OECD Development Co-operation Peer Reviews

ICELAND

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OECD Development Co-operation Peer Reviews: Iceland 2023



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Foreword

The OECD Development Assistance Committee (DAC) conducts reviews of the development co-operation efforts of DAC members every five to six years. DAC peer reviews seek to improve the quality and effectiveness of development co-operation policies, programmes and systems, and to promote good development partnerships for greater impact on poverty reduction and sustainable development in developing countries.

From 2021, DAC peer reviews no longer cover all components identified in the peer review analytical framework (www.oecd.org/dac/peer-reviews/about-peer-reviews.htm). Instead they highlight good and innovative practices and reflect on key challenges faced by the reviewed member on select themes, recommending improvements. These themes are selected through consultation with representatives from the reviewed member and its partners.

At the beginning of the process, the reviewed member submits a self-assessment. Based on this, staff from the Secretariat and two DAC members designated as peer reviewers visit the member's capital to interview officials and parliamentarians, as well as representatives of civil society, non-government organisations and the private sector. This is followed by visits to up to two partner countries or territories, where the team meets with the representatives from the reviewed member as well as senior officials and representatives of the partner's administration, parliamentarians, civil society, the private sector and other development partners. The team then compiles the findings of these consultations and prepares a set of recommendations which are then discussed during a formal meeting of the DAC prior to finalisation of the report. During the whole process, the OECD Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining, in close consultation with the DAC, the methodology and analytical framework within which the peer reviews are undertaken.

To support learning between DAC members, the report highlights a number of valuable practices from the reviewed member, from which peers can draw inspiration and learning. These are documented in further detail on the **Development Co-operation TIPs · Tools Insights Practices** online peer learning platform (www.oecd.org/development-cooperation-learning), that offers insights into making policies, systems and partnerships more effective. Peer review reports are complemented by a "Snapshot" of the member's development co-operation (DCD/DAC/AR(2023)4/27/FINAL), which includes factual information on its policies, institutional arrangements, finance and management systems.

The analysis presented in this report is based on 1) a desk review, including Iceland's self-assessment and written assessments provided by more than 26 partners (multilateral, non-government and academic partners as well as partner governments); and 2) an extensive process of consultation with actors and stakeholders in Iceland (listed in Annex B). The report, which contains both findings and recommendations, fed into the DAC meeting at the OECD on 3 April 2023, at which senior officials from Iceland responded to questions and comments shared by DAC members.

Acknowledgements

Development Assistance Committee (DAC) peer reviews function as a tool for both learning and accountability. This report is the result of an in-depth consultation and review process. It was produced by a review team comprising peer reviewers from Korea (Jonghan Park, Minister Counsellor, Permanent Delegation of Korea to the OECD and Hyeri Lee, First Secretary, Ministry of Foreign Affairs) and the Slovak Republic (Ivana Ruttkayova, DAC Delegate, Permanent Delegation of the Slovak Republic to the OECD, and Tomaš Bokor, Director, Slovak Agency for International Development Co-operation).

From the OECD Development Co-operation Directorate, Emily Bosch, Policy Analyst, served as the lead analyst for the review, together with Gaia Manselli, Policy Analyst. Renwick Irvine, Team Lead Peer Reviews, oversaw the review. Katharina Satzinger, Lia Amato, and Autumn Lynch provided logistical assistance, and formatted and produced the report. Yasmin Ahmad and Elena Bernaldo de Quiros verified the data. The report was prepared under the supervision of Rahul Malhotra, Head of Division, Reviews, Results, Evaluation and Development Innovation, and edited by Fiona Hinchcliffe.

The team are grateful for valuable inputs from across the Development Co-operation Directorate – including from the Financing for Sustainable Development division and the Global Partnership for Effective Development Co-operation – and the OECD, in particular the Directorate for Legal Affairs; the Directorate for Public Governance; the Economics Department; the Financial Action Task Force; and the Multilateral Organisation Performance Assessment Network. Written submissions from a selection of Iceland's partners helped to focus and enrich the review.

Throughout the process, the Peer Review of Iceland benefited from the commitment and dedication of representatives of Iceland's Ministry for Foreign Affairs.

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Abbreviations and acronyms

COVID-19	Coronavirus (SARS-CoV-2)
CSO	Civil society organisation
DAC	Development Assistance Committee (OECD)
EU	European Union
GDP	gross domestic product
GNI	gross national income
GRÓ	International Centre for Capacity Development, Sustainability and Societal Change
HDP	Humanitarian-development-peace
ICEIDA	Icelandic International Development Agency
JPO	Junior Professional Officer
LDC	Least-developed country
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
RBM	results-based management
SDG	Sustainable Development Goal
UN	United Nations
UNFPA	United Nations Population Fund
WaSH	Water, sanitation and hygiene
WFP	World Food Programme

Signs used:

ISK	Icelandic kroner
USD	United States dollar

Slight discrepancies in totals are due to rounding.

Annual average exchange rates 1USD = ISK

2014	2015	2016	2017	2018	2019	2020	2021
116.6880	131.8961	120.8136	106.8234	108.2693	122.6365	135.3821	126.9501

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.

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.

Infographic 1. 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**.



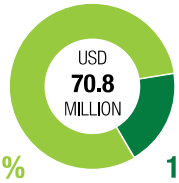
Infographic 2. Iceland's development co-operation at a glance

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

ODA VOLUME



81% BILATERAL

19% MULTILATERAL CORE

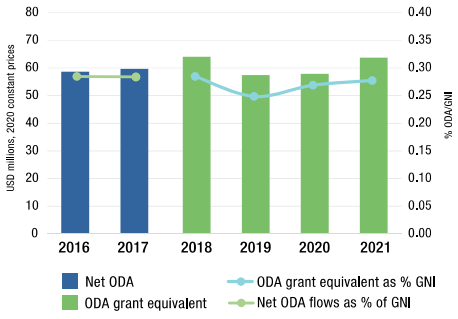
ODA/GNI

0.28% of GNI

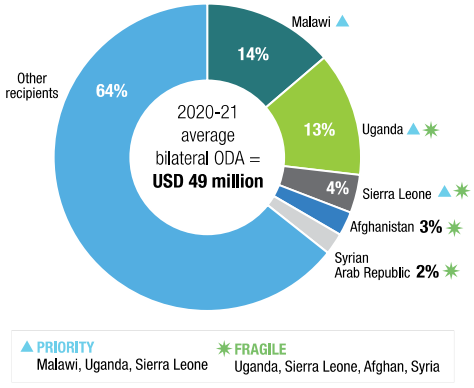
Compared to

0.33% DAC average

IN 2021 ODA RETURNED TO 2018 LEVELS

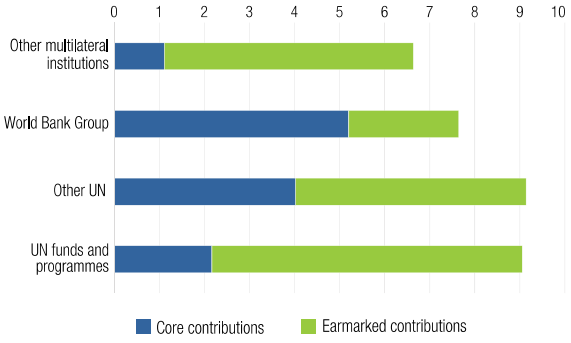


ONE-THIRD OF BILATERAL ODA GOES TO ICELAND'S PRIORITY COUNTRIES



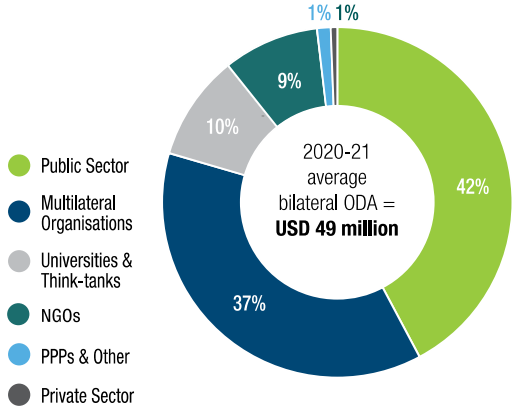
UN ORGANISATIONS ARE ICELAND'S MOST IMPORTANT MULTILATERAL PARTNERS

2020-21 average

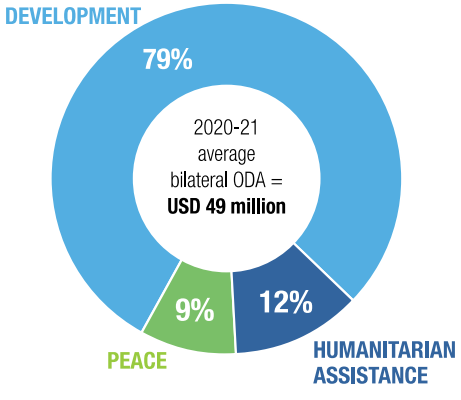


ICELAND CHANNELS CLOSE TO 80% OF BILATERAL ODA VIA THE PUBLIC SECTOR AND MULTILATERAL PARTNERS

% of gross disbursements, 2020 constant



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



Findings and recommendations

This report presents the findings and recommendations of the 2023 development co-operation peer review of Iceland. In accordance with the 2021 methodology, it does not cover all components identified in the peer review analytical framework. Instead, the report focuses on select areas that were identified in consultation with Iceland's partners and Icelandic government representatives. After an overview of the current economic and political context, the report analyses Iceland's development co-operation in three areas: the extent to which the co-operation system is fit-for-purpose; how Iceland delivers its development co-operation; and its inclusive development partnerships. In each of these areas, the report identifies Iceland's strengths and challenges, the elements enabling its achievements, and the opportunities or risks that lie ahead. It also assesses the cross-cutting components of gender, the environment and climate for each of these three areas.

Context of the peer review of Iceland

The shifting global context presents both opportunities and risks

Iceland had a population of 376 248 in 2022 (Statistics Iceland, 2022[1]). The incumbent three-party coalition made up of the centrist Progressive Party, centre-right Independence Party, and the Left-Green Movement fared well in the September 2021 legislative election, with Katrín Jakobsdóttir becoming Prime Minister and Leader of the Left-Green Movement. The next election is expected in 2025. The government's policy plans include measures to accelerate progress towards carbon neutrality, enhance transparency in public administration, and ease the tax burden on low-income families.

Iceland's greenhouse gas emissions have decreased in recent years but remain high. Around 30% of emissions in 2020 were made up of carbon dioxide (CO_2) emitted from aluminium smelting.[1] Worsening financial conditions and uncertainty driven by Russia's war of aggression against Ukraine have brought development, climate and foreign policy closer together, as highlighted in the current government's November 2021 coalition agreement (Government of Iceland, 2021[2]), which pledges to emphasise climate issues in development co-operation to a much greater extent.

Iceland's non-colonial history and the fact that it was itself a recipient of official development assistance (ODA) until 1976 allows it to have a principled role in its relations with the Global South. The country has no military and is a founding member of the North Atlantic Treaty Organization (NATO). Its NATO membership, and its solidarity with other member states, is the main pillar of the country's security policy, aided by its strategic location and airbase.

Iceland has recovered from a relatively mild COVID-19 health crisis and its economy is also recovering from the severe economic impact of the pandemic (OECD, 2021[3])**.** The economy was projected to grow by 4.2% in 2022 and 2.8% in 2023, driven by tourism, fishing and aluminium exports. In 2022, immigrants accounted for 16.3% of Iceland's total population (Statistics Iceland, 2022[4]) and one-fifth of the Icelandic workforce. Iceland is only indirectly affected by the current energy crisis since close to 100% of its electricity production is renewable energy. However, worsening financial conditions and uncertainty surrounding the outcomes of Russia's war of aggression against Ukraine are expected to weigh on business investment. Investment in residential housing should remain solid, and unemployment is expected to continue to decline slightly, to around 4.5% at the end of 2023 (OECD, 2022[5]).

Many stakeholders support Iceland's development co-operation

Since the last peer review in 2017, Iceland has adopted a new policy for international development co-operation (in May 2019), spanning 2019-23. This maintains the priorities of the previous policy: supporting least-developed countries (LDCs) and reaching the poorest and most vulnerable; increasing access to renewable energy; ensuring gender equality; and supporting the blue economy. However, it features human rights as a new cross-cutting issue, introduces the humanitarian-development-peace nexus, and places more emphasis on private sector partnerships (MFA, 2019[6]).

Since the merger of the Icelandic International Development Agency (ICEIDA) into the Ministry for Foreign Affairs (MFA) in 2016, the MFA now also deals with bilateral development co-operation in addition to defence, foreign affairs, international trade and multilateral development co-operation. Subsequent reorganisations, including one as recent as October 2022, have sought to re-position development co-operation within the MFA.

