

PEER REVIEW ON DEVELOPMENT FINANCE STATISTICS

FINLAND



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Executive Summary

1. **The Statistical Peer Review of Finland was carried out on 15-19 November 2021.** The review team consisted of representatives from Austria and Hungary as well as three staff from the DAC Secretariat. It covered the seven dimensions outlined in the Guidance note for statistical peer reviews: statistical policy issues; domestic data collection; reporting; performance on DAC recommendations and international commitments; transparency; data accessibility; and publication of statistics.

2. The review team congratulates the Statistic team of the Ministry for Foreign Affairs (MFA) for the thorough work it conducts to collect and report ODA data and efforts put to ensure the quality of these data. It also commends Finland's determination to protect the integrity of ODA and the associated budget, and to formulate long-term strategy (the *White Paper for Development Policy*) through an inclusive, broad consultation process that can help ensure the continuity of its development co-operation priorities beyond election cycles. The fact that very limited resources are assigned to statistical work in the MFA is however a challenge. The review team would like to recommend improvements, in particular to automatise the systems further to leave more time to the Statistic team to tackle more substantive issues, e.g. further improving the quality of the data and starting reporting on TOSSD. It would also like to encourage Finland to engage more closely in some of the current discussions at the WP-STAT and DAC on statistical policy issues (e.g. PSI) to contribute to consensus building.

Key Recommendations:

ODA-eligibility

- Continued diligence by the Statistics team is encouraged to ensure ODA integrity.

IT architecture

- The Statistics team would benefit from implementing a more streamlined data processing workflow that starts with AHA, the MFA project management system, goes through the data warehouse rather than the Excel export, and culminates in the DAC report. The ongoing overhaul of the IT infrastructure offers an opportunity to correct anomalies, especially in the data warehouse, and streamline the validation process.

Quality assurance

- There is potential to address issues with reporting from other institutions. The Statistics team could train reporters to enter information directly into AHA; if this option is not possible due to IT security restrictions, the team could develop a data entry tool that transfers data dynamically into AHA and/or the data warehouse. The team could also standardise the reporting template and establish and build capacity for a consistent point of contact in each reporting institution.

TOSSD reporting

- Finland could follow an incremental approach to start expanding their data collection beyond ODA, to report in TOSSD additional relevant expenditures in support of the SDGs beyond ODA.

Private Sector Instruments

- Finland should actively engage in the proposed review of the provisional methods for reporting on PSI to contribute to the consultation phase and consensus building in the DAC on the issue.

Publication of statistics

- More investment in dissemination and communication will add work to an overstretched Statistics team. The team is encouraged to pursue realistic options for automating or streamlining their work in the short-term while they build capacity for data use across the MFA and the rest of the government in the longer term.

Introduction – Overview of Finland’s development co-operation

3. This chapter provides a brief description of the organisational structure of Finland’s development co-operation, the strategic and legislative framework, the budget preparation and key issues around the ODA/GNI ratio.

Organisational structure and key stakeholders

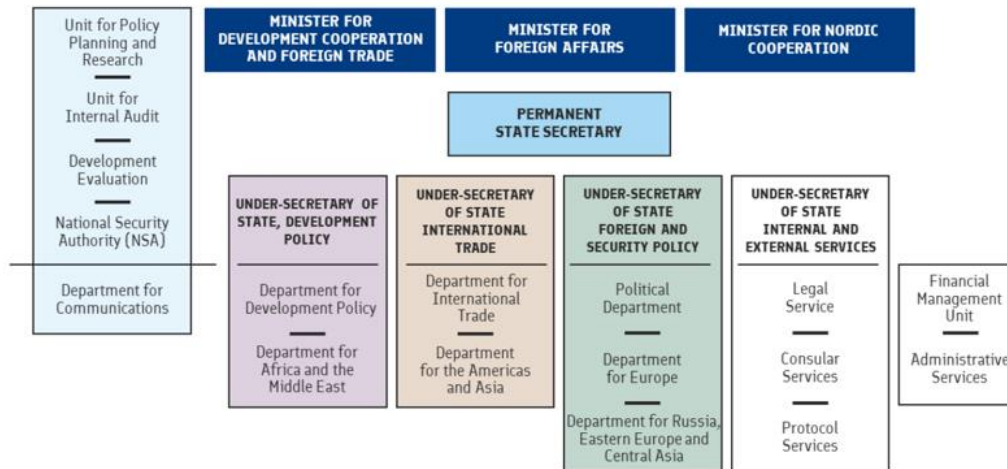
4. The Ministry for Foreign Affairs (MFA) of Finland is responsible for the coordination of development co-operation activities (Finland does not have a separate aid agency). To oversee the area, a dedicated Minister for Development Co-operation and Foreign Trade is appointed, supervising the Under-Secretary of State for Development Policy. The **Department for Development Policy** sits under the aforementioned Under-Secretary of State and is in charge of Finland’s international development and humanitarian policy, development finance as well as overall planning and monitoring of development co-operation. See Figure 1.

5. The Department for Development Policy comprises seven units, employing about 100 people:

- Development Policy (9 persons)
- Humanitarian Assistance (8)
- Sectoral Policy (17)
- Sustainable Development and Climate Policy (21)
- Civil Society (10)
- Development Finance and Private Sector Co-operation (15)
- **Administrative and Legal Development Co-operation Matters** (15)

6. In particular, the Unit for Administrative and Legal Development Co-operation Matters (KEO-80) hosts the **Statistics team** composed of two persons. Beyond the Department of Development Policy, **regional departments** are responsible for bilateral development co-operation in their respective geographic area, as well as the **Development Evaluation Unit** in charge of strategic and policy level evaluations of development policy and development coordination.

Figure 1. Organisation of the Ministry for Foreign Affairs of Finland



Source: MFA, Finland

7. Civil Society and private sector actors play a key role in achieving Finland's development policy objectives. The Government supports **Finnish NGOs'** development co-operation activities through **grants** or **assistance to specific projects**¹. The MFA also issues **calls for proposals for international NGOs** on an annual basis and conducts active dialogue with recipient organisations². Private investments, technology and innovations are also harnessed to help in achieving the goals of sustainable development and the Paris Agreement on Climate Change. The MFA finances initiatives and programmes through Finland's Development Finance Institution, **Finnfund**³. **Finnpartnership**⁴, funded by the MFA and managed by Finnfund, aims to generate positive development impacts by promoting business between Finland and developing countries. The **Developing Markets Platform**⁵, together with Finnpartnership and Finnfund, helps Finnish companies and their partners access African and Asian growth markets in ways compatible with Sustainable Development Goals (SDGs).

Strategic and legislative framework

8. Finland considers development co-operation as an important tool for strengthening the country's **human rights-based and value-based foreign and security policy**. The basis for Finland's development policy is ***The Report on Development Policy Extending Across Parliamentary Terms***⁶, a policy paper adopted on 27 May 2021 by the Government.

