

**BUSINESS
FINLAND**

**BUSINESS FINLAND
AND SUSTAINABLE
GROWTH PROGRAMME
FOR FINLAND –
DESIGN EVALUATION**



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FOREWORD

Finland's Recovery and Resilience Plan (RRP) is called as the Sustainable Growth Programme for Finland. The goal is to support growth that is ecologically, socially and economically sustainable in line with the aims of the Government Programme. The Sustainable Growth Programme will boost competitiveness, investment, research, development and innovation, and efforts to raise skill levels. Funding for the Sustainable Growth Programme for Finland will be from the EU's one-off recovery instrument (Next Generation EU).

Focus of this evaluation was to concentrate only on interventions of RRP via Business Finland. Therefore, evaluation goals were based on, first, responsibilities of the Sustainable Growth Programme carried out by Business Finland, second, specific KPIs defined according to agreements between the Commission and ministries and, third, needs for Business Finland as learning process. Thus, this evaluation helped to identify potential

areas of guidelines and concerns while increasing chances of success when the RRP has started. It answers to the question: How Business Finland's Sisu project has succeeded to organize calls and related processes to achieve most efficient portfolio of projects, when considering the impact goals of the project? Moreover, are the chosen criteria, KPIs and impact model the most efficient way to measure the goals of the Sisu project?

The evaluation team of Gaia Consulting Oy carried out this evaluation study. Business Finland wishes to thank the evaluators for their thorough and systematic approach. Business Finland expresses its gratitude to the steering group and all others who have contributed to the study.

Helsinki, October 2022

Business Finland



**FOCUS OF THIS EVALUATION
WAS TO CONCENTRATE ON
INTERVENTIONS OF RRP VIA
BUSINESS FINLAND.**

EXECUTIVE SUMMARY

Business Finland (BF) has the responsibility of implementing approximately 500 M€ of Finnish Recovery and Resilience Facility (RRF) funding following the actions and targets set in the Sustainable Growth Programme for Finland (Finnish Recovery and Resilience Plan - RRP). BF started the planning of the implementation of RRF in early 2021 and prepared a project plan to ensure that RRF calls and related processes are organised in a timely and customer friendly manner meeting the targets set in the Sustainable Growth Programme for Finland. The first calls were opened over the summer 2021. The BF's aim is to use about 70% of the funding 2021-2022 and 30% 2023. All funded R&D projects should be finalised by the end of 2025.

The purpose of the Design Evaluation was to assess BF's contribution to the implementation of the RRP through RRF funding and to make recommendations to BF on the measures it could take to increase the effectiveness of the funding over the remaining funding period. Design

Evaluation was completed between April – August 2022 while some of the calls and actions were on-going.

The main evaluation questions were:

- 1** How well has Business Finland organised the implementation of RRF funding?
- 2** How has BF succeeded in implementing the Do No Significant Harm (DNSH) criteria?
- 3** How well has BF's RRF funding supported reaching the goals of RRP and what kind of interventions should still be carried out?
- 4** Suggestions to develop BF's impact model and monitoring of RRF

Overall conclusion from the evaluation was that BF as an organisation has been successful in implementing the RRF

activities and organising the calls. BF started the planning and implementation of funding calls before the official guidelines and decisions from the European Commission and the Finnish government. This uncertainty was reflected in particular in the implementation of the first RRF funding calls with changing guidelines and prolonged decision-making processes. Despite this, customers have been very satisfied with BF's activities and BF has succeeded with the calls in a timely manner and with a high demand for funding.

The main factors contributing to the success are the following:

- ✓ BF's decision to use pre-existing instruments and guidelines as often and widely as possible
- ✓ Efficient allocation and division of work by using experienced BF's work force to deal with questions relating to RRF activities and use of new and temporary employees in other on-going basic operations

- ✓ Targeting pre-existing customers and using existing funding instruments (such as building further on Leading companies (Veturi) funding)
- ✓ Good and informative communication with customers.

With regards to the implementation of the DNSH-principle, the main result of the evaluation is that customers and BF's personnel have generally been positive about the criteria and that this had not caused insurmountable obstacles to customers. On the other hand, based on the assessment, the DNSH criteria did not accelerate the green transition to the extent expected, partly due to BF's decision to target RRF funding to pre-existing customers who already had projects and strategies in line with the green transition.

The RRF funding implemented by BF is in line with the Sustainable Growth Programme. BF has implemented the actions following the plan and thus contributing towards the goals of the programme. The Sustainable

Growth Programme is rather fragmented and future BF actions should focus on not further increasing this fragmentation. This takes place, e.g., by targeting funding to those projects, which have clear synergy with other RRP development programmes and actions. One should note that the Finnish RRP and especially BF's actions are focused on RDI which means that final societal impacts will materialise after a long time and the impact paths are complex. RRF projects are linked to several existing innovation ecosystems and have provided boost for those. Over the next years these should be more clearly externally communicated and linked to BF's strategy for supporting the spearheads of Finland.

As part of the evaluation, the BF's RRF impact model was modified to better reflect the needs of BF and to fit better with BF's strategy and mission. In addition to national RRP KPI's, BF also needs its own monitoring indicators to follow the role of RRF in fulfilling its own strategy.



TIIVISTELMÄ

Business Finland (BF) toimeenpanee noin 500 M€ rahoituspakettia EU:n elpymisvälineestä (Recovery and Resilience Facility, RRF) osana Suomen kestävän kasvun ohjelmaa (Finnish Recovery and Resilience Plan - RRP). BF aloitti RRF rahoituksen toteutuksen suunnittelun keväällä 2021. Toteutus projektoitiin omaksi kokonaisuudekseen, jonka tavoite oli varmistaa rahoitushakujen tehokas ja asiakaslähtöinen toteutus Suomen kestävän kasvun ohjelman tavoitteita tukien. Ensimmäiset haut avattiin kesällä 2021. BF tavoitteena on käyttää rahoituksesta noin 70% 2021-2022 ja noin 30% 2023. Kaikkien rahoitettujen projektien tulisi olla valmiina vuoden 2025 loppuun mennessä.

Design Evaluation työn päätavoitteina oli arvioida Business Finlandin RRF:n toimeenpanoa ohjelmatasolla rahoituskauden ollessa vielä käynnissä ja antaa BF:lle suosituksia siitä, millaisilla toimenpiteillä se voisi kasvattaa rahoituksen vaikuttavuutta jäljellä olevalla RRF rahoituksen ohjelmakaudella. Arviointi toteutettiin huhti-elo-

kuussa 2022, jolloin osa rahoitushauista oli vielä käynnissä.

Arviointikysymykset olivat:

- ✓ Miten hyvin Business Finland on onnistunut RRF rahoituksen toimeenpanossa?
- ✓ Miten BF on onnistunut ei merkittävää haittaa -periaatteen (Do No Significant Harm, DNSH) toimeenpanossa?
- ✓ Miten hyvin BF:n RRF rahoitetut hankkeet täyttävät Suomen kestävän kasvun ohjelman tavoitteet ja millaisia toimia olisi vielä toteutettava vaikuttavuuden kasvattamiseksi?
- ✓ Suositukset BF:n RRF:n vaikuttavuusmallin ja seurannan kehittämiseksi

Arvioinnin pääjohtopäätös on, että BF on onnistunut RRF-rahoituksen toimeenpanossa hyvin. BF aloitti rahoitushakujen suunnittelun ja toimeenpanon etunojaisesti ennen komission ja Suomen hallituksen virallisia ohjeistuksia ja linjauksia. Tämä epävarmuus ja keskeneräisyys heijastui erityisesti ensimmäisten RRF-rahoitushakujen toteutumiseen muuttuvien ohjeiden ja pidentyneiden päätösprosessien muodossa. Asiakkaat olivat tästä huolimatta tyytyväisiä BF toimintaan ja toteutus on parantunut kokemusten kertyessä. Keskeiset onnistumista tukevat tekijät ovat seuraavat.

BF:n päätös käyttää olemassa olevia rahoitusinstrumentteja ja -kriteerejä sekä ohjeita niin paljon kuin mahdollista.

- ✓ Tehokas sisäinen työnjako siten että kokeneempi henkilöstö keskittyi vaikeampiin uusiin RRF:n mukaan tuomiin tehtäviin ja uutta henkilöstöä käytettiin enemmän perustehtävien hoitamiseen.

- ✓ Rahoituksen kohdentaminen pääasiassa olemassa oleville asiakkaille ja käynnissä olevien kokonaisuuksien vahvistamiseen (esimerkiksi rahoituksen suuntaaminen Veturi-yrityksille).
- ✓ Hyvä ja informatiivinen viestintä asiakkaille.

Ei merkittävää haittaa (DNSH) -periaatteen toteutumisen osalta arvioinnin päätulos on, että asiakkaat ja BF henkilöstö ovat suhtautuneet kriteeristöön pääsääntöisesti positiivisesti, eikä se oli aiheuttanut ylitsepääsemättömiä esteitä asiakkaille. Toisaalta DNSH-kriteerit eivät myöskään arvioinnin perusteella tukeneet asiakkaita vihreän siirtymän nopeuttamisessa odotetussa määrin. Yhtenä syynä tälle arvioitiin olevan BF:n päätös kohdentaa RRF-rahoitusta olemassa oleville asiakkaille, joiden toiminnot vastasivat jo valmiiksi vihreän siirtymän kriteereihin.

BF:n toiminta tukee Suomea kestävän kasvun ohjelman tavoitteiden saavuttamisessa ja BF on toteuttanut tehtävänsä ohjelmassa määritellyn mukaisesti. Kestävän kasvun ohjelma on suhteellisen fragmentoitunut ja jatkossa

BF:n tulisi pyrkiä fokusoimaan kokonaisuutta vaikuttavuuden kasvattamiseksi. Tämä voi tapahtua esimerkiksi kohdentamalla rahoitusta projekteille, joilla on selkeä synergia kestävän kasvun ohjelman muiden toimenpiteiden ja rahoitusohjelmien kanssa. On myös huomattava, että Suomen RRP-ohjelma ja BF:n RRF käyttö on hyvin TKI-painotteista. Monien tavoitteiden varsinaisten vaikutusten toteutuminen materialisoituu vasta vuosien päästä ja vaikutukset eivät ole kohdennettavissa vain RRF:ään. BF:n RRF rahoittamat projektit ovat kytkeytyneet useisiin innovaatioekosysteemeihin ja vahvistaneet niitä. Jatkossa nämä kokonaisuudet tulisi selkeämmin tunnistaa ja kommunikoida näiden vahvistumisen tuloksia.

Arvioinnin osana muokattiin BF:n vaikuttavuusmallia RRF-hanketta varten vastaamaan paremmin BF:n suoria vaikutuksia ja tukemaan BF:n omaa vaikuttavuuden seurantaan. Kansalliset RRP:n yhteiset indikaattorit eivät riitä BF:n oman toiminnan seurantaan ja kehittämiseen ja rinnalle tarvitaan myös BF strategian toteutumisen seurannan mittareita.

ACRONYMS

IPCEI Important Projects of Common European Interest

RRF Recovery and Resilience Facility

RRP Recovery and Resilience Plan

BF Business Finland

EC European Commission

DNSH Do No Significant Harm

1 BACKGROUND

The Sustainable Growth Programme for Finland¹ will support growth that is ecologically, socially and economically sustainable in line with the aims of the Prime Minister Marin's Government Programme. Funding for the Sustainable Growth Programme for Finland will come from the one-off EU recovery package 'Next Generation EU'.

¹Ministry of Finance (2021). Sustainable Growth Programme for Finland - boosting reforms and investments. Website, available at: <https://vm.fi/en/sustainable-growth-programme-for-finland>



The Recovery and Resilience Facility (RRF) is the largest of the instruments used in the Next Generation EU and Member States must present a national Recovery and Resilience Plan (RRP) in order to receive RRF funding. Finland's RRP is part of the Sustainable Growth Programme for Finland and was formally accepted by the Council of the EU by a written procedure on October 29, 2021.

Business Finland (BF) has the responsibility of implementing approximately 500 M€ of Finnish RRF funding following the RRP². Business Finland started the planning of the implementation in early 2021 and prepared a project plan³ to ensure that RRF calls and related processes are organised in a timely and customer friendly manner so that BF can meet the targets set by the Finnish government, Ministry of Economic Affairs and Employment, and EU Commission for the use of RRF funding. The first calls were opened over the summer 2021. The BF's aim is to use about 70% of the funding 2021-2022 and 30% 2023. All funded R&D projects should

be finalised by the end of 2025. All reports and payments should be ready and made by 31.8.2026 to the European Commission (EC).

Following the evaluation plan for BF's RRF, BF has initiated the design evaluation in April 2022. Design evaluation aims to identify potential areas of guidelines and concerns which would increase chances of success when the RRP has already started to be implemented. Design evaluation addresses the questions: How has BF succeeded to organise calls and related processes to achieve the most efficient portfolio of projects, when considering the impact goals of the project? Moreover, are the chosen criteria, KPIs, and impact model the most efficient ways to measure the goals of the BF RRF funding?

