

ICELAND 2023

Executive Summary

This report assesses Iceland's progress since the 2017 peer review, highlighting recent successes and challenges, and providing recommendations for the future. The report was prepared with reviewers from Korea and the Slovak Republic with support from the OECD Secretariat.

Iceland's Policy for International Development Cooperation 2019-2023 aims to reduce poverty and hunger, while mainstreaming human rights, gender equality and sustainable development. The Sustainable Development Goals (SDGs) have brought society together around the role and importance of international development co-operation and have promoted policy co-ordination across government.

The forthcoming development co-operation policy 2024-28 is an opportunity to reinforce Iceland's strategic and focused approach. As a small provider, Iceland optimises its development co-operation by focusing on a few key partners (Malawi, Uganda and, recently, Sierra Leone) and working with district or local governments to improve livelihoods and socio-economic living conditions in rural communities. At the same time, Iceland leverages its expertise on four main themes – gender, geothermal energy, fisheries and land restoration, including through its training programmes and multilateral support. A key challenge is to stay strategic and focused while building on its expertise, priority goals and longstanding partnerships. Capitalising on strong public support for official development assistance (ODA), and consulting across government and with the Development Co-operation Committee will help consolidate a common vision.

The new Sustainable Iceland Platform is an opportunity to address policy trade-offs and spill-over effects. Sustainable Iceland, led by the Prime Minister's Office, brings together all ministries and the Association of Municipalities to discuss progress in achieving the SDG targets domestically, while promoting public well-being. As it works towards a Sustainable Development Policy, the platform can promote policy coherence by addressing negative transboundary effects of domestic policies.

Iceland is successfully advancing gender equality in its development co-operation, while a new climate and environment strategy will provide important guidance. Iceland's gender equality strategy for development co-operation helps it advocate for gender equality and women's empowerment in its foreign policy, bilateral and multilateral co-operation. Iceland also invests in transformative projects that address the structural causes of gender inequality, adapting its gender agenda to local contexts. The forthcoming climate and environment strategy could provide similar guidance on the environment, climate and biodiversity across Iceland's bilateral and multilateral co-operation, and steer its global engagement.

Iceland can build on its ODA volume increases and high-level political support to adopt a roadmap to meet the UN target of allocating 0.7% of its gross national income (GNI) as ODA. Despite a 1971 law that commits Iceland to allocating 1% of its GNI as ODA, there is no plan in place to increase ODA beyond 0.35%, which Iceland is expected to have achieved in 2022.

Human resources are a critical constraint in defining Iceland's future multilateral and bilateral co-operation. The MFA relies on 28 experienced development professionals in headquarters and key positions abroad, while locally engaged

staff in Malawi and Uganda enable Iceland to implement its district-level approach. Its staffing model is under strain from low staff numbers, high workloads, retirement of experienced development staff and the diplomatic rotation system. While a long-term strategic workforce plan and more flexible contractual arrangements should address some of these challenges, human resource constraints should be taken into account in Iceland's new policy and commitments.

Effective cross-directorate co-ordination can ensure a joined-up response in fragile contexts. In October 2022, the MFA reverted to two separate directorates (International Affairs and Policy and for Development Co-operation). The MFA will need to adapt its working methods to this new setting to ensure coherence across humanitarian assistance (managed by the International Affairs and Policy Directorate) and development co-operation (managed by the Development Co-operation Directorate), as well as in bilateral and multilateral partnerships.

Iceland should design a fit-for-purpose, results-based management system; its high-quality evaluations should be timed to inform future programming and promote learning across the MFA. The new development policy is a unique opportunity to introduce a streamlined system to track Iceland's impact and results, from output to impact, across its entire development co-operation policy (multilateral, bilateral and humanitarian efforts, and its various partnerships). Iceland's high-quality evaluations are a key component of its decision-making process. The evaluation plan should ensure that they are well-timed to inform policy and programming, and the programme design stage should build-in systematic consultation of existing evaluations.

A partner-led, poverty-focused and long-term approach delivers results; updated country strategies could more systematically build in sustainability, fragility analyses and a results framework. Iceland upholds its commitment to country ownership through capacity building and the use of country systems. This is reinforced by robust financial reporting for its district-level approach, which improves rural livelihoods in some of the poorest and hardest-to-reach districts in Malawi and Uganda. As Iceland prepares to expand its co-operation to other districts, it could further embed sustainability in country strategies and systematically work with national authorities, district councils and other development partners to drive a more strategic approach across its country programs. Iceland's presence in Sierra Leone makes it especially important for Iceland's programming to reflect conflict-sensitivity and fragility.