Iceland's Committee for Development Co-operation offers advice for strategic decision making on international development and advises on reviews of implementation of Iceland's development co-operation. Established by law, it consists of a Member of Parliament from each of the parliamentary parties, as well as two representatives from academia, five representatives appointed by civil society organisations

(CSOs), and two labour market representatives. A Foreign Ministry staff member serves as the secretary. By law, the committee must give an opinion on Iceland's proposed development policy before being approved by Parliament.

Since the last peer review and mid-term review (OECD, 2020[7]), **Iceland has updated its strategies** on multilateral co-operation, bilateral co-operation, humanitarian assistance, gender equality, CSO co-operation, communications and knowledge management, and evaluation. It has published many recent evaluations, with an evaluation of the ICEIDA/MFA merger to be published in early 2023.

Iceland's overall ODA effort is on an upward trajectory. In 2021, Iceland provided the equivalent of 0.28% of its gross national income (GNI) as ODA, or USD 70.8 million (USD 63.7 million in 2020 constant terms), and it aims to reach 0.35% in 2022. The government's fiscal plan for 2023-2027 reflects this expected increase in ODA, but there is no plan to reach 0.7%.

A public opinion survey commissioned by the MFA in 2022 found that Icelanders are very supportive of international co-operation, with 83.8% believing that it is important for the Icelandic Government to provide aid to developing countries and their people (Maskina, 2022[8]). This survey of 957 respondents (0.25% of Iceland's population) confirms the findings of a 2013 survey (MMR, 2013[9]).

A fit-for-purpose system

Iceland's development co-operation policy draws on its expertise and long-standing bilateral partnerships

A strong focus on the Sustainable Development Goals (SDGs) and on Iceland's four main areas of expertise maximises the value added of its development co-operation (MFA, 2019[6]). The primary goal of Iceland's development co-operation policy 2019-2023 is to reduce poverty and hunger, while mainstreaming human rights, gender equality and sustainable development. Two secondary goals – enhancing social infrastructure and peace efforts; and protecting the Earth and ensuring the sustainable use of natural resources – guide Iceland's development actions and initiatives. As a small provider, Iceland leverages its comparative advantages in gender, geothermal energy, fisheries and land restoration to shape its development co-operation. This is reflected both in its bilateral (MFA, 2022[10]) and multilateral (MFA, 2022[11]) co-operation.

Iceland's choice of two key bilateral partners (Malawi and Uganda), and the recent decision to initiate bilateral co-operation with Sierra Leone, reflect its emphasis on LDCs and on the poorest and most vulnerable communities. At 40.5%, Iceland's share of gross bilateral ODA that goes to LDCs is higher than the DAC total of 24.4% (Table 1). To increase its reach to those most in need, Iceland selects its bilateral partners (and the specific districts to operate in) based on criteria such as the poverty level, the alignment with Iceland's priorities and areas of expertise, the overall size of the country as well as the presence of other development partners. In its long-standing partnerships with Malawi and Uganda, Iceland has worked with some of the poorest and hardest-to-reach districts to improve the livelihoods of local fishing communities, whose socioeconomic indicators tend to be worse than the district or national averages.[2] The recent decision to expand its bilateral co-operation to Sierra Leone reflects the same approach and a focus on fragility, as described in the Delivery model section below.

Table 1. Iceland allocates a high share of its bilateral ODA to least-developed countries, 2020

	Gross bilateral ODA (USD millions)	Share of gross bilateral ODA	Net disbursements (USD millions) [ab]	Share of net ODA[a] (incl. multilateral)[b]	ODA/GNI [b a]
Iceland	18.7	40.5%	22.5	38.8%	0.10%
Total DAC		24.4%	47 206.3	29.0%	0.10%

Notes: (a) Including imputed multilateral flows, i.e. making allowance for contributions through multilateral organisations, calculated using the geographical distribution of multilateral disbursements for the year of reference; (b) Including regional contributions marked with LDC code 1 minus exact expenditure.
Source: OECD (2023[12]), *Creditor Reporting System: Aid activities,* https://doi.org/10.1787/data-00061-en.

Iceland's focused choice of multilateral partners reflects its comparative advantage and policy objectives. The development co-operation policy identifies the World Bank, UNICEF, UN Women and the United Nations Population Fund (UNFPA) as Iceland's four main multilateral partners (MFA, 2019[6]). However, it also refers to other organisations that reflect Iceland's engagement on the sustainable use of natural resources, humanitarian assistance and emergency response.[3] There is a clear connection between the choice of its key multilateral partners and the areas where Iceland can add most value and contribute to the SDGs through its expertise (MFA, 2022[11]). From a thematic perspective, Iceland prioritises the same focus areas across its bilateral and multilateral engagement, in line with its policy objectives. As Iceland provides mostly core contributions (see Delivery model), recipient organisations have the flexibility to direct their interventions according to need, while its earmarked contributions prioritise LDCs and fragile contexts (MFA, 2022[11]). New country strategies with Malawi, Sierra Leone and Uganda[4] offer Iceland an opportunity to more clearly link its bilateral and multilateral approaches, and to think strategically about how its long-term multilateral support could complement and help reinforce its bilateral efforts (see Delivery model).

The new development co-operation policy is an opportunity to reinforce Iceland's strategic and focused approach

As Iceland develops its new development co-operation policy (2024-2028), it has an opportunity to build on its success and work towards the SDGs and the 0.7% GNI/ODA target. Work is gearing up on Iceland's new development co-operation policy, which will guide its efforts to 2028, and with a view towards 2030. In developing the new policy, Iceland intends to maintain its focus on the SDGs, its priority goals and areas of expertise, while being flexible to respond to emerging needs in a rapidly evolving global context. The preparation of the new policy will be instrumental in defining a roadmap and concrete actions to at least show progress towards (if not achieve) its target of allocating 0.7% of its GNI to ODA by 2030.

Consulting a wide range of stakeholders in formulating the new policy will help to ensure that the policy reflects shared priorities and remains focused and targeted, in line with ODA volumes and human resource capacities. As with the preparatory work for the 2019-2023 policy, the MFA intends to consult key stakeholders early on, including other ministries.[5] Involving the Committee for Development Co-operation at an early stage of drafting the policy and strategies will help garner cross-party support, as well as build public awareness and accountability. The MFA updates and consults the committee on key strategic decisions on Iceland's development co-operation, including on its recent decision to expand bilateral co-operation to Sierra Leone. Discussing priorities for the new policy with the committee and sharing the draft policy and strategic documents well ahead of time will improve the committee's buy-in and support to Iceland's strategic priorities. As noted in the 2017 peer review, there may be opportunities to rely more on the committee to increase the visibility of the development co-operation results achieved by Iceland, both among policy makers and the general public (OECD, 2017[13]).

The process of defining the new development policy is also an opportunity to refresh the national narrative on Iceland's contribution to international development. Iceland itself was a recipient of

foreign aid until 1976. In advocating for the SDGs and ODA increases, it could highlight its own trajectory from ODA recipient to the top country on the Human Development Index in 2017 (Gunnlaugsson, 2018[14]) as a success story on how ODA can sustain development and improve livelihoods. A public opinion survey that looked specifically at aid during the Ebola epidemic in West Africa suggests that efforts that emphasise ethical and moral dimensions – rather than national interest – are more likely to build public awareness and support for foreign assistance (Broddadóttir, Gunnlaugsson and Einarsdóttir, 2021[15]).

Iceland has established a good foundation for its development co-operation policy, with separate strategies guiding its bilateral and multilateral co-operation, as well as its engagements on gender, and – coming soon – on environment and climate. Despite future ODA increases, Iceland's relatively small volume of ODA means that it must focus strategically on a limited number of areas. Since 2021, more structured partnerships have been in place with the major Icelandic CSOs providing development co-operation and humanitarian assistance. Iceland is also in the process of reviewing its engagement with the private sector. The drafting of the new policy is an opportunity to review these strategic documents and tools to ensure that they remain relevant and aligned with any new policy objectives, and that they are linked up as much as possible to achieve maximum impact.

Iceland is successfully advancing gender equality in its development co-operation

Gender equality is a key priority and a strong component of Iceland's development co-operation policy, both as a cross-cutting component and as a development objective in its own right. Iceland views gender equality and the empowerment of women and girls as the foundations of progress and sustainable development. This is reflected in the prominence given to gender equality in the development co-operation policy. A gender equality strategy operationalises Iceland's approach through five interlinked focus areas: (i) gender-based violence; (ii) health of women and girls; (iii) empowerment of women; (iv) education with an emphasis on girls; and (v) engaging men and boys in promoting gender equality (MFA, 2022[16]). Iceland advocates for gender equality in its foreign policy, as well as through its bilateral and multilateral co-operation. In 2020-21, it had the fourth highest share (81%) of bilateral ODA with gender equality and women's empowerment as a principal or significant objective. It is also among the top DAC donors for integrating gender equality objectives into its climate ODA. It does so through its direct district-level support in Malawi and Uganda, its support to CSOs and multilateral organisations, and through its training programmes offered by the GRÓ International Centre for Capacity Development, Sustainability and Societal Change[6] (OECD, 2022[17]).

There are growing opportunities for Iceland to lead the way on gender equality world-wide through its diplomacy and development co-operation, and to show how a small foreign service can achieve considerable impact through quality partnerships. Iceland is leading by example, successfully partnering with UN entities, CSOs and local governments to advance gender equality. In 2022, Iceland became the first country to undertake the United Nations Development Programme (UNDP) Gender Equality Seal review process, and received the UNDP's gold certification on gender equality and women's empowerment in acknowledgement of its international and bilateral commitment to advancing gender equality, including by building a culture of equality and inclusion within its own institutions. Amongst its achievements, Iceland has developed corporate strategic plans and policies for gender equality in both headquarters and field missions and has included a gender dimension in all its co-operation strategies, as well as gender markers in its project documents with partner countries. Iceland can do more to maintain basic competencies in gender mainstreaming within the MFA directorates, such as by developing guidelines on gender-sensitive and non-discriminatory language, training staff in communication and including gender equality even more in public speeches in partner countries (UNDP, 2022[18]).

Iceland is seeking to invest in gender transformative projects and has shown its ability to adapt its gender agenda to the local contexts in which it operates. The MFA assesses all development co-operation projects for their gender impact and applies the DAC gender marker classification. In addition to

the DAC markers, it has introduced its own internal marker "3" to identify transformative projects, i.e., those with a systematic impact on the status of gender equality and the potential to address its structural causes (Box 1). Iceland's new focus on transformative projects reflects its strong commitment to achieving long-lasting change and impact, in line with the recommendations put forward in the evaluation of its gender equality policy 2013-16 in international co-operation (IPE, Triple Line, 2017[19]). To achieve long-lasting structural change, Iceland will need to address power relations and economic, social and cultural barriers to gender equality. The only project which has been granted the "transformative" marker so far aims at eradicating obstetric fistula in Sierra Leone, including by addressing gender and other social norms (Box 1). However, Iceland is already working to identify additional interventions with transformative potential in its bilateral partner countries. It is doing so by adapting its gender agenda to different contexts, for example integrating it into its bilateral local co-operation plans and its political dialogue with partner countries, tailoring its interventions to local needs, working with men and boys and building local capacities (Box 3). Another example of Iceland's engagement on these issues is its support for the design and implementation of the first sexual exploitation and abuse and harassment (SEAH) action plan in Malawi. Going forward, this increased attention to transformative change and to local agendas is likely to contribute to more sustainable, scalable and impactful projects, and is therefore a positive step.

Box 1. Iceland's project to eliminate obstetric fistula in Sierra Leone will have a transformative impact on gender equality

Sierra Leone has one of the highest lifetime risks of pregnancy-related mortality and morbidity, including obstetric fistula. Obstetric fistula affects the most vulnerable women and girls and often leads to chronic medical problems, depression and social isolation. Iceland has supported the UNFPA Global Campaign to End Obstetric Fistula for over a decade through financial contributions and advocacy efforts at the international level. Promoting women's health is also an important component of Iceland's gender strategy, and its multilateral and bilateral co-operation at district level (Box 3).

Building on its successful co-operation with the UNFPA, in January 2022 Iceland signed a five-year, USD 7 million agreement with the organisation to eradicate obstetric fistula in Sierra Leone by 2030, by addressing gender and other social norms and health system challenges. Iceland had previously supported the Government of Sierra Leone through a smaller project implemented by the UNFPA to improve access to quality maternal services as a means to prevent obstetric fistula. Thanks to the new co-operation framework with the UNFPA, Iceland is supporting a more comprehensive, transformative and integrated approach to address the structural roots of the problem by promoting interventions to strengthen the quality of medical care, the referral system for surgery, and the capacities of local health professionals, as well as to design and fund social reintegration programmes for women and to identify best practices for other existing or future programmes.

Note: This practice is documented in more detail on the **Development Co-operation TIPs • Tools Insights Practices** platform at www.oecd.org/development-cooperation-learning.