This report contains the final results from the design evaluation. Chapter 2 presents an overview of BF's role in implementing RRF and the calls organised by the time of design evaluation. A summary of the objectives and execution of the design evaluation is provided in



THIS EVALUATION AIMS TO IDENTIFY POTENTIAL AREAS OF GUIDELINES AND CONCERNS OF RRP FOR BUSINESS FINLAND.

Chapter 3. Main results of the evaluation are presented in Chapter 4 (BF's process of implementing RRF), Chapter 5 (result related to the implementation of Do No Significant Harm (DNSH) criteria), Chapter 6 (analysis of the calls and project portfolio for reaching the impact goals for RRP) and Chapter 7 (analysis of the impact model and indicators). Key recommendations from the evaluation are summarised in Chapter 8.

²The Finnish RRF allocation has been revised and reduced in June 2022 and the revision of the plan will take place in autumn 2022 based on the recommendations from a ministerial working group.

³The project plan was made following the Sisu project development and management model Business Finland has taken into use at the same time.

**2
BUSINESS
FINLAND'S RRF
FUNDING AS A PART
OF SUSTAINABLE
GROWTH
PROGRAMME FOR
FINLAND (RRP)**



2.1. OVERVIEW OF FINNISH RRP

Finland started the planning of national Recovery and Resilience Plan (RRP) quickly after the start for the EU Next Generation programme in 2020. Finland's RRP⁴ was published on May 26, 2021. The European Commission (EC) published a positive assessment of Finland's plan on October 4, 2021. The finance ministers of the EU Member States discussed Finland's RRP in their video conference on October 28, 2021 and the Council of the EU formally approved the plan by written procedure on October 29, 2021.⁵

The tight timeline (figure 1.) for the use of the funding was well known and due to this BF had to start the planning of the use of RRF ahead of the final EC approval of RRP in October 2021. BF launched the first calls in June 2021 after the approval of the RRP in Finland. These calls were challenge competitions or tentative idea calls as well as for IPCEI (Important Projects of Common European Interest) funding. Further details are provided in Section 2.2.

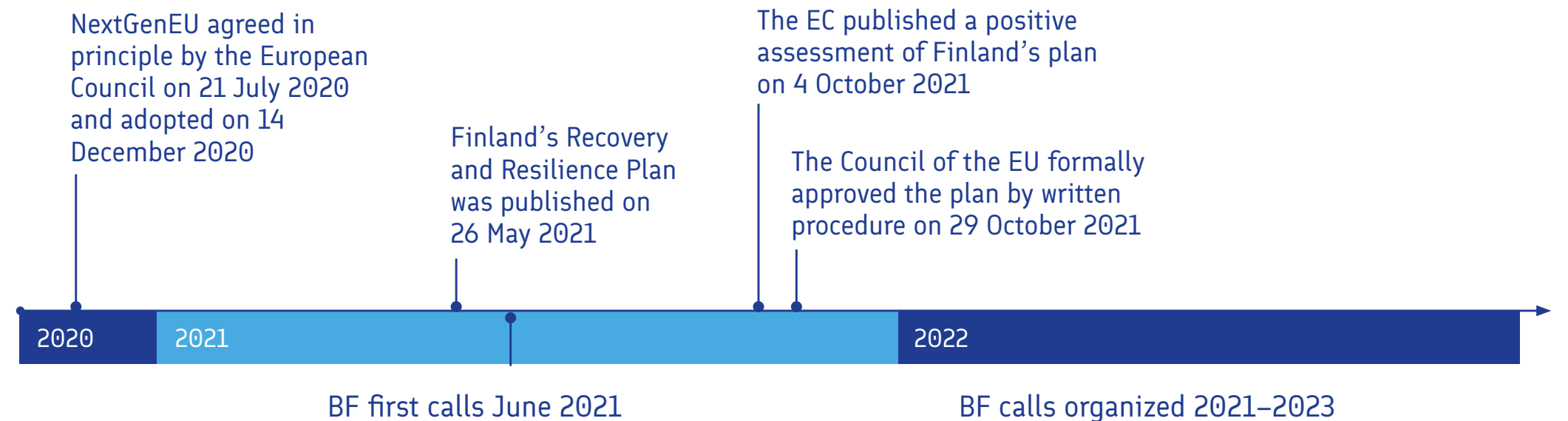


FIGURE 1. TIMELINE OF THE PROCESS TO BUILD UP RRP AND RRF FUNDING PROCESS

⁴Finnish Government (2021). Sustainable Growth Programme for Finland. Recovery and Resilience Plan. Publications of the Finnish Government 2021:69

⁵Ministry of Finance (2021). Sustainable Growth Programme for Finland - boosting reforms and investments. Website, available at: <https://vm.fi/en/sustainable-growth-programme-for-finland>

“ BF FOCUSED ON RENEWAL OF COMPANIES IN GREEN TRANSITION AND DIGITALIZATION, INCREASE OF R&D INVESTMENTS OF COMPANIES, RECOVERY OF BUSINESSES HIT BY THE PANDEMIC AS WELL AS EXPORT BUSINESS AND VISIT INCOME.

Overall Finland’s Sustainable Growth Programme builds on four pillars:

PILLAR 1: Green transition supports the structural changes in economy as well as the creation of carbon neutral welfare state

PILLAR 2: With the help of digitalisation and data economy, profitability grows, and services are accessible for everybody

PILLAR 3: Higher employment rate and education rate for speeding up green growth

PILLAR 4: Increasing access to social and health services and improving their profitability

BF’s operations on RRF focus particularly on pillars 1 and 2 with the means of innovation funding. BF focus areas are:

- 1) Renewal of companies in green transition and digitalization
- 2) Increase of R&D investments of companies
- 3) Recovery of businesses hit by the pandemic
- 4) Increase of export business and visit income.

Finland was one of the countries who chose to invest heavily in innovation and R&D actions with the RRF funding. Finland shares the 3rd place with Estonia on biggest share of the national RRF funding used in R&D with 16 % of total allocations. Finland and Estonia are only topped

by Germany (26 %) and Denmark (20 %). Many countries have also chosen to use RRF funding to develop or reform their national R&D infrastructures in order to decrease fragmentation in the innovation system, increase the attractiveness of research career and knowledge transfer between different sectors⁶. Finland has also allocated RRF funding to develop research infrastructures and to enhance innovation ecosystems.

Generally, the implementation of the RRP and RRF evolves and changes over time. It was known from the beginning that depending on the development of the national economy, a re-allocation of the funds might happen. Finland’s economy has developed better than forecasted and in June 2022 Finland's overall share of the funding from RRF will decrease to EUR 1.8 billion from the original EUR 2.9 billion at current prices⁷. Ministerial working group has outlined which actions could be reduced and based on this, the Finnish Government will approve the updated RRP after which the EC will assess the updated plan and, finally, the Council of the EU will approve it. Some of the updates in RRP will affect BF’s remaining RRF calls 2022 and 2023.

⁶European Commission: Recovery and Resilience Scoreboard: Thematic Analysis – Research and Innovation April 2022

⁷Ministry of Finance (2022). Kestävän kasvun ministeriyöryhmä 22.6.2022: elpymis- ja palautumissuunnitelman päivitys. Press Release 30.6.2022.

2.2. BUSINESS FINLAND’S CALLS AND FUNDING INSTRUMENTS

Over spring 2021 Business Finland started the preparation of the internal project to implement RRF. The detailed project plan outlined, e.g., the objectives, resources, management, and quality assurance practices for BF’s RRF. BF used a general internal “Sisu” project planning model in this preparation. This internal project planning model was, however, at the development phase at the same time with the RRF planning process.

BF has initiated 19 calls by August 2022. The first ones were opened in June 2021. Figure 2 shows an overview of the BF RRF calls representing the situation in July 2022. BF maintains an open database of all funded projects and informs about the progress of RRF over their websites.

Finland decided to use the current funding instruments in use at BF and apply BF’s normal funding criteria for RRF. This enabled efficient process to allocate the funds

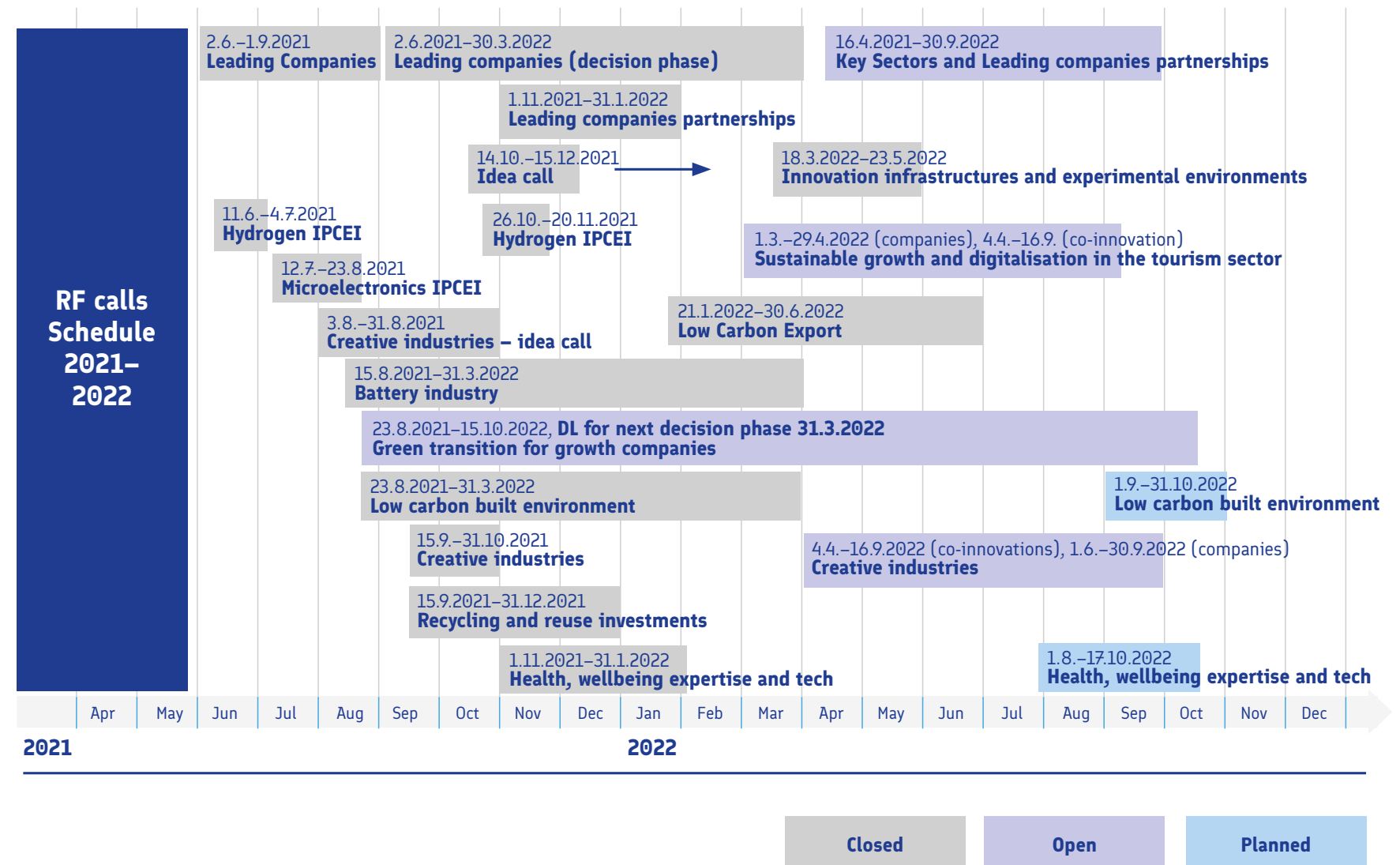


FIGURE 2. RRF CALLS OF BUSINESS FINLAND (STATUS 5.7.2022)

directly to companies and research institutions. However, using mainly the pre-existing funding instruments and the continuation of previous programmes and activities also meant that Finland’s approach was somewhat fragmented with several themes and categories for funding. Four different funding instruments were used (see Table 1), and each instrument has different funding services and different regulations on who can apply and for what purpose.

Basic funding criteria were used for all funding calls⁹. Additional new mandatory criteria to be applied in funding decisions was the fulfilment of Do No Significant Harm (DNSH) criterion and criterion to promote green transition and low carbonisation. The DNSH criteria aim to ensure that no measure included in a RRF should lead to significant harm to environment. DNSH is explained in detail in Chapter 5.

In June 2022 Finland got the revised RRF budget from the EC and the BF funding allocation will be cut down. The detailed planning for the use of the remaining funding will continue in autumn 2022.