9. With the 2030 Agenda, the Sustainable Development Goals and the Human Rights Based Approach as overall guiding principles, Finnish development policy is based on four overarching priorities:

- Strengthening the **status and rights of women and girls**, with an emphasis on sexual and reproductive health and rights;

¹ <https://um.fi/support-for-finnish-civil-society-organisations-and-foundations>

² <https://um.fi/support-for-international-non-governmental-organizations-ingos->

³ <https://www.finnfund.fi/en/finnfund/>

⁴ <https://finnpartnership.fi/en/what-is-finnpartnership/>

⁵ <https://www.businessfinland.fi/en/for-finnish-customers/services/programs/developing-markets-platform>

⁶ <https://julkaisut.valtioneuvosto.fi/handle/10024/163218>

- Strengthening the **economic base** of developing countries and **creating jobs**, with an emphasis on innovations and the role of women in the economy and female entrepreneurship;
- **Education**, well-functioning societies and **democracy**, with an emphasis on high-quality education, improved tax systems and support for democracy and the rule of law;
- **Climate change and natural resources**, with an emphasis on strengthening adaptation alongside mitigation of climate change, food security and water, meteorology and disaster risk prevention, forests and safeguarding biodiversity.

10. The geographical focus of co-operation is Africa, with a special focus on the LDCs in sub-Saharan Africa, in parts of the Middle East and in southern Asia. Finland's **main bilateral partner countries** are **Ethiopia, Somalia, Kenya, Tanzania, Zambia** and **Mozambique**, along with **Afghanistan, Nepal** and **Myanmar**. It also provides bilateral support to Ukraine, the Middle East and North Africa, the West Bank and Gaza Strip, Eritrea, Central Asia and Vietnam. Country strategy and country programme documents for each of Finland's long-term partners are designed spanning a period of four years and publicly available. Strategies include an analysis of the countries' context and list strategic goals and how Finland will work to achieve them through various channels. Programmes seek to operationalise strategies, setting clear impact areas linked to Finland's strategic goals, as well as SDG targets and national country-level plans. Country programme results reports are prepared annually by the MFA regional departments.

11. Finland supports multilateral actors financially and is actively engaged in advocacy work among them. Funding consists of membership fees and core contributions, financial contributions to development banks and environmental and climate funds, as well as thematic and regional/country-specific aid⁷. Its **largest multilateral partners** include the United Nations Population Fund (**UNFPA**), the Gender Equality Organisation (**UN Women**), the **World Bank**, the **African Development Bank**, the **Green Climate Fund** (GCF) and the United Nations Children's Fund (**UNICEF**). Multilateral actors' use of funds and their success in achieving the targets set for them are closely monitored. Finland is a member of donor countries' Multilateral Organisation Performance Assessment Network (MOPAN).

Budget preparation

12. The **General Government Fiscal Plan** is the starting point for the formulation of annual budget proposals by ministries. It spans over four years (parliamentary term) and is revised annually for the subsequent four years. It covers the whole of general government finances and includes the central government spending limits. The current fiscal plan spans the period 2022-2025. The **fiscal planning cycle** (*4-year planning*) starts in autumn, with all ministries preparing their 4-year operating and financial plans and sending their proposals to the Ministry of Finance (MoF) in January. Bilateral negotiations between ministries and the MoF take place between February and March. The Government submits the Fiscal Plan to Parliament in March. Annual revisions are carried out by the end of April.

13. The **budget formulation process** (*1-year planning*) starts in spring with all ministries preparing their annual draft budgets and submitting them to the MoF in May. Bilateral discussions between ministries and the MoF take place in August. The budget proposal for the coming year is submitted to Parliament in September for discussion and approval in December.

14. The MFA is responsible for the development co-operation budget (see Figure 2), which consists in:

- an "**exclusive ODA budget**" (budget line 24.30.66) which includes 9 budget allocation items that entirely count as ODA; and

⁷ <https://um.fi/multilateral-cooperation>

- “non-exclusive ODA budget” lines that comprise largely unprogrammable funds such as Finland’s contribution to the EU’s development co-operation budget, administrative costs of the MFA, in-donor refugee costs and civilian crisis management. They also cover, Support for Democracy and Rule of Law (24.30.67), the Capital increase of Finnfund (24.30.88), and Financial Investments (or Development Policy Investments, 24.30.89) that also only partially count as ODA.

15. Development co-operation funds are deferrable appropriations that may be carried over from one fiscal year to another. The maximum period of use is three years, therefore 2021 budget includes appropriations transferred from years 2020 and 2019. Finland’s exclusive ODA appropriations totalled EUR 761 million and other ODA appropriations EUR 484 million in 2021.

Figure 2. Main budget items related to development co-operation

		<i>Million euros</i>
TOTAL ODA		1245
24.30.66. Exclusive ODA		761
24.30.66.1	Multilateral development cooperation	241
24.30.66.2	Country-specific and regional development cooperation	190
24.30.66.3	European Development Fund	76
24.30.66.4	Non-country specific development cooperation	55
24.30.66.5	Humanitarian assistance	85
24.30.66.6	Planning, support functions and communication	4
24.30.66.7	Evaluation and internal audit	2
24.30.66.8	Support conducted by civil society organisations	80
24.30.66.9	Concessional credits	28
	Other (incl. 3 MEUR Democracy. 130 MEUR investments, others)	484

16. All budgetary figures of the state budget (from appropriations to income) are set out in the **Government Budget Book**, which also includes **budgetary forecasts**. These forecasts currently go up until 2026. While non-exclusive ODA items are projected to be kept constant, exclusive ODA items forecasted into the future are expected to decrease until 2023 before increasing again in 2026⁸.

ODA/GNI ratio

17. In 2021, Finland’s total ODA appropriations amounted to EUR 1 245 million and represented 0.50% of GNI, both through bilateral and multilateral channels. In 2020, the former accounted for 51% of total ODA provided (of which 36% was channelled through multilateral organisations as earmarked contributions) and the latter as 49% of total ODA (as core contributions to multilateral organisations).

18. Finland is committed to reaching the 0.7% ODA/GNI target and the 0.2% ODA/GNI target for LDCs, increasing the funding for development co-operation gradually and systematically over several parliamentary terms. According to the Report on Development Policy, the target year set for the attainment of the 0.7% level is 2030⁹ and Finland aims to attain the target of 0.2% of GNI to LDCs as soon as possible. However, a scheduled roadmap has not yet been prepared to reach these objectives and MFA projections

⁸ <https://um.fi/development-cooperation-appropriations>

⁹ https://um.fi/current-affairs/-/asset_publisher/gc654PySnjTX/content/kehityspolitiikan-selonteko-edist%25C3%25A4%25C3%25A4-suomen-kehitysyhteisty%25C3%25B6n-pitk%25C3%25A4j%25C3%25A4nteisytt%25C3%25A4-ja-johdonmukaisuutta

expect the ODA/GNI ratio to decrease slightly to 0.47% of GNI in 2025¹⁰. To enhance progress towards these goals, the development policy investments are expected to take on an ever-increasing role in Finland's development co-operation portfolio.

