominence by elevating them to core sectors – an example could be e-Mobility. FF could to some extent extend its existing positioning as a niche or boutique investor with recognised expertise in certain high growth sectors.

Those consulted during the evaluation noted quite uniformly, that local presence not only helps in project origination, but also in managing the projects in the portfolio as possible risks and challenges can be identified earlier than if working from the headquarters only. Many of peer DFIs' offices in case study countries are staffed mainly or fully with local experts for maximum market understanding and potential for long-term commitment as well as cost and efficiency reasons. FF recognises the importance of field representation, but funding constraints are restricting its ability to extend its field presence beyond its single office in Nairobi. However, there are relatively low-cost options available to start with, such as establishing a representative office serviced by a contracted provider.

Conclusion FF10: FF is a trusted and respected partner, and it excels in E&S and impact assessments and advisory.

FF's expertise in E&S is appreciated by both investees and co-investors. FF is known for setting strict yet reasonable requirements for E&S in its projects, and to provide good support for tackling challenges in these fields. In many projects, strong E&S support provided makes FF's role bigger than its investments. FF is also respected for its patience, straightforward and easy communication, and ability to adapt to changing situations fast compared to most other development investors. While FF's way of collaborating with its investees is widely respected, investees with multiple DFIs as investors have struggled with different requirements from different investors, especially related to E&S monitoring and reporting. Coherence within the DFI requirements has already improved in many cases, but there's still room for improvement.

Conclusion FF11: FF has a well-developed process of assessing development impact and additionality, yet sourcing additionality claims could be extended and the articulation of additionality in documents improved.

FF was one of the first signatories to the Operating Principles for Impact Management (OPIM). The most recent (October 2025) verification statement regarding FF's alignment with the nine impact principles states that the independent reviewer "*concludes that Finnfund's impact management system, processes, and policies demonstrate strong alignment with the impact principles, with practices that exceed the requirements for most principles*." The assessment of expected development impact using the DEAT tool facilitates a conversation around development impact during the due diligence process and that it contributes to improving the amount and likelihood of achieving development impact. While FF's process for assessing additionality is robust, its articulation in investment memoranda and annual reviews could be improved. The evaluation makes a number of suggestions for expanding FF's sources of additionality in chapter 3.7. Having a local field presence would improve reporting on development impact.

Conclusion FF12: FF has some of the elements in place to be a learning and knowledge organisation but steering and FF's own strategy recognise that more needs to be done. The evaluation supports this while recognising current budget constraints.

Structured learning does take place in FF – specifically, that sector teams regularly conduct structured "lessons learned" sessions, reviewing approximately 10 or more cases per year, with around 60 cases analysed and discussed since 2021. Similarly, E&S risks are addressed through a monthly forum to share insights and agree appropriate actions in cases where risks have materialised or concerns are elevated. These are important steps for turning implicit knowledge in staff members' heads into explicit knowledge that can be shared and retrieved by new staff and for similar transactions in the future. However, experience elsewhere has shown that a significant investment is required for an institution to become a knowledge institution and beyond this a learning organisation.

Conclusion FF13: FF does an excellent job of mobilisation of private finance for funding its investing activity.

The mobilisation of private funds by MDBs and DFIs is vital for the achievement of the Sustainable Development Goals. Mobilisation comes in two forms – mobilisation at the MDB/DFI level and mobilising funds at the transaction level. The smaller DFIs tend not to have the same degree of 'convening power' to crowd in private finance at the transaction level, thought it can certainly occur and in FF's case the opportunity presents itself in its efforts to involve or jointly invest with Finnish companies in emerging market. Also, clients in India spoke of the positive influence FF's presence has on the attitude of local banks to provide financing.

FF is a forerunner among DFIs to mobilise funds at the institution level. FF has established several channels for mobilising funds, including the OP I Global Impact Fund, DAIF, EFSD+ guarantees to support off balance sheet financing, green and sustainable bonds as well as the Planetary Boundaries co-investments. FF's readiness to develop new approaches to sourcing funding is at least partly affected by the reduced capital flows from its owner, the Finnish state.