A holistic vision can help Iceland focus its support to climate, the environment and biodiversity

The protection of the environment, climate and biodiversity is also both a cross-cutting issue and distinct development goal for Iceland, backed by strong political support. The development co-operation policy highlights Iceland's commitment to tackling climate change and promoting the sustainable use of natural resources. The policy's sub-goals are aligned with the SDGs and with Iceland's expertise, and focus on the increased use of geothermal energy and other renewable energy sources; the protection

and sustainable management of the oceans and waters; promoting land recovery and limiting land degradation; increasing resilience and adaptability to climate change; and ensuring sustainable economic growth for all (MFA, 2019[6]).

As Iceland works towards an environmental and climate strategy to meet its important ambitions and its new development policy in 2024, it should focus on where it can add value based on its expertise and reflect on how to reach its medium- to long-term objectives. Iceland's expanded bilateral presence and recent membership of two climate funds (see Delivery model section) make it all the more important to align climate, environment and biodiversity objectives across delivery channels. A clear environment and climate strategy should also link to Iceland's own domestic policies and goals for emissions, biodiversity and the environment, as well as to the Climate Action Plan. The work of the MFA Special Envoys for Climate and Ocean Affairs demonstrates Iceland's advocacy engagement. However, despite having technical in-house expertise, for a small administration this expanding engagement raises capacity challenges in fully participating in and influencing the work of the various programmes and facilities and co-ordinating with other parts of the Icelandic Government. Capacity constraints also make it difficult to comprehensively assess the contribution to climate, environment and biodiversity that Iceland is making across its multilateral and bilateral co-operation, regional programmes and GRÓ training programmes (see Delivery model). In defining its first environment and climate strategy, Iceland could set out an integrated vision and a more co-ordinated, nature-positive approach to climate, the environment, and biodiversity in line with the Paris Agreement to the United Nations Framework Convention on Climate Change ("the Paris Climate Agreement") and the Kunming-Montréal Global Biodiversity Framework (agreed at the UN Biodiversity Conference, or COP15), while making effective use of its financial and human resources and avoiding fragmentation.

A new Sustainable Development Platform could provide a framework to address policy trade-offs and spillover effects

The Prime Minister's Office (PMO) is leading the establishment of a new co-operation platform (Sustainable Iceland) to better connect Iceland's international commitments (the SDGs) with its domestic goals. Since 2016, Iceland's five-year fiscal strategies link SDG targets to specific government policy objectives. In March 2017, the government appointed an Inter-Ministerial Working Group to manage the analysis, implementation and promotion of the SDGs; to identify proposals for prioritising SDG targets within government policies; and to plan ways of working with other domestic stakeholders. Since then, Iceland has progressively integrated the SDGs into various government policies,[7] including development co-operation, education (OECD, 2021[20]; OECD, 2021[21]), innovation and the climate action plan (Ministry for the Environment and Natural Resources, 2020[22]). In November 2021, a Presidential Decree tasked the new government with creating a new Sustainable Development Policy. The PMO is leading on this policy, in co-operation with the MFA, through a new co-ordination platform – Sustainable Iceland – which includes representatives from all ministries and the Association of Municipalities. The platform will work to measure progress made in achieving the SDG targets and implementing the SDGs domestically, while promoting public well-being. Sustainable Iceland held its first meeting in December 2022.

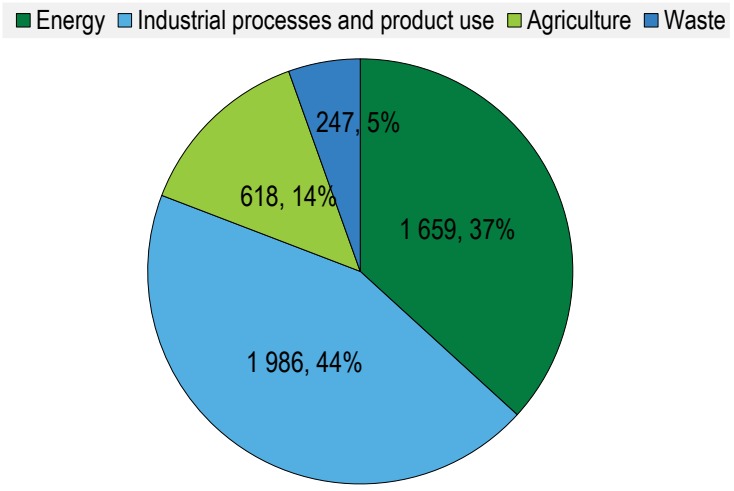
Iceland has not yet established a formal mechanism or policy coherence framework to assess policy trade-offs – a recommendation of the 2017 peer review (OECD, 2017[13]). A consolidated, cross-government approach could help Iceland to address any possible incoherence between domestic policies, sustainable development objectives, and its private sector, including in areas such as sustainable fisheries, climate, the environment and migration. For instance, under the Paris Climate Agreement Iceland aims to achieve carbon neutrality before 2040 and to cut its greenhouse gas emissions by 40% by 2030. While Iceland is working on implementing a comprehensive Climate Action Plan, there are still important components of the Icelandic economy, such as industry (and aluminium smelting, in particular, accounting for approximately 68% of all industrial emissions in 2020), energy (with transport and fisheries accounting

for 63.5% of the 2020 sector's emissions) and agriculture that produce considerable amounts of emissions (Prime Minister's Office, 2019[23]) (Figure 1).

The new Sustainable Iceland platform could provide the right framework to discuss these and other issues with ministries, municipalities and other relevant actors, including CSOs. A mechanism to systematically screen legislation and policies for any transboundary effects, similar to the current screening system in place for gender and environment, could also be introduced as part of the Sustainable Development Policy. The policy will consider economic, social and environmental targets to achieve Iceland's well-being and global sustainability goals. This presents a good opportunity for Iceland to better connect, in a systematic manner, its foreign engagements and commitments with its domestic policy objectives. Iceland could also explore mechanisms to ensure appropriate co-ordination between Sustainable Iceland and the Committee for Development Co-operation through the MFA representative, considering the key role that Parliamentarians and other key stakeholders such as academia, CSOs, and private sector can play in these conversations.

Figure 1. Industry and energy together contribute most of Iceland's greenhouse gas emissions

Kilotonnes CO_2 equivalent, 2020 and percentage of sector emissions



Note: The sectoral greenhouse gas emission levels in this graph do not include land-use, land-use change and forestry (LULUCF).
Source: Authors' representation based on Environment Agency of Iceland (2022[24]), *National Inventory Report 2022*, https://unfccc.int/documents/614626.

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Iceland still needs a streamlined results-based management system

Iceland reports on the results of its bilateral programmes and uses them to influence decision making and strengthen accountability; it could expand this to the entire portfolio. A streamlined results-based management system would ensure a comprehensive assessment of the impact of Iceland's development policy, cutting across development (bilateral and multilateral) and humanitarian initiatives. Iceland has made progress in introducing a results-based management (RBM) approach across its development co-operation programmes and projects. For instance, it has developed new country strategies jointly with each of its bilateral partners – Malawi, Uganda and Sierra Leone. The strategies outline how the proposed co-operation initiatives will have an impact, and how they align Iceland's

objectives and those of each partner country with each other and with the SDGs. While they do not include specific targets or results frameworks, they refer to the use of strong accountability mechanisms, including independent evaluations. Similarly, GRÓ has finalised its theory of change to conceptualise how it intends to achieve its outputs, outcomes and impact (Box 6), and the MFA has invested significant efforts in evaluations. However, Iceland lacks a fully-fledged results-based management system and policy which can assess the overall results chain of its development co-operation policy, from outputs to impact. Human resources are the main constraint to making the current RBM system and corporate results framework more comprehensive. Iceland lacks a separate unit in charge of RBM – following the recent re-organisation, the Directorate for Development Co-operation is responsible for the RBM portfolio. The new development co-operation policy offers a unique opportunity to introduce the right framework and a simple accountability tool using key indicators to assess impact and results across its entire strategy and policy framework and its various co-operation modalities and partnerships.

Evaluations are a critical tool for Iceland, and could be used more systematically for learning and programme design

Iceland has an effective and systematic approach to evaluations, guided by its Evaluation Policy 2020-23 (MFA, 2020[25]) **and annual evaluation plans.** The MFA regularly commissions strategic and decentralised evaluations of international development and uses them as the primary tool to assess impact. In the biennium 2021-22, the MFA commissioned a total of 18 evaluations, which is a significant effort for such a small provider. A centralised evaluation budget, a new direct reporting line between the Director of Internal Affairs and Control and the Permanent Secretary of State, and transparent procurement procedures for selecting external evaluators ensure the evaluation function is independent from programme and policy implementation. Iceland also tracks progress in implementing evaluation recommendations, including through a compulsory management response and a follow-up assessment two years after the initial evaluation. Iceland's evaluation policy states that each evaluation must assess the cross-cutting priorities of human rights, gender equality and the environment, even if they were not a primary objective of the investment. This therefore contributes to a critical reflection on these key priorities. External evaluators are selected based on open and transparent procurement procedures, and local evaluators are used for assessing individual programmes or projects in partner countries, which also helps to build local capacity.

Iceland uses evaluations as a critical decision-making tool, and ensuring appropriate timing could increase their impact. Publication of the evaluation plan and evaluation reports on the MFA website[8] is a welcome practice to promote public accountability and visibility of the results Iceland supports partners to achieve. The results of evaluations have often informed Iceland's policy decisions. For example, the evaluation of CSO co-operation influenced the decision to put in place framework agreements (see Inclusive development partnerships). Iceland was also the only DAC member to evaluate its in-donor refugee costs, and the findings helped to improve its accounting procedures (Box 2). The 2017 peer review noted that, given capacity constraints, Iceland would benefit from detailed selection criteria to help prioritise evaluations so that findings can influence change at the appropriate time (OECD, 2017[13]). Annual evaluation plans constitute important progress since the last peer review, and detailed criteria for which interventions should be evaluated can help ensure that evaluations are undertaken at key stages of the policy or strategy cycle.

Iceland could learn more from its evaluations by ensuring that they are systematically consulted during new programme design. Iceland has a wealth of good practices, evidence, and lessons available from its notable evaluation efforts, but it is unclear whether all teams within the MFA are taking full advantage of them. There is scope to capitalise further on evaluations' value for learning, especially in project and programme design. Incentives for the systematic consultation of previous evaluations while designing new projects, for instance, could ensure greater effectiveness of new projects. As noted above,

setting up a results-based management system could also ensure evaluations are used systematically to determine Iceland's overall development co-operation impact.

External financial and performance audits of development co-operation, and a whistle-blower mechanism, would complement MFA's internal accountability and anti-corruption efforts. The National Audit Office (NAO) has a mandate to perform financial and/or performance auditing of the use of the government budget, including for development co-operation. However, in practice, limited resources have prevented the NAO from conducting an external audit on development co-operation expenditure. The MFA has commissioned some audits as part of its evaluation portfolio (see the Snapshot, DCD/DAC/AR(2023)4/27/FINAL), especially of programmes and projects and in its bilateral partner countries, often focusing on procurement. Overall, Iceland could explore ways to strengthen auditing and oversight, either through increased involvement of the NAO, or by creating a specific independent and well-resourced audit function within the MFA. Iceland has whistle-blower legislation in place (Althingi, 2020[26]) and the MFA is setting-up a whistle-blower mechanism for ODA, which will further strengthen its overall accountability and anti-corruption framework.