Observations by the peer review team:

- Finland's determination to formulate long-term strategy (the White Paper for Development Policy, see footnote 6) through an inclusive, broad consultation process is commendable, it can help ensure the continuity of its development co-operation priorities beyond election cycles.
- The team noted Finland's commitment to reach the 0.7% ODA/GNI target. However, the current forecasts for ODA allocations for the period 2022-2026 do not reflect the increases that would be necessary to achieve this objective, and it would be the responsibility of the next Government to decide on the budget increases. It is also understood that, **realistically, these increases might not take the form of grants only, but development policy investments might be scaled up to represent a larger share of ODA.** These investments have the advantage of being budget neutral for Finland (loans and equities), which means that they do not affect the net public sector debt.

¹⁰ See Finland's Development Cooperation Profile <https://www.oecd-ilibrary.org/sites/dbcd0a36-en/index.html?itemId=/content/component/dbcd0a36-en#section-d1e17752>

1. What are the main statistical policy issues?

19. The statistical issues discussed during the review encompassed ODA-eligibility issues and the treatment of development policy investments (including private sector instruments).

1.1. ODA-eligibility

20. Finnish representatives explained their approach for ensuring the eligibility of the activities reported as ODA.

21. The Statistics team organises 5-6 training sessions for MFA staff each year on ODA and ODA-eligibility, as part of general development co-operation courses, and, in addition, thematic sessions on demand (e.g. for peace and security); they are regularly consulted on specific projects as well. For ministries other than the MFA, they developed a one-page brief that they distribute.

22. The Statistics team screens all funding decisions against the ODA-eligibility criteria¹¹. Funding decisions (around 400 each year) reach them via the MFA project management system (AHA, see chapter 2); among these 10 to 20 give rise to questions on eligibility. Data from ministries other than the MFA are also screened. The exclusive ODA budget line (see Introduction) is the largest budget line of Finland's development co-operation, and many stakeholders would like to access these funds. If deemed non-ODA eligible, projects might need to be cancelled as funds are not necessarily available from the other, much smaller, budget lines. However, essential projects can be adjusted to remove the non-ODA elements and can then be funded with ODA. When colleagues exercise pressure to count projects as ODA, the Statistics team contacts the Secretariat to get a firmer advice. In general however, Finland stated they were quite conservative in their reporting and preferred excluding projects to spending too much time on eligibility assessments.

23. For Finland, unclear cases relate to activities taking place in Finland (e.g. seminars), peace and security (e.g. military hospital), and non-core support to partly eligible international organisations. Another area where the Statistics team finds it difficult to explain the rules relates to development policy investments (see section 1.2).

1.1.2. Migration and in-donor refugee costs

24. In-donor refugee costs represented less than 1% of total Finnish ODA until 2015, but sharply increased in 2015-16 with the Syrian refugee crisis, and jumped again in 2019 due to the implementation of the Clarifications, see Table 1 below. Costs for refugees are incurred by the Ministry of Interior (the formula consists in multiplying daily average expenses at reception centres by the average number of days

¹¹ But there might be cases where they will realise only ex-post that funding is not eligible and should be removed from ODA reporting.

spent in these centres by the number of applications received); the Ministry of Economic Affairs and Employment (in charge of the quota refugees) and the Ministry of Education and Culture (responsible for education expenses). These ministries indicated that they had a straightforward and well-functioning dialogue with the MFA. The MFA had regular meetings with them to work on the implementation of the Clarifications agreed in 2017, and they still have a good exchange of emails.

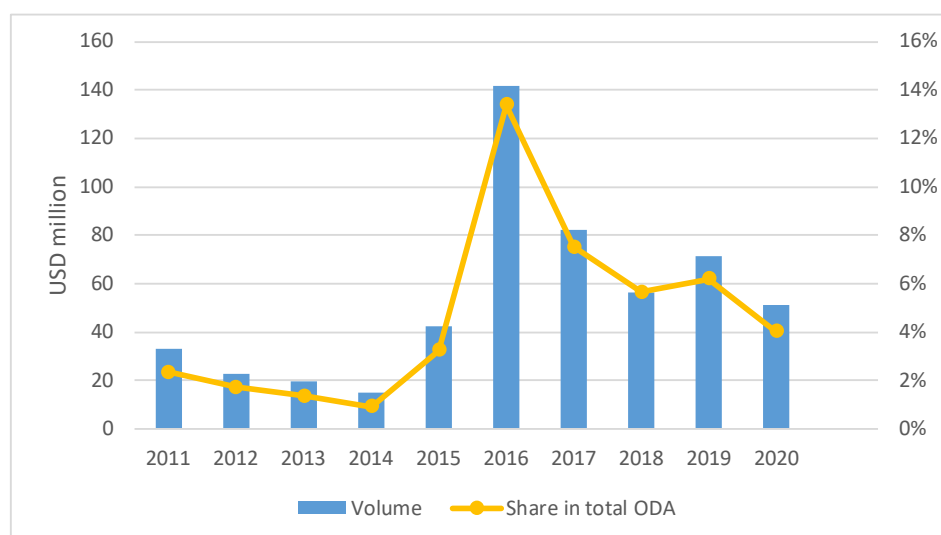
25. The Clarifications had a huge impact on the Finnish methodology and ODA figures for in-donor refugee costs. While for most other members the Clarifications entailed deducting some costs previously counted in ODA, Finland could report new costs as it was clarified that costs for rejected asylum seekers up until rejection were eligible. Finland has taken the bold political decision to defer the implementation of the Clarifications to avoid a dramatic increase in their ODA figures that could have jeopardized the budget available for development co-operation. They implemented the Clarifications on 2019 ODA (instead of 2018) where the number of refugees was less and hence the impact on ODA figures much smaller.

26. Finland confirmed it would be able to increase the granularity of its reporting on in-donor refugee costs as from 2022 reporting on 2021 ODA, to report separately costs for accepted/rejected asylum seekers. The Secretariat welcomed this improvement, in particular as the commitment to increase transparency was key to reach an agreement on including the costs of rejected asylum seekers in ODA.

27. Methodological challenges were mentioned in relation to education costs:

- figures are available for immigrants, not specifically for refugees; a conservative estimate is used to isolate the latter;
- the school leaving age has recently been increased to 18 years in Finland, and they wanted to confirm costs until that age would be eligible.

Figure 3. In-donor refugee costs: volume and share in total ODA, 2011-2020, constant 2020 prices



Source: CRS

1.1.3. Administrative costs

28. The approach for reporting administrative costs for the MFA is good practice: it is clear and accurate, based on a detailed questionnaire for each staff on the time spent on ODA-related tasks, across the entire Ministry. The validation of administrative costs from non-MFA entities could however be further improved.

