OECD Development Co-operation Peer Reviews

FINLAND

2017

The Development Assistance Committee: Enabling effective development

OECD

OECD Development Co-operation Peer Reviews: Finland 2017

BETTER POLICIES FOR BETTER LIVES

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Conducting the peer review

The OECD Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every five years. Five members are examined annually. The OECD Development Co-operation Directorate provides analytical support, and develops and maintains, in close consultation with the Committee, the methodology and analytical framework – known as the Reference Guide – within which the peer reviews are undertaken.

The objectives of DAC peer reviews are to improve the quality and effectiveness of development co-operation policies and systems, and to promote good development partnerships for better impact on poverty reduction and sustainable development in developing countries. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

The peer review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as “examiners”. The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and non-governmental organisations representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination. During the field visit, the team meets with representatives of the partner country’s administration, parliamentarians, civil society and other development partners.

The Secretariat then prepares a draft report on the member’s development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Committee in association with the examiners.

This review contains the main findings and recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Italy and Spain, as well as the observer from Israel, for the peer review of Finland on 25 October 2017.

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Abbreviations and acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
CERF	Central Emergency Response Fund
COHAFA	Council working party on Humanitarian Aid and Food Aid
CPA	Country programmable aid
CSO	Civil society organisation
DAC	Development Assistance Committee
DPC	Development Policy Committee
ECHO	European Civil Protection and Humanitarian Aid Operation
EDF	European Union Development Fund
EU	European Union
GDP	Gross domestic product
GHD	Good humanitarian donorship
GNI	Gross national income
IATI	International Aid Transparency Initiative
ICRC	International Commission for the Red Cross/Red Crescent
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IGAD	Intergovernmental Authority on Development
IIC	Inter-American Investment Corporation
LDC	Least developed country
LIC	Low-income country
LMIC	Lower middle-income country
MDG	Millennium Development Goal
MFA	Ministry for Foreign Affairs
MIC	Middle-income country
MOPAN	Multilateral Organization Performance Assessment Network
NAO	National Audit Office
NGO	Non-governmental organisation
OCHA	Office for the Co-ordination of Humanitarian Affairs
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OOF	Other official flows
SDGs	Sustainable Development Goals
UN	United Nations
UNDAC	United Nations Disaster Assessment and Co-ordination
UNDP	United Nations Development Programme

Abbreviations and acronyms

UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNISDR	United Nations International Strategy for Disaster Reduction
WFP	World Food Programme

Signs used:

EUR	Euro
USD	United States dollars
( )	Secretariat estimate in whole or part
-	(Nil)
0.0	Negligible
..	Not available
…	Not available separately, but included in total
n.a.	Not applicable
p	Provisional

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: 1 USD = EUR

2010	2011	2012	2013	2014	2015	2016
0.7550	0.7192	0.7780	0.7532	0.7537	0.9015	0.9043

Finland’s aid at a glance

FINLAND

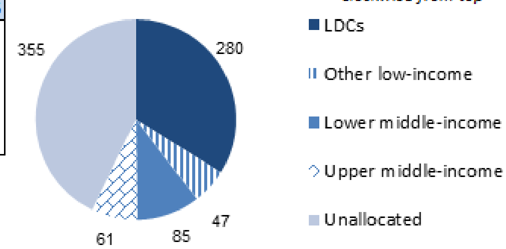
Gross Bilateral ODA, 2014-15 average, unless otherwise shown

Net ODA	2014	2015	2016P	Change 2015/16
Current (USD m)	1 635	1 288	1 057	-17.9%
Constant (2015 USD m)	1 389	1 288	1 047	-18.7%
In Euro (million)	1 232	1 161	956	-17.7%
ODA/GNI	0.59%	0.55%	0.44%	
Bilateral share	57%	54%	60%	

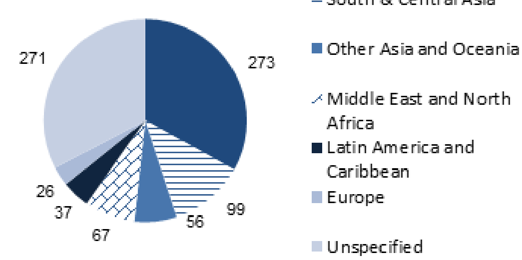
P. Preliminary figures.

Top Ten Recipients of Gross ODA (USD million)	
1 Kenya	44
2 Tanzania	42
3 Afghanistan	34
4 Ethiopia	33
5 Nepal	32
6 Mozambique	27
7 Somalia	23
8 Zambia	22
9 Viet Nam	16
10 West Bank and Gaza Strip	14
Memo: Share of gross bilateral ODA	
Top 5 recipients	22%
Top 10 recipients	35%
Top 20 recipients	44%

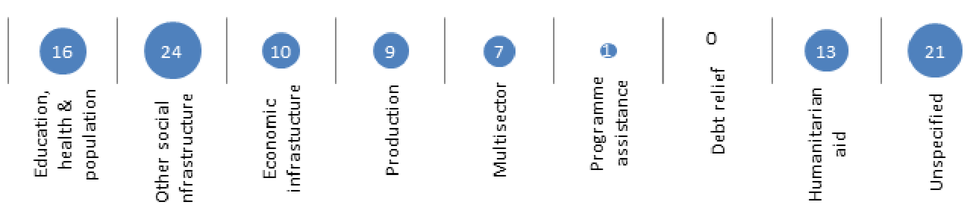
By income group (USD m)



By region (USD m)

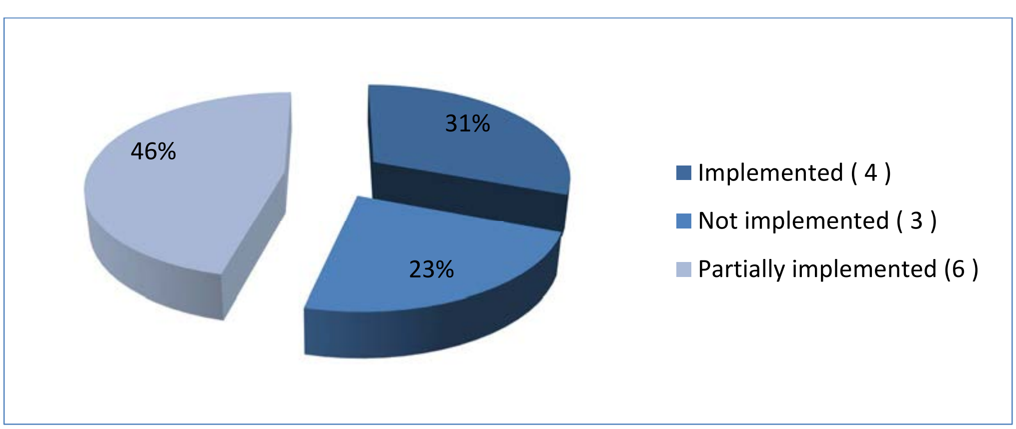


By sector



Source: OECD-DAC; www.oecd.org/dac/stats

Figure 0.1 Finland’s implementation of the 2012 peer review recommendations



Context of Finland's peer review

Political and Economic context

Finland has a population of 5.5 million and a GDP per capita of USD 43 364. A three-party centre-right coalition government composed of the Centre Party, National Coalition Party and what is now the New Choice/Blue Reform Group was formed after the April 2015 elections, led by Prime Minister Juha Sipilä of the Centre Party. The next elections will take place in 2019.

The Finnish economy is slowly recovering from a deep recession. Growth in 2016 was 0.9%, with a modest increase to 1.1% expected in 2017. A Competitiveness Pact was agreed by social partners to reduce labour costs, increase hours worked and introduce flexibility in the wage bargaining system. In 2015, an additional EUR 1.5 billion (USD 1.7 billion) in conditional further measures was added to a fiscal consolidation plan of originally EUR 4 billion (USD 4.4 billion; PMO, 2015).

Finland's fragile growth is linked to the structural decline of key high-productivity export sectors, primarily Nokia and paper. The value of Finland's exports to the Russian Federation (Russia) are benefiting from a low rouble, tempering the negative effect of the EU sanctions on Russia. Finland's unemployment peaked in 2015 at 9.3%, and it has an important ageing population no longer contributing to labour force growth (IMF, 2016). The surge of asylum seekers in 2016 has tapered off in 2017.

Finland has an abundance of clean water and its air quality is better than most OECD averages, although energy intensive industries, the cold climate and long transport distances still mean it is one of the highest intensity greenhouse gas emitters of OECD countries. Finland is a strong supporter of using taxation to promote green growth. As part of the EU Effort Sharing Decision, Finland pledged to reduce domestic greenhouse gas emissions by 16% by 2020, and in preparation for the Paris climate talks it set a binding target to cut emissions by 80% by 2050 (OECD, 2016).

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The DAC's main findings and recommendations

FINLAND IS MAKING PROGRESS IN DELIVERING AN EFFECTIVE DEVELOPMENT CO-OPERATION PROGRAMME

Finland's development co-operation achievements include the following:

Finland has addressed 77% of its recommendations from the 2012 peer review, including:

- Concentrating its official development assistance (ODA) on its long-term partner countries and priority areas where it has expertise and impact. (Section 3.2)
- Leading pilot studies on tax and development and food security to assess the results and impact of Finnish aid and European Union policies on developing countries. (Section 1.2)
- Providing rapid and flexible funding to key humanitarian partners. (Section 7.3)
- Ensuring harmonised and up-to-date tools, guidelines and training for development staff. (Section 4.3)

Finland launched its **Action Programme for Tax and Development** in 2016, a cross-government effort to reduce tax evasion, tax avoidance and corruption and to raise awareness of the links between taxation and public services in developing countries. Finland's total aid for domestic resource mobilisation (USD 4.8 million) confirms that tax and development is a priority. (Section 1.2)

Finland supports partners in formulating national action plans for **women, peace and security** in line with UN Security Council Resolution 1325. In 2014 its “1325 Network” of non-government organisations, researchers and experts promoting human rights and equality developed a gender checklist together with the Finnish Defence Forces to ensure that civilian and military experts consider gender aspects during crisis management activities. (Box 2.1)

Finland's aid allocations reflect its commitment to the 2030 Agenda

Finland's partners value its strong international and domestic commitment to the 2030 Agenda and continued advocacy for sustainable development. In particular, Finland is known for its leadership in pushing for coherent policies in the areas of tax, trade and food security. **(Section 1.1)**

Finland's 2016 development co-operation policy (*One World, Common Future – toward sustainable development)* sets out a clear approach to poverty reduction and to leaving no one behind. It has a particular focus on the most vulnerable, and especially the disabled. The 2016 policy outlines how Finland's four development priorities are linked to the Sustainable Development Goals as follows:

- the rights and status of women and girls are strengthened (SDG 5)
- developing countries' economies are generating jobs, livelihood opportunities and well-being (SDGs 8, 9, 12)
- societies are more democratic and function better (SDGs 2, 6, 16, 17)
- food security and access to water and energy is improving and natural resources are being used sustainably (SDGs 7, 13, 15).

These four priorities are reflected in Finland's ODA sectoral allocations, which mainly go to governance, productive sectors, education, energy and multi-sector interventions. Finland has done a good job of concentrating its ODA on its nine long-term partner countries, in keeping with its target criteria of poverty, least-developed country status and fragility. The majority of Finland’s long-term partner countries – six out of nine – are considered fragile. **(Sections 3.2 and 3.3)**

Finland is an influential and effective humanitarian partner

Finland is a principled humanitarian donor, punching above its weight in encouraging partners and the humanitarian system to work more effectively in its key policy areas, such as including the disabled in programming. This helps it get the most out of its funding. Finland also provides highly flexible humanitarian funding to ensure that programmes can adapt to evolving situations and needs, and is seen as a good humanitarian partner. While the volume of humanitarian ODA has decreased, it is encouraging that its share in the budget remains stable. **(Sections 7.1, 7.2 and 7.3).**

FINLAND CAN BUILD ON ITS ACHIEVEMENTS

Finland relies increasingly on partners. It now has clear guidelines for working with civil society; these could help to define how it works with multilateral partners and private sector instruments

Finding effective partners is important to Finland given its relatively small bilateral programme. The new 2017 civil society guidelines encourage a clearer relationship between civil society's development activities and Finland's country strategies. The guidelines also describe Finland's critical role in strengthening civil society in developing countries and defending the civic space. This is positive and the implementation of these guidelines should be closely monitored. At present, however, any information sharing and co-ordination between civil society organisations funded from Helsinki and the bilateral programme are largely *ad hoc*. Finland might also consider extending to local NGO partners its good experience in multi-annual funding. Local co-operation funds disbursed annually are not predictable enough to allow local NGOs to implement long-term initiatives, in particular in protracted crises. **(Sections 2.3, 7.3)**

A public, strategic overview of Finland's overall goal when engaging with multilateral partners will enable it to make the most of its limited resources and give its partners greater certainty. However, the overall decrease in predictable, core funding to multilateral agencies, including United Nations agencies and international financial institutions, means that these partners are less likely to embark on the innovative financing and partnerships that Finland was prepared to pilot. As with other members, the decrease in predictable funding challenges Finland's previously strong commitment to multilateralism. At the same time, Finland's limited capacity in the field means that its bilateral programme is increasingly implemented by multilateral partners in partner countries. **(Sections 2.3 and 3.3)**

Managing the increased focus on private sector support for development will require major changes, the nature of which are yet to be fully defined by the Ministry for Foreign Affairs, but which are likely to include closer collaboration among Finnish development actors. For example, Finnish civil society partners are encouraged to co-operate with the business sector to bring new skills and perspectives to their development efforts. For humanitarian aid and development co-operation, care must be taken to ensure that work with the private sector is clearly focused on delivering a more effective humanitarian and development response rather than on benefits for Finland's companies. More research and information on how these instruments create jobs and spur private sector growth in partner countries, and the degree to which they focus on development priorities, will help officials match tools to the type of investment their partners require. **(Section 3.4)**

Recommendations:

1) **Apply the 2017 guidelines for civil society, ensuring that partnerships are leveraged to enhance and complement country strategies, that civil society in developing countries is strengthened and local co-operation funds are made more predictable.**
2) **Develop an overarching strategic approach for engaging with multilateral partners as a basis for strategic dialogue.**
3) **Clarify Finland's approach to partnering and working with the private sector and ensure that this is aligned with development priorities. Build the capacity of the Ministry for Foreign Affairs to co-ordinate and manage private sector instruments, including in field offices.**

Finland is on-track to build a results-based management system

Finland is to be commended for using both quantitative and qualitative information in its results reporting and for focusing on its contribution to development results. Over the past few years, Finland has undergone a stream of evaluations and reviews of how its development co-operation contributes to results on the ground. A planned government report to parliament in 2018 will provide an overview of results in order to strengthen accountability. As part of this, a results pilot report in 2017 is drawing on multiple data sources to paint a clear picture of Finland's contribution. These include 11 aggregate indicators for bilateral co-operation as well as multilateral influencing papers; NGO and multilateral organisations' own reporting efforts; information from Finnfund; and case studies, evaluations and data on effective development.

Other efforts for achieving sustainable results include developing a results-based management system for reporting and accountability at all levels (project, programme and corporate). In order to fully implement its objectives of managing its development programme for results, Finland will need to invest resources in developing a results culture across all units and in its partnerships, not least in embassies. Clear policies and guidance are needed on the action required and the steps to be taken if the expected results are not achieved. This is particularly challenging where human resources and research and training budgets are diminishing. Finland would also need to demonstrate how it contributes to partner countries' own national development goals and how it makes full use of country results information and monitoring systems in implementing, monitoring and evaluating interventions. **(Section 6.1)**

Recommendation:

4) **Enhance the use of results information for multiple purposes (accountability, communication, direction, learning) at multiple levels (corporate, sectoral, project) and align the information to the SDG priorities and results frameworks of partner countries.**

Finland could use its good experience on mainstreaming gender to do the same for climate change and the environment

Finland's 2016 policy prioritises gender and women's empowerment and the sustainable use of natural resources. Gender equality, reducing income inequality and climate sustainability are consistent objectives that cut across Finland's entire development co-operation. All new project documents submitted for appraisal by the Quality Assurance Group must answer a checklist of questions on how they contribute to gender equality, reducing inequality and climate sustainability. Finland has made good progress in mainstreaming gender into programmes and its bilateral allocations are consistent with its global leadership on gender equality. In 2015, 50% of allocable bilateral grants, just over USD 235 million, had gender equality as a "principal or significant" goal, up from 39% in 2012.

In contrast, in 2015, just over 15% of Finland's allocable bilateral ODA commitments (USD 72 million) targeted climate change mitigation and/or adaptation as a significant or principal objective. Similarly, only 17% of allocable bilateral ODA commitments (USD 81.7 million) supported the environment, well below the DAC member average of 27%. These shares are surprisingly low considering Finland's emphasis on the sustainable use of natural resources in its 2016 policy. This challenge is compounded by the fact that there are now only two advisers working on these issues: one for gender equality and one for the environment. **(Sections 3.2, 5.2, C.2 and C.4)**

Recommendation:

5) **Apply the good practice of mainstreaming gender to improve how environment and climate change adaptation and mitigation are taken into account throughout Finland's development co-operation.**

FINLAND NEEDS TO ADDRESS CERTAIN CHALLENGES

Finland's development co-operation has fallen significantly since 2016 overall as well as to least-developed countries

Although in 2012 Finland managed to increase its ODA marginally, in 2016 the aid budget faced the first of annual cuts of 38%, or EUR 330 million (USD 365 million) for the period of the government's fiscal plan (2016-20). This cut was deeper than for any other part of the Finnish administration. An additional EUR 25 million (USD 28 million) in annual cuts are planned for 2018-20. In 2016, Finland's ODA was EUR 955.7 million (USD 1.06 billion), representing 0.44% of its gross national income (GNI), a sharp decrease from 2014 (0.59%) and 2015 (0.55%). Finland has no plan or timeline to reverse the decline in ODA or to meet its commitments, even though the 2016 policy aims "…to raise the level of our development co-operation funds to 0.7% of gross national income in accordance with UN goals." Finland says that it intends to increase the volume of its development co-operation as the economy picks up, but there is no mention of what would trigger such an increase.

Of this annual cut, EUR 130 million (USD 144 million) was converted from grants into loans and capital investments. The increasing share of this type of financing will have an impact on where and what type of support Finland is positioned to provide. While Finland met the UN target of allocating 0.2% of its GNI to least-developed countries in 2010 and 2014, this share declined to 0.14% in 2016. If Finland maintains its lower volume of multilateral aid – a larger proportion of which goes to least-developed countries – and if private sector instruments invest mainly in lower-middle-income countries, this could reduce the proportion of Finland's aid to least-developed countries still further. **(Sections 3.1 and 3.4)**

Recommendation:

6) **Finland should reverse the decline of ODA – including to least-developed countries – and approve a roadmap with annual targets to achieve its commitment to provide 0.7% of GNI as ODA and 0.2% of GNI to least-developed countries.**

Finland has increased flexibility in staffing, but securing development expertise is still challenging

Since the 2012 peer review, Finland has issued guidance and manuals and has made some progress in improving the flexibility of staff by creating new recruitment procedures for special career staff to temporarily occupy diplomatic posts. Nonetheless, these new arrangements lack clarity and transparency and there are still no long-term career prospects for special career employees. This makes it difficult for Finland to secure interest in and expertise for development portfolios in the Ministry for Foreign Affairs and in the field, including in conflict and fragile contexts. Recent reviews note that inconsistent quality of staff, coupled with high turnover due to insufficient long-term career prospects, are undermining the quality of Finland's aid and its results on the ground. Locally-employed staff are an important asset for adapting operations to specific contexts and ensuring continuity; however, these staff members' limited opportunities to participate in field visits, decision-making and training reduce their input into strategic planning and monitoring. **(Section 4.3)**

Recommendation:

7) **Take steps to attract and retain people with sufficient development policy and programming expertise within the Ministry for Foreign Affairs and in embassies. Finland should also invest in greater career planning and learning opportunities for all staff.**

Finland's commitment to the aid effectiveness principles is waning

As Finland's development co-operation programme focuses more on private sector-driven instruments, it needs to guard against the threats this may pose to its commitments to untying aid, country ownership, use of country systems and alignment. According to the data relating only to the DAC recommendation on untying, between 2012 and 2015 Finland's share of untied aid decreased by ten percentage points to 89.1%. Although this is still above the DAC average of 83.5%, the experience of other members suggests there are likely to be further challenges to Finland's overall untying record since the business impact programme and public sector facility are both largely tied instruments. **(Section 5.1)**

As Finland's country programming process coincides with its domestic political cycle, it is not aligned with partner country programming cycles. This was evident in Kenya. Furthermore, even though Finland's various guidelines encourage the use of local systems, the findings of the 2016 global exercise to monitor effective development co-operation indicate a sharp decrease in Finland's overall use of local public financial management and procurement systems – down from 57% in 2010 to 37%. The Ministry for Foreign Affairs' regional departments attribute this decrease to the suspension of general budget support, the increase in funding implemented through multilateral organisations, and increase in direct support provided to civil society in partner countries which bypasses the government sector. An additional explanation for the decline could be that guidance on risk assessment and risk appetite is unclear. For example, staff were uncertain as to whether they could use an assessment conducted by another partner to justify the use of country systems even though this is considered good practice. **(Section 5.1)**

In the current resource-constrained environment it would make sense for Finland to consider new approaches to implementation. Indeed, the 2016 policy and aid effectiveness commitments call for innovative partnerships. The inconsistent and recently strict interpretation of the *Discretionary Government Transfers Act,* which sets out the grounds and procedures for development co-operation funding of an activity or project, means that officials are not sure what risks they can take to explore innovative and joint programming that would involve sub-granting to other entities. This situation has restricted the provision of grants to private sector-managed funds, such as the Somaliland Development Fund; sub-granting to Southern civil society organisations; and greater participation in delegated co-operation arrangements, which would all be useful solutions for Finland, including in complex fragile environments. **(Sections 2.3, 5.3, 7.1 and C.4)**

<u>Recommendations</u>:

8) **Ensure that Finland keeps its focus on poverty and untied aid as it increasingly makes investments linked to Finnish businesses.**

9) **Review and set out guidance by the competent ministries on how to apply the *Discretionary Government Transfers Act* and other legal frameworks, with a view to fostering innovative partnerships, including in complex fragile environments.**

A "whole-of-Finland" approach to programming and implementation would improve the transparency and quality of partnerships in partner countries

In Helsinki, structures and mechanisms aimed at building synergies and co-ordinating all of Finland's development investments are not effective for sharing information among entities programming development co-operation. There are *ad hoc* co-ordination efforts among regional and policy departments of the Ministry for Foreign Affairs; the units that manage humanitarian and multilateral aid and support to civil society; and entities that manage non-grant investments, such as Finnfund, the investment facility and Tekes. In the absence of concerted co-ordination in Helsinki, it is difficult for Finland to present an overview of all of its efforts and investments in partner countries. **(Section 4.1)**

Field offices would also greatly benefit from an overview of all Finnish humanitarian, civil society, private sector, political and development investments in their country. Currently, Finland's whole-of-government approach in its long-term partner countries appears to mainly rely on the initiative and contacts of embassy staff, rather than on any strategic approach. In many cases, the Ministry for Foreign Affairs itself lacks an overview of Finland's investments in a partner country – a gap that could damage the reputation of both embassy and ministry and that prevents Finland from capitalising on potential synergies across the range of instruments and policy communities. Country strategies also do not systematically integrate conflict and violence sensitivity, which is critical for the sustainability of all public investments. Using existing risk analyses during programme design to help develop risk management strategies and actions, including contingency plans for when risks materialise, could help inform country strategies and partnerships. **(Sections 5.1, 5.3, 7.1 and C.2)**

<u>Recommendations:</u>

10) **Develop a comprehensive overview of Finnish activities in long-term partner countries.**

11) **Ensure that risk management actions are built into programme design and implemented, and that risks are regularly monitored.**

Finland does not make the best use of its knowledge

Finland generates a substantial amount of knowledge through evaluations and results reporting, but this evidence is not easily accessed or linked in a knowledge management system, and there is no central repository for guidelines and manuals. While opportunities exist to share information through webinars and presentations, staff rotation, and exchanges within networks, there is no system-wide mechanism in place to capture lessons and promote findings from evaluations, reviews, and results monitoring. The ministry has reduced its development research budget, making it all the more important to contribute to collaborative research and systematically share research findings among colleagues and institutions. Given Finland's drive for greater accountability despite fewer staff, using innovative learning and training tools to maintain institutional memory and share knowledge widely will be critical. This is important to match partner country demand and ensure minimum levels of knowledge in promoting the full array of development investments and instruments. **(Section 6.3)**

Recommendation:

12) Finland should expand the use of existing knowledge platforms and develop a system that can easily connect officials, partners and other stakeholders with relevant information and evidence to improve decision making.

Secretariat's report

Chapter 1: Towards a comprehensive Finnish development effort

Global development issues

Finland continues to demonstrate strong political and whole-of-society commitment to implementing development-relevant global policies. National and international commitments to sustainable development are outlined in the Prime Minister's strategic programme, society's commitment document and the 2030 Agenda national implementation plan. Finland's strong national commitment to sustainable development should translate into continued advocacy for and leadership of the 2030 Agenda internationally.