FUNDING INSTRUMENT	FEATURES
1. Research and development projects	<ul style="list-style-type: none"> • Basic research, development, and piloting projects • Different calls and funding conditions for SME’s and Midcaps and for large companies
2. Co-innovation projects both for company representatives and research partners	<ul style="list-style-type: none"> • Co-innovation projects are linked to the research and development instruments but have a different legal basis and regulations • For research partners the instrument is called Research (EVET), instead of Research and Development
3. Investment aid for Circular Economy	<ul style="list-style-type: none"> • The funding is intended for circular economy investments by companies operating in Finland that improve the level of environmental protection beyond EU standards or increase waste recycling through solutions above the current level of technological development. Funding can be granted to companies of all sizes registered in Finland. • A new funding instrument that can be used also for non-RRF purposes but is being piloted through RRF
4. De Minimis funding	<ul style="list-style-type: none"> • De Minimis aid refers to public funding granted to companies, governed by the Commission Regulation (EU) No 1407/2013. According to the EU Regulation, the maximum permissible sum of the De Minimis aid to a company is 200,000 euros over the current and two previous fiscal years • RRF used Tempo-funding service for Creative Industries and Travel Industry to provide De Minimis funding

TABLE 1. FUNDING INSTRUMENTS USED FOR BF’S RRF FUNDING

⁹Business Finland (n.d.) Myönnetty Rahoitus RRF. Website, available at: <https://tietopankki.businessfinland.fi/anonymous/extensions/MyonnettyRahoitusRRF/MyonnettyRahoitusRRF.html>

2.3. MONITORING THE PROGRESS OF RRP

Monitoring of the progress of RRP has multiple layers. First, EU Member States are obliged to report to EC on the implementation of the RRP with a set of 14 common indicators¹⁰. EC maintains a common Recovery and Resilience Scoreboard¹¹ which gives an overview of how the implementation of the RRF and the national recovery and resilience plans are progressing. Second, Member States have dedicated monitoring responsibilities towards EC reflecting their own national RRP. Finland's RRP indicators follow the ones defined in the annex for Sustainable Growth Programme with final modifications¹². Ministry of Finance has the overall responsibility to organise the monitoring of the RRP. State Treasury has prepared an information system to be used for this and the system was taken into use as of August 1, 2022. The

monitoring and auditing governance practices of Finland's RRF are outlined in a specific law which came into force on July 4, 2022¹³.

BF has two types of points of view for providing information on the progress of RRF. First, BF has the responsibility to submit monitoring information for the national monitoring as specified by the Ministry of Economic Affairs and Employment and requested by the State Treasury. Second, RRF is closely linked with and supports BF's overall strategy. BF's focus areas for RRF described in 2.1 are driven from BF's overall mission and strategic goals. BF reports the progress of implementing its strategy to the Ministry of Economic Affairs and Employment as part of the normal steering process.



¹⁰Commission Delegated Regulation (EU) 2021/2106 of 28 September 2021 on supplementing Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility by setting out the common indicators and the detailed elements of the recovery and resilience scoreboard.

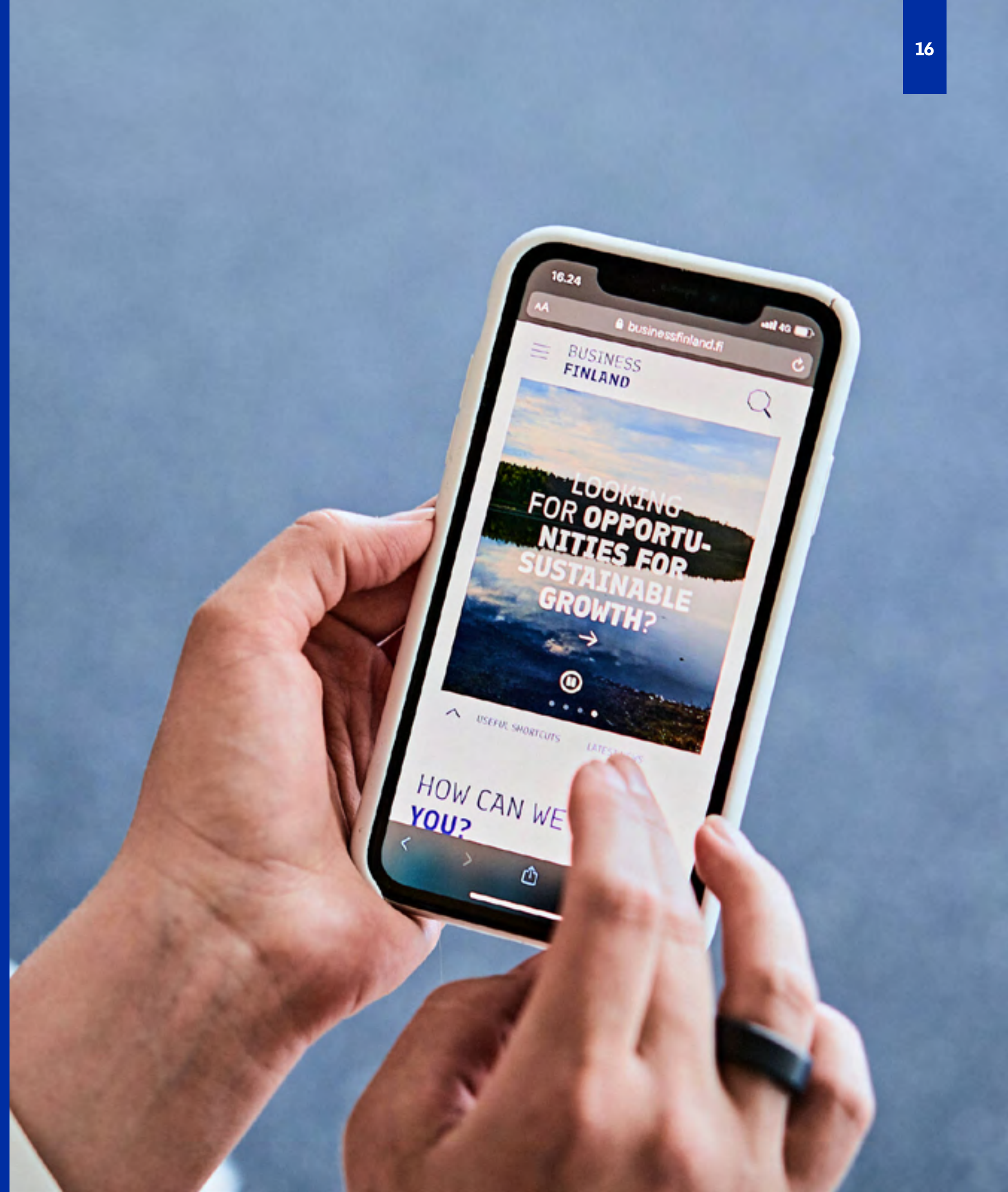
¹¹European Commission (n.d.). Recovery and Resilience Scoreboard. Website, available at: https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html

¹²Annex to the Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Finland (ST 12524/21 ADD 1). Corrigendum/Rectificatif 8392/22. ADD 1.

¹³Laki Euroopan unionin elpymis- ja palautumistukiväliseen hallinnointista, valvonnasta ja tarkastuksesta 537/2022 <https://www.finlex.fi/fi/laki/alkup/2022/20220537>

3 OBJECTIVES AND EXECUTION OF THE DESIGN EVALUATION

Business Finland's RRF project plan included also a plan for the evaluation. The design evaluation reported here has been carried out between April – August 2022. Design evaluation helps to identify potential areas of guidelines and concerns for increasing chances of success for RRF. Mid-term evaluation is planned to be carried out during 2024 covering RRF funding years of 2021-2023 and final evaluation will be carried out by the end of 2026.



The design evaluation aims to provide suggestions on how to improve the used impact model and BF's RRF processes. The design evaluation is addressing the following questions:

Business Finland's processes to implement RRP through RRF funding

- ✓ How the calls and related processes have been prepared and succeeded to attract customers to acquire RRF funding?
- ✓ How has Business Finland as an organisation and its personnel managed to organise the RRF project (using Sisu project planning model)?
- ✓ How has the communication and co-operation with stakeholders worked?
- ✓ What kind of critical obstacles and possibilities have been found?

Implementation of the DNSH criteria

- ✓ How Business Finland and beneficiaries are handling the DNSH (Do not significant harm criteria)?
- ✓ Have the DNSH criteria accelerated the beneficiaries to adapt RRP goals in green transition?

Reaching the goals of RRP

- ✓ Based on the funded portfolio of R&D projects and other activities, how well do they fulfil the goals of Sustainable Growth Programme for Finland?
- ✓ What kind of interventions should still be carried out so that the results and impacts are sufficient when compared to these goals?

Business Finland's impact model and monitoring of RRF

- ✓ Are the specific KPIs defined by the EU Commission and Business Finland enough to mentor and acquire sufficient information about the project and subsequently to achieve its goals?
- ✓ How well is the Business Finland's RRF impact model fit to measure the project results and impacts on the Finnish businesses as well as economy and society?
- ✓ Are the scoreboard and KPIs sufficient tools to collect data in order to carry out the final evaluation?

The design evaluation was done by Gaia Consulting Oy. The evaluation used RRF data provided by Business Finland to analyse the funded portfolio and written documentation.

The project portfolio data used in the evaluation was extracted in April 2022 and updated in May 2022. Main information sources were interviews with the BF personnel and beneficiaries as well as with other key stakeholders. In total 41 interviews were made. The design evaluation steering group met three times and the last meeting was a larger working meeting with BF's RRF co-ordination group.

Design evaluation was done at a phase when only part of the BF's funding volume had been allocated¹⁴. Many of the calls were on-going and some were at planning stage. There are also some industry specific features which were not yet captured at this phase with the targeted calls uncompleted. For example, the targeted calls for the creative industries and travel and tourism were on-going at the time of the design evaluation. It should also be noted that at the time of the final reporting of the design evaluation, EC had not yet provided the final clearance for the official indicators for the Finnish RRP. In addition, the reallocation of RRF funding was made during the evaluation process, but the final decisions on BF level were yet to be made. The design evaluation conclusions may thus be subject to changes accordingly.

¹⁴The reallocation of the Finland's RRF in June 2022 will affect the total RRF allocation.

4 BUSINESS FINLAND'S IMPLEMENTATION OF RRF

This chapter summarises the main observations and conclusions to the evaluation questions of the BF's way of implementing RRF.



Based on interviews of representatives from the BF's RRF Coordination Network, core people from the ministries coordinating RRF activities, and funding beneficiaries an overall conclusion can be made that BF as an organisation has been successful in implementing the RRF activities and organising the calls. The main factors contributing to the success are the following:

- BF's decision to use pre-existing instruments and guidelines as often and widely as possible
- Efficient allocation and division of work by using experienced BF's work force to deal with questions relating to RRF activities and use of new and

temporary employees in other on-going basic operations

- Targeting pre-existing customers and using existing funding instruments (such as building further on Leading companies (veturi) funding)

Biggest hinderance for BF has been the lack of timely instructions and decisions from the EC and the Finnish government and the need to work proactively before final guidance was made. This resulted in some delays in the early calls and confusion for BF's experts and beneficiaries about the specific requirements for RRF.



4.1. BUILDING UP BF RRF

At the time of planning RRF, BF had recent experience of administering a similar large temporary funding programme. Mainly, BF has had the administering responsibility of the Finnish government funding for business development in disruptive circumstances based on the Covid-19 pandemic since spring 2020. This experience and lessons learned were used also in planning the RRF structure and implementation. Tight timeline for the use of RRF was well known and due to this BF had to start the planning ahead of the final EC approval (see section 2.1). Implementation plans for RRF in BF had to be made under tight time pressure without strong guidance and acceptance from the EC nor from the Ministry of Economic Affairs and Employment or the Ministry of Finance that gave the task to BF to administer the funding.

At the very early stages it was decided that BF would use pre-existing funding structures and rules for RRF funding

when the specific RRF criteria would allow for it, and RRF criteria would be added on top of the pre-existing BF criteria. Same decision was made regarding various BF's IT systems that required some changes to be made to accommodate especially the DNSH criteria to be evaluated in the application process. The general rule remained – BF would use as much old and existing processes as possible.

BF also got funding from RRF for its own additional administrative and development work. One success factor has been efficient allocation of this additional operational funding. A good management decision was to restructure internal work so that more experienced employees focused on the RRF specific questions and more demanding work, and new temporary hires were recruited to do normal day-to-day basic work. This provided the organisation the opportunity to use deep expertise in the new and complicated task but also be able to take care of BF's basic functions. It was also highlighted in some of the

interviews that new persons at BF were able to bring in new insight and ideas for renewing some of the existing processes.

As mentioned in the beginning, timely proximity to Covid-19 disruption funding that BF had managed, was an aiding factor in building up the RRF implementation. Having just administered a large sum of monetary aid to companies outside of BF's regular programmes gave the organisation an opportunity to copy good practices where applicable in the RRF funding. On the other hand, some coordination network members pointed out that the disruption funding had already been additional work for the organisation. Employees had already been under extra pressure and extra work for over a year when another uncertain new feature was introduced. Both disruption funding and RRF have also been under massive public discourse and attracted criticism which has caused pressure for the staff. Not having time to get

the organisation back to normal status before starting another massive undertaking could have had some effect on the BF's ability to organise the implementation most effectively, while simultaneously carrying on with its core functions. The reorganisation of work between the old and new staff proved successful also from this point of view.

Based on the interviews, one can conclude that networking and collaboration between the different functions within BF has worked well. The coordination network has gathered together all relevant sectors within BF. First, the network met every week, but from the start of 2022 when most questions were answered and calls opened, the coordination network met biweekly or more sparsely. Another notable feature in the RRF implementation has been the role of BF leadership. The coordination network consists of several high-level directors from BF who have used a significant proportion of their workhours to building up the implementation structure and managing it. On top of the internal BF coordination, BF has also been part of the national coordination especially through

the coordination meetings with the Ministry of Economic Affairs and Employment. BF has been proactive towards the Ministry from the very beginning with highlighting concerns and issues so that the Ministry again has been able to transfer the message either directly to the EC or to the Ministry of Finance that coordinates the RRF of Finland.