As a small donor, Iceland relies on multilateral partners to complement its bilateral portfolio, especially in complex environments. Iceland's long-standing partnerships with a small number of multilateral organisations has helped it influence them on gender equality, human rights, and humanitarian assistance. Multilateral partners value Iceland's predictable, flexible, "no-fuss" approach to their partnerships, which is in line with the development effectiveness principles.

New framework agreements have strengthened Iceland's civil society partnerships. Partnerships with four Icelandic civil society organisations (CSOs) are now longer-term and based on mutual trust and continuous dialogue. Engagement with partner country CSOs has frequently been beneficial but is limited by administrative and risk management costs. In the future, framework agreements could strengthen partnerships with partner country CSOs.

The GRÓ Centre for Sustainable Development trains developing country professionals in Iceland and should prioritise strengthening partner institutions' capacity. Iceland's scholarship and training programmes in fisheries, land restoration, gender and geothermal energy have become more structured since the creation of the GRÓ Centre for Sustainable Development in January 2020. Iceland can use a new theory of change to determine the impact of these programmes. Forging stronger links with partner institutions, strengthening alumni networks, and providing more short courses in partner countries is key.

Iceland is still defining its private sector engagement, including through the SDG Partnership Fund. The fund was created in 2018 and provides small grants to encourage Icelandic private sector participation in and contribution to development co-operation. The additionality and development impact of these investments will need to be made clearer, building on findings of a 2022 evaluation. Partnering with development finance institutions to expand private sector engagement through non-grant instruments could also be explored.



Read the full report here or scan the QR code:

<https://oe.cd/ISL23>

The DAC's peer review recommendations to Iceland

1. Iceland should ensure that its 2024-28 Development Policy focuses on a limited number of areas and is well-consulted across government and with the Development Co-operation Committee to create a shared vision of the objectives and results Iceland seeks to achieve.
2. Iceland's forthcoming environment and climate strategy should guide bilateral and multilateral efforts on environment, climate, and biodiversity and keep support focused in order to ensure effective use of financial and human resources.
3. Iceland should build on the new Sustainable Iceland Platform to introduce a policy coherence mechanism to identify, discuss and resolve trade-offs and transboundary effects of domestic policies.
4. Iceland should further strengthen its results-based approach to better measure and communicate impact by:
 - incorporating key results indicators for each of its policy goals;
 - incentivising the regular use of existing evaluations when designing programmes; and
 - ensuring evaluation plans consider timing of future policies and strategies.
5. As the MFA adapts to its structural re-organisation, it should ensure the directorates for political affairs and development co-operation co-ordinate its bilateral and multilateral responses across its humanitarian assistance and development co-operation, including in crisis situations, and be attentive to the balance between foreign policy and development priorities.
6. Iceland should adopt a longer-term, strategic workforce plan to:
 - make full use of the flexibility embedded in its legislation and human resource rules to increase staff numbers, including by hiring temporary staff to fill gaps or complete projects and exploring non-rotational positions for specific assignments;
 - maintain the high quality of development expertise by hiring mid-career professionals as necessary; and
 - continue to provide training and promote knowledge sharing on development co-operation across MFA staff.
7. Iceland should develop a concrete roadmap to 0.7% GNI as ODA to align with its ambition and ensure high-quality predictable country programmes.
8. Building on its successful district programme-based approach, Iceland's country strategy papers should systematically plan for sustainability, build-in conflict sensitivity analysis, and include a results framework that links programme results to Iceland's overall development policy.
9. The GRÓ Centre for Sustainable Development's training programmes should continue to be rooted in the objectives of Iceland's development policy, strengthen partner institutions, increase the number of short courses offered in partner countries, and better capitalise on its network of alumni.
10. Iceland should define what it seeks to achieve through its private sector engagement and monitor how SDG Partnership Fund grants lead to additional private investments with development impact.

HIGHLIGHTS FROM THE 2023 DEVELOPMENT CO-OPERATION PEER REVIEW OF ICELAND

ICELAND'S STRENGTHS...

Leader on gender equality and women's empowerment



Engages with boys and men in its gender equality efforts

Multilateral support and training programmes focus on Iceland's value-add



Applies expertise on geothermal energy, fisheries, land restoration, and gender

Focus on few bilateral partners at district-level



Supports locally-led development in select districts in Malawi, Uganda and Sierra Leone

Predictable and flexible CSO partnerships



85% of CSO funding disbursed via 7 framework agreements

...AND AREAS FOR IMPROVEMENT

Develop strategic workforce plan to implement its policy



Streamline engagement on climate, environment, biodiversity



Ensure partnerships with private sector contribute to development in partner countries



Define a roadmap to 0.7% ODA/GNI in line with ambition and new policy



PROGRESS SINCE THE PREVIOUS PEER REVIEW

Iceland has partially or fully implemented **12** of the **13** recommendations from its review in 2017.