Finland has strong political and whole-of-society commitment to global development

Finland continues to promote the 2030 Agenda through its long-term, holistic approach towards economic prosperity, social justice and a clean environment. Together with Nigeria, Finland led the United Nations Intergovernmental Committee of Experts on Sustainable Development Financing, culminating in a 2014 report on comprehensive financing for sustainable development – a key input to the 2030 Agenda. Finland was also among the first countries to establish a National Commission on Sustainable Development led by the Prime Minister in 1993.

Development policy is an integral part of Finland's foreign and security policy, the overarching goal of which is to strengthen its international position, secure its independence and regional integrity, and improve the security and welfare of its people. It is therefore not surprising that it actively promotes international stability, peace, democracy, human rights, the rule of law and equality (MFA, 2017b). The government's strategic programme sets out a strong commitment to sustainable development, peacebuilding and the economic empowerment and improved status of women and girls, and aims to address the challenges of climate change, poverty and the shortage of food, water and energy (PMO, 2015). Closer to home, Finland recently assumed the leadership of the eight-member state Arctic Council, which works to promote global sustainable development in the Arctic region. Finnish society is also very committed to sustainable development, and, in April 2016, published *The Finland We Want by 2050*[1] (GoF, 2016) aimed at reconciling economic and environment objectives.

To support and link these efforts to the international agenda, the Prime Minister submitted a report to parliament on how to implement the 2030 Agenda (PMO, 2017) in February 2017. The report centres on two themes: (1) a carbon-neutral and resource-wise Finland; and (2) a non-discriminatory, equal and competent Finland. The report outlines both domestic and international commitments. For example, Finland is the first country in the world to have a roadmap for a circular economy[2] – based on using services, or sharing, renting and recycling instead of owning things. Finland also works to integrate immigrants in employment and society, encouraging an open debate about migration policy and, at a minimum, maintaining the number of quota refugees. Outside of Finland, it funds climate actions in developing countries, acknowledging the moral imperative to do so, and champions gender equality and women's empowerment (Box 2.1). Finland also continues to promote open global markets to introduce new environmental technologies in developing countries (PMO, 2017).

Policy coherence for development

DAC Indicator: Domestic policies support or do not harm developing countries

Finland puts its full political weight behind development-friendly domestic policies, starting at the level of the Prime Minister. It is recognised globally for its work on food security and tax. Finland's influence within the EU on common agriculture, fisheries and trade policies is not always easy to identify. Building on Finland's pilot study on the effect of EU policies on food security in Tanzania, it could see how to systematically screen EU and national policies for their impact on developing countries.

Finland shows strong political commitment to development in domestic, EU and multilateral policy making

Finland applies a thematic approach to policy coherence for development (PCD), which since 2012 has featured topics such as food security, aid for trade, migration, tax and development, and peace and development. Agriculture, fisheries and trade policies are governed by common EU policies. A cross-ministerial task force for migration was set up to discuss and co-ordinate general migration-related issues. Finland has produced a PCD guideline for all subcommittees of the EU co-ordination system, and has a strong and multi-layered co-ordination mechanism.

Finland recognises that implementing the 2030 Agenda requires long-term, transformative decision making and action, coupled with increased policy coherence in trade and development policies to reduce poverty and strengthen global partnerships. As such, it has played an active role in promoting and signing up to the sustainable development goals, starting in 2015 with the Addis Ababa Action Agenda, and followed by the adoption of the goals, the Paris Agreement and the World Humanitarian Summit in 2016.

In fact, Finland is recognised as a country with one of the most development-friendly policies, in part thanks to its efficient and good international co-operation on financial and tax regulations.[3] Finland also complies with the OECD anti-bribery convention, and recently received high praise for the steps it has taken to mitigate the risk of corruption in the provision of ODA, including by directly supporting anti-corruption efforts in partner countries (OECD, 2017). In keeping with its overall foreign policy and security goal, Finland contributes significant financial and human resources to international peacekeeping and also promotes the regulation of arms trade and the prevention of illicit arms transfers via the Arms Trade Treaty (ATT), the United Nations Programme of Action (UNPOA) and other instruments. Its high technology, attributed to significant domestic research and development – along with its clean environment owing to significant reductions in greenhouse gas emissions – have earned Finland a top overall score in the Commitment to Development Index (CGD, 2016).

Policy co-ordination for development is still led by the foreign ministry, now steered by the Prime Minister's office

Despite the consensus that the sustainable development agenda is a "whole-of-society" priority for the government in the 2030 Agenda Implementation Plan, broader government structures take a narrower view of policy coherence for development. This narrower view tends to see policy coherence as being only about development co-operation and thus the responsibility of the Ministry for Foreign Affairs, rather than of relevance to the day-to-day work across all policy areas. This is compounded by the lack of an evidence-based approach across various ministries when making decisions that involve the overall coherence of domestic and foreign policies. The fact that the trade and development team within the Foreign Ministry is now merged with a broader team that also covers Finland's trade with developing countries (Team Finland), and that inter-ministerial working groups are tackling climate change and biodiversity may help break down some barriers in this regard.

In January 2016, the co-ordinating secretariat of the National Commission on Sustainable Development – comprised of the Ministry for Foreign Affairs, Prime Minister's Office and Secretariat General of the Finnish National Commission – moved to the office of the Prime Minister (who had always chaired the commission), in theory providing a central stage for policy coherence for development to feature across government (Figure 1.1). From the first quarter of 2017, all branches of government will report annually on how they are advancing sustainable development, and an annual public discussion on sustainable development will take place with the Prime Minister's office, National Commission and the Development Policy Committee to discuss the domestic and international impact of Finland's policies.

Figure 1.1 Implementation of the 2030 Agenda in Finland: key bodies and mechanisms

Source: PMO (2017), *Government Report on the Implementation of the 2030 Agenda for Sustainable Development: Long-term, coherent, and inclusive action,* Government Publications, Helsinki.

The Development Policy Committee leads analysis, monitoring and reporting

Finland relies on a wide range of sources to build its evidence base and inform policy. These include scientific panels, think tanks, research institutions, citizen engagement and a rich and active civil society, all of which are represented on the Development Policy Committee – one of the rare forums to also include private sector representatives.[4] The committee provides an external review of the state of Finland's development policy to the minister responsible for development cooperation and officials, as well as to the public and parliament. To illustrate, the committee's 2015 annual report refers to the need to ensure coherent security, economic, tax, trade, climate, immigration and energy policies at home, in partner countries and in the multilateral system (DPC, 2016).

The Development Policy Committee is appointed by government for its four-year term in office, often after a development policy has already been outlined. At best, this period leaves only a very narrow window to influence the policy, thus limiting the potential impact on policy design. In 2015 the government made a decision to temporarily prolong the committee's mandate to avoid this kind of gap and the current mandate was extended to cover a potential change in government and the formulation of the new development policy. Nonetheless, the fact that the committee is not recognised as a permanent structure, and serves at the discretion of government causes periodic uncertainty about its continuation, further undermining its potential to influence government policy.

Studies on impact of policy on food security in Tanzania and support to tax and development are Finnish trademarks

Finland piloted a methodology to examine the impacts of OECD countries' policies on food security in the United Republic of Tanzania (Tanzania) in 2014-15. The study concluded with 20 policy recommendations to strengthen food security in the developing world through more coherent national and EU policies (ECDPM and ESRF, 2015). This is good practice, and other countries have since followed Finland's example in undertaking an analysis of the effects of DAC members' policies on developing countries. It is not clear, however, how the findings and recommendations of the food security pilot have resulted in any observable policy changes in agriculture, fisheries and trade at the EU-level, or how Finland has worked to influence these policies.

In line with the Addis Tax Initiative to double support for strengthening developing countries' domestic resource mobilisation by 2020, Finland launched its Action Programme for Tax and Development in 2016, a joint effort by the Ministry for Foreign Affairs, Ministry of Finance, Finnish Tax Administration and local and international organisations. The Action Programme works to reduce tax evasion, tax avoidance and corruption and raise awareness of the links between taxation and public services in developing countries. ODA levels indicate that tax and development is a priority for Finland: contributions to the African Tax Administration Forum and to domestic resource mobilisation support bilaterally and through Oxfam, Transparency International and the World Bank Group together amounted to USD 4.8 million in 2015. Country strategies also outline efforts to strengthen the ability of civil society to hold governments to account in using taxes for public services (MFA, 2016a).

Global awareness

Finland will need to increasingly rely on key domestic partners for urgent outreach efforts to augment and maintain overall support for development, and Finnish society appears prepared to help meet this challenge. The implementation of the 2030 Agenda is an opportunity to promote development across Finnish society and involve a wider range of stakeholders, private sector in particular.

Overall budget cuts challenge public support for development

Finland has a strong tradition of active public support for international development. Nine out of ten (91%) Finnish respondents to the 2015 Eurobarometer reporting on public perceptions of development co-operation consider that helping people in developing countries is important, a proportion slightly higher than the EU average of 89% (EU, 2016). The 2016 budget adjustments have translated into less support for development co-operation, including through CSOs, underscoring the need to step up advocacy for development through more active outreach (MFA, 2015). There are limits to what the Foreign Ministry can do alone with a development awareness budget of roughly EUR 1 million, and going forward Finland knows it must increasingly rely on its stakeholders to raise awareness for development co-operation.

Despite overall budget cuts, a 2017 opinion poll found that 85% of the Finnish public still consider development co-operation to be important, a slight increase from 84% in 2016 (MFA, 2017a). In fact, important increases in volunteerism and in private contributions to Finnish development CSOs – EUR 20 million more in 2016 than in 2014 – have helped mitigate against some of the steep budget cuts (Kepa, 2017). The foreign ministry and the National Board of Education enjoy long-standing co-operation, which could be a driver for society's steady and strong commitment to development co-operation. Such co-operation has recently focused on a campaign to support global education through the new national core curricula of the Finnish school system. Some stakeholders have stressed the need for more media training to help increase and maintain public support for development.[5]

The implementation of the 2030 Agenda is an opportunity to raise the awareness of all stakeholders – from citizens, businesses, organisations, NGOs, schools, universities and municipalities – on the shared agenda for sustainable development. For example, as the private sector aligns to the 2030 Agenda and the SDGs, its own support will become indispensable for the broader ownership and promotion of the development agenda. Government has indicated that it will engage parliament and political parties on international development issues more regularly by highlighting the results achieved. This emphasis on results has already started with the publication of the 2016 policy, or the 2016 Government Report to Parliament (MFA, 2016b), and will continue in 2017 with the publication of 100 results to mark Finland's 100 years.[6]

Notes

1. It aims to arrive at over 10 000 whole-of-society commitments by the end of 2017, the 100th anniversary of Finnish independence.

2. The Finnish innovation fund, Sitra, which reports to parliament, spearheaded this effort and Finland will host the World Circular Economy forum in June 2017.

3. Finland is compliant with the Automatic Exchange of Financial Account Information (the AEOI standard), a global standard that increases incentives for and decreases the burden of compliance - signalling great improvement in transparency and exchange of information for a reliable international tax system (OECD, 2016).

4. Private sector entities represented on the Development Policy Committee include the Confederation of Finnish Industries; the Federation of Finnish Enterprises; the Confederation of Unions for Professional and Managerial Staff in Finland (AKAVA); the Finnish Confederation of Professionals (STTK); the Central Organisation of Finnish Trade Unions (SAK); and the Central Union of Agricultural Producers and Forest Owners (MTK).

5. Since 2010, about 100 journalists have participated in media training provided by the Development Academy through the support of the Unit for Development Communications.

6. As of 1 August 2017, 60 results were published. See https://kehityslehti.fi/100-kehitystulosta/

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Chapter 2: Policy vision and framework

Framework

DAC Indicator: Clear policy vision aligned with the 2030 Agenda based on member's strengths

Finland's 2016 policy has a clear, high-level policy statement and four broad, well-defined priority areas that are clearly reflected in its bilateral and multilateral programming. The goal of Finland's development policy is to eradicate extreme poverty, and it concentrates its development assistance in sectors and countries where it has knowledge, experience and expertise; however, the policy's new emphasis on the private sector will require a reorientation in the skills required. Finland has nine long-term partner countries in which it supports a maximum of three priority areas.

New emphasis on private sector and job creation requires new skills

Finland has a clear, high-level policy statement with wide stakeholder buy-in and four broad, well-defined priority areas that are clearly reflected in its bilateral and multilateral programming. Its 2016 policy, *One World, Common Future - Toward sustainable development*, states that development policy is an integral part of Finland's foreign and security policy (MFA, 2016a). The core goal of Finland's development policy is to eradicate extreme poverty, and it has a geographic and thematic focus based on its comparative advantage and international commitments.

The 2016 policy brought about a change in nuance of Finland's development policy. While there is still strong support for gender, democracy and a sustainable environment, there is a new emphasis on the private sector and job creation, including how the Finnish economy stands to benefit from investments in developing countries. Finland's international leadership in human development and education is also less prominent in the 2016 policy. The emphasis on the private sector requires some new skills orientation for government officials, which is challenging since the new policy was accompanied by significant cuts to the development assistance budget.

Four priority areas are defined in the 2016 policy and are linked to 11 of the 17 Sustainable Development Goals (SDGs; PMO, 2016). These are expressed as results and aligned to the 2030 Agenda as follows:

(1) rights and status of women and girls are strengthened (SDG 5);

(2) developing countries' economies have generated jobs, livelihood opportunities and well-being (SDGs 8, 9, 12);

(3) societies are more democratic and better functioning (SDGs 2, 6, 16, 17);

(4) food security and access to water and energy have improved and natural resources are used sustainably (SDGs 7, 13, 15).

Finland's support is focused on LDCs and fragile states

The 2012 Peer Review recommended that Finland focus, specify and operationalise its development policy (OECD, 2013). Finland has nine long-term partner countries where it has operated for some time, and which are home to some of the world's poorest people: six in sub-Saharan Africa (Ethiopia, Kenya, Mozambique, Somalia, Tanzania) and Zambia) and three in Asia (Afghanistan, Myanmar and Nepal). Of these, all are least-developed countries except for Kenya, which is classified as a lower middle-income country. Finland also provides support to the West Bank and Gaza Strip, Ukraine, Kyrgyzstan and Tajikistan as well as modest support to Eritrea through university-to-university grants and seminars. In Viet Nam, Finland is shifting grant-based assistance towards business-to-business linkages. Priority sectors for Finnish engagement in long-term partner countries and other partners are demand-driven, and correspond to as many as three of the four broad priority (or sub-priority) areas listed above.

Principles and guidance

DAC Indicator: Policy guidance sets out a clear and comprehensive approach, including to poverty and fragility

Finland is a strong advocate of the "leave-no-one-behind" agenda, which is visible in all aspects of its development co-operation from the ground up. Almost all of Finland's long-term partner countries are either least-developed countries or fragile states. Gender equality and the sustainable use of natural resources now feature as two of the four priority areas of Finland's 2016 development policy. More joined up collaboration across humanitarian and development streams would ensure more coherent approaches across the Ministry for Foreign Affairs.

Gender equality and environment are now political priorities, but need resources to match

Although not stated as cross-cutting themes and lacking specific guidance, Finland has a set of core values and principles outlined in its 2016 policy that are taken into account in the planning and implementation of all activities. These include democracy and the rule of law; gender equality and human rights; freedom of speech; a sustainable market economy and sustainable use of natural resources; and the Nordic welfare state, including a high level of education (MFA, 2016a). Gender equality, reducing inequality and climate sustainability have consistently featured as cross-cutting objectives. All new project documents submitted for appraisal by the Quality Assurance Group have to answer a checklist of questions on gender equality, reducing inequality and climate sustainability. Finland requires the same of its NGO and government partners.

In addition to being cross-cutting issues, gender equality and the environment are now two of the four priority areas in the 2016 policy. Yet, experience shows that country teams and desk officers do not systematically screen and adapt programmes to ensure the integration of gender equality and the environment in planning, programming and evaluations, a challenge now amplified by the decrease in the number of advisers in the foreign ministry to just two: one for gender equality and one for the environment.

A recent impact assessment of gender equality, for instance, found that while Finland's approach to gender mainstreaming is clearly defined at the policy level, the implementation of gender mainstreaming in programming and the evaluation of the effects of mainstreaming gender equality is poor. The lack of on-the-ground implementation and results in gender mainstreaming may be linked to the fact that there are no clear pre-defined gender-specific goals and indicators in programmes, making it hard to assess results (MFA, 2017b).

In 2015, Finland issued a guidance note on the human-rights based approach, stating that all interventions must be at least human-rights sensitive, but preferably progressive or transformative (MFA, 2015a). In contrast, Finland does not have a specific gender or environment strategy. Preparing these may help officials to identify the goals and indicators they need to work towards in planning and programming work in partner countries and with other partners.

The priority given to poverty and leaving no one behind is evident throughout Finland's policies

Finland has played a key role in promoting the "leave-no-one-behind" vision of the 2030 Agenda, and it advocates and plans programmes that specifically target vulnerable groups. According to its 2016 policy, the rights of children and the most vulnerable, notably the disabled, are taken account of in all of Finland's activities. The foreign ministry's unit for human rights policy advocates for policy and general human rights issues, including in regional and international organisations and refugee, immigration and asylum policy issues. Eight of Finland's nine priority countries are least-developed and the foreign ministry ensures that non-grant funding instruments, such as Finnfund investments, direct at least three-quarters of their investments to poor countries.

Through its humanitarian support, Finland works to alleviate immediate suffering and help refugees, as well as to push for disability inclusion (see Chapter 7). It also continues to fund the African Union's *Continental Plan of Action on the African Decade for Persons with Disabilities* through GIZ (MFA, 2016a). The intimate size of the foreign ministry means that humanitarian and development colleagues interact more easily on an informal basis, but more could be done to fulfil Finland's international engagement to leave no one behind (see 7.1.2).

Fragile states are at the forefront of Finnish development policy, driven by foreign policy interests and in turn influenced by the refugee and migration situation in Europe.[1] It is therefore not surprising that the majority of Finland's partner countries – six out of nine – are considered fragile.[2] In addition to these partner countries, Finland also pursues peacebuilding initiatives on an *ad hoc* basis, for example in Eritrea, and supports EU efforts in developing pathways out of fragility for countries. Finland could consider how to better advocate for and leverage its voice on fragility globally as part of Agenda 2030, building on its useful field experience and its 2014 role as co-chair of the International Dialogue on Peacebuilding and Statebuilding.[3]

The focus on fragile states and conflict prevention is strong and done in partnership

Finland's policy document for development co-operation in fragile states focuses on conflict prevention, a democratic and accountable society, rule of law and the participation of women (MFA, 2014). The 2016 policy underscores this focus: "The LDCs, the most fragile states and those suffering from conflicts or climate and natural disasters have the greatest need for international support" (MFA, 2016a). Particular emphasis is placed on better predicting emerging conflicts, identifying underlying causes of instability and preventing state collapse. Finland endorsed the New Deal for Engagement in Fragile States in 2012 (International Dialogue, 2011). In fragile states where Finland does not have a country development co-operation programme *per se* (Afghanistan), it operates with other partners, primarily through multi-donor trust funds hosted by multilateral agencies. This modality is good practice and is outlined in the 2016 policy (MFA, 2016a).

Basis for decision making

DAC Indicator: Policy provides sufficient guidance for decision on channels and engagements

Finland decides its ODA channels and engagement based on past experience and the effectiveness of existing partnerships. The budget cuts which began in 2016 tried to preserve country programmes at the expense of more flexible budget lines, such as funding to multilateral organisations. In future years, allocations are likely to be based more on performance and results. To fully leverage the synergies available from Finland's partnerships, it will need to implement the new guidelines on civil society. It will also need to manage the engagement of private sector to ensure the overall effectiveness and impact of private sector instruments.

Choice of country, regional or global engagement is pragmatic

Finland's geographic and thematic priorities go hand-in-hand. For each of Finland's four priority themes (see 2.1.1), the foreign ministry decides pragmatically when and how to engage at country, regional, or global levels, adopting a complementary approach to modalities at all levels. Where it has country programmes, Finland works directly with the government or partners in that country. To illustrate, support for its first thematic focus (rights and status of women and girls) takes place at multiple levels: the Finnish embassy in Kenya works bilaterally to facilitate dialogue and donor co-ordination for gender equality, but also through UN Women to implement national action plans for Security Council Resolution 1325 (Box 2.1). It also engages regionally[4] through its support to Trademark East Africa to improve conditions for women's border trade. Finally, in Helsinki, the foreign ministry funds international NGOs through a call for proposals with a particular focus on the promotion of sexual and reproductive health and rights, and works within the governance structures of multilateral agencies to promote a gender focus.

Parliament allocates the ODA budget across nine budget lines, largely based on existing delivery modalities adjusted to factor in evolving human and financial capacity to implement, and based on advice related to performance and results. In partner countries, Finland uses country strategy preparations and the end of the programme cycle to re-evaluate the best channel of delivery for its support. For example, after important bilateral investments in Ethiopia's water and sanitation sector, Finland gradually moved into a common fund to achieve wider impact for its well-established collaboration.

Given its relatively small ODA budget and the fact that the share of bilateral aid implemented directly by Finland is unlikely to increase in the short-term, it is fitting that Finland places emphasis on finding effective partners. That said, the 2016 budget cuts had to be quickly implemented, which ultimately meant putting multilateral aid on the frontline. While the cuts were made in line with policy, the speed at which cuts had to be made and their unexpected nature meant that decisions on modalities were not always based on results and performance (see 5.1.1).

Greater emphasis on private sector support for development is a major change

Finland's 2016 policy places a strong emphasis on the private sector, which represents a potential leap towards realising the 2015 Financing for Development agreement (UN, 2015). While Finland's ODA has undergone severe cuts, Finland's support for private sector instruments has increased both proportionally and absolutely. The private sector emphasis is a new strand in Finland's development co-operation portfolio, and the associated financial resources represent new investment-type financing, which is not considered public expenditure.[5]

The increased importance of private sector support for development represents a major change process, the modalities of which the foreign ministry is yet to fully define. Such arrangements are likely to include forging closer collaboration among Finnish development actors; for example, Finnish civil society partners have been encouraged to co-operate with the business sector to bring on board new skills and perspectives to their development efforts.[6] The overall effectiveness and impact of multiple private sector instruments and their alignment to Finland's development priorities will need to be closely monitored.

It is currently unclear the extent to which innovative partnerships that are called for in the 2016 policy are actively pursued given what is perceived by many as the strict and inconsistent interpretation of the *Discretionary Government Transfers Act* (GoF, 2001), which describes the grounds and procedures that apply to funding granted in the form of aid for an activity or project. This lack of clarity has prevented or discouraged foreign ministry officials from participating in innovative partnerships that would involve sub-granting to other entities given the extra transactions costs involved and the government's unclear appetite for risk (see Chapter 5).

Box 2.1 Finland: a champion of women, peace and security

In 2008, Finland adopted its first national action plan for the implementation of UN Security Council Resolution 1325 and subsequent resolutions on women, peace and security. Finland released its second action plan in 2012, which it will update in 2017. A “1325 Network” of NGOs, researchers and experts working to promote human rights and equality was established in 2006.

Finland has assumed a prominent role in supporting its long-term partner countries to develop their own national plans. Finland is proactive in leading the implementation of the action plan, for example by supporting UN Women's “Strengthening Implementation of the Women, Peace and Security Agenda in Nepal". A recent review found that this programme has raised awareness and led to reduced violence against women, ensured better access to health care and encouraged the economic and political empowerment of women (see Annex C for more information on Finland's support to Kenya's action plan).

In conflict-affected contexts, the integration of women into institutions where they are discriminated and harassed is precarious, which implies that “doing-no-harm” requires a transformation of organisational and professional cultures. In 2014, a gender checklist was developed by the Finnish Defence Forces International Centre and the Finnish 1325 Network to ensure that civilian and military experts deployed to crisis management operations considered gender aspects.

Sources: Search for Common Ground (2016), Way Forward: Implementing the Women, Peace and Security agenda, SFCG, Kathmandu, www.sfcg.org/wp-content/uploads/2017/01/001-Consolidated-Report_Revised_Final-Draft_20161109.pdf;
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Finland has a clear vision of civil society partnership

The role of civil society organisations (CSOs) in Finland’s development co-operation was updated in 2017 in the *Guidelines for Civil Society in Development Policy*. The guidelines strongly state that attention must be given to practices that will strengthen civil societies in all development co-operation activities and not impair the enabling environment for civil society to flourish (MFA, 2017a). This objective is underpinned by the 2016 policy, which states that Finland’s aim is to reinforce civil society in developing countries in partnership with Finnish civil society organisations (MFA, 2016a).[7]

The foreign ministry has several funding instruments in place for civil society. The largest, in terms of funds allocated, is programme-based support for professional Finnish CSOs. Finland also allocates a varying amount of funds to international NGOs promoting development policy goals that align with Finland's priorities. Moreover local co-operation funds, managed by embassies, provide direct support to local CSO projects. Finland directs its development co-operation funding to civil society activities that promote Finland's development policy goals. Finland imposes no limits on the geographical or thematic spread of civil society operations, and respects the principle of CSOs as independent and autonomous actors that work with Finland to defend civic space in developing countries (MFA, 2017a).

