



**Ministry for Foreign Affairs of Finland**

Evaluation of the  
Finnpartnership Programme

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## **Contents**

|      |   |    |
|------|---|----|
| 1    | Summary of key findings   | 4  |
| 2    | Yhteenveto päähavainnoista  | 8  |
| 3    | Sammandrag av iakttagelser  | 12 |
| 4    | Acronyms and Abbreviations  | 16 |
| 5    | Introduction  | 17 |
| 5.1  | Background information  | 17 |
| 5.2  | Background for and introduction to the concepts of Finnpartnership programme            | 17 |
| 5.3  | Objectives of the evaluation  | 18 |
| 6    | Development political framework and relevance of the Finnpartnership programme          | 20 |
| 7    | Efficiency and effectiveness of the Finnpartnership programme                           | 24 |
| 7.1  | Effectiveness of programme  | 24 |
| 7.2  | Efficiency of programme   | 25 |
| 7.3  | Network and cooperation with stakeholders   | 27 |
| 7.4  | Efficiency of business partnership support  | 30 |
| 7.5  | Efficiency and outcomes of matchmaking service  | 32 |
| 7.6  | Efficiency and outcomes of developing country import service                            | 34 |
| 7.7  | Efficiency and outcomes of advisory services  | 34 |
| 8    | Poverty, development, social and environmental impacts of the Finnpartnership programme | 37 |
| 8.1  | Measuring impact of FP programme  | 37 |
| 8.2  | Expected impact in application phase  | 38 |
| 8.3  | Reported Impact   | 39 |
| 8.4  | Summary of programme impact   | 42 |
| 9    | Sustainability of the Finnpartnership programme   | 46 |
| 10   | Results of the Finnpartnership programme in terms of cross cutting objectives           | 48 |
| 10.1 | Cross cutting objectives determined   | 48 |

|      |  |    |
|------|--|----|
| 10.2 | Determination of eligible applicants and realization of the cross-cutting objectives                           | 48 |
| 10.3 | Reporting and monitoring the cross-cutting effects   | 50 |
| 11   | Significance of the Finnpartnership programme for Finnish companies and for companies in development countries | 52 |
| 12   | Recommendations  | 55 |
|      | Annex A: Terms of Reference  | 58 |
|      | Annex B: List of the interviewees  | 65 |
|      | Annex C: Work plan   |    |

# 1 Summary of key findings

Overall, it can be concluded that the objectives of the Finnpartnership programme are in line with the Finnish Development Policy programme. The Finnpartnership programme is a part of the *Aid for Trade* theme in the Finnish development aid strategy with focus to promote long term business partnerships, healthy entrepreneurship and the creation of decent jobs.

In recent years, the role of the private sector in international cooperation has increased, both in developing countries and in developed countries. A Team Finland internationalisation event on September 10<sup>th</sup> 2012 signalled that a significant number of Finnish companies have a clear interest in internationalisation. Approximately 1,400 representatives of small and medium-sized enterprises and business organisations participated in the event. Further the presence of the highest state leaders indicated a strong commitment on the Government's side in speeding up the internationalisation of Finnish companies.

The recession in Europe and the growing demand of goods in emerging countries have, among other things, caused for the emphasis of internationalisation procedures to shift from developed countries to developing countries. In developing countries Finland strives to support the private sector's capacity and cooperation modalities in order to create jobs and to reduce poverty, especially in ways that complement other Finnish development cooperation activities. Here the Finnpartnership programme has an important role, despite its smallness.

## *Our main findings are as follows:*

- The Finnpartnership programme has succeeded in contributing to positive development effects in target countries, whereas there is no evidence of negative social or environmental impacts.
- During the period from 2006 – 2011 a significant portion of the total support was allocated to the emerging markets in China, India and Vietnam. The Finnish Development Policy programme of 2012 states that in order to increase the effectiveness and impact of development cooperation, Finland concentrates and focuses its development cooperation efforts in the least developed countries in Africa and Asia. In addition to this, the Finnish Development Policy programme emphasises the emerging economies' own responsibility in reducing poverty and inequality within their own countries and in global development efforts. From the point of view of the current Finnish Development Policy programme the relevance of the Finnpartnership programme could be enhanced by a stronger focus on the least developed countries. A separate action plan shall be prepared to increase interest towards activities in least developed countries.
- One of the missions of the Finnpartnership program is to increase commercial cooperation and promote long-term business partnerships between companies in Finland and in developing countries. In China and India Finland possesses knowledge and expertise through a wide network including universities, researchers, business organisations and Finnish companies already established in the market. This creates potential for companies to establish sustainable commercial business activities in these countries. Based on interviews made with both funding agencies and private sector representatives, the Finnpartnership programme was seen as an important and complementary instrument for new partnerships in these markets.

- Considering the relatively low demand of support under the FP programme in total, scoping out the emerging markets completely might risk the funding volumes. The volumes are critical in maintaining certain efficiency under the current administrative structure and capacity. A reduction in volume could harm the FP brand as well as the funding concept as it is currently known by the Finnish private sector. Considering the need of a certain volume and the high exposure of funding to emerging markets, we encourage a strong focus and priority to be given to support activities in the peripheral areas of these markets.
- The average amount of Business Partnership Support has decreased during 2009-2011. In 2011, the average support sum was 34 thousand euro, which is the lowest sum since the establishment of the FP programme. Considering the limited total annual amount of support, approximately 3-4 million euros on annual basis, the number of project countries may be considered high. In 2011 the programme included projects in 62 countries. In 2011 the programme was implemented in 21 sectors, which can also be considered a big number. The small average support sums combined with fragmentation reduces the administrative effectiveness of the programme. It also contributes to the difficulty of measuring the effectiveness of these activities in achieving development impacts.
- The low disbursement rate of allocated grants and significant unused amounts reduce the cost efficiency of the programme. Heavy administration combined with limitations in eligible costs has a negative impact on the disbursements rates. The low disbursement rates make the programme administration costs relatively high compared to the actual monetary support.
- The programme has a steering group constituting a valuable network of programme stakeholders. To further develop the work of the steering group it may be advisable to analyse and define the members' profile and competence areas in order to maximize the added value that the steering group brings into the programme. Direct links to the private sector could be strengthened by inviting representatives of companies to steering committee meetings to present their internationalisation experiences and to share practical information about the possibilities and challenges connected to the Finnpartnership programme.
- Overall, the operator is active and has acted in accordance with tender documents and work plans and most of the objectives have even been exceeded. The objectives set in the work plans for business partnership support are linked to the number of received applications, the number of approved grants, the total of the approved grants in euro and the timelines set for processing applications. Additional key performance indicators should be considered in order to measure and reflect the actual supported activities more accurately. Available statistics indicate positive development impacts of the activities supported by the Programme. Unused funds cannot always be considered as having a negative impact. However, gathering information on reasons behind the big number of approved but unused amounts could be valuable for the decision making and the development of the FP programme.
- The Finnpartnership organization is thin with only a few key persons. Due to the short term funding by MFA and short contract periods with Finnfund, the operator has not taken the risk of employing permanent staff. Short term employments have resulted in a quick rotation of the FP junior staff. The available competence is highly

focused on administrative tasks related to the administration of Business Partnership Support and related procedures.

- The multistep process for handling applications and reporting is relatively bureaucratic. The same approval and reporting procedures apply for all applications regardless of their size. The smallest applications have been under one thousand euro which is not cost-efficient.
- A permanent integration of Finnpartnership into Finnfund is broadly supported. This integration would provide a base for more long term planning, more effective use of Finnfund competence and staff as well as investments in more permanent IT structures. It would also allow for more flexibility in developing a more customer orientated approach.
- The Matchmaking service seems to have significant challenges. Based on available statistics, interviews during field trips and a web survey there are only a limited number of companies that have succeeded in finding partners through the Matchmaking service. The response based on interviews and the web survey indicates that a passive IT based matchmaking service does not provide for an efficient matchmaking process when it is operated as a separate stand alone tool. Active marketing in form of business seminars, promotion and use of established contact networks is needed in order to increase the efficiency of the matchmaking process.
- Finnpartnership and especially the business partnership support has provided added value to the Finnish private sector funding system. The programme is addressed to directly support private sector activities in development countries with high level of uncertainty and market risks.
- An inevitable overall conclusion to be drawn from the evaluation results is that the interest among Finnish companies towards the markets in developing countries is relatively low and the ambition level of their projects could be improved. The program should consider raising the funding percentage of bigger companies with sufficient management, know-how and administrative capacity in order to encourage them to enter the poorest countries and especially Finland's long-term partner countries.
- This evaluation exercise has shown a general weakness, namely that the Finnish public funding system is far too fragmented, and cooperation between the agencies like Finnfund, Tekes, Finpro, Finnvera and ELY centres does not work efficiently. This has also been highlighted in the Team Finland report. There is a large number of agencies resulting in gaps between actors involved. This creates discontinuity in the process of supporting companies in their internationalisation activities as companies need to prepare applications to different agencies in different stages of their internationalisation process. The complex structure requires joint goals and closer cooperation between the agencies.
- Finnish companies, and the groups they possibly belong to, can receive a maximum of 200.000 euro of de minimis aid over a 3 year period. De minimis restrictions have had an impact especially in the segment of larger Finnish companies receiving public grants from other agencies as well. Other funding forms like capital loan instruments should be considered and analyzed as an option for widening the scope of funding mechanisms.

- There is a gap between Finnfund and Finnpartnership instruments, both supporting internationalisation activities. As the Finnpartnership programme covers projects that in year 2011 were worth 34 thousand euro in average, Finnfund provides funding in the range of 1-10 million euros.
- Finnpartnership has established a process of follow up and collection of key performance indicators. Companies receiving grants are obliged to report grant impacts during a follow up period of two years. There are statistics collected for the Programme period, which already gives some indication of the longer term impacts of the programme. The key performance indicators are difficult to link directly to the Finnpartnership impacts on a standalone basis.

## 2 Yhteenveto päähavainnoista

Yhteenvetona voidaan todeta, että Finnpartnership ohjelma ja sen tavoitteet ovat linjassa Suomen Kehityspoliittisen ohjelman kanssa. FP on osa Aid for Trade -teemaa Suomen kehityspoliittisessa strategiassa, joka painottaa pitkäaikaisia liikekumppanuuksia, tervettä yrittäjyyttä sekä uusien työpaikkojen luomista kohdemaissa.

Viime vuosina yksityisen sektorin rooli kansainvälisen yhteistyön kehittäjänä on voimistunut niin kehittyneissä kuin kehittyvissä maissa. Team Finland - Pk-yritysten kansainvälistymispäivä 10.9.2012 – herätti ilmeistä kiinnostusta ja kokosi arviolta 1 400 yritys- ja intressiryhmäedustajaa kertomaan mielipiteitään kansainvälistymispalvelujen kehittämisestä tulevaisuudessa. Myös valtion ylin johto osoitti sitoneisuutensa Team Finland -työhön ja kansainvälistymispalvelujen kehittämiseen.

Euroopan taloustaantuma sekä nousevien markkinoiden vilkastunut kysyntä ovat johtaneet siihen, että kansainvälistymisen painopiste on siirtynyt yhä voimakkaammin kehittyneistä maista kehittyviin maihin. Suomi pyrkiiikin kehittämään yksityissektorin toimintaympäristöä ja yhteistyömahdollisuuksia kumppanusmaissa. Tässä kehitystyössä huomioidaan kehitysyhteistyön tavoitteet ja erityisesti maailman köyhimpien valtioiden mukaanotto. Tässä Finnpartnership -ohjelmalla on sen pienuudesta huolimatta tärkeä rooli.

### *Arviointityön päähavainnot:*

- Finnpartnership -ohjelma on onnistunut edistämään myönteisiä kehitysvaikutuksia kohdemaissaan. Arvioinnissa ei tullut vastaan merkkejä kielteisistä sosiaalisista tai ympäristöllisistä vaikutuksista.
- Vuosina 2006–2011 merkittävä osa ohjelman kokonaistuesta on myönnetty kehittyville markkinoille Kiinaan, Intiaan ja Vietnamiin. Suomen kehityspoliittisessa ohjelmassa (2012) nostetaan esille, että mikäli Suomi pyrkii parantamaan kehitysyhteistyön tehokkuutta ja vaikuttavuutta, sen tulee keskittyä yhä enemmän yhteistyöhön vähiten kehittyvien Afrikan ja Aasian valtioiden kanssa. Samalla KPO:ssa painotetaan nousevien talouksien omaa vastuuta köyhyden ja eriarvoisuuden vähentämisessä. Finnpartnership -ohjelman merkitystä osana Suomen Kehityspoliittista ohjelmaa voidaan vahvistaa keskittämällä toimintaa ja tukia entistä selvemmin vähiten kehittyneille maille. Näille maille tulisi luoda oma toimintasuunnitelma, jotta yritysten kiinnostus niiden markkinoita kohtaan saadaan kasvamaan.
- Yksi FP -ohjelman tavoitteista on lisätä kaupallista yhteistyötä ja kasvattaa pitkäkestoisia liikekumppanuuksia suomalaisten ja kehittyvien maiden yritysten kesken. Kiinassa ja Intiassa Suomella on paljon osaamista ja asiantuntijuutta laajan yhteistyöverkoston kautta, jossa on mukana mm. yliopistoja, tutkimuksia, yrityksiä. Suomalaiset yritykset ovat jo etabloituneet näille markkinoille, mikä luo mahdollisuuksia kestävien kaupallisen yhteistyön muotojen luomiselle. Haastattelujen perusteella voidaan todetta, että FP-tuki on ollut tärkeä väline liikekumppanuuksien luomisessa näillä markkinoilla.
- Kun otetaan huomioon tuen suhteellisen matalan kokonaisarvo, nousevien markkinoiden sulkeminen ohjelman tuensaajien joukosta kokonaan saattaisi vaarantaa ohjelman kokonaisvolyymeja. Ohjelmavolyymi on tärkeää, jotta nykyisillä resursseilla ja kapasiteeteilla voidaan säilyttää tietty tehokkuus. Volyymien laskulla voi olla kielteinen vaikutus FP-brändiin sekä yksityisen sektorin tuntemaan, nykyiseen tukikonseptiin. Volyymitarpeet sekä nousevien markkinoiden kasvun huomioon ottaen korostamme

kehitysvaikutuksia tukevien toimien ohjaamista näiden markkinoiden perifeerisille alueille.

- Liikekumppanuustuen määrä on laskenut vuosina 2009–2011. Vuonna 2011 keskimääräinen tuki oli 34 000 euroa, mikä on koko ohjelman toimintavuosien alin luku. Liikekumppanuustuen vuosittain jaettavan kokonaismäärän (keskimäärin 3,4 miljoonaa euroa) valossa hankemaiden lukumäärää voidaan pitää korkeana (62 maata vuonna 2011), tuettuja aloja lukuisina (21 eri sektoria vuonna 2011) ja keskimääräisen hanketuen määrää alhaisena. Finnpartnershipin vaikutusten edistämiseksi tulisi toteutettavien hankkeiden ja maksatuksien määrän olla suurempi. Kohdemaissa koetut kehitysvaikutukset perustuvat toteutuneisiin hankkeisiin. Koska tukimäärät ovat matalia ja tuen myöntö sirpaleista, kehitysvaikutusten mittaaminen on vaikeaa.
- Myönnettyjen tukien alhainen kokonaissumma hanketta kohden ja myönnettyt mutta käyttämättä jääneet tuet vähentävät merkittävästi ohjelman kustannustehokkuutta. Raskas hallinto yhdistettynä siihen, että vain tietyt kustannukset hyväksytään tuen piiriin, vähentävät tuen nostoja ja myönnetyn tuen käyttöastetta. Alhaisesta nostoasteesta johtuen ohjelman hallinnon kustannukset ovat korkeita suhteessa ohjelman kautta myönnetyn tuen määrään.
- Ohjausryhmän työn jatkokehittämisen kannalta on suositeltavaa, että jokaisen ohjausryhmään osallistuvan henkilön rooli ja kompetenssit analysoitaisiin ohjausryhmän tuottaman lisäarvon maksimoimiseksi. Suora linkki yksityissektoriin voidaan vahvistaa lisäämällä ohjausryhmään yritysedustajia. Yritysedustajat pystyvät antamaan suoria ensikäden ehdotuksia kansainvälistymisen tukemiseksi sekä myös käytännön esimerkkejä FP-ohjelman haasteista.
- Kaiken kaikkiaan Finnfund on toiminut tarjousasiakirjojen ja työsuunnitelmien mukaisesti sekä ylittänyt useimmat tavoitteistaan. Ohjelmalle suunnitelmassa asetetut tavoitteet on sidottu hakemusten lukumäärään, hyväksytyjen hakemusten lukumäärään, kokonaistukimäärään sekä hakuprosessien ajalliseen keston. Uusia toiminnantavoitteita tulisi kuitenkin pohtia niin, että ne mittaisivat ja kuvaisivat paremmin ohjelman tukemia toimintoja. Käytössä olevat tilastot osoittavat FP:n tukemissa toiminnoissa myönteisiä kehitysvaikutuksia. Käyttämättömät tuet eivät aina kerro negatiivisista vaikutuksista. Tästä huolimatta tieto käyttämättömien tukien suuren osuuden syistä olisi arvokasta päätöksenteon sekä ohjelman kehittämisen kannalta.
- Finnpartnership – organisaatiossa työskentelee vain muutama henkilö, mikä tekee organisaatiosta varsin haavoittuvan. Koska UM:n rahoitus myönnetään kolmeksi vuodeksi kerrallaan ja Finfundin kanssa tehdään määräaikainen sopimus rahoituskausi kerrallaan, Finnfund on palkannut FP:n työntekijät vain määräaikaisilla sopimuksilla. Tästä on seurannut henkilökunnan vaihtuvuutta etenkin nuorempien työntekijöiden kohdalla. FP:n henkilökunnan osaaminen on näin ollen rajoittunut lähinnä liikekumppanuustuen ja siihen liittyvien toimintojen hallinnollisiin tehtäviin. Palvelun vastaavana johtajana Finfundin tulisi varmistaa, että FP:n henkilöstörakenne tukee mahdollisimman tehokkaasti ohjelman hankkeiden täytäntöönpanoa.
- Hakemusten monivaiheinen käsittelyprosessi ja hankkeiden raportointi ovat suhteellisen raskaita ja byrokraattisia. Samoja prosesseja sovelletaan koosta riippumatta kaikkiin hankkeisiin. Ohjelmassa olisi pyrittävä keventämään liikekumppanuustuen hakemusprosessia ja hankkeiden raportointia sekä huomioimaan hankkeiden suuret kokoerot raportoinnin ja hakemusprosessin osalta. Pienimmät hankkeet ovat olleet kooltaan alle 1000 euroa, jolloin tukihakemuksen käsittely ei ole kustannustehokasta.