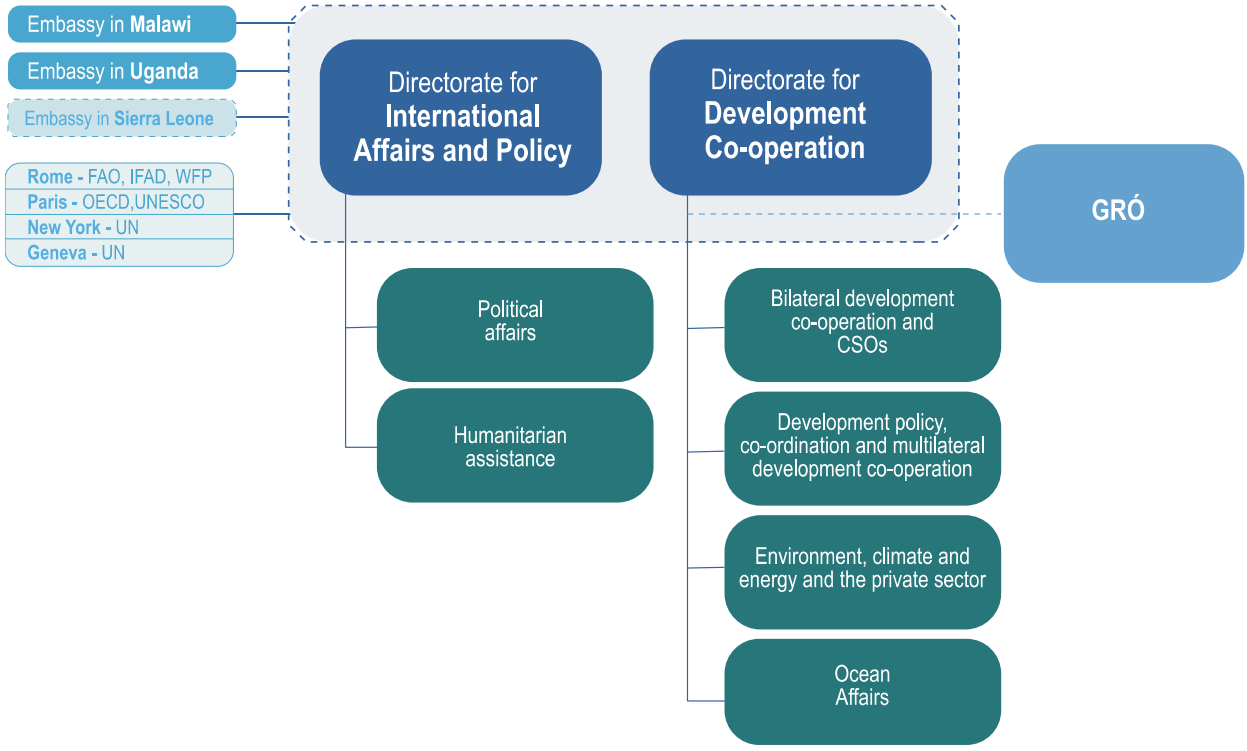
The MFA's new structure gives more prominence to development co-operation, but requires effective cross-directorate co-ordination

There is now greater understanding of development co-operation issues across the MFA and a high level of development expertise among MFA professionals. The 2016 merger of ICEIDA into the MFA has led to an increased understanding of development co-operation issues amongst MFA staff and has promoted synergies between Icelandic foreign policy and development co-operation, in line with the recommendation of the 2017 peer review (OECD, 2017[13]).

The recent internal re-organisation of the MFA could give more visibility to development co-operation but will require structured co-ordination across directorates. Between 2020-22, a joint directorate covering international affairs and development co-operation had increased the coherence between foreign policy and development co-operation decisions, and enabled knowledge sharing between diplomatic staff and development officials. In October 2022, the MFA reverted to two separate directorates for International Affairs and Policy and Development Co-operation (Figure 2). This decision was taken to protect development policy by de-linking it from political priorities. As Iceland is in the process of reviewing and adapting its working methods to the new organisational setting, it should find ways to maintain co-ordination, cohesion and continued knowledge sharing across the two directorates. This issue is particularly relevant for the humanitarian assistance portfolio, which will be managed within the Directorate for International Affairs and Policy, while, as noted above, Iceland's development co-operation has a strong focus on LDCs and fragile countries. Ensuring that the two directorates work closely together is also important for coherence across Iceland's ODA, given that the Directorate for International Affairs and Policy administers Iceland's humanitarian assistance, while other parts of ODA are managed by the Development Co-operation directorate.

The Review Group has an important role in ensuring integration of sectors, strategies and partnerships with Iceland's overall vision, to strengthen programming and the quality of its development co-operation. Programming and funding decisions in the MFA are made by a cross-ministry Review Group, which brings together MFA officials from the different directorates, and includes embassy staff where needed. Following the recent MFA re-organisation, the Review Group will be even more critical to ensure consistency and synergies across bilateral and multilateral planning and initiatives, as well as between foreign policy and development co-operation. As Iceland works towards its next development co-operation policy, it will be important to find ways to ensure coherence and a strategic intra-ministerial approach across bilateral, civil society, private sector, and multilateral delivery modalities (with the latter split across the two directorates as noted above).

Figure 2. The MFA development co-operation and humanitarian portfolios are split across two directorates



Source: Authors' illustration based on MFA organigramme.

Human resource constraints are a critical challenge and require careful consideration in defining Iceland's future multilateral and bilateral co-operation

Additional development training and career opportunities, and the recruitment of middle and senior-level professionals with a development co-operation background, have improved Iceland's capacities to deliver on its objectives in line with the previous peer review recommendations. The integration of ICEIDA staff and a recruitment process for mid-level development professionals in 2018 enabled the MFA to build its in-house development co-operation expertise. Furthermore, training in development co-operation is mandatory for all new employees, regardless of whether they occupy a development post, and is increasing employees' general understanding of the issues.

Iceland has a limited number of development co-operation posts abroad, with most of its workforce in partner countries hired locally. Iceland's foreign service is relatively small with a single career path for development and diplomat staff. It has strategically placed a development professional in each of its Permanent Missions in Geneva, New York, Paris and Rome, and in its key bilateral partner countries (Malawi and Uganda, and Sierra Leone in Autumn 2023). While career opportunities for development professionals have increased in recent years, the overall number of development co-operation posts abroad remains limited. A total of 28 out of 174 MFA diplomatic staff are classified as international development posts, in addition to two officials seconded to international organisations and 16 local staff based in Malawi and Uganda. This is in line with the overall level of human resources at the time of Iceland's previous peer review (OECD, 2017[13]). The bulk of development co-operation professionals supporting Iceland's district-level programmes in Malawi and Uganda are locally engaged staff, who are crucial to the success of Iceland's programmes. Secondment positions offer additional development

opportunities to MFA staff, and are useful for increasing the overall development capacity (see the Snapshot, DCD/DAC/AR(2023)4/27/FINAL for more detailed information).

Despite this progress, human resources remain a critical challenge in managing Iceland's bilateral and multilateral co-operation. The current human resources model is under strain from a high workload, low staff numbers, retirement of experienced development staff and the current rotation system, and is struggling to respond to dynamic demands (MFA, 2022[27]). The MFA has valuable, skilled and committed development co-operation professionals in charge of planning and implementing its development co-operation policy. However, the limited size of the administration means that MFA officials often face a high workload, and temporary absences are difficult to fill in a timely manner, creating gaps in contact points or delays in addressing requests. Furthermore, with the upcoming retirement of experienced staff merged in from ICEIDA, the MFA will soon need to replenish its pool of development co-operation professionals. Finally, while the 28 positions within the MFA, and additional secondment opportunities, could ensure a potential career track for professionals with development co-operation expertise, in practice it is not always possible to rotate from one development post to another, and a few professionals with a development background are currently serving in non-development posts. Similarly, mid to senior-level professionals may not always be willing to rotate to development posts abroad. These constraints require careful consideration as Iceland expands its bilateral and multilateral co-operation and suggest the need to remain focused and targeted in its development co-operation objectives.

Strategic and long-term staff planning and exploiting flexibility in the existing legal framework would help Iceland to cope with these challenges while retaining development expertise in key development posts. A long-term and strategic approach to human resources could help the MFA ensure that it retains experienced professionals, especially in key development posts, and that staff-turn-over does not affect the MFA's ability to support the implementation of the development co-operation policy. Part of the strategy could involve a better use of the flexibility built into the current legislation and human resource rules. This allows for temporary employment – up to five years[9] – to fill short-term gaps or to complete specific tasks (Althingi, 2008[28]), and could help to harvest the know-how of experts returning from secondments, as well as external development experts, such as previous Junior Professional Officers (JPOs) and young professionals. In its current reflections on the new development co-operation policy, Iceland should view its overall human resource capacities as one of the most important strategic and structural elements.

Recommendations

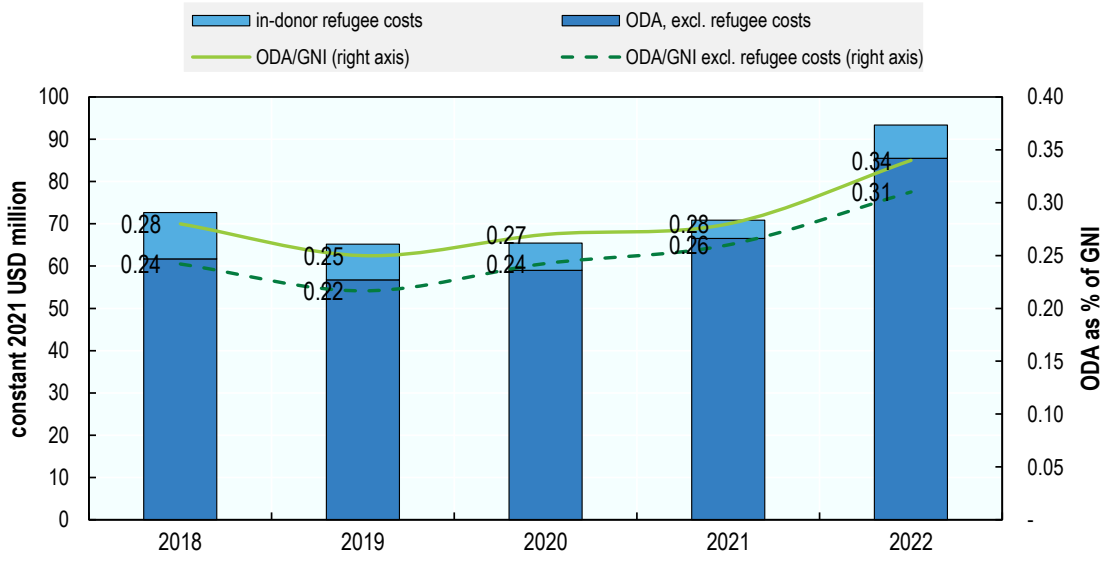
1. Iceland should ensure that its 2024-28 Development Policy focuses on a limited number of areas and is well-consulted across government and with the Development Co-operation Committee to create a shared vision of the objectives and results Iceland seeks to achieve.
2. Iceland's forthcoming environment 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.

Delivery model

Iceland can build on its ODA volume increases and its high-level political support to put in place a roadmap to reach 0.7% ODA/GNI

Iceland enjoys a high level of public support for ODA and reached 0.34% ODA/GNI in 2022 (preliminary data). Iceland's increased ODA volume efforts in 2022 will largely have been driven by an increase in humanitarian and multilateral aid in response to Russia's war of aggression against Ukraine. In preceding years, some additional funding was also provided for the COVID response or integrated into already programmed investments. In 2021, Iceland's ODA volume increased after remaining flat from 2018-20 (excluding in-donor refugee costs), and its overall donor effort as a percent of GNI returned to 2018 levels (Figure 3). Preliminary 2022 data suggest a 29% increase in ODA from 2021, excluding in-donor refugee costs.

Figure 3. Until 2021, Iceland's ODA volume remained flat when excluding in-donor refugee costs

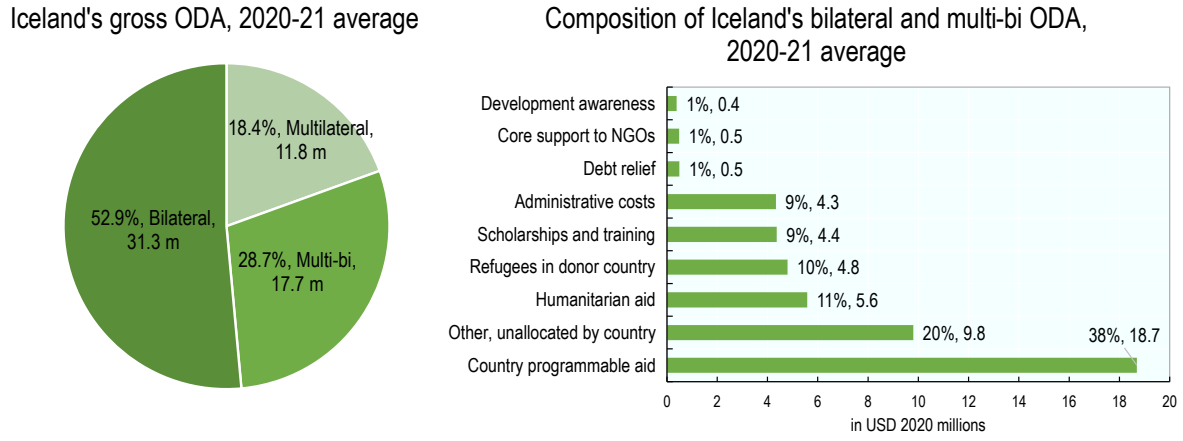


Note: 2022 data are based on preliminary data from the Government of Iceland and have not yet been reported to the OECD.
Source: OECD (2023[12]), *OECD International Development Statistics (database)*, https://doi.org/10.1787/data-00061-en.

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While Iceland is committed to meeting the UN target of allocating 0.7% of its GNI as ODA, there is still no plan in place to increase its ODA effort beyond 0.35%. As stakeholders remind the authorities, since the creation of the Office for Iceland's Assistance to Developing Countries in the Ministry for Foreign Affairs in 1971,[10] there has been a law in place committing Iceland to allocate 1% of its GNI as ODA (Althingi, 1971[29]). Fiscal plan estimates through 2027 have flatlined efforts at 0.35%, which will already have been achieved in 2022, and during discussions as part of this peer review neither the Ministry of Finance nor Parliament was aware of a proposal to increase this ratio. At the same time, all political parties support Iceland's development co-operation, albeit with some differences as to its rationale. As Iceland develops its new co-operation policy from 2024, a concrete roadmap to 0.7%, as recommended in the previous peer review, would align its ambition with its Nordic neighbours. As shown in Figure 4, on average in 2019-20, half of Iceland's gross bilateral ODA was country programmable aid and humanitarian assistance, which is below the DAC average.