29. For the reporting of administrative costs in ODA, the Statistics team relies on:

- For MFA and embassies: detailed files listing types of activities, associated staff, and shares of ODA tasks. The share is then applied to salary costs. It is the responsibility of the MFA units (including embassies) to report full time equivalents (FTE) dedicated to development co-operation tasks (each unit reports their FTE figure, in some cases by employee). The salary of the Under-Secretary of State for Development Policy is counted 100% in ODA.
- For Finnfund, the Statistics team only receives an aggregate. The calculation is made by first determining the share of Finnfund's ODA-eligible activities, and then applying this percentage to their overall operational expenses.

30. For the MFA, 13% of total administrative costs are ODA-eligible. For embassies' costs, the discussion clarified that Finland should report the administrative costs as an aggregate figure and not by recipient, as instructed by the Reporting Directives.

Observations by the peer review team:

- The Review team congratulates Finland for their careful approach regarding ODA eligibility. The Statistics team diligently verifies the eligibility of all activities reported as ODA. Despite Finland's ambition to increase their ODA/GNI ratio in the coming years, they exclude contributions for which there is too little information to confirm eligibility.

1.2. Development policy investments, private sector instruments (PSI) and mobilisation

31. Development policy investments have been part of Finland's development co-operation portfolio since 2016, with EUR 130 million being allocated to loan and investment-based development co-operation annually. During the Government term, 75% of the funding will be directed to climate finance and 60% to Africa. There are three categories of development policy investments: 1) partnership loans channeled through multilateral development banks (MDBs): International Fund for Agricultural Development (IFAD), Asian Development Fund (ADF); 2) loans to impact investment companies: Finnfund, Finn Church Aid (FCA) Investment; and 3) investment in funds: International Finance Corporation (IFC) Blended Finance for Climate Programme, Asian Development Bank (ADB) Ventures Investment Fund. These investments are intended to mobilise private and public capital, they have the specific requirement to be deficit-neutral in the Finnish budget and must therefore yield a revenue (investment capital return or loan interest). Given they are budget-neutral, they are seen by Finland as a possibility to "top up" the ODA budget when needed.

32. There is therefore a variety of financial instruments used under the development policy investments and their reporting in ODA is quite complex. While reporting by Finland on investment types 1 and 3 takes place at the level of inflows to the partner organisations, outflows are reported for type 2. Finland finds it problematic that some loans are counted in ODA using the grant equivalent method (multilateral loans, e.g. loan to IFAD) while others are on a cash-flow basis (PSI loans by Finnfund). Another complexity stems from the fact that while the capitalisation of Finnfund appears in the Finnish budget, it is not reflected as such in ODA reporting given that Finnfund's activities are reported following the instrument approach. Units concerned rely entirely on the Statistics team for reporting these instruments in the right way in ODA. Greater ownership of ODA reporting by the different stakeholders could be achieved, e.g., through trainings.

Finnfund

33. The majority of funds dedicated to development policy investments are allocated to Finnfund, offering long-term risk finance and investment loans to local companies in developing countries, focusing on LDCs in Africa, Asia and Latin America. These investments put special emphasis on sectors that are critical to sustainable development, such as clean energy, sustainable forestry, sustainable agriculture and financial services.¹² During the review, a session was dedicated to discussions with Finnfund, which were open and fruitful. Finnfund is owned in majority by The State of Finland (95.7%). The rest of its ownership is in the hands of Finland's export credit agency Finnvera (4.2%), and the Confederation of Finnish Industries (0.1%).¹³ On the shareholders' behalf, the MFA is charged with the steering of Finnfund's operations by the annual issuance of a Government Ownership Steering Memorandum, which sets development policy objectives and operational goals for the year ahead¹⁴.

34. Finnfund has a portfolio of EUR 710 million and it makes 20-30 investments worth EUR 200-250 million annually. In 2021, it funded its operations through capital increases by the Finnish Government (72%, in the form of equity and loans)¹⁵, issuance of bonds (22%) and its own retained earnings (6%). They explained that, by on-lending the Government's loan every four years, they could provide 10 times its amount during its term (maturity of 40 years).

35. As regards reporting, Finnfund uses the "instrument approach" and reports two main categories of investments: non-concessional loans (41%) reported as OOF and equities reported as ODA (34%). Key aspects of PSI reporting rules were discussed during the session:

- **Additionality:** Finnfund confirmed that additionality was part of their development effectiveness assessment tool and that they did not compete with the private sector. However, additionality is verified ex-ante but not ex-post. The Secretariat recalled that additionality was a key ODA-eligibility criterion in the context of PSI and that, while ex-ante additionality assessments in place at Finnfund play an important role at investment preparation stage, ex-post reviews may prove crucial for learning and informing the quality of future investment decisions.
- **Transparency:** CRS reporting for Finnfund lacks detailed project descriptions as this would entail a lot of manual work on their side. As they have recently moved to a more integrated IT system, they should be able to provide better descriptions in future, but noted confidentiality constraints due to disclosure agreements signed with clients. The Secretariat insisted on the importance of providing more detailed descriptive information, given that it is a reporting requirement and, while not a big share of ODA, PSI are being scrutinized by many stakeholders. It gave the example of Norfund that recently changed the agreements with their partners to allow disclosure and compliance with the PSI reporting rules (if the company disagrees, it will no longer receive funding).
- **Tying status:** Finnfund see themselves as wholly untied and seldom have export credits in their projects, however regular contacts with Finnvera are assured through a representative in their Board.

36. The MFA and Finnfund have established efficient ways to collaborate on development finance statistics. For reporting, Finnfund populates a template it receives every year from the MFA in a CRS-like format. This entails a lot of manual work however on Finnfund's side. The MFA's Statistics team sometimes has difficulties in validating the records received (mainly due to the lack of detailed descriptions, see above the point on transparency). Further, to enhance the quality of reporting on **climate finance**, the Statistics team has set up processes to screen all activities reported in the CRS against the eligibility criteria for the

¹² See the strategy paper at <https://www.finnfund.fi/wp-content/uploads/2018/10/Finnfund-strategy-2018-2025.pdf>

¹³ https://www.finnfund.fi/en/finnfund/strategy/corporate_governance_at_finnfund/

¹⁴ <https://www.finnfund.fi/en/finnfund/strategy/government-ownership-steering/>

¹⁵ Finnfund pays interests on loans back to the Government, but no dividends on equities.

Rio Markers, resulting in detailed insights about their climate mitigation, climate adaptation and cross-cutting contributions.

Mobilisation

37. The Secretariat appreciated the efforts Finland has put in reporting high-quality data on amounts mobilised by Finnfund and more recently also by business partnership platforms. However, despite the key role Finland has played in the capitalisations of the IFC Blended Finance for Climate Programme and of the ADB Ventures Investment Fund, the mobilisation effect of these operations is currently not reflected in DAC statistics given the lack of reporting by IFC and ADB. The Secretariat highlighted the role that Finland and other contributors could play to promote more reporting by international organisations.