- Pysyvää Finnpartnershipin integrointia osaksi Finnfund organisaatiota tuetaan laajalti (haastattelut, kysely ja työpajan osallistajat). Integrointi takaisi pohjan pitkän aikavälin suunnittelulle, tehostaisi Finfundin osaamisen ja henkilöstön laajempaa käyttöä, lisäisi investointeja pysyvämpiin IT järjestelmiin sekä lisäisi joustoa ohjelman asiakaslähtöiseen kehittämiseen.
- Matchmaking – palveluun liittyy sen nykyisessä muodossa haasteita. Passiivinen ja ”kylmä” web-pohjainen yritystietokanta ei erillisenä työkaluna tue tehokkaasti liikekumppanuuksien syntymistä. Kenttähaastattelujen, saatavilla olevien tilastojen sekä web-kyselyn perusteella vain harva oli onnistunut löytämään kontakteja MM-palvelun kautta. Matchmaking-työkalun tehokas markkinointi seminaarien, promootion ja verkostojen kautta on tarpeellista.
- Finnpartnershipin Liikekumppanuus-tuki on tarjonnut selkeän lisäarvon Suomen yksityisen sektorin rahoitus- ja tukiverkostossa, sillä tuki on suunnattu suoraan ennen kaikkea kehittyviin maihin, joissa liiketoiminnan riskit ovat suuret. Arviointityössä saadun havainnon mukaan (ei konkreettista todistetta) suomalaisten yritysten kiinnostus kansainvälistyä kehitysmaihin on edelleen suhteellisen vähäinen. Ohjelman kiinnostavuutta voi näin ollen edelleen kehittää. Suurten yritysten kiinnostuksen lisäämiseksi ohjelman tulisi harkita niiden rahoitusprosentin nostamista niiden pyrkiessä köyhimpiin maihin ja erityisesti Suomen pitkäaikaisiin kumppanimaihin. Suurilla yrityksillä on usein vakaa hallinto sekä riittävästi resursseja, tietotaitoa ja valmiuksia lähteä kehitysmaiden markkinoille.
- Tässä arviointityössä on noussut esiin jo Team Finland -lähestymistavassa tiedostettu suomalaisen julkisen rahoitusjärjestelmän yleinen pirstaleisuus sekä tehottomasti toimiva yhteistyö eri virastojen (Finnfund, Tekes, Finpro, ELY -keskukset) välillä. Suomessa on liikaa samankaltaisia toimijoita ja kuilut virastojen välillä ovat suuria. Kuilut aiheuttavat katkoksia pitkäaikaisien kehitysyhteistyöprosessien suunnittelussa ja toteuttamisessa, kun yritykset joutuvat täyttämään uudet hakemukset eri toimijoille projektien eri vaiheissa. Virastojen vähäinen yhteistyö vaikeuttaa lisäksi asiantuntemuksen ja resurssien yhtenäistämistä ja synergiaetujen saavuttamista eri organisaatioiden välillä. Tämä ei ole pelkästään yksittäisten julkisten organisaatioiden haaste vaan koko järjestelmä vaatii kehittämistä. Yhteistyön kehittäminen vaatii ensisijaisesti valtiovallan sitoutumista kehitysohjon ja syvempää yhteistyötä eri ministeriöiden välillä.
- Suomalaiset yritykset ja ryhmät voivat saada tukirahoitusta korkeintaan 200 000 euroa kolmen vuoden tarkastelujaksolla (De minimis -säätö). De minimis -rajoitukset ovat vaikuttaneet liikekumppanuustuen hakemiseen erityisesti suurempien suomalaisten yritysten kohdalla, ja varsinkin muilta virastoilta julkista tukea saaneiden yritysten kohdalla. FP -ohjelman tulisi harkita liikekumppanuustuen rinnalle muita rahoitusmuotoja, kuten pääomalainaa, ja analysoida mahdollisuudet laajentaa nykyistä rahoitusinstrumenttia avonaisemman tuen suuntaan.
- Kahden UM rahoitteisen, yksityissektorin kansainvälistymistä tukevan tuki-instrumentin, FP:n ja Finfundin, välissä on kuilu. Kun keskimääräinen FP-tuki oli vuonna 2011 EUR 34.000, niin Finfundin tuet investoinneille ovat keskimäärin 1-10 miljoonaa euroa.
- FP on laatinut prosessin ja mittariston hankeseurantaa varten. Tukea saavat yritykset ovat velvollisia raportoimaan tuella aikaansaaduista vaikutuksista. Seuranta-aika on kaksi vuotta. Raporteista kerättyjen tilastojen avulla saadaan jonkinlaisia viitteitä ohjelman pitkäaikaisista vaikutuksista. Toiminnan pääändikaattoreita on kuitenkin vaikea yhdistää suoraan Finnpartnership-vaikutuksiin sellaisinaan. Keskeisten tunnuslukujen ja

mittareiden tulisi olla sidoksissa suoraan ohjelman vaikutuksiin. Myös kyselylomakkeen kysymykset tulisi arvioida uudelleen, jotta ne vastaisivat paremmin FP:n tukemien hankkeiden kokoa ja tavoitteita kehitysvaikutusten osalta. Myös kyselylomakkeen muotoa tulisi kehittää sisällyttämällä siihen enemmän avoimia kysymyksiä sekä konkreettista tietoa ohjelman vaatimuksista. Suorien ja välittömien kehitysyhteistyövaikutuksien liiallinen painottaminen ja liiketoiminnan peruslogiikan unohtaminen voi johtaa tahattomiin väärinkäsityksiin Finnpartnership-ohjelman ja FP:n tukemien yritysten välillä.

### 3 Sammandrag av iakttagelser

Allmänt kan det sammanfattas att Finnpartnership-programmets målsättning är i linje med Finlands utvecklingspolitiska åtgärdsprogram. Finnpartnership-programmet är en del av Aid for Trade-temat i den finländska utvecklingspolitiska biståndsstrategin, med fokus på att främja långvariga affärsförhållanden, sunt entreprenörskap och att skapa anständiga arbetsplatser.

Under de senaste åren har den privata sektorns roll ökat, både i utvecklingsländer och utvecklade länder, inom ramen för utvecklingen av internationellt samarbete. En Team Finland internationaliseringstillställning den 10 september 2012 signalerade ett klart intresse för Finska företags internationalisering. I tillställningen deltog omkring 1,400 representanter från små och medelstora företag och organisationer, för att tala om vad de förväntar sig av internationaliseringstjänster i framtiden. De högsta statsledarnas närvaro visar statens starka engagemang till att snabba på internationaliseringen av finländska företag.

Recessionen i Europa och efterfrågan i tillväxtländer har bl.a. gjort att internationaliseringsåtgärder i bredare omfattning har fokuserats om från industriländer till utvecklingsländer. I utvecklingsländer strävar Finland efter att understöda den privata sektorns kapacitet och samarbetsmodaliteter för att skapa arbete och minska fattigdom, speciellt på sätt som kompletterar andra finländska utvecklingsaktiviteter. Inom detta område har Finnpartnership-programmet en viktig roll, trots sin begränsade storlek.

#### *Våra viktigaste iakttagelser är följande:*

- Finnpartnership-programmet har lyckats med att tillföra positiva utvecklingsresultat i mottagarländerna, medan negativa sociala och miljömässiga påverkan inte kunnat påvisas.
- Under perioden 2006-2011 har en betydande andel av det totala understödet allokaterats till utvecklingsmarknader i Kina, Indien och Vietnam. Enligt Finlands utvecklingspolitiska åtgärdsprogram för 2012 kommer Finland att koncentrera sitt utvecklingssamarbete med en fokus på de minst utvecklade länderna i Afrika och Asien. Därtill lägger Finlands utvecklingspolitiska åtgärdsprogram tyngd på utvecklingsekonomiernas eget ansvar för att minska på fattigdom och ojämnlighet inom de egna länderna och inom den globala utvecklingen. Med hänsyn till programmets relevans mot Finlands ikraftvarande utvecklingspolitiska åtgärdsprogram som helhet, kunde relevansen ytterligare stärkas genom att fokusera aktiviteter på mindre utvecklade länder. En skild handlingsplan skall förberedas för att utveckla intresset gentemot aktiviteter i mindre utvecklade länder.
- En av målsättningarna i Finnpartnershipprogrammet är att öka det kommersiella samarbetet och främja långsiktiga företagssamarbeten mellan företag i Finland och i utvecklingsländer. I Kina och Indien där Finland har kunskap och expertis genom ett brett samarbetsnätverk av universitet, forskare och företagsorganisationer samt etablerade företag, finns det större potential för företag att skapa hållbara kommersiella möjligheter. Enligt intervjuer med finansierings institut och representanter för den privata sektorn anses Finnpartnership-programmet som ett viktigt och komplimenterande instrument för att etablera nya affärssamarbeten inom dessa marknader.
- Med tanke på den relativt låga volymen av stöd under FP-programmet som helhet, skulle en begränsning av omfattningen till att helt utesluta tillväxtmarknader

eventuellt riskera finansieringsvolymen. Volymen är kritisk för att upprätthålla effektiviteten med beaktande av nuvarande administrativa struktur och en nedskärning skulle också kunna äventyra FP:s brand samt finansieringskoncept, i den form som blivit känt bland de finländska företagen. Med hänsyn till behovet av en viss volym och den nuvarande omfattningen av stöd allokerat till utvecklingsmarknader betonar vi fokus på och prioritering av stöd för aktiviteter med utvecklingspåverkan av periferområden inom dessa marknader.

- Det genomsnittliga Företagspartnerskapsstödet har minskat under åren 2009-2011. År 2011 var det genomsnittliga understödet 34 tusen euro, vilket är det lägsta genomsnittsvärdet sedan etableringen av FP-programmet. Med tanke på det begränsade totala årliga understödsbeloppet, ca 3-4 miljoner euro kan antalet projektländer betraktas som högt. År 2011 inkluderade programmet 62 länder. År 2011 implementerades programmet i 21 sektorer, vilket också kan anses högt. Det lilla genomsnittliga understödet i kombination med fragmenteringen minskar programmets administrativa effektivitet och gör det relativt svårt att mäta effektiviteten med hänsyn till att uppnå utvecklingseffekter.
- Utbetalningsgraden av beviljade stöd är låg och betydande understödsmedel blir oanvända vilket avsevärt minskar på programmets kostnadseffektivitet. Tung administration kombinerat med begränsade godkännbara kostnader påverkar utbetalningsgraden negativt. De låga utbetalade beloppen medför att programmets administrationskostnader är relativt höga jämfört med det förverkligade finansiella understödet.
- Programmet har en styrningsgrupps grupp som utgör ett värdefullt nätverk av intressenter. För att vidare utveckla arbetet hos styrningsgruppen kunde en analys upprättas angående varje medlems profil och kompetensområde i syfte att maximera det tilläggsvärde styrningsgruppen tillför programmet. Den direkta kontakten till den privata sektorn kunde förstärkas genom att bjuda in företag till styrningsgruppens möten för att presentera deras erfarenhet av internationaliseringsprocesser och för att dela praktisk erfarenhet angående möjligheter och utmaningar bundna till FP-programmet.
- Allmänt är operatören aktiv och har handlat i enlighet med offertdokument och arbetsplaner och de flesta målsättningar har även överskridits. Målsättningarna i arbetsplanen för företagspartnerskapsstödet är kopplade till indikatorer som mottagna ansökningar, antalet beviljade understöd, totala beviljade understöd och tidsmässiga målsättningar för behandling av ansökningar. Det borde övervägas att skapa prestationsindikatorer som bättre mäter och reflekterar de faktiska understödda aktiviteterna. Tillhanda statistik indikerar en positiv utvecklingspåverkan angående aktiviteter som är understödda av programmet. Oanvänt understöd behöver inte alltid ha negativt påverkan. Likväl är information om varför det godkända men oanvända beloppet är högt, värdefullt för beslutsfattande och utveckling av FP-programmet.
- Finnpartnership organisationen är smal med endast ett fåtal nyckelpersoner. På grund av kortvariga program perioder av Utrikesministeriet och kortvariga kontraktperioder med Finnfund har aktören inte tagit risken att fastanställa personal vilket resulterat i kortvariga anställningar och rotation av FP:s yngre personal. Kompetensen till förfogande är till stora delar fokuserad på administrativa uppgifter relaterade till administration av Företagspartnerskapsstödet och relaterad procedurer.

- Processen för behandling och godkännandet av ansökningar innefattar flera steg och rapportering är relativt byråkratisk och samma godkännings- och rapporteringsprocesser gäller oberoende av stödets storlek.
- En permanent integration av Finnpartnership till Finnfund har ett brett understöd. En integration skulle medföra underlag för mer långvarig planering, effektiv användning av Finnfunds kompetens och personal, investering i mer långvarig IT struktur samt flexibilitet i utveckling av programmet med beaktande av kundorientering.
- Matchmaking-tjänsten medför betydande utmaningar. Intervjuer under granskningar på fältet samt den webbaserade undersökningen samt tillgänglig statistik visar att det finns ett begränsat antal företag som framgångsrikt hittat partners genom Matchmaking tjänsten. Responsen som är baserad på intervjuer och den webbaserade undersökningen indikerar att en passiv IT baserad Matchmaking tjänst i sig separat inte fungerar som verktyg för att understöda en effektiv matchmaking process. I kombination med tjänsten krävs aktiv marknadsföring i form av affärsseminarier, promotion och användning av etablerade kontaktnätverk.
- Finnpartnership och speciellt Företagspartnerskapsstödet har ett mervärde i den finländska privata sektorns finansieringssystem, eftersom programmet är riktat till att understöda privata sektorns aktiviteter i utvecklings länder med hög osäkerhet och marknadsrisker.
- En oundviklig allmän slutsats från utvärderingsresultaten är att intresset bland finska företag gentemot marknader i utvecklingsländer är relativt låg ambitionsnivån för projekt kunde förbättras. För att öka intresset hos större företag med tillräklig know-how och administrativ kapacitet för dessa marknader kunde programmet överväga att höja understödsprocenten åt större företag som går in på de fattigaste ländernas marknader och speciellt på de marknader som är långvariga samarbetspartners med Finland.
- Denna evaluering har lyft fram den allmänna svagheten som även lyfts fram i samband med Team Finland rapporten, att det finländska offentliga understödssystemet är alltför splittrat och att samarbetet mellan myndigheter som Finnfund, Tekes, Finpro, Finnvera och ELY center inte fungerar effektivt. Det finns ett stort antal myndigheter som resulterar i klyftor mellan inblandade aktörer. Detta skapar diskontinuitet för de företag som arbetar med internationaliseringsprocesser, eftersom företag måste framställa ansökningar till olika myndigheter vid de enskilda stegen i internationaliseringsprocessen. Den komplexa strukturen kräver gemensamma mål samt, samarbete mellan myndigheterna.
- Finska företag och de koncerner de tillhör kan maximalt motta 200,000 Euro av de minimis understöd under en 3 års period. De minimis begränsningen har haft en påverkan speciellt i de segment av större finska företag, som även mottar övriga offentliga understöd från andra myndigheter. Övriga understödsformer, som kapitallåneinstrument, kunde övervägas och analyseras som ett alternativ till att utöka understödskonceptet från den nuvarande strukturen med direkta stöd.
- Det finns en klyfta mellan de av Utrikesministeriet finansierade instrumenten (FP och Finnfund) som stöder den privata sektorns internationaliseringsprocedurer. Eftersom FP-programmet täcker de projekt som under 2011 i medeltal var 34 tusen euro, så går Finnfund in med finansieringar i 1-10 miljoner euro klassen.

- Finnpartnership har grundat en process för uppföljning av prestationsindikatorer och sammanställande av statistik. Företag som tar emot understöd bör rapportera understödets påverkan under en uppföljningsperiod på två år. Det har sammanställts statistik från programmets period, som redan ger viss indikation av den långvariga påverkan av programmet. Prestationsindikatorerna är svåra att direkt anknyta till Finnpartnerships påverkan som en enskild aktör.

## 4 Acronyms and Abbreviations

| <i>Acronym/Abbreviation</i> | <i>Signify</i>                           |
|-----------------------------|--|
| DIC                         | Department for International Cooperation |
| FP                          | Finnpartnership                          |
| FPP                         | Finnpartnership Programme                |
| MFA                         | Ministry for Foreign Affairs of Finland  |
| MOST                        | Ministry of Science and Technology       |
| BPS                         | Business Partnership Support             |
| MM                          | Matchmaking                              |
| LCF                         | Local Cooperation Fund                   |
| NGO                         | Non-governmental Organization            |
| SME                         | Small and Medium Enterprises             |
| DAC                         | Development Assistance Committee         |
| MTR                         | Mid-term Review                          |
| CCO                         | Cross-cutting objectives                 |
| FF                          | Finnfund                                 |
| MEE                         | Ministry of Economy and Employment       |

## **5 Introduction**

### **5.1 Background information**

At the United Nations Conference on Financing for Development (Monterrey, 2002), Finland, as well as other industrialized countries, committed itself to increasing the flows of funding and investments to developing countries, especially to the poorest countries that remain mainly beyond the reach these flows. Based on these commitments, the Ministry for Foreign Affairs of Finland (MFA) decided to prepare a programme to facilitate increasing cooperation between companies and other economic actors in Finland and in developing countries. As a result of the preparatory work, the MFA launched a business partnership programme, called Finnpartnership, in June 2006. The administration of the programme was outsourced by tendering procedures to the Finnish Fund for Industrial Cooperation Oy (Finnfund). The MFA has renewed the contract for the implementation of the programme for the years 2007-2009 and 2010-2012. The last agreement includes a two year option of continuity.

This evaluation study focuses on the performance of the Finnpartnership programme (FPP) during the first six -year period of its existence from 2006 to 2011. The evaluation study highlights the strengths and weaknesses of the Programme and the lessons learned which could feed into decisions on the future scope and management of the Programme. The objective of the evaluation is to identify the results, development effects, effectiveness and sustainability of the Finnpartnership programme. The purpose is also to analyze the synergy between the Programme and Finnfund in general and the possibility to merge Finnpartnership in the regular activities of Finnfund. In addition to this, the evaluation is expected to provide guidelines for the further development of the contents and the management of the Programme. This is to be done especially in the light of Finland's new Development Policy Programme (2012).

### **5.2 Background for and introduction to the concepts of Finnpartnership programme**

Finnpartnership provides advisory services and business development financing to Finnish companies in different phases of business development in developing countries. In addition to this, the Programme supports match-making between companies in developing countries and Finland and promotes developing country exports to Finland. Programme activities can be carried out in all the countries defined as developing countries by the OECD's Development Assistance Committee (DAC), and in all industries, according to demand from companies and other organizations doing business in Finland and in developing countries.

The intended impact of the Programme is to accomplish economic development through supporting the private sector in developing countries, by creating jobs and by diversifying production structures 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 and through encouraging long-term business partnerships.

The cooperation opportunities and business partnerships supported by Finnpartnership can lead to, for example, Finnish investments in developing countries, joint ventures, growth of exports from developing countries and other types of economic cooperation exceeding the

limits of traditional export activities. Furthermore the Programme aims at transferring Finnish competence, technology and capital to developing country counterparts through business partnerships supported by the Programme.

The methods and instruments of Finnpartnership have been developed throughout its history. The operator of the Finnpartnership Programme (Finnfund) is responsible for the core functions of the programme. Finnfund also further develops the implementation of the Programme under the guidance of the MFA and in consultation with the stakeholders represented in the Programme's Steering Committee.

The annual financing by the MFA to Finnpartnership is roughly 2, 5 million euro, of which the business partnership support facility for companies is roughly 1–1, 5 million euro. The annual number of the business partnership projects receiving financial support is about one hundred.

### **5.3 Objectives of the evaluation**

The evaluation procedures were based on the Terms of Reference (ToR) of the assignment set by the MFA. According to the ToR, the objective of the evaluation was to identify the results, development effects, effectiveness and sustainability of the Finnpartnership Programme. The purpose was also to analyze the synergy between the Programme and Finnfund in general and the possibility to merge it into the regular activities of Finnfund. In addition to this, the evaluation was expected to provide guidelines to further develop the content and management of the programme.

The evaluation took place in Finland, Tanzania and Vietnam during June - August 2012 covering the activities of the Finnpartnership programme over the years 2006-2011. The evaluation of the Finnpartnership Programme is based on interviews, a web-survey, review of material, a workshop, analysis and reporting. Wall to wall interviews were carried out with a number of programme stakeholders including MFA, Finnfund, Finnpartnership, representatives of private sector entities (both Finnpartnership clients and non-clients) as well as additional networks related to the programme or internationalisation of private companies. A list of the interviewed people is included in appendix 2.

Supporting data was further collected by a web survey to Finnish entrepreneurs and interest groups. The questionnaire was sent to around 1000 individuals and consisted of enterprises where some had been granted FPP support, some had applied but had not received support and a group of responders had not even applied for support. The survey did also include respondents from MFA, NGO's, VTT, ELY, Finpro and Finnvera. The aim of the survey was to receive information about how well-known the programme and its different services are, why or why not used, areas of impact of those receiving funds and areas of development. Over 200 private sector representatives responded to the questionnaire. During years 2006-2012 FPP has received BPS applications from approximately 400 companies. In the light of the volume of applicants, the responding rate for the questionnaire can be considered high. It is to be noted that the questionnaire was answered during the busiest summer vacation period. The companies selected to the survey were collected from FP marketing data (newsletter receivers, support receivers, applications and seminar attendees) from the Finnpartnership organization. 83, 8% of the respondents represented small and medium sized companies with a turnover less than 50 million euro and only 7 % represented large companies with a turnover over 250 million euro. When comparing the number of questionnaires sent out to responds, the small companies' responding rate was higher than that of the larger ones. Within the respondents, branches of industries varied widely and no

single industry was over represented within the answers. 12% of the respondents represented the IT industry branch and 10% represented environmental companies. 72% of all respondents told that the FP Programme was familiar to them.

Programme documents have also been widely reviewed to support our findings. The material review included FPP relevant policy and strategy papers, minutes of relevant meetings, baseline information regarding administration, personnel, manuals and finance, monitoring and reporting material and other relevant material such as the mid-term report of year 2009.

In mid August 2012, a workshop was arranged with representatives from the private sector, MFA, FP, MME, Finpro and Finnfund. Topics discussed were FPP as a part of the Finnish Development and Trade Policy, FPP supporting internationalisation procedures of companies, the long term impacts and added value of the FPP, programme structures and areas of development. The ideas raised in the conversations provided valuable input for the evaluation work. According to written feedback the participants found the discussions interesting and fruitful.

Based on the working methods above we have highlighted our main conclusions and recommendations for the programme.

The evaluation was performed by KPMG Public Sector Services Ltd with its cooperation partner Ramboll Management Consulting. Anders Lundin and Carina Hedberg-Kivistö from KPMG were responsible for the overall execution of the evaluation. Other members of the evaluation team included Riika Viik from KPMG and Tarmo Lemola and Katri Haila from Ramboll Management Consulting.