Figure 4. Iceland provides just over half of its ODA bilaterally, and its share of country programmable aid is below the DAC average



Note: In the pie chart, the "multi-bi" category refers to funding to multilateral organisations earmarked for a specific purpose, sector, country or region. In the bar graph, the category "Other, unallocated by country" is a residual category composed primarily of multi-bi contributions to COVAX, CEPI and the UN multi-partnership trust fund office, plus donor country personnel to UN organisations and the World Bank.
Source: OECD (2023[12]), *Creditor Reporting System: Aid activities, OECD International Development Statistics* (database) https://doi.org/10.1787/data-00061-en.

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A separate financial area in the government's five-year budgetary framework for ODA development funds within MFA is a welcome transparency measure and can help ensure that ODA is spent appropriately. Policy area 35 includes 11 budget lines,[11] all of which are channelled through the MFA, whose Director of Finance manages both the finance and statistical reporting to the DAC (with the support of one or two colleagues). All new programmes, projects and partnerships are assessed by the cross-ministry Review Group against Iceland's development policy and goals, expected results, and gender equality, human rights and environmental issues.

Higher ODA will invite greater scrutiny, therefore systematic consultation and communication across ministries, with Parliament and with CSOs will be increasingly important. Laying the groundwork for a new policy requires intensive dialogue between the Ministry of Finance and Parliamentarians across party lines to showcase results, advocate for ODA increases and ensure ODA is ring-fenced and safeguarded for development purposes. Looking at the totality of ODA expenditure and identifying how the different components link to Iceland's overall development policy and objectives will be an essential part of this dialogue.

Platforms like Open Aid and greater transparency over in-donor refugee costs will help inform interested citizens on where Iceland's kroners are going. The Open Aid platform is a very welcome initiative from the perspective of civil society. High in-donor refugee costs since 2016 have prompted Iceland to update its methodology to account for these costs, and to find ways to more realistically forecast and budget for them based on actual expenditure in previous years. It began to do this in 2022. Moreover, Iceland is implementing a proposal made by an evaluation of in-donor refugee costs (commissioned by the MFA) to make ODA-eligible in-donor refugee costs systematically available on a quarterly basis to Statistics Iceland and the MFA (Box 2). Another way Iceland can promote transparency is by publishing its tax exemptions for ODA on the OECD's Digital Transparency Hub on the Tax Treatment of ODA portal.

Box 2. Iceland's in-donor refugee costs evaluation is leading to an accounting reform

In 2016, the number of foreigners applying for international protection in Iceland tripled compared to the previous year. Over the period 2016-20, ODA classified as in-donor costs for asylum-seekers and quota refugees in Iceland amounted to just over ISK 7 billion (USD 57.8 million), accounting for 19.4% of Iceland's gross ODA disbursements over this five-year period. In-donor refugee costs are by their nature unpredictable. Because these costs constitute a significant proportion of Iceland's ODA, authorities have tried to look for a systematic way to categorise them across the administration and to report regularly on them throughout the year.

In 2021, the MFA commissioned an evaluation of the working methods and accounting procedures for reporting costs of asylum-seekers and refugees across the different entities involved in providing subsistence, housing, health care, and other assistance. The objective was to find a way to increase the efficiency, effectiveness and coherence of data collection, analysis, and disclosure, in line with Iceland's Public Finance Act, its Development Policy, the regulation on municipal accounting, and the OECD DAC/Creditor Reporting System Directives and criteria that clarify the ODA-eligibility of migration-related investments.

The evaluation also examined the practices of two other DAC members – Finland and Ireland – and made recommendations for possible ways forward. The Government of Iceland chose an approach whereby the different entities involved in delivering and paying for services to asylum-seekers and refugees will classify costs as either ODA or non-ODA as they are entered into the accounting systems, and submit this information quarterly to Statistics Iceland and the MFA. This approach requires co-ordinating accounting practices across the various entities responsible for reporting these costs to the OECD: the municipalities, the Directorate of Immigration (UTL), the Ministry of Social Affairs and Labour, the Ministry of Finance, and the Ministry for Foreign Affairs.

As for other DAC members, tracking costs can be challenging. Asylum applicants receive one identification number from the Directorate of Immigration registry ("Erlendur"), a different identification number from the Icelandic police, yet another from the healthcare system, and a permit identification number if granted protection. Attributing a unique identification number to the same person across the Icelandic administration would be more efficient for tracking costs, but is hampered by privacy legislation that prevents each entity from exchanging information. Nonetheless, work has started to adopt a single social security number to accompany an applicant throughout the process, which should help to improve the collection of information, and to harmonise the accounting of such costs across municipalities and the UTL.

The Department of Statistics and Finance in the MFA has the lead in taking this forward and is working with the Ministry of Finance to review the methodology and plan how to work with responsible parties. Key steps are likely to include adapting the regulation of municipal accounting and assisting municipalities to reform their accounting practices, defining dashboard reports, updating contracts for service providers, and introducing new and co-ordinated accounting keys. In order to foster a culture of continuous improvement based on learning amongst the different parties, regular consultations and a forum will be established.

Note: This practice is documented in more detail on the **Development Co-operation TIPs • Tools Insights Practices** platform at www.oecd.org/development-cooperation-learning.
Source: KPMG (2021[30]), *Evaluation of In-donor Costs for Asylum Seekers and Quota Refugees in Iceland (in Icelandic only)*, www.government.is/library/01-Ministries/Ministry-for-Foreign-Affairs/Evaluations/2021-12-17_%c3%9attekt%20%c3%a1%20%c3%ber%c3%b3unarsamvinnukostna%c3%b0i_lokask%c3%bdrsla.pdf; OECD (2021[31]), *Iceland: Clarification of in-donor refugee costs in ODA*, https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/oda-in-donor-refugee-costs-iceland.pdf.

A partner-led, poverty-focused and long-term approach delivers results

Iceland is a committed development partner and has achieved results by channelling funds to administrations in Malawi and Uganda through the district programme-based approach to support decentralisation, uphold local ownership, and make the most of its relatively small volume of ODA. The 2008 Development Co-operation Act (Althingi, 2008[28]) made it possible for Iceland to co-finance development assistance and disburse funds directly onto partner countries' budgets. Iceland decided to channel a share of its bilateral ODA to district-level governments, while taking measures to ensure operational and financial oversight. This approach, based on a fundamental understanding that development is a long-term investment involving partnerships, has yielded positive results. For example, Uganda's Kalangala District was ranked among the 20 worst-performing districts for education in 2010 but is now rated among the 20 best-performing districts in Uganda. In Malawi's Mangochi district, Iceland supported health service delivery through the Mangochi Basic Services Programme, leading to the District Health Office becoming the best-performing office in the country in 2020 and 2021.

Iceland upholds its commitment to country ownership through capacity building and the use of country systems, reinforced by robust financial reporting. Typically, a programme will have a dedicated unit within the district government where desk officers work on finance, procurement and public works. Programme steering committees – made up of representatives from central ministries and district-level government authorities, the Embassy of Iceland, and the District Council – review and approve reports, work plans and budgets. This approach ensures local ownership of programme implementation, while also promoting regular dialogue between Iceland and its partners. District Councils are also involved when Iceland conducts quarterly financial and procurement reviews that are in line with partner country national audit and procurement procedures. Separate independent audits are conducted at the end of a programme. Iceland supports training opportunities for district governments in human resources, administration, accountability, monitoring and evaluation, contract management, gender equality, human rights, and sustainable environment management. This district-level approach requires significant human resources in the embassy to oversee programme management.

As Iceland exits some districts and enters new ones, building in sustainability should be a key consideration. Under current practice, Iceland considers phasing out its support to a given district after 10-15 years. Sustaining progress after Iceland withdraws is a persistent issue given that official budgets for basic service delivery tend to be low and households cannot afford to contribute much in the rural districts which Iceland supports. A recent evaluation of water sanitation and hygiene (WaSH) and education programmes in fishing communities in Buikwe District (Uganda) highlighted the need for the local district government and partners to develop and implement a clear operation and maintenance plan to ensure the institutional sustainability of WaSH investments and the maintenance of constructed school facilities as part of Iceland's exit strategy. As local communities were unlikely to be able to sustain these costs, the report recommended that the district lobby for increased resources via the government-funded school facilities grant (Cardno Partners Consult, 2021[32]).

Working with district councils, other development partners and multilateral organisations to advocate for additional resources at the district level and to influence and encourage reform of formal institutions is a judicious way for Iceland to embed sustainability. In Malawi, Iceland facilitated a visit of district officials from Mangochi, a district where Iceland is phasing out support, to Nkhotakota district, where Iceland is initiating support to a basic services programme, to share lessons learned and experiences related to sustainability (Box 3). At the district level, Iceland has also been successful in bringing other partners on board. For example, in Mangochi District, Iceland was instrumental in convincing UNFPA to invest in and partner with the District Council through joint field visits, technical inputs and regular feedback. Recent challenges in Malawi, including foreign exchange shortages, have led Iceland to explore cash-based transfers in collaboration with other development partners at the national level. Iceland's support for home-grown school-feeding programmes in Mangochi District, and broader support

through the World Food Programme (WFP), are other ways in which Iceland works with multilateral partners to help build resilience and food security, in alignment with Malawi's Vision 2063.

The new development policy will be an opportunity for Iceland to be more strategic in its support for climate, the environment and biodiversity, and to leverage its existing bilateral engagement on these issues. About one-third of Iceland's total bilateral allocable aid (USD 11.8 million) focused on climate change in 2020, which is close to the DAC country average of 34%. Iceland has committed to maintaining a 50-50 split between climate finance for adaptation and mitigation. It is supporting adaptation through the National and District Level Adaptation Plans in Uganda and Malawi, where it works with District Councils to integrate climate resilience and adaptation strengthening activities. In doing so it can seek synergies with biodiversity goals. As it expands to Sierra Leone, Iceland's increasing support for climate, environment, and biodiversity at bilateral and district level should encourage a reflection of what it could or should deliver across its bilateral and multilateral portfolios.

Updated country strategy papers are an opportunity to reflect potential synergies and drive a more strategic approach across programmes. For example, investments already reinforce each other across Iceland's bilateral, multilateral, private sector, GRÓ and civil society partnerships in its partner countries. This diversified portfolio opens up a range of avenues through which Iceland can achieve its objectives when there may be bottlenecks to delivery (Box 3). The adoption of new country strategies is an opportunity to address structural challenges systematically, and safeguard important development gains made in districts, linked to a clear results framework (see A fit-for-purpose system).

Box 3. Iceland's diverse portfolio has tangible impacts in Malawi

During the COVID pandemic, Iceland, like other providers, initially faced increased challenges in budget execution and maintaining a steady volume of bilateral ODA disbursements. To avoid implementation delays, Iceland is designing more balanced portfolios at country level by investing in diverse partners (CSOs, multilateral and bilateral development partners). This also helps to reinforce and scale up its district-level programming, as outlined in its country strategy papers. In Malawi, Iceland disbursed a total of USD 15.8 million in ODA over 2019 and 2020 (in constant 2020 USD), and has worked to diversify its support to district-level governments to meet the objectives it sets out in its country strategy: to strengthen governance at local government level, improve the livelihoods and resilience of the rural poor, protect the environment, and empower women and youth. Diversification helps contribute in the following ways:

- **Direct support to district governments helps build capacity.** The Mangochi Basic Services Programme has been supported by Iceland since 2012. It focuses on access to quality maternal and child health services and family planning, basic education, water and sanitation, women and youth empowerment, and capacity building for the District Council. The Government of Iceland and Malawi are currently designing a new basic services programme in Nkhotakota district, targeting underserved rural communities on the lakeshore. This district was selected with the Government of Malawi and benefited from a learning visit by the Mangochi District Council.
- **Working with multilateral and other bilateral development partners helps Iceland increase its impact.** Iceland supports a UNFPA project to advance adolescent girls' and women's sexual and reproductive health and rights in the Traditional Authorities of Lulanga, Makanjira and Chowe in Mangochi District. Iceland also partners with the WFP to strengthen home-grown school feeding in the district of Mangochi and contributes to the Malawi SDG Acceleration Fund to support conflict prevention in border communities. By working with the

GIZ-Energising Development programme (EnDev), Iceland is also helping to provide access to clean energy in Mangochi.