The evaluation does not make a recommendation on mobilisation beyond "continue the good work."

Conclusion FF14: Guarantees have proved to be useful in helping FF deliver on its development impact mandate and resolve the tension between risk taking and being profitable.

While the potential for moral hazard exists with guarantees, FF's due diligence processes (which are applied equally to projects with and without guarantees) are robust so the likelihood of it occurring are low. Partial guarantees for an extreme case like Ukraine are not proving sufficient to deliver on the government's high priority on supporting Ukraine.

6.3. Conclusions regarding Finnpartnership

Conclusion FP1: FP has created added value to companies and has a good position in the Finnish public support system advancing Finnish companies' early steps in emerging markets.

FP's Business Partnership Support has been valuable and critical for companies which want to expand their businesses to emerging markets. As a business support instrument, it is not overlapping with any other Finnish support schemes. Especially now when other support instruments for internationalization efforts for SMEs have been closed at BF, FP's role is more important than ever in helping SMEs to enter demanding markets.

Conclusion FP2: There is potential for increasing the size of the programme.

FP has much more potential to support Finnish private sector efforts in developing countries than what is currently made use of. Trends show increased interest towards emerging markets, and the Ukraine programme was an example of a targeted effort that created more interest in grants than what was available for funding. Different events have increased interest to participate among companies. Future structure as a company with a right to provide services also to any EU bodies may open up new possibilities for FP to tap to EU funding in longer-term. Potential decline in financing for the programme creates a major challenge, and currently there's no interest or possibility to grow the total funding of the programme. Already in 2026 FP targets to have less projects compared to the previous year. Transition period to establish and start the new subsidiary of FF for FP tasks may also cause serious discontinuation of the programme activities.

Conclusion FP3: FP lacks strong strategic steering reflecting long-term needs of companies.

MFA uses FP as an agile and flexible programme instrument which adapts to changing environment. During last years, FP has been given many additional tasks such as innovation funding and GG activities. FP has been able to take these new tasks and changes on-board, and it has been very flexible and innovative completing them, meeting all the KPIs set for the programme. The tasks would have, however, required more resources and competencies than what have been possible to add to the programme. FP is steered as a development cooperation programme rather than a private sector business development instrument. The KPIs and objectives are not based on private sector needs and are not long-term impact driven indicators but rather input indicators reflecting the execution of the programme. In the current setup, FP focuses on implementing what MFA is requesting, rather than critically assessing what would be strategically wise over longer period for this type of instrument. Connection to FF strategy is weak and FF is not de facto owner of FP although programme is part of FF operations. Situation will change when the FF Act is renewed and FP becomes a subsidiary to FF. This opens an opportunity to redesign the steering and tasks of the FP programme. Better connection to FF strategy would require FF to be given a stronger role in designing and running FP operations. FP as a company needs long-term strategy without jeopardizing shorter term agility. Company structure will create many benefits but also sets requirements for stronger strategic vision.

Conclusion FP4: FP has not paid enough attention to the capabilities and competencies of companies for future business growth.

Most of the companies that have been granted FP support will not be able to scale up their business. They are too small to do the required follow-up investments or do not have real intention to grow. Lack of investment-ready companies also increases the gap between FP projects and FF investments, reducing the synergies between the organizations. FP's current capacity and processes to assess the financial capacity and growth of the companies are not adequate. This problem has been recognized, and FP has recently introduced several measures to have stricter assessment of financial capacity, as encouraged by MFA, which has resulted in the increase in rejections of applications, but the results on business growth are not yet visible. FP is a small and fragmented programme, thus it would benefit from clear customer strategy – set priorities for marketing and activation of customers both by size of companies and by sectors. The customer strategy would not be binding or affect conditions for grants but could, for example, be implemented by targeted sector specific campaigns. FP is favouring SMEs over large companies but within SME sector there is huge variation of different types of companies that have different needs and capabilities for operations in emerging markets. Customer strategy could help FP to target its own actions in an effective manner while serving the broad and varying customer base. Longer term strategic planning would also help in coordinating the activities with other TF network organisations.