The draft report has been commented by Finnpartnership, Finnfund, Ministry for Foreign Affairs (Department of Development policy and Department of Trade policy), Finnvera and Confederation of Finnish Industries (EK).

## 6 Development political framework and relevance of the Finnpartnership programme

Development policy is a key element in a coherent and comprehensive foreign and security policy. Poverty reduction and the achievement of the UN millennium development goals (MDGs), placing an emphasis on partner countries' needs and ownership, are the first priorities of a relevant development policy.

In her own development cooperation, Finland emphasises the rule of law, democracy, human rights and sustainable development. The special priorities include education, decent work, reducing youth unemployment and improving the status of women and children.

In these activities, Finland builds on its strengths in the educational sector, health promotion, communications and environmental technology, as well as good governance. Job creation, sustainable use of natural resources and responsible business are seen as key parts of development promoted by Finland.

In recent years, the role of the private sector in international cooperation has increased, both in developing countries and in developed countries. Finland strives to develop the capacity and cooperation modalities of the private sector, especially in ways that complement other Finnish development cooperation efforts, particularly in the poorest countries.

The Finnpartnership Programme is a part of the *Aid for Trade* theme of the Finnish development aid strategy. According to Finland's Development Policy Programme the *Aid for Trade* promotes healthy entrepreneurship and the creation of decent jobs, strengthens productive capacity, investments and economic infrastructures in developing countries. The new focus areas in the *Aid for Trade* theme relates to human rights including job creation, sustainable management, green economy and human development. Better integration of developing countries into international trade plays an important role in the global efforts to reduce poverty. Increasing exports provides new opportunities for enterprises in developing countries to expand their production and to create more and better jobs. Strengthening the capacity of developing countries to participate and benefit from international trade is a key in achieving viable economic growth.

During our field visit in Tanzania we recognized a clear message from the actors involved in development assistance asking to strengthen the focus on *Aid for Trade* components in development aid activities. Tanzania is one of Finland's eight long-term development partner countries and one of the main receivers of aid. Despite the long development cooperation the trade and economic relationships between Finland and Tanzania are modest and there are only a handful of Finnish companies established in the Tanzanian market.

Basically the Finnpartnership Programme corresponds with the general objectives of Finland's Development Policy Programme.

During the period of 2006 – 2011 a significant portion of the total support was allocated to emerging markets in China (EUR 4.245 thousand), India (EUR 3.643 thousand) and Vietnam (EUR 2.145 thousand) out of EUR 21.446 thousand.

In accordance with the new Development Policy Programme (2012) Finland will focus its development cooperation in the least developed countries in Africa and Asia. Considering the relevance of the Programme to the current Finnish Development Policy Programme as a whole, the activities could be focused more clearly to the least developed countries. Considering the relatively low volume of support under the FP programme as a whole,

scoping out the emerging markets completely might challenge the funding volumes. The volumes are critical in maintaining a certain level of efficiency under the current administrative structure and capacity. A reduction in volumes could harm the FP brand and the funding concept as currently known by the Finnish private sector companies. Considering the need of a certain volume and the high exposure of funding to emerging markets, we encourage a strong focus and priority to be given to support activities in the peripheral areas of these markets.

The Finnpartnership programme has sharpened its focus on the poorest countries by staggering its funding shares; the projects taking place in the poorest countries receive a funding percentage of 50% or 70% of the total projects expenses, whereas projects taking place in emerging markets receive funding of 50% or 30% of the total project expenses.

The general opinion among the interest groups and representatives from the private sector is that the Programme is relevant to the Finnish Development policy. The interest groups generally find it appropriate to use private sector support as an instrument in promoting Finnish development cooperation.

The services of Finnpartnership consist of business partnership support, matching service, expert databases, as well as advice and guidance. The results of the questionnaire and interviews indicate that the business partnership support is overwhelmingly the most important service of the programme for companies and programme stakeholders. The importance of other services turned out to be much lower. Based on the web survey importance of the different components for the interest groups reported as follows:

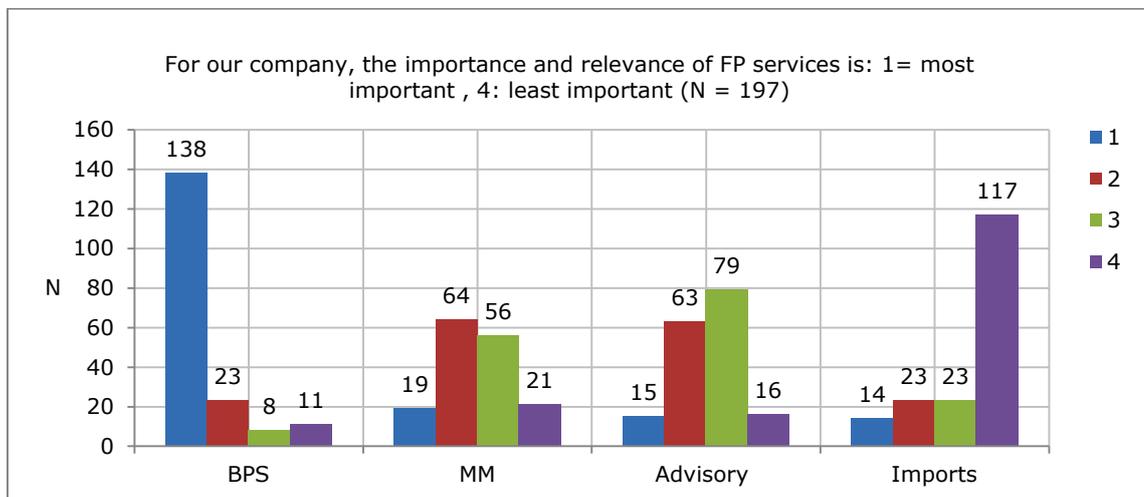


Figure 1: Importance of FP services

The workshop attendants felt that the most important function of the BPS is to support companies in establishing activities in the target market, including partner search and establishing business functions.

The program is open for companies with a connection to Finland. They are offered to apply Programme support for activities in all ODA recipient countries defined by the OECD DAC. The programme covers a large number of development countries as the BPS is demand driven according to the companies' own initiatives. The Programme has no limitations of sectors nor does it focus on any specific branches. The Programme is as a whole in line with the general poverty reduction strategies/development policies of the developing countries in

question. The Programme or its operator do not make analyses or take systematic approaches on how the overall objectives correspond to country specific poverty reduction strategies or development policies. The approach of Finnpartnership can be characterized as reactive. It attempts to make its financing opportunities known among its potential clients, and it approves or rejects the proposals received from companies and other clients. It finances single projects of companies but it does not provide expertise on the specific conditions in the developing countries in question. Only to a limited extent as an institution Finnpartnership analyses development needs and opportunities of target countries only to a limited extent.

Finnpartnership is, among other Finnish public funding instruments, a unique instrument granting support for activities aimed at long-term economic cooperation and enhancing commercially viable partnerships between companies in development countries and Finland.

According to many of the interviewed companies, the variety of internationalisation agencies with different financing and supporting instruments, results in a situation where finding out about the available funding possibilities is difficult and time consuming for the companies. Especially small and medium sized companies cannot spend excessively time in searching fund/support channels. Therefore it is important that the cooperation between different actors is deepened towards more customer-orientated services.

The interviews with representatives of companies pointed out that the development effects expected from Finnpartnership projects remained distant and unclear for them. Companies do not highlight these effects as they are not key objectives of their activities from a business development point of view. For them the positive development effects are mainly results of a successful partnership. Putting too much stress on direct and immediate development effects and ignoring the logic of business development and the social and economic effects of these activities may lead to unintentional misunderstandings between Finnpartnership and their private sector clients. It is important to keep in mind that private sector parties cannot be assumed to be experts in development cooperation issues.

## **Conclusion**

- The programme has a clear relevance to the general objectives of Finland's Development Policy Programme, especially to the development of corporate responsibility.
- FPP is natural part of the Aid for Trade theme in the Finnish Development Aid Strategy with a focus in promoting healthy entrepreneurship and the creation of decent jobs.
- One of the missions of the Finnpartnership program is to increase commercial cooperation and promote long-term business partnerships between companies in Finland and in developing countries. In China and India Finland possesses knowledge and expertise through a wide network of cooperation including universities, researchers, business organisations and Finnish companies already established. This creates potential for companies to establish sustainable commercial business activities in these countries. Based on interviews made with both funding agencies and private sector representatives, the Finnpartnership programme was seen as an important and complementary instrument for creating new partnerships in these markets.

- The relevance of the programme can be enhanced by a stronger focus of its activities on the least developed countries.
- Considering the relatively low volume of support under the FP programme on a total level, completely scoping out the emerging markets might challenge the funding volumes. The volumes are critical in order to maintain certain efficiency under the current administrative structure and capacity. A reduction in volumes could harm the FP brand and funding concept as it is currently known by the Finnish private sector. Considering the need of a certain volume and the high exposure of funding to emerging markets, we encourage a strong focus and priority to be given to support activities in the peripheral areas of these markets.
- A strong message from the interest groups indicates a need to strengthen the Aid for Trade aspect in the Finnish development strategy. As a concrete example - despite the long development cooperation, the trade and economic relationships between Finland and Tanzania are modest and there are only a limited number of Finnish companies established on the Tanzanian market.
- FPP is a unique and very small sized instrument corresponding to the needs of inception phases of private sector enterprises in development countries.

## 7 Efficiency and effectiveness of the Finnpartnership programme

### 7.1 Effectiveness of programme

The administration has, since the beginning of the programme in year 2006, been outsourced to Finnfund. The outsourcing is based on public tendering procedures and MFA has signed agreements with Finnfund to act as the operator of the program as following:

*Table 1: Agreements with FF*

| <b>Period</b>    | <b>Date of signing</b> |
|------------------|------------------------|
| <b>2006</b>      | 30 March, 2006         |
| <b>2007</b>      | 29 December, 2006      |
| <b>2008-2009</b> | 21 December, 2007      |
| <b>2010-2012</b> | 18 December, 2009      |

The agreements have, since the inception of the Programme, covered periods from one year to three years. The last agreement covering years 2010-2012 includes an option of two additional years. The signature of the agreements has taken place in a late stage as the latest three agreements were signed in December just before the beginning of the new contract period. The short agreement periods and the late contract settlement have resulted in uncertainties regarding the continuity of the Programme activities and its administration. Further the short agreement periods have in some extent affected staff recruitments and the nature of applications received for open positions as the operator has not employed permanent staff for the Programme positions.

The agreements between MFA and the operator include measurable quantitative objectives. For the period 2010-2011 the objectives for the Business Partner Support were as follows:

*Table 2: Quantitative objectives*

| <b>Quantitative objectives of programme for year 2011</b> |  |   |  |
|---|--|---|--|
|   | <b>Agreement</b>                                   | <b>Revised by Steering Committee 6.11</b> | <b>Realization, 3rd Tertial report</b> |
| <b>Received applications</b>                              | 125  | 100-110                                   | 128                                    |
| <b>Approved applications</b>                              | 75   | -   | -                                      |
| <b>Grants approved</b>                                    | 5-6 million €                                      | 2-3 million €                             | 3,9 million €                          |
| <b>Support committees decision</b>                        | within 4 weeks of receiving a complete application | -   | -                                      |
| <b>Days of informing applicants</b>                       | 2 weeks  | 1 week                                    | 5 days                                 |

As can be seen from above table the objectives of year 2011 were met. The requirement of de minimis changed the objective of grants approved.

The objective of the matchmaking services were also updated by the Steering Committee in June 2011. Despite a raise of the quantitative objectives the programme achieved them all. The time quota for advisory services fell 30 hours short of the objective for the year 2011.

As the objectives specified in the working plan were met, the effectiveness goals of the programme can be considered achieved. The objectives and the level of settled objectives can, however, be questioned. In order to address the challenges of the Programme, additional key performance indicators should be considered to measure and reflect the actual supported activities better. Such indicators could include the rate of disbursements for the first year of implementation, the rate of disbursements for the second year and the euro amount of unused support compared to the activities achieved.

## 7.2 Efficiency of programme

During the years 2007-2011 the actual operational costs have fallen short of the budgeted amounts. The fixed fee of the operator has actualized in accordance to budget. The implementation expenditures of the main activities of the Programme, such as marketing, administration of business support, matchmaking, development expenses, travel and office expenses (post and telephone) have fallen short of the budgeted levels.

*Table 3: Operational expenses compared to budget*

| <b>Actual operational expenses compared to budget</b> |      |      |      |      |
|---|------|------|------|------|
| <b>2007</b>   | 2008 | 2009 | 2010 | 2011 |
| <b>77 %</b>   | 82 % | 84 % | 71 % | 67 % |

In the year 2010 as well as in the year 2011 most of the lines of main tasks and expenses have not reached the budgeted levels. The budget line of the administration of business partnership support actualized as 86 % in 2010 and came nearest to the budgeted level. According to the FP the operating environment and the Programme have changed during the budgeting period which has resulted in a different outcome from the original budget estimation.

*Table 4: Budget to actual of main tasks*

| <b>Budget to actual of main tasks (including vat)</b> |                  |                |             |                  |                  |             |
|---|------------------|----------------|-------------|------------------|------------------|-------------|
|   | <b>2010</b>      |                | <b>%</b>    | <b>2011</b>      |                  | <b>%</b>    |
|   | <b>Budget</b>    | <b>Actual</b>  |             | <b>Budget</b>    | <b>Actual</b>    |             |
| A. Long term experts                                  | 653 773          | 653 772        | 100 %       | 732 381          | 732 381          | 100 %       |
| B. Short term experts                                 | 242 738          | 86 803         | 36 %        | 324 928          | 96 505           | 30 %        |
| C a) Marketing  | 85 156           | 42 740         | 50 %        | 131 219          | 55 178           | 42 %        |
| C b) Business Support, Admin.                         | 73 200           | 62 704         | 86 %        | 86 163           | 54 059           | 63 %        |
| C c) Matchmaking                                      | 18 300           | 7 082          | 39 %        | 31 663           | 6 609            | 21 %        |
| C d) Travel expenses                                  | 68 930           | 37 860         | 55 %        | 102 364          | 54 421           | 53 %        |
| C e) Development work                                 | 122 000          | 11 177         | 9 %         | 111 823          | 12 844           | 11 %        |
| <b>In total</b>                                       | <b>1 264 097</b> | <b>902 138</b> | <b>71 %</b> | <b>1 520 541</b> | <b>1 011 997</b> | <b>67 %</b> |

As the Programme met the specified objectives below budgeted costs, it can be considered cost-efficient on the whole. Based on material reviews and interviews the challenges of the Programme are known and openly discussed. Further, the raised improvements needs are taken seriously and actions are taken without unnecessary delays by the operator.

Administrative costs have occurred as following:

*Table 5: Fees and Expenses*

| <b>Fees and expenses (vat 0 %)</b>   | <b>2006</b>    | <b>2007</b>    | <b>2008</b>    | <b>2009</b>    | <b>2010</b>    | <b>2011</b>    |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Operators fixed fee                  | 331 515        | 352 456        | 620 492        | 688 143        | 532 933        | 595 432        |
| External services, operator + others | 37 074         | 202 049        | 29 090         | 13 848         | 137 258        | 138 224        |
| Marketing                            | 62 613         | 37 640         | 32 460         | 31 177         | 34 193         | 44 861         |
| Travel expenses                      | 23 757         | 36 497         | 26 012         | 29 881         | 25 368         | 38 399         |
| Post and telephone                   | 7 837          | 5 755          | 5 027          | 4 297          | 5 538          | 5 845          |
| Others                               | 40             | 0              | -              | 655            | 0              | 0              |
| <b>In total</b>                      | <b>462 836</b> | <b>634 398</b> | <b>713 081</b> | <b>768 001</b> | <b>735 290</b> | <b>822 761</b> |

Comparing year 2007 to year 2011 there is a high increase in the sum of operational fixed fees and external services. The lines of operator's fixed fees and external services are, however, not comparable, as some of the operator's expenses for external services have been moved to the line of operators fixed fees from one contract period to another. In the year 2007 the operator's fixed fee of 352 thousand euro included the input of a programme director, programme analyst and programme assistant as well as the support of the Finnfund management team and directorate. In 2011 the programme staff consisted further of a matchmaking coordinator and two short term contracts for advisory and support services. The work tasks have in some extent increased.

In the year 2007 the external services of 202 thousand euro were mainly (98 %) services provided by Finnfund. Only 4 thousand euro was expenses of external services from other service providers than Finnfund. Finnfund invoiced expenses are described and specified in the programme agreement and financial report of the year 2007. The main services consisted of BPS administration, matchmaking services and assistant services. The table below shows that the additional resources under the operator's fixed fees in the year 2011 have not decreased the expenses of the external services in the same scale.

| <b>External services</b>     | <b>2007</b>    | <b>2011</b>    | <b>Change</b>  |
|------------------------------|----------------|----------------|----------------|
| FF Outsourcing services      | 28 693         | 34 075         | +5 382         |
| FF BPS administration        | 68 035         | 43 950         | -24 085        |
| FF Matchmaking services      | 62 788         | 42 883         | -19 905        |
| FF Assistant +other services | 38 414         | 10 442         | -27 972        |
| Other                        | 4 118          | 6 874          | +2 756         |
| <b>In total</b>              | <b>202 049</b> | <b>138 224</b> | <b>-63 825</b> |

The low disbursement rate of allocated support compared to the incurred costs affects negatively the efficiency of the Programme. In addition to this, currently the smallest funding has been under one thousand euro which causes inefficiency in both the application and reporting processes. To strengthen the cost effectiveness of the Finnpartnership Programme, there is a need to discuss a minimum Euro amount of funding requests. Further a question can be raised whether the relatively low budget utilization rate has had an adverse impact on the activities implemented? Has the budget been unrealistic compared to the objectives set? Utilization budget over/under spending should shortly be described in the operational reports of the Programme.

A written risk management plan has not been prepared for the Finnpartnership Programme. Risks are addressed in the Finnfund organization.

## **7.3 Network and cooperation with stakeholders**

### **Steering group**

The number of group members has decreased in accordance with MTR recommendations. The current Steering group consists of representatives of the MFA, MME, Finpro and Finnvera. The five members from MFA represent different units and departments of MFA. The steering group has met on a regular basis and there is an adequate continuity of handling open questions till satisfied clarifications have been received. The deputy director of the development co-operation department of the MFA has acted as the chairman, contributing to a good understanding of the programme challenges together with an institutional memory from MFA's side.

According to the interviews, the steering group is working well. Some interviewed addressed a need to further clarify that the steering group's task is to support the programmes in being adequately implemented and not being a decision making body. To further develop the work of the steering group it may be considered to analyse and define the members' profiles and competence areas in order to maximize the added value of the steering group. We further recommend that private sector representatives could attend steering group meetings and present first hand feedback and practical recommendations on how to develop the Programme.

### **MFA – Finnfund – Finnpartnership**

According to interviews conducted during the evaluation, the cooperation with the Finnfund organization naturally includes administrative tasks. No overlapping administrative tasks were found between FP and Finnfund daily operations. The outsourced project administration has been efficient from the FP's point of view, in terms of daily administrative activities, human resource management and financial administration.

Towards MFA the programme staff has worked in accordance with agreed procedures an effort has been put to prepare and submit adequate material required. The outsourced Programme administration has a close cooperation with the operator. In addition to long term staff the operator has provided supplementary juridical, environmental, management and administrative experts for the Programme. Furthermore, the operator has established a support committee consisting of three persons including the managing director, director of portfolio and risk management and director of legal affairs. The support committee has met regularly, once a month in average. The main purpose has been to pre-approve or pre-reject business support applications presented by the program staff. After pre-approval all applications are sent to the MFA for the Development Minister's approval. The secretariat of the current Minister has taken

an active role in examining the pre-selected applications of the program. According to the operator, responding to additional questions put by the Minister's secretariat has caused additional work.

### **Other stakeholders**

The Programme staff has actively been working with different actors relevant to Programme implementation. This active approach was highlighted in several interviews from both private sector representatives as well as other organizations working with governmental support. To some extent the turnover of junior staff was mentioned as affecting the efficiency of networking.

The Programme staff has made an effort to serve the applicant with a "one stop shop"-principle with everything that applies to the opportunities offered by the Programme. The Programme staff and especially the Programme director have a valuable knowledge of other Finnish organizations' services and financing. Written agreements of supplementary services has been signed mainly for the match-making services with external consultants in Finland, Netherlands, Peru, South Africa, Tanzania, Zambia and Vietnam.

The work around the Team Finland approach has revealed that there is a clear need for more cooperation between the existing actors working in supporting Finnish companies in internationalization procedures as well as for a client orientated approach. We emphasize the importance that Finnpartnership take an active role and, to the extent possible, contribute to enhance coordination and closer cooperation between the actors in this field. The programme staff has actively spread word about the programme and they have also actively taken part in other actors' marketing events.