FULLY IMPLEMENTED

PARTIALLY IMPLEMENTED

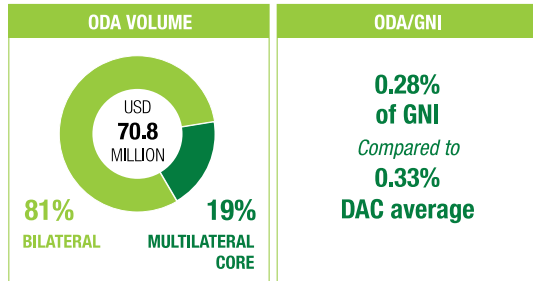
NOT IMPLEMENTED

ICELAND'S DEVELOPMENT CO-OPERATION AT A GLANCE

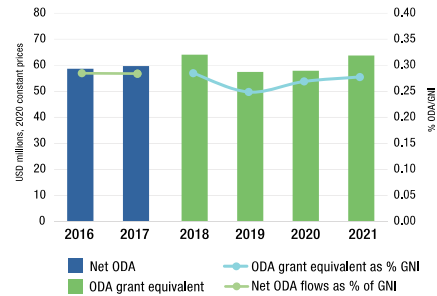
Figures expressed are gross disbursements in USD million and based on 2020 constant prices unless otherwise stated.

ICELAND RANKS 19TH OUT OF 30 DAC COUNTRIES ON ODA AS A SHARE OF GNI

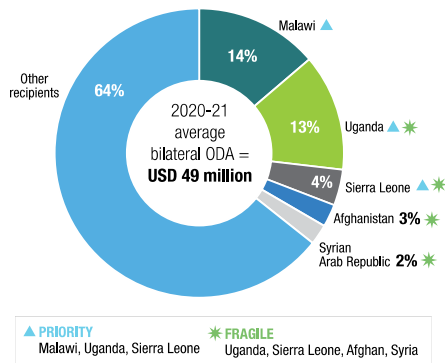
2021, Current prices



IN 2021 ODA RETURNED TO 2018 LEVELS

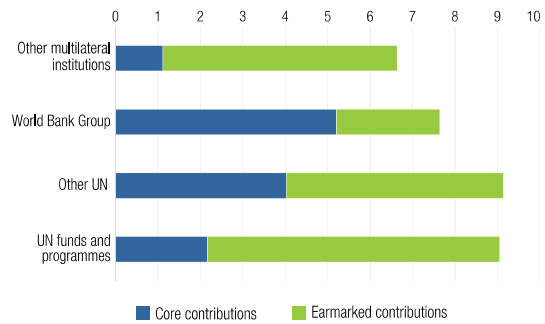


ONE-THIRD OF BILATERAL ODA GOES TO ICELAND'S PRIORITY COUNTRIES



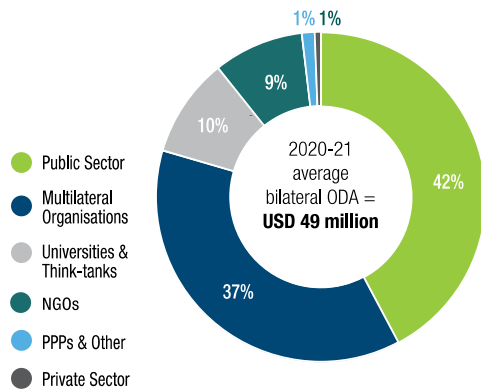
UN ORGANISATIONS ARE ICELAND'S MOST IMPORTANT MULTILATERAL PARTNERS

2020-21 average

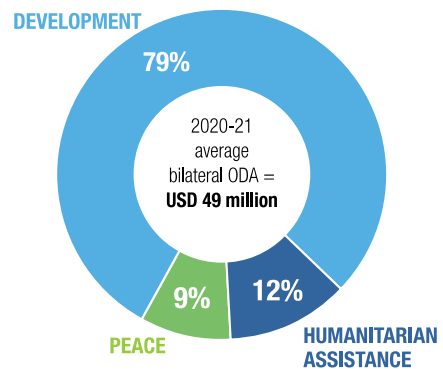


ICELAND CHANNELS CLOSE TO 80% OF BILATERAL ODA VIA THE PUBLIC SECTOR AND MULTILATERAL PARTNERS

% of gross disbursements, 2020 constant



THE HDP NEXUS IS ALL THE MORE IMPORTANT GIVEN ICELAND'S EXPANDING CO-OPERATION WITH FRAGILE COUNTRIES



Iceland's practices on the Development Co-operation TIPs learning platform: <https://oe.cd/TIPs-isl>