Conclusion FP5: FP granting process is too heavy, bureaucratic, and inefficient to a level that prevents companies from applying.

A major problem is that decision times are unacceptably long and the actions that have been taken to speed up the process have not been effective. FP Business Partnership Support grant has several technical problems which are created by an unnecessary complex structure, process and requirements that are not in the right proportion to the grant size. The main problems are unnecessarily detailed budget planning requests before project execution, unflexible budget practices, too many different narrow eligible project phases, non-functional digital application platform, unnecessarily heavy auditing requirements, and lack of pre-payments. The burdensome and heavy process discourages companies to apply for grants and worsens the reputation of FP among companies. The requirements for reporting development impacts are not among the main reasons for the companies to consider FP granting process heavy and uninteresting.

Conclusion FP6: Development objectives of FP grants should be driven by creating sustainable businesses.

FP pays strong focus on monitoring development impacts of the projects, but limited attention is paid to general responsibility of the businesses from environmental and social perspectives. Risk categorisation is done for all project applications, vouchers for advisory services are provided for companies that are considered to have highest environmental and social risks, and one of the criteria for selecting projects for monitoring visits is high environmental and social risks. While a few projects are monitored per year, some of them selected at least partly for their high environmental or social risks, systematic monitoring of riskier projects' actual effects on environment and people is not done. In private sector, longer-term impacts can be created only through financially sustainable businesses, thus focus should be on financial viability and responsibility of the business towards environmental and social aspects. Development impacts should be additional to those, not overruling them.

6.4. Conclusions jointly for Finnfund and Finnpartnership

Conclusion FF&FP1: Strategic priority to increase benefits for Finnish businesses is a good direction.

This direction of promoting national business interests more explicitly within development finance is visible also in many other peer countries and at EU level. There is potential for Finnish companies to be more involved in developing markets, and FP and FF have an important role of supporting this potential to be fulfilled. In best cases, real win-win solutions can be identified. For FP, promoting Finnish business interest is at the core of its mandate, but for FF, the objective is more complex to fulfil. While there's no harm sharing information about business opportunities, as long as the opportunities are not described to be easier than they actually are, resources put on engaging Finnish companies reduce FF's resources available for something else. FF's main focus should be on their core mandate to create positive development impacts through investments, and this shouldn't be compromised by forcing Finnish interest in investments, where it's not feasible.

Conclusion FF&FP2: The new tasks set for FF and FP to increase Finnish business benefit are yet at the piloting phase, benefits for FF itself are not clear, and activities had not yet been sufficiently resourced.

FP has had throughout its history Finnish business interest as a major objective, although the development impacts have had more emphasis than business growth. Over last years, FP has been given new tasks such as innovation funding and GG responsibilities where the impacts for businesses are not yet clearly visible. FF's intensified work towards Finnish interest with new actions is taking shape following the latest strategy. FF has actively developed new activities that also require more work and competencies. Resources have lately been added, and FF works actively to embed Finnish interest considerations across investment activities and processes. FF follows the targets set by the owner. Although there would be benefits for Finnish business and these targets are set by the owner, the activities are not easily leading to benefits for FF itself in the form of better investment cases or increased volume. Joint contribution and synergy of FF & FP is modest since the activities and targets are far from each other. Strategic joint vision for Finnish interest is missing. A big problem preventing synergy is the huge gap between sizes of FP customers' projects and bankable FF projects. FF and FP are serving fundamentally different customer segments. New structure with a new subsidiary company focusing on tasks supporting Finnish companies would offer an opportunity for improving synergy with FF. One should take into account, however, that a clear firewall needs to be built between a company providing state aid grants (FP Oy) and FF investment operations so that sensitive business information at company level is not exchanged. One can also reasonably question whether the synergy between FF and FP needs to be improved, or if MFA can use these tools for different purposes. At the end, however, both FF and FP aim to help Finnish business growth in emerging markets, and it is evident that the synergy among their activities needs at least to be carefully looked at.

Conclusion FF&FP3: GG activities have been beneficial for both organisations.