- **Beyond the district-level, Iceland works to empower women and girls and advance gender equality in Malawi through training programmes, multilateral partnerships, and supporting civil society.** In 2021, Iceland offered training on gender and climate change organised by GRÓ Gender Equality Studies and Training Programme (GEST) and Lilongwe University of Agriculture and Natural Resources (LUANAR) to 30 fellows: 12 men and 18 women. Together with UN Women, Iceland has supported Malawi's first National Action Plan on UN Security Council resolution 1325 on Women, Peace and Security. Support to Brother 2 Brother, a Malawian NGO, allowed it to translate and adapt Iceland's trademark Barbershop Toolbox[1] to the Malawian context (Zida Zaku Babashopu Toolbox) to actively engage men and boys to tackle social norms and become agents of change to achieve gender equality in society. Through its support to the Icelandic Red Cross, Iceland has partnered with the Malawian Red Cross in the areas of health, WaSH, disaster risk reduction, and social inclusion. Its support to IPAS, an international NGO operating in Malawi, has strengthened the provision of comprehensive abortion care in Mangochi District.

Note: This practice is documented in more detail on the **Development Co-operation TIPs • Tools Insights Practices** platform at www.oecd.org/development-cooperation-learning.

1. The Barbershop concept was developed jointly by the Permanent Missions of Iceland and Suriname to the UN in New York, in the context of the 20th anniversary of the Beijing Declaration and Platform for Action in 2015.

Source: MFA (2022[33]), *Iceland's Development Cooperation in Malawi, Draft Country Strategy Paper 2022-2025* (unpublished).

In Sierra Leone, Iceland is working to its comparative advantage in a challenging context and taking a prudent approach to its new bilateral portfolio. Since 2017, Iceland has engaged and partnered with the Government of Sierra Leone by working through multilateral and civil society partners (Box 1).[12] Iceland is now preparing to open an embassy and initiate direct bilateral co-operation with Sierra Leone. The governments of Iceland and Sierra Leone have identified underserved fishing communities as priorities. Iceland will invest to improve their livelihoods and access to basic services by piloting a limited version of its district-level programme approach applied in Malawi (Box 3) and Uganda. However, it has been facing criticism by stakeholders in Iceland. They argue, for example, that the MFA's very limited human resources are spread too thinly, and that Sierra Leone's complex governance challenges – both on land and water – require a multi-pronged approach and a concrete conflict analysis that Iceland may not be able to handle alone.[13] At the same time, Iceland is right to identify Sierra Leone as a country with few development partners and severe development challenges. For Iceland to maximise the chances of its country programme succeeding, it will be important to continue working with partners and the Government of Sierra Leone to update its understanding of the complex and fragile context, share information, and spread risks – as discussed further below.

Iceland can move more towards a whole-of-crisis-response in fragile contexts

As Iceland's bilateral co-operation targets fragile partners, it needs to better integrate conflict-sensitive and fragility components into its programming. Sixty-nine per cent of Iceland's country-allocable ODA goes to fragile contexts, including Sierra Leone and Uganda. This is higher than the DAC country average (54%), and slightly less than the 72% registered in 2016. Iceland's partnership with Sierra Leone will likely raise its ODA share for fragile contexts in the coming years, making it even more important to integrate conflict-sensitive and fragility components into its programming, including into its climate, environment and biodiversity finance. Working to ensure that development programming does not increase the risks of conflict requires a solid contextual risk analysis and associated resources that can be gained through strengthened co-operation with other development partners and stakeholders.

Closer integration between humanitarian response and development efforts will help Iceland adopt a whole-of-crisis-response approach. Following a drop in 2020, Iceland returned to providing 13% of its bilateral ODA as humanitarian ODA in 2021 and has increased its share of peace ODA[14] from 4.5% to 10% from 2020 to 2021 (OECD, 2023[12]). This increase is good practice and aligned with the conflict prevention priority of the DAC Recommendation on the Humanitarian Development Peace (HDP) Nexus [OECD/LEGAL/5019]. As Iceland responds to humanitarian needs created by Russia's war of aggression against Ukraine, it will be important to balance humanitarian and development needs, and not to lose sight of the primary objective of conflict prevention in the urgency of responding to humanitarian needs.

Iceland is considered to be a good humanitarian donor by its partners and has made progress on its Grand Bargain commitments, as reflected in its recent humanitarian assistance strategy (MFA, 2022[34]). Iceland supports and collaborates with four key UN institutions in the field of humanitarian assistance: (i) the United Nations Office for the Coordination of Humanitarian Affairs (OCHA); (ii) the Central Emergency Response Fund (CERF); (iii) the WFP; and (iv) the Office of the UN High Commissioner for Refugees (UNHCR) (MFA, 2019[6]). Because Iceland relies mainly on multilateral partners to meet emerging humanitarian needs, it is essential that it maintains internal co-ordination to avoid parallel humanitarian and development responses to the same crisis.[15] It can also capitalise on its strong partnerships with humanitarian and development multilateral partners to advocate for closer co-ordination across the humanitarian development peace nexus.

Iceland is a strong multilateralist and its partners appreciate its "no-fuss" approach

Iceland has long-standing partnerships with a small number of multilateral organisations, and has been successful in influencing them in the areas of gender equality, human rights, and humanitarian assistance. Iceland's priority multilateral partners – the World Bank, UNICEF, UN Women, and UNFPA – received 60% of Iceland's core multilateral ODA in the period 2019-21. In these priority organisations, Iceland is seen as a strong political ally in advancing mandates, in particular on gender equality and women's empowerment, and is influential in bringing along others. Multilateral partners are viewed positively by the Icelandic public, while National Committees in Iceland for UN Women and UNICEF play an important role in advocating for these partners' mandate and role. For example, Iceland provides hands-on technical backing and support to multilateral partners to help counter gender-based violence and sexual and reproductive health and rights (Box 3). Equally, through the World Bank, it works to maintain a focus on fisheries and the livelihoods of fishing communities, as well as gender, human rights and energy. Iceland's non-colonial history allows it to have a principled role relative to the Global South in international fora, notably on human rights. It has been a strong advocate of country-based pooled funds for humanitarian funding within the Nordic Group, citing the advantages of delegated management and shared risk. Iceland also provides access and funding for technical experts to international organisations in the fields of geothermal energy, gender equality, land restoration and sustainable management, hydropower energy, and fisheries.

As a small donor, Iceland relies on multilateral partners to complement its bilateral portfolio, especially in complex environments. In Sierra Leone, partnering with multilateral organisations like UNFPA, UNICEF, and the World Bank has allowed Iceland to get a sense of how its district-level approach might be adapted to the country context. In Uganda, Iceland supported a three-year programme (2019-21) together with UNICEF to improve WaSH in two South Sudanese refugee hosting districts. Aimed at schools and health facilities for both refugees and host communities, the target districts were different to those supported through Iceland's bilateral support to Uganda, and the programme was a pilot to promote a more integrated approach to humanitarian and development assistance, in line with the DAC Recommendation on Humanitarian Development Peace (HDP) Nexus [OECD/LEGAL/5019]. Pooling resources with other development partners for such efforts will continue to be an important avenue.

Multilateral partners value Iceland's predictable, flexible, "no-fuss" approach to their partnerships, in line with the development effectiveness principles (Box 4). Over 2020-21, Iceland provided its multilateral partners with USD 11.8 million on average per year in core ODA, and USD 20.6 million in earmarked funding, 68% of which is programmatic and therefore more flexible.[16] Iceland has increased the number of organisations with which it holds strategic dialogue, which is welcomed by its partners. However, Iceland could do more to link its partnerships with multilateral organisations in permanent missions and in specific countries to its global strategic agenda and priorities. This is also reflected in Iceland's challenge to clearly communicating how its core and earmarked support contribute directly and indirectly to results. To improve this, it would need to more intentionally link multilateral organisations' key performance indicators to its development policy's results framework.

Box 4. Iceland's "no-fuss" multilateral approach emphasises flexibility and predictability

Iceland advocates for and supports the mandates and normative roles of its multilateral partners, as laid out in its multilateral policy (MFA, 2022[11]). It is particularly appreciated by multilateral organisations for its flexibility and increasing predictability.

In per capita terms Iceland is one of the largest providers of voluntary funding to multilateral organisations. Any earmarked funds come on top of substantial unearmarked contributions. Fourteen percent of Iceland's total earmarked funding to the UN is through inter-agency pooled funds (Dag Hammarskjold Foundation and UN Multi-Partner Trust Fund Office, 2022[35]).

Framework agreements are in place with, among others, UNICEF, UNFPA, UN Women, and WFP, and consist of multi-year funding agreements, while Iceland expects to have annual strategic dialogues in place with its priority multilateral partners in the next couple of years to consolidate the practice of multi-year funding.

Multilateral partners were unanimous in underlining Iceland's good practices. No-cost extensions are straightforward to negotiate and approve. Iceland does not request financial or results reporting beyond what is agreed by the executive board, and it is known to advocate on behalf of multilateral partners for more flexibility and simpler reporting structures.

Source: Authors' interviews with multilateral partners; Dag Hammarskjold Foundation and UN Multi-Partner Trust Fund Office (2022[35]), *Financing the UN Development System: Joint Responsibilities in a World of Disarray* www.daghammarskjold.se/wp-content/uploads/2022/09/dhf-financing-the-un-development-system-2022.pdf; MFA (2022[11]), *Multilateral Development Cooperation Strategy* www.government.is/library/01-Ministries/Ministry-for-Foreign-Affairs/Int.-Dev.-Coop/Publications/EN%20-%20Multilateral%20Development%20Cooperation%20Strategy%20-%20Copy%20(1).pdf.

Iceland's commitment to climate, the environment and biodiversity has resulted in increased allocations and multi-year framework agreements to multilateral funds and programmes dedicated to this issue. For example, Iceland recently joined the UN Adaptation Fund and it has and will continue to scale-up its contributions to both the Adaptation and Green Climate Funds (UNFCCC, 2022[36]). Iceland also supports the World Bank's Energy Sector Management Assistance Program; the Nordic Development Fund's Energy and Enterprise Partnership Trust Fund (EEP Africa); and UNDP's Climate Promise, which supports priorities identified in partner countries' nationally determined contributions (NDCs). However, growing membership in various climate funds requires increased engagement in policy dialogue at national and international levels to influence and ensure scaled-up action on climate and nature, which the MFA will find increasingly difficult to achieve given its lack of human resources.

Recommendations

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.

Inclusive development partnerships

New co-operation modalities have strengthened Iceland's CSO partnerships

Iceland partners with Icelandic CSOs to achieve its development objectives – maintaining an open and strategic approach to engaging with local CSOs is important. Iceland's 2022 CSO co-operation strategy (MFA, 2022[37]) builds on the evaluation findings of the 2015-19 CSO strategy (NIRAS, 2021[38]), which underlines the importance of good and transparent partnerships with capable and active CSOs, clear and accessible rules on grants and procedures, and a focus on accountability and monitoring.[17] Both the evaluation and the new CSO strategy emphasise supporting capacity building and skills development for CSOs, and fostering a more vital and diverse civil society in developing countries. In practice, in order to minimise administrative and risk management costs, Iceland engages mostly with its domestic CSOs, which in turn work with civil society from the Global South. Icelandic CSOs are generally small, while some are part of a broader international network. Eighty-three percent of Iceland's ODA channelled through CSOs in 2015-20 went to Icelandic organisations (OECD, 2023[12]), five of which accounted for 94% of this ODA (NIRAS, 2021[38]). On a few occasions, the MFA has worked directly with local partner country CSOs – either those vetted by the UN or those it has previously co-operated with in the framework of multilateral projects. Direct co-operation with local CSOs has proven beneficial in some development co-operation projects, where they complement and add value to Iceland's engagement (see Box 3for an example of co-operation with IPAS in Malawi). Recent framework agreements go some way towards strengthening CSOs in partner countries, but further incentives might be put in place to strengthen local CSO capacity, including flexibility in the overhead costs sustained by local NGOs.[18]

Framework agreements have increased funding, predictability and flexibility for CSOs, while decreasing their administrative burden, as recommended in the last peer review. Seven framework agreements are now in place with four Icelandic CSOs (Box 5) – four on development co-operation and three on humanitarian assistance. This new partnership modality builds on the recommendations of the evaluation of Iceland's previous CSO strategy (NIRAS, 2021[38]), including the 2018-21 trial agreement with the Icelandic Red Cross for humanitarian assistance. Although relatively new, these framework agreements are already generating some visible benefits by reinforcing CSOs' financial and managerial capacities (Box 5). Predictability is also a clear advantage. By providing a three-year framework (2022-24), CSOs know their annual financial allocations in advance and can hire professionals to support their programme implementation. As funds are mostly unearmarked, CSOs can use them flexibly to meet their specific needs and priorities, within the confines of Iceland's development co-operation objectives and the SDGs. As a default requirement, Icelandic CSOs must involve their local partner organisations for implementing projects. The agreements reflect a shift in the relations between the MFA and CSOs towards long-standing partnerships based on mutual trust and continuous dialogue. A lighter reporting system should in theory simplify CSOs' administrative burden and reporting requirements, but further guidance from the MFA could be helpful to streamline and clarify expectations.