When it comes to the preparation and training of the whole BF staff to be able to answer customer questions about RRF funding and its specific criteria, in most interviews it was stated that there has been adequate instruction and training. However, some interviewees argued, that especially when it came to DNSH criteria, the training and instructions were done while the whole issue was still unresolved and there is now need for additional training especially among the customer care staff (more on BF's ability to implement the DNSH criteria in chapter 5).



4.2. CO-OPERATION WITH STAKEHOLDERS

The experience and opinions of working with the ministries, especially the Ministry of Economic Affairs and Employment, the Ministry of Finance and the Ministry of the Environment, varied in according to the interviews with the members of the coordination network. Partly it was praised that the co-operation has been efficient and good with a lot of meetings and co-operation. Partly the lack of instructions and this not being in line with the heavy expectations from the ministries were criticized. It can be summarised that at the operational level among the funding agencies, the co-operation has worked well when there has been common interest to design funding programmes and coordinate the decisions for the calls. Some RRF funding and whole development programmes have not yet been finalized and thus there has not been too much co-operation between those funding agencies.

Even though all interviewed BF personnel agreed that BF was, in the end, successful in its efforts in building up the

RRF implementation structure, some argued that the cost of it was too high. It was pointed out that too much risk was taken when early out with the implementation without clear guidance and understanding whether or not the plans can be executed, instead of waiting for more explicit decisions and instructions from the EC and the Ministry of Economic Affairs and Employment. Even though all the calls that were planned to open in the autumn of 2021 eventually happened and none of the calls were cancelled due to errors, a lot of time was wasted during the call period on waiting for approvals from the EC on issues that BF had executed without guidance, and subsequently, many issues had to be fixed retroactively. Thus, there were calls that were open for a long time before any decisions could be made, which also caused uncertainty among the applicants.

Many interviewees highlighted that in communications and marketing BF did very relevant and successful stakeholder

co-operation with regional actors and for instance with Confederation of Finnish Industries and Suomen Yrittäjät¹⁵, to get the word around about the funding opportunities also outside of Finland. This worked well, even though it was quite novel mode of co-operation.

Interviewed ministry representatives that guide BF's work relating to RRF, concluded that BF had succeeded in its job to plan RRF even better than expected when considering the timelines and requirements provided by the EC without clear guidance and ever moving goals. Expectations were quite vast, but BF was able to start the work efficiently and has thus far been able to support also other RRF authorities with their processes. The positive feedback on BF's proactive role in building the whole RRF and especially the DNSH-criteria guidance that BF did on their own was echoed also from the other ministries interviewed (Ministry of Finance and Ministry for the Environment).

¹⁵Suomen Yrittäjät is an interest and service organization for small and medium-sized enterprises (SMEs) in Finland.

4.3. ORGANISING CALLS AND SUCCESS IN GETTING CUSTOMERS IN

Despite of the challenges in building up the RRF calls and getting the changes to BF processes implemented, all the calls that were planned, have been opened and all of them have received high quality applications and funds have started to flow to the beneficiaries.

Right in the beginning some calls struggled with how to define the RRF criteria adequately for customers. RRF criteria mandated individual projects to be low carbon and in support of green transition. For some of the calls, the link between green transition and low carbon goals was clear. In others, the link was not equally obvious and broad general green transition was requested, which led to that the clarification of these criteria required more effort. Based on the interviews with companies and BF employees, overall however, BF customer care has been successful in clarifying these criteria both when giving out general information and when discussing bilaterally with customers.

Out of all the different call types, the travel and tourism call, and the creative industries call differ the most from

the other calls. These calls consist of projects that are mostly receiving De Minimis funding and thus are small in size compared to other RRF projects. The funding is also mostly meant for business planning purposes. In these calls the customer base was also mostly new to BF with the exception that many had applied for disruption funds the year prior. These calls saw the biggest percentage of declined applications. Both of these industries had been heavily impacted by the pandemic. Thus, one reason for the low acceptance rate can be that these industries have had limited cash flow for the past couple of years due to pandemic and thus not the capacity to do large development projects. Also, the innovation capabilities of the companies within these industries might not many times be sufficient to pass the threshold criteria for positive funding decisions. Both of these industries consist mostly of SME's who would have benefited more from direct budget support. Some organisations also mixed up the RRF calls with Covid19 disruption funding that they had received or applied for previously since that had been their only point of contact with BF. In addition, many regional travel agencies are not companies but various other types of public organisations

that are not eligible for BF funding, even though they might have been just the right organisations capable of developing new innovations for the whole travel industry. The role of RRF in the recovery for these industries is further elaborated in Section 6.

Customer communications has been positively evolving as the experience with RRF has accumulated. BF has been able to improve easy-to-understand communications and subsequently receive higher quality applications. For the RRF operational funding BF has, for example, added a bot to the webpages to assess the applicant to see if their project proposal meets the RRF requirements previous to its submission and this has been very useful. One hindrance with the communications has been throughout the RRF funding that the language used by the EC is very precise and BF has been obliged to use similar terminology in the official guidance documents. However, BF has been successful in clarifying the terms and descriptions in direct customer service situation and in specific events for different stakeholders to market the funding opportunities.

4.4. CUSTOMER FEEDBACK ON THE RRF FUNDING PROCESS

Based on interviews with companies and research organisations, many applicants would have applied for funding for their project even without the RRF. Some even had funding applications already in place, and in those cases, it was BF who decided or initiated that the funding would come through the RRF mechanism. Of the interviewed companies, those who applied RRF funds with their own initiative, were a minority. This phenomenon of channelling projects that BF themselves pre-scanned to most likely pass the RRF criteria, or deciding that selected leading company (veturi)-projects would automatically go through as RRF, most likely made it easier for BF to get the projects running. It should be noted that the design evaluation interviews with the beneficiaries only covered a rather small sample of the funded projects and covered only projects that had received a positive funding decision. Most likely in the coming calls there will be more applicants which specifically apply for RRF funding.

All the interviewed beneficiary organisations regardless of the call they participated in, were very satisfied with BF's actions and support during the application process

and were thankful for the help received from the BF experts. Although BF's support in the funding application process varied from very little to significant sparring, all interviewees were satisfied with the level of service they received. Even applicants who had encountered difficulties in the process, such as new requirements from the EC, interruptions in the application process or long waiting times, were also satisfied with the BF support received. For example, one beneficiary whose application had to be amended several times due to the EC's changing criteria commented: "The process went as well as possible thanks to the skilled spirit of BF".

The applicants mostly agreed that they were given enough guidance and help with the specific RRF criteria. However, there were exceptions especially in the first calls, where the applicants had to find guidance themselves, for example on the EC's technical guidance on DNSH. It was visible that BF did not have all the guidance from the EC and the Ministry of Economic Affairs and Employment during these first calls, which caused some problems in the application process for some of the applicants. Overall,



the applicants understood BF's situation and concluded that the situation was handled as well as possible by BF.

Most of the companies interviewed were existing customers of BF with previously funded projects and thus were already familiar with BF's practices, and only the specific criteria of the RRF funding were for them a new addition to the application process. The level of challenge to meet the specific criteria varied (see more about DNSH criteria in Chapter 5), but overall the new requirements were not regarded as too difficult. According to some views, it might have been even too easy to pass the DNSH criteria to have a sufficient guiding impact in business transition.

With the overall positive feedback from the customers, it should be noted that this design evaluation was done at an early phase of the RRF, and no experiences had been gained yet from the specific reporting obligations of RRF nor there had been cases where the conditional funding decision would have led to the cancellation of funding.



5 IMPLEMENTATION OF THE DNSH CRITERIA

This chapter summarises the main observations and conclusions linked to evaluation questions which address the role of DNSH in RRF:

- How Business Finland and beneficiaries are handling the DNSH (Do no significant harm) criteria?
- Have the DNSH criteria accelerated the beneficiaries to adapt RRP goals in green transition?



Based on interviews with BF coordination network and beneficiary companies and expert analysis of DNSH answers companies provided in their applications for RRF funding, we can make some general conclusions.

- BF's fears of DNSH criteria being a hinderance for getting the RRF funding moving either by increasing the rejection percentage of application (i.e., companies would submit applications for projects that would not be DNSH compliant) or that the number of applications would be smaller since some potential applicants would not submit their application because of DNSH criteria, were unfounded. All interviewed companies felt either neutrally or positively to the DNSH criteria. There was also no indication that there would have been possible applications that were not sent in the first hand due to DNSH. The larger rejection percentages in some calls were due to other RRF criteria or other various factors that had nothing to do with DNSH or RRF criteria.

- It is too early to say whether or not the DNSH criteria has accelerated the green transition. Based on the full analysis, so far, the RRF funding has been going to companies that were already doing activities that were supporting the green transition, instead of going to industries or companies that had not yet done or even started their green transition. That might indicate that the effect of DNSH criteria in this funding had lesser effects in transition. This does not mean that DNSH criteria does not aid green transition, but that they need to be applied in a more wide variety of funding in order to target industries in greater need of green transition.



ALL INTERVIEWED
COMPANIES FELT EITHER
NEUTRALLY OR POSITIVELY
TO THE DNSH CRITERIA.

5.1. BACKGROUND – DNSH AS A PART OF RRF

EU Commission has integrated EU Taxonomy ‘Do no significant harm’ (DNSH) criteria into the RRF funding and has published ‘Technical guidance on the application of “do no significant harm” under the Recovery and Resilience Facility Regulation’ on February 12, 2021¹⁶. This documentation provides the guidelines for the member states to apply the DNSH criteria as part of the national RRF plans and funding, aiming to clarify the meaning of DNSH and how it should be applied in the context of the RRF.

The objective of the integration of the DNSH criteria is to ensure that no measure included in a Recovery and Resilience Plan (RRP) should lead to significant harm to environmental objectives within the meaning of Article 17 of the Taxonomy Regulation (see the six objectives in Table 2).

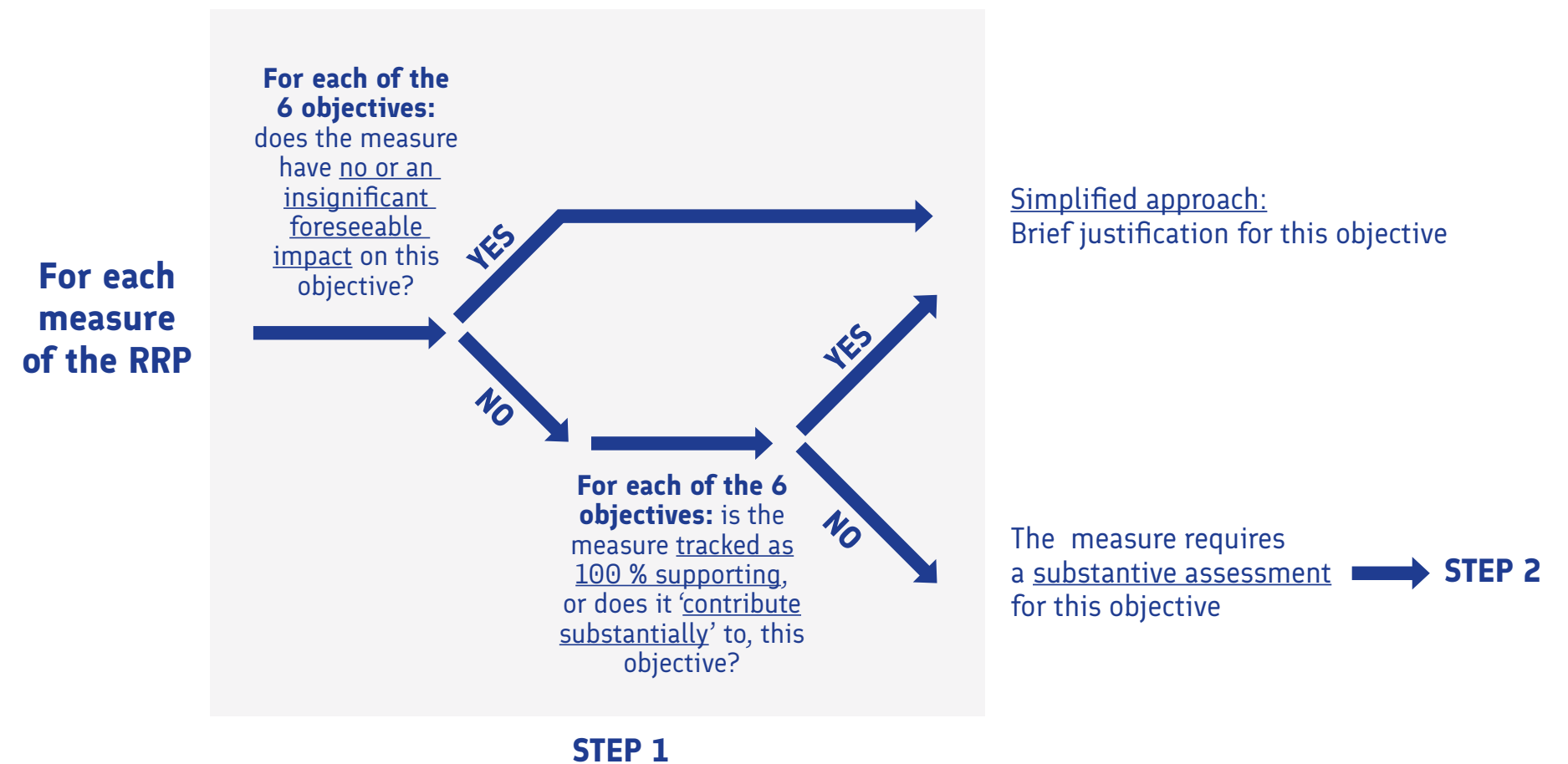


FIGURE 3. DECISION TREE FOR DNSH ASSESSMENT

¹⁶European Commission (2021). Commission Notice. Technical guidance on the application of “do no significant harm” under the Recovery and Resilience Facility Regulation. (2021) 1054 final. 12.2.2021.