### **Synergies between Finnpartnership and Finnfund**

There are a number of synergies that can be pointed out should the Finnpartnership Programme be made a permanent part of Finnfund. As a part of Finnfund, the Programme could be more flexible and make effective use of the Finnfund knowledge and staff. The possibilities of investing in more permanent structures (staff, IT etc.) would be enhanced. If the Programme were not be fixed to specifications in tender documents, it could provide for a more long term strategy which could elaborate tasks that need to be addressed in advance and in a longer term. Collectively Finnpartnership and Finnfund could better support their clients' internationalization process, its different stages and needs, and in this manner extensively contribute to enhanced results in development countries.

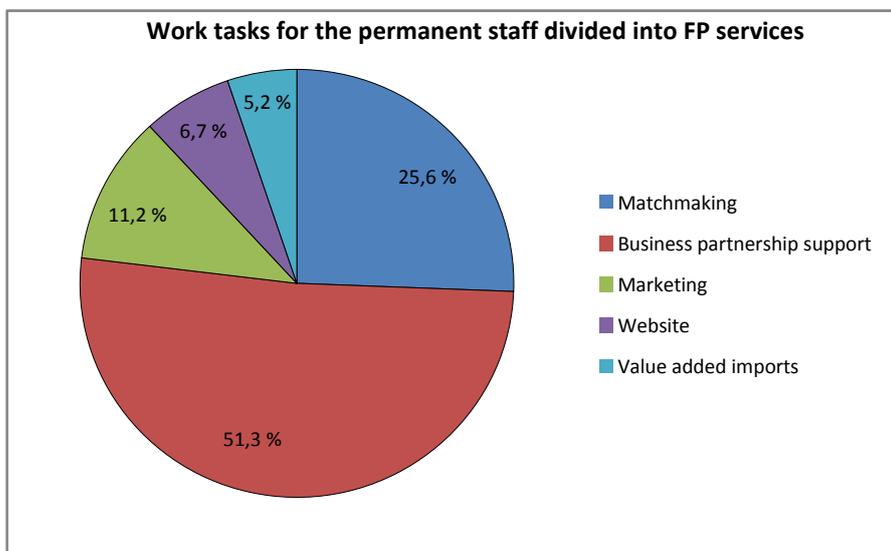
The legislative and judicial issues connected to integration need further clarification and solutions in order to make the integration possible. No major changes need to be made in the programme activities in case the FP were to be connected as a permanent part of Finnfund. The Steering group for the programme can, if desired, continue as it does now in the role of an advisory body combining different stakeholders.

In the workshop, 60% of the attendants felt that Finnfund could be a natural option for Finnpartnership to be integrated into.

**Organizational effectiveness - team structure and skills**

The Finnpartnership Program organization consists currently of five persons: a programme director, a programme coordinator, two analysts and a programme assistant. Additionally, the Finnpartnership employs a few temporary part time and summer employees during the calendar year. Because of the compact group structure, the roles and responsibilities between personnel are integrated. This also reduces operational risks within a small team. The programme team members are relatively new in their positions and the programme director has the longest experience of Finnpartnership, as he has been working in the organization since 2007. The programme analyst has been working in the organization for two years, but has four years of previous experience from similar tasks. The programme assistant has been working in the FP since 2008. Junior analysts, trainees and summer employees have up to a couple of years work experience in development co-operation or international tasks. Because the programme administration is contracted for a fixed period, only two members of the personnel have job contracts made for permanent employment, the rest have temporary contracts. This arrangement affect both the quality of new recruitments and the development of the staff competences because of a career in the FP organization can be guaranteed only for short term.

The tasks in Finnpartnership are overlapping and the small team does multiple tasks. Main responsibilities are however given to each position and according to staff interviews there are no confusion of expected work descriptions. The chart below shows how the works tasks are divided among FP services for the permanent FP staff for a two months period (November-December 2011).



*Figure 2: Work tasks of permanent staff*

The business partnership support accounts for over 50% of the total work load of the permanent staff. Based on the interviews, the personnel feel that MFA requires a rather heavy reporting. The MFA reporting is mainly included in the services of BPS support.

The interviews and questionnaire results indicated that FP staff is reachable and helpful (82%). However, in the light of the advisory services of the program, the junior staff has relatively little knowhow of different developing markets and development cooperation. According to interviews, the advising services are focused mainly to the fund application process and funding terms and conditions and are therefore not as proactive and efficient as the applicants might expect. The questionnaire indicates, however, that the companies have received advisory

services at a satisfactory level (over 70% quite satisfied). The questionnaire results reflect that companies in general are not expecting to receive market knowledge advisory services from FP.

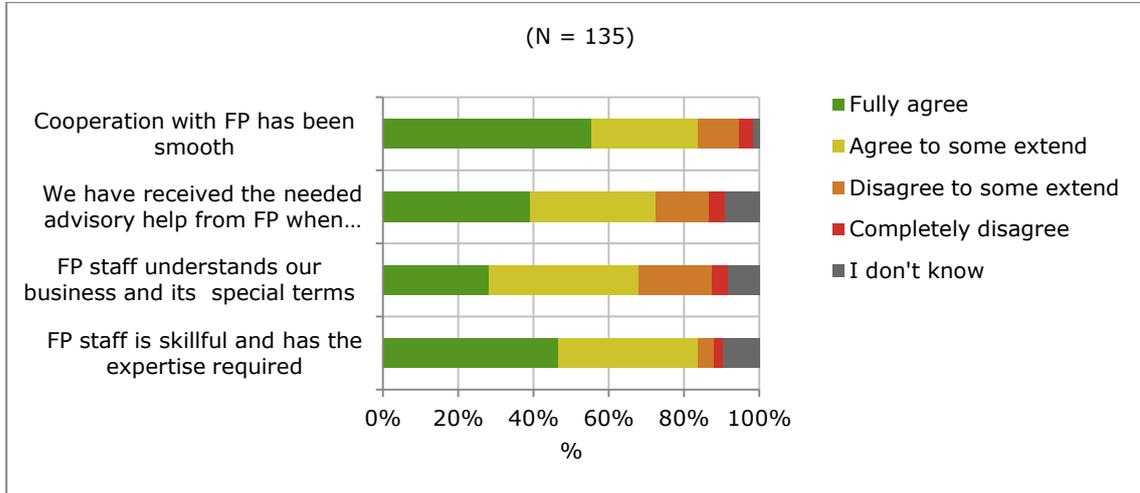


Figure 3: Cooperation and expertise of FP staff

## 7.4 Efficiency of business partnership support

The applicants fill out a standard application form, which requires a rather specific project description and a planned budget. Based on the application format, the Finnpartnership staff evaluates whether or not the funding is granted. After the first evaluation at Finnpartnership, the application is passed on to the ministry where the final decision of the disbursement decision is made. Based on the web survey result 53 % of the companies that have applied Finnpartnership funding felt that the application process was heavy. Only 4 out of 131 respondents said that the application process was light and easy. The workshop discussions and feedback from participants also highlighted a need of lightening the application and reporting procedures of BPS.

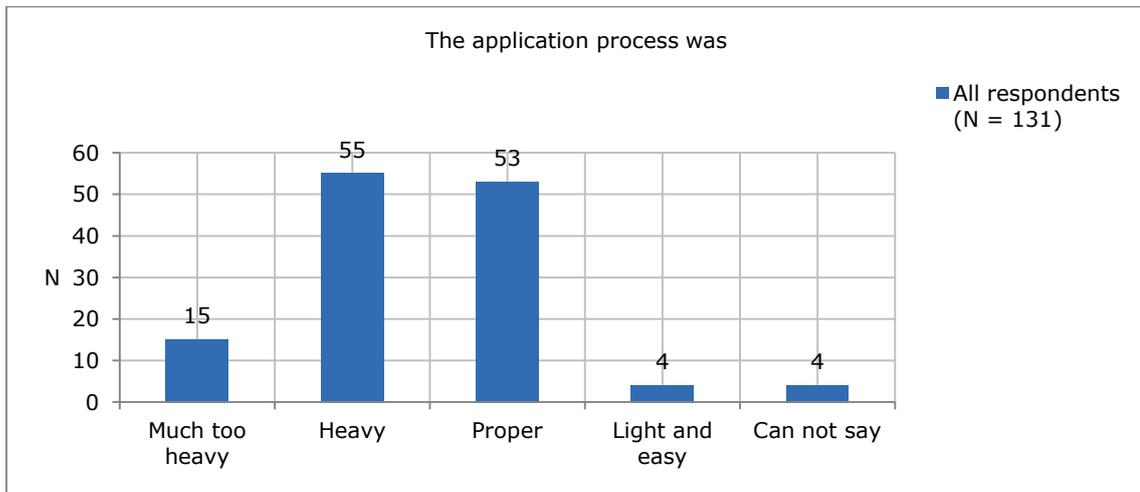


Figure 4: BPS application process

In average the application process takes from two to six weeks, which can be considered fast. However the questionnaire indicates that the application process in whole takes 2-3 months in average. FP objective is to have a decision made within 2 months of application.

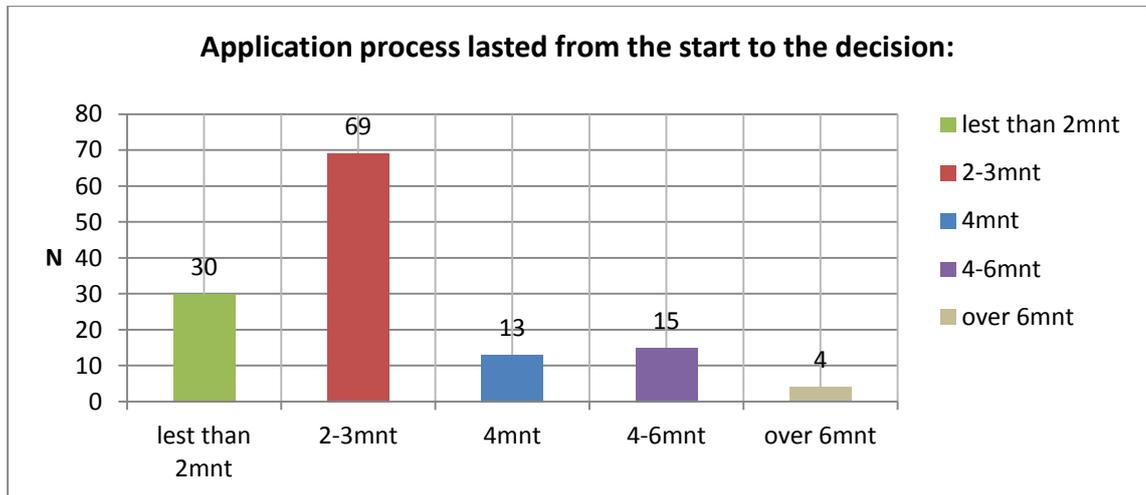


Figure 5: Duration of the BPS application process

### Disbursements and use of funds

In 2011, the total amount of support allocated was ca 3.9 million euro. The total amount of support payments was however only ca 1.4 million euro (based on allocations in 2009, 2010 and 2011). Respectively, the total amount of support payments were 1.1 million euro in 2007 (from allocations in 2006 and in 2007), 1.5 million euro in 2008 (from allocations in 2006, in 2007 and in 2008), 1.4 million euro in 2009 (from allocations in 2007, in 2008 and in 2009) and 1.2 million euro in 2010 (from allocations in 2008, in 2009 and in 2010).

The disbursement rates of allocated support per year were as follows: 1.04 / 1.81 million euro in 2006, 1.72 / 3.89 million euros in 2007, 1.27 / 3.58 million euros in 2008 and 1.55 / 4.15 million euro in 2009. The payments of support allocated in 2010, 2011 and 2012 are ongoing.

The low rate of allocated support per year is a disadvantage of the Finnpartnership programme. The total input of the programme is lower than expected, which means that the contribution of input to other levels of the impact chain will be less effective than expected.

As discussed at the evaluation workshop, there are several reasons for the low rate of disbursements. For example, the changes both in the operational environment and in the company have an effect on the project. According to the interviews and the web survey, it is evident that there is still a need to communicate more clearly the criteria for eligible costs.

To strengthen the influence of the Finnpartnership programme and its Business Support, it is of importance to further develop the effectiveness of the programme. The average amount of payment is low (total amount of support payments have been between 1.1 - 1.5 million euro annually during the period 2007-2011), whereas a significant part of the allocations of the Business Partnership Support remain unused. The impact of the Finnpartnership is based on actual activities supported by the programme.

The average Business Partnership Support has decreased during 2009-2011. In 2011, the average support was 34 thousand euro, with a support variety range between 3 thousand euro

and 146 thousand euro. The allocation of the Business Partnership Support is fragmented both geographically and by sector. The small average support in combination with the fragmentation reduces the administrative effectiveness of the programme and makes it relatively difficult to measure the effectiveness of achieving the desired development impacts. With regard to the limited total amount of support (approximately 3, 4 million euro) allocated annually, the number of countries is high (62 countries in 2011), the number of different sectors is high (a total of 21 sectors in 2011) and the average support (34 thousand euro in 2011) is low. In 2006-2012, the support was allocated mostly for sectors as follows: ICT (14 %), manufacturing, engineering and machinery (14 %), energy (12 %), environment (10 %), metal and industry engineering (8 %), agriculture and food processing (6 %), forestry, wood and paper (6 %) and construction (6 %).

In 2006-2012, support has been allocated to projects in 82 different countries. However a significant portion of the grants, over 50 percent, has been allocated to projects in China, India and Vietnam. Considering the high allocation to these emerging markets the fragmentation of the remaining geographical distribution is high.

### **Share of own funding**

According to interviews with representatives of Finnish companies the share of their own funding has been on an adequate level. In Finland there are, however, not many very large companies (as an example of this according to Talouselämä statistics there are 500 plus companies whose turnover is around 80 million euro). Based on interviews with some of the companies within this category they felt that they do not fit in the definition of a large company and their resources in terms of both funding and human resources are limited. On the other hand they still have the same challenges as large companies in their internationalization process. These limitations also affect their possibilities of entering new markets in development countries.

The focus of the Programme activities should be addressed to the reduction of poverty in the poorer countries. To encourage the larger companies with sufficient management, know-how and administrative capacity to enter these markets the program could consider of rising the funding percentage of bigger companies entering the poorest countries and especially Finland's long-term partner countries.

## **7.5 Efficiency and outcomes of matchmaking service**

One of the MM's areas is to offer matchmaking services online for companies in development countries that are seeking business partners in Finland. The criteria for being accepted in the MM database are that the company has a certain financial stability and that the company is officially registered. FP also asks curriculum vitae from the owners of the companies. Once the company's background information is checked, the FP staff and named consultants fill out the profile description for the company. Once the company is on the database, FP does not take an active role in helping the companies in finding partners. However, FP contacts the companies once every four months to follow up whether the company has reached any results. FP does arrange seminars and meetings between MM companies to a limited extent only.

According to FP about 16-20 % of the FP staff resources are used in the MM service. There are currently around 80 companies registered in the MM database. Two of the best represented countries are Vietnam and Tanzania. According to the FP staff, about 20% of the registered

companies have found a contact through the service. Based on the questionnaire results, only 6 companies out of 126 respondents have found a business partner through the MM service.

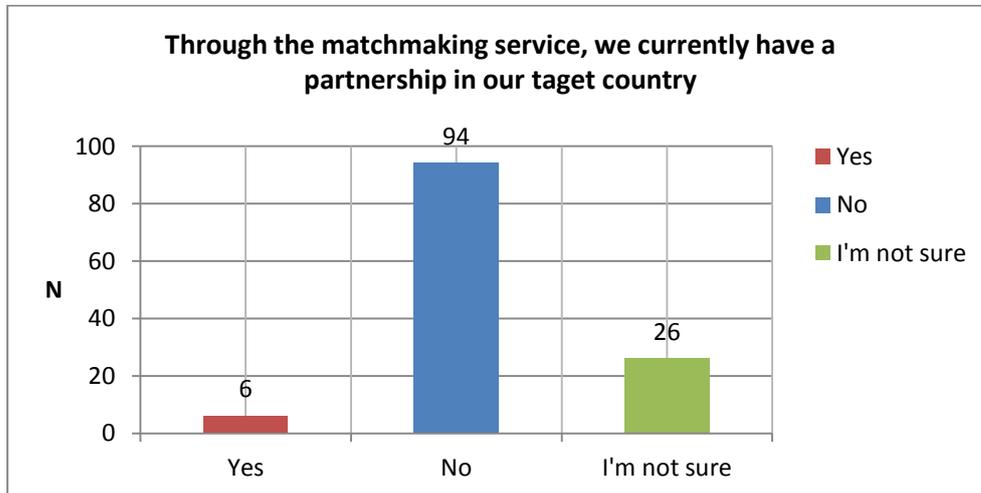


Figure 6: MM effectiveness

Also the other way round, only 3 respondents told that their business partner had found them through the MM service. The response rate was low, only 23 responded to this question:

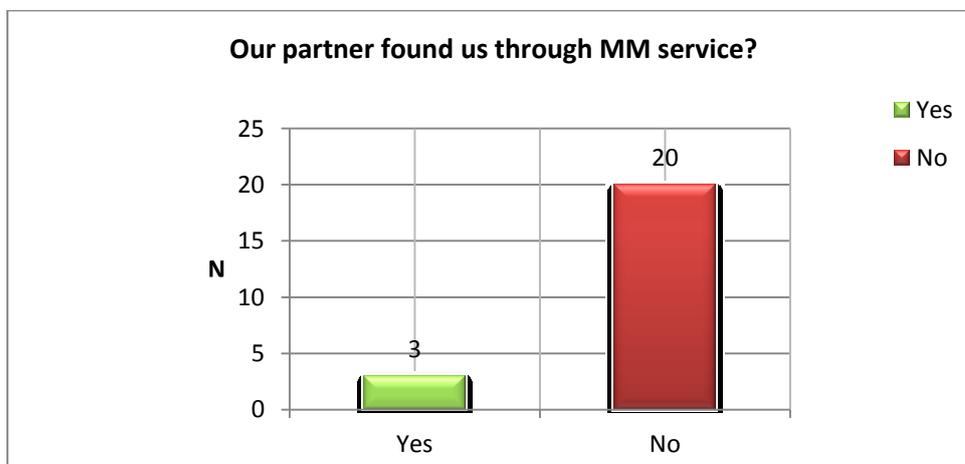


Figure 7: MM effectiveness (2)

Compared to required time of resources and outcomes of the service, the MM service can currently not be seen as efficient. The response based on interviews and the web survey indicates that a passive IT based matchmaking service does not provide for an efficient matchmaking process as a separated stand alone tool. In order to increase the efficiency of the matchmaking process active marketing in form of business seminars, promotion and use of established contact networks is required.

There are currently four focus countries using the Matchmaking services, these are Vietnam, Tanzania, Peru and Kazakhstan, where Finnpartnership takes a more active approach by promoting visits and active networking. The FP statistics summarize that the activities related to the focus countries have a direct impact on the number the matchmaking requests. Finnpartnership has made agreements with external consultants for matchmaking services such

as screening of applicants. FP has used consultants in the four matchmaking focus countries. A positive evidence of the consultants' input can be seen as a raise of Matchmaking applications in especially Vietnam. However the number of matchmaking partners is still at a low level.

## **7.6 Efficiency and outcomes of developing country import service**

The volumes under this component have remained low with only a few applications on an annual basis. However based on impact reporting of business partnership support, there are indications that the BPS financing has a positive effect in increasing local companies' competences in the exporting area and as well in improving the quality of their products. From the Finnish companies perspective this provides further opportunities to increase competitiveness through developing global value chains. In this aspect non-governmental organizations may contribute with added value in respect to local knowledge, certification and quality development.

The interviews and the web survey indicate that this component of the programme is clearly unknown to the Finnish private sector. About 11% of the FP staff resources are used to developing country import service. This component is, however, closely integrated to the supporting components that make the administration procedures efficient.

## **7.7 Efficiency and outcomes of advisory services**

There is a focus on strengthening this component including building up a network of external experts involved in the internationalization process.

The process to strengthening the advisory service is ongoing but will take time to be effectively implemented. It should be clearly noted that this is not part of the administration cost of Finnpartnership.

Based on interviews we recognize a need for advices concerning establishing destinations for various industries and information about market characteristics. Strengthening of the advisory component should support an active search for applicants.

### **Conclusion**

- There are low disbursements rate of grants allocated and significant unused amounts materially reducing program cost efficiency. Heavy administration combined with limitations in eligible costs has a negative impact on the disbursements rates. The low disbursement rates contribute to making the programme administration costs relatively high compared to the entire monetary support.
- The programme has a steering group that enables a valuable network of programme stakeholders. To further develop the work of the steering group it may be advisable to analyze and define the member's profile and competence areas in order to maximize the added value that the steering group brings into the Programme. An analysis of each member's role could be made, where each member's key added value and expectations towards strengthening the programme should be defined. Direct connections to the private sector could be strengthened, by inviting companies to steering committee meetings to present their steps of internationalization and to

share practical experience on the possibilities and challenges related to the Finnpartnership programme.