As a result, there is often weak alignment of CSO operations funded through programme-based support with Finland's country strategies[8] in long-term partner countries, meaning that information sharing between CSO and regional departments relies largely on individual initiative. The 2015 Independent Review of Finnish Aid emphasised the need for a comprehensive evaluation of the effectiveness and impact of CSO work, including consideration of how to better integrate CSO programmes with bilateral aid (MFA, 2015b). The 2017 guidelines appear to have taken this recommendation on board and encourage a clearer relationship between CSO development co-operation activities and Finland's country strategies. This clarity and renewed purpose is positive and the implementation of these guidelines should be closely monitored.

Despite the adoption of electronic forms, Finnish NGOs and CSOs have indicated that the increased budget scrutiny of CSO funding is coupled with increasingly cumbersome application and reporting procedures based on a large number of guidelines, including results-based management and human rights.[9] Less capacity in the foreign ministry also means that it is more difficult for officials to provide forward-looking strategic guidance on how these instruments could increase Finland’s development impact. Reviewing processes for managing CSO co-operation will help Finland develop a more cost-effective and results-based approach for both the foreign ministry and its non-government partners.

Budget cuts have focused multilateral ODA, though reduced contributions are weakening Finland's multilateral influence

As recommended in the 2012 Peer Review, Finland continues to provide core contributions to multilateral organisations (OECD, 2013), but these are now more concentrated. The urgency with which budget cuts had to be made and the focus on the four priorities of the 2016 policy have led Finland to concentrate its core multilateral support to UN Women, United Nations Population Fund (UNFPA), United Nations Children’s Fund (UNICEF), the Green Climate Fund, United Nations Environment Fund (UNEP) and the Global Environment Facility. At the same time, it has sharply decreased or even stopped providing core funding to a number of UN funds and agencies. Recent replenishments to the World Bank's IDA18, African and Asian Funds and IFAD are smaller than in previous rounds.

A strategic analysis on the performance of Finland's main multilateral partners was conducted in 2013, but Finland uses the Multilateral Organisational and Performance Network (MOPAN) as the main source for multilateral assessments, together with its own internal reporting. Finland is an active and committed member of MOPAN, systematically taking an institutional lead on at least one assessment per year and providing funding for assessments through to 2019.

The overall decrease in predictable, core funding to UN agencies and international financial institutions means that multilateral partners are less likely to embark on innovative financing and partnerships that Finland was prepared to pilot. Cuts in core funding seem have been accompanied by an increase in the proportion of aid channelled through multilateral agencies for implementation in partner countries, primarily in countries where Finland already has a bilateral programme.

In this evolving context, where Finland supports fewer multilateral agencies with core contributions, but relies increasingly on the multilateral system to deliver programmes as a consequence of budget cuts and fewer human resources, a policy for multilateral development co-operation could help Finland develop more strategic partnerships with multilateral organisations. It would also encourage greater exchange of information on monitoring and results between the foreign ministry and the embassies (DPC, forthcoming).

Interviews with multilateral agencies confirm that Finland is requesting more information on results reporting, and, in particular, on Finland's contribution to their results, which risks adding significantly to transaction costs on both sides. A few indicate that Finland is placing greater emphasis on promoting the visibility of its funding, as well as demanding transparency as to how Finnish NGOs and companies might stand to benefit.

Notes

1. Compared to 2014, in 2015 almost all OECD countries registered an increase in people seeking asylum. The growth was very large in several countries, including Finland (nine times higher than in 2014) (OECD, 2016a).

2. Ethiopia, Kenya, Mozambique, Somalia, Afghanistan and Myanmar are considered fragile using the OECD fragility framework (OECD, 2016b).

3. SDG 16, for example: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

4. Other regional programmes supported by Finland include the Intergovernmental Authority on Development (IGAD) and the East African Community.

5. For example, the government is currently in the process of exploring and identifying viable investment opportunities for a new, non-grant development policy loans and investment modality. The government has, for the first time, allocated EUR 530 million for this returnable modality in 2016-2019.

6. Application procedures for CSO funding award extra recognition for collaboration with the private sector, and the foreign ministry has facilitated meetings between Finnish CSOs and private sector representatives to forge new networks and alliances. Whilst this ambition is receiving recognition amongst civil society actors, examples of collaboration and strengthened impact are not widespread.

7. According to the 2016 policy, the foreign ministry's goal – in co-operation with Finnish civil society actors and making use of developing countries' own potential – is to: strengthen the functional capacity of civil society actors; increase citizens' participation and activity; support national and international advocacy and dialogue; strive to create conditions enabling citizens' activities; and develop the economic operating environment and activity (MFA, 2016a).

8. In the field in Kenya, some effort has been made to bring together NGOs for thematic discussions. However, the absence of more systematic exchanges with Finnish NGOs limits the potential for strategic partnering. For example, involving NGOs and CSOs in the design of the country strategy could help introduce mutually reinforcing elements into key CSO and government programmes.

9. In assessing Finnish CSOs' funding applications, attention is paid to personnel costs in Finland to maximise the allocation of funds to project activities. Simultaneously, CSO funding application forms have been refreshed, giving more importance to the results chain: CSOs are encouraged to use results-based management tools in their monitoring and reporting.

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Chapter 3: Financing for development

Overall ODA volume

DAC Indicator: The member makes every effort to meet ODA domestic and international targets

Finland does have a long-term goal to increase official development assistance (ODA) to 0.7% of its gross national income (GNI), but it does not have a clear plan to achieve that goal, nor does it indicate what would trigger an increase in this ratio. As of 2016, Finland is no longer delivering its internationally-agreed target of delivering 0.20% of its GNI to least developed countries, despite having achieved this target as recently as 2014.

Finland lacks a roadmap for achieving its 0.7% goal and its share to LDCs has decreased

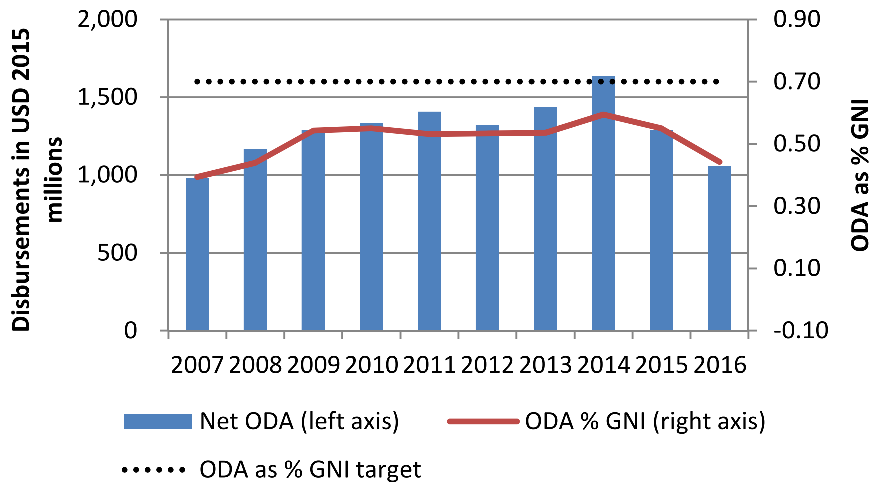
In 2016, Finland's net ODA was USD 1.06 billion, representing 0.44% of GNI, a sharp decrease from 2014 (0.59%) and 2015 (0.55%; Figure 3.1). Starting in 2012, Finland managed to increase its aid marginally, but from 2016, the ODA budget was cut by 38 percent, or EUR 330 million (USD 365 million) annually for the period of the government's fiscal plan (2016-2020), a deeper cut than for any other part of the Finnish administration. Of this annual cut, EUR 130 million (USD 144 million) was converted into loans and capital investments. In addition, EUR 25 million (USD 28 million) in further annual cuts are planned for 2018-20.

The 2012 Peer Review recommended that Finland develop a credible and strategic path for increasing ODA levels and meeting its international commitments to allocate 0.7% of its gross national income to aid (OECD, 2013). Nonetheless, Finland has no plan or timeline to reverse the decline in aid to meet the ODA to income target even though its 2016 policy has a "…long-term goal…to raise the level of our development co-operation funds to 0.7% of gross national income in accordance with UN goals" (MFA, 2016a). Finland says that it intends to increase the volume of its development co-operation as the economy picks up, but there is no indication as to what would trigger such an increase.

In both 2010 and 2014 Finland met the UN target of allocating 0.20% of its GNI to least-developed countries, but the share of income to the least-developed has steadily declined since then, and fell well below the target – to 0.14% in 2016 (MFA estimate). This sharp decline is likely due to the decrease in core contributions to multilateral organisations, since multilateral outflows have a relatively high share of aid to least-developed countries.

In line with OECD DAC reporting guidelines, the costs of sustaining refugees and people seeking asylum in their first year in Finland have consistently been reported as ODA (apart from 2005). In 2016, these were USD 129 million in real terms, or 12% of Finland's net ODA. The Ministry of Interior expects that 2016 was the peak year for in-donor refugee costs compared to both 2015 (USD 39 million in refugee costs) and 2017. Finland bases in-donor costs for refugees on a weighted average of estimated average daily costs, including standardised allowances.

Figure 3.1 Finland's net ODA by volume and as share of gross national income, 2007-16



Source: OECD DAC aggregates, 2017.

Finland's reporting is good overall, including on future ODA

Finland provides good, timely statistical reporting to the Development Assistance Committee (DAC), but there is scope to improve some aspects, such as short descriptions. Also Finland neither screens for nor reports on the reproductive, maternal, new-born and child health policy marker. Finland is committed to promoting the transparency of development co-operation. It was one of the founding members of the International Aid Transparency Initiative (IATI) and first started publishing its data in November 2011. The 2012 Peer Review recommended that Finland make multi-annual commitments whenever possible and share forward-spending information with partner countries and multilateral partners (OECD, 2013). The OECD has graded Finland as "good" in its forward spending projections for 2015-19 (OECD, 2016a). Findings from global monitoring on effective development co-operation, however, indicate that accurate information on Finland's forward expenditure plans is not made available to partner countries. Key partners such as Ethiopia, Mozambique and Viet Nam indicate that spending plans for one, two or three years ahead are not available (OECD, 2016b).

Bilateral ODA allocations

DAC Indicator: Aid is allocated according to the statement of intent and international commitments

Finland's geographical concentration reflects its long-term partner countries, while bilateral allocations align with its thematic priorities. Finland's bilateral ODA for climate change and the environment are below the DAC average, which is of concern given the 2016 policy's priority area on the sustainable use of natural resources.

Finland provides 36% of bilateral ODA to its nine long-term partner countries

Since the 2012 peer review, Finland has succeeded in concentrating its bilateral co-operation portfolio. Although Finland did not reduce the number of long-term partner countries, the number of bilateral partner countries where Finland was implementing some form of development activities decreased by roughly 40% from 2011 to 2016, with a 60% decrease in the number of bilateral interventions.[1] Indeed Finland has greatly concentrated its bilateral assistance, providing ODA to only 15 countries or territories directly (not channelled through an NGO, multilateral or institute). Finland's nine long-term partner countries feature in its top ten recipients of aid, and in 2015 they together received 36% of its bilateral ODA. The choice of priority partner countries is based on the continuation of Finland's historic engagement in countries, and almost all long-term partners are least-developed countries. In 2015, over 50% of Finland's regionally allocable bilateral ODA was directed to Africa, 26% went to Asia, and 10% to the Middle East. Private sector and civil society instruments reach beyond the nine long-term partner countries (see Chapter 2). Finland's country programmable aid[2] was 49% of bilateral ODA in 2015 – a flat-line trend for the past five years (see Table B.2), and in line with the DAC average of 49% in 2015. In terms of Finland's bilateral ODA, 34% was directed to least developed countries in 2015, compared to the DAC average of 27%.

Finland's sectoral focus aligns with the 2016 policy, but environment and climate change not prioritised

Finland's four thematic priorities (see 2.1.1) are reflected in ODA sector allocations to governance, productive sectors, education, energy and multi-sector interventions. In 2015, USD 193 million, or 28% of Finland's bilateral ODA, was channeled to and through civil society organisations (CSOs). Funding channeled through national CSOs was primarily for human rights, rural development and reproductive health. The prominence accorded to the private sector in Finland's 2016 policy is not yet borne out in DAC statistics. As of 2016, Finland no longer channels income from emissions trading schemes into development co-operation. Instead, part of this income now goes towards a domestic compensation system for the indirect impact of emissions trading on electricity prices (PMO, 2015)

According to the gender marker reported in DAC statistics, over 80% of Finland's ODA investments in education, water and sanitation are focused on gender equality. Together with Finland's focus on multilateral organisations with a mandate to work on women's empowerment, its bilateral allocations match Finland's global leadership on gender equality. All Finnish ODA grants are screened for their relevance to gender equality and women's empowerment. In 2015, 50% of allocable bilateral grants, just over USD 235 million, had gender equality as a "principal or significant" goal, up from 39% in 2012.

On the other hand, in 2015 just over 15% of Finland's allocable bilateral ODA commitments, or USD 72 million, targeted climate change mitigation and/or adaptation as a significant or principal objective, and only 17% of allocable bilateral ODA commitments

(USD 81.7 million) supported the environment, compared to a DAC average of 27%. These shares are surprisingly low considering the emphasis Finland places on the sustainable use of natural resources.

Finland’s humanitarian aid budget has remained at about 12% of total ODA disbursements, translating to USD 88.3 million (EUR 94.6 million) in 2015, USD 77.5 million (EUR 70.1 million) in 2016, and a projection of EUR 72 million (USD 80 million) for 2017. In comparison, the government's military and defence budget has seen an increase in the government's strategic programme from 2016 (PMO, 2015).

Multilateral ODA channel

DAC Indicator: The member uses the multilateral aid channel effectively

Finland's ODA allocations to multilateral agencies reflect Finnish policy priorities, but multilateral ODA spending fell from 46% in 2015 to represent 40% of Finland's total ODA in 2016, while the total use of the multilateral system fell from 63% to 57%. Finland's preferred multilateral partners also receive the most earmarked, non-core, or multi-bi aid, the majority of which is channelled to countries where Finland already has a bilateral programme. The use of multi-bi channels is concentrated in humanitarian aid, governance, and water and sanitation.

Core multilateral ODA was cut 29% from 2015 to 2016

Until very recently, Finland was a champion of the multilateral system and used multilateral organisations to deliver a significant share of the ODA budget. Over three years, from 2012 to 2015, Finland increased the share of multilateral aid from 39% to 46%. Data from 2016 indicate that the multilateral share has returned to 40%, though of a smaller ODA volume overall. Combined with multi-bi, or non-core multilateral ODA, the share of the total use of the multilateral system fell to 57% in 2016. Figure 3.2 shows how the total use of the multilateral system has been negatively affected by the budget cuts both in volume terms and as a share of total ODA.

In 2016, USD 422 million was allocated as core funding to multilateral agencies, financial institutions and funds, with an additional USD 176 million as earmarked support, according to the foreign ministry. Multilateral ODA to UN agencies fell 44% from 2015 to 2016. These cuts were made in order to preserve country programmes as much as possible, which makes sense. There may yet be an opportunity for Finland to see how it might strengthen its multilateral outlook in the future.

A total of 73 multilateral agencies received funding from Finland in 2015 – 25 of which received less than USD 1 million. Funding is generally consistent with the four priority areas of the 2016 policy; however, there may be an opportunity to review the list of recipients of multilateral ODA with a view to consolidating smaller contributions.

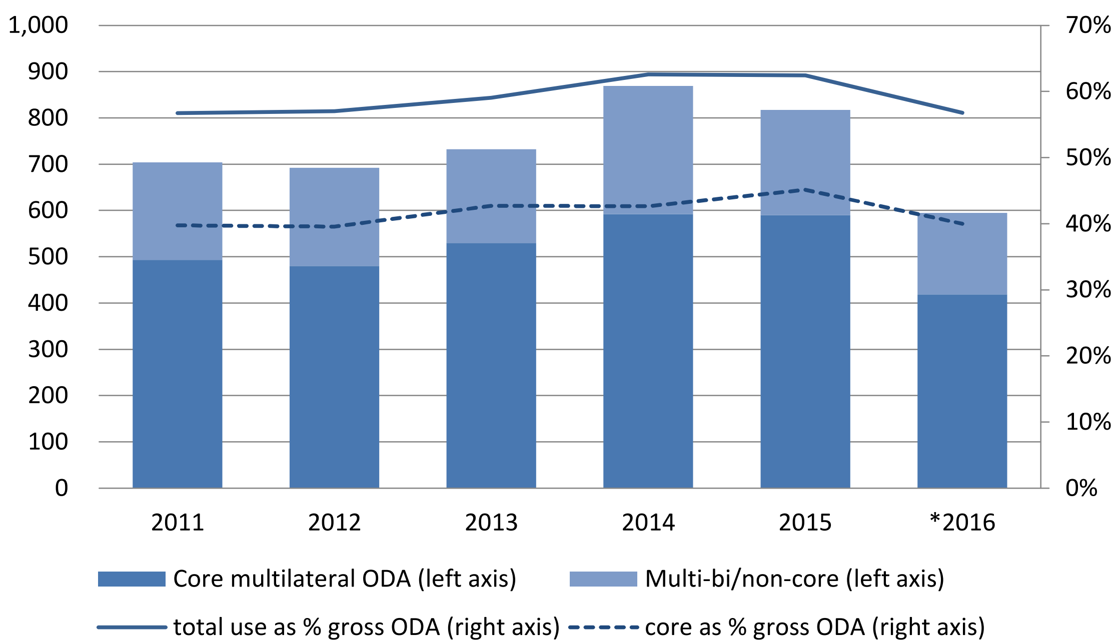
In 2015, the largest share of Finland's reported multilateral funding was allocated through the European Union as Finland's share of the development budget and the European Development Fund (USD 116 million and USD 55 million respectively). Despite a decrease in Finland's World Bank's IDA-18 replenishment in December 2016, it remained the second most important recipient in 2015 at USD 119 million, the highest amount disbursed by Finland to the IDA in the five previous years. This was followed by the Green Climate Fund (USD 38.5 million); the African Development Fund (USD 38.2 million); UNFPA (USD 37.2 million); and UNICEF (USD 22.2 million). Finland has been a strong supporter of UN

Women from the beginning – in line with its priority area – and it provided USD 15.5 million of core funding in 2015.

One-quarter of Finland's earmarked funding is humanitarian aid. In 2015, over half of Finland's humanitarian aid (53%) was channelled to UN agencies (primarily the World Food Programme, the UN Office of the High Commission on Human Rights and UNICEF). The rest was allocated to Finnish NGOs (32%), the World Bank Group (11%)[3] and the International Committee of the Red Cross (3%).

Figure 3.2 Finland's total use of the multilateral system, 2011-2016

Constant USD 2015 millions



** 2016 multi-bi data are preliminary, provided by the Ministry for Foreign Affairs in Helsinki.*
Source: OECD Creditor Reporting System and DAC aggregates, 2017.

Financing for development

DAC Indicator: The member promotes and catalyses development finance additional to ODA

Private sector instruments are gaining in importance compared to grant ODA. Finland's orientation towards other types of finance requires a shift in the knowledge and skills in the Ministry for Foreign Affairs and embassies, as well as rethinking how government engages with developing countries. Finland's poverty focus and high share of untied aid may be jeopardised in an environment where links to Finnish businesses are a requirement.

Private sector instruments lack clarity of development objective

The 2016 policy states that the government relies on the expertise of Finnish society to implement Finland's development co-operation and that, given the magnitude of financial resources required to achieve the SDGs, public resources plus those from domestic and foreign private sector sources are required in addition to development co-operation. Indeed, the Finnish government has emphasised the role of the private sector in development implementation, and has called for more support to encourage business investments in developing countries

Team Finland promotes Finnish companies' commercial interests abroad and includes the Ministry of Employment and the Economy, the Ministry for Foreign Affairs, the Ministry of Culture and Education, and all publicly-funded bodies and Finnish offices abroad, including embassies, Finpro, Tekes (the Finnish agency for technology and innovation) and Finnpartnership (see Annex C). Although stakeholders in Finland agree that the private sector is a vital and necessary partner for achieving sustainable development, there is no consensus among various stakeholders as to what private sector engagement means for development.[4] For this reason, it will be important for the Finnish government to establish a common understanding of how the private sector will help deliver the 2030 Agenda in partner countries.

Box 3.1 Finland's private sector instruments

The following instruments aim to stimulate private sector investment in developing countries:

Finland's **business impact (BEAM)** programme combines development co-operation funds from the foreign ministry with public innovation funding managed by Tekes, the Finnish agency for technology and innovation. It supports Finnish companies to develop, pilot, and demonstrate innovations that improve well-being in partner countries, while also giving these companies business opportunities. The recent mid-term evaluation of the programme praises its innovative setup, and recommends adopting a more strategic focus using a more versatile set of instruments such as policy collaboration, capacity development and institutional partnerships with local partners to make it more sustainable (MFA, 2017). An example of a project funded through the business with impact programme is a severe storm warning service in Sri Lanka implemented in partnership with the Finnish Meteorological Institute and a Finnish software company.

The **public sector investment facility** will provide blended finance for public sector projects in developing countries in line with their national development strategy and the SDGs. The facility replaces Finland's previous concessional credits programme. The project contractor must be a Finnish-registered company with adequate Finnish project content, as determined by Finnvera (Finland's export credit agency). It is thus tied aid. The client government takes out a loan from a commercial bank using a buyer credit guarantee, and the foreign ministry covers the loan's interest payments and part of the purchase sum so as to satisfy the 35-50% concessionality level (MFA, 2016b).

Finnpartnership, operated by Finnfund, supports long-term business partnerships in developing countries and match-making between Finnish and developing country companies. Its grant support to companies, utilities, research entities, NGOs and consortiums registered in Finland or with significant Finnish ownership entities. Finnpartnership has a total budget of EUR 50 million (USD 55.3 million) for 2016-2019, half of which is public funding shared equally by Tekes and the foreign ministry, and the other half is contributed by companies and organisations participating in the programme. For example, Fuzu, a Finnish company, set up a successful mobile service for job applicants and employers in Kenya (see Annex C).

Sources: MFA (2016b), "Public sector investment facility guidance notes," Government Publications, Helsinki; MFA (2017a), *Developmental Evaluation of Business with Impact (BEAM) Programme,* Ministry for Foreign Affairs, Helsinki; MFA (2017b), "Memorandum of Finland, OECD-DAC Peer Review of Finland 2017", Ministry for Foreign Affairs, Helsinki.

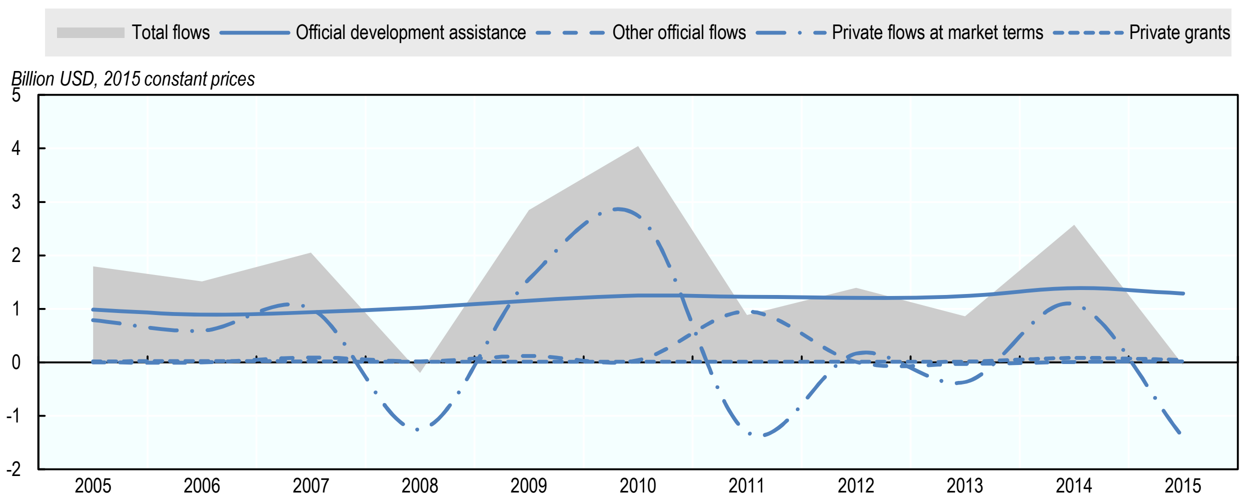
Delivering aid through private sector instruments requires new skills

Finland's array of private sector instruments includes Finnfund (the development finance institution); Finnpartnership; the business with impact programme (BEAM); and the public sector investment facility (see Box 3.1). According to Finland's reporting to the DAC, official flows are predominantly ODA (USD 1.3 billion net ODA in 2015), except for a 2011 spike in net other official flows of USD 1.1 billion related to export credits (Figure 3.3). In 2015, gross ODA equity through Finnfund and ODA grants through Finnpartnership together accounted for USD 52.8 million. An additional USD 45.3 million of gross other official flows was recorded as investment-related loans from Finnfund.[5] Private grants started to pick up again in 2014 (USD 100 million), but were still dwarfed by ODA volumes that year (USD 1.6 billion in 2014).