Guidance states that the member states need to provide a DNSH assessment and ensure compliance for each and every measure (i.e., each reform and each investment) of their RRP (Article 14 of the RRF Regulation). The Commission has provided a decision tree (Figure 3) to guide the member states in preparing national RRP. Decision tree describes how each measure of the RRP needs to go through DNSH assessment, following either the ‘simplified approach’ or the ‘substantive assessment’, depending on the nature of each measure.

As part of Finland’s Sustainable Growth Programme, Finland has completed a RRP level DNSH assessment for each investment and measure, following the decision tree (Annex III). This analysis ensures that overall, at high level, the national RRP objectives and measures are in line with the DNSH requirements.

The funding of projects under the Finnish RRP is only possible if the projects comply with the “Do No Significant Harm” principle. To ensure that each beneficiary receiving RRF funding fulfils the DNSH requirements, financial beneficiaries are required to complete a DNSH as-

essment as part of applying the RRF funding from Business Finland.

In Finland, the State Treasury has provided a national guidance for public authorities of implementing the DNSH assessment in RRF funding, dated February 9, 2022. The State Treasury is responsible of ensuring that Finland reports on time and with sufficient accuracy to the EU Commission on the fulfilment of the DNSH requirements as part of the RRP. The guidance highlights the importance of integrating the DNSH requirements to the funding calls, processing of the funding applications, when making funding decisions, as well as when monitoring and examining the distributed funding. Each public authority needs to create a solid process which ensures and provides evidence on how the DNSH assessment and the fulfilment of the DNSH requirements are implemented. The guidance also emphasises the need for internal trainings and ensuring sufficient knowledge of the personnel involved in the RRF funding. In July 2022, Finland enforced a new law for RRP monitoring and governance after which the State Treasury has taken into use a new RRP reporting system which will also include DNSH relating monitoring.

“ AS PART OF FINLAND’S SUSTAINABLE GROWTH PROGRAMME, FINLAND HAS COMPLETED A RRP LEVEL DNSH ASSESSMENT FOR EACH INVESTMENT AND MEASURE

The ramp-up phase of using the system takes place in autumn 2022.

The report by the Finnish Environment Institute, SYKE, published in early 2022, presents guidance and methodologies for the DNSH assessment of the funding applications under the Finnish programme for sustainable growth. The developed methods and approaches are designed particularly for investment projects as well as research, development, and innovation projects.

5.2. BUSINESS FINLAND APPROACH ON THE DNSH CRITERIA AND ITS IMPLEMENTATION

Business Finland (BF) has created and implemented its own DNSH guidance to ensure that the DNSH criteria are systematically integrated in its RRF process and that each funding decision passes the DNSH criteria, as required by the EU Commission. The guidance is originally dated November 1, 2021, and the latest update is on April 20, 2022. BF DNSH guidance is comprehensive and follows the guidance and requirements provided by the EU Commission. The guidance follows a two-step approach, where the first step is a high-level analysis of each of the six environmental objectives, and the second step a more detailed analysis of those objectives on points where potential risks are identified in the first step. The BF guidance integrates examples and the more detailed guidance from the Finnish Environment Institute (SYKE) report on the DNSH analysis.

According to its guidance, BF has created a set of DNSH questions that are integrated into the RRF funding application process and each applicant needs to answer to these DNSH questions (see the first step question in Table 2.). The BF funding expert evaluates the responses as part of the funding application evaluation process and based on the answers, whether the DNSH criteria are sufficiently met in the application and documents the assessment into the funding memorandum system.

Please indicate which of the environmental objectives below require a substantive DNSH assessment of the measure	Yes	No	Justification if 'No' has been selected
Climate change mitigation			
Climate change adaptation			
The sustainable use and protection of water and marine resources			
The circular economy, including waste prevention and recycling			
Pollution prevention and control to air, water or land			
The protection and restoration of biodiversity and ecosystems			

TABLE 2. DNSH QUESTIONNAIRE WITH THE SIX DNSH OBJECTIVES

¹⁸ Laki Euroopan unionin elpymis- ja palautumistukivälineen hallinnoinnista, valvonnasta ja tarkastuksesta 537/2022 <https://www.finlex.fi/fi/laki/alkup/2022/20220537>

¹⁹ Forsius et al., (2022). Implementation of the DNSH principle for measures set out in Finland's recovery and resilience plan. Reports of the Finnish Environment Institute 3en/2022.

²⁰ Ei merkittävää haittaa -periaatteen (DNSH) soveltaminen esitysvaiheessa (BF/3/910/2020)

The DNSH criteria and the subsequent focus on environmental considerations have been brought in as a new element to the BF funding normal criteria. Until now the evaluation process has focused more on looking at the financial information and environmental impacts have not been systematically included in the analysis. Based on the interviews, BF has succeeded well in integrating the DNSH criteria into funding process. Overall, the reaction and attitudes towards the inclusion of the DNSH criteria have been positive within BF. It was seen welcoming that the criteria and their underlying objectives of ensuring that the funding does not harm the environment are considered in the funding process alongside of the economic factors. The experts see them as an important element of the funding criteria also in the future.

BF had to build its approach, processes, and guidance for the DNSH implementation mostly by its own already in 2021 when the first calls were launched, without support or collaboration with other stakeholders, and in time constrain to meet the tight schedule of launching the RRF funding. This was considered a challenge since the DNSH

framework was seen complex and no clear guidance or benchmark were available at the time. The guidance was then approved by the Ministry of Economic Affairs and Employment. Overall, the sentiment in the interviews was that more support and guidance from the EU Commission and the Ministry of Economic Affairs and Employment on how to start implementing the DNSH criteria would have been appreciated at the early phases of RRF funding.

At the start of the RRF funding, BF had concerns whether the DNHS criteria will be seen as an unnecessary extra burden by the applicants. To manage this risk, the positive side of the green transition and the role of the DNSH criteria in building competitive advantage were highlighted in the stakeholder communications. In the end, the DNSH criteria have been well taken by the applicants: overall the reactions have been neutral or even positive towards the criteria, and no particular strong negative reactions have been received.

Also, the company interviews confirm that the reactions and feedback on the DNSH criteria are positive. Overall,

“ IN THE END, THE DNSH CRITERIA HAVE BEEN WELL TAKEN BY THE APPLICANTS.

the integration of environmental factors to the funding criteria is seen as a logical step forward that was well managed by BF as part of the RRF funding. Answering to the DNSH questions was considered easy without causing unreasonable burden or challenges. Especially larger companies were already well familiar with the EU Taxonomy and the DNSH criteria, and they were well prepared to answer the questions. For smaller companies, the DNSH criteria were mostly a new element to consider but based on the interviews, this did not cause big challenges. Overall, both large and small companies that received positive RRF funding decisions consider that their

business model and strategy already is strongly aligned with the green transition and for this reason, answering to the DNSN criteria was seen easy. As RRF funding tends to attract environmentally minded business with positive impact objectives, also the DNSH criteria were seen easy to fulfil. Thus, the question remains, whether the DNSH criteria would have caused more challenges to still yet less environmentally minded businesses. Many interviewed companies were also using external advisors or consultants to help them to answer the DNSH criteria. Thus, another question that remains is, whether this can lead to situations where the company actually itself is not so well aware of the criteria at all.

BF applies the DNSH criteria to all the RRF funded projects. The implementation of this is challenging since the BF's RRF funding is composed of several calls and large amount of projects, which are very different by their nature, size, and environmental impacts. The size of the funding ranges from tens of thousands to tens of millions euros.

Also, large part of the funding targets R&D activities, where the analysis of environmental harm might be very challenging and vague. Applying DNSH criteria in all RRF funding through the same process significantly raises the administrative burden and costs of the DNSH integration. Some interviewees raised the concern whether it is necessary to perform DNSH analysis for each individual application or could the analysis be made at a program/call level like was done in some other European countries. It was also mentioned that when deciding on the use of money, it would make sense from DNSH perspective to target smaller group of larger investments, instead of large group of smaller investments. Overall, DNSH analysis is the most relevant for investments targeting industrial business (e.g. plant investments), whereas for digital R&D projects it is much less relevant. In the future, it would be good to evaluate the need to adjust the DNSH analysis according to the targeted investment.



5.3. IDENTIFIED DEVELOPMENT AREAS IN THE DNSH ANALYSIS

Design evaluation was requested to identify also areas for improvement. Some development areas were identified regarding the DNSH integration in order for it to accelerate the green transition. First, the DNSH questions are at very high-level and do not necessarily lead to enough accurate answers from the applicants. The current questions utilised in the DNSH questionnaire come directly from the EU regulation which does not provide sufficient details to fully ensure that the applicants answer the right matters. To ensure efficient and accurate DNSH analysis, it is important to implement such DNSH questions that cover comprehensively the different environmental objectives and potential areas for environmental harm. This would also further help the applicants to understand the nature and objectives of the DNSH criteria.

Second, the question concerning the environmental objective no. 2: “Climate change adaptation” has been to some extent challenging for BF. It is recommended that BF ensures that its funding criteria and evaluation are aligned for this specific environmental objective. DNSH

criteria for climate change adaptation requires that the financial recipient itself is resilient for changing climate and has assessed potential physical climate risks, e.g., extreme weather events such as drought, storms, floods. This is explained and included in BF own DNHS guidance. However, the questions in the BF DNSH questionnaire do not emphasize this point of view, which has led companies to insufficiently answer to their alignment with the objective. This has led to a situation where both the customers answer to wrong questions and BF potentially analyses wrong issues. Based on the interviews, this has been the most challenging environmental objective. Also, the Finnish Environment Institute (SYKE) report provides insufficient guidance for this area, so it would be recommended to coordinate more broadly nationally how the environmental objective 2 should be evaluated. BF has required from some companies that they will need to complete a physical climate risk assessment to get the funding. However, based on the information the evaluation team has received, there is no follow up if the financial recipient has actually performed the assessment.



IT IS IMPORTANT TO IMPLEMENT SUCH DNSH QUESTIONS THAT COVER THE DIFFERENT ENVIRONMENTAL OBJECTIVES AND POTENTIAL AREAS FOR ENVIRONMENTAL HARM.

Third, BF does the funding decision based on the evaluation and information available at the time of the funding. There are no monitoring or follow-up systems in place to ensure that DNSH criteria is met later on the project timeline. In some larger industrial cases, BF has tied the DNSH analysis with the environmental permit. The funding decision is made based on the current plans and information available at the design phase of the activity. At this point, the environmental impacts are not necessarily known at sufficient level. To ensure that DNSH analysis is met, it would be important to build a process for

a systematic follow up. Currently, BF has built a process to gather the information from the financial recipients and analyse it based on the information available at that point of time. However, based on the information gathered over the design evaluation, there is not yet systematic process in place to check and maintain control how things actually end up and what kind of environmental impacts are caused by the activity. At the national level State Treasury has the responsibility in setting up the auditing and control mechanisms for following the use of RRF including also the fulfilment of DNSH criteria in funding decisions.

Fourth, DNSH analysis should focus on the negative environmental impacts. In many cases, companies highlight the positive impact of their solution when answering to DNSH questionnaire. BF could emphasize more that the focus of DNSH analysis is purely to understand the potential environmental harm caused by the activity. Companies are very eager to highlight

the positive impact and handprint, but DNSH analysis should not be the right place for this. Also, in some cases of the BF's own DNSH analysis and judgments, the reasoning focused too much on the positive side instead of the negative side. Evaluating the negative harm requires strong expertise from BF side and knowledge to challenge customer's views and information provided. It was highlighted that continuous training of BF experts is needed.

Finally, EU Taxonomy includes activity specific DNSH criteria. Currently these are not integrated in the DNSH analysis. In the future, to align DNSH analysis with the EU Taxonomy, it is recommended to identify EU Taxonomy activities (eligibility) and check if activity specific DNSH criteria is relevant. For some activities, the activity specific DNSH criteria provides more detailed criteria compared to general high-level criteria.

Summary of DNSH implementation in RRF Funding

Table 3 presents key requirements based on the State Treasury DNSH guidance and a summary of the BF approach and performance for each requirement.