- Overall, the operator is active and has acted in accordance with tender documents and work plans and most of the objectives have even been surpassed. The objectives set in the work plans for business partnership support are linked to the number of received applications, the number of approved grants, the total approved grants in euro and the time lines set for processing applications. One can as, however, should there be set objectives for areas of challenge such as the disbursement rate and unused funds. Additional key performance indicators could therefore be considered to be set to a level that would measure and reflect more accurately the actual supported activities compared to funds disbursed. The available statistics indicate positive developing impacts being brought about by the activities supported under the Programme. Unused funds cannot always be considered as having a negative impact. However, information on the reasons behind the high amounts of approved but unused support could be valuable for the decision making and the development of FP programme.
- The Finnpartnership organization is thin with only a few key persons. Due to the short term funding by MFA and short contract periods with Finnfund the operator has not employed permanent staff and short term employments have resulted in rotation of the FP junior staff. The available competence is highly focused on administrative tasks related to the administration of Business Partnership Support and related procedures.
- A permanent integration of Finnpartnership into Finnfund is broadly supported. Integration would provide a base for more long term planning, effective use of Finnfund competence and staff, investing in more permanent IT structures and more flexibility in developing the Programme towards a more customer orientated approach.
- To increase the interest of larger companies with sufficient management, know-how and administrative capacity to these markets the program could consider of rising the funding percentage of bigger companies entering the poorest countries and especially Finland's long-term partner countries.
- This evaluation exercise has raised the general weakness highlighted in the Team Finland report approach, namely that the Finnish public funding system is far too fragmented, and cooperation between the agencies like Finnfund, Tekes, Finpro, Finnvera and ELY centers does not work efficiently, particularly from the point of view of smaller companies. There are a large number of agencies resulting in too many gaps between actors involved creating discontinuities in the process of supporting companies in their internationalization activities process as companies needs to prepare different applications to different agencies in different stages of their internationalization process. The complex structure requires joint goals and closer cooperation between the agencies.
- There is a gap between Finnfund and Finnpartnership instruments, both supporting internationalization activities. As the Finnpartnership programme covers projects that in the year 2011 were in average 34 thousand euro, Finnfund participates with funding for investments in the range of 1-10 million euros.

- The matchmaking service seems to offer significant challenges. Based on available statistics, interviews during the field trips and the web survey there are only a limited number of companies that have succeeded in finding partners through the Matchmaking service. The response based on interviews and the web survey indicates that a passive IT based matchmaking service does not provide for support an efficient matchmaking process as a separated stand alone tool. In order to increase the efficiency in the matchmaking process an active marketing in the form of business seminars, promotion and use of established contact networks is required.

## **8 Poverty, development, social and environmental impacts of the Finnpartnership programme**

### **8.1 Measuring impact of FP programme**

The Business Partnership Support is a grant type of seed capital for projects aiming at long-term business partnerships in developing countries. The support can be used to cover expenses incurred in the following activities of the preparatory phases: business associate partner identification, pre-feasibility and feasibility study, business plan preparation, social and environmental impact assessment, and planning, employee training and technical assistance in pilot projects related to Finnish environmental technology. In the implementation phase, activities such as target country employee training and utilizing experts in developing a specific business area of a project are covered by the Business Partnership Support.

An objective of the Business Partnership Support Facility is to promote business co-operation between companies in developing countries and Finland in order to increase long-term business partnerships. The aim is to contribute positively to poverty reduction, development, social and environmental impact in development countries. Business partnership support is available for activities with realistic potential to develop into a commercially viable project, which foster development in the target country, are in line with legislation and requirements of the target country, and comply with international environmental and social standards. Development impact does not come directly from the supported output, but from the implementation of the project, which is supported and funded by different resources.

The programme has defined potential direct and indirect developmental effects of a project as follows: Contribution to national income (wages, interest, rents and profits), employment effects, market and structural effects (diversification of the production structures), contribution to government revenues (tax, royalties, customs duties), technology and know-how transfer, training effects, social effects / social benefits (compliance with ILO regulations; work safety; wage level etc.), environmental sustainability (positive environmental effects such as renewable energy etc.), gender effects, improvements in the physical and social infrastructure benefiting the population in the vicinity of the project, and net currency effects.

Training effects, employment effects and turnover are examples of the direct impacts. For example, the support can be used for target country employee training and utilizing experts in developing a specific business area of a project in a target country. As discussed at the evaluation workshop, an operating business can be a starting point for further impacts.

Since the start of Finnpartnership programme in year 2006 the operator has in cooperation with MFA dynamically been working on improving the ways on how to measure and report impact of programme. Expected impact of the business partnership support is required to be considered in the application phase and after the use of funds companies are demanded to report extensively on the actualised impact of projects in connection to disbursement requests and two follow-up reports. These reports are based on companies' own perceptions reported to FP and are therefore in some extent subjective. Reported information has not been separately checked by the operator.

Compared to other instruments of development cooperation, the Finnpartnership programme can be considered as an exceptional instrument in terms of these follow-up reports, where the support receiver is obliged to report impact issues two years after the use of funds.

## **8.2 Expected impact in application phase**

Estimated developmental effects are assessed based on project proposals. Based on our review the project assessment criteria's are transparent. The social and environmental assessment criteria are based on International Financial Corporation's (IFC) performance standards on social and environmental sustainability. Expected development impact of projects is carefully evaluated by both the operator and MFA when assessing the project's eligibility to receive support. Therefore the applicant is expected to document in its application broadly projects expected poverty, development, social and environmental impacts.

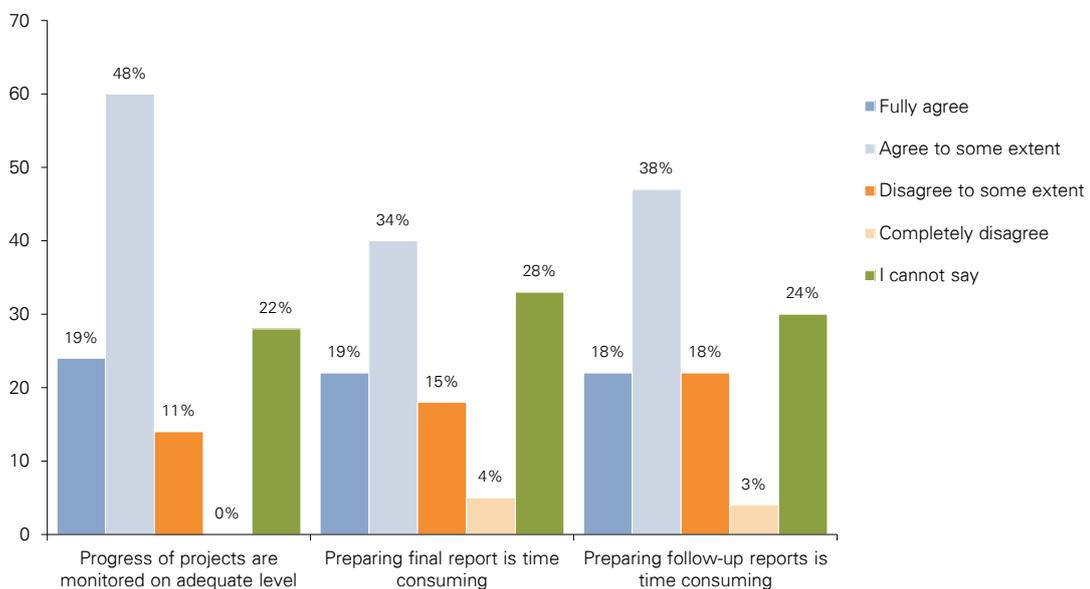
The applicant shall currently document in its application the expected development impact of the project and to confirm that it undertakes to comply with social and environmental matters in its application. Further the applicant is to document in the project description attachment the expected environmental matters, social accountability and development effects. Regarding environmental matters the applicant shall document expected environmental impact of target country operations, possible environmental risks, applicable environmental regulations and standards, permits required and how the applicant intend to monitor that environmental regulations and standards are enforced and complied with. For social accountability and developmental effects the applicant is expected to describe social impact of target country operations, how the applicant intend to monitor that social regulations and standards are enforced and complied with and further the main economic and social developmental effects of the project for the target region/country. In addition the applicant is to reveal possible risks affecting the project (with regard to target country, technology, production, markets, personnel etc.): Strengths, weaknesses, opportunities and threats of the project.

In addition the applicant shall fill in a questionnaire for the assessment of development and environmental impacts. The questionnaire includes eight areas of expected effects. These areas are employment, gender, training, technology and know-how transfer, market and structural, infrastructural, social and, environmental effects. Each area includes from two to ten questions.

In year 2008 the operator made a client survey. In this survey 45,6 percentage perceived that it is easy to fill in the application forms, 68,1 percentage found that the terms and conditions were fully or to some extent presented clearly and 48,6 percentage of respondents found the application process to be fairly functional. Compared to the web survey made during the evaluation there are indicators that the application procedures has been improved from the client survey. Based on these surveys the applicants found the terms and conditions of the business partnership support unchangeable.

Although it is requested to fill in impact related questions in several application documents i.e. main application, project description attachment and the separate questionnaire forms, we considered these to be reasonable in order for the operator to be able to assess the expected impact of project activities. The questions are fairly easy to be answered. The interviewees had contradictory opinions about the assessment of developmental effects. The feedback of some companies was that the criteria are relevant and that it is a good practice of Finnpartnership to take social and environmental sustainability into account in the inception phase and project planning. Furthermore, the criteria are regarded to be useful because international funding organizations are using similar criteria. On the contrary, some interviewees considered that the criteria are irrelevant because the links between the early phase project and developmental effects in the target country were weak or difficult to identify.

The web survey performed during evaluation revealed that 68 percentages fully or to some extent agreed, only 11 percentages disagreed to some extent and none completely disagreed that projects are monitored on adequate level. However 18 or 19 percentages fully perceived that preparation of final and follow-up reports were time consuming that may indicate that companies consider that some reporting areas are not considered to be of high importance to their point of view. It is to be considered that especially development aspects in application and reporting is of high importance for decision making and for following the development impacts of the instrument and that these aspects do not have to be fully understood by applicant for the programme to be effective. As the primary impact is generated by the core business of partners involved it is good that development aspects are understood, however this is not crucial. Of importance is that the programme raises awareness of gender, environment, HIV and social issues but participants should not be expected to become fully familiar with development terminology.



Despite the information provided by FP concerning the possibilities to support social and environmental impact assessments it is apparent the companies are unaware that the support can be used to cover these category of assessments. This might reflect the fact that the concept of social and environmental impact assessments is not as clearly understood by the private sector as a separate assessment from feasibility studies. In order to increase the awareness of this funding opportunity FP should clearly open the content of a social and environmental impact assessment.

### 8.3 Reported Impact

As support has been approved the recipients are required to report development impacts of the Programme in a final report when disbursements are withdrawn and in two follow-up reports. The operator consolidates the individual project reports and their performance in one annual operational report, which offers useful data to draw a general view of the results of the Programme. The development impacts have mainly been assessed in accordance to UN's Millennium Development Goals.

In the final report the recipient is expected to report among others on realised volume of activities in the target country (including turnover, number of employees, etc.), completed and planned investments of the project, employment impacts arising from the project, i.e. direct and indirect job creation in the target country (total number of employees, share of female employees, number of planned and/or real jobs), information related to the technology and/or know-how content of the project and its/their transfer between the partners, information about the training that has been conducted in conjunction with the project, the impacts of the project on markets and structure of the operational environment, environmental impact assessment, social impact assessment (including gender equality and impacts on socially excluded groups), the volume of import in realised import projects and estimate of future import, import agreements, evaluation of the products' qualitative suitability to Finland's/Europe's markets, beneficiaries of the project (direct and indirect) and a comprehensive assessment of the project's impacts (positive and/or negative).

The follow-up reporting has been connected to the programme from the start in year 2006. The first follow-up report is to be submitted no later than one year after the date of expiry of the support and the second report is submitted one year later on. Therefore the first follow-up report of the business partnership support was prepared in year 2008 and the second follow-up report in year 2009. As a part of the follow-up reports, the companies are asked to fill out a questionnaire about the development impacts of the projects. The scale of the answers is from 1=to small extend to 5=to a very great extend. FP uses this data to draw summaries about the development impacts of the program and reports to MFA. The reports include extensively numbers of the development impacts. The development impacts are also further analyzed by using the same categorizing method.

While reporting includes useful data and is very informative, the analyses are subjective as they are reported by the recipients. Therefore to receive more objective information it would also be useful to collect qualitative data by examples interviews. FP could set up a target number of interviews to be annually carried out by randomly selecting companies of different sizes and locations.

The following sub-chapters include information of some of the extensively reported impact effects.

### **Impact for in year 2006 approved funds**

In year 2006 funding was approved for 22 projects. Of these projects, disbursements were made to 18 projects. Remarkable is that the commitments for the first year was made in February 2007 and the funds were requested to be used by September 2007, only seven month later. The total disbursements for these projects were 1.041.715 euro. The average applied amount was 82.259 euro whereas the average disbursement per project was 57.873 euro.

First year impact reporting was on modest level. The final report was prepared in 2007 and by the time of disbursements established business partnerships were reported in 13 projects. According to the first follow-up report submitted in year 2008 the amount of business partnerships had decreased to 11 projects (61 percentages). In the second follow-up report distributed in year 2009 the amount of partnerships has decreased with one more, resulting in 10 projects with a working business partnership. The second follow-up report included further questions related to investments and employments. A positive employment effect was reported by ten companies and eight companies reported that their project had led to a positive impact on gender issues and working conditions.

### **Impact for in year 2007 approved funds**

In year 2007 the programme made commitments to 79 new applications for 3,890,797 euro. The commitments were expected to directly employ 7,300 persons. Of the 79 commitment payments were made to 60 projects. According to the final report in 41 of these projects led to business partnerships. For 18 % projects the support remained unused.

In the first follow-up report of year 2007 the successful partnerships had decreased to 32 projects. Investments were reported by 11 companies, 30 companies reported employment effects and 22 companies reported a positive impact on employing women and improving working conditions. 21 reported a positive change in gender equality.

The actions taken to improve impact reporting can be noticed in the operational report of year 2008 where programme development impact has been more broadly described. From year 2008 impact reporting has included the number of job created, women employees, investments, business partnerships, technology and know-how transfer, training offered, effects on markets, environment and infrastructure etc. The second follow-up included tremendous investments, in total 1,635 million euro, which is nearly 1000 times the used business partnership support. This tremendous amount of investments should however be critically assessed when analyzing investments followed directly or indirectly by FP support.

### **Impact for in year 2008 approved funds**

According to the final report only 22 out of 53 projects had led to business partnerships by the time of disbursements. The first follow-up report includes an increase in business partnerships from 22 in year 2009 to 25 or 52 percentages in year 2010. Almost all of these or 24 companies reported a positive effect in creating jobs. According to the first follow-up report the projects has employed 822 persons, of which 261 or 32 percentage where new workplaces. An indication of a social impact can be addressed as 20 companies reported paying in average higher salaries than others. Reported positive effects in markets are improved product qualities and increased competition.

According to terms and conditions of support all companies are required to comply with international environment standards. In addition 28 companies or 56 percentages reported further environmental impact such as parent company's increased awareness in international social and environment standards, use of more energy effective methods and more use of environmental friendly raw material. In 16 projects or 62,5 percentages an improvement was reported in the capability of meeting import requirements. Majority reported an increase in subcontractor's production volumes and product quality.

In second follow-up report it was reported that 24 projects or 50 percentages had led to working business partnerships, an increase of two partnerships from previous year. In 15 of these a new company had been established in a development country. As much as 75 percentages reported an increase in technology and know-how transfer, which can be considered as a very valuable development impact for local companies.

### **Impact for in year 2009 approved funds**

In year 2009 business partnership support was approved to 77 applicants. By the time of final reporting disbursements had been paid to 52 companies of which 2 were extensions. The disbursements were in total 1,427.462 euro.

According to first follow-up report in year 2011 investments had been made by 15 companies for 27 million euro. Successful business partnerships were reported in 30 projects or 50 percentages of companies received disbursements. Positive employment effects were reported by 22 companies, with direct employments of 1170 persons. In addition 14 companies reported that the support has had an indirect impact of creating jobs. Of all direct workplaces the portion of women employed was 22,5 percentages.

As of social impacts, as much as 96 percentages of the companies with direct employments, reported that their paid salaries were higher than the average. 11 projects included subcontracting and in all of these projects the subcontracting had led to increase in production volumes and in 9 projects improving the quality of the products.

## **8.4 Summary of programme impact**

Currently the recipients of business partnership support are delivering a lot of information on different areas that leads to development impacts. Detailed information is provided on nature of long-term business partnerships, technology and know-how transfer, source of training, adherent to legislation, environmental effects, subcontracting, social and infrastructure effects etc.

In overall companies has reported many positive development impacts. This is evident based on the 3 year observation period for support that has been approved in 2006, 2007 and 2008. In 2009 the first follow-up report was prepared in March 2012 and follow-up reports for 2010 and 2011 are not applicable for this evaluation. The table below is summarizing some of the most evident programme impacts. The information regarding years 2006, 2007 and 2008 are based on the second follow-up report of year 2008 and the information concerning year 2009 is based on the first follow-up report of year 2009:

| <i>Development impacts</i>          | <i>2006*</i> | <i>2007</i> | <i>2008</i> | <i>2009</i> |
|-------------------------------------|--------------|-------------|-------------|-------------|
| Total number of direct jobs created | 713          | 899         | 1192        | 1170        |
| Number of new direct jobs created   | 301          | 590         | 547         | 661         |
| Number of indirect jobs created     | 514          | 698         | 568         | 547         |
| Women employees                     | 127          | 156         | 269         | 263         |
| Total value of investments (1000€)  | 7 900        | 1 635 700   | 7 900       | 27 020      |

|                                    |           |           |           |           |
|------------------------------------|-----------|-----------|-----------|-----------|
| Subsidiary/joint venture           | 9 (50%)   | 13 (22%)  | 15 (31%)  | 12 (24%)  |
| Technology and know-how transfer   | 10 (56%)  | 45 (75%)  | 36 (75%)  | 36 (72%)  |
| Training offered                   | 11 (61%)  | 35 (58%)  | 33 (69%)  | 35 (70%)  |
| Positive effects on markets        | 11 (61%)  | 42 (70%)  | 36 (75%)  | 34 (68%)  |
| Positive environmental effects     | 6 (33%)   | 34 (57%)  | 29 (60%)  | 24 (48%)  |
| Positive effects on Infrastructure | 4 (22%)   | 25 (42%)  | 16 (33%)  | 15 (30%)  |
| <b>Total number of companies</b>   | <b>18</b> | <b>60</b> | <b>48</b> | <b>50</b> |

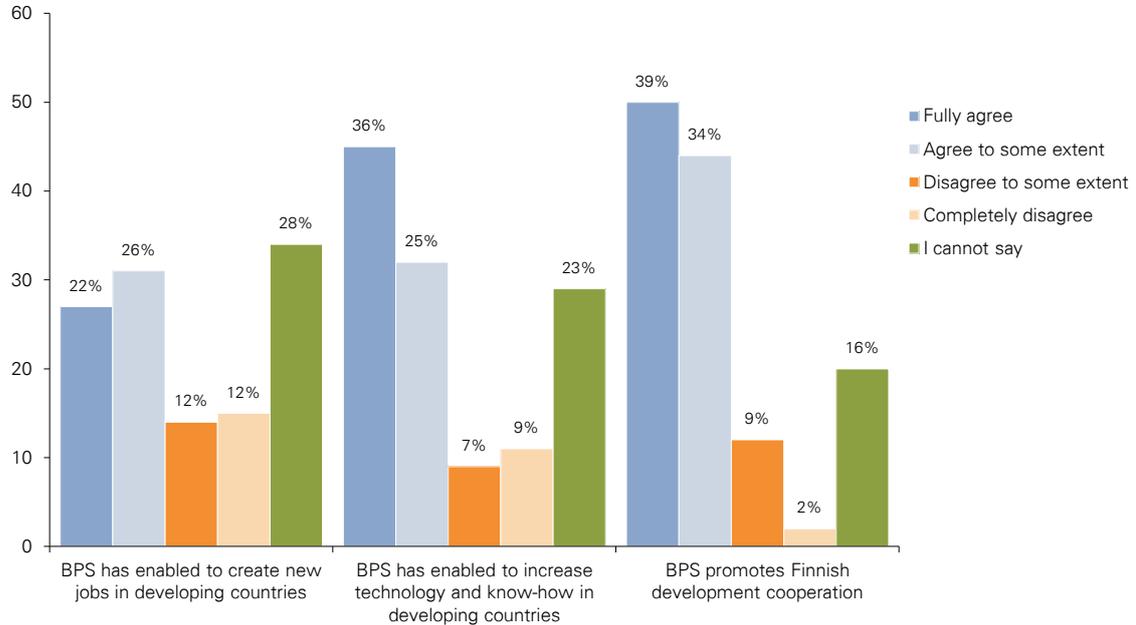
\*The starting year of the FP supported projects.