Official development assistance is still the most important source of funding for private sector instruments; and, given the lag in reporting, it is too early to tell if there is a rebalancing between official development assistance and other official flows. Finland has indicated that in 2017 it will start to develop a more comprehensive strategy and policy guidance on blended finance, in particular on additionality and the critical role of official development finance in securing additional private investments that may not otherwise take place. Currently only a few people within the foreign ministry manage private sector co-operation, and diplomatic missions do not have the capacity to react and engage with new tools (DPC, forthcoming). This will need to change as Finland proposes a wider array of instruments to match demand in partner countries.

Figure 3.3 Finland's official and private flows to developing countries, 2007-2015

Net disbursement in constant 2015 USD million



Source: OECD DAC statistics, 2017.

While development co-operation grants were subject to USD 221.2 million in annual cuts as part of the government's adjustment in 2016, an additional USD 143.8 million[6] of grant aid was converted into loans and capital investment channelled to Finnfund and the Inter-American Investment Corporation (IIC). The advantage of loans and capital investments is that they do not affect the net public sector debt; however, the use of new instruments will have an impact on how and where Finland positions its support.

To date, the investments Finland provides are in line with the foreign ministry's directive that at least three-quarters of investments should be made in poor countries. In 2016, for example, 82% of Finnfund's investments took place in lower middle-income, least-developed, and low-income countries, although this proportion drops to 31% when including only least-developed and other low-income countries (Finnfund, 2016). The investment facility is also likely to focus more on lower-middle-income countries that meet the OECD eligibility requirements[7] for tied export credits (MFA, 2016b). Should a greater proportion of funding go to lower-middle-income countries, it could detract from Finland's current concentration on long-term partner countries, almost all of which are least-developed.

In the near future, the foreign ministry hopes to convince pension funds and other Finnish funders to provide long-term investments to developing countries. According to a 2016 OECD Survey, an annual average of USD 55.8 million was mobilised from the private sector through Finland's official development finance interventions in the form of syndicated loans, shares in collective investment vehicles (CIVs) and direct investment in companies from 2012-2015. (Benn *et al*, 2016).

Finland has a good non-ODA reporting record, but could report export credits and foreign direct investments

Finland reports ODA, non-ODA, private grants, NGO flows and non-bank securities at an aggregate level to the DAC. However, Finland does not report foreign direct investment, and since 2014 direct export credits (Finnvera) are not reported to the DAC.

Notes

1. Based on estimates provided by the foreign ministry's regional departments.

2. CPA is the portion of aid that providers can programme for individual countries or regions, and over which partner countries can have significant say. For DAC members, it is calculated as the amount of bilateral aid allocated by country, and excludes spending which is: (1) inherently unpredictable (such as humanitarian aid and debt relief); or (2) entails no flows to the recipient country (administration, student costs, development awareness and research and refugee spending in donor countries); or (3) is usually not discussed between the main donor agency and recipient governments (food aid, aid from local governments, core funding to international NGOs, aid through secondary agencies, ODA equity investments and aid which is not allocable by country).

3. Humanitarian aid channelled through the World Bank consists of funding to the Afghanistan Reconstruction Trust Fund.

4. Multiple views were on display as to what private sector engagement means in practice. Perspectives ranged from encouraging corporate social responsibility of companies operating in developing countries; understanding how private sector activities in developing countries impact poverty eradication through job creation and the volume of trade generated; partnering more formally with the private sector to implement activities; supporting private sector development, or the enabling environment in developing countries to attract more private sector investments; and, finally, promoting Finland's own private sector overseas by facilitating access to markets.

5. To give an order of magnitude to these flows, total remittances (private flows) sent home from Finland by immigrants from developing countries were USD 636 million in 2016 (World Bank, 2016).

6. EUR 200 million and EUR 130 million, respectively.

7. The concessionality levels vary according to the category of the client country. The government has also indicated that LDCs can access PIF credits in a limited fashion, to be decided on a case-by-case basis.

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Chapter 4: Managing Finland's development co-operation

Institutional system

DAC Indicator: The institutional structure is conducive to consistent, quality development co-operation

Finland's integrated institutional structure can support the current transition from ODA-centred co-operation towards co-operation encompassing a fuller set of foreign and trade policy areas. While Finland's management of development policy and co-operation is integrated across the Ministry for Foreign Affairs, it is not integrated across government. Whilst this approach may present practical benefits, it undermines public discussion and support for development spending.

Finland's institutional structure enables coherence between development and other foreign policies

Finland's foreign service structure is integrated – development policy is an essential part of foreign and security policy. The Ministry for Foreign Affairs (MFA) is under the direction of three ministers dedicated to foreign affairs, foreign trade and development, and Nordic co-operation. The Department for Development Policy is responsible for Finland's international development and humanitarian policy, development finance and overall planning and monitoring of development co-operation (Figure 4.1). The Political Department and Department for External Economic Relations provide policy guidance to the regional departments responsible for their respective geographic areas.

The foreign ministry has a matrix organisational set-up, which means that individuals work across departments and have more than one reporting line. This set-up and the role of four under-secretaries of state in leading policy co-ordination (Figure 4.1) help to mainstream policy perspectives into regional departments' operations and can help create synergies amongst policy priorities and instruments. In fact, the foreign ministry has recently made efforts to strengthen linkages across policy areas, for example by launching an exercise in 2015 to explore the practical implications of a human rights-based approach for operations in different foreign ministry units, and to build staff capacity in using the approach in their daily work. A similar exercise was initiated to strengthen coherence in co-operation with fragile states, where the foreign policy priorities of democracy and human rights drive Finland's engagement.

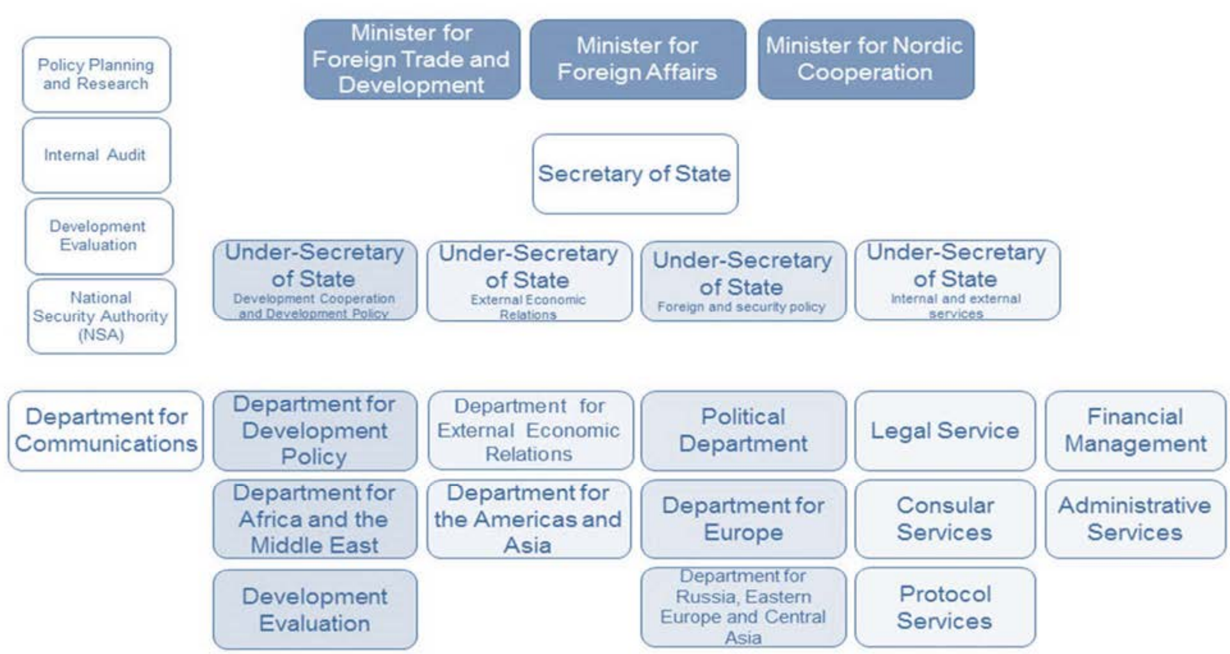
The fact that Finland does not have a separate aid agency, but rather the same personnel both in headquarters and in embassies who manage the full range of foreign policy areas, ensures a holistic approach to political dialogue. For example, Finland's support to the Middle East and North Africa has a development focus that also promotes Finnish and EU foreign policy as appropriate. Its integrated structure may also facilitate the current transition in many of its developing partner countries from ODA-centred co-operation to a relationship more focused on trade and investment, for example in Viet Nam.

At the same time, this *modus operandi* poses some persistent challenges, already noted in the previous peer review (OECD, 2013). These include securing a sufficient level of professionalism in development policy and ensuring adequate co-operation across the ministry and embassies, as well as across government. Furthermore, the fact that development co-operation remains within the sole remit of the foreign ministry means it is the sole advocate for the development co-operation budget. The 2030 Agenda and the government's national implementation plan (PMO, 2017) are a good opportunity for Finland to strengthen whole-of-government engagement in, and support for, development policy and co-operation.

Finland's foreign service system has multiple management and co-ordination structures. One structure is the Policy Steering Group that provides strategic support to the leadership of the foreign ministry. Chaired by the Minister for Foreign Trade and Development, it brings together the directors of policy and regional departments to advise on policy objectives and resource allocations, as well as to respond to recommendations from evaluations of development co-operation (see Chapter 6). Another co-ordination entity is the multi-disciplinary Quality Assurance Group, chaired by the Deputy Director General of the Department for Development Policy. This group ensures compatibility of projects and programmes with Finland's development policies and requirements for quality assurance.

Despite these efforts, silos persist, particularly in development co-operation programming processes, where co-ordination among departments and units managing various co-operation modalities and instruments is piecemeal. For instance, partnerships with multilateral organisations and civil society in partner countries are not necessarily factored into the engagement of these actors in Helsinki and co-operation with Finnfund and other entities managing private instruments is not systematic. Finland's investments in results-based management (see 6.1), and the recently launched management review of Finland's development co-operation guidance, systems and processes, should help to better link-up policy and regional departments and their units.

Figure 4.1 Ministry for Foreign Affairs organisational chart



Source: MFA Finland

Centralised decision making can be challenging, as are whole-of-government approaches in partner countries

Financial and decision-making authority in Finland's development co-operation is centralised within the foreign ministry. The Minister for Foreign Trade and Development makes all funding decisions for amounts above EUR 500 000, as well as all funding decisions for CSOs and institutional co-operation. The Director General of the Department for Development Policy can make funding decisions for amounts below EUR 500 000, and the Director for Humanitarian Assistance has the authority to make urgent humanitarian funding decisions. Embassies manage only marginal local co-operation funds and a portion of funds for identifying, planning and programming development co-operation. This centralisation of decision making and financial authority can take away from the responsibilities of regional departments and embassies to define and deliver an effective programme, thereby diminishing the influence of informed country-level judgements in supporting an agreed country strategy (MFA, 2015).

The previous OECD peer review recommended that Finland explore further delegation of authority to embassies (OECD, 2013), but this was not implemented; a call for decentralising financing decisions was subsequently made in 2015 (MFA, 2015). However, it does not seem likely that Finland will decentralise further. In fact, many administrative and corporate functions are becoming more centralised across government. This poses additional challenges for the foreign ministry in ensuring that issues specific to development are sufficiently factored into these functions and systems.

Although it limits an embassy's direct influence over programme implementation, given the relatively small financial volume and administrative size of Finland's development co-operation portfolio and the fewer human resources available, the current centralised model does not seem to pose any severe constraints on Finland's effective management of its co-operation. In practice, it appears that pragmatic daily working arrangements between headquarters and the embassy allow for needs-based exchanges, joint decision making, including necessary adjustments to existing programmes. Embassy views and advice are heard and often reflected in planning, programming and choice of partners.

As with headquarters, adopting a whole-of-government approach to its operations in partner countries is also a key challenge for Finland, although the foreign ministry's overall operational and financial plan and the Ambassador's own operational plan is an attempt to pull all efforts together (MFA, 2017). Currently, Finland's whole-of-government approach in its partner countries appears to be at best *ad hoc*, relying more on the initiative and contacts of embassy staff than on systemic co-ordination. It is therefore not harnessing the full synergies across the range of instruments and policy communities (see Annex C).

Adaptation to change

DAC Indicator: The system is able to reform and innovate to meet evolving needs

The management of the foreign ministry has streamlined Finland's bilateral co-operation portfolio, re-focusing activities around core partners and sectors. Finland has capitalised on the political emphasis on the private sector to devise new instruments and co-operation modalities. Nevertheless, the challenges presented to foreign ministry staff as a result of several changes in political leadership over a short period of time and drastic budget cuts cannot be overlooked. Furthermore, the tight resource situation does not allow for, or encourage, innovation in Finland's development co-operation programme.

A pragmatic approach to managing political and budget adjustments, but building pressure on officials

The recent budget cuts to development co-operation funds, accompanied by an increased focus on private sector instruments, mean a major change process for the administration managing Finland’s development co-operation. The flexibility in Finland’s budgeting tools, particularly large carry-over funds accumulated during 2012-14, has to some extent cushioned financial adjustment and adaptation to the cuts and new priorities. The institutional set-up of joint headquarters and embassy country teams managing bilateral co-operation, together with a centralised decision-making model, have enabled rapid and pragmatic adjustment, including the swift execution of necessary cuts to operations and funding. The management of the foreign ministry has also seized the opportunity to streamline Finland’s bilateral co-operation portfolio, re-focusing activities around core partners and sectors. Finland is devising new instruments and co-operation modalities to build on the government's emphasis on the private sector.

It is important to note, however, that the pressure imposed on foreign ministry staff by the budget cuts adds to the stress of the past few years stemming from frequent ministerial turnover and changing political priorities. Senior management has underscored the need for renewed consistency and stability in political priorities in order to re-establish a sense of predictability and continuity amongst staff.

The Development Policy Committee and the independent review of aid (MFA, 2015) recommended more permanently establishing the main goals of development policy in a law on development co-operation (DPC, 2016). While many stakeholders agree that given the current political environment this may not be the best means to secure long-term development goals and increases in ODA, Finland's political leadership should decide how to manage organisational change and ensure continuity and results. Finland’s current efforts to instil a results culture within its administration (see Chapter 6) and to further engage parliament and political leaders in an evidence-based dialogue on development co-operation are further opportunities to ensure continuity, staff morale and impact of Finland’s development efforts.

Forced adjustment has left little room for innovation

While the Finnish administration has applied a constructive and pragmatic approach to concentrating its development co-operation interventions in the face of budget cuts, the tight resource situation makes it even more important for Finland to encourage, innovation in its development co-operation programme. Continuation of well-established activities and partnerships dominates Finland’s co-operation portfolio. This "business-as-usual" approach ensures a certain degree of stability and impact in an environment of budget constraints, but it significantly constrains the scope for new ideas and innovation.

Finland has the relevant technical expertise in its embassies to implement its current bilateral country programme, but there are very limited resources dedicated to co-operation and developing synergies with other Finnish investments that could drive innovation (see 2.3.4), as demonstrated in Kenya (see Annex C). While new private sector instruments in Finland’s development co-operation may offer an opportunity to adopt new, innovative approaches to meet the evolving challenges and needs of Finland’s development co-operation, this will require more supportive frameworks for in-country partnerships and consistent backstopping across government in Helsinki in order to drive innovation within and beyond the established bilateral programme.

Human resources

DAC Indicator: The member manages its human resources effectively to respond to field imperatives

Finland has effectively adjusted staffing to sudden and significant budget cuts without needing to resort to layoffs for the time being. However, caps on staffing levels restrict Finland's capacity to deliver its ambitious development policy. Finland continues to face challenges in securing interest in and expertise for its development portfolios at headquarters and in the field. This signals the need for Finland to invest in greater incentives to attract skilled staff for key posts, enhance institutional learning and capacity, and retain accumulated development expertise within the administration.

Finland still has trouble securing development co-operation expertise

Finland’s development co-operation administration has faced pressures to downsize from two fronts, resulting in a double hit to the administration. These included government-wide staffing cuts affecting the whole foreign ministry[1] and cuts in Finland’s development co-operation budget. The lower development co-operation budget translated into 34 posts being cut, which Finland has managed for the time being without resorting to layoffs by rearranging pension schemes and not extending temporary employment contracts. It is clear that cuts in staffing levels have restricted Finland's capacity to deliver its ambitious development policy and engage fully with partners. Increased workloads have reduced the capacity for analysis, programmatic oversight and the scope for direct bilateral implementation. Levels of confidence in management have decreased across the foreign ministry departments managing development co-operation.[2]

Finland continues to rely on three categories of professional staff: those recruited for lifelong diplomatic service; those recruited for specific thematic or expert positions within the foreign ministry (also referred to as Special Career employees);[3] and locally employed staff contracted directly by embassies. Finland has taken steps to implement recommendations from the 2012 peer review, including assigning a Committee on Special Career and following through with its recommendations (see Annex A). For example, special career employees with permanent contracts in the foreign ministry can now apply for diplomatic positions related to development policy and co-operation in Helsinki and in embassies.

Despite these efforts, Finland continues to face challenges in securing interest in and expertise for development portfolios at headquarters and in the field. The foreign ministry has difficulty in attracting diplomatic career staff to development co-operation posts and in recruiting special advisers with both development co-operation and policy experience – a challenge highlighted by the independent review of Finnish aid as "absolutely critical for the quality of aid and for achieving results on the ground" (MFA, 2015). Finland does not offer long-term career prospects for special career employees, and the new recruitment procedures for special career staff to temporarily occupy diplomatic posts lack clarity and transparency. There is also a perception that appointments are not merit-based, and that current arrangements do not ensure equivalent levels of financial compensation for special career and diplomatic staff occupying the same position.

Locally-employed staff are viewed by the embassy as an important asset for adapting operations to specific contexts and ensuring continuity on the ground. However, their lack of input into decision-making processes and inadequate training opportunities limit their potential impact in strategic planning and monitoring. The perceptions amongst local staff that the benefits offered by Finland's embassies are not competitive with those of other Nordic countries make it hard to retain skilled local staff.

A recent evaluation of the use of country strategies confirms concerns about staffing levels and composition (MFA, 2016). It notes that inconsistent quality of staff and leadership of processes, coupled with high staff turnover due to insufficient long-term career prospects, have exposed Finland to risks in the quality of its interventions and their management. These risks are particularly pertinent in complex and rapidly evolving fragile contexts. In addition, there are no particular incentives for staff to take postings in developing or fragile contexts, other than informal efforts to subsequently post these staff to better duty stations.

Overall, these persistent challenges signal the need for Finland to invest in attracting skilled staff to key posts, enhance institutional learning and capacity, and find ways to retain accumulated development expertise within the administration, including through career development of technical experts belonging to the special career staff.

Harmonised up-to-date tools, guidelines and training would benefit from a more consolidated approach to staff development

In line with the recommendations of the 2012 peer review, Finland has taken steps to provide harmonised up-to-date tools, guidelines and training for all development staff. These improvements include the revision to the basic course on development policy and co-operation, and reorienting training sessions for broader external audiences towards practitioners within the foreign ministry. Regional training workshops have been introduced to provide more context-specific exchanges and learning. The foreign ministry has also initiated more systemic training of trainers to better equip their own personnel to deliver training sessions. Web-based training material for staff will soon be piloted.

However, there is no single repository for training materials and staff guidance. A variety of manuals exist within the administration, but the staff perception is that these are not used to guide daily work. There is no central repository of guidelines and manuals. The AHA-KYT case management system (see 6.3.2 and C.3.3) does not meet the needs of development practitioners in their daily project management, such as to help staff navigate the project management cycle (see 6.3.2). Neither does the system summarise key information on the past project cycle, or facilitate practical recording of evidence and results for learning and analysis.

Given the high staff turnover, different funding instruments and evolving political priorities, it remains unclear whether Finland's wealth of tools, guidelines, working groups and staff training initiatives are conducive for institutional effectiveness and change management, or whether some effort is required to more effectively align policy to programming in a relatively small administration. Overall, Finland's extensive efforts to offer more targeted, short-term skill development have not met the requirements for career-long learning and capacity building needed in order to address the skills gap for development co-operation.

Notes

1. Government-wide staffing cuts have resulted in the foreign ministry reducing 10% of its staff, equivalent to 200 people, over the past seven to eight years.

2. Overall satisfaction with foreign ministry management and leadership decreased dramatically between 2015 and 2016, with the share of staff fully satisfied with management plummeting from 32% to 11% in the Department for Development Policy, from 28% to 15% in the Department for Americas and Asia, and from 30% to 18% in the Department for Africa and the Middle-East. In response to the more negative results, MFA has indicated that the new survey design may have had an impact (MFA, 2015 & 2016).

3. Special career employees working at foreign ministry in Helsinki may also be appointed on open-ended contracts, while embassy appointments are always fixed-term contracts.

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Chapter 5: Finland's development co-operation delivery and partnerships

Budgeting and programming processes

DAC Indicator: These processes support quality aid as defined in Busan

Despite the flexibility of Finland's budgeting tools and processes, the severe budget cuts have reduced the predictability of Finland's development co-operation. While the second-generation country strategies make some effort to provide a more comprehensive overview of Finland's interventions, they fall short of providing a comprehensive picture of ODA in each country and are not aligned to country programming cycles. Given Finland's diminishing share of grants in its development finance, country strategies should take a more integrated approach in order to make the most of the various co-operation instruments and types of financing in each partner country. Finland will need to manage risks more proactively and ensure that it adheres to internationally agreed effectiveness principles, including on tied aid.

Despite Finland's flexible budgeting tools, budget cuts were damaging

Finland's budgeting process enables strong forward-looking planning. The operational and financial plan is formulated every autumn and includes spending limits for funds and contracts as well as budget authorities for the next year and the following four years.[1] Whilst this plan provides the base for an annual budget, planning always takes place in rolling four-year cycles, which allows for programmes to adjust on a rolling basis. Finland can also carry over appropriated funds for disbursement for the two ensuing calendar years, which introduces practical flexibility to adjust programming. The foreign ministry recently introduced budget-tracking tools to provide real-time information and enable a higher rate of budget execution, giving programme managers the updated information they need for day-to-day management.

The introduction of impact areas in country strategies (see C.2.1) helped guide country teams to focus their programming in fewer areas in response to the government's budget cuts. Despite this flexibility and renewed focus, the severe budget cuts have undermined the predictability of Finland's development co-operation. While regional departments tried hard to preserve country programmes and government-to-government relationships where firm commitments or contracts were in place, this was not always possible. For instance Finland's decision to phase out regional co-operation in Mekong earlier than originally planned resulted in backtracking on existing commitments made in Lao in order to meet budget cut targets. The rapidity with which budget cuts were imposed also created challenges for Finnish CSOs, leaving insufficient time for managing their exit from existing country projects. These unexpected departures also undermined Finland's reputation as a trusted development partner amongst international and partner country CSOs. Cuts to Finland's multilateral co-operation budget also had significant implications for predictability and innovative partnerships. Overall core multilateral aid fell by 29%, but cuts to some UN organisations reached 60% of previously signed funding agreements.

Country programming does not promote synergies among bilateral, private sector and CSO instruments

Finland aligns its support with partner government priorities and systems. Global monitoring findings indicate that 89% of its development interventions drew their objectives from country-led results frameworks (OECD, 2016). In Kenya, for example, Finland implements its co-operation at the county level in accordance with county plans, guided by the Council of Governors (see Annex C). Finland's country strategy objectives and interventions across key partner countries have been found to be relevant to partner countries and to Finland's development policy objectives (MFA, 2016a). The *Evaluation of Finland's Development Cooperation Country Strategies and Country Strategy Modality* recommended that future processes to develop country strategies should include more structured country-level consultations with local stakeholders, including government and development partners (MFA, 2016a).

Co-operation strategies for long-term partner countries are prepared through a country strategy process introduced in the context of the 2012 development policy to strengthen partner country programming. They are now being revisited as a "second generation" exercise in the context of the 2016 policy. The country strategy is guided by the partner country's national development strategy and Finland's development policy. Country strategies are prepared by country teams that bring together regional departments and advisers and embassies (MFA, 2016b). Finland has strengthened alignment of its country programming with its development policy priorities through the use of dedicated markers in the foreign ministry's case management system (see Chapter 6).

The country programming coincides with Finland's domestic political cycle and is therefore not aligned with partner country programming cycles, which was evident in Kenya (see Annex C). However, this centralised programming in headquarters means political priorities are translated into action through one major programming effort, and in the process it promotes peer learning across country teams. Annual updates to country strategies seem to offer the necessary room to adapt and adjust to country contexts and priorities.

Despite the inclusion of a partnerships and instruments section in second generation country strategies, the programming process takes a limited strategic approach to promoting synergies and enhancing complementarity among Finland's bilateral programme (including humanitarian aid); private sector and blended finance instruments; and core funding to multilateral organisations and civil society. While second-generation country strategies make some effort to provide a more comprehensive overview of Finland's interventions, they still fall short of providing a comprehensive picture of all ODA investments in a given country (see Chapter 6). Bringing together all investments in one strategy would help manage and mitigate risks borne by the foreign ministry and all of Team Finland, creating the opportunity for greater synergies in programming. Given Finland's diminishing share of grants in its development co-operation, strategies of long-term partner countries need to take a more integrated approach to make the most of the various co-operation instruments and types of financing in each partner country.