Throughout the evaluation period FF has been very active with EU and has benefited from the EFSD+ guarantee schemes. FF especially excels with digitalisation and telecom sectors and is now positioned as a leading expert in this field among DFIs and at EU level. FP has also been active in Team Europe and it markets the opportunities for Finnish companies. There would, however, be even more potential benefits with more resources and targeted actions. Synergies between FF and FP GG activities are also very modest since they are both utilizing GG in the context of their normal operations. The situation is likely to remain unchanged as long as the gap between FP projects and bankable FF projects is wide and there are structural differences between the organisations' mandates and instruments. Despite of this, cooperation, dialogue and information exchange between the organisations is frequent.

Conclusions FF&FP4: FF and FP role at Team Finland network is clear and appreciated.

Both FF and FP have now clear roles in Team Finland (TF) network and are active members within it. TF activities and especially new business service unit functions of MFA are critical for both FF and FP. Rather than increasing FF and FP own activities, the main direction should always be to seek for right partners and deepen collaboration with other TF actors. Both FF and FP need to ensure good collaboration with BF and Finnvera the two organizations being the main internationalization windows to Finnish business scene. Finnish embassies have a critical role for both FF and FP and special attention should be paid on active information sharing and collaboration e.g. in collecting and delivering market-specific information.

7. Recommendations

7.1. Priority recommendations regarding Finnfund

Note: Conclusions FF1, FF2, FF3, and FF13 do not have recommendations for action flowing from them.

FF recommendation 1:

Directed to: MFA

It is recommended that either the government of Finland convert its two convertible loans to Finnfund (EUR 130 million and EUR 210 million) to equity, effective from the date at which instalments would become payable if the loans were not converted; or provide a clear and predictable plan for conversion in whole or part.

Addresses: Conclusion FF4

FF recommendation 2:

Directed to: MFA

It is recommended that the government of Finland restore its annual equity injection to Finnfund to EUR 10 million in line with the commitment made in the OSM 2024-2027.

Addresses: Conclusion FF5

FF recommendation 3:

Directed to: MFA

It is recommended that MFA shows willingness to support FF by acting as anchor investor in any new funds managed by FF.

Addresses: Conclusion FF6

FF recommendation 4:

Directed to: Finnfund board and management

It is recommended that FF place increased emphasis on its own profitability.

Addresses: Conclusion FF7

FF recommendation 5:

Directed to: Finnfund board and management

It is recommended that FF should resource its own plan for strengthening risk management in 2026 and consider extending its planning horizon for further strengthening risk management.

Addresses: Conclusion FF8

FF recommendation 6:

Directed to: FF board and management

It is recommended that FF should find viable ways to establish a field presence with country and/or sub-regional/regional responsibility in core markets and give consideration to planning for new growth sectors and perhaps having a greater concentration of business in a group of core countries.

Addresses: Conclusion FF9

FF recommendation 7:

Directed to: FF management

It is recommended that FF maintains its level of attention to E&S and impact in its investment process and during portfolio management and ensures in-house expertise in these fields remains at high level. While some actions have already been taken, even more attention should be paid on developing the requirements of DFI investor groups to be aligned with each other to decrease the burden of reporting from the investees.

Addresses: Conclusion FF10

FF recommendation 8:

Directed to: FF management

It is recommended that FF improve its articulation of its additionality in investment memoranda and reviewing reports, and consider expanding its potential sources of additionality as suggested by this evaluation.

Addresses: Conclusion FF11

FF recommendation 9:

Directed to: FF board and management

Building on existing learning and knowledge management activities, it is recommended that FF develop a multi-year plan for strengthening learning and knowledge management and possibly establishing a fit-for-purpose evaluation function.

Addresses: Conclusion FF12

FF recommendation 10:

Directed to: MFA

Given the highest priority given by the government to supporting Ukraine and the difficulty faced by FF in finding opportunities in Ukraine that do not pose excessive risk to FF even with a maximum of 80% guarantee, it is recommended that the maximum level of guarantee provided to operations in Ukraine be raised to 100%

Addresses: Conclusion FF14

7.2. Priority recommendations regarding Finnpartnership

FP Recommendation 1:

Directed to: MFA and possibly other Finnish ministries

FP type of Business Partnership Support grant instrument should continue to exist.