Considering the total number of companies, which remains relatively small, the development impacts can be considered reasonable. Two concrete measurements for development impacts are number of jobs created and establishment of a subsidiary or joint venture. In 2008 a total number of 48 companies were able to create almost 1200 jobs and establish 15 new businesses in developing countries. More subjective measurements, such as positive effects on local markets, also indicated positive development impacts (75% in 2008). Less fruitful development effect has been the impact on infrastructure, as of less than one third of companies reported to have effects on. Most companies reported that their activities in developing countries had had either direct or indirect effects on reducing poverty or other social effects.

Furthermore, training effects, employment effects and turnover are examples of the direct impacts. For example, the support can be used for target country employee training and utilizing experts in developing a specific business area of a project in a target country. As discussed at the evaluation workshop, an operating business can be a starting point for further impacts. In case of the poverty, development, social and environmental impacts of the FP Programme, the direct causal linkages between the levels of the impact chain are difficult to identify. The time scale for the impact phenomena is usually longer than the project period.

The Finnpartnership programme has succeeded in contributing to positive developmental effects in target countries, whereas there is no evidence of negative social or environmental impacts. With regard of resources that have been used, the programme has been able to reduce poverty and promote sustainable development in target countries. Based on the evaluation data, the poverty, development, social and environmental impacts of the Finnpartnership programme are mainly indirect. The Finnpartnership has contributed to developmental effects such as contribution to national income (wages, interest, rents and profits), employment effects, market and structural effects (diversification of the production structures), contribution to government revenues (tax, royalties, customs duties), technology and know-how transfer, training effects, social effects / social benefits (compliance with ILO regulations; work safety; wage level etc.), environmental sustainability (positive environmental effects such as renewable energy etc.),

gender effects, improvements in the physical and social infrastructure benefiting the population in the vicinity of the project, and net currency effects.



The web pro survey does also support that the business partnership support has led to a positive development impact as 48 percentages of the respondents fully or to some extent agree that BSP has enabled to create new jobs in developing countries. Remarkable is that over 50 percentages of the respondents fully or to some extent agree that the business partnership support has enabled to increase technology and know-how in developing countries. As many as 94 respondents out of 128 perceive that the business partnership promotes Finnish development cooperation, which refers to as high as 73 percentages of received responses.

## Conclusions

- The aim with the business partnerships is to achieve positive developmental effects in the target developing countries. Based on extensive available statistics it can be clearly seen that the Finnpartnership programme is positively reducing poverty and promotes sustainable development to such an extent as it is possible in the light of resources that have been used and in according to what should be expected. Our questionnaire carried out for this evaluation also supports the positive development impact. Around 70% of companies reported that FP Programme has assisted to reach Finland's objectives for development coordination. 44% of the companies reported that with the BPS they have been able to create new jobs in target countries and 59% thought they have transferred new know-how or technology trough the BPS. Less than 50%, however, felt that the total support was adequate.
- BPS is one of few instruments that have a systematic follow-up on the impact of funds used as receivers of BPS are obliged for a two years reporting on impact.
- Development impacts measured and reported in programme are employment effects, market effects, technology and know-how transfer, training effects, environmental sustainability, gender effects, infrastructural effects and social effects such as wage level and working conditions etc.

- During years 2006-2011 the programme has reduced poverty in all of the four ODA-recipient groups. Support has during the period been approved as following: 15 percentages to least developed countries, 28 percentages to other low income countries, 44 percentages to lower middle income countries and territories and 13 percentages to upper middle income countries and territories. A question can be raised how much of programme support is appropriate to use in upper middle income countries and territories and to which areas of these countries.
- Based on statistics sufficient amount of new jobs has been created with respect to inputs. The ratio between men and women of jobs created is in average 80 %/20%. Share of the young, under 24-year-old people has not been followed.
- Considering the relatively low euro amount per project the poverty, development, social and environmental impacts has been monitored with suitable concrete indicators.
- As presented in the 2011 Annual Report of Finnpartnership, the companies, which have received the Business Partnership Support, reported developmental effects as follows: technology and know-how transfer 75%, training effects 69%, social effects 56%, infrastructure 33%, markets 75 % and environmental effects 60%<sup>1</sup>. The reported impacts are at high level and as the statistics are based on recipients' information, the reported impacts are subjective and it to some extent necessary to critically consider the subjectivity when analyzing programme impact. However, the extensive reporting gives a good indication on programmes development impact in overall.
- The Finnpartnership programme has succeeded in contributing to positive developmental effects in target countries, whereas there is no evidence of negative social or environmental impacts.
- The applicant is required to confirm that it complies with social impact matters and that it will in all essential respects comply with social and environmental guidelines and performance standards of the World Bank or International Finance Corporation relevant to project. Based on the relevant small support applicant confirmation to apply with these or similar can be considered to be appropriate.
- Overall, the Finnpartnership and its Business Partnership Support have an added value in the Finnish funding system. There are no other similar financing instruments focusing on developing countries. Business Partnership Support is a way to establish partnerships with companies in developing countries.
- Analysis of the results in terms of development impact and cross-cutting objectives could be strengthened by adding more qualitative work to it. Operator should set up a target for a number of interviews to be performed annually, where the interviewed companies are randomly selected and different types of companies represented. A discussion of need for additional resources needs to be taken into account.

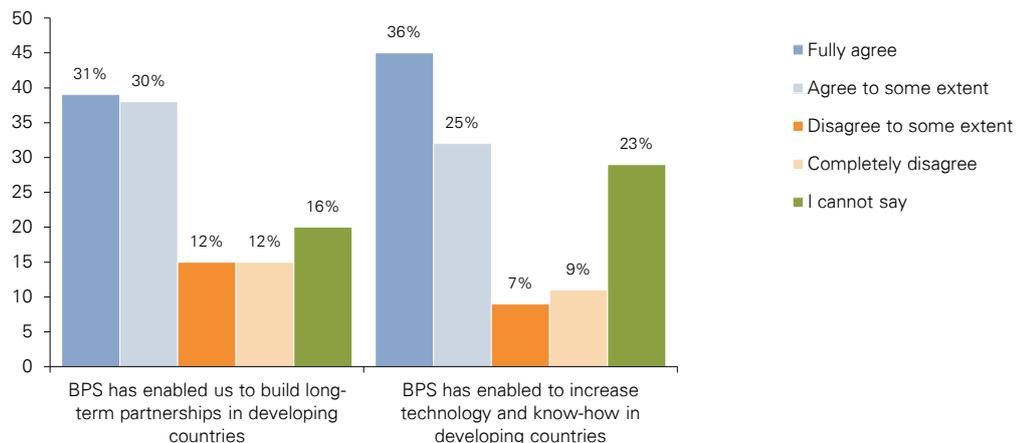
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<sup>1</sup> Source: Annual Report 2011: Last follow-up reports of the year 2008 Business Partnership Support.

## 9 Sustainability of the Finnpartnership programme

Finnpartnership has established a process for follow up and collection of key performance indicators. Companies receiving grants are obliged to report grant impact during a follow up period of two years, resulting in a three years statistic period. There are statistics collected for the Programmed period which already gives some indication of the longer – term impact of the programme. According to the available statistics prepared by funded companies, there is an indication that over 50 percentages of the funded projects have been successful and that there are establishments are sustainable and that continuously perform development impact after the three years of reporting obligation. In Tanzania not many business partnerships has been established. However we noticed during our field visit that several sustainable local businesses had been established with the support of FP.

Based on the web survey conducted in connection with the evaluation 61 percentages of the respondents fully or to some extent agreed that the business partnership support has enabled to build long-term partnerships in developing countries. 12 percentages completely disagreed with statement. Regarding created know-how of BPS, as high as 36 percentages of respondents fully agreed and 25 percentages agreed to some extent that the support has enabled to increase technology and know-how in development countries.



As mentioned in section 4 above the Finnpartnership has contributed to developmental effects such as contribution to national income (wages, interest, rents and profits), employment effects, market and structural effects (diversification of the production structures), contribution to government revenues (tax, royalties, customs duties), technology and know-how transfer, training effects, social effects / social benefits (compliance with ILO regulations; work safety; wage level etc.), environmental sustainability (positive environmental effects such as renewable energy etc.), gender effects, improvements in the physical and social infrastructure benefiting the population in the vicinity of the project, and net currency effects.

Currently the education costs are limited to maximum of 90 days. Education is however a key factor to consider when establishing business operations in developing countries. Basic training in good governance and entrepreneurship is required in many of the cases and the limitation of 90 days might have an adverse impact on the creation of sustainable business in the target countries. Some of the comments that we got from the Finnish private sector during the

evaluation was that the current eligible cost criteria force the companies to use external experts when more added value in many cases could be achieved by using own personnel and experts. FP is in this area interpreting very strictly EU restrictions.

During the discussions with the private sector there is a clear need to cover seminar costs and costs related international fairs not necessarily arranged in the target country but related and relevant for the projects.

The objective with the Finnpartnership Programme is to create long-term business partnerships in developing countries. In some cases during the field trips the local partner considered the Finnish partner company capacity to be limited which adversely affected on the development of activities in the local company where the partner company in Finland was small and administrative resources limited, partners in target country were not able to develop their business and use Finnpartnership support as effectively as they would have wanted to. Business Partnership support management is at the responsibility of the Finnish partner's and it is therefore important that Finnish companies have sufficient resources and willingness to use the Finnpartnership support effectively.

The Finnpartnership funding is covering the inception phase which means that it is risk financing to a large extent and it is natural that a certain portion of the projects will fail. The instrument is limited to the early phase of the internationalization process and there is a clear need from the private sector for broader financing of activities both in the early phase activities as well as in the implementation phase.

## **Conclusion**

- BPS is one of few instruments that have a systematic follow-up on the impact of funds used as receivers of BPS are obliged for a two years reporting on impact.
- Of the projects that have submitted their final and follow-up reports a relatively high rate led to the establishment of business partnerships, which is an indication of in future also having long-term sustainable partnerships that has a positive effect on development impact.
- In order to support business in sustainable manner the limitation of 90 training days should be reassessed.
- Positive results reported in both programme follow-up reports and web survey conducted during the evaluation indicate a positive impact in the development of local entrepreneurship and transfer of Finnish knowhow including creation of jobs.

## **10 Results of the Finnpartnership programme in terms of cross cutting objectives**

### **10.1 Cross cutting objectives determined**

In the new Development Policy Programme (2012) Finland has determined three most important cross cutting objectives to promote its development cooperation objectives:

- Gender equality: promotion of the rights and the status of women and girls, and promotion of gender and social equality;
- Reduction of inequality: promotion of the rights of groups that are easily excluded and discriminated, particularly children, persons with disabilities, indigenous peoples and ethnic minorities, and the promotion of equal opportunities for participation;
- Climate sustainability

Finnpartnership assess funded projects by using the MFA's cross cutting objectives and by following development impacts: increase of a national income, employment and diversifying production in developing market, contribution to government revenues, technology and know-how transfer, training effects, social effects and benefits, environmental sustainability, gender effects, improvements in the physical and social infrastructure and net currency effects. Through the development effects, FP assesses applicants' commercial viability and sustainability and projects' social and environmental effects. The cross cutting objectives of the programme are assessed through the assessment of development impact in both application and reporting phases.

FP assesses the cross-cutting objectives in both business partnership support projects and in value added import projects. The new Development Policy Programme (hereafter DPP) is the third published DPP in terms of the starting point of FP programme. Cross-cutting objectives – gender equality, reduction of inequality and climate sustainability – were also included as cross-cutting objectives in previous DPP. However the three cross-cutting objectives defined in the new DPP of 2012 have been stronger highlighted. The cross-cutting objectives have not been specifically highlighted in FP projects' assessments and reporting in years 2006-2011. However cross-cutting issues and especially the three currently defined are in some extent assessed and reported through the developments impact of programme.

### **10.2 Determination of eligible applicants and realization of the cross-cutting objectives**

All applicants fill out a standard questionnaire where development and environmental effects are assessed. The questionnaire consists of 8 sections and most of the questions have 'yes' or 'no' answers. The environmental questions are prepared by Finnpartnership's environmental experts and they are addressed in all three phases of the project; assessing applications, monitoring disbursements and reporting. In addition to simple 'yes' or 'no' answers, the companies are asked to give additional information about the development impacts in a free form. Additionally, if the application has not been filled out precisely enough, FP staff contacts applicants via phone or email and go through the projects in a light of the development impacts and cross-cutting objectives. All decisions regarding the application process are documented, and for example phone conversations are confirmed by email afterwards.

The application and reporting forms are common for all applicants. In the mid-term review it was suggested that the reporting should be lightened for smaller projects. The operator has not changed the terms and conditions in this manner due to changes in covering De Minimis regulations and comparability purposes. As all clients use same application and reporting forms the operator founds it easier to compare results and development impacts.

Compared to the size of the projects funded by FP, in average 30.000 to 40 000 euro, many questions are not frankly applicable for these purposes and the answers would require more detailed description of the actions planned to be taken. For example, questions regarding effects on infrastructure or market impact in the target country do have much higher aims than the small projects FP funds. Changing a whole market dynamic in a developing country (increase the variety of goods offered, increase competition, reinforce export) or improving physical infrastructure (improve road routes, information systems, energy supply) would all require a long-lasting cooperation with local partners and much greater investments than the project sizes funded by FP.

Since the FP fund is aimed to an initial phase of a project in a developing country, some of the questions cannot be relevant at the starting point of a business as well. As FP provides funding for example feasibility studies, it is needed to observe that the development impact cannot be expected to be very far-reaching. If the questions do not equate the realistic objectives of the projects, there is a risk that the cross-cutting themes are not in all manners concrete for the applicants. On the other hand, in the assessment of the development impacts, the support receivers are asked to assess the impacts of the whole project which in many cases can be much larger than programmes BPS funding. The interviews indicated that the companies had not fully understood or revised the cross-cutting objectives and development targets of the FP fund. Also the work shop discussion underlined (60% agreed, 40% disagreed) that the goals for achieving the cross-cutting objectives are to some extent unrealistic. Further, it was also pointed out that the cross-cutting objectives are assessed in a longer perspective than the duration of the BPS. However the follow-up reporting can be considered of being a unique measurement of an indication of a development impact and meeting cross-cutting objectives.

The table below shows the answers of the web survey conducted during the evaluation regarding the understandability and reasonability of the terms and conditions of the FP fund. Over 60 percentages of responses agreed fully or to some extent that the application phase was understandable. Only a small number of respondents thought that they did not understand at all what the terms and conditions for the funds are. On overall, the survey indicates better understanding of the terms and conditions compared to company interviews performed.

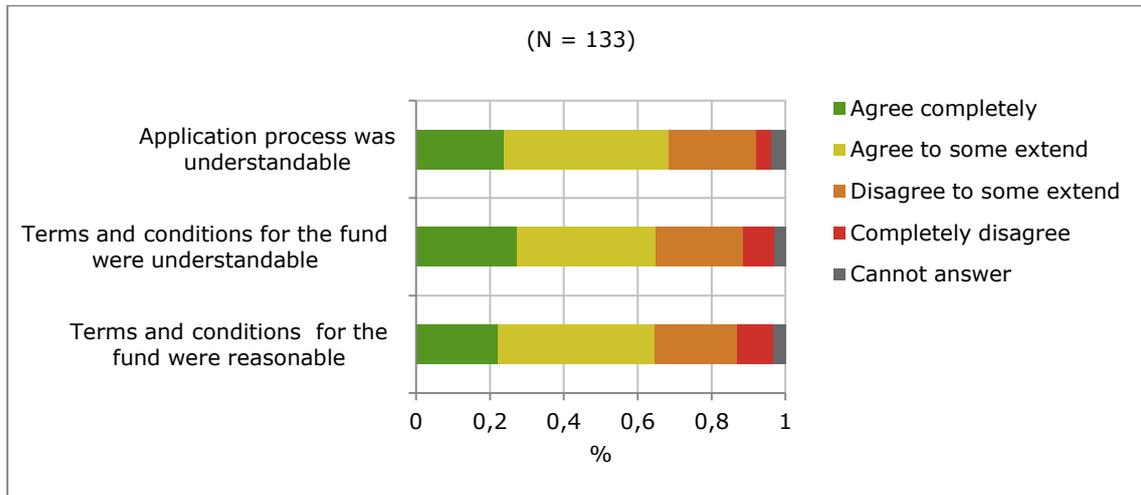


Figure 8: BPS Application process

### 10.3 Reporting and monitoring the cross-cutting effects

FP has a set a standard reporting requirement for all companies receiving BPS regardless of the size of the company. The current reporting format has been in place for all applications registered from 1<sup>st</sup> of January 2010. The changes in terms and conditions of the business partnership support, has also been reflected to contracts and reporting. An example is the lengthening the period for using funds committed. During years 2006-2009 the granted support was valid and available for use only to September of the upcoming year and for applications registered as of 1<sup>st</sup> of January 2010, the BPS is valid for 24 months from the date that the applicant has been informed of the decision. Disbursements are paid either all once, or maximum in two instalments.

As the cross-cutting objectives are combined with reporting of development impact there is not a separate reporting specifically concerning cross-cutting effects and reporting consist of the final reports and follow-up reports. The final report must be submitted to Finnfund when 2/3 of the support is requested for the reimbursement or after the second installment is requested. As mentioned above, the second installment must take place within the 24 months after the BPS decision. The first follow-up report must be submitted no later than twelve months after the expiry of the support and the second report no later than a year from the first follow-up.

Companies are asked to report of projects' employment impacts, impacts on the market structure, social and environmental effects of the projects including the gender issues and impacts on the economic structure. In the final report, the companies must address more specifically of the development impacts that the project has created. This includes, for example exact number of the employees, share of the female employees, export/import volumes and completed and planned investments. The three cross-cutting objectives – gender equality, reducing inequality and climate sustainability - are somewhat assessed, where reducing inequality is least covered. As the cross-cutting objectives are reported in connection with development impact they are not optimally visible in the reporting to MFA.

Interviews revealed that time scale is recommended to be extended programme objectives more concrete. Through the interviews, companies thought that a primary purpose of the programme is to develop private sector business overall in the target country and not focus too intensively on the development effects and cross-cutting objectives.

Web survey results were more positive and 50 percentages indicated that reporting is not too heavy. However it is needed to be addressed that if the level of concreteness, length of reporting and analytical details of reporting is increased the administrative burden of programme clients becomes unreasonable. Based on survey and interviews the reporting is already at this level close to the limit for what is reasonable to demand from parties who are not professionals in the area of development cooperation.

## **Conclusion**

- Finnpartnership assess funded projects by using the MFA's cross cutting objectives. Company interviews indicated that companies are more focused on their business development than in development impacts, and therefore purposes on extensive reporting of cross-cutting objectives were not fully understood.
- Yet, there was no evidence that business-orientated approach had had negative impacts for cross-cutting objectives. Almost 75% of the questionnaire respondents reported that FP support has promoted Finnish development policies in the target countries. Also, the attendees in the workshop agreed (92,60%) that promoting both development impacts and commercial goals are not in conflict with each other and 96% thought that profit orientated organizations are eligible actors in development cooperation purpose. The evaluation results based on the questionnaire, interviews and the workshop support FP Programme's objectives to promote long-lasting business partnerships and meeting objectives of development cooperation.

## **11 Significance of the Finnpartnership programme for Finnish companies and for companies in development countries**

The recession in Europe and the growing demand of goods in emerging countries have, among other things, caused for the emphasis of internationalisation procedures to shift from developed countries to developing countries.

The most developed developing countries, the so-called “emerging markets”, are experiencing a rapid growth in their economies driven by domestic savings and foreign investments. Several of the less developed developing countries are also experiencing rapid growth in their economies. For example, the International Monetary Fund (IMF) expects seven of the 10 most rapidly growing economies between 2011 and 2015 to be located in Africa. However, poor business environment, weak infrastructure, low competence levels and production quality, markets with little purchasing power, and weak export capacity mean that most private investors consider the risk associated with investing in the poorest countries to be too high.

A Team Finland internationalisation event on September 10th 2012 signalled that a significant number of Finnish companies have a clear interest in internationalisation. Approximately 1,400 representatives of small and medium-sized enterprises and business organisations participated in the event. Further the presence of the highest state leaders indicated a strong commitment on the Government’s side in speeding up the internationalisation of Finnish companies.