A separate grants system for smaller Icelandic-based CSOs enables a wide range of organisations to participate in Iceland's development co-operation efforts. For those civil society organisations that do not have framework agreements, the MFA issues annual calls for proposal for small development co-operation grants. Financial support available to smaller CSOs is mostly project specific. Grants for development co-operation can be allocated for a period of up to four years and require a 20% counterpart contribution from the recipient organisation or through a third party (MFA, 2019[39]). The MFA produced public guidelines on the grant application process in 2019, which helped CSOs to improve their grant applications (NIRAS, 2021[38]). The MFA intends to devote additional resources to provide guidance to smaller CSO organisations and contribute to their capacity building.

Box 5. Framework agreements are strengthening CSOs' due diligence and financial accountability capacities

The 2021 evaluation of Iceland's CSOs strategy and the 2017 peer review recommended establishing framework agreements to strengthen the partnership between the MFA and CSOs. These new framework agreements with Iceland's key partner CSOs are an important shift towards more stable partnerships and co-operation based on mutual trust and accountability. As part of the application process to engage in framework agreements, Iceland requires interested CSOs to undertake an audit and due diligence study by an external evaluator, focusing on three primary factors: (i) their institutional capacity, including management, organisation and human resources; (ii) their management of funds, standards and controls; and (iii) their expected role for the MFA in managing co-operation and the framework agreements. The audit exercise resulted in a final report for each CSO, and a summary report to the MFA. The conclusions of the study were used to assess the feasibility of concluding a framework agreement with each CSO.

The MFA then organised a training session for CSOs on internal controls, delivered by an external partner. The training focused on how to set up an effective control system and also included good practices for addressing the most common challenges. Regardless of whether the exercise resulted in a framework agreement being awarded, all participating CSOs recognised the benefits and usefulness of this initiative, which enabled them to identify areas for further improvement in strengthening their internal financial management.

Note: This practice is documented in more detail on the **Development Co-operation TIPs • Tools Insights Practices** platform at www.oecd.org/development-cooperation-learning.
Source: NIRAS (2021[38]), *Evaluation of the Icelandic CSO Strategy, Final Report,* www.stjornarradid.is/lisalib/getfile.aspx?itemid=2f01b29b-7feb-11eb-8131-005056bc8c60.

Greater CSO consultation at policy level could ensure closer buy in to Iceland's strategic directions

CSOs play a key role in raising awareness among the general public and key decision makers on the value and importance of Iceland's development co-operation. The CSO strategy identifies a key role for CSOs in education and information activities in Iceland, acknowledging their importance for ensuring the Icelandic public is aware of the official contributions to and results of Iceland's development co-operation and humanitarian assistance. All Icelandic CSOs can apply for small communication and awareness-raising grants to sensitise the public and key decision makers, such as parliamentarians, on the importance of development co-operation and humanitarian assistance efforts.

Further consultations with CSOs at strategic and policy levels would ensure greater buy-in to Iceland's strategic directions and awareness-raising efforts, building on the effective co-operation

with CSOs at programmatic and operational levels. The MFA and CSOs have established good dialogue and co-operation, and the MFA has been supportive throughout the various stages of a project or programme's implementation, despite some challenges in communication and follow-up caused by the frequent changes to the MFA's CSO focal point. The new strategy envisages setting up an annual platform with CSOs – this would be a good opportunity to promote their more strategic and regular engagement in Iceland's development co-operation policy and allow for broader, systematic discussions on the added value that CSOs can bring. As noted above (see A fit-for-purpose system), as the Committee for Development Co-operation includes CSOs representatives, it is another possible mechanism for integrating the CSO perspective into forthcoming reflections on the new development co-operation policy.

The GRÓ Centre for Sustainable Development trains developing country professionals and build links in partner countries

Iceland's capacity development programmes, run under the umbrella of the GRÓ Centres for Sustainable Development, are a trademark of its development co-operation; however, value for money is a growing concern. Iceland has four fellowship programmes in areas where it has particular expertise (geothermal energy, fisheries, land restoration, and gender). GRÓ's support is specifically aimed at achieving progress on the implementation of four SDGs: SDG 5: Achieve gender equality and empower all women and girls (GEST); SDG 7: Ensure access to affordable, reliable, sustainable and modern energy (GTP); SDG 14: Conserve and sustainably use the oceans, seas and marine resources (FTP); and SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems (LRT). These programmes allow professionals in developing countries to study and train in Iceland for six months at one of four universities and institutions. A cohort of about 20-25 professionals are trained per programme per year for a total of around 90-95 fellowships.[19] The total average annual cost was USD 4.3 million in 2020-21 (in USD 2020 prices), at an approximate cost per participant of USD 54 500[20] (OECD, 2023[12]). The 2017 peer review had already underlined that the costs per participant of the six-month fellowships – at that time under the auspices of the United Nations University (UNU) – were sizeable compared to the rest of Iceland's development co-operation. A 2017 evaluation of the UNU programmes acknowledged that capacity development initiatives are often questioned for their cost-efficiency, but nevertheless found clear advantages in bringing trainees together (NIRAS Indevelop., 2017[40]).

Since Iceland's scholarship and training programmes became the GRÓ Centre for Sustainable Development in January 2020, the overall approach has become more structured. The GRÓ centre is now "hosted" by UNESCO as a Category 2 Centre, and a governing board has been set up, with representatives from the MFA, the Committee for Development Co-operation, UNESCO, and the Ministry of Culture and Trade. These advances have forced the MFA to reflect on how to optimise GRÓ's administrative and operational activities. Closer institutional ties with UNESCO could help identify suitable candidates for training and can also help formally link alumni to the UN system at country level. The board has pushed for the four programmes to streamline their financial organisation so that they have better oversight of how programme money is spent. The new theory of change (Box 6) will make it easier to monitor progress, and importantly, ensure greater uniformity across the various institutions that host the four programmes.[21] GRÓ and the MFA should continue to build on the recent financial audit of the fellowship programme to maximise efficiencies and value for money in their management and operation of these programmes.

While the programmes have links to Icelandic development co-operation, greater synergies could be built in. From the perspective of the MFA, one of the main objectives of GRÓ – aside from providing training opportunities to professionals in partner countries – is to establish partnerships with relevant institutions across the world. There are strong institutional links between the geothermal training programme and Kenya's Geothermal Development Company, for example, and alumni have partnered with private sector beneficiaries of the SDG Fund. Fellows from the GRÓ programmes may also return to Iceland for Masters or PhD programmes, earning qualifications and credentials that increase their potential

to become change agents in their field. In those countries where Iceland has an embassy, however, Iceland could be more intentional about forging links between GRÓ alumni and programmes and its bilateral and multilateral programming, including via short courses like the one offered in 2021 in Mangochi District, Malawi (Box 3). Experts from the training programmes often work with institutional contacts, fellows, civil society, and the private sector to pilot projects in partner countries. However, there is little capacity at the MFA for assessing the success of such projects or for determining how they might be scaled-up and integrated into programming.

Institutional partnerships, short-course options, and alumni networks in partner countries could be further strengthened. Each of the four programmes offers short courses in partner countries. For example, there are annual short courses on geothermal exploration and development in Kenya and El Salvador; and bespoke short courses on gender, including gender and climate and gender and women's empowerment for district institutions in Malawi and Uganda. Short courses increasingly draw on faculty and professionals from partner institutions and alumni. A comprehensive evaluation of the training programmes conducted before the new institutional arrangement was adopted in 2020 reflected that lecturers and advisers should include professionals from developing countries and that short courses should focus on demand-driven opportunities (NIRAS Indevelop., 2017[40]). In line with these recommendations, GRÓ is making a more conscious effort to engage alumni networks when it recruits lecturers, advisers and fellows, and to encourage more regular contact of alumni with Icelandic embassies to reinforce Iceland's support for the SDGs.

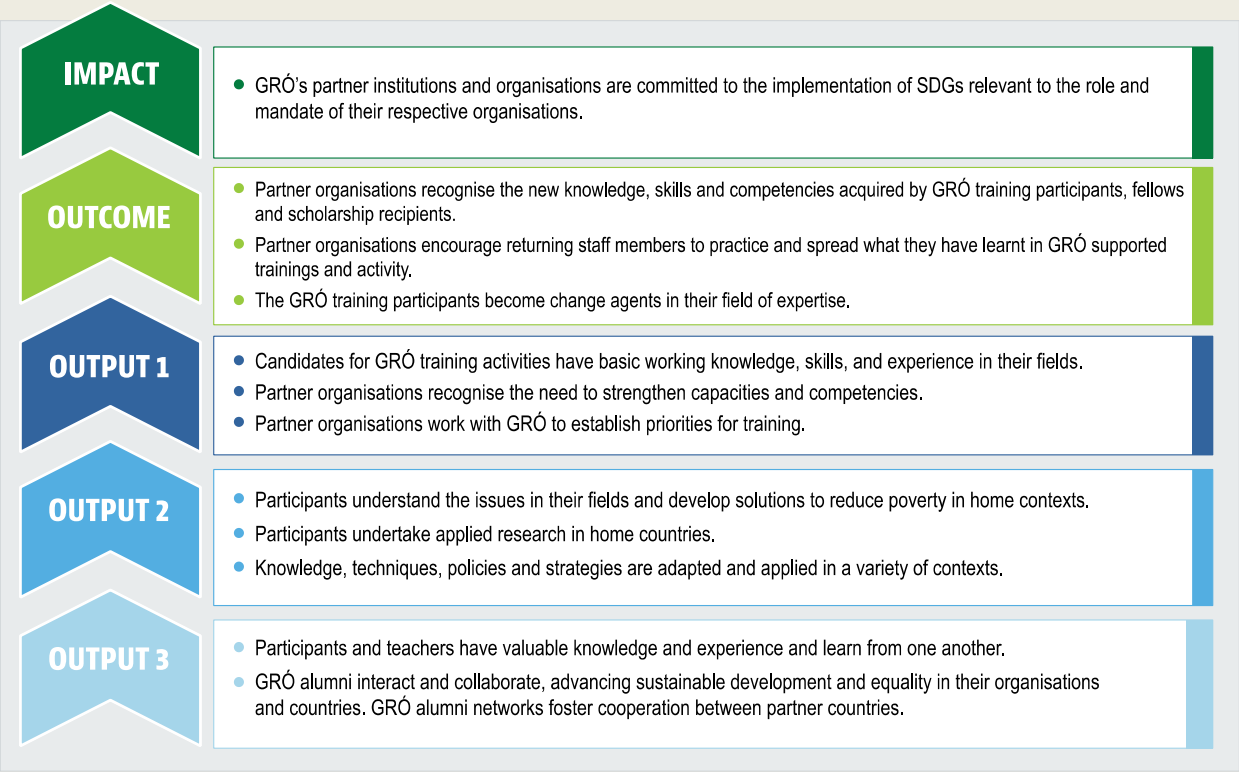
Box 6. A theory of change helps Iceland determine the impact of its GRÓ Centre scholarships and training programmes

Scholarships and training provided by DAC member countries represent a small but stable volume of ODA: around USD 1 billion or 1% of net bilateral ODA in 2020. A few DAC members have evaluated their scholarship programmes in recent years, including the Czech Republic, Greece, and New Zealand. These evaluations have drawn mixed conclusions, and typically recommend a stronger alumni network, more post-graduation learning opportunities, and better alignment of the programmes' objectives with development policies and priorities.

The literature shows that assessing the socio-political, civic, economic, and diplomatic impacts of scholarships and training programmes is complex and requires looking beyond the individual's post-scholarship trajectory or agency for change to the conditions that allow social transformation in diverse settings.

Recently, GRÓ formalised a theory of change for their scholarship and training programmes to illustrate how and why desired outputs and outcomes are expected to occur (Figure 5). The objective is two-fold: (i) to hold the GRÓ Centre to account for its objectives and priorities; and (ii) to create an understanding of what GRÓ wants to achieve and how it can meet the capacity development needs of existing and potential partners.

Figure 5. Assumptions underpinning GRÓ's impact, outcome, and outputs



Source: GRÓ (2022[41]), *GRÓ Theory of Change 2022-27*, www.grocentre.is/static/files/GRO/Skyrslur/gro-theory-of-change-2022-2027.pdf.

Each of the four GRÓ programmes covers a different field – the Fisheries Training Programme, the Gender Equality Studies and Training Programme, the Geothermal Training Programme, and the Land Restoration Training Programme – and retains the freedom to select partner organisations to nominate candidates. The assumption is that in each partner country there are key local organisations with the potential and ambition to contribute to change in these areas in collaboration with GRÓ programmes, and that these partner organisations have a mandate or strong position within their country to work on development issues related to the programme's focus.