Finland's strong theoretical emphasis on using country systems is less evident in practice

Finland's programming procedures and guidelines place strong emphasis on the use of country systems, in accordance with the Busan Partnership Agreement.[2] All interventions presented to the Quality Assurance Group must address the use of local systems by default, and if relevant explain why they are not used (MFA, 2017b). Staff preparing bilateral programmes are encouraged to use at least the "on plan", "on budget", "on parliament" and "on report" components of country systems (MFA, 2016b).

It is less clear, however, whether this guidance is implemented. In Kenya, Finland's programming practices are well aligned with country systems, and were recently adjusted to respond to government's administrative arrangements by channelling funds via Treasury to revenue accounts of counties where it operates (see Annex C). Nevertheless, the 2016 global monitoring findings indicate a sharp decrease in Finland's overall use of local public financial management and procurement systems – from 57% in 2010 down to 37% – coupled with a minor decrease in aid recorded in the national budget – from 63.3% in 2010 to 60.7% (OECD, 2016). The foreign ministry's regional departments attribute this decrease to the suspension of general budget support in two countries, increased funding implemented through multilateral organisations, as well as support directly provided to civil society outside of the government sector; however, these may not fully account for this decrease.

One explanation could be that the guidance on risk assessment and risk appetite is unclear and therefore contributes to the decline in the use of country systems. For example, guidance for bilateral programmes explicitly states that channelling funds through the national treasury, as well as relying on respective accounting and audit systems, is "dependent on the Public Finance Management capacities of the partner government, and as such the decision on which levels to apply always depends on the result of the initial risk analysis made during the identification phase" (MFA, 2016b). However, there is no concrete direction as to what this risk assessment should entail and how it should be interpreted. Programme staff are expected to carry out a capacity assessment of the partner organisation, including their financial management systems, without specific instructions as to the modalities, analytical approach and interpretation of this assessment.[3] Staff were also uncertain as to whether Finland could use an assessment conducted by another partner to justify the use of country systems, which could be good practice.

Steps to strengthen Finland's risk management approach are welcome

Alongside institutional risks, comprehensive analysis of programmatic and contextual risks also seems to be weak in Finland's programming and monitoring approaches. Second-generation country strategies include a risk management framework which sets out risk factors, likelihood, impact and responses, but adaptation and response to risk appear to involve either acceptance of the risk or suspension of activities. There is no guidance for how the overall country programme might be better adapted or how different instruments might work together to mitigate risks. For example, the response to fiduciary risk is to discontinue financial support if a risk materialises. It is also unclear how planning and programming prepare for, and respond to, political and security uncertainty.

Weak risk management in Finland's development co-operation interventions was also a conclusion in the recent 2016 evaluation of Finland's country strategies, and it was found to cause delays and occasional cancellations of programmes and projects (MFA, 2016a). The evaluation notes that even though guidance requires an analysis of risks in country strategies, the actual analysis was superficial and the real risks programmes faced were not monitored. Regional departments are working to build capacity to systemise risk management throughout planning and implementation phases. These measures will be critical to ensure Finland's continued ability to target and implement its interventions in a way that maximises the value added and impact of its programmes.

Use of private sector instruments risks reversing Finland's good record on aid untying

DAC members are regularly held to account under the *Recommendation on Untying ODA to the Least Development Countries and Heavily Indebted Poor Countries* (OECD, 2014). According to the data relating only to the recommendation, Finland's share of untied aid decreased by ten percentage points to 89.1% in 2015 compared to 2012. This is still above the DAC average of 83.5%, but only two other DAC members saw a decrease of the same magnitude (OECD, 2017). Covering all sectors and countries, 92.6% of Finland's total bilateral ODA was untied in 2015 (compared to the DAC average of 76.2%). While this share represented an increase compared to 2014, Finland's overall untying ratio has decreased since 2012 (OECD, 2013). Indeed, Finland's introduction of new private sector instruments is likely to present further challenges to its untying record. The new business impact programme and public sector investment facility are both largely tied instruments (see Chapter 3).

Indeed, the 2016 policy focus on private sector-driven instruments, coupled with pressure to programme more centrally are likely to translate into mounting challenges to aid untying, country ownership, harmonisation and alignment. Senior management should use this opportunity to renew its commitment to implement internationally-agreed development effectiveness promises.

Joint approaches and accountability

DAC Indicator: The member makes appropriate use of co-ordination arrangements and enhances mutual accountability

Finland has focused its aid programme on sectors where it has expertise. It seeks to couple its sector concentration with a lead role in the respective sector co-ordination groups, promoting and replicating best practice within and across sectors and harmonising practices with relevant partners to deliver sustainable programmes. Finland's recent financial and human resource cuts, however, could undermine Finland's continued strong presence in policy dialogue and accountability structures in its partner countries as well as in regional and global processes.

Finland is proactive in finding its niche in each country

Finland has focused its aid programme on sectors where it has expertise and is able to leverage its knowledge and technology. It seeks to couple its sector concentration with a lead role in the respective sector co-ordination groups, and participates in joint programming in key partner countries. For example, Finland leads the environment working group in Myanmar and Zambia, and the forestry and gender working groups in Kenya.

Finland promotes and replicates best practice within and across sectors, harmonising practices with relevant partners to enhance the sustainability of its programmes. For instance, working alongside Sweden in Kenya, Finland has developed a new modality for the water sector trust fund, effectively combining budget execution and oversight by local authorities whilst also allowing for flexible pooling of resources from multiple development partners. This approach has since been replicated by other partners, and is a model for the Kenyan Government's possible funding mechanism for the new national forest strategy (see Annex C). To ensure sustainability Finland includes in its programmes components to develop capacity adapted to the national governance structure.

Finland participates in EU Joint Programming, but in practice it appears to have little flexibility in aligning to national processes and cycles in its long-term partner countries. Factoring in joint country-level programming and processes could help Finland make the most of its limited resources. In adjusting to budget cuts, Finland is exploring opportunities to make better use of delegated co-operation arrangements to ensure continuity and impact in key countries and/or sectors, whilst limiting its own administrative burden.

Budget and staff cuts may weaken Finland’s dialogue and accountability mechanisms

Discussions with foreign ministry staff as well as evaluations of Finland’s development co-operation reveal Finland's long tradition of investing in dialogue with its partner countries and peer development partners. Finland’s policy influence, including through donor co-ordination structures and participation in policy dialogue in sector forums, contributes to making country strategies more relevant and effective (MFA, 2015a; MFA, 2016a).

Finland’s recent financial and human resource cuts, however, have started to weaken Finland’s strong presence in policy dialogue and accountability structures in its partner countries, as well as in regional and global processes (see Chapter 4). Whilst the foreign ministry has recently invested in strengthening accountability in its development co-operation programme to domestic audiences – including through an annual report to parliament on results (see Chapter 6) – this should not be at the cost of weakened policy dialogue and accountability to key development partners.

Fragile states

DAC Indicator: Delivery modalities and partnerships help deliver quality

Finland takes a pragmatic approach to complex fragile contexts, mostly using multi-donor and multilateral channels for delivery: a useful approach for a small donor. Country strategies in fragile states could benefit from a whole-of-Finland approach – i.e. incorporating all Finnish humanitarian, civil society, political and development investments – and building synergies among the different tools. They could also be more risk-informed, using the existing risk analyses during programme design to help develop contingency plans for when risks materialise. Finally, removing restrictions on the tools available – mostly the overly strict interpretation of the Discretionary Government Transfers Act – could expand choices for delivery in these complex environments.

Country strategies should integrate conflict and violence sensitivity and take a "whole-of-Finland" approach

Finland has guidance for working in fragile states (MFA, 2014), and even though it does not take a specific fragility lens approach to preparing country strategies for these contexts, most of its long-term partner countries are fragile (see Chapter 2). Conflict and violence sensitivity are not systematically integrated into strategies, although Finland says it does ask partners to undertake sensitivity analyses. Although risks are systematically analysed, which is good practice, there is no plan for how programmes will be adapted if and when these risks materialise (see 5.1.4); instead Finland says it shares and manages risk with other donors. In addition, strategies do not include political efforts, humanitarian issues or programmes, or CSO programming, even when these make up a significant proportion of Finland’s investment in particular fragile contexts. The result is missed opportunities for finding synergies and achieving joined-up results. Cross-border issues, such as the evolution of events in Somalia and the situation in Kenya, are also not taken into account (see Annex C).

Finland works primarily through multi-donor mechanisms in fragile contexts

Given Finland's size, the current practice of favouring delivery of aid through multi-donor trust mechanisms in fragile contexts is pragmatic, and allows Finland to be realistic about its capacity to manage risks while still delivering results. For example, Finland works through both UN multi-donor mechanisms and World Bank Trust Funds in Afghanistan, Myanmar, Somalia, Syrian Arab Republic (Syria) and neighbouring countries. This practice also avoids overburdening fragile state institutions that may lack the capacity to deal with multiple bilateral programmes.

Innovative delivery modalities are hindered by strict interpretation of the *Discretionary Government Transfers Act*

There is very little government-to-government support in fragile contexts; instead Finland relies on delivery through multi-donor instruments, CSOs and multilateral partners. Finland also leverages its core funding to the UN system and multilateral development banks by lobbying for them to step up their engagement in fragile contexts (MFA, 2017a). Greater collaboration between the regional department (responsible for programme design) and the multilateral department could help Finland push for greater multilateral effectiveness in fragile contexts and help ensure the delivery of consistent messaging; at present collaboration only occurs once the regional department has already designed the programme. In addition – and importantly, given Finland's reliance on multi-donor mechanisms – the strict interpretation of the *Discretionary Government Transfers Act* makes some innovative solutions impossible (see 2.3.2). Examples include restricting the provision of grants to private sector managed funds, such as the Somaliland Development Fund;[4] and greater participation in delegated co-operation arrangements, which could also be useful solutions for Finland in complex fragile environments.

Notes

1. Budget authorities enable units managing development co-operation to commit to financial agreements within the overall financial and time frame of the budget authority. This tool allows Finland to enter into forward-looking commitments with its partners beyond the detailed annual budget approved by Parliament.

2. See www.oecd.org/development/effectiveness/busanpartnership.htm.

3. The foreign ministry's *Manual for Bilateral Programmes* states that the choice to use country systems should rely on an initial risk analysis done in the project identification phase (MFA, 2016b). However, the risk identification framework does not give any detail on appropriate approaches to analysing risks related to public management and procurement systems. Whilst the guidelines on *Results Based Management in Finland's Development Co-operation* provide an overall theoretical framework for "Key Steps for Risk Management", the risk response measures are limited to acceptance and mitigation or avoidance, without giving further policy direction on the foreign ministry's tolerance for risks in this domain (MFA, 2015b).

4. For more on the Somaliland Development Fund see www.somalilanddevelopmentfund.org. The Secretariat of the fund is managed by BMB Mott MacDonald, a private company competitively procured to provide Fund Management Services.

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Chapter 6: Results, evaluation and learning

Management for development results

DAC Indicator: A results-based management system is being applied

Finland is working hard to put in place a system for managing results. Efforts to date have focused on reporting and accountability linked to the four priority areas expressed as results. Building a results culture, which enables organisational learning and decision-making is work in progress.

Planning for results is strong, but results do not inform corporate-level policies

Finland's development policy emphasises achieving results management (MFA, 2016a), and efforts have focused on developing a results-based management system for reporting and accountability at all levels (project, programme and corporate). Finland is clear that it intends to use results information for domestic accountability, communications, learning, quality assurance and in project/programme management, but not necessarily for corporate-level decision making (OECD, 2016b). Finland has done a good job of planning for results, but the implementation of results-based management remains work in progress. Plans to guide the roll-out and implementation of Finland's results-based management system are adopted and overseen by the Development Policy Steering Committee.

Eleven indicators under each of the four priority areas of the 2016 policy are in place and will be used to aggregate results from selected bilateral development cooperation programmes as one part of the picture to showcase Finland's contributions to development results. Corporate reporting will start with a pilot report in 2017, ahead of a more detailed report to parliament in 2018. Markers were developed to link each project or programme to the four priority areas which reflect 11 of the 17 SDGs (Box 6.1). Project documents submitted for appraisal to the Quality Assurance Group must include a framework for results-based management that includes expected outputs, outcomes and impacts and the means for measuring progress.

In the past few years, Finland has undergone a stream of evaluations and reviews of how its development co-operation contributes to results on the ground. A recent evaluation of Finland's development co-operation strategies initiated in 2012 for long-term partner countries suggests that log frames lacked clarity over how one level of results affected another, the role of Finland in influencing these results, the risks, and how various ODA and non-ODA instruments or interventions were complementary (MFA, 2016c).

Some of these missing elements now feature in second generation country strategies (see Annex C), and there are plans to introduce a theory of change for each of the four priority areas to set out the pathways that can be influenced by Finnish interventions and to more explicitly reflect the SDGs. While the first generation country strategies were drafted largely on the basis of existing in-country projects, second generation strategies have tried to match Finland's corporate priority areas and added value in a given context with national development priorities of the partner country. The country results framework draws directly on project-level outputs, mapping these to national development goals and Finland's corporate priority areas (MFA, 2016b). This is pragmatic in the short-term, but in the future it will be important for Finland to also demonstrate how it contributes to partner countries' own national development goals (OECD, 2017).

Box 6.1 Corporate indicators used to report results

Indicators under each of the four priority areas of the 2016 policy are used to collect aggregate information for corporate reporting, including in the Government's Report to Parliament in 2018.

Rights and status of women and girls are strengthened (SDG 5);
1.1 Number of girls / percentage of secondary school students
1.2 Number of women and girls using sexual and reproductive health services

Developing countries' economies have generated jobs, livelihood opportunities and well-being (SDGs 8, 9, 12);
2.1 Number of private sector jobs supported
2.2 Number of companies supported

Societies are more democratic and better functioning (SDGs 2, 6, 16, 17); and
3.1 The number of countries where support to democratization of parliamentary, party or local political decision-making bodies is provided
3.2 The number of people who have received legal aid and the right to counsel
3.3 The number and percentage of pupils who have started upper secondary education

Food security and access to water and energy have improved and natural resources are used sustainably (SDGs 7, 13, 15).
4.1 The number of smallholder farmers and food producers that are reached by food security and productivity-enhancing measures.
4.2 The number of people benefiting from safe and sustainable water supply and sanitation systems.
4.3 Number of households with access to climate-resistant energy services.
4.4 The area covered by the use and / or protection of sustainable resources.

Source: MFA (2017), "Aggregate indicators for 2016 Development Policy", unpublished.

Multiple data sources paint a clear picture of Finland's contribution

The Manual for Bilateral Programmes offers clear guidance on how to create and use country results frameworks to monitor and report on assumptions and risks as well as to steer and manage the programme (MFA, 2016d). Regional training in using the manual has helped country teams assume ownership and responsibility for results, although resources are lacking for more in-depth training.

Second generation country strategies include a results framework which sets out the priority areas accompanied by outcomes and outputs, with indicators to complete the results chain (MFA, 2015b). These strategies offer a good opportunity for dialogue with partners on progress made and challenges even if they tend to cover only a small proportion of Finnish ODA investments in that country (see Chapter 5). Some country results frameworks in the second generation country strategies have started to look at synergies between projects managed by the foreign ministry and other government agencies, for example, by considering the number of events and ongoing projects supported by some private sector instruments included in Team Finland and the embassy.

Indicators identified in country results frameworks are a mix of the 11 corporate indicators (see Box 6.1) assessed using project-level data, data from partner country governments, civil society, think tanks and multilateral organisations. Baseline and monitoring data compiled by the country team are drawn from annual government surveys or reports, where available, complemented by data from international institutions and think tanks. Finland understands the need to keep results expectations realistic in fragile contexts. Where possible, it undertakes joint monitoring with other donors in these difficult environments. Finland's use of country results frameworks goes some way towards meeting the commitment it made at the 2016 meeting of the Global Partnership for Effective Development Co-operation in Nairobi.[1] Finland factors in country priorities and results in planning development co-operation interventions, but it makes limited use of country results information and monitoring systems in the implementation, monitoring and evaluations of these interventions (see Annex C; OECD, 2017).

Prior to 2016, reporting to parliament was qualitatively rich, but primarily anecdotal. Government's Report to Parliament in 2018 will showcase aggregate results in an endeavour to strengthen accountability. The results pilot report in 2017 draws on the 11 aggregate indicators for bilateral co-operation, multilateral influencing papers, NGO and multilateral organisations' own reporting, and information from Finnfund, as well as case studies, evaluations and data on effectiveness.[2] Finland is to be commended for using both quantitative indicators and qualitative information in its results reporting, and for focusing on Finland's contribution to development results. In preparing the report to government, it will also be important to ensure that ultimately what is being monitored gives an idea of how development co-operation results are contributing to development results in partner countries, and having an impact.[3]

Limited capacity hinders full results management

Regular project monitoring in the field together with annual feedback on multilateral and country strategies have usually enabled teams to make adjustments to a project or programme. At the corporate level, however, Finland's contribution to results per priority area is not expected to directly influence decision making. This is perhaps not surprising given the fact that the Ministry for Foreign Affairs and government more broadly are still working to develop and create the incentives for a results culture.

In order to fully implement its objectives of managing its development programme for results, Finland will need to invest resources to promote a results culture across all units, not least in embassies and their partners that are at the frontline of implementation and monitoring. Incentives will have to match the scale of ambition and objectives Finland wishes to achieve. To build a results culture, policies and guidance will need to be clear about the action needed and the consequences should the expected results not be achieved. This is particularly challenging in an environment of fewer human resources and shrinking research and training budgets (MFA, 2016d).

Evaluation system

DAC Indicator: The evaluation system is in line with the DAC evaluation principles

Finland has a clear evaluation policy that outlines the responsibility of the Development Evaluation Unit, an independent and administratively separate unit within the Ministry for Foreign Affairs. Management responses to evaluation recommendations are systematically followed up. More joint monitoring and evaluation with partner country governments, including in the planning and implementation of evaluations, would give the evaluations greater impact and could lead to more joint ownership of programme implementation.

The evaluation function is high-quality and independent

The development evaluation unit is operationally independent and, since January 2014, is organised as a separate administrative unit reporting to the Under-Secretary of State responsible for development policy and development co-operation (OECD, 2016a). The National Audit Office has indicated that it has a high degree of confidence in the quality of the foreign ministry's centralised evaluations and its evaluation function.

The evaluation unit is responsible for developing and guiding the evaluation of Finland's development co-operation programme. Evaluation functions are divided into centralised and decentralised evaluations. Centralised evaluations are managed by the Development Evaluation Unit and include evaluations of policies, country strategies, financing instruments and processes. A rolling three-year evaluation plan for centralised evaluations is determined based on unit decisions, upcoming decisions that require evidence, and planned decentralised evaluations. The centralised evaluation plan is revised annually and includes a meta-evaluation of decentralised evaluations every two years.

Decentralised evaluations are funded through programme budgets and refer to projects or other entities financed and managed by units and embassies implementing development co-operation. They are usually conducted at the mid-term and end of a project or programme (MFA, 2015a). Country teams have indicated that they sometimes have difficulty in assuring the quality and relevance of decentralised evaluations they commission, which was confirmed by the recent meta-evaluation (MFA, 2016e).

A lean evaluation unit manages centralised evaluations well and guidance is clear

The 2016 budget cuts mean the number of dedicated staff in the evaluation unit has decreased from five to four, and the proportion of the budget for evaluation has also declined. Nonetheless, the evaluation policy, structure, budget and staff appear well-equipped to manage centralised evaluations. This is explained by a long-term arrangement to commission evaluations, and by the role of the Quality Assurance Group in assessing the evaluability of all new project proposals. Until recently, the unit was flexible enough to take on new demands. For example, even though it was not part of the original evaluation plan, the unit agreed to evaluate the business with impact programme (BEAM) jointly with Tekes, the Finnish Funding Agency for Innovation.[4] In the future, evaluations are likely to be fewer in number due to scarcer human and financial resources.

Finland works to strengthen the evaluation capacity in the ministry by training desk officers and providing web-based training on evaluations to embassy staff. An evaluation manual was published in 2013 for officials who commission and manage evaluations – all of which are conducted by external consultants. This manual will be updated in 2017. Evidence suggests that foreign ministry could do a better job of integrating the latest recommendations from evaluations when it issues new guidelines, but this is challenging since there are fewer centralised evaluations undertaken and the evaluation calendar is not always in sync with demand for new guidance.

Finland relies on joint evaluations of partners, but could do more joint work with partner countries

Finland relies on the existing evaluations of its multilateral and civil society partners in the first instance, and it is careful to complement these existing reports and networks only when necessary. Finland strongly believes in the value of evaluations, promoting the development of evaluation functions in several of its multilateral partners and through its participation in international evaluation experts' networks and joint evaluations with other OECD members and with civil society. It has also provided financial support to the independent evaluation function of UN Women and is an active participant in the DAC Evaluation Network.

While Finland supports the development of the evaluation capacity in partner countries and their participation as an equal partner, in practice this support can be difficult to implement. There is a real need for the country teams to involve project officers in embassies and secure the buy-in of partner country government officials from the beginning of the planning stages to ensure locally relevant information. Furthermore, collaborative design and more joined-up monitoring and evaluation during project and programme implementation would be desirable. Placing evaluation findings and recommendations on the agenda for dialogue between Finland and partner country governments is important for both partners to recognise the value of their co-operation (see Annex C).

Institutional learning

DAC Indicator: Evaluations and appropriate knowledge management systems are used as management tools

Finland's evaluation findings inform programme management and are systematically followed up. Finland does not have a knowledge management system in place, although officials appear to make the most of *ad hoc* opportunities to share lessons and results. The need to capture information and share lessons across government and in embassies is increasingly urgent given the growing diversity of development co-operation instruments available.

Mechanisms are in place to act on evaluation findings

Finland's evaluations are public and are available online, although in practice this refers primarily to centralised evaluations. Management responses to centralised evaluations are prepared by a working group established by the department responsible for the activities and facilitated by the evaluation unit, which serves as the secretariat. The draft management response is then brought to the Development Policy Steering Group and the response is sent to the Under-Secretary of State for approval. Management responses are followed up every two years by the responsible department and integrated in the monitoring processes and plans of responsible units.

Knowledge management is fragmented

Knowledge management in the foreign ministry is fragmented. Although there are *ad hoc* opportunities to share information through webinars and presentations, staff rotation and exchanges within networks, there is no institutionalised or system-wide mechanism in place to capture lessons for decision making. Furthermore, the foreign ministry has cut its development research budget, making it all the more important to share available research among colleagues.

The internal case management system (AHA-KYT) is an online tool designed to improve work flow management by desk officers and to facilitate and guide them through the programme cycle. It was derived from a system originally designed to track consular services. The case management system is used as an online repository for all programme and evaluation-related documents, but it is not easily accessible and is only available in Finnish. There is no database specifically designed to share evaluations or evidence from research, although there are plans for a more easily accessible system that could serve this purpose.

The Development Policy Committee, Finland's unique government-appointed advisory body, monitors and reviews Finland's development co-operation and policy. By publishing annual reports and issuing regular statements in reaction to events or policies, it takes on the role of knowledge management at a higher policy level. Its membership includes representatives of parliamentary parties, NGO platforms, government officials, Finnish industry and enterprise representatives, and universities.

Given Finland's push for greater accountability and its ambition to promote an array of development finance tools despite fewer staff, using new and innovative learning and training tools to ensure institutional memory and share knowledge widely will be critical. This systematic sharing of information is all the more important to ensure minimal levels of knowledge and expertise in long-term partner countries that feature the full range of development co-operation tools (see Annex C).

Notes

1. In Paragraph 55 of the Nairobi Outcome document (Global Partnership for Effective Development Co-operation, 2016), development partners providing support commit to:

(a) use country-led results frameworks and associated national systems for statistics and for monitoring and evaluation in planning, delivering and monitoring development interventions as a matter of urgency

(b) support the development and implementation of these results frameworks and associated systems in countries that have not yet been able to develop them

(c) strengthen the statistical capacity and monitoring and evaluation systems of 15 partner countries receiving support, with the aim of enhancing data collection and analysis, including data disaggregated by age, sex and location for use in policy making, planning, budgeting and reporting on implementation of the 2030 Agenda

(d) develop the capacities of partner countries receiving support to integrate the SDGs into national development plans and corresponding country results frameworks.

2. Finnfund collects information from its clients on the development impact of its portfolio investments each year, looking at indicators that are both cross-sectoral (jobs created, government revenues attributed to these investments) and sector-specific (power production, loans to small and medium-sized enterprises). An example would be the finding that companies financed by Finnfund generated 490 gigawatt hours (GWh) of electricity in 2014 (Finnfund, 2015).

3. Development co-operation results refer to results (outputs and outcomes) to which providers contribute directly, or which are attributable to provider interventions, while development results refer to global or national development change (outcomes and impact) to which providers contribute.

4. Typically evaluations of development finance interventions implemented by other parts of the Finnish Government are decentralised and do not feature in the evaluation plan. For example, Finnfund's evaluations are mainly *ex ante* based on expected investment rates of return and not necessarily systematically followed up.