1.3. Proposed recommendations – Dimension 1

ODA-eligibility

- The Statistics team should apply continued diligence to ensure ODA integrity, especially given the pressure sometimes put on it to confirm the eligibility of projects to be financed from the “exclusive ODA budget line”.
- ODA eligibility checks could be formalised as part of the existing quality assurance committee (see section 3.3).

Private Sector Instruments

- Finland should actively engage in the proposed review of the provisional methods for reporting on PSI to contribute to the consultation phase and consensus building in the DAC on the issue. Finland is invited to signal its potential interest for a joint (DCD/TAD) review of the ODA eligibility self-assessment of Finnfund (noting that these reviews will be voluntary)¹⁶.
- Finland is encouraged to improve compliance with transparency requirements for reporting PSI in ODA. Possible improvements include more precise and extensive project titles and descriptions of Finnfund’s activities. Potential data sensitivities could be addressed for example upstream in Finnfund’s negotiations with its investees, to ensure basic data disclosure as a core feature of development finance.
- Finland could work with its multilateral partners to encourage them to disclose maximum details on their outflows and amounts mobilised e.g. in TOSSD. In order to reflect the mobilisation effect of Finland through the capitalisations of IFC and ADB investment funds and pending the reporting by these institutions on the amounts mobilised, temporary reporting arrangements could be sought, noting that these statistics also feed in various UN processes, such as UNFCCC negotiations.

¹⁶ Finnfund volunteered and was reviewed in April 2022.

2. How to make domestic data collection more effective and efficient?

38. This dimension describes how the MFA collects and manages Finland's aid statistics.

2.1. Data collection

39. The Statistics team in the MFA's Unit for Administrative and Legal Development Cooperation Matters collects, verifies, and publishes statistics on Finland's development co-operation. Comprised of two full-time statisticians, the Statistics team has a diverse set of responsibilities beyond reporting to the DAC, which include engaging with various stakeholders within and outside of the government, contributing to tasks that require a range of technical and analytical expertise, and training staff across the government on the use of ODA statistics (see Box 1). The team is frequently consulted and has high-level political support. However, while the breadth of their work is commendable, the reviewers felt that the team is overwhelmed as a result and unable to fulfil their main statistical duties to the best of their ability. This heavy burden also prevents the team from pursuing important initiatives, such as reporting to TOSSD.

Box 1. Main duties of the Statistics team in Finnish MFA

Data quality

- ODA eligibility issues
- Collecting, validating and publishing the official development co-operation data
- Educating the MFA staff and others on ODA statistics and the use of AHA
- IT system (AHA, data warehouse) development

Reporting

- DAC
- BI
- Ad-hoc reporting (e.g. climate finance reporting to the EC/UNFCCC; SDG reporting to Statistics Finland).

Co-operation

- WP-STAT
- NORSTAT (Nordic co-operation platform)

Transparency

- IATI
- Openaid.fi data portal

40. Other relevant institutions that provide ODA report their data to the Statistics team in Excel sheets or via email correspondence. Such reporting includes data on special themes such as civilian crisis management or humanitarian aid, both of which are funded by the MFA but administered/reported by the Political Department and the Unit on Humanitarian Aid respectively. Other examples include direct investments and capital transactions, other development policy instruments, and framework agreements with NGOs.

41. Every year, the Director General of the Department for Development Policy sends an official request to reporting institutions in January for a return by the end of February. Approximately half of the

~1 600 records (on average every year) reported to the CRS are from sources outside the MFA and thus need further data processing.

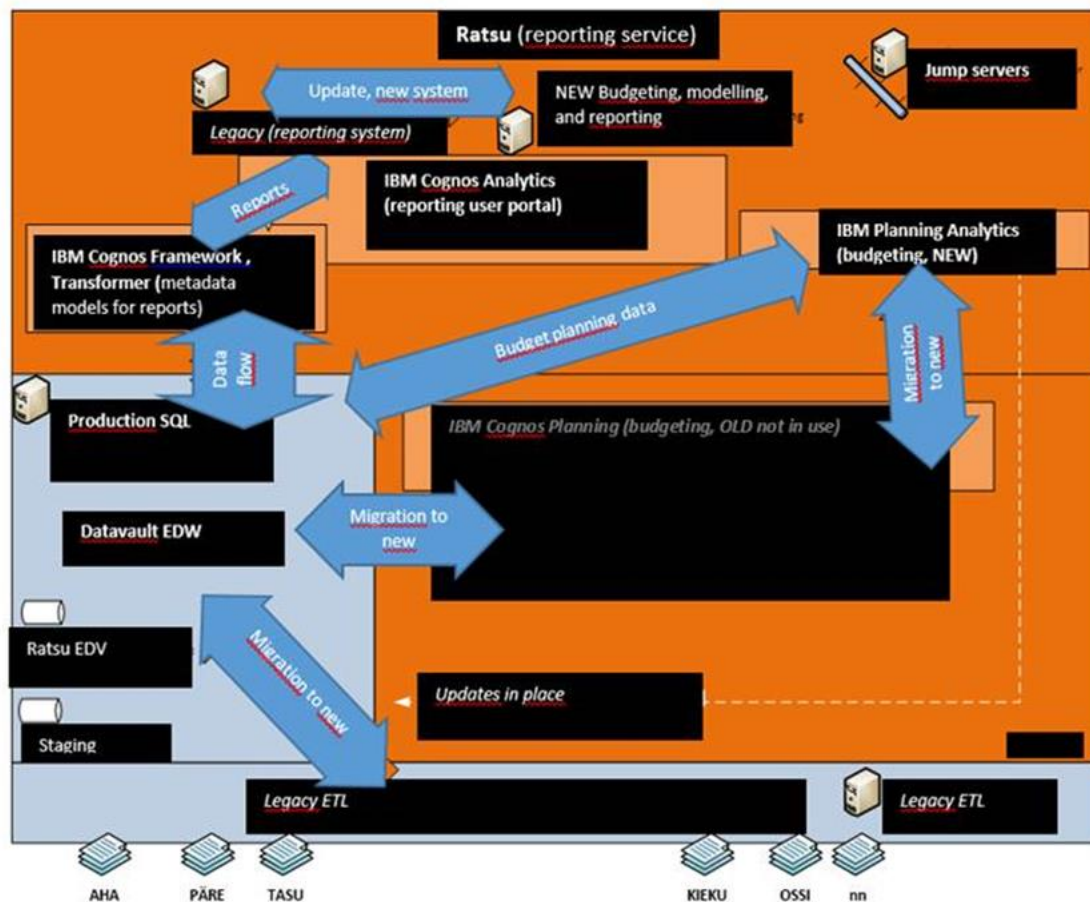
42. The reporting institutions and actors for development co-operation are the MFA, Ministry of Finance, Ministry of Social Affairs and Health, Ministry of Education and Culture, Ministry of the Interior, Ministry of Agriculture and Forestry, Ministry of Transport and Communications, Ministry of the Environment, Finnfund, BEAM/DevPlat, Statistics Finland (for data on direct investments and capital transactions), and Finnish NGOs.