Requirements for Business Finland from the State Treasury DNSH guidance	Evaluation of the Business Finland performance
BF needs to ensure knowledge and skills of its personnel involved in RRF funding applications process	Yes. BF has organised DNSH trainings for employees at the start of the RRF Funding. The personnel involved in the RRF funding are provided guidance and training to ensure sufficient knowledge. However, this view was not unanimous and some further training would be appreciated.
BF needs to provide guidance for applicants and integrate DNSH information in the funding calls	Yes. Based on the interviews, applicants have received sufficient support and information. BF has integrated the DNSH specific information as part of public information sessions of each RRF call and there is information available at the website. BF experts have provided DNSH specific support for applicants based on their needs.
BF needs to integrate the DNSH requirements into the application process and require the applicants to answer each DNSH questions with sufficient justifications	Yes. The DNSH questionnaire is integrated into the application process and each applicant needs to answer the questions and provide sufficient justifications.
If the simplified process is not enough, each applicant needs to provide more detailed justifications	Yes. BF has applied a two-step approach. However, based on the data analysed in this work for the funding decisions made by the time of evaluation (April 2022), customers have only answered to level 1. questions and level 2. answers do not exist.
BF needs to review the applicants' answers and clearly document its own justifications on funding decision documentation or separate memo	Yes. BF has documented its own analysis and justifications for each application.
BF needs to store DNSH information in data systems, and provide information to the State Treasury	Yes. BF stores all DNSH answers and justifications in the funding evaluation system.
BF needs to take notice of the EU Commission DNSH exclusion list	Yes. The DNSH exclusion list is part of the analysis.

TABLE 3. SUMMARY OF THE BF'S APPROACH AND PERFORMANCE TO FULFIL THE STATE TREASURY DNSH GUIDANCE

6 REACHING THE GOALS OF THE RRP

This chapter summarises the main observations and conclusions related to the two main evaluation questions for the next steps in implementing BF's RRF:

- Based on the BF funded portfolio of R&D projects and other activities, how well do they fulfill the goals of Sustainable Growth Programme for Finland?
- What kind of interventions should still be carried out so that the results and impacts are sufficient when compared to these goals?



The overall conclusion at the time of the execution of the design evaluation is that BF's RRF funding has progressed as planned and is well following the RRP - Sustainable Growth Programme for Finland. However, the main challenge for reaching overall goals of the RRP is the general fragmentation of the RRP, which is mostly beyond BF's own decision making. A more detailed analysis on reaching the goals of the RRP is summarized in the following sections from the points of view of 1) the promotion of sustainable growth, 2) use of RRF as a tool for recovery and resilience, and 3) making a risk assessment of BF's RRF against the risk analysis done in the beginning as a part of BF's RRF plan and amended with the observations from the design evaluation.

The main recommendations are summarised in Chapter 8. It should be noted that information for this design evaluation was gathered in spring 2022 when many of the calls were on the planning stage. Thus, for example, the conducted company interviews, are not covering all the sectors to be covered by RRF. Also, the overall contribution of BF's RRF focus on pillars 1 and 2 (green transition and digitalisation) of RRP and do not cover the Finnish RRP as a whole. Furthermore, the budget cuts of the RRF will affect the remaining operations at BF. The final decisions on those will be done over autumn 2022.



6.1. SUSTAINABLE GROWTH FOR FINLAND

Finland is among the few EU member states that have emphasised using the RRF for RDI funding and this funding is mostly allocated through BF. This has been a political decision and over the longer run provides a basis for sustainable growth for an export driven small economy like Finland. This decision is also in line with the Finnish strategic goal to get RDI investments up to the 4% level of GDP and is in line with BF's main missions as enforced by law and steered by Ministry of Economic Affairs and Employment. Based on the interviews, it has also been assessed overall to be highly positive that BF was able to initiate the calls and make funding decisions relatively quickly since they were able to use their existing instrumentation. The focus on RDI activities imposes, however, few special characteristics that should be taken into account in assessing the impacts of the BF's RRF funding.

First, RDI funding aims to strengthen the innovation system and results in changes in the innovation behaviour and helps to remove market imperfections. Large share of the BF's RRF is directed to building networks and innovation ecosystems, strengthening research infrastructures, and on financing research projects with a low technical readiness level. The green transition impacts from these projects are, however, indirect, complex, and take a long time to materialise. Concrete impacts on reaching, e.g., the climate targets require that the solutions would be in use which takes years beyond the closing dates of the projects. Thus, the impact assessment of the BF RRF should be focused clearly on the additionality of the funding for the innovation system development as is elaborated in Chapter 7. The maximal societal impact from RRF requires clear external communication and careful consideration to fulfil criteria set by the EC for Finnish RRF in order for citizens to understand the benefits and Finnish society getting the maximum payment from the EC.

Second, request of international growth and export prospects are among the basic funding criteria for the BF projects, and this applies also for the RRF funded projects. Thus, many of the green transition related impacts, such as CO₂ reduction from new solutions, will realise outside Finland. This should be taken into consideration when reporting and communicating externally on the short-term results from the RRF over the RRF reporting period. The biggest potential direct impacts in Finland can be attributed to the larger investment projects. It should be noted, however, that for the larger industrial investments the RRF funding is only part of the total investments. Construction phases may take a long time and there remains uncertainties related to getting further investment funding needed or getting the environmental permits. These features again lead to long time frames for concrete societal impacts to materialise.



BOX 1. RRF FUNDING SPEEDING UP THE SUSTAINABLE TEXTILE INDUSTRY IN FINLAND

The sustainable textile industry and circularity of textiles is an area where Finland has good possibilities to further develop a strong ecosystem together with the forest industry, especially when at the same time new regulations for textile waste are being implemented in the EU. It is estimated that by 2035 over one billion euros will be invested and 17 000 new jobs will be created in Finland around textile and fashion industry²¹. The RRF mechanism has helped to boost this by positive fundings decisions for an investment funding for a textile factory that the Infinited Fiber Company is planning to build in Kemi²², and for co-innovation projects that are part of the Telavalue²³ ecosystem.

Telavalue is an example of an ecosystem on a new growth area with significant growth potential both in Finland

and globally. One of the goals of the Telavalue ecosystem is to increase the capacity of Finland and the Finnish actors to meet the stricter EU legislation on textile waste regulations under development and as such to support the actors to be market leaders in the field.

The Telavalue ecosystem consists of six company driven projects and one public funded project whose research partners are VTT, Turku University of Applied Sciences and the LAB University of Applied Sciences along with 17 companies and other organisations. The Tela-value project implements the roadmap (called Telaketju) and links it to the other road maps such as ExpandFibre and the “Finland's responsible and knowledge-based textile industry”. Some companies within the ecosystem, and the coordinator of the ecosystem VTT, have their separate

RRF projects and VTT has supported all the individual project applications to support the cluster work in this regard. Altogether nine Telavalue projects that range from 150 000 € to over 800 000 € have received RRF funding. The biggest project is by VTT for the coordination of the whole consortium but also for individual work packages within the project.

Together the RRF funding given for the Infinited Fiber Company and the Telavalue ecosystem increases Finland's capabilities to build sustainable and circular textile industry.

²¹ Kamppuri et al., (2021). Finland as a forerunner in sustainable and knowledge-based textile industry – Roadmap for 2035. VTT Technical Research Centre of Finland. VTT Research Report No. VTT-R-00684-21. UUSI

²² Infinited Fiber Company (2022). Infinited Fiber picks site of shut paper plant in Finnish Lapland for its planned EUR 400 million textile fiber factory investment. Press release. 20.6.2022.

²³ VTT Technical Research Centre of Finland (2022). Kestävä tekstiiliteollisuus Suomeen bio- ja kierrätyskui-duilla. Press release. 6.4.2022. UUSI

The export potential criterion for funding was criticised in some of the interviews. Especially for the sectors which need most support for recovery such as travel and tourism and creative industries the criterion is hard to fulfil. For these companies the recovery takes place in home markets and the main business strategy is often not international growth. Besides these industries, some universities involved in co-innovation also find the export requirements fundamentally incompatible with their work since innovation especially between research organisations is not immediately commercialized. Also, it was discussed that in order to reach the objectives for green transition and digitalization, the cities and public organisations have often an important role in implementation and should be involved. For example, the regional travel and tourism promotion organisations were often mentioned. These organisations are not eligible for BF funding but are linked to the RRP through other actions and development programmes of other ministries. The coordination and alignment of the BF project portfolio with other actions of RRP is important.

Overall, several interviewees noted that the Finnish RRP is quite fragmented. Green transition as an overall umbrella term was highlighted both in company and BF interviews to be too ambiguous. The calls that have had a clear content specific focus have been assessed to be more successful and easier also for the applicants to react to. The subareas of the green transition that BF calls cover are summarised in Figure 4.

“The measures supported by the RRF should contribute to the green transition, including biodiversity. Member States have put forward reforms and investments in green technologies and capacities, including in sustainable mobility, energy efficiency, renewable energy, climate change adaptation, circular economy, and biodiversity.”

Relevant sub-areas for green transition solutions supported by BF with RRF:

- Hydrogen economy (P-to-X solutions, carbon capture)
- Circular economy
- Energy efficiency (industrial solutions)
- New energy technologies (broad category)
- Low-carbon built environment
- Sustainable and low-carbon travel and tourism
- High value-added bio products (mentioned under Pilar 1)
- Low-carbon transport and logistics (although no targeted calls and not BF responsibility)

“ SEVERAL INTERVIEWEES NOTED THAT THE FINNISH RRP IS QUITE FRAGMENTED.

FIGURE 4. GREEN TRANSITION AREAS COVERED BY BF’S RRF



In the interviews it was speculated whether the impact of RRF would have been bigger with a more focused allocation of funding to fewer subareas and with a closer streamlining of all RRP actions. It was noted that BF personnel themselves do not have an overview of all RRF funding streams beyond BF's own operations. Overall success of the RRP will depend also on the various regulatory actions supporting green transition which are not under BF's mandate. As described in Chapter 4, most of the BF's RRF beneficiaries were old customers of BF and many of the projects had been under preparation already before the start of RRF. BF had often suggested that the project should apply funding from a specific RRF call that the company or the project fits well with. In order to have an efficient and speedy allocation of funding, this has been a necessary choice. It can, however, be questioned whether this has been the most impactful tactic to stimulate green transition if the funding has been allocated to those companies which are already at the frontier of the green transition.

The project portfolio at the time of the design evaluation is rather fragmented with respect to pillar 2 goals for digitalization and there has not been targeted calls to this pillar to the same extent as with the pillar 1 on green transition. Within large companies the digitalisation is embedded to all of their businesses and these aspects are thus integrated into projects which have the main objectives in some areas of green transition goals. When looking at the portfolio of funded projects for creative industries, it can be seen that a large share of projects has focused on developing different digital solutions (see Box 2). It can be questioned, however, whether these projects have been large enough or targeted in a way that that they would create real renewal of business impact for the companies or the industry as a whole. Overall, a general assessment of the BF's RRF project portfolio with respect to the impacts on digitalisation as a source of business renewal was not yet conducted as a part of the design evaluation but would need some special attention over the remaining RRF period. An important note is that



DIGITALISATION SHOULD BE CONNECTED TO GREEN TRANSITION TO GUARANTEE LARGER IMPACT.

in the way pillars 1 and 2 are defined, the digitalisation does not need to be connected to green transition. From the point of view of creating larger impact it could be beneficial to highlight the connection where digitalisation is embedded with green transition and business renewal. The on-going call of “sustainable growth and digitalisation in tourism sector” is an example of the targeted call where the digitalisation should be clearly linked with the green transitions calls. One example of this is the carbon calculator that BF has developed for the use of whole travel industry and that successfully links digitalisation to green transition.

BOX 2. CREATIVE INDUSTRY PROJECTS DEVELOPING DIGITAL PLATFORMS

Out of 36 funded projects (by June 15, 2022) for creative industries at least 15 are linked to digitalisation or virtual reality events. Another category of projects that are at least partly linked to digitalisation, develop sales tools for both B2B sales and ticket sales for customers. Most companies implementing digitalization projects seem to be either event organising companies or video/multimedia creators and to lesser extent various agencies that represent other creators like writers or performers.

Based on the analysis of the public descriptions and project names of the funded projects, it can be concluded that the projects do not deal with green transition but are more linked to boosting sales and

creating new revenue with new digital tools for creating events or content or selling tickets. In some project descriptions the connection between digitalization and green transition is made, but only in the realm of saving paper or automating some steps in previously manual process.

Like all other (apart from one) funded creative industry projects, the digitalization and virtual reality projects are very small, with a maximum funding of 50 000 € per project and some even as small as 16 000 €. Apart from one, all funded companies are either small or micro companies.

6.2. RRF AS A TOOL FOR RECOVERY AND RESILIENCE

As described in Chapter 6.1., RRF funding focuses more on the resilience related aspects to stimulate development, create new solutions and enhance innovation capabilities and the recovery aspects have a smaller weight. Exceptions were the creative industries and tourism sectors which have had the most urgent need for recovery funding. These customers are not typical BF customers and also are not used to or cannot fulfil BF's basic funding criteria. As described in Chapter 4, the calls targeted to these sectors have had larger share of applications with rejections. When reviewing the tentative project portfolio in the calls of creative industries and travel, it can be asked whether the proposed projects are aiming at building the innovation capabilities of these sectors in an optimal manner. Projects are small and the synergies or connections between them or potentially with other calls seem thin. Potential longer term impacts are at risk to remain small. Stronger focus with these sectors on

strengthening innovation ecosystems would be beneficial (see example in box 3).