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Chapter 7: Finland's humanitarian assistance

Strategic framework

DAC Indicator: Clear political directives and strategies for resilience, response and recovery

Finland is a principled humanitarian donor, using its small but meaningful voice to push partners and the humanitarian system to work more effectively in key policy areas, helping get the most out of its modest funding. Disaster risk reduction is a particular focus; however, reducing disaster risk is not systematically part of development partner strategies, and it is surprising that the potential drivers of humanitarian crises are not better incorporated into country strategies. Finland could improve this by systematically involving the humanitarian unit in development programme design and quality assurance procedures. The humanitarian policy could also be updated to take into account the significant changes in the global policy environment over the last couple of years.

Finland's approach is principled and its voice powerful on humanitarian and global policy issues

Finland's humanitarian policy respects the Good Humanitarian Donorship principles (GHD, 2003) and the EU Consensus on Humanitarian Aid (MFA, 2012).[1] The policy covers the principled basis for Finland's humanitarian action, its work with the European Union (EU), a special focus on protection and its mine action activities. However, as the global humanitarian policy environment has changed substantially in the last two years, Finland could consider updating its policy to take these changes into account. This update could also include Finland's commitments at the World Humanitarian Summit and under the Grand Bargain, a package of reforms aiming to make humanitarian financing and response more efficient and effective.[2] A policy update could also reflect the move of mine action activities out of the humanitarian domain (Section 7.4.1).

Finland seeks to add value to its funding by engaging at a high level on global policy and pressing humanitarian issues. For example, it hosted the launch of the 2017 Syrian Humanitarian Response Plan, and organised a dedicated side event on innovative humanitarian solutions in which the private sector participated.[3] Other notable policy engagement includes work with Australia and key NGOs to oversee the establishment of the Charter on Inclusion of People with Disabilities[4] at the World Humanitarian Summit. Finland is now supporting the humanitarian Inter Agency Standing Committee[5] to take the charter forward. However, greater stability in political leadership and a clearer political steer on policy issues would help make the most of Finland's potential for using its small but meaningful voice, built on its excellent humanitarian reputation, on the global stage.

More work is needed to link humanitarian and development co-operation

The approach to early recovery is largely unchanged since the previous peer review (OECD, 2013). Finland has no specific tools for recovery, instead providing sufficiently flexible funding to partners and working to influence partner policies and programme design so that recovery is taken into account appropriately (OECD, 2013). The current peer review team was concerned by the fact that humanitarian and disaster risk reduction issues are not adequately taken on board in Finland's development country strategies, and that the humanitarian team is not consulted for quality assurance, even when there are humanitarian programmes in that country (see Section 5.1.2). In particular, second generation country strategies do not yet systematically take into account humanitarian issues, or violence and conflict sensitivity – as noted in Kenya (see Annex C). Similarly, the Development Policy Committee and its broad membership,[6] which systematically monitor and evaluate Finnish development co-operations and policy, including humanitarian aid, lacks expertise in humanitarian aid. Systemically taking into account humanitarian issues would help ensure that country programmes include a focus on pressing crisis drivers, and respect global commitments to leave no one behind.

Development funding decisions are also made in isolation from humanitarian concerns, even in countries where Finland has allocated a significant portion of humanitarian funding. Good practices do exist, however, such as the co-financing of the 2017/2018 Syria appeal.[7] These are to be encouraged.

Despite global influence on disaster risk reduction, programmes pay little attention to risk reduction

The previous peer review reported on an ambitious new approach to disaster risk reduction (OECD, 2013), and Finland remains a strong supporter of this area, helping steer the 2015-2030 Sendai global agreement on disaster risk reduction, and promoting the implementation of the Sendai Framework through Executive Boards of UN agencies with dedicated funding to specialised multilateral agencies and funds[8] (MFA, 2017). In line with Finland's increased emphasis on the private sector (Chapter 1), public-private partnerships in disaster risk reduction are encouraged, including for example with Finnish company Vaisala.[9] Disaster risk is assessed as part of the risk analysis in Finland's country strategies (Chapter 5). However, action to reduce these risks does not seem to be a particular priority of country programming, a finding also noted in the 2012 peer review. This is a missed opportunity to leverage Finland's demonstrated domestic expertise in taking action to avert disasters.

The humanitarian budget share is stable, though overall volumes have fallen

Finland's humanitarian aid budget remains at about 12% of all ODA disbursements – as prescribed by the humanitarian policy. This was USD 88.3 million (EUR 94.6 million) in 2015, USD 77.5 million (EUR 70.1 million) in 2016, and is projected to be USD 79.6 million (EUR 72 million) in 2017. While overall ODA cuts (Chapter 3) have affected total budget size, the budget share remains stable, which is encouraging. Base allocations can be supplemented by undisbursed development funds, but as disbursement rates improve (Chapter 5), the scope for this additional funding source is diminishing. Budgets can also be shifted from regional or multilateral development lines to humanitarian financing in times of crisis, as long as specific state budget rules are followed. In the humanitarian area, the overall cuts have resulted in a consolidation of partner funding[10] and have reduced scope for funding new emergencies.

Effective programme design

DAC Indicator: Programmes target the highest risk to life and livelihood

The humanitarian programme focuses mostly on who to fund, rather than what or where. This is in line with Finland's focus on influencing partner behaviour, rather than specific themes or crises. There is no real link between early warning and early action, though this is understandable given the limited financial resources for responding directly to new and escalating crises. Finland continues to push for the inclusion of disabled people in programming, but – other than providing flexibility – does not have the scope to actively push for the participation of affected communities in its programmes.

Clear criteria for "who" to fund mitigate the risks of broad "where" and "what" criteria

The previous peer review recommended that Finland firm up its funding criteria and focus on areas where Finland can have solid impact (OECD, 2013). The 2015 funding guidelines provide more detail on what to fund in each sector, but are still very broad (MFA, 2015). Although these guidelines allow Finland flexibility in what and where it funds, the lack of clear focus limits predictability for partners, does not provide a clear base from which to link to development programmes, and makes the overall impact of Finland's funding difficult to assess. However, Finland's approach to "who to fund" – choosing a limited number of key partners whom it funds sufficiently to ensure that it maintains influence and adds value to their policies and programmes (Section 7.3.3) – helps to mitigate the risks of broad sector and geographical "what and where" criteria by providing focus through strategic partnerships. For example, in 2015, over half of Finland's humanitarian aid (53%) was channelled to UN agencies (primarily WFP, the UN Office of the High Commission on Human Rights and UNICEF) or by Finnish NGOs (32%), followed by the World Bank Group (11%)[11] and the International Committee of the Red Cross (3%).

The link between early warning and early response is unclear

Finland informed the peer review team that its network of embassies follows political and socio-economic changes in each country and sends back information on emerging humanitarian situation and needs (MFA, 2017). However, as with many other DAC members, there is no real link between early warning and early response, especially as budget cuts have limited the capacity to respond to new emergencies (Section 7.1.4).

Partners are encouraged to include affected communities

As with other humanitarian donors with limited field presence, Finland cannot directly ensure the participation of affected populations in the humanitarian programming cycle. However, the humanitarian policy does state that their participation should be an important part of partner programming, and Finland continues to actively promote the participation of disabled communities (Section 7.1.1) and promote participation through the Executive Boards of UN agencies. Flexible funding practices allow – at least in theory – for partners to adapt their programming to respond to feedback from affected communities.

Effective delivery, partnerships and instruments

DAC Indicator: Delivery modalities and partnerships help deliver quality

Finland's focus is on protracted crises, providing highly flexible funding to ensure that programmes in these crises can adapt to evolving situations and needs. The 2012 peer review recommendation to improve the speed of disbursement for sudden onset crises has been implemented, and disbursement is now very timely. Partnerships work well, and Finland has an enviable reputation as a good humanitarian partner. Formalising some of the intentions for better policy and programming by partners into Memorandums of Understanding could be a useful next step. Consideration could also be given to extending Finland's good experience in multi-annual funding to NGO partners. Care must be taken to ensure that work with the private sector is indeed focused on delivering more effective humanitarian response, rather than on benefits for Finland's companies.

Funding for protracted crises is predictable and flexible, with scope to expand multi-annual funding to NGOs

Finland provides multi-annual core funding to the International Committee of the Red Cross (ICRC) and five UN agencies from the humanitarian budget – the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), Office for the Co-ordination of Humanitarian Affairs (OCHA), United Nations High Commissioner for Refugees (UNHCR), United Nations International Strategy for Disaster Reduction (UNISDR) and the World Food Programme (WFP). Others, such as UNICEF, receive core funding through the development budget. It also provides country-based pooled funds. As such, it has already met the Grand Bargain target of providing 30% unearmarked funding to the humanitarian system (Grand Bargain, 2016). Other funding for protracted crises is earmarked to countries, not sectors, and lasts 12 months, including for NGOs in countries.

Most funding (between 70 and 80%) is allocated early in the year, providing important liquidity to the system, with the remainder in the third quarter. NGO partners participate in a call for proposal process with submissions on January 15, and decisions are made in March. NGO funding is reasonably flexible and budget adaptations and no-cost extensions are easy to arrange (up to three years), but the funding periods do not yet go beyond one year. Overall, therefore, Finland ensures a high degree of flexibility for its partners, which is good practice, and pays specific attention to underfunded and forgotten crises. Finland could consider extending its good practice in multi-annual funding to its NGO partners working in protracted crises. Partners also note that one year is too short to deliver some of Finland's flagship initiatives, including empowering the disabled and fulfilling the Charter on Inclusion of People with Disabilities.

Rapid response decisions have been fast tracked

The 2012 peer review recommended that Finland resolve constraints related to the slow disbursement of emergency funds (OECD, 2013). Sluggish disbursements have now been addressed, and the foreign ministry can make emergency decisions, at least on a pledge basis, in three days, and sometimes just a few hours, thanks to a new fast track procedure for ministerial approval. The humanitarian funding guidelines also allow NGOs to divert development co-operation funds when a crisis hits, after approval from the foreign ministry's unit for civil society. This flexibility is effectively a built-in crisis modifier instrument (MFA, 2015). In addition to this bilateral funding, Finland continues to be a strong supporter of the global Central Emergency Response Fund pooled fund. Civil Protection, the management of UN Disaster Assessment and Co-ordination (UNDAC) teams and the provision of in-kind assistance such as tents, shelter and other materials are led by the Ministry of Interior, which is also responsible for collaboration with the EU and the UN on civil protection deployments.

Finland adds value to partnerships by influencing key policy areas

Aid organisations and the broader donor community mainly have a positive picture of Finland as a donor and humanitarian actor. Information sharing and relationships with partners are described as fluid, easy and informal. Finland focuses on using its respected views to push partners and the humanitarian system to work more effectively, helping get the most out of Finland's modest funding. By funding fewer partners, Finland is better able to concentrate its funding allocations, making sure that funding levels meet the threshold for participation in key partner donor support fora and on executive boards. Going forward, Finland might consider formalising its advocacy objectives (currently cash programming, disability and humanitarian leadership) as memoranda of understanding with its major partners. These could note what Finland will do and what the partner will do to ensure that Finland's areas of priority are tackled. Finland is also helping facilitate relationships between Finnish companies and major UN agencies as part of its overall private sector focus (Chapter 1) – although some partners are sceptical. It will be important to monitor the results of the private sector focus, ensuring that it leads to more effective humanitarian response and not just benefits for the business community.

Co-ordination with other donors is active

Finland works actively with other donors. In 2013, Finland showed leadership by co-chairing the Good Humanitarian Donorship initiative with Mexico. It also contributes actively to European Humanitarian Assistance through the EU's Council working party on Humanitarian Aid and Food Aid (COHAFA) forum, and staff often rely on other Nordic donors for information and advocacy support.

Organisation fit for purpose

DAC Indicator: Systems, structures, processes and people work together effectively and efficiently

Humanitarian responses are driven by the team in the foreign ministry, who link up informally with other areas of the ministry on *ad hoc* issues, such as promoting International Humanitarian Law. Staff levels and systems for working seem to be largely efficient and effective. No issues around civil-military co-ordination were raised during the peer review, but Finland could think about developing appropriate safeguards to ensure that this remains the case.

Humanitarian action is contained within the foreign ministry

The foreign ministry's humanitarian unit takes the lead on humanitarian issues, but collaborates with other units within the ministry – the civil society unit, the multilateral unit and sector policy units – as needed. International humanitarian law – a key interest area for Finland – is promoted jointly by the humanitarian unit and the foreign ministry's legal service. During the peer review period, mine action programming was moved to the Arms Control Unit. This move makes strategic sense, as this part of the programme often works in countries where Finland has no development activities. This ministry set-up means there is no particular need for cross-government coherence on humanitarian issues, as other ministries are not especially involved in humanitarian issues. The Ministry of Interior is the exception, since it is responsible for civil protection and formulating Finland's migration policy, co-ordinating various branches of government on related issues, and calculating refugee costs attributed to ODA.

Civil-military co-operation raises no concerns

Finland has a strong focus on principled humanitarian action, and thus, unsurprisingly, the peer review process has not uncovered any evidence of civil-military issues. Finnish peacekeepers are trained in international humanitarian law and humanitarian principles by the Finnish Red Cross prior to deployment, which is good practice. Although issues in the civil-military area are unlikely to be a risk for a principled donor like Finland, it would be useful to develop some safeguards to guide any potential future deployments, such as guidance on the criteria for determining what constitutes a "last resort" situation, including who should make that decision.

Staff and systems are fit for purpose

The Humanitarian Unit has eight staff in Helsinki, with others in Geneva, New York, Rome, Nairobi and Ramallah also regularly involved in humanitarian diplomacy. Training in humanitarian issues is now a standard part of basic training for development field staff, and this is supplemented by extra courses on international humanitarian law on demand. Ministry staff state that current personnel numbers and systems are appropriate for the workload and allow for a timely, efficient and effective programme.

Results, learning and accountability

DAC Indicator: Results are measured and communicated, and lessons learnt

There is regular informal reflection on Finland's performance as a humanitarian donor, which is useful. Monitoring of partners is appropriate, both through individual field visits and joined up efforts – for example through MOPAN – when possible. Finland understands the need to communicate results to taxpayers and other stakeholders during these difficult fiscal times, and makes good use of events such as World Humanitarian Day. More thought on how to communicate results could be useful as Finland continues efforts to protect its humanitarian budget.

Informal performance assessments are regular

As with many donors, other than external evaluations, there is no structured system in place for Finland to measure its own annual performance as a humanitarian donor; however the unit does hold an annual planning workshop to discuss and reflect on progress and challenges in delivering objectives. More formally, the National Audit Office conducted an audit of Finland's humanitarian assistance from 2009, with largely positive findings, followed up by an evaluation in 2015 (National Audit Office, 2012).

Partner programmes are actively monitored, often jointly

Partner programmes are monitored via regular field visits, annual reports (often agency standard reports) and occasional evaluations. Joint visits and evaluations with other donors are used when possible – including through MOPAN. In 2013, for example, Finland led the WFP MOPAN assessment.

Partners appreciate that Finland shares their mission reports openly, and that both narrative and financial reporting are sufficiently simple.

The need to communicate results is well understood

Finland has embraced communication, and has a useful web presence showing where and how the humanitarian budget is spent.[12] There is also a good understanding of the need to report back to taxpayers in these difficult budgetary times, although more thought needs to go into how to achieve this aim. High-profile humanitarian visitors to Finland, for example heads of UN agencies, are systematically put in front of the press and parliament. Special efforts are made around World Humanitarian Day (August 19). In 2016, Finland, working together with Finnish NGOs, focused the day's communications on Iraq and disabilities. This effort is good practice and other members could learn from Finland's experiences.

Notes

1. More on the EU Consensus on Humanitarian Aid available at http://ec.europa.eu/echo/who/humanitarian-aid-and-civil-protection/european-consensus_en.

2. More on the Grand Bargain at www.oecd.org/dac/conflict-fragility-resilience/humanitarian-financing.htm.

3. More on the launch of the 2017 Syria Humanitarian Response Plan and the “Nordic Innovation Day” at www.helsinki2017.org/faq.

4. See http://humanitariandisabilitycharter.org.

5. The Inter-Agency Standing Committee (IASC) is the primary mechanism for inter-agency co-ordination of humanitarian assistance. It is a unique forum involving the key UN and non-UN humanitarian partners. The IASC was established in June 1992 in response to United Nations General Assembly Resolution 46/182 on the strengthening of humanitarian assistance.

6. Comprising parliamentarians, advocacy organisations, NGOs and universities.

7. Of Finland’s EUR 60 million for the 2017/2018 Syria appeal, EUR 50 million came from the humanitarian budget, and an additional EUR 10 million was provided from the regional (development) budget. The Regional Refugee and Resilience Plan (3RP) for 2017 and 2018 aims to assist over 4.7 million refugees from Syria and 4.4 million people hosting them in Turkey, Lebanon, Jordan, Iraq and Egypt.

8. Finland provides multilateral core funding to the United Nations Office for Disaster Risk Reduction (UN-ISDR) for example.

9. Vaisala (www.vaisala.com) is a Finnish company that manufactures electronic measurement systems and equipment for meteorology and environmental sciences, traffic safety and industrial applications.

10. For example, the cuts deprioritised funding to UNICEF, WHO, FAO and UNDP, focusing instead on UNHCR, WFP, UNRWA and the Red Cross Red Crescent family. The six Finnish NGOs that receive humanitarian funding all received cuts of roughly equal size.

11. Humanitarian aid channelled through the World Bank consists of funding to the Afghanistan Reconstruction Trust Fund.

12. See http://formin.finland.fi/public/default.aspx?nodeid=49588&contentlan=2&culture=de-DE.

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Annex A: Progress since the 2012 DAC peer review recommendations

Key Issues: Development beyond aid

Recommendations 2012	Progress in implementation
To ensure that relevant policies support, or at least do not undermine, development goals in developing countries, Finland should: Identify strategic objectives for promoting synergies, and avoiding conflicts, between existing and new relevant policies and development goals, and ensure that these are systematically considered and addressed by all relevant ministries. This requires determining responsibilities across the entire administration and enhancing existing co-ordination mechanisms to identify the most effective working processes for clear information and decision-making flows.	Partially implemented
To help design policies that are coherent with developing countries' development objectives, Finland should: Strengthen monitoring and analysis of results and impact of Finnish and EU policies on developing countries, by commissioning studies or drawing on available analysis from external sources, and on feedback from its embassies.	Implemented

Key Issues: Strategic orientations

Recommendations 2012	Progress in implementation
To focus Finland's development cooperation where it can have the greatest impact, and ensure its full implementation, Finland should: Focus, specify and operationalize its development policy through its guidance on bilateral, multilateral and civil society co-operation. Make full use of related operational tools to identify clear objectives with expected results and verifiable indicators in its cooperation with partners.	Partially implemented

Annex A: Progress since the 2012 DAC peer review recommendations

Key Issues: Aid volume, channels and allocations

Recommendations 2012	Progress in implementation
To meet its international commitment of allocating 0.7% of its GNI as ODA by 2015 and to provide predictability on the evolution of ODA to both its partner countries and its own development cooperation system, Finland should: Building on its earlier success in growing ODA, develop a credible and strategic path for increasing ODA levels and meeting its international commitment of allocating 0.7% of its GNI as ODA by 2015, and prioritise development co-operation in its national budgetary decisions.	**Not implemented**
To maximise the impact of its development programme, Finland should: Continue to concentrate ODA on its long-term partner countries and on those least developed countries and priority areas where Finland can have a clear impact, while avoiding engaging in too many subsectors and stand-alone projects with an unclear development impact.	**Implemented**

Key Issues: Organisation and management

Recommendations 2012	Progress in implementation
To remain fit for purpose and to ensure that the development programme is consistently and effectively implemented, the Ministry of Foreign Affairs should: Provide harmonised up-to-date tools, guidelines and training for the entire development staff (at headquarters and in the field). In doing so, Finland should preserve the flexibility in its working methods.	**Partially implemented**
To ensure that the division of labour between headquarters and the field gives embassies the necessary authority to implement the Finnish development programme, and to enhance its presence in the field, Finland should: Decentralise further, based on clear criteria and objectives, and on an analysis of how delegation of authority – including financial authority – can empower embassies to best implement the new development policy and strengthen Finland's impact in the field.	**Not implemented**

To retain and strengthen a stable cadre of skilled development staff, the Ministry for Foreign Affairs should: Take steps to ensure that maximum use is made of diplomatic staff with development experience when deploying staff both at headquarters and to the field. The MFA should also give attention to professional opportunities for special career and locally employed staff. Develop training plans for all staff and ensure plans are implemented.	**Partially implemented**

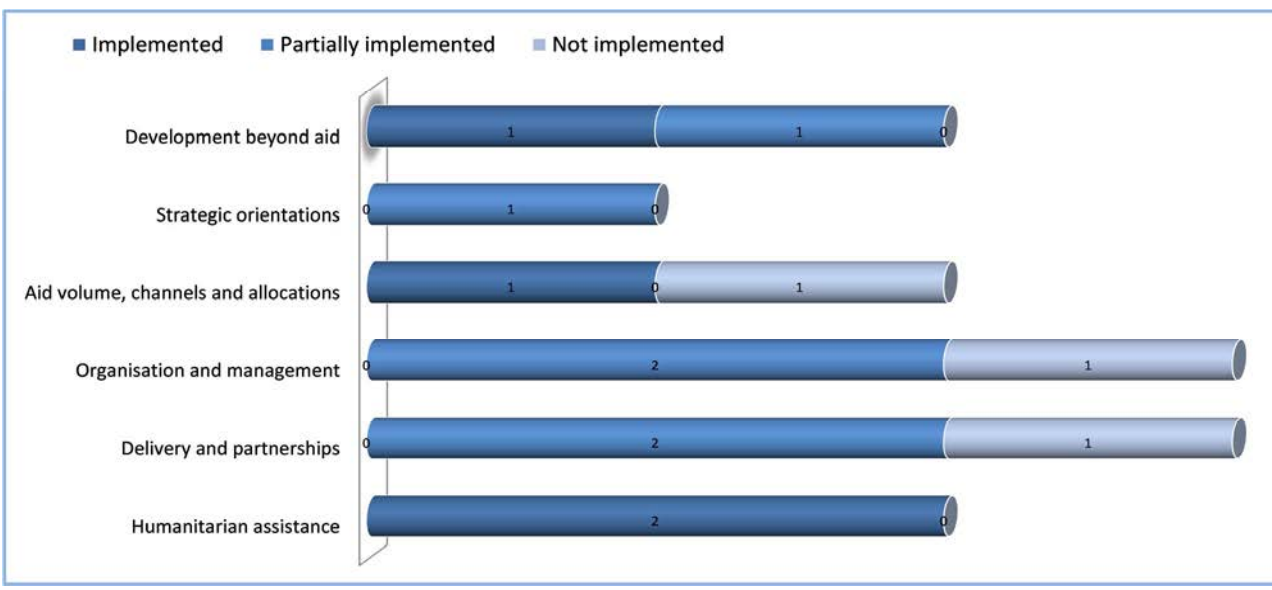
Key Issues: Delivery and partnerships

Recommendations 2012	Progress in implementation
To ensure that its support to and through civil society focuses on quality programmes, Finland should: Develop a strategic approach to working with civil society organisations that focuses on programmatic financing, thus minimising the administrative burden on the MFA and enhancing Finland's capacity to focus on the development impact of CSOs interventions. Such an approach should ensure synergies with Finland's overall cooperation objectives in partner countries.	**Partially implemented**
To continue to make its aid more effective, Finland should: Make multi-annual commitments whenever possible and share information on these and on medium-term financial planning with partner countries and multilateral partners. Use the new country strategy papers to increase support to partner countries' priorities by funding or implementing directly activities that are part of the partner country development strategy.	**Partially implemented**
To promote the private sector in developing countries while accelerating its efforts to untie aid, Finland should: Review existing instruments and look for new demand-driven, locally owned and untied instruments to contribute to an enabling environment for the private sector in developing countries. Take the steps necessary to reverse the decline in the share of Finnish aid that is untied (93% in -08)	**Not implemented**

Key Issues: Humanitarian assistance

Recommendations 2012	Progress in implementation
To provide a clear strategic vision, demonstrate application of funding principles and provide the basis for stronger engagement with development colleagues and partners, Finland should: Finalise, disseminate and implement the new humanitarian assistance guidelines, focusing on a limited number of objectives in areas where Finland can make a solid impact, outlining clear and principled funding criteria, and setting out expected, and measurable, results.	Implemented
To ensure that the humanitarian system is fit for purpose, Finland should: Raise the level of delegated authority for rapid response funding decisions, based on clear criteria; Resolve constraints related to the slow disbursement of emergency funds.	Implemented

Figure A.1 Finland's implementation of 2012 peer review recommendations



Annex B: OECD/DAC standard suite of tables

Table B.1 Total financial flows

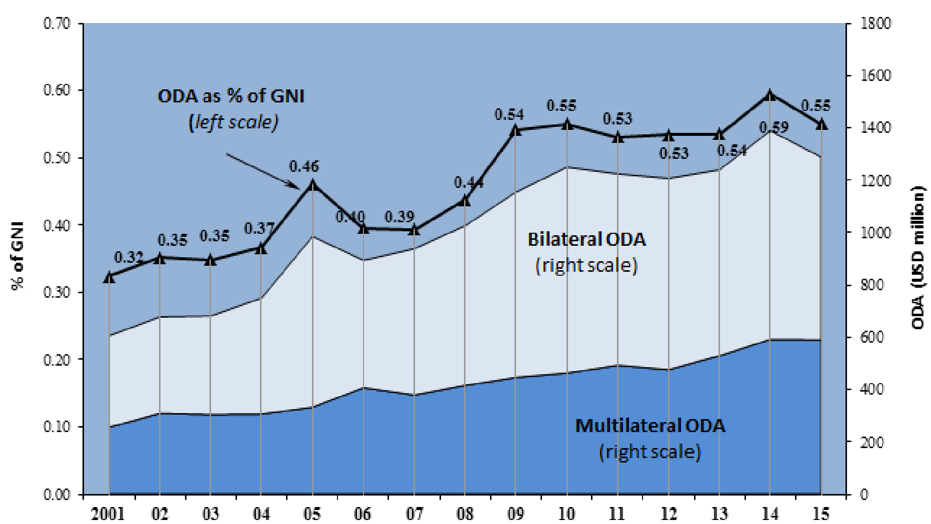
USD million at current prices and exchange rates

Net disbursements

Finland	2001-05	2006-10	2011	2012	2013	2014	2015
Total official flows	**601**	**1 181**	**2 499**	**1 331**	**1 404**	**1 646**	**1 309**
Official development assistance	**598**	**1 121**	**1 406**	**1 320**	**1 435**	**1 635**	**1 288**
Bilateral	357	672	839	799	822	938	698
Multilateral	242	449	567	521	613	697	590
Other official flows	**3**	**60**	**1 093**	**11**	**- 31**	**11**	**21**
Bilateral	3	60	1 093	11	- 31	11	21
Multilateral	-	-	-	-	-	-	-
Net Private Grants	**12**	**18**	**14**	**17**	**16**	**100**	**48**
Private flows at market terms	**205**	**969**	**-1 498**	**180**	**- 425**	**1 281**	**-1 405**
Bilateral: *of which*	205	969	-1 498	180	- 425	1 281	-1 405
Direct investment	297	710	-1 068	- 684	- 523	-	-
Export credits	9	3	-	-	-	-	-
Multilateral	-	-	-	-	-	-	-
Total flows	**818**	**2 167**	**1 016**	**1 527**	**996**	**3 027**	**- 48**
for reference:							
ODA (at constant 2014 USD million)	*740*	*1 053*	*1 224*	*1 207*	*1 240*	*1 389*	*1 288*
ODA (as a % of GNI)	*0.38*	*0.46*	*0.53*	*0.53*	*0.54*	*0.59*	*0.55*
Total flows (as a % of GNI) (a)	*0.52*	*0.90*	*0.38*	*0.62*	*0.37*	*1.10*	*-0.02*
ODA to and channelled through NGOs							
- In USD million	43	24	183	173	203	215	193
- In percentage of total net ODA	7	2	13	13	14	13	15
- DAC countries' average % of total net ODA	*9*	*7*	*9*	*13*	*13*	*13*	*13*

a. To countries eligible for ODA.