2.2. Data management process and tools

43. The AHA information management system is the centralised resource for all relevant statistical information on development co-operation from the MFA's exclusive ODA budget line. It also contains data on SDG targets, MFA development policy areas and project results. Programme officers create project records in AHA and maintain them throughout the project's life cycle. Not all fields in AHA are mandatory, and there are automatised validation rules in AHA to assist officers with creating and maintaining records. However, any changes to the reporting template in AHA, for example to reflect decisions at WP-STAT, require extensive iteration with an external IT firm and thus may take months to implement. Additionally, the review team felt that AHA did not have sufficient visibility within the MFA and among other actors given its value as a central repository for development co-operation statistics.

44. There are four other information systems: OSSI; Pare; Kieku; and TASU. Figure 4 provides an overview of the information systems in the MFA. All are linked to the MFA's data warehouse that is designed to produce a CRS-compatible report. OSSI provides data on channel of delivery, whereas Pare is a registry of decisions on funding commitments for each project; Kieku and TASU are also used for accounting and budgeting. Ratsu is the MFA's internal business intelligence reporting system, drawing on the data warehouse to provide high-level analytics for MFA desk officers. The systems were developed at different times and by different IT companies, which has led to redundancy and contributed to misalignment between the systems and the data warehouse.

Figure 4. Overview of the MFA Finland's source systems, data warehouse, and BI reporting



45. The AHA system links dynamically to the data warehouse and the Excel spreadsheet used for DAC reporting. The data warehouse, based on a SQL back-end, updates daily; however, among other issues, it lacks the capacity for version control, with the data in the warehouse being overwritten daily. This feature has raised concerns about the reliability of the data warehouse as a tool for data management and led the Statistics team to create a separate, raw Excel export from AHA. This Excel export is the basis for DAC reporting. While a creative solution to issues with the warehouse, the export has encouraged manual edits, especially for data from non-MFA sources outside of AHA, which are error-prone and have undermined the quality of Finland's DAC reporting.

2.3. Proposed recommendations – Dimension 2

- The Statistics team would benefit from implementing a more streamlined data processing workflow that starts with AHA, goes through the data warehouse rather than the Excel export, and culminates in the DAC report. The ongoing overhaul of the IT infrastructure offers an opportunity to correct anomalies, especially in the data warehouse, and streamline the validation process. The team should approach this overhaul with the goal of reducing the need for manual work and eliminating the bifurcation between the data warehouse and raw Excel report.
- The MFA can also investigate the possibility of reducing the number of IT systems in use to avoid overlaps and reduce the risk of misalignment between systems.

- The Statistics team could do more to raise the visibility of AHA and its diverse features in the MFA, such as through workshops or demonstrations, in order to encourage use among more stakeholders. Doing so will reduce the burden on the Statistics team and minimise consequences of potential staff turnover.
- The official request for reporting from other institutions could come from the Minister's office rather than at the level of the Department to encourage timelier and higher quality reporting. It could be expanded to cover TOSSD (see section 4.1).

3. How to improve reporting to the OECD and how to consolidate quality reporting over time?

3.1. Quality assurance process and DAC reporting

46. The MFA has a rigorous process for approving projects and validating project information. A quality assurance committee plays an important role and is comprised of high-level political decision-makers and technical advisors. It reviews each project's alignment to Finland's development co-operation strategy and assesses its statistical attributes before making a funding decision. Such a process has helped improve the quality of Finland's development co-operation statistics. For example, gender or climate officers on the committee advise on the thematic focus of projects and scrutinize their attributes to ensure that the policy marker is assigned correctly. This approach has allowed Finland to report on policy markers with a high degree of accuracy.

47. The MFA is in the process of introducing a new quality assurance approach, featuring earlier and more frequent interventions from the committee to capitalise on its successes.

48. While acknowledging the committee's strengths, the review team noted the lack of mechanisms to ensure that the feedback and recommendations are implemented in AHA and consequently in the final DAC report. After the committee has suggested revisions to a project's statistical attributes, programme officers are tasked with adjusting the relevant information in AHA. However, such adjustments do not always happen, raising the risk of errors in DAC reporting. The Statistics team often has to correct these errors in the lead-up to the reporting deadline, adding to their workload, and it is sometimes the case that these errors are identified after the initial report has already been submitted to the DAC.

49. Despite the high level of due diligence from the Statistics team to ensure ODA integrity, there is no formal, standardised process for assessing ODA eligibility. This issue leads to ad-hoc requests that can overwhelm the Statistics team and may increase the risk of an inconsistent application of the ODA-eligibility rules.

3.2. Data quality and specific reporting issues

50. There are specific challenges to data quality from other reporting institutions. The timeliness of the reporting can vary; for example, NGOs' submissions tend to be late, leaving little time for quality assurance. Data from other ministries, though submitted on time, tend to have little descriptive information and thus require extensive manual edits and validation from the Statistics team. In the case of humanitarian aid, project records are bundled together in a generic row, requiring manual adjustments from the Statistics

team to reflect their geographic allocation at the activity level. The reporting template sent to each institution tends to vary according to requirements.

51. The Statistics team prepares the final DAC report through manual adjustments and statistical programming using SAS/R. In recent years, the manual edits have contributed to easily identifiable errors in the final report that affect the quality and validation of Finland's DAC reporting. There are opportunities to further automate data validation.

Tying status

52. AHA has a field for tracking each project record's tying status, which is validated by the Statistics team alongside other technical advisors. There is some confusion among reporters about the specific criteria for tying status, and some misunderstanding on the meaning of "tied aid". This issue has led to certain co-operation modalities being reported as untied even though they are defined as tied in the DAC's Reporting Directives, such as donor country personnel, scholarships, and development awareness. In 2017 and 2018, Finland reported almost all of its ODA covered by the Recommendation as untied¹⁷.

53. Finland last submitted a record to the DAC's untied aid bulletin board in 2014. Reasons for the non-reporting include a lack of awareness about the specific process for submission and resource constraints.

54. The process for collecting information on contract awards is straightforward and does not require much effort from the Statistics team. The Unit sends an annual request at the beginning of the year to all ministries in charge of implementing or awarding ODA contracts.

Climate reporting

55. Climate is a significant priority for the MFA and more broadly, the Finnish government. Similarly to other cross-cutting areas of interest to the MFA such as gender equality and disability, the Statistics Unit has established a quality assurance process for climate reporting that has resulted in a high quality of reporting on the climate-related objectives of Finland's development co-operation. This process involves the use of climate advisors to verify the accuracy of the assignment of climate markers within AHA.