Finnpartnership and especially the business partnership support have an added value in the Finnish funding system. The funding provided by Finnpartnership has lowered the threshold for Finnish companies to enter into new markets by providing seed money for the first risky steps in entering new markets. The reported impact (as analyzed in impact section above) is positive in several areas and facilitated Finnish investments in the developing countries.

The development of the private sector is of key importance when it comes to the opportunities for poor people to improve their living conditions. The aim of the Finnpartnership Programme is to be beneficial for both Finnish and development countries companies. The partnership between Finnish companies and local partners in target countries provide for a transfer of Finnish know-how to development countries. Institutional learning could be enhanced and the Finnish companies can obtain access to new markets, products and production opportunities. It is a win-win situation for both parties.

Despite the general interest from Finnish companies for internationalization, an inevitable overall conclusion from the evaluation results is however that the overall interest among Finnish companies towards markets of developing countries still is relatively small and underdeveloped. Application pressure of Finnpartnership support is not high: a major part of applicants receive support, the amounts applied are small, and in general, the ambition level of projects is low and time horizon short. This is not the problem of Finnpartnership only, but it is or should be a common challenge of all public and private actors which are in a position to improve the interest, capability and capacities of Finnish private and public organization develop their activities in developing countries and to make economic and social progress in these countries.

The private sector mainly looks at FP as one funding instrument supporting the internationalization process. The market potential in developing markets and fact that the value chains more and more are networked globally has a fundamental impact and relevance on the competitiveness of companies. The volumes under the import service component have remained low with only a few applications on annual basis. From the Finnish companies perspective this component provides opportunities to increase competitiveness through developing global value

chains. The market potential in developing markets and fact that the value chains more and more are networked globally has a fundamental impact and relevance on the competitiveness of companies.

Interviews with representatives from the private sector indicate that the knowledge and perception of the development effects expected from the Finnpartnership projects remain distant and unclear and the communication of the general objectives of the FP programme should still be strengthened.

Finnpartnership assist companies/entrepreneurs in developing countries to find Finnish business partners via Matchmaking services. Based on interviews and result of the web survey the matchmaking services have not been found as reliable and interesting among Finnish entrepreneurs and companies. Many of the representatives from both Finnish companies and representatives from companies in Tanzania and Vietnam that we met during our evaluation and the field trips considered it unreliable to find business partners purely through an electronic data base. In interviews it became very clear that Finnish companies are more prone to find their own partners by their own connections.

There is a clear concern among Finnish companies that the funding opportunities for implementation of the internationalization activities subsequent to Finnpartnership support are limited. In few of the cases Finnpartnership funded companies have managed to grow to such volume that they have been able to apply for funding from Finnfund. Many of the entrepreneurs feel that there is a large gap between the funding Finnpartnership provides compared to Finnfund.

Based on the interviews and web survey many companies would like to see participation to seminars/seminar trips to be eligible for financing through Finnpartnership. Many of the entrepreneurs also emphasized that the amount of possible training days should be increased. Currently the education costs are limited to maximum of 90 days. Education is however a key factor to consider when establishing business operations in developing countries. Basic training in good governance and entrepreneurship is required in many of the cases and the limitation of 90 days might have an adverse impact on the creation of sustainable business in the target countries.

Finnpartnership should analyze the possibilities to extend the base of eligible costs both in terms of the current inception phase coverage and later implementation phases of strengthening the market position. This may also reduce the gap between Finnpartnership and Finnfund funding. In order to increase the disbursement rate the programme could more actively market FP services directly towards companies that have potential capacity of entering new markets.

### **De minimis**

Since 2010, the partnership support has been within the scope of the de minimis rule. Under the de minimis rule, government funding that, over a period of three years, does not exceed EUR 200 000 does not have to be declared or reported to the European Commission.

A relatively low number of companies reported that the de minimis rule have had a direct impact on the funding request. Based on interviews with both interest groups and private sector representatives it seems that de minimis restrictions have had an impact especially in the segment of larger Finnish companies that also receive public grants from other agencies.

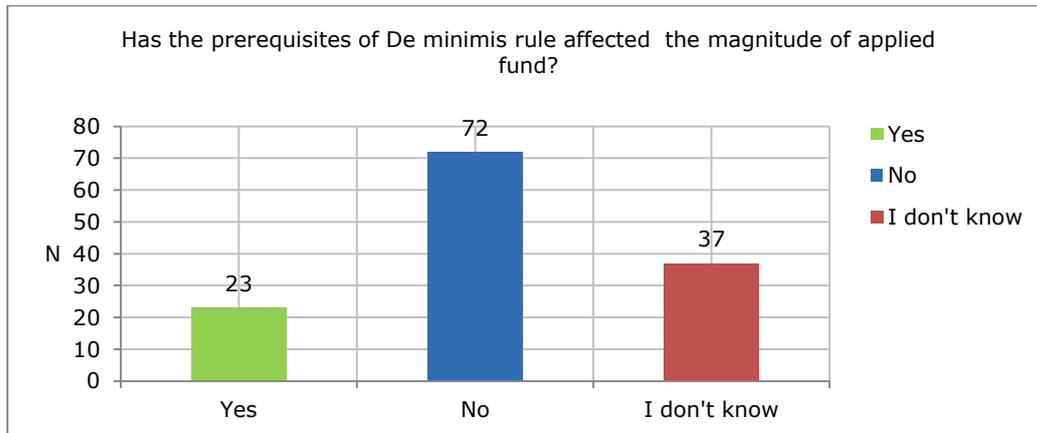


Figure 9: De Minimis restrictions and applied support

Other risk funding forms like capital loan instruments should be considered and analyzed as an option or additional component to the current direct business support. This kind of loan instruments could be directed to Finnish companies for similar activities that the current FP programmed is covering and possible include implementation activities. A broader instrument would reduce the gap between the Finnpartnership and Finnfund funding services that have been emphasized by both the private sector and interest groups. This question was raised up also in the work shop discussion and 78% of the attendants agreed that the support mechanism should be broadening for increasing the added value in developing countries.

## Conclusion

- Finnpartnership and especially the business partnership support have an added value in the Finnish funding system. An inevitable overall conclusion from the evaluation results is that the overall interest among Finnish companies towards markets of developing countries is relatively small and undeveloped. Application pressure of Finnpartnership support is not high: a major part of applicants receive support, the amounts applied are small, and in general, the ambition level of projects is low and time horizon short. This is not the problem of Finnpartnership only, but it is or should be a common challenge of all public and private actors which are in a position to improve the interest, capability and capacities of Finnish private and public organization develop their activities in developing countries and to make economic and social progress in these countries.
- The private sector mainly looks at FP as one funding instrument supporting the internationalization process. The market potential in developing markets and fact that the value chains more and more are networked globally has a fundamental impact and relevance on the competitiveness of companies.
- Interviews with representatives from the private sector indicate that the knowledge and perception of the development effects expected from the Finnpartnership projects remain distant and unclear and the communication of the general objectives of the FP programme should still be strengthened.

## 12 Recommendations

- From the point of view of the current Finnish Development Policy programme the relevance of the Finnpartnership programme could be enhanced by a stronger focus on the least developed countries. A separate action plan shall be prepared to increase interest towards activities in least developed countries.
- Considering the relatively low volume of support under the FP programme in total, scoping out the emerging markets completely might challenge the critical funding volumes. The volumes are critical in maintaining certain efficiency under the current administrative structure and capacity. A reduction in volume could harm the FP brand as well as the funding concept as it is currently known by the Finnish private sector. Considering the need of a certain volume and the high exposure of funding to emerging markets, we encourage a strong focus and priority to be given to support activities in the peripheral areas of these markets.
- Putting too much stress on direct and immediate development effects and ignoring the logic of business development may lead to unintentional misunderstandings between Finnpartnership and their private sector client. Companies cannot be required have expertise in development issuer.
- To foster the impact of the Finnpartnership, the level of actualized projects and the level of payments should be higher than today. The impacts are based on actualized projects in target countries.
- Finnpartnership should maintain the commercial, social and environmental criteria in project assessment.
- A separate action plan shall be prepared in order to increase the disbursement rate. As part of the plan the FPP should analyze the possibilities to extend the base of eligible costs both in terms of the current inception phase coverage and later implementation phases of strengthening the market position. This may also reduce the gap between FPP and FP funding. In order to increase the disbursement rate the programme could more actively market FP services directly towards companies that have potential capacity of entering new markets.
- Especially among the SME: s there is a demand for funding of implementation activities and FP should in a close dialogue with other funding agencies analyze the possibilities develop and extend the funding concept to cover components under the implementation phase.
- It is critical that the funding of activities under the inception phase results in activities that are of sufficient quality to support the further implementation of the internationalization process. Especially the support should provide for feasibility studies that create a qualitative base for the business plans to be used towards financing agencies and stakeholder throughout the internationalization phase.
- Finnpartnership could have a more active role in initiating innovative projects. Finnpartnership should further develop its services e.g. networking and data collection. Pilot projects could also be included in the FPP scope.
- Finnpartnership and other funding agencies such as Finnfund, Finnvera, Finpro and Tekes should in co-operation further develop the services for Finnish companies

seeking business partners in developing countries. Further co-financing should be more developed and the Finnpartnership programme should be connected to the ASKO-enterprise data base that is used by agencies under Ministry of Employment and Economy (MEE). The use of same database would strengthen the cooperation between agencies under both MFA and MEE as it would enable information of common clients and regional networks of companies that are interested in entering new markets throughout the whole Finland. The use of same database would also give more information regarding coordination of de minimis requirements.

- The objective set for the operator should be reconsidered to include challenging areas like disbursements rate and unused funds.
- Finnfund as the responsible operator shall ensure that the employment structure is supporting effectively the implementation of programme activities.
- The programme has a steering group constituting a valuable network of programme stakeholders. To further develop the work of the steering group it may be advisable to analyze and define the members' profile and competence areas in order to maximize the added value that the steering group brings into the programme. Direct links to the private sector could be strengthened by inviting representatives of companies to steering committee meetings to present their internationalization experiences and to share practical information about the possibilities and challenges connected to the Finnpartnership programme.
- The programme should strive to streamline the application and approval procedures
- A permanent integration of FPP into Finnfund is broadly supported, with clear synergies, and should be further analyzed.
- The current concept of the matchmaking component should be reconsidered and possibilities of integrating the services into more active actors should be analyzed.
- To receive more applications with good quality FPP could actively promote the market potential of development countries, be directly in contact with potential companies with capacity. Especially for companies that already have some interest in certain countries by attending governmental business promotion visits as well as companies attending internationalization seminars.
- FPP should actively contribute to Team Finland procedures in order to harmonize the activities of Finnish agencies working for internationalization.
- New funding forms like capital loan instruments should be considered and analyzed as an option and an extension to the current funding. Optional FPP should analyze the possibilities and impacts of changing the instrument into unrestricted towards only concerning Finnish applicants.
- Additional key performance indicators should be considered in order to measure and reflect the actual supported activities more accurately.
- To improve the awareness of the principles of Corporate Social Responsibility among companies, Finnpartnership should add the principles, such as those of United Nations Global Compact, in the programme criteria.
- Clear and coherent communication is important for effective cooperation with the private sector business. Finnpartnership Programme should develop a

communication strategy which will cover internal as well as external communication on business sector cooperation issues, and also ensure coordination with other relevant government entities.

Helsinki, 17 October 2012



Anders Lundin



Carina Hedberg-Kivistö

## **Annex A: Terms of Reference**

### **Evaluation of the Finnpartnership Programme**

#### **1. Introduction**

At the United Nations Conference on Financing for Development (Monterrey, 2002) Finland, as other industrialized countries, committed itself to increasing the flows of funding and investments to developing countries, especially to the poorest countries that are mainly outside these flows. Based on these commitments, the Ministry for Foreign Affairs of Finland (MFA) decided to prepare a programme to facilitate increasing cooperation between companies and other economic actors in Finland and developing countries. As a result of the preparatory work, the MFA launched the business partnership programme Finnpartnership in June 2006. The administration of the programme was outsourced to the Finnish Fund for Industrial Cooperation Oy (Finnfund). The MFA has renewed the Contract for Implementation for the years 2007-2009 and 2010-2012.

Finnpartnership provides advisory services and business development financing to Finnish companies in different phases of business development in developing countries. In addition the Programme supports match-making between companies in Finland and in developing countries and promotes developing country exports to Finland. Programme activities can be carried out in all the countries defined to be developing countries by the OECD's Development Assistance Committee (DAC) and in all industries, depending on the demand from Finnish and developing countries' companies and other organizations doing business. In the marketing of the Programme special attention is drawn to the poorest developing countries.

The intended impact of the Programme is to accomplish economic development through supporting the private sector in the developing countries, 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.

The cooperation opportunities and business partnerships supported by Finnpartnership can lead to, for example, Finnish investments in developing countries, to joint ventures, growth of in exports from developing countries and to other economic cooperation, which exceeds the limits of traditional export activities. Furthermore the Programme aims to transfer Finnish competence, technology and capital to developing country counterparts through the business partnerships that it supports.

The methods and instruments of Finnpartnership have been developed throughout its history. The operator of the Finnpartnership Programme (Finnfund) is responsible for the core functions of the programme and further develops its' implementation under the guidance of the MFA in consultation with the stakeholders represented in the Programme's Steering Committee.

The annual financing by the MFA to Finnpartnership is roughly 2, 5 million euro, of which the business partnership support facility to companies is roughly 1–1, 5 million euro. The annual number of the business partnership projects receiving financial support is about one hundred.

The objective of the evaluation, carried out by the Unit for Development Financing Institutions at the Department for Development Policy at the MFA, is to identify the results, development effects, effectiveness and sustainability of the Finnpartnership programme. The purpose is also to analyze the synergy between the Programme and Finnfund in general and the possibility to merge it to be a part of Finnfund's regular activities. The evaluation is in addition expected to provide guidelines to further develop the content and management of the programme. This is to be done especially in the light of Finland's new Development Policy Programme (2012).

## **2. Objectives and Purpose**

### **2.1 General objectives**

The overall objective of this assignment is to provide a comprehensive evaluation of the Finnish business partnership programme, Finnpartnership, which is managed and operated by Finnfund. The purpose of the evaluation is to assess concrete results, development impacts, effectiveness and sustainability of the programme. The purpose is also to analyze the synergy of the programme with Finnfund and the possibility to merge it to be a part of Finnfund's regular activities.

The evaluation is in addition expected to provide guidelines to further develop the content and management of the programme. This is to be done especially in the light of the new Development Policy Programme of Finland (2012).

The Finnpartnership programme's poverty, development, social and environmental impacts and its results in terms of the cross cutting objectives of Finland's development policy should be assessed both generally and in light of two field trips.

The Mid-term Review of the Finnpartnership programme was carried out in 2009. The review was concentrated on the coordination, marketing and communications, identification and matchmaking services, advisory and financial services, implementation, cost-efficiency and effectiveness, guidance and supervision and on the processes as well as administrative arrangements of the programme. The evaluation has to utilize the results of the Mid-term Review and to analyze the implementation of its recommendations.

### **2.2 Evaluation issues**

The Terms of reference for the evaluation follow the evaluation criteria of OECD/DAC and the development co-operation of the EU. The evaluation is expected to analyze the Finnpartnership programmes:

- relevance to development policies,

- efficiency and effectiveness,
- poverty, development, social and environmental impacts,
- sustainability,
- results in terms of the cross cutting objectives of Finland’s development policy, and
- Significance for Finnish companies and for companies in developing countries.

### *2.2.1 Relevance of the Finnpartnership programme to development policies*

- How well does the programme correspond with Finland’s Development Policy Programme (2012) and could its relevance be strengthened?
- Has the programme responded to the needs and priorities of relevant interest groups, incl. final beneficiaries?
- Has the programme been consistent with the poverty reduction strategies/development policies of the developing countries?
- Have the regional allocations of funding within the programme between the poorest countries and other developing countries been appropriate?

### *2.2.2 Efficiency and effectiveness of the Finnpartnership programme*

- Has the programme been cost-efficient on the whole? Can the costs incurred be justified from the point of view of the achieved results and impacts?
- Has the share of the administrative costs of the programme been justified?
- Has the outsourced project administration been active and efficient from the different actors' points of view (Ministry, operator, applicant and others)?
- What kind of synergies could the Finnpartnership programme and Finnfund have?
- What kind of changes in the programme should be made if it were connected permanently as part Finnfund?
- Would a move of the Finnpartnership programme to Finnfund have an effect on the present operations and staff of Finnfund?
- Has the staff of the operator of the programme been adequate and skilled?
- Has the operator of the programme identified the central risks which threaten operations and developed a functional risk management system to mitigate the risks?
- Has the operator been able to serve applicants adequately comprehensively as a “one stop shop” in everything that applies to the opportunities offered by the Finnpartnership programme?
- Has the operator been able to promote the synergy between the applicants and the cooperation opportunities and networks of other actors?
- Has the cooperation between the operator and the Ministry for Foreign Affairs been functioning?
- Has the operation and composition of the steering group of the programme been appropriate? How could the steering group be further developed?
- Has the share of applicant’s own funding as required by the programme and varying according to the size of the applicant company and target country been an appropriate solution? Has the validity period of the support been appropriate?
- Have the conditions of the programme been understandable and reasonable?
- What factors have led to smaller disbursements compared to originally applied amounts?
- Have the disbursements taken place in due time?

- Has the matchmaking operation of the programme been cost-efficient and effective?
- Has the matchmaking operation resulted in business partnerships?
- Has the developing country databank of the programme been cost-efficient and successful?
- Has the programme's operation to promote developing country import been cost-efficient and successful?
- Has the programme's consulting services been cost-efficient and successful?
- How could the different components of the programme (financial support, matchmaking, developing country databank, the promotion of the developing country import and consultation services) be further developed? Are there some component-specific measures which could be used to improve efficiency and effectiveness (marketing, country specification / sector specification, country limitations / branch limitations, use of external expertise such as that of the embassies, the organizations which represent Finnish companies, chambers of commerce and actors who promote the internationalization of Finnish companies and others)?
- Has the programme's Internet based search service and database operated as planned? How should it be developed?

### *2.2.3 Poverty, development, social and environmental impacts of the Finnpartnership programme*

- Has the Finnpartnership programme been able to reduce poverty and promote sustainable development to such an extent as in the light of resources that have been used and the primary idea of the programme should be expected? Have the projects addressed relevant development challenges in target countries?
- Whose poverty has the programme reduced? Are there groups whose poverty the programme could have reduced but has not done so?
- Has the programme created enough new jobs with respect to inputs? What is their distribution between men and women? What about the share of the young, under-24-year-old people?
- Have the projects monitored poverty, development, social and environmental impacts with concrete indicators? Can the reported impacts be verified correct?
- Have the projects produced negative social or environmental impacts?
- Have the financed projects and actors who have got financing from the programme acted in accordance with the principles of Corporate Social Responsibility (for example those of the United Nations Global Compact; see [www.unglobalcompact.org](http://www.unglobalcompact.org))?
- Should the principles of Corporate Social Responsibility, such as those of the United Nations Global Compact, be added to the programme's criteria? What kind of reporting obligation would be appropriate?

### *2.2.4 Sustainability of the Finnpartnership programme*

- Has the Finnpartnership programme created new know-how and business in a sustainable manner in the private sector of developing countries?
- What share of the granted financing has led to long time business partnerships?

- Have the projects had education or expert costs that could not be financed by Finnpartnership?
- What kind of education or expert costs would be justified to be financed by Finnpartnership?
- Has the programme facilitated the transfer of Finnish technology to developing countries?
- Have new financing needs been raised during the implementation of the programme?

*2.2.5 The results of the Finnpartnership programme in terms of the cross cutting objectives*

- Have the applicants been able to assess and monitor the poverty, development, social (inc. HIV) and environmental effects of their projects?
- Has sex-disaggregated data been collected?
- Have the projects used indicators for the cross cutting objectives of the development policy? Has the baseline information been collected?
- Have the applicants been aware of the advice and expert services offered by the operator to assess the poverty effects, development effects, social effects and environmental effects?
- How could the operator serve better the applicants to assess the poverty effects, development effects, social effects and environmental effects?
- Have the projects promoted gender equality and improved the women's status?
- Have the projects promoted the rights and opportunities of participation of the groups which are easily excluded, especially persons with disabilities, indigenous peoples and ethnic minorities?
- Has the Finnpartnership programme had a positive or negative effect on the equality between different groups of people?
- Have the projects had harmful, direct or indirect, social or environmental effects?

*2.2.6 Significance of the Finnpartnership programme for the Finnish companies and the companies in developing countries*

- Has the Finnpartnership programme resulted in such partnerships which otherwise would not have materialized? Has the financing provided by Finnpartnership served as seed money according to its purpose?
- Has the programme facilitated Finnish investments to the developing countries?
- Has the programme increased Finland's export to the developing countries?
- Has the programme increased import from the developing countries to Finland?
- What kind of added value has the programme brought to Finnish companies?
- What kind of activities would Finnish companies like to see financed that lie outside the current scope of Finnpartnership?
- Is the 'de minimis condition' of public support (max. 200 000 euro during three years to the whole company) restricted possibilities to utilize the Finnpartnership support significantly?
- What kind of added value has the programme brought to companies in developing countries?
- Has the intended simultaneous use of Finnpartnership and the Local Cooperation Fund (LFC) operated by the embassies been able to promote business partnerships?
- What else could be done to increase Finnish companies' interest in the programme?