ODA net disbursements
At constant 2015 prices and exchange rates and as a share of GNI



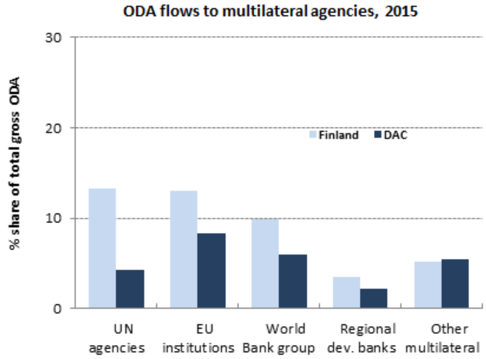
Annex B: OECD/DAC standard suite of tables

Table B.2 ODA by main categories

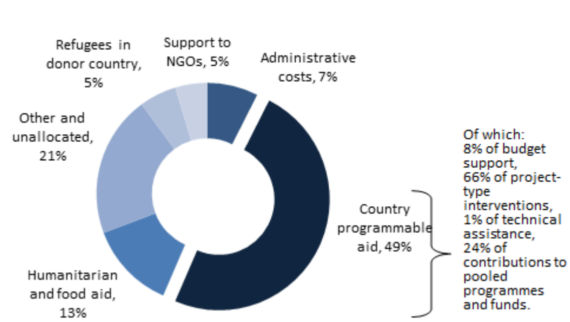
Disbursements

Finland	Constant 2015 USD million					Per cent share of gross disbursements					Total DAC 2015%
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	
Gross Bilateral ODA	**748**	**737**	**710**	**797**	**718**	**60**	**61**	**57**	**57**	**55**	**74**
Budget support	60	32	51	51	29	5	3	4	4	2	2
of which: General budget support	33	21	28	25	7	3	2	2	2	1	1
Core contributions & pooled prog.& funds	110	157	117	192	167	9	13	9	14	13	14
of which: Core support to national NGOs	4	4	5	17	19	0	0	0	1	1	2
Core support to international NGOs	7	9	8	10	14	1	1	1	1	1	1
Core support to PPPs	1	1	1	3	3	0	0	0	0	0	0
Project-type interventions	428	414	410	434	396	34	34	33	31	30	39
of which: Investment projects	86	85	39	40	44	7	7	3	3	3	14
Experts and other technical assistance	30	30	28	26	23	2	2	2	2	2	4
Scholarships and student costs in donor countries	-	-	0	-	0	-	-	0	-	0	2
of which: Imputed student costs	-	-	-	-	-	-	-	-	-	-	1
Debt relief grants	-	-	-	-	-	-	-	-	-	-	0
Administrative costs	80	74	77	70	54	6	6	6	5	4	4
Other in-donor expenditures	40	30	27	24	48	3	2	2	2	4	9
of which: refugees in donor countries	31	21	18	14	39						
Gross Multilateral ODA	**493**	**477**	**530**	**592**	**590**	**40**	**39**	**43**	**43**	**45**	**26**
UN agencies	146	141	181	201	174	12	12	15	14	13	4
EU institutions	186	172	171	167	171	15	14	14	12	13	8
World Bank group	73	73	89	92	130	6	6	7	7	10	6
Regional development banks	41	51	50	82	47	3	4	4	6	4	2
Other multilateral	47	40	38	51	68	4	3	3	4	5	5
Total gross ODA	**1 242**	**1 213**	**1 240**	**1 389**	**1 308**	**100**	**100**	**100**	**100**	**100**	**100**
of which: Gross ODA loans	37	41	19	40	44	3	3	1	3	3	13
Bilateral	37	41	19	40	44	3	3	1	3	3	12
Multilateral	-	-	-	-	-	-	-	-	-	-	1
Repayments and debt cancellation	**- 17**	**- 6**	**-**	**-**	**- 20**						
Total net ODA	**1 224**	**1 207**	**1 240**	**1 389**	**1 288**						
For reference:											
Free standing technical co-operation	*292*	*195*	*199*	*142*	*149*						
Net debt relief	-	-	-	-	-						

ODA flows to multilateral agencies, 2015



Composition of bilateral ODA, 2015, gross bilateral disbursements



Share of ODA channelled to and through the multilateral system, two year average

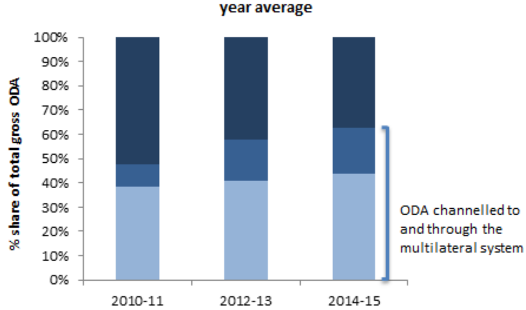
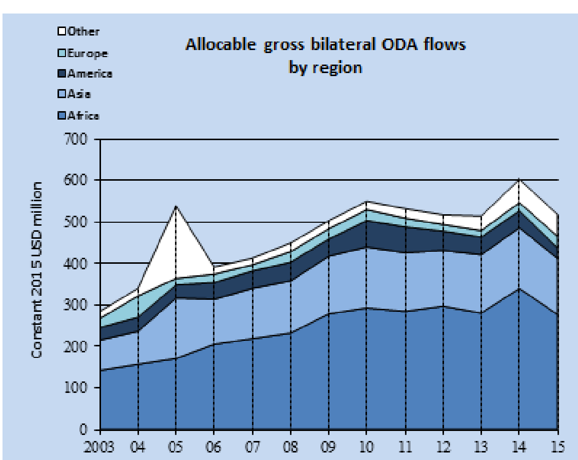
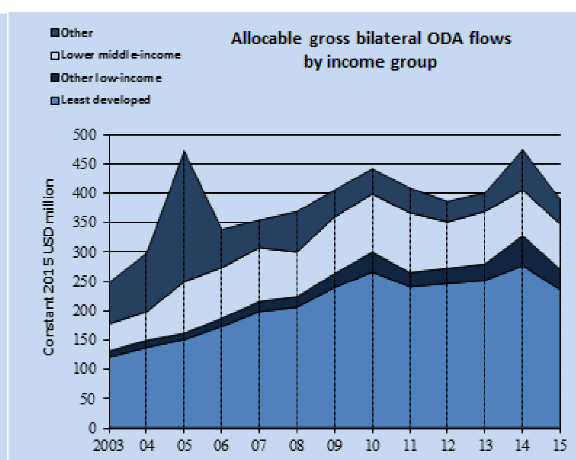


Table B.3 Bilateral ODA allocable by region and income group

Gross disbursements

Finland	Constant 2015 USD million					% share					Total DAC
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2015%
Africa	285	297	281	340	277	54	57	55	56	54	**41**
Sub-Saharan Africa	237	239	249	275	223	44	46	48	46	43	**35**
North Africa	8	8	4	8	8	2	2	1	1	2	**4**
Asia	141	134	140	147	135	27	26	27	24	26	**31**
South and Central Asia	81	81	78	97	83	15	16	15	16	16	**19**
Far East	46	37	50	42	29	9	7	10	7	6	**12**
America	62	46	42	41	26	12	9	8	7	5	**10**
North and Central America	39	29	23	22	13	7	6	4	4	2	**4**
South America	19	17	20	15	11	4	3	4	2	2	**5**
Middle East	22	23	34	54	52	4	4	7	9	10	**10**
Oceania	0	0	1	2	1	0	0	0	0	0	**2**
Europe	21	16	16	20	28	4	3	3	3	5	**5**
Total bilateral allocable by region	**532**	**517**	**514**	**602**	**518**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	241	246	252	276	236	59	64	63	58	61	**40**
Other low-income	24	26	28	51	34	6	7	7	11	9	**4**
Lower middle-income	102	79	90	78	77	25	21	22	17	20	**35**
Upper middle-income	42	35	31	68	42	10	9	8	14	11	**21**
More advanced developing countries	-	-	-	-	-	-	-	-	-	-	**-**
Total bilateral allocable by income	**409**	**386**	**400**	**474**	**389**	**100**	**100**	**100**	**100**	**100**	**100**
For reference:											
Total bilateral	*748*	*733*	*710*	*797*	*718*	*100*	*100*	*100*	*100*	*100*	***100***
of which: Unallocated by region	*216*	*216*	*196*	*194*	*200*	*29*	*29*	*28*	*24*	*28*	***32***
of which: Unallocated by income	*340*	*347*	*310*	*323*	*329*	*45*	*47*	*44*	*41*	*46*	***40***





1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4 Main recipients of bilateral ODA

Gross disbursements

Finland	2004-08 average Current USD million	Constant 2015 USD mln	% share	Memo: DAC countries' average %
Iraq	35	38	6	
Mozambique	30	31	6	
Tanzania	28	28	5	
Viet Nam	21	21	4	
Afghanistan	18	18	3	
Top 5 recipients	**133**	**136**	**24**	**36**
Serbia	15	16	3	
Nicaragua	15	15	3	
Zambia	12	12	2	
South Africa	12	12	2	
Sudan	12	12	2	
Top 10 recipients	**200**	**203**	**36**	**48**
Ethiopia	12	12	2	
Kenya	11	11	2	
Nepal	11	10	2	
Somalia	8	8	2	
China (People's Republic of)	8	8	1	
Top 15 recipients	**249**	**253**	**45**	**57**
West Bank and Gaza Strip	7	7	1	
Pakistan	7	7	1	
Namibia	5	5	1	
Democratic Republic of the Congo	5	5	1	
Uganda	5	5	1	
Top 20 recipients	**279**	**283**	**51**	**63**
Total (119 recipients)	**361**	**366**	**66**	
Unallocated	189	188	34	24
Total bilateral gross	**550**	**554**	**100**	**100**

	2009-13 average Current USD million	Constant 2015 USD mln	% share	Memo: DAC countries' average %
Tanzania	48	43	6	
Mozambique	39	35	5	
Afghanistan	31	27	4	
Ethiopia	25	22	3	
Kenya	24	22	3	
Top 5 recipients	**167**	**149**	**20**	**26**
Zambia	24	21	3	
Nepal	24	21	3	
Viet Nam	22	20	3	
West Bank and Gaza Strip	14	13	2	
Sudan	14	12	2	
Top 10 recipients	**265**	**237**	**32**	**37**
Nicaragua	13	12	2	
Somalia	10	9	1	
Pakistan	9	8	1	
Lao People's Democratic Republic	8	7	1	
Democratic Republic of the Congo	7	7	1	
Top 15 recipients	**312**	**280**	**38**	**44**
South Africa	7	6	1	
Kosovo	6	6	1	
South Sudan	6	5	1	
Haiti	6	5	1	
India	6	5	1	
Top 20 recipients	**343**	**307**	**42**	**49**
Total (131 recipients)	**456**	**408**	**55**	
Unallocated	368	330	45	33
Total bilateral gross	**823**	**738**	**100**	**100**

	2014-15 average Current USD million	Constant 2015 USD mln	% share	Memo: DAC countries' average %
Kenya	44	40	5	
Tanzania	42	38	5	
Afghanistan	34	31	4	
Ethiopia	33	30	4	
Nepal	32	29	4	
Top 5 recipients	**184**	**167**	**22**	**22**
Mozambique	27	25	3	
Somalia	23	21	3	
Zambia	22	20	3	
Viet Nam	16	15	2	
West Bank and Gaza Strip	14	13	2	
Top 10 recipients	**287**	**261**	**35**	**33**
Syrian Arab Republic	10	10	1	
Iraq	10	8	1	
Myanmar	9	9	1	
Ukraine	9	8	1	
Lao People's Democratic Republic	7	7	1	
Top 15 recipients	**332**	**302**	**40**	**41**
Lebanon	7	6	1	
Sudan	7	6	1	
Mexico	7	6	1	
Yemen	7	6	1	
South Sudan	6	6	1	
Top 20 recipients	**365**	**333**	**44**	**47**
Total (118 recipients)	**473**	**431**	**57**	
Unallocated	355	326	43	40
Total bilateral gross	**828**	**757**	**100**	**100**

Table B.5 Bilateral ODA by major purposes

at constant 2015 prices and exchange rates

Commitments - Two-year average

Finland	2004-08 average		2009-13 average		2014-15 average		2014-15
	2015 USD million	%	2015 USD million	%	2015 USD million	%	%
Social infrastructure & services	**250**	**39**	**320**	**37**	**252**	**43**	**36**
Education	52	8	57	6	62	10	7
of which: basic education	15	2	10	1	26	4	2
Health	30	5	22	3	25	4	5
of which: basic health	12	2	10	1	17	3	4
Population & reproductive health	9	1	9	1	13	2	7
Water supply & sanitation	35	5	63	7	23	4	4
Government & civil society	101	16	141	16	111	19	11
of which: Conflict, peace & security	26	4	50	6	35	6	2
Other social infrastructure & services	22	3	29	3	18	3	2
Economic infrastructure & services	**50**	**8**	**93**	**11**	**59**	**10**	**19**
Transport & storage	0	0	4	0	0	0	7
Communications	8	1	21	2	7	1	0
Energy	19	3	43	5	23	4	8
Banking & financial services	17	3	12	1	13	2	2
Business & other services	7	1	13	1	15	3	1
Production sectors	**59**	**9**	**125**	**14**	**57**	**10**	**7**
Agriculture, forestry & fishing	45	7	98	11	37	6	5
Industry, mining & construction	10	2	13	2	7	1	1
Trade & tourism	4	1	14	2	13	2	1
Multisector	**88**	**14**	**94**	**11**	**41**	**7**	**10**
Commodity and programme aid	**40**	**6**	**25**	**3**	**8**	**1**	**2**
Action relating to debt	**7**	**1**	-	-	-	-	**0**
Humanitarian aid	**85**	**13**	**112**	**13**	**84**	**14**	**12**
Administrative costs of donors	**46**	**7**	**77**	**9**	**64**	**11**	**6**
Refugees in donor countries	**20**	**3**	**30**	**3**	**26**	**4**	**8**
Total bilateral allocable	**647**	**100**	**875**	**100**	**592**	**100**	**100**
For reference:							
Total bilateral	*679*	*63*	*935*	*61*	*634*	*56*	*75*
of which: Unallocated	*32*	*3*	*60*	*4*	*42*	*4*	*1*
Total multilateral	*393*	*37*	*610*	*39*	*490*	*44*	*25*
Total ODA	***1 071***	***100***	***1 545***	***100***	***1 123***	***100***	***100***

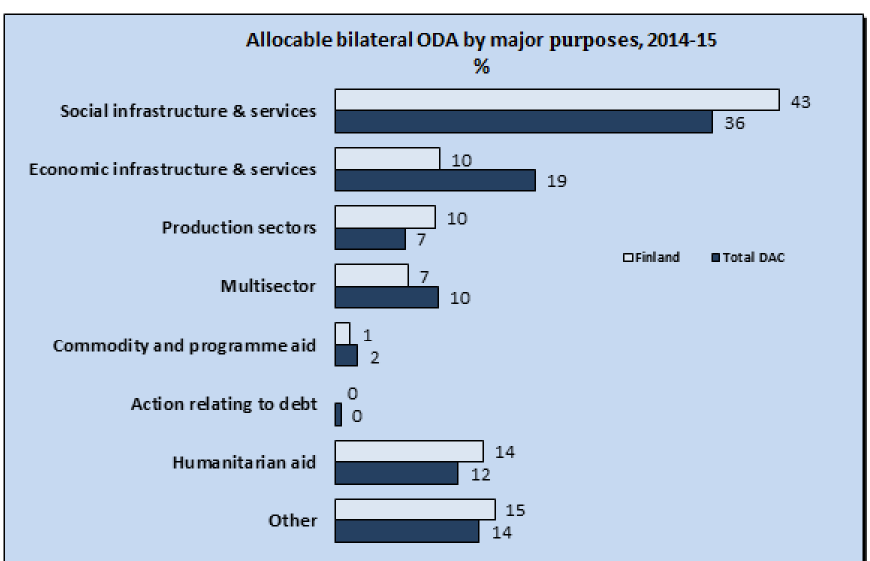


Table B.6 Comparative aid performance

	Official development assistance			Share of multilateral aid				Grant element of ODA	Untied aid
	Net disbursements								*Commitments*
	2015		2009-10 to 2014-15 Average annual % change in real terms	2015 % of ODA		2015 % of GNI		commitments 2015	% of bilateral commitments Year
	USD million	% of GNI		(b)	(c)	(b)	(c)	% (a)	(d)
Australia	3 494	0.29	2.7	21.2		0.06		99.9	100.0
Austria	1 324	0.35	2.5	40.9	20.7	0.14	0.07	100.0	36.4
Belgium	1 905	0.42	-4.3	41.6	17.3	0.17	0.07	99.8	96.7
Canada	4 277	0.28	-1.4	30.5		0.09		97.3	98.5
Czech Republic	199	0.12	1.0	64.8	11.2	0.08	0.01	100.0	44.3
Denmark	2 566	0.85	0.3	26.7	17.4	0.23	0.15	100.0	100.0
Finland	1 288	0.55	2.3	45.8	32.5	0.25	0.18	100.0	92.6
France	9 039	0.37	-3.9	42.9	21.5	0.16	0.08	79.6	95.6
Germany	17 940	0.52	7.5	21.3	7.6	0.11	0.04	86.6	84.0
Greece	239	0.12	-12.5	69.9	3.7	0.09	0.00	100.0	14.5
Iceland	40	0.24	0.7	22.1		0.05		100.0	100.0
Ireland	718	0.32	-2.8	40.5	20.8	0.13	0.07	100.0	100.0
Italy	4 004	0.22	6.3	54.3	18.7	0.12	0.04	99.6	95.1
Japan	9 203	0.21	3.0	33.2		0.07		87.5	74.6
Korea	1 915	0.14	10.0	20.1		0.03		95.3	50.2
Luxembourg	363	0.95	-1.5	27.6	19.8	0.26	0.19	100.0	98.8
Netherlands	5 726	0.75	-1.0	27.3	17.8	0.20	0.13	100.0	92.7
New Zealand	442	0.27	3.1	18.9		0.05		100.0	84.7
Norway	4 278	1.05	1.9	22.7		0.24		100.0	100.0
Poland	441	0.10	4.4	77.3	10.2	0.07	0.01	98.6	33.6
Portugal	308	0.16	-7.5	52.6	5.6	0.08	0.01	93.7	49.0
Slovak Republic	85	0.10	4.1	79.7	17.5	0.08	0.02	100.0	47.5
Slovenia	63	0.15	1.1	60.3	11.0	0.09	0.02	100.0	12.4
Spain	1 397	0.12	-22.0	74.6	9.7	0.09	0.01	100.0	80.8
Sweden	7 089	1.40	7.4	31.9	26.1	0.45	0.37	100.0	86.8
Switzerland	3 562	0.52	6.5	22.5		0.12		100.0	94.6
United Kingdom	18 545	0.70	6.8	36.9	25.9	0.26	0.18	100.0	100.0
United States	30 986	0.17	0.2	14.0		0.02		100.0	55.5
Total DAC	**131 433**	**0.30**	**1.6**	**28.3**		**0.08**		**94.4**	**78.1**
Memo: **Average country effort**		**0.41**							

Notes:

a. Excluding debt reorganisation.

b. Including EU institutions.

c. Excluding EU institutions.

d. Excluding administrative costs and in-donor refugee costs.

.. Data not available.