56. Further systematic checks by the OECD Secretariat on Finland's reporting of 2020 data have confirmed that its climate reporting is of a high quality.

57. At the same time, the review team's discussions with climate advisors and other colleagues in the MFA revealed that there are still questions about the scoring system for the markers, such as the criteria for an activity to be marked as having a 'significant' climate objective. NGOs also expressed having similar questions and concerns about the accuracy of the climate markers for their advocacy work. They indicated interest in further clarification and guidance from the MFA and OECD Secretariat on climate reporting, such as through the hosting of webinars and workshops.

3.3. Proposed recommendations – Dimension 3

- The MFA can continue building on the strengths of the quality assurance committee by implementing follow-up mechanisms to ensure that the committee's recommendations are reflected in AHA. One option could be to involve the Statistics team in the committee to allow the team to follow up on necessary changes earlier in the process instead of at the last minute. The committee could also formalise a check for ODA eligibility as part of its validation process.

¹⁷ See DCD/DAC(2020)54/REV1.

- There is potential to address issues with reporting from other institutions. The Statistics team could train reporters to enter information directly into AHA, which can link directly to the data warehouse and the DAC report. They could also standardise the reporting template sent to each institution and write programming scripts to standardise data cleaning and processing. Finally, the team could establish and build capacity for a consistent point of contact in each reporting institution.
- The Statistics team is encouraged to review reporting instructions on tying status and disseminate such knowledge in the MFA and relevant reporting institutions. The team could also develop an internal system to receive notifications of upcoming calls for tender and consequently report them ex ante to the untied aid bulletin board.
- There is room to improve reporting on policy markers, despite the high quality of current reporting. One area is the alignment between the MFA's internal system and the DAC's criteria. There is also potential to improve awareness of the scoring criteria, such as in the case of the climate markers.

4. How to better monitor recommendations and commitments in the field of development co-operation?

58. For dimension 4 of the statistical peer review, the topics of TOSSD and knowledge management/results reporting were discussed.

4.1. TOSSD – Total Official Support for Sustainable Development

59. The TOSSD session was lively and gave rise to helpful peer learning as Austria could share its experience with setting up TOSSD reporting and respond to Finland and Hungary's questions in this regard. Given their fragmented set-up with numerous agencies involved in development finance, Austria decided to follow a phased approach for TOSSD reporting, by involving only a few agencies for the first round, and progressively increasing the number each year. They shared the main lessons learnt below:

- One of their main motivations for reporting in TOSSD was to make their whole work more visible, beyond ODA which catches the most attention in CRS reporting.
- TOSSD reporting was also useful from an ODA eligibility perspective as they could reassure reporting institutions concerned that, even if not considered ODA-eligible, the relevance of projects could still be valorised through TOSSD.
- They did not receive additional funds nor benefited from political support but followed a practical approach at the technical level, modified the reporting template to collect additional fields and implemented the different definition of concessionality.
- Austria does not yet communicate on its TOSSD data in reports similar than for ODA. However, they undertook seminars and training sessions with support from the Secretariat to reach out to departments in charge of culture and human rights.

60. The Finnish Statistics team raised questions about the mandate and responsibility for undertaking an expanded data collection for TOSSD reporting, given that the MFA Unit for Administrative and Legal Development Co-operation Matters (KEO-80), which hosts them, has a mandate for reporting on development co-operation only and the responsibility of statistical officers in the MFA relates to ODA. In response, the Secretariat explained that the mandate for reporting on TOSSD came directly from the 2030 Agenda, as TOSSD tracks support for this agenda. Technically speaking, the Statistics team acknowledged it was reasonable for the MFA to take the lead in this new endeavour, and that expanding the ODA questionnaire to include TOSSD was a reasonable and pragmatic approach. From a policy perspective, they were also positive, noting the Government's heavy focus on SDGs and the public's awareness of the 2030 SDG Agenda, but they also felt that some political support would be needed to help them set up TOSSD reporting.

61. In concluding the session, it was noted that Finland could also follow an incremental approach, and could start reporting in TOSSD on the non-ODA components of the civilian crisis management unit as from next year.

Requests to the Secretariat

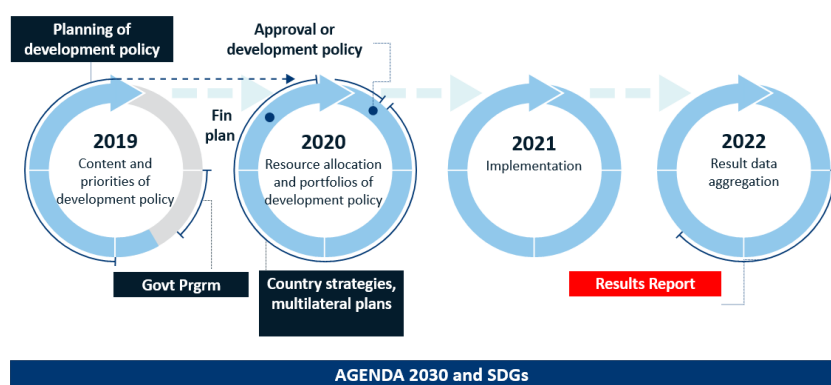
- Finland suggested that the Secretariat was best placed to support members' TOSSD reporting by centrally collecting contributions to non-ODA eligible global institutions eligible in TOSSD and preparing the figures on non-ODA shares of contributions to multilateral organisations.

4.2. Knowledge management and results reporting

62. The MFA Department for Development Policy has taken various steps to strengthen knowledge management and management for sustainable development results in recent years. These efforts draw on data on inputs as well as on results (output, outcome and impact), information and evidence obtained from evaluations and other sources including regular programme/project monitoring. The aim is to promote evidence-based decision-making and learning, in addition to strengthening transparency and accountability on the use of public funds in support of sustainable development results.

63. To ensure that the right people have the right information at the right time, the Unit for Administrative and Legal Development Co-operation Matters (KEO-80) and its Statistics team have mapped out the multi-year and annual strategic decision-making processes considering the statistical data needs and availabilities (see figure 4).

Figure 4. Multi Year Strategic Planning Cycle, Election Period 2019-2022



Source: Information provided by MFA, Finland

64. The MFA has established an extensive results framework including indicators for all their development priority areas, at both aggregated and disaggregated levels. Concrete steps were taken to strengthen the results orientation of the Government's development policy objectives and priorities. Theories of change were developed for the four priority areas¹⁸ - including linkages to SDG targets - and a table for knowledge management was elaborated with targets and indicators to measure and monitor resource allocations and results.

¹⁸ The MFA is structured around geographic priorities, and a process to produce data by themes was therefore welcome in the Ministry.