### **3. Work plan and timetable**

The work shall be performed according to these Terms of Reference under the supervision of the Unit for the Developing Financing Institutions (KEO-50) of the Department for Development Policy at the Ministry for Foreign Affairs. For practical guidance KEO-50 will appoint a separate steering group to this work.

The service provider has to deliver a short (2–4 pages long) work plan within two weeks from the signing of the agreement for the Ministry to be accepted in which the implementation method of the assignment has to be shown with a focused schedule, working methods and suggestions for the possible field visits. It is expected that the field visits concentrate especially on the poverty, development, social and environmental impacts, sustainability and results of the Finnpartnership programme in terms of the cross cutting objectives of Finland's development policy. The recommended number of field visits is two of which at least one is a long time partner country of Finland's development cooperation.

The service provider has to deliver an outline of the final report by 15 August 2012 to the Ministry. The draft of the table of contents of the final report is presented below.

The Ministry and other stakeholders will comment on the final draft within two weeks from receiving the draft, after which the service provider makes the necessary corrections and/or further clarifications to the final report. The final report is to be delivered by 15 September 2012 to the Ministry.

The service provider will participate in the meeting of the steering group of the Finnpartnership programme in order to present the results, conclusions and recommendations of the evaluation.

The work plan and the final report are delivered to the contact person of the Ministry in electronic form (MS Office) and in five paper copies. The Ministry is responsible for the distribution of the final evaluation report to the relevant stakeholders.

### **4. Reporting**

The work plan and final report should be written in English, in addition summaries written in English, Finnish and Swedish.

The text has to be linguistically considered and clear. Furthermore, a PowerPoint presentation and a short, concise policy brief paper are drawn up to be presented in the debriefing meeting. When writing the report, due attention must be paid to the confidentiality clause: the individual projects can be referred to only at a general level (large or small or medium-sized company, sector, target country, amount of funding received, etc.). The names of the companies that have received support cannot be mentioned if the company does not give its approval of it separately.

Tentative table of contents:

1. Summary
2. Introduction
3. Development political framework and relevance of the Finnpartnership programme
4. Effectiveness of the Finnpartnership programme
5. Poverty, development, social and environmental impacts of the Finnpartnership programme
6. Sustainability of the Finnpartnership programme
7. Results of the Finnpartnership programme in terms of cross cutting objectives
8. Significance of the Finnpartnership programme for Finnish companies and for companies in developing countries
9. Conclusions
10. Lessons learned
11. Recommendations

Annexes:

- Terms of Reference
- List of the interviewees
- Work plan
- Essential documents

## **5. Contact information**

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Unit for Development Financing Institutions (KEO-50)  
P. O. Box 512  
00023 Government

Tel. +358-9-16055179  
Email [elina.pulkka@formin.fi](mailto:elina.pulkka@formin.fi)

## **6. Mandate**

The Consultant is obligated and entitled to contact and discuss with persons, institutions, government officials, interest groups and other persons pertinent to the assignment. However, the consultant cannot appear as a representative of the Ministry for Foreign Affairs or make any commitments on behalf of the Ministry.

Helsinki, 23 March 2012

Satu Santala  
Head of Unit  
Unit for Development Financing Institutions

## Annex B: List of the interviewees

| <i>Name</i>         | <i>Title</i>                            | <i>Organization</i>                     |
|---------------------|---|---|
| Ahlberg, Siv        | Programme director                      | Finnpartnership                         |
| Myllyluoma, Hanna   | Programme analyst                       | Finnpartnership                         |
| Hyypiä, Maija       | Junior analyst, MM                      | Finnpartnership                         |
| Heinonen, Marika    | Junior analyst                          | Finnpartnership                         |
| Lind, Laura         | Programme assistant                     | Finnpartnership                         |
| Lähdevuori, Suvi    | Trainee                                 | Finnpartnership                         |
| Kangasniemi, Jaakko | Managing Director, CEO                  | Finnfund                                |
| Arlander, Helena    | Investment director                     | Finnfund                                |
| Hellman, Pasi       | Deputy Director General                 | Ministry for Foreign Affairs of Finland |
| Kass, Oskar         | Team Leader, Private Sector Instruments | Ministry for Foreign Affairs of Finland |
| Vehnämäki, Mika     | Economic Adviser                        | Ministry for Foreign Affairs of Finland |
| Ikonen, Pertti      | Counsellor                              | Ministry for Foreign Affairs of Finland |
| Toivonen, Juhani    | Senior Counsellor                       | Ministry for Foreign Affairs of Finland |
| Aura, Kimmo         | Area Manager                            | Finpro                                  |
| Ihto, Erno          | Finance manager                         | Finnvera                                |
| Lappalainen, Timo   | Director                                | KEPA                                    |
| Palmgren, Thomas    | International affair manager            | Suomen Yrittäjät                        |
| Vanhanen, Matti     | CEO                                     | Suomen perheyrittäjien liitto           |
| Nyrölä, Jukka       | Chairman of the board                   | Finland-Asean Trade Association         |

|                     |                                     |   |
|---------------------|-------------------------------------|---|
| Ikäheimo, Johanna   | CEO, Board member of Team Finland   | Lappset Oy                                |
| Anttonen, Risto     | Chairman of the board               | Ahlstrom Yulong Specialty Paper Ltd China |
| Alijärvi, Pirjo     | Executive Director                  | Kahvila Poikkeus Oy                       |
| Lyaband, Stephen    | CEO                                 | Inno Solutions                            |
| Jussila, Heli       | CEO                                 | Softvision                                |
| Rantanen, Esa       | Head of Trade Center                | Finpro, Nairobi                           |
| Zitting, Theresa    | Counsellor, Deputy Head of Mission  | Embassy of Finland, Nairobi               |
| Laukkanen, Kimmo    | Minister Counsellor                 | Embassy of Finland, Dar es Salaam         |
| Särkioja, Tomi      | Counsellor                          | Embassy of Finland, Dar es Salaam         |
| Kantola, Anna       | Programme Officer                   | Embassy of Finland, Dar es Salaam         |
| Theodossiadis, Love | Programme Officer Private Sector    | Embassy of Sweden, Dar es Salaam          |
| Lehtonen, Päivi     | Country Representative              | Niras Finland Oy, Tanzania                |
| Temu, Albert F.     | Administrative Manager              | Tanira Ltd, subsidiary of Lojer Oy        |
| Kibonde, Hamisi     | Managing Director                   | Softlink                                  |
| Pennanen, Mari      |                                     | DSM Corridor Group Ltd                    |
| Mpembe, Ngwisa W.   | Managing Director                   | Pöyry Tanzania Ltd                        |
| Winani, Mwita       |                                     | Inno Solutions                            |
| Lyimo, Phina J      | Senior Investment Promotion Officer | Tanzania Investment Centre                |
| Korhonen, Kari      | Director                            | Art in Tanzania                           |
| Manga, Lillian      | Director of Finance and             | Confederation of Tanzania                 |

|                     |                                    |   |
|---------------------|------------------------------------|---|
|                     | Administration                     | Industries  |
| Kimario, Anna C     | Finance Officer                    | Confederation of Tanzanian Industries             |
| Lähde, Kristiina    | Chief Technical Adviser            | TANZICT   |
| Siltanen, Jukka     | Associate expert                   | TANZICT   |
| Bach, Pham Van      | Civ. Engineering/Managing Director | Baezeni Viet Nam Co.Ltd.                          |
| Cuong, Nguyen Manh  | Executive Vice President           | Vietnam Young Entrepreneurs' Association          |
| Fleming, Timo       | Senior Advisor                     | Progressio Consulting Oy                          |
| Ha, Mai             | Director General, Assoc. Prof.     | Vietnam, MOST, DIC                                |
| Ha, Nguyen Thu      | Vice Chairwoman                    | Vietnam, Hanoi Association for Entrepreneur Women |
| Hong, Mac Le Thu    | Programme Coordinator              | Embassy of Finland Hanoi, Vietnam                 |
| Huy, Chu Ba         | Chief Accountant                   | Vianova (Vietnam)                                 |
| Jankes, Henrik      | Owner                              | Finpack Ltd.                                      |
| Juhola, Jussi       | Chief Executive Officer            | Arac Consulting Oy                                |
| Kalliosaari, Jukka  | Corporate Relations Manager        | MyLab Ltd.  |
| Karjalainen, Pietro | Head of Trade Center               | Vietnam, FinPro                                   |
| Khoa, Do Son Bach   | Vice Director                      | Vietnam, K&G Technology co. Ltd.                  |
| Korhonen, Jyrki     | Chairman of the Board              | Oy DME Biofuels Ltd                               |
| Lepistö, Joni       | Chief Executive Officer            | UFES Ltd.   |
| Manninen, Matti     | Project Manager                    | Vianova   |
| Phan, Pham Tuan     | Chief Executive Officer            | Vietnam, Add-On Development                       |
| Raeste, Anna-Maija  | Chairman                           | Comboral Ltd.                                     |

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|                   |  |  |
|-------------------|--|--|
| Sykkö, Janne      | Counsellor   | Embassy of Finland Hanoi,<br>Vietnam                 |
| Thuy, Pham Kim    | International Relations and<br>Trading Promotion Section | Vietnam Young<br>Entrepreneurs' Association          |
| Tiusanen, Asko    | Managing Director  | Leancom Oy   |
| Truc, Cao Minh    | Head of Member Department                                | Vietnam, Hanoi Association<br>for Entrepreneur Women |
| Voutilainen, Esko | Vice President   | Fenno Caledonian Holdings<br>Ltd                     |

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Ministry for Foreign Affairs of Finland

# Work plan: Evaluation of the Finnpartnership programme

KPMG Public Sector Services Ltd  
18.6.2012





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KEO-50  
Oskar Kass  
P. O. Box 512  
00023 Government

### **Submission of workplan – Evaluation of the Finnpartnership programme**

We would like to take the opportunity to thank the Ministry for Foreign Affairs of Finland (MFA) for contracting KPMG's advisory services for the evaluation of the Finnpartnership programme.

Please find KPMG's suggestion of workplan for the MFA to be accepted. In our workplan we present the implementation method of the assignment with a focused schedule, working methods and suggestions for the field visits.

In order to be able to fulfil the assignment within scheduled time the selected team has started the work from the date when the agreement between MFA and KPMG was signed.

We hope that KPMG's proposed workplan meets MFA's expectations. Please do not hesitate of being in contact with us in case of any kind of questions arising. We are happy of your will convince you about our abilities and will lead us to being your partner in

Our contact people regarding the assignment are Carina Hedberg-Kivistö 050 558 6621 (carina.hedberg-kivisto@kpmg.fi) and Anders Lundin 040 709 2958 (anders.lundin@kpmg.fi).

Best regards,

Anders Lundin, APA, CPA

Carina Hedberg-Kivistö

# Table of contents

## **WORKPLAN OF EVALUATION OF THE FINNPARTNERSHIP PROGRAMME**

**Scheme of focused schedule**

**Working methods**

**Contact information**

**Page:**

3

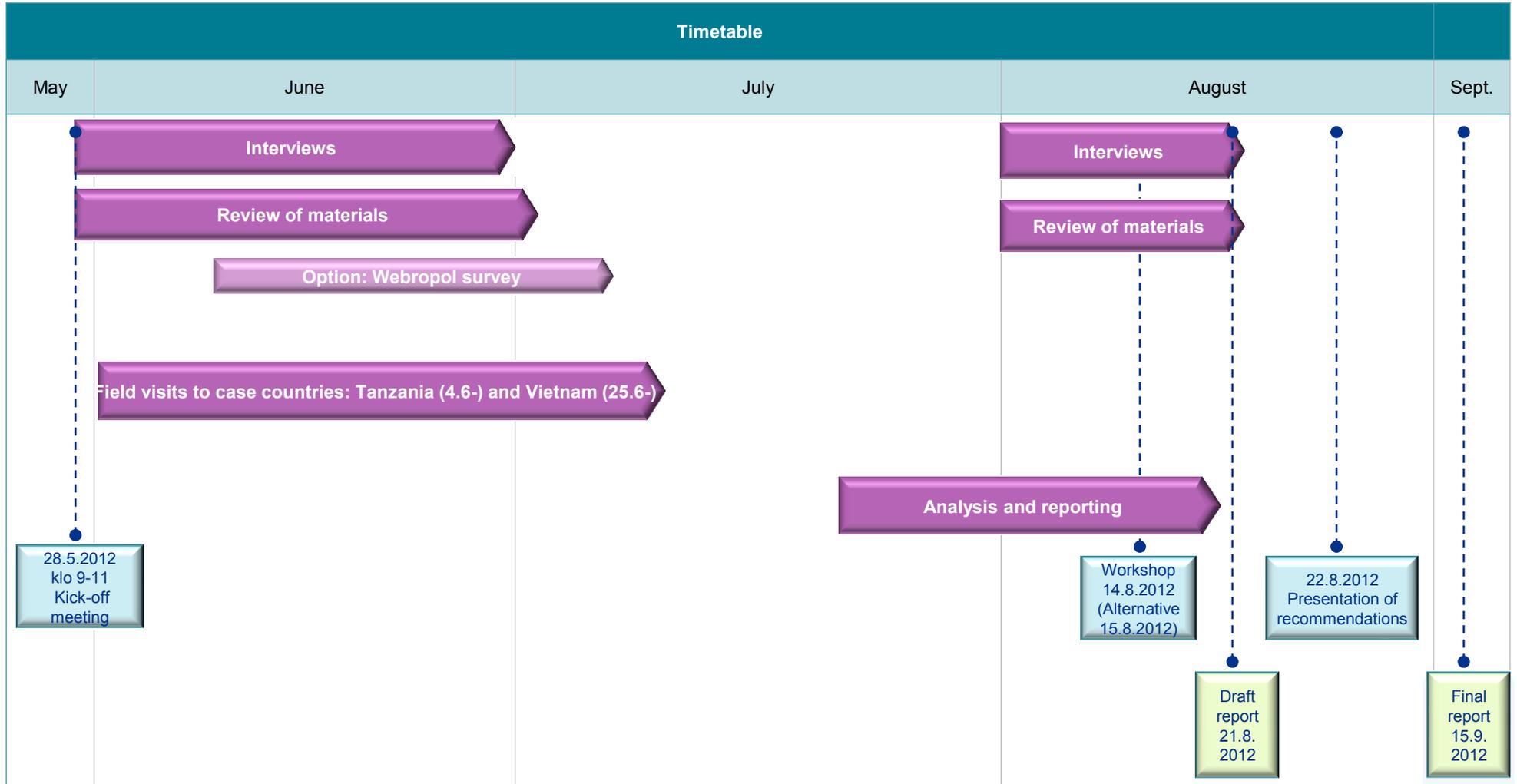
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6



# Evaluation of the Finnpartnership programme

## Scheme of focused schedule



# Evaluation of the Finnpartnership programme

## Working methods

### Interviews

Interviews relating to issues of ToR. The aim is to analyze:

Relevance to development policies - Efficiency and effectiveness - Poverty, development, social and environmental impacts – Sustainability - Results in terms of cross cutting objectives of Finland's development policy and Significance for Finnish companies and for companies in developing countries.

Interviewees (preliminary)

- MFA/ Department for Development Policy and Department for External Economic Relations
- Finnfund & Finnpartnership-programme staff
- Representatives of private sector entities (both FP clients and non-clients)
- Additional stakeholders and other parties such as Finnpro, Finnvera, ICC Finland, ELY-centres, Federation of Finnish Enterprises, Perheyritysten liitto etc.

### Review of Materials

Relevant policy and strategy papers

Minutes of relevant meetings

Baseline information regarding administration, personnel, manuals, finance

Monitoring and reporting material

Additional documentation describing the FP-programme

Report of Mid-term Review

### Field Visit, Tanzania and Vietnam

The aim of field visits is to assess FP-programme's poverty, development, social and environmental impacts and its results in terms of cross cutting objectives of Finland's development policy.

Tanzania a Least Developed Countries in accordance with DAC. Previous little FP activities, however currently defined as one of the priority countries of FP

Vietnam a Lower Middle -income country in accordance with DAC. One of FP priority countries where several private sector recipients of FP funding.

Both Finland's long-term partner countries

### Analysis and Reporting

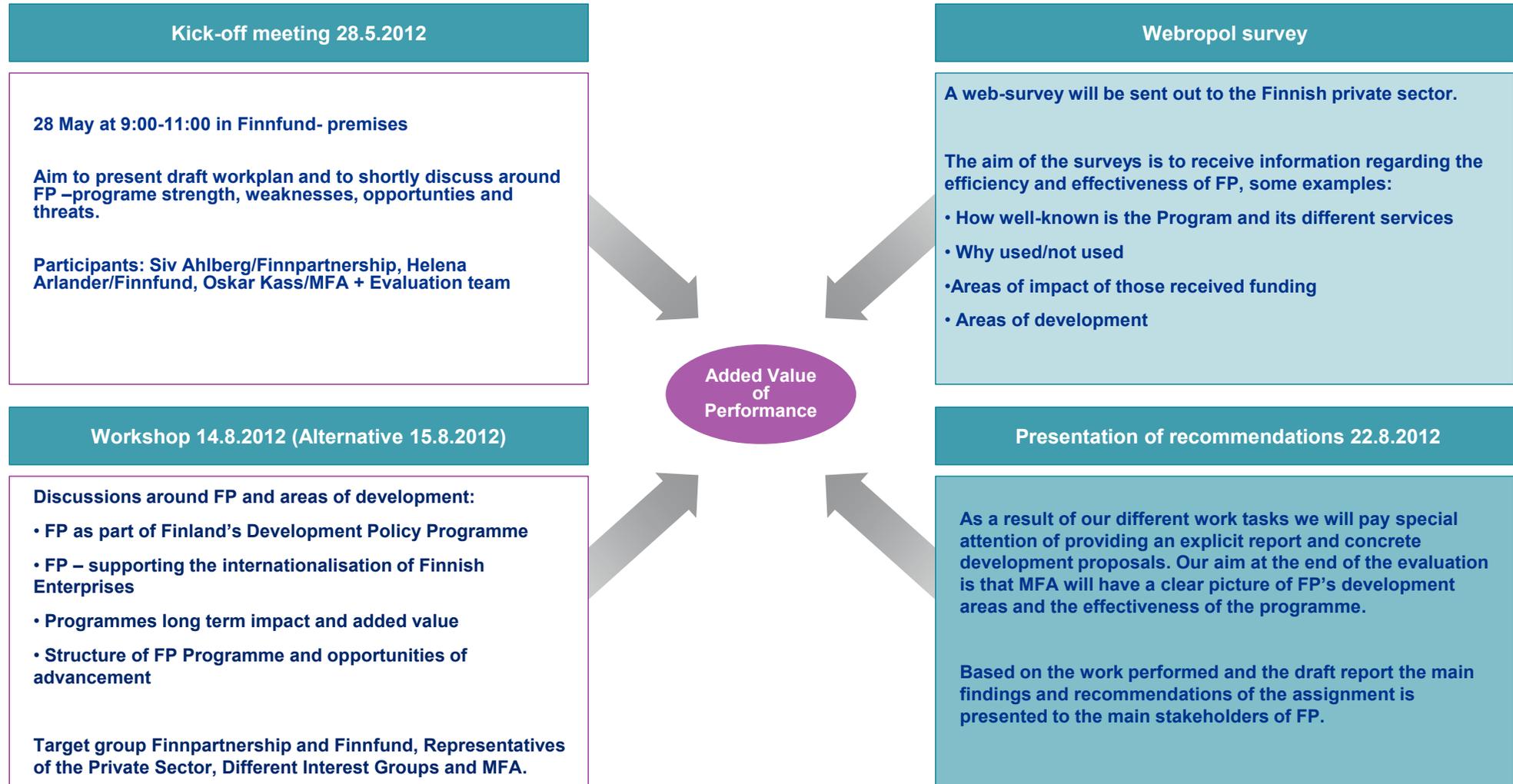
Aim of analysis and reporting is to assess concrete results, development impacts, effectiveness and sustainability of the programme including an analyze of the synergy of the programme with Finnfund and the possibility to merge it to be a part of Finnfund's regular activities.

In addition our aim is to provide guidelines to further develop the content and management if the programme and to assess the FP programme's poverty, development, social and environment impacts and results in terms of the cross cutting objectives.

Further an objective is to provide a clear picture of FP's concrete development areas and the effectiveness of the programme.

# Evaluation of the Finnpartnership programme

## Working methods





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