The applicants from the sectors in most need of recovery support also more often confused the RRF call with the previous call for disruptive funding that many of these companies had also applied for and received. Even with the confusion between the role of these two different types of funding, the previous disruptive funding has created a new customer base for BF, which, due to RRF funding, can develop to a more permanent customer base. BF has been clearly communicating that these two types of funding have different roles and BF has been successful in general preventing any confusion. BF could never the less consider in the future how to further stimulate and activate the recipients of the disruption funding to invest into innovation capabilities.



THERE WAS NO CONFUSION BETWEEN DISRUPTIVE FUNDING AND RRF.

BOX 3. VETURI (LEADING COMPANIES) PROGRAMME AND CO-INNOVATION PROJECTS AS THE MEANS TO DEVELOP INNOVATION ECOSYSTEMS

BF has funded in the recent years 12 so called leading company roadmap projects called veturi, out of which five have received 20 M€ each of the RRF funding. All these roadmap projects are marked as research, innovation, and piloting and most of these focus on developing proof of concepts with this funding as part of a larger project. Interviewed veturi companies emphasized that the role of the RRF funding, even though significant, is still rather small compared to the companies' overall innovation budget. They also highlighted that the time frame for the RRF projects is too small for any significant changes or impact to be visible. Their main expectation for impact from the RRF funding is the increased capacity to continue development at a higher risk level. In many of these cases, it was BF that had suggested the veturi project proposals to be linked to the RRF funding, a decision

that was done in the very beginning of the RRF period to have a quick start for the funding decisions. Overall, the link between green transition and the funded veturi roadmap projects seems adequate since the projects aim at inducing significant changes in the global markets in the long- or mid-term.

Connected to these company driven veturi roadmap projects, a set of so called veturi co-innovation projects were funded from the RRF funding. Ten of these co-innovation projects are joint projects between several participants, including universities and other research organisations as well as the veturi leading companies themselves. Some of these RRF funded co-innovation projects, like MASCOT²⁴ are linked to a RRF funded veturi roadmap project, when at the same time there are also some RRF funded co-innovation projects, like IFORGE,

that are linked to such veturi roadmap projects, like the ABB's veturi²⁵, which have not received RRF funding.

The fact that not all veturi-linked RRF funded co-innovation projects are connected to such veturi roadmap projects that again would be RRF funded, creates a potential challenge in measuring the RRF impact. The impact of the veturi-linked co-innovation projects is created as part of the veturi leadership roadmap project entity and not as separate projects. Thus their impact will be looked at when the BF veturi programme or role of BF's funding in developing innovation ecosystems as a whole is being evaluated (BF has commissioned an evaluation related to innovation ecosystem development which will be finalised over autumn 2022), and not as part of the RRF funding evaluation separately.

²⁴ VTT Technical Research Centre of Finland (2022). Hiilineutraalien prosessien materiaalitutkimus sai mer-kittävän tutkimus- ja kehitysrahoituksen Business Finlandilta. Press release. 16.5.2022.

²⁵ Aalto University (n.d.). Kumppanuusmalli – IFORGE Aalto Yliopisto. Website, available at: <https://research.aalto.fi/fi/projects/ict-for-resilient-green-electrification>.

When most of the RRF funding beneficiaries have been old customers to BF and BF often suggested the placement of the application to the RRF call, the additionality of the RRF funding can to some extent be questioned. It is partly too early to say what are the implications of the RRF to BF funding as a whole and to the Finnish innovation system. When the RRF has been successful in attracting a large share of BF's existing customers with high quality projects, will the demand for the innovation funding diminish in general over the coming next years due to saturation or on the contrary increase when the projects proceed to next phases? When the RRF funding scheme is finished, will there be enough political interest in Finland to continue with public funding for the follow-up of the projects since the projects will inevitably need further funding to reach maturity and to create the wanted business impacts?

The investment funding instruments used in as part of the RRF scheme were new to BF as funding instruments.

Overall, this direction of BF's operations was welcomed by the customers. The impacts of large investments to, e.g., piloting plants, are direct and focus also on creating impacts in Finland. It should be noted, however, that RRF forms only a part of the overall investments needed to reach the foreseen business goals. In few interviews it was highlighted that the positive funding decisions within the RRF scheme helped to justify internal investment decisions alongside and also was a positive sign to other investors. It was noted that in the Finnish public funding system there is a gap for the type of investment funding that RRF has partly fulfilled. This has also been noted in other studies like in the recent report of the Ministry of Economic Affairs and Employment on Green Financing²⁶. The link from the RRF funded investments to other investors such as the Climate Fund should be kept strong for longer term impacts to materialise.



²⁶Ministry of Economic Affairs and Employment of Finland (2022). Report evaluates green transition funding as part of growth policy. Press Release 23.6.2022. <https://tem.fi/-/raportti-arvioi-vihrean-siirryman-rahoitusta-kasvupolitiikan-osana>

6.3. RISK ASSESSMENT OF BF'S RRF

BF's RRF project plan following the Sisu project model included also a risk assessment and identification of mitigation measures. This section summarises some of those risks and compliments the original assessment with some new ones identified during the design evaluation (see Table 4).

One of the highlighted risks was the capacity and capabilities of BF to manage the large fund-ing programme over the short time period. This risk has not been materialised. Based on the material of the design evaluation and as elaborated in Chapter 4, BF has been able to manage and distribute funds efficiently and with good customer satisfaction level.

Demand for funding has been high and funding decisions have been done as anticipated. However, based on the project portfolio analysis as part of this design evaluation, the amount of new customers that BF has received as part of the RRF has not been at the anticipated level.

The anticipated DNSH assessment related risks have not materialized. For example, the customers have seen the DNSH requirement as a positive feature, and the requirement does not seem to have prevented any funding applications. It seems, however, that this new element in funding has not stimulated the green transition to the extent that was expected since many of the funded companies have already been well prepared to fulfil the criteria and the transitions has thus been already initiated before the funding, or they have used outside consultation to fulfil the criteria without themselves experiencing a learning curve in the matter.

Overall, BF has not experienced negative publicity related to the RRF funding distribution and the external communication has been at a very good level. However, the risks related to publicity and communication should not be overlooked towards the end of the RRF period. Justification for public RDI funding requires continuous external communication since the societal impacts can be

seen only after a long time and the fragmentation of the RRF may result in arguments demanding for more visible results than overall expected to be achieved. Serious frauds and misuses of the funding are always possible and when within the RRF funding the funded project volumes in some cases have been particularly large, extra attention needs to be given to auditing the use of the funds. Also, the recent decisions to cut Finland's RRF funding might reignite negative public discourse leading extra attention needs in external communications.

One of the most potential risks in the RRF implementation is that the customers neglect the tight timeline set for the use of the funds. For most of the old BF customers negotiable project timeline extensions are state-of-the-art. With the RRF this will not be the case even if many of the projects most likely will face some delays. For example, in the funded investment projects this may be due to, e.g., delays with environmental permitting processes, something that the customer might have very little

influence upon. Based on the interviews it seems that the tight timeline as a special character of the RRF funding has not been fully realized. Also, from the societal impacts point of view, it might be wise to start planning how the public funding will support the follow-ups from the from the RRF funded project portfolio after the funding scheme has ended in order to mitigate risks of the projects ending before new innovations reach maturity.

RISKS	STATUS (AS OF MAY 2022)
Capacity and capabilities of BF to manage the RRF (risks related to personnel and management of large project in the original project plan)	This risk has not been materialized. BF has been able to manage and distribute funds efficiently and with good customer satisfaction level.
Demand for funding (BF brand and reputation in the original project plan)	Demand for funding has been high and funding decisions have been made as anticipated. However, the amount of new customers for BF has not been at the anticipated level.
Negative implications of the DNSH criteria – increased burden or even preventing applying for funding	These risks have not materialized. It seems to be, however, that this new element in funding has not stimulated the green transition to the extent that was expected.
Negative publicity (BF brand and reputation in the original project plan)	There has not been negative publicity and the external communication has been at a very good level. This risk should not, however, be overlooked towards the end of the RRF period.
Tight timeline for finalizing the projects	Potential risk for the last years of RRF implementation is the customers' neglect of the tight timeline of RRF.

TABLE 4. SUMMARY OF THE RISK ASSESSMENT OF THE BF'S RRF

7 BUSINESS FINLAND'S IMPACT MODEL AND KPIS FOR MONITORING PROGRESS WITH RRP

Business Finland has prepared a separate evaluation plan for BF's RRF as part of the project plan. Evaluation plan was prepared at an early stage of the RRP planning in spring 2021 when the detailed national RRP was not yet approved. One of the objectives of the design evaluation was to provide recommendations to update the evaluation plan.



Evaluation team has provided separately some detailed comments and modification suggestions to the plan. This chapter summarises some of the main conclusions related to the impact model built for RRF and on monitoring the progress. Recommendations related to the planning of the forthcoming evaluations are summarised in Chapter 8.

7.1. BUSINESS FINLAND'S RRF IMPACT MODEL

Business Finland has a long history of using impact models for its programmes and funding services. Typically impact models have been used for clarifying the intervention logic of an innovation programme or funding service following a linear impact pathway thinking from inputs to activities, outputs, outcomes and long-term impacts. It is, however, clearly noted that in the complex field of innovation funding the impacts are not created in a linear manner and the impacts are created over a

long timeframe which makes it often challenging to track the additionality of the public funding. Key benefit from the impact models is to clearly highlight the different components the innovation funding is creating among innovation actors enhancing their innovation capabilities.

The latest BF's general impact model has been linked more strongly to BF's new strategy²⁷. It provides an overall framework for BF to report its achievements and impacts in society. The aim is to have more detailed instrument specific impact models that are then linked with the general BF's impact model at a strategic level. The impact model for BF's RRF can thus be independent from other impact models BF is using for its operations, but for the communication purposes the link with BF's main mission and strategic goals should be clear.

RRF has some special characteristics that make its impact assessment different from other BF's large innovation funding programmes and instruments. RRF is tightly linked to national RRP and not just BF's own responsibility to plan and execute. The objectives of RRP are broader

than BF's own mandate which makes it challenging to isolate the BF's RRF impacts in relation to advancing RRP objectives. One challenge is that there does not exist a more generic RRP impact model that BF could have linked its RRF part into. BF needs, however, impact model for RRF for its own reporting purposes, for planning the evaluations, and for supporting external communication.

Based on the discussions with BF coordination group members, interviews, and evaluation team's internal work, the general BF's RRF impact model as presented in the RRF's evaluation plan was slightly modified (see Figure 5). The main changes compared to the one presented in the BF's RRF plan were the following.

- ✓ The division between BF's activities and broader Finnish RRP actions and objectives is made more clear. BF's focus is on their own part of RRF and on direct results and outcomes of that.
- ✓ Green transition is streamlined to be an umbrella term for all topical areas – calls provide a basis for more detailed analysis on the green transition

²⁷Business Finland (n.d.) Business Finland Strategy. Finland Defining the Future- Our strategy for 2025. Website, available at: <https://www.businessfinland.fi/en/for-finnish-customers/strategy>

sub-areas (see the list in Figure 4). These (or a similar list) should also be the basis for project final reporting requests to get deeper insight of the potential impacts from the projects.

- ✓ Target groups are added. There are special target groups like the industries in most need for a recovery support and the coverage of them and what is already covered by calls should be clearly highlighted.
- ✓ The titles and the content are streamlined as much as possible with BF’s general impact model so that the linkages between these are easy to communicate.