65. In 2018, Finland published its first “Development Policy Results Report”¹⁹ and presented it to Parliament, providing aggregate results information vis-a-vis the priorities set out in Finland’s development policy. Their activity-level results data have been further elaborated in their publication titled “Theories of Change and Aggregate Indicators for Finland’s Development Policy 2020”²⁰, based on which an even more detailed results report is about to be released in 2022. In this report, apart from the use of a more comprehensive list of indicators, the MFA plans to place more emphasis on qualitative aspects, for instance in the form of case studies.

66. In addition, several communication platforms have been established to raise awareness and facilitate dialogue on development policy and results both within the MFA and with external stakeholders including Parliament. Examples include the annual Development Policy Days (organised with the participation of Ambassadors and the MFA Department of Development Policy), the Results Review Day that takes place each year in autumn to take stock of progress made against the priorities set out in Finland’s development policy.

67. The MFA’s approach towards results reporting not only enhanced evidence-based decision-making but also created a high demand for statistical data and analysis concerning development finance as a basis for evidence-based decision-making both within MFA and by the Parliament. Data are now effectively used to inform policy and budgeting decisions, and to monitor progress against set targets, for example in the area of climate change. The indicators of results are attached at the activity level and stored in the IT system, which also allows an aggregation of results at corporate level.

Observations by the peer review team:

- The review team was impressed by Finland’s Development Policy Results Report and the various steps taken to strengthen knowledge management and results reporting. These efforts have contributed to institutionalise results-based thinking in the development process and induce a results and learning culture within the MFA.²¹
- The review team notes, however, that it is early days (changes in organisational culture do not happen overnight) and that challenges persist, particularly considering the limited resources in the Statistics team combined with the multiple coinciding data request and internal and external reporting requirements.

4.3. Proposed recommendations – Dimension 4

TOSSD reporting:

- The SDGs are the guiding principles for the development co-operation policy of Finland. The review team felt this was the right entry point to start expanding their data collection beyond ODA, **to report in TOSSD additional relevant expenditures in support of the SDGs beyond ODA**. To do that, Finland could follow an incremental approach, by starting to expand the data collection to non-ODA flows within the MFA (e.g. civilian crisis management) and reaching to other ministries as a second step. To be able to do this effectively, it is essential to strengthen the ownership of the Statistic team to development finance statistics beyond ODA.

¹⁹ <https://um.fi/documents/35732/0/UM+KPR+2018+ENG+WEB.pdf/944cf817-9d4a-43ca-07a7-2aebd6053801>

²⁰ <https://um.fi/documents/35732/0/theories-of-change-and-aggregate-indicators-for-finlands-development-policy-2020.pdf/7bc4d7f2-ffc8-5f4d-8382-43193fd887e8?t=1619609986346>

²¹ For example, the Results Report published in 2018 highlighted that the past practice of new Governments to set new targets was not effective, and that there was a need for developing a longer-term strategy.

5. How to improve transparency, make the data better fit for purpose, and improve dissemination?

68. This chapter synthesises the review team’s observations and recommendations of Dimensions 5 (transparency), 6 (relevance), and 7 (communication and dissemination).

5.1. Transparency, communication, and dissemination

69. Transparency is a guiding principle of the MFA, recently reflected in the launch of openaid.fi, a public portal providing a comprehensive overview of Finland’s development co-operation. The portal is a response to high demand for data on funding levels and financing towards Finland’s priority areas from actors within and outside of the Government. It features detailed statistics and interactive visualisations on Finland’s development efforts, including historical and preliminary estimates.

70. The review team felt that the portal was a significant step forward in implementing Finland’s transparency agenda. Other initiatives for this agenda include annual press releases on the results of Finland’s development co-operation and the publication of detailed information on funding decisions on the MFA website. Finland also reports to the International Aid Transparency Initiative.

71. The Statistics team updates the data in openaid.fi through Excel uploads; the portal is not yet connected to the MFA’s IT systems. While time-consuming to update, this feature affords the team more control over the backend of the portal than it would otherwise have, allowing them to adapt it according to user demand. However, there is an opportunity to integrate the portal with the rest of the IT infrastructure while still retaining flexibility, which would allow the management of the tool to be more sustainable over the long term.

5.2. An external user perspective

72. The review team met with representatives from Fingo, an umbrella institution representing over 300 Finnish NGOs, alongside members of other local NGOs such as Finnish Red Cross, Plan International Finland, LiKe Sports & Development, Felm, Disability Partnership Finland, and World Vision Finland, which have framework agreements with the MFA. The session focused on the accessibility and usability of aid statistics as well as the role of civil society in Finland’s development co-operation policy.

73. NGOs have a high need for aid statistics for advocacy but low awareness or capacity for accessing them. Instead of using the OECD/DAC CRS database, NGOs send data requests to the Statistics team at the MFA. NGOs’ involvement in developing openaid.fi was limited, though there is enthusiasm for its potential to make aid statistics more accessible.

74. In addition to access restrictions, there is a perception of a shrinking space for civil society on aid policy, both of which may be contributing to a low uptake of aid statistics among NGOs. At the same time, NGOs acknowledged the consultative process used in the development of the Government's *Report on Development Policy Extending across Parliamentary Terms*.

75. There is a strong appetite for more interaction and exchange between the MFA and NGOs, given that there is a perception that current dialogue on aid statistics occurs mainly on the initiative of NGOs. Such dialogue also seems to be unidirectional, with NGOs reporting on the terms of their framework agreement with the MFA. NGOs are interested to join MFA-hosted workshops/webinars on statistical issues such as reporting on Private Sector Instruments, the grant equivalent measure, and policy markers to increase familiarity with and uptake of aid statistics.

5.3. Proposed recommendations – Dimensions 5, 6, and 7

- The Statistics team is encouraged to strengthen communication with other MFA staff and other ministries on its work and to build capacity for data use more broadly. Equipping actors with the skills and resources to use systems such as AHA, or tools such as Ratsu or openaid.fi, can reduce the burden on the Statistics team while mainstreaming the use of data to inform policy decisions. In addition to continuing to host regular workshops, the team could focus its efforts on specific issues that pose a higher barrier to entry and are applicable to other actors' work, such as ODA eligibility, flows beyond ODA, results, and how to use data for decision-making. Openaid.fi is a step in the right direction to increase capacity – it can be coupled with more intentional outreach and communication efforts.
- The Statistics team would benefit from continued dialogue with NGOs through more regular channels of communication, such as a platform for the regular exchange of information on various statistical issues relevant to NGOs' needs, such as the policy markers and flows beyond ODA. The team could also partner with the OECD Secretariat to host periodic webinars on these issues.
- More investment in dissemination and communication will add work to an overstretched Statistics team. The team is encouraged to pursue realistic options for automating or streamlining their work in the short-term while they build capacity for data use across the MFA and the rest of the government in the longer term. Such options include streamlining their data cleaning and validation processes through their IT infrastructure; relying more intentionally on programming to automate certain processes; and being more involved in key bodies, such as the quality assurance committee, that would provide them with greater visibility on certain issues earlier in the process.