



## **The DAC's main findings and recommendations**

**Extract from: OECD Development Co-operation Peer Reviews  
Finland 2017**

## 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.

## The DAC's main findings and recommendations

---

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

## The DAC's main findings and recommendations

---

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)

### **Recommendations:**

- 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)

### **Recommendations:**

- 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.**

Access the full report

*OECD Development Co-operation Peer Reviews: Finland 2017*

<http://dx.doi.org/10.1787/9789264287235-en>