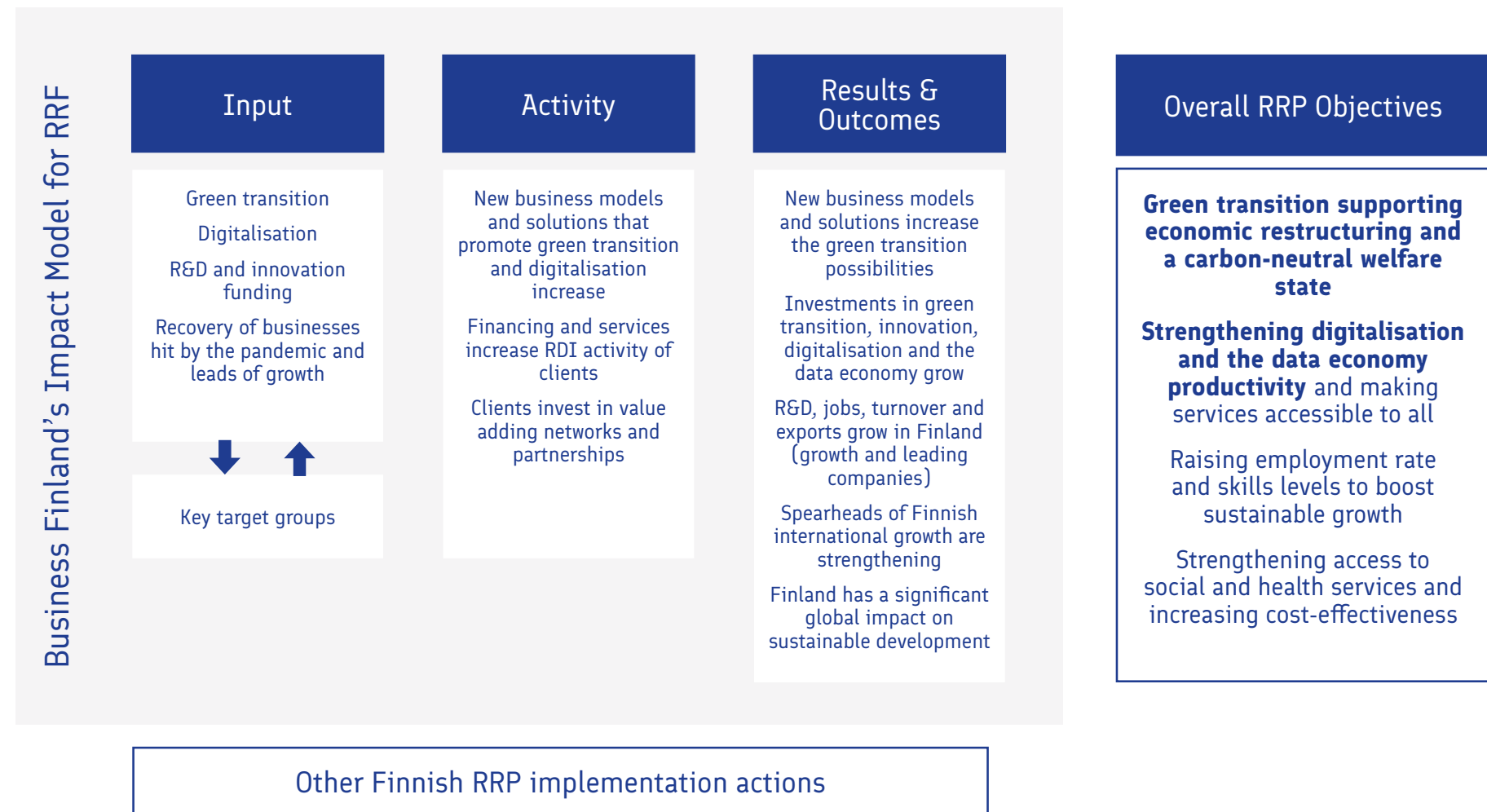


FIGURE 5. MODIFIED BF’S RRF IMPACT MODEL

7.2. MONITORING PROCESSES AND INDICATORS

The monitoring of the RRF has multiple layers as described in Chapter 2.3.

One of the evaluation questions was to assess whether the indicator set collected for the RRP and reported to the EC would provide sufficient information to mentor projects and to analyse their prerequisites to reach their goals. Here the conclusion is that the common RRP indicator set is not sufficient alone for BF. Main bottleneck is that the common RRP indicators focus on final societal impacts that result from the input such as RRF or regulative actions. These types of indicators would be sufficient if the RRP actions would be direct ones like direct energy efficiency investment support for households or building up charging stations. In the case of RDI support, BF also needs indicators and monitoring that focus on innovation activities and on direct outputs from the projects. Figure 6 illustrates this challenge.

Finland has national reporting obligations of the implementation of the RRP. Business Finland has responsibilities to report on a set of indicators as allocated

to BF by the Ministry of Economic Affairs and Employment. Most of these are directly collected from the funding applications in the calls and indicate the number and size of companies that have received funding. Few are linked to final impacts from the projects that will need input from the project final reporting (e.g., additional capacity installed for renewable energy measured by MWh). At the time of finalising the design evaluation report, the State Treasury coordinated information collection system is being taken into use for this information collection.

These few national indicators that require information from the final impacts from the projects as well as the BF's own information needs described in the impact model can be fulfilled only through a RRF specific final project reporting. Project specific final reporting needs to cover types of business models and solutions developed, maturity of the solutions and types of RDI activities, and connections to ecosystems that were the priorities for BF's RRF.

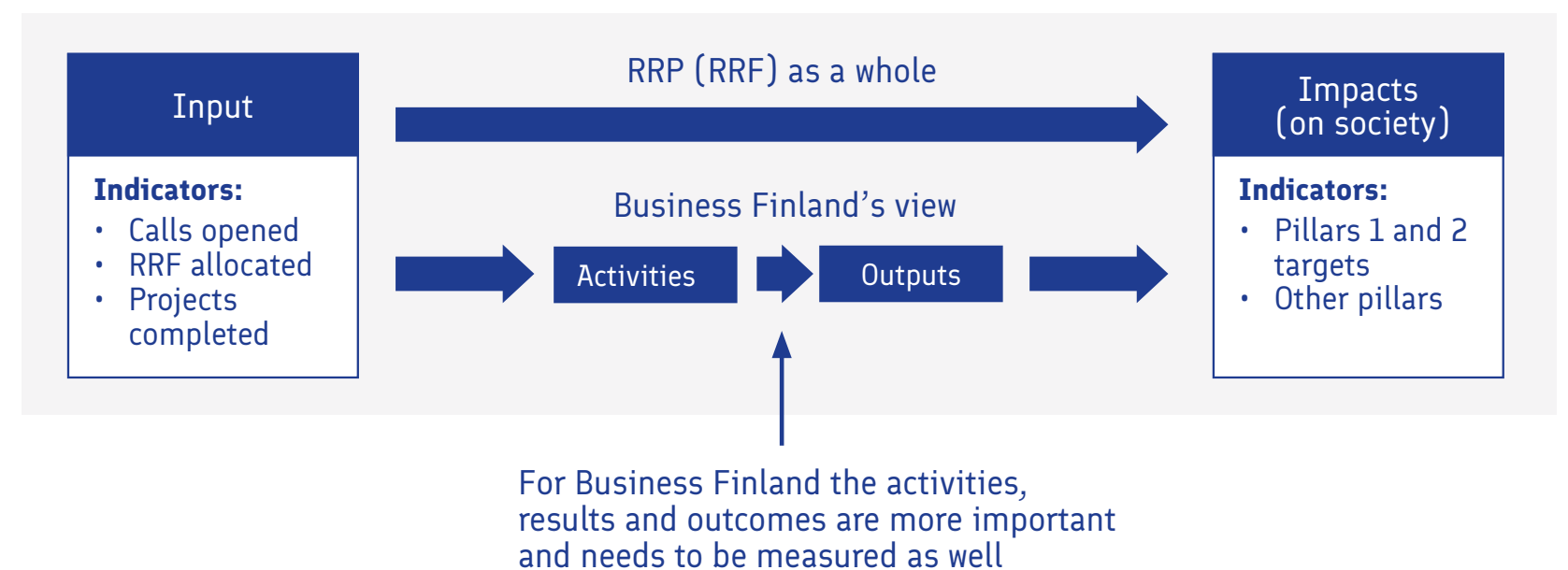


FIGURE 6. OVERVIEW OF THE MONITORING AND INDICATOR DIFFERENCE BETWEEN RRP AS A WHOLE AND BF'S NEEDS.

8 RECOMMENDATIONS

This chapter builds on the previous chapters and provides recommendations for the remaining RRF funding period.



8.1. BF AND IMPLEMENTATION OF LAST CALLS OF RRF

Due to the reduction of the RRF in June 2022, less funding will be available for the remaining period than anticipated earlier. At the time of the final reporting of the design evaluation, the final decisions have not yet been made on the implications from the reduction of funding. However, the following three choices for allocating funding for the remaining time emerge from the discussions and observations of the design evaluation.

- **Target funding to new customers.** This would increase outreach outside the circle of previous funding. Also, targeted efforts could be used to reach those customers that would benefit from the stimulation for new business transition rather than boosting those companies that already are at the frontier of green transition. The implementation of this choice could be done by targeting the BF's marketing activities. One should be aware, whoever, of the risks involved if the opportunity is very much promoted for the new customers but the available funding is limited. This choice also may lead to some

burden for processing funding applications when these new customers most likely need more support.

- **Maximize synergy with upcoming initiatives.** This choice encourages to target funding to those projects, which have clear synergy with other RRP development programmes, such as the low carbon construction sector calls planned together with the Ministry of Environment. This would maximize the overall impact from the RRF and would be implemented in close collaboration with other organisations implementing RRF.
- **Focus on funding to few, larger projects.** This choice aims to avoid further fragmentation of the funding and to create targeted impact. This choice is partly in conflict with the first choice when there is less funding available.



8.2. OPERATIONAL RECOMMENDATIONS FOR THE REMAINING TIME

BF has succeeded in external communication with the customers and this needs to be maintained. Especially clear communication to customers about RRF timeline and closing of the projects as well as on the forthcoming reporting requirements are required. Also, one can expect more need for clear external communication of the results from the RRF funded projects for larger audience.

BF got resources for internal process development from the RRF, which have been used for providing training, and for developing new tools (like the application bot and carbon calculator for Visit Finland). Further development and maintenance of the tools should be ensured in order for the tools to be used in general innovation and business development supported by BF.

Having implemented two large funding exceptions, the Covid-19 disruption funding and the RRF, has stretched BF staff. Therefore, attention should be paid into staff

wellbeing and transition back to “normal”. Furthermore, after the intense period, it may be relevant to ensure that also the regular functions have stayed unimpacted.

The Do No Significant Harm principle will most likely remain to be a part of future funding processes after the RRF calls have ended. The need for functioning and clear process for implementing DNSH criteria in BF’s funding processes is needed. The key recommendations for maintaining the competencies for implementing the DNSH criteria are as follows:

- ✓ Continue the training of BF experts in DNSH implementation. Some of the trainings were carried out early on, without full clarity on the DNSH criteria. Further trainings and updates that take into account the full criteria and the insights from the lessons learned during the process are recommended²⁸.



BUSINESS FINLAND HAS SUCCEEDED WELL BY PROCESSING THE RRF.

- ✓ Ensure follow-up mechanisms and checking for the fulfilment of the DNSH criteria (e.g., completion of physical climate risk assessment). Take full advantage of the State Treasury auditing and monitoring mechanisms.
- ✓ Taxonomy includes activity specific DNSH criteria. In the future, to integrate these with the DNSH analysis, it is recommended to identify EU Taxonomy activities (eligibility) and check the relevance of activity specific DNSH criteria.

²⁸A DG Reform funded two year project “DNSH in Finland” has started in July 2022 which includes the planning and execution support like training for implementing DNSH criteria in public funding. The project is steered by Ministry of Environment, Ministry of Finance and Ministry of Economic Affairs and Employment. Business Finland is also closely involved.

8.3. RECOMMENDATIONS TO ENHANCE THE IMPACTS FROM THE RRF

The main conclusion of the evaluation is that BF should do everything that is under its mandate to stay focused in the RRP goals and to avoid fragmented programmes. The evaluation also pointed out several smaller actions that can have long lasting impacts after the RRF projects have ended.

- ✓ Target marketing activities to companies that would aim for business transition but are not yet at the frontier of green transition.
- ✓ Tighten the link between green transition and digitalization so that it would be more digitalization for green transition or green transition built on digitalization.
- ✓ RRF projects are linked to several existing innovation ecosystems and have provided a boost for those – the ones at the developing phase (like textile industry related, P2X) or more mature (wind power). These should be more clearly externally communicated and linked to BF's strategy for supporting the spearheads of Finland.
- ✓ Encourage projects and companies that have received RRF funding to work closer together when they are working with same themes. For instance, several creative and travel industry projects are developing digital tools for the sectors, and it would be beneficial for them to work together. BF could recognize and connect these actors and do some light facilitation to create mini ecosystems.
- ✓ Ensure the connection with other national RRP actions and funding programmes. Ensure that viable selected innovation ecosystems prosper at the national level.
- ✓ Start planning for the exit from the RRF. There is need for continuous support for new projects created during RRF funding in order for the innovations to reach maturity and create impacts in society after public funding ends.

8.4. RECOMMENDATIONS FOR FORTHCOMING RRF EVALUATIONS

This design evaluation was requested to also provide recommendations for future evaluations of BF's RRF. More detailed comments are provided separately to the evaluation plan, but the key recommendations are the following:

- ✓ Green transition as a term is divided into several sub-areas of which a suggestion of a list is provided in this evaluation. Calls provide a basis for assessing the input for each one of the subareas but a more detailed content related questions need to be asked from the customers as a part of the final reporting addressing also national reporting requirements.
- ✓ There does not exist a national impact model or evaluation plan for the RRP beyond the RRP general indicator and monitoring requirements. Some target goals and subareas in the RRP, e.g., low carbon built environment, would benefit from streamlining national evaluations of all RRP actions. BF could take a proactive role in planning and executing these or at least these should be coordinated by some organisation. Impacts of BF's RRF should in many areas be assessed in connection with other RRP actions.
- ✓ Mid-term evaluation should have an overall review of the project portfolio with the emphasis on ecosystems. Which ecosystems will be the spearheads for Finland and have benefitted from RRF the most? This should be linked to other national RDI funding in order to support holistic innovation and ecosystem funding.
- ✓ Mid-term evaluation could also analyse the role of digitalisation in relation to green transition. Have the digitalization projects been strictly separate from low carbon and other green transition projects as it seems to be the case with creative industries?



IT IS IMPORTANT TO
CONTINUE EVALUATIONS
IN RRP.

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