Table B.7. Comparative performance of aid to LDCs

	Net disbursements								Commitments
	Bilateral ODA to LDCs 2015			Total ODA to LDCs (Bilateral and through multilateral agencies) 2015			Grant element of bilateral ODA commitments[a] to LDCs (two alternative norms)		
							Annually for all LDCs Norm: 90%		3-year average for each LDC Norm: 86%
	USD million	% bilateral ODA	% of GNI	USD million	% total ODA	% of GNI	2014	2015	2013-2015
Australia	679	24.7	0.06	931	26.6	0.08	100.0	100.0	c
Austria	41	5.3	0.01	222	16.8	0.06	100.0	100.0	c
Belgium	377	33.9	0.08	610	32.0	0.13	99.6	99.3	n
Canada	998	33.6	0.07	1 561	36.5	0.10	100.0	100.0	c
Czech Republic	11	16.4	0.01	41	20.7	0.02	100.0	100.0	c
Denmark	384	20.4	0.13	610	23.8	0.20	100.0	100.0	c
Finland	236	33.8	0.10	429	33.3	0.18	100.0	100.0	c
France	1 090	21.1	0.04	2 378	26.3	0.10	82.2	79.8	n
Germany	1 603	11.4	0.05	2 596	14.5	0.08	98.7	98.5	c
Greece	1	1.6	0.00	38	16.0	0.02	100.0	100.0	c
Iceland	13	41.6	0.08	16	40.8	0.10	100.0	100.0	c
Ireland	257	60.1	0.11	345	48.0	0.15	100.0	100.0	c
Italy	280	15.3	0.02	870	21.7	0.05	99.1	98.9	c
Japan	2 480	40.3	0.06	3 659	39.8	0.08	93.2	91.3	c
Korea	580	37.9	0.04	728	38.0	0.05	94.4	95.0	c
Luxembourg	121	46.2	0.32	154	42.4	0.40	100.0	100.0	c
Netherlands	465	11.2	0.06	1 036	18.1	0.14	100.0	100.0	c
New Zealand	113	31.7	0.07	138	31.3	0.08	100.0	100.0	c
Norway	729	22.1	0.18	1 098	25.7	0.27	100.0	100.0	c
Poland	44	44.2	0.01	125	28.4	0.03	78.8	83.9	n
Portugal	53	36.3	0.03	90	29.3	0.05	87.9	92.0	n
Slovak Republic	1	5.4	0.00	19	21.8	0.02	100.0	100.0	c
Slovenia	0	1.6	0.00	10	15.1	0.02	100.0	100.0	c
Spain	81	22.9	0.01	314	22.5	0.03	100.0	100.0	c
Sweden	847	17.6	0.17	1 473	20.8	0.29	100.0	100.0	c
Switzerland	618	22.4	0.09	928	26.1	0.14	100.0	100.0	c
United Kingdom	3 815	32.6	0.14	6 117	33.0	0.23	100.0	100.0	c
United States	9 122	34.2	0.05	10 737	34.7	0.06	100.0	100.0	c
Total DAC	**25 041**	**26.6**	**0.06**	**37 274**	**28.4**	**0.09**	**97.6**	**96.9**	**..**

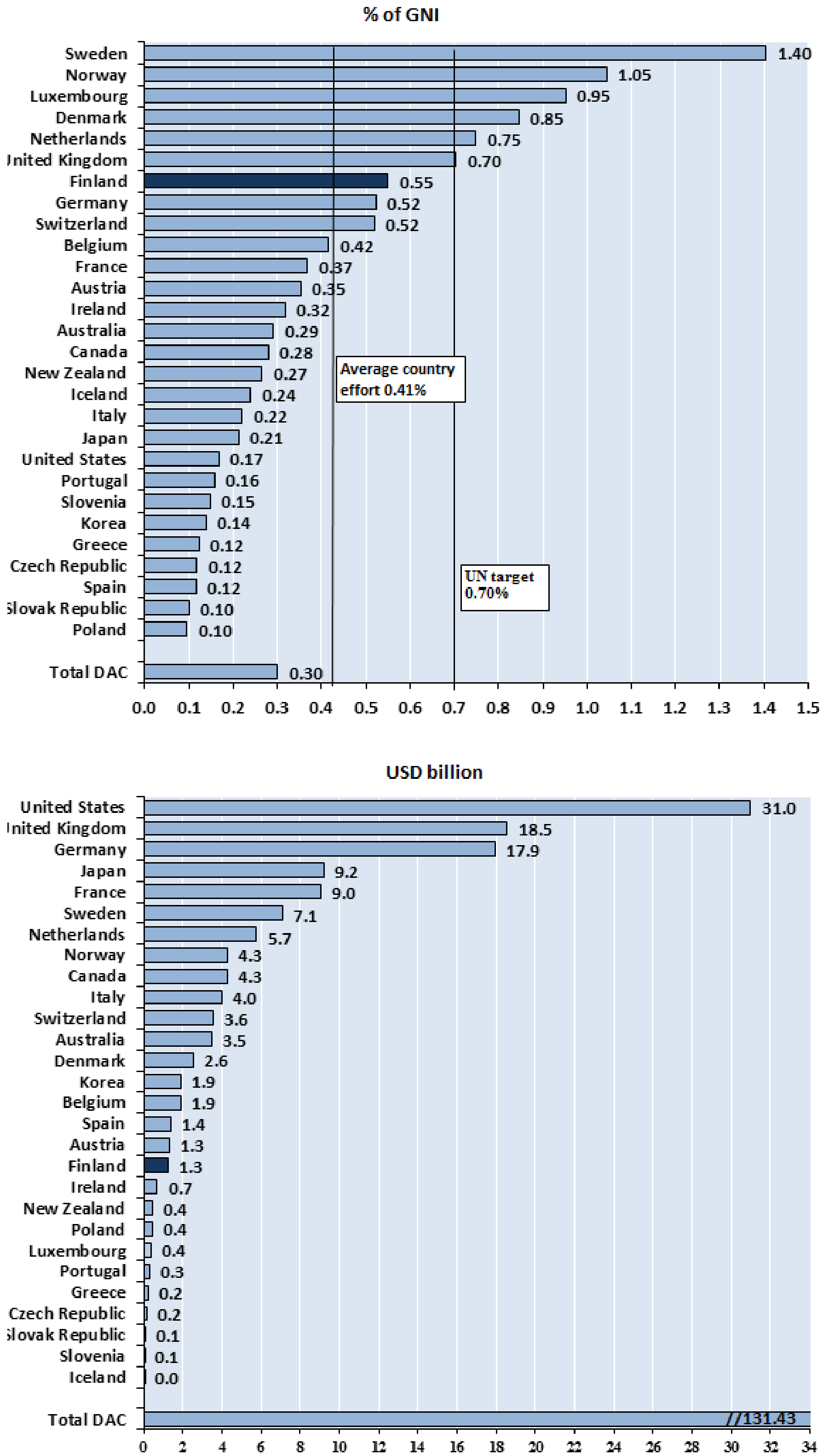
Notes:

a. Excluding debt reorganisation. Equities are treated as having 100% grant element, but are not treated as loans.

b. c = compliance, n = non compliance.

.. Data not available.

Figure B.1 Net ODA from DAC countries in 2015



Annex C: Field visit to Kenya

As part of the peer review of Finland, a team of examiners from Italy and Spain visited Kenya in March 2017. The team met with officials from the government of Kenya and the Embassy of Finland, a parliamentarian, the Chief Executive Officer of the Council of Governors, other bilateral and multilateral providers, representatives of Finnish-funded companies and members of Finnish and Kenyan civil society.

Towards a comprehensive Finnish development effort

A lower middle-income country with a growing economy and population, vulnerable to climate change, insecurity

Kenya is the fifth-largest economy in sub-Saharan Africa, with a population of 48 million and an economic growth rate of 6%. The growth outlook is expected to remain broadly stable. Despite gaining lower middle-income status in 2014, high population growth, political uncertainty, and vulnerability to climate change – demonstrated by the extended drought in parts of the country – could jeopardise its middle-income country status. In addition, 40% of the country's population lives below the poverty line and there are stark regional (and ethnic) disparities. In 2015, official development assistance (ODA) represented 3.93% of Kenya's gross national income and 10% of the country's overall budget (40% of the investment budget).

New presidential elections are expected to be held on 17 October after the Supreme Court ruled that President Kenyatta's August 2017 election victory was invalid. President Kenyatta of the Jubilee Party was initially elected President in 2013 for a five year-term. Given past insecurity due to terrorism and political and economic uncertainty, partners expect at best slower implementation of programmes in 2017. With half of the population aged under 18, high population growth and high unemployment, efforts to create jobs are vital. The government counts on its rapidly expanding private sector and relatively well-educated work force to achieve Vision 2030, which includes enhanced equity and wealth creation opportunities for the poor (Government of the Republic of Kenya, 2007).

Finland aligns its programmes to Kenya's devolution agenda

Finland aligns its support with Kenyan government priorities and systems reflected in Vision 2030 and the second Mid-term Plan 2014-17 (Government of the Republic of Kenya, 2013). However, its country strategy (2016-19) is not aligned with Kenya's own planning cycle. Key to the sustainability of Finland's support in Kenya, however, is its alignment to devolution – the reform of the political and economic governance system called for in Kenya's 2010 Constitution.[1] In the context of devolution, for example, Finland supported the government in creating forestry county transition plans. The primary aim of devolution is to increase access to basic services by underserved communities. County governments are semi-autonomous, and receive 15% of national revenue in order to address development priorities set out in their development plans, known as County Integrated Development Plans (CIDPs).

There remain important challenges in the implementation of devolution. These include the lack of local institutional structures and wide disparities between services delivered across counties. Finland aligns to the CIDPs in the counties where it is investing, channelling funds via Treasury to county revenue accounts, and relying on needs-based assessment and the oversight of the Council of Governors in the selection of co-operation counties. It is thanks to Finland's initiative that this way of working has become the *modus operandi* for all partners working in Kenya's counties.

Finland's co-operation is expanding beyond grants to become more commercially driven

Finland has over 50 years of diplomatic ties with Kenya. Its key objectives in Kenya are to "advance regional stability and security, increase trade and commerce and contribute to the attainment of the SDGs through development cooperation and by other means" (MFA, 2016a). Finland's relationship with Kenya is evolving from one based on grants to one based on developing and supporting commercial relations, although trade relations to date are very small. "Team Finland" includes government agencies that promote the internationalisation of Finnish companies, foreign investment in Finland and tourism; Finnvera (start-up financing and protection from export risks); Finnpartnership (matchmaking businesses); and Finnfund. While in theory the Ambassador represents Team Finland, in practice, the totality of agencies have not yet met under the same umbrella to date.

Since 2014, in addition to ODA grants, Finland has invested a significant volume of ODA equity in Kenya through Finnfund: USD 18 million in 2014 and USD 11.8 million in 2015. These investments include equity for hotel construction and management, a pharmaceutical company and the Lake Turkana windfarm. Finnfund has a 12.5% share in the latter project, which is expected to deliver 310 megawatts, or 18% of Kenya's energy. A Finnish company, Peikko Group Oy, provided the wind turbine concrete cage foundations for the project (Finnfund, 2015). Another example of Finland's co-operation in Kenya is Finnpartnership's support to Fuzu, a Finnish company. Fuzu initially benefited from Finnpartnership's support to develop a mobile service to help job applicants. To date more than 800 000 job seekers have used Fuzu at different stages of their careers to receive recommendations and career guidance.[2]

Finland's policies, strategies and aid allocation

The Kenya Country Strategy reflects Finland's development priorities

The 2016-19 Kenya Country Strategy (MFA, 2016a) reflects three of the four impact areas outlined in Finland's 2016 development policy (see 2.1.1):

1) Accountability in county-level governance, which encompasses support to devolution and to improved water and sanitation access in a select number of counties.

2) Improved access to jobs and livelihoods, focused on the forestry and agriculture sectors.

3) Women and girls' empowerment, which focuses on gender-responsive legislation and sexual and gender-based violence.

Although Kenya was Finland's most important partner country in terms of ODA volume in 2015, Finland is a relatively small donor for Kenya, and does not feature among its top 10 development partners. Figure C.1 illustrates Finland's development finance in Kenya, mostly in the form of ODA: in 2015, USD 21.2 million was provided as grants and USD 9.9 million as equity. In 2014, there was just over USD 500 000 recorded as other official flows.

As part of its regional co-operation, the Embassy manages Finland's support to Trademark East Africa, a regional programme based in Nairobi, to which it has committed EUR 9.8 million (USD 10.8 million) between 2017 and 2020.

Finland's country strategy covers less than half of its overall development co-operation in Kenya

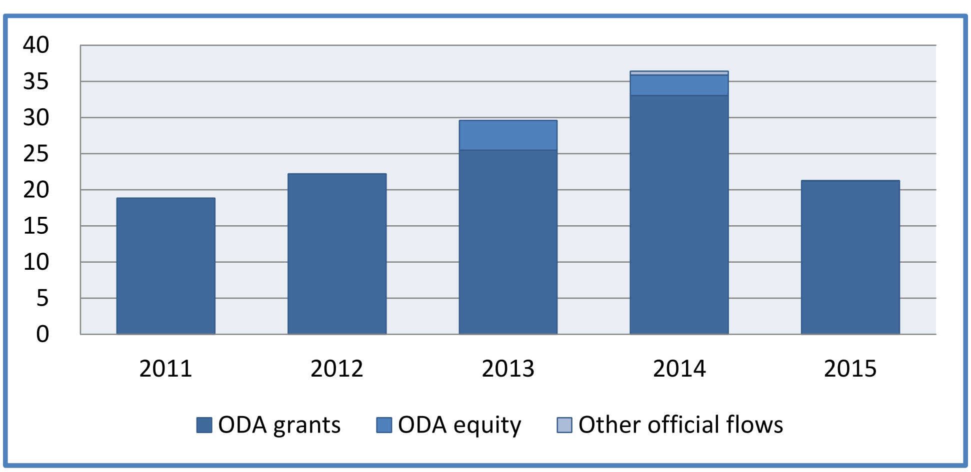
The Kenya country strategy financing plan applies only to bilateral development co-operation that comes under the country strategy. It does not include humanitarian aid, private sector instruments, or core support to Finnish CSOs. This means, for example, that of a total of EUR 22 million (USD 24.3 million) disbursed in 2016, only EUR 8 million (USD 8.85 million) is bilateral development co-operation that comes under the country strategy (MFA, 2016a). Although Kenya's second generation country strategy now cites some of these other instruments in passing, they are not included in the financing framework.

The lack of a comprehensive overview in the strategy poses a reputational risk for Finland since the embassy would be expected to react should any issues arise from these investments, but it lacks the contextual background and full information to do so. Perhaps more critically, this gap is a missed opportunity to create synergies among the different programming streams. Currently, the Embassy tries to promote these synergies, but in an *ad hoc* manner. For example, a rural development programme in Western Kenya could be an opportunity for Trademark East Africa (funded through the regional programme) and Finnish private sector investors to find entry points for future investments. Looking beyond the Kenya programme, Finland does not appear to have a regional strategy for the Horn of Africa. Even though Finland's Somalia programme is managed from Nairobi, the implications of any possible spill over effect from one country to the next is not explicitly taken into account in either country strategy or plan.

The Ambassador's operational plan is in place for the duration of his or her posting, and could possibly be used more pragmatically to bring together the various funding instruments used by the Government of Finland in Kenya. In October 2016, the Embassy held a strategic dialogue with the Government of Kenya on the whole portfolio for the first time.

Figure C.1 Finland's development finance to Kenya, 2011-2015

in USD 2015 millions



Source: OECD Creditor Reporting System, 2017.

Finland's lead role in gender, water and forestry are recognised by the government and partners

Finland's support to Kenya for the implementation of UN Security Council Resolution 1325 on women, peace and security was arranged shortly after the controversial 2007 election and agreed at the highest political level.[3] Kenya's National Action Plan was launched in 2015 (Government of the Republic of Kenya, 2016b), and Finland's support to the Plan has since evolved into core support to UN Women's country programme (Hellsten, 2016). In part as a result of Finland's advocacy, the Kenyan Government plans to highlight the role of women in basic service delivery and influence the gender sector of Kenya's Third Medium-Term Plan through UN Women.

Finland's direct investments in water and forestry are implemented at the county level in 10 (of 47) counties. Finland's county-level support to the water sector has increased the availability of water services and has attracted other partners – such as the EU and Denmark – to invest in the sector through a similar approach.

For the new phase of the forestry programme, Finland is building on the success of the Miti Mingi Maisha Bora: Support to Forest Sector Reform (MMMB) project that came to an end in 2016. This programme led to stronger organisation and management of the Kenyan Forest Service (KFS) and sharpened the strategic direction of Kenyan forest policy in line with Vision 2030. Finland helped to modernise the country's plantation sector through geographical information systems and by creating market linkages for selling sustainable charcoal, honey and aloe (MFA, 2016b). Finland continues to link the Kenyan and Finnish private sectors working in commercial forestry by facilitating exchanges and technology transfer for forest product processing.

Finland uses primarily multi-donor approaches, including through multilateral organisations

Finland’s cuts to financial and human resources have seen it move away from large bilateral programming in Kenya. Nonetheless it promotes and replicates best practice within and across sectors (water, forestry, governance and gender) and harmonises practices with relevant partners to enhance the sustainability of its programmes. For example, the lessons Finland learned and best practices in co-operating with Sweden in the water sector are now being replicated in the new bilateral forestry programme. The Embassy uses multi-bi channels pragmatically where arrangements with other donors make sense and do not compromise the level and frequency of policy dialogue with the Kenyan Government. In this way, Finland supports the Accountable Devolution Programme through the World Bank and the Ministry of Gender Affairs through UN Women. In spending through these channels, Finland is ultimately using Kenya's country systems.

Organisation and management

Resources are managed from Finland, with joint decision making in Nairobi

There is regular communication and a clear division of labour between the Finnish embassy in Nairobi and the regional department in the foreign ministry. The Embassy only has authority to allocate local co-operation funds to local NGOs, a total of EUR 350 000 (USD 387 040) in 2016. In all other cases, the foreign ministry in Helsinki has the final say, although the embassy can influence the modality and the budget both between programmes and years (through deferrable appropriations). The embassy was able to convince the foreign ministry in Helsinki, for example, that the water services trust fund, which it manages in partnership with Sweden was the most adapted modality to align to the government's devolution agenda. It was also able to work with Helsinki to re-programme funds in response to the humanitarian crisis through targeted water and sanitation investments in counties where it already operates. Although these working modalities are as pragmatic as possible despite the Embassy lacking delegated decision making and financial authority, it does add a layer of transactions, making risk management responses and information flow more complex.

Budget cuts have reduced time for regular monitoring, innovating and creating synergies

The fact that the Kenya development co-operation programme still exists despite general cuts is positive, signalling Kenya's geopolitical and economic importance to Finland. From 2015 to 2016, the bilateral country programme was cut by more than 40% (from EUR 14 million to EUR 8 million). Although Finland still has the relevant technical expertise to implement its current bilateral country programme, the urgency with which cuts were made has damaged Finland's reputation. Furthermore, new Finnish government priorities and economic realities will take some adjusting to. Efforts are required to build the knowledge and expertise required to manage new sources of development finance.

Cuts to human and financial resources have had an impact on innovation, programme implementation, the quality of services delivered and engagement with the government and stakeholders. For example, the Country Strategy for Development Co-operation in Kenya (2016-19) is essentially a prolongation of some of the previous programmes, adding little in the way of new ideas. Similarly, there are fewer resources available to unblock bottlenecks that are slowing delivery, for example within the Kenya Forest Service and the Ministry of Environment. Finally, less regular on-site monitoring has slowed down programmes responses to changing situations and contexts. Finland has played a significant role in supporting the global goals, but more recently its presence has been less noticeable according to the Government of Kenya, most likely due to the competing demands in delivering the country programme and fewer human resources.

Low investment in human resources limits ability to manage risks

Each year an induction course on development cooperation and open to locally-employed staff is organised in Helsinki and offered in English. Locally recruited staff from the Finnish embassy in Kenya were able to attend this course in June 2017, subsequent to the peer review mission. One rare training opportunity that took place in Nairobi in 2016 was a regional workshop on the Manual for Bilateral Programmes with foreign ministry and Embassy staff. This workshop was an opportunity to discuss results and the human rights-based approach which have been adopted by Finland's partners in Kenya. For many locally hired staff who do not typically participate in daily exchanges with Helsinki, it was an opportunity to exchange information with headquarters staff and provide feedback on manuals or guidance.

Challenges in securing expertise for Counsellor positions in development co-operation and the lack of career opportunities for external experts mean that it is often difficult to find the right mix of skills in the embassy. Overall, the lack of opportunities for career progression for both local and non-counsellor positions jeopardises longer-term capacity building and staff retention. The salaries of locally employed staff are relatively competitive, but not compared to some other Nordic Embassies. Coupled with locally recruited staff's limited training opportunities, this constrains Finland's ability to fully leverage local expertise for strategic monitoring and planning, thus also affecting risk management.

Political instability linked to the upcoming general elections in August 2017 is one of the contextual risks identified in the risk management framework, which also includes programme and local (county) risks. The design of the Water Programme helps mitigate contextual risks of corruption, capacity and inequality through the use of preconditions and intermediary milestones. It is not always clear, however, how programmes are designed and adjusted to address risks that are highly likely, nor how fewer human and financial resources may affect risk mitigation efforts and the risk appetite or threshold. As the embassy displaces risk to multilateral entities and other partners to implement its country programme, it may still need to keep up some level of monitoring at the level of implementation.

Partnerships, results and accountability

Finland is recognised for its grant aid, but could improve aid on budget

The aid effectiveness architecture in Kenya includes: 1) a development partnership forum (DPF) that engages in policy dialogue on development priorities; 2) a government co-ordination group (GCG), a high-level forum with a focus on harmonisation, alignment and co-ordination; 3) a development partners group (DPG), which is a partners-only group that focuses on political and economic issues of mutual interest; and 4) an aid effectiveness group (AEG) at the technical level.

The Government of Kenya's External Resources Policy sets out the expectations it has of development partners and how they should engage with county governments (Government of the Republic of Kenya, 2014). It is the engagement protocol for all stakeholders. Finland's contribution to the overall ODA budget is relatively small, but its contributions in the form of grants are appreciated by the Government of Kenya, which increasingly relies on concessional loans (rather than grants) from development partners. Less than half of Finland's aid is recorded on budget according to the last global monitoring report, although some aid may be included in supplemental budgets not recorded in the exercise (Global Partnership for Effective Development Co-operation, 2016). The Kenya External Resources Policy provides the legal, organisational, operational and accountability framework for managing development finance.

Finland's engagement in Kenya goes beyond financial contributions. Recent foreign ministry-led delegations from Finland have served to jump-start talks with the Government of Kenya on partnerships that include the private sector. For example, the Slush Global Impact Accelerator was created in collaboration with the foreign ministry and other partners to bring together entrepreneurs. It held an event in Nairobi in 2016.[4] The embassy and government organise fortnightly coffee mornings on forestry and gender to exchange and develop new ideas. Finland is recognised for its role in leading and safeguarding the gender and forestry working groups. It is one of the strongest advocates for women's empowerment in Kenya and as a direct result of its advocacy, it ensured a gender lens was applied across all six components of the World Bank's devolution programme.

Finland's aid is delivered through multi-donor arrangements

Once the rural development project in western Kenya (PALWECO) concludes in mid-2017, the national forestry programme will be the only programme implemented directly by Finland together with the Government of Kenya, which provides counterpart financing. Other than its joint support with Sweden in the water sector at county level, Finland also works together with other development partners including the World Bank, Kenyan CSOs, World Vision, Finn Church Aid and UN Women. There are ways in which Finland could develop even more innovative partnerships to deliver its programmes, but the Finnish Government's strict interpretation of the *Discretionary Government Transfers Act* makessub-granting to other entities more difficult. This inflexibility has recently prevented Finland from fully exploring innovative partnerships.

Results focus on Finland's contributions in a well-defined framework

The Kenya Country Strategy is results-oriented and focuses on Finland's contribution, rather than attributing outcomes directly to its investments. For example, the strategy states that Finland's development co-operation contributes to the recovery of Kenya's water and forest resources and to addressing sexual and gender-based violence (MFA, 2016a). Each level of the results framework assigns indicators with annual targets. The indicators are "matched" with Kenya's indicators where possible and link to some of the foreign ministry's corporate indicators (see 6.1).

The Manual for Bilateral Programmes sets out the results framework and results chain that links each project activity to outputs, outcomes and impacts that are underpinned by assumptions (MFA, 2016c), while the country strategy has an annex with the results chain and framework. The Kenya country strategy aims to contribute towards three impact-level results drawn from the second Mid-term Plan (see C.1.2), which correlate well with Finland's 2016 development policy. Other than the bilateral programme identified in the country strategy, the results framework in Kenya includes one additional outcome: to enhance Finland's trade potential in Kenya by building on synergies between Team Finland and the country strategy for development co-operation. Mid-term reviews and end-of-project evaluations take place regularly, but the Embassy has found that more regular monitoring throughout the programme cycle is more important and useful to adjust any parameters and programming. The Embassy makes efforts to involve Kenyan government officials in the project or programme evaluations it commissions, although their involvement does not systematically occur.

Notes

1. Article 6 of the Constitution states: "...the governments at the national and county levels are distinct and interdependent and shall conduct their mutual relations on the basis of consultation and co-operation."

2. See the website: www.fuzu.com.

3. Then President of Finland Tarja Halonen and then Vice President of the Kenyan Grand Coalition Government Kalonzo Musioka agreed in June 2009 that twinning on SCR 1325 between these countries could be taken forward.

4. For more information see www.slush.org/gia.

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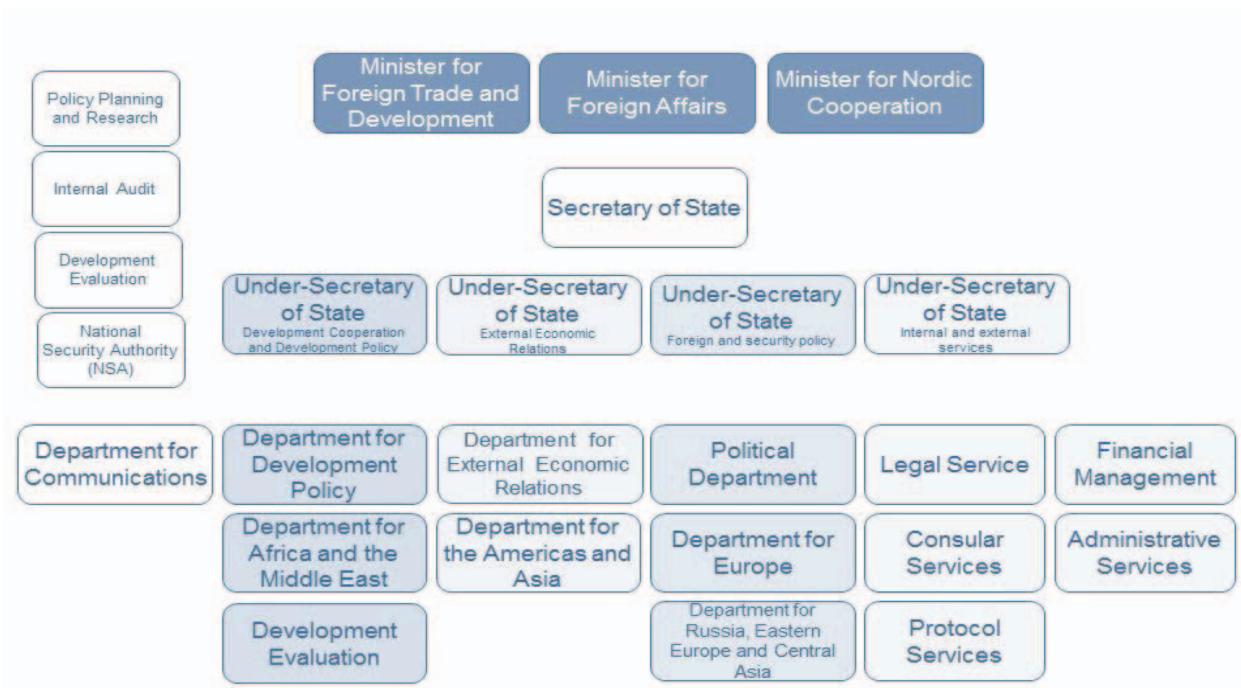
Annex D: Organisational structure



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