Although programme volume is at the moment too small and granting instrument as well as supporting services need to be developed to be more focused on creating viable business, there is a real need for the instrument, and no other similar support instruments are available for companies accessing emerging markets. Restructuring FP as a subsidiary company opens up opportunities for wider long-term strategic targets and more targeted marketing, and opens doors towards EU funding potentially enabling increase in the volume in the future.

Addresses: Conclusion FP1, FP2 and FP3

FP Recommendation 2:

Directed to: MFA and in the future the new subsidiary of FF

FP grant process needs to be renewed.

Proposed new structure to have FP's grant process and other tasks executed via a new company offers a great opportunity for a major renewal of FP's grant. Example should be taken from other existing or previous Finnish state aid grants that have had similar purpose and companies are familiar with (especially BF's former Tempo funding instrument). Possibility to renew the instrument to have two funding windows should be considered: smaller companies and smaller grants with drastically simplified application and reporting process, and the other focusing on larger business development needs for companies that have clear up-scaling potential in developing markets. Some ideas regarding the two funding windows could be seen e.g. in NEFCO's Modern Cooking Facility for Africa 2.

Addresses: Conclusion FP4 and FP5

FP Recommendation 3:

Directed to: MFA and in the future the new subsidiary of FF

FP should pay more attention on business growth of companies which receive support

Funding criteria for companies should more strongly assess the companies' capabilities for future business growth. Here also co-operation with other TF actors in making assessments of company capabilities should be more active. Especially co-operation with Finnvera to pre-check the companies' business growth capability would be useful. As suggested with recommendation FP2, grant could be redesigned so that there remains some opportunity also for high-risk companies which are not yet competent for growth, but for those which have the capabilities for growth the screening should be more throughout. There should also be more detailed follow-up of the actual business growth.

Addresses: Conclusion FP4 and FP6

FP Recommendation 4:

Directed to: MFA and in the future the new subsidiary of FF

Monitoring environmental and social effects of higher risk FP projects should be strengthened.

Monitoring of environmental and social impacts of higher-risk projects that are implementing activities should be more structured. For example, external local consultants could be used for monitoring and advising the projects with highest risk categorisations in addition to regular FP monitoring visits.

Addresses: Conclusion FP6

7.3. Priority recommendations on both Finnfund and Finnpartnership

FF&FP Recommendation 1:

Directed to: MFA, Team Finland network parties and FF & FP themselves

Focus on Finnish business interest should continue but a careful coordination is needed to design the tasks assigned to FF and FP.

Existing policy priority to promote Finnish business interest is a good direction, but the tasks given by the owner to fulfil this are not necessarily at the core of FF & FP mandate. Both FF and FP should continue the work to actively seek for the most effective ways to collaborate in the Team Finland network, especially in collaboration with Business Finland and Finnvera as channels towards Finnish companies; and to coordinate the tasks with new MFA's Business Service Unit. One should note that the coordination is not only responsibility of FF & FP but the whole Team Finland network.

Addresses: Conclusions FF&FP1 and FF&FP2

FF&FP Recommendation 2:

Directed to: MFA, Team Finland network, FF & FP themselves

Both FF and FP should continue with a proactive role within EU GG umbrella and taking note of future changes and EU structures. The priorities, roles for both and synergies of operations between FF and FP with GG need to be clear.

FF should continue benefiting from its good position and reputation in EU. Effective work requires coordination among Team Finland organisations. Key messages from Team Finland towards EU should be clear and strategic supporting FF's activities. FP should in a more strategic way define the priority programmes / actions in which FP will focus on and redefine the KPIs to be monitored. GG activities need to be clearly defined for the future FP Oy. Synergy of the GG work between FF & FP depends especially on tasks defined for FP in the future.

Addresses: Conclusions FF&FP3 and FF&FP4