Source: Coffey (2019[42]), *Strategic Evaluation of New Zealand Aid Scholarships*, www.mfat.govt.nz/assets/Aid-Prog-docs/Evaluations/2019/Strategic-Evaluation-of-NZ-Aid-Scholarships/NZ-Aid-Scholarships-Evaluation-Report.pdf; Dassin and Navarette (2018[43]), *International Scholarships and Social Change: Elements for a New Approach*, https://doi.org/10.1007/978-3-319-62734-2_15; GRÓ (2022[41]), *GRÓ Theory of Change 2022-2027*, www.grocentre.is/static/files/GRO/Skyrslur/gro-theory-of-change-2022-2027.pdf; Hellenic Aid (2019[44]), *Ex-post evaluation of the Greek scholarship programme: Executive summary*, https://hellenicaid.mfa.gr/media/images/docs/executivesummary.pdf; Mawer (2018[45]), Magnitudes of Impact: A Three-Level Review of Evidence from Scholarship Evaluation, https://doi.org/10.1007/978-3-319-62734-2_13; Němečková (2014[46]), The Czech government scholarship programme for students from developing countries – Evaluation findings and policy reflections, https://doi.org/10.1016/j.evalprogplan.2013.12.002.

Iceland partners with the private sector through the SDG Fund, but could still strengthen private sector engagement

The new SDG Partnership Fund has raised the profile and visibility of private sector engagement in development co-operation. Iceland does not seek to develop financial instruments such as loans,

equity, or guarantees to co-invest and lower the risk of Icelandic private companies seeking to explore opportunities in developing countries. Instead, it has sought ways to provide small co-financing grants to encourage the Icelandic private sector to invest in countries and sectors with important development dividends. The SDG Partnership Fund was created in 2018 for three years (and then extended by one year) to encourage private sector participation and contribution to development co-operation. Grants are awarded to private sector entities for a total maximum of EUR 200 000 over the three years through an annual call for proposals, requiring 50% co-financing.[22] Special emphasis is placed on job creation for women, and on projects that have a positive environmental impact, but projects can be in any ODA-eligible country.

The objectives of engaging with the Icelandic private sector on sustainable development could be clarified further. For some private sector actors, the grant contributes to the cost of a feasibility study that can help convince board members of the viability of such an investment. Nonetheless, there is as yet no clear evidence that private companies would not have invested in these opportunities without the grant, or that they invest more of their own resources as a result of it. As the recent evaluation on private sector collaboration recommends, the project application, progress reports and the final report should all set out future financing and operational options to make results sustainable (Årling and Gunnarsdóttir, 2022[47]). In addition, the effectiveness the grant should be demonstrated through the degree to which it mobilises additional resources and has a development impact.

The higher profile of private sector involvement in development co-operation through the SDG Fund should be weighed against the high administrative burden of the process. Since 2019, the MFA has received more than 60 applications, 27 of which were selected by a group of independent experts in the field of business and development co-operation and two are pending approval by the Minister. The annual selection process and regular reporting and follow-up on previously awarded grants nonetheless create a heavy administrative burden for the one or two MFA staff that currently administer and manage private sector partnerships through the SDG Fund. The recent evaluation of Iceland's private sector instruments recommends creating an advisory board that includes members with technical expertise to help strengthen Icelandic competencies in private sector collaboration and project financing. As such, members of the board could support the SDG Fund manager and engage more closely in the monitoring and evaluation of projects (Årling and Gunnarsdóttir, 2022[47]). Iceland could also explore alternative instruments, such as investments by Nordic sovereign wealth funds and other blended finance initiatives with partners, especially as it steps up its engagement and funding for climate finance. A set of principles and criteria guiding its private sector engagement might ensure closer alignment with Iceland's development policy and reinforce ongoing initiatives, including with the private sector in partner countries.

Recommendations

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.

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Notes

[1] In 2020, aluminium accounted for 1 356.88 kilotons (kt) of CO_2 emissions, out of a total of 4 509.64 kt, excluding LULUCF (land use, land-use change and forestry). See https://di.unfccc.int/detailed_data_by_party.

[2] This is illustrated by Iceland's investments in Buikwe and Namayingo Districts in Uganda; recent investments in Makanjila, in Mangochi District, Malawi close to the Mozambican border; and more recently its expansion into Nkhotakota District, Malawi (Box 3).

[3] These are the Food and Agriculture Organisation (FAO), the International Committee of the Red Cross (ICRC), the International Fund for Agricultural Development (IFAD), the UN Central Emergency Response Fund (CERF), the UN High Commissioner for Refugees (UNHCR), the UN Office for the Coordination of Humanitarian Affairs (UNOCHA), the UN Relief and Works Agency for Palestine Refugees (UNRWA), the World Food Programme (WFP) and the World Health Organisation (WHO).

[4] The strategies are in the process of being finalised.

[5] The new development co-operation policy will be discussed in Parliament in the 2023 autumn session.

[6] In addition to running a specific programme to advance gender equality, the GRÓ centre is committed to actively promoting gender equality in all its activities, across the four programme areas: fisheries, gender, geothermal and land restoration. This is done by providing a gender-sensitive learning environment and maintaining gender balance in the admission of fellows and other trainees. Overall the gender ratio of fellows in 2022 was 54% women and 46% men. GRÓ seeks to increase the role of women in the fisheries, geothermal and land restoration sectors, aiming for gender parity. Moreover, the GRÓ programmes undertake research and projects relating to gender and their areas of expertise when possible.

[7] As highlighted in its 2019 Voluntary National Review (Prime Minister's Office, 2019[23]).

[8] Financial audits are not made public.

[9] According to Article 7, paragraph 1 of Act 21/2018 (unofficial translation): "*Government employees engaged in international development co-operation [*the MFA] temporary employment may be carried out on limited projects in development co-operation abroad, but not exceeding five years at a time. It may terminate such an employment contract with a notice period of three months".

[10] In 1971 development co-operation was focused on joint Nordic co-operation projects, fisheries in Kenya and technical assistance and investments in agriculture in Tanzania and Kenya. In 1981 when the Althingi (Parliament) adopted Act no. 43/1981, the Office for Iceland's Assistance to Developing Countries was replaced by ICEIDA. ICEIDA's programming was focused on fisheries projects in the Cabo Verde, where it worked to strengthen the fisheries sector and support health until 1999. In late 1989, Malawi became a bilateral development partner country, followed by Namibia (1990), Mozambique (1995), and Uganda (2000).

[11] The 11 budget lines are: 101 administration; 111 bilateral co-operation; 112 regional co-operation and technical co-operation; 113 partner countries; 121 UN multilateral organisations; 122 GRÓ centre for capacity development; 130 humanitarian assistance; 131 World Bank; 132 environment, gender equality and human rights; 133 civil society and NGOs; and 190 positions abroad, communications, other.

[12] It has done so through support to UNICEF for improved WaSH services in coastal fishing communities implemented by civil society; through the World Bank's West Africa Regional Fisheries Project; and, more recently, through a substantial contribution to UNFPA for an integrated approach to support women suffering from fistula (Box 1).

[13] The capacity building and technical assistance to fisheries management for improved value and quality of fish stock has also been criticised by members of the Committee for Development Co-operation as a primary motivation for Iceland's involvement.

[14] In the OECD's fragility framework, ODA to peace-related sectors is tracked using the following Creditor Reporting Sector codes: 15110 (*Public sector policy and administrative management*), 15111 (*Public finance management (PFM)*), 15112 (*Decentralisation and support to subnational government*), 15113 (*Anti-corruption organisations and institutions*), 15130 (*Legal and judicial development*), 15150 (*Democratic participation and civil society*), 15152 (*Legislatures and political parties*), 15153 (*Media and free flow of information*), 15160 (*Human rights*), 15170 (*Women's equality organisations and institutions*), 15180 (*Ending violence against women and girls*), 15190 (*Facilitation of orderly, safe, regular and responsible migration and mobility*), 15210 (*Security system management and reform*), 15220 (*Civilian peace-building, conflict prevention and resolution*), 15230, (*Participation in international peacekeeping operations*) 15240 (*Reintegration and SALW control*), 15250 (*Removal of land mines and explosive remnants of war*), 15261 (*Child soldiers (prevention and demobilisation)*.

[15] For example, in Afghanistan both humanitarian and development channels are used to replenish UN Multi-Donor Trust Funds, which can result in unnecessary administrative costs and potentially lost opportunities for a coherent Iceland-wide response.

[16] In constant 2020 USD. More flexible earmarked funding refers to programmatic, not project-level (aid type C01).

[17] Iceland's development co-operation policy commits it to continue to contribute to CSOs' projects and to provide support to CSOs based on "promoting an independent, powerful, and diverse civil society that fights against poverty in all its different forms in the developing countries" (MFA, 2019[6]).

[18] New Zealand's Negotiated Partnership Finance Guidance with NGOs includes a special provision for overhead costs for in-country partners. This is important to recognise these costs for local partners and to support localisation; the growth of resilient and effective local NGOs and effective partnerships; and engagement between New Zealand and in-country NGOs to address management issues. It stipulates that up to 10% of overhead costs are permissible for local partners.

[19] According to GRÓ Strategic Priorities in 2022-27, priority should be given to fellows from least-developed and lower-middle income countries. The ratio for fellows from upper-middle income countries should not exceed 30% per programme and 20% of the overall number of GRÓ fellows per year. The programmes should aim for gender parity (GRÓ, 2022[48]).

[20] Note that this may be an over-estimate as it likely also includes costs of students who have returned to Iceland to study for a PhD or Master's degree.

[21] Partner institutes run each of the four GRÓ programmes. For fisheries, they include the University of Iceland, Matís Ltd (Icelandic food and biotech research and development), the University of Akureyri, and Hólar University College. For land restoration, these include the Agricultural University of Iceland and the Soil Conservation Service of Iceland. The gender equality programme is hosted by the School of Humanities at the University of Iceland. The geothermal programme is hosted by Iceland GeoSurvey.

[22] ODA contributions via the SDG Fund are reported by Iceland as partially tied, meaning associated goods and services must be procured in the donor country or in a restricted group of other countries that must include all aid-recipient countries.

Annex A. Progress since the 2017 DAC peer review recommendations

Towards a comprehensive Icelandic development effort

2017 Peer review recommendations	Progress
As Iceland discusses its response to the SDGs at home, it needs to use its policy coherence function to enable, in a light-touch manner, better understanding of policy trade-offs across government, including any impacts in developing countries.	*Not implemented* Formal policy coherence framework to address policy trade-offs has not been developed. The Prime Minister's Office chaired the first meeting of Sustainable Iceland – a platform that includes a representative from each Ministry and municipalities – to speed up actions towards the SDGs and the Government's well-being economy goals in December 2022. This platform could systematically consider the spillover effects of its domestic policies on partner countries.
As Iceland develops its national plan for delivering on the 2030 Agenda and the institutional framework through which this will take place, it should clarify how development cooperation will be integrated into the plan.	*Implemented* Iceland has progressively integrated SDG targets across its different government policies. Its five-year fiscal strategy links SDG targets to specific government policy objectives, while its 2019-23 policy for international development co-operation prioritises ten SDGs.

Vision and policies for development co-operation

2017 Peer review recommendations	Progress
As the MFA plans for a new development policy and rolling action plan for the period 2017-21, it should define criteria to prioritise activities in line with Iceland's poverty focus and comparative advantage. This should help to guide future selection of partners and funding instruments.	*Partially implemented* The 2019-23 policy prioritises poverty alleviation and support to LDCs, while bilateral allocations to LDCs are among the highest of DAC members. Maintaining focus and prioritisation in the selection of partners and themes is critical in a time of expanding demand, not least because of its limited human resources.
The MFA could use its existing country strategies in crisis-affected areas to develop clear and consistent policy directives across Iceland's development programme for crisis management.	*Partially implemented* Existing country strategies in conflict-affected countries (Sierra Leone and Uganda) allude briefly to crisis-affected areas, but clear policy directives have not been issued. This is an area where Iceland could consider working more with partners given its capacity constraints.

Aid volume and allocation

2017 Peer review recommendations	Progress
In line with Iceland's continued economic recovery and forecasts for robust economic growth, Iceland should increase its ODA level in real terms, using its five-year budgetary framework to establish a more ambitious timeline for meeting its 0.7% UN ODA to GNI commitment.	*Partially implemented* Iceland has increased its ODA level in real terms, albeit largely thanks to in-donor refugee costs. Its five-year budgetary framework has 0.35% of GNI as the target, but no timeline for meeting its 0.7% ODA to GNI commitment.

Organisation and management

2017 Peer review recommendations	Progress
As it consolidates the merger of its bilateral agency with its Ministry for Foreign Affairs, Iceland should review the implementation of its recent reforms to ensure that it remains a responsive, flexible and high-quality development cooperation provider.	*Partially implemented* The integration of ICEIDA staff within the MFA enabled a broader understanding of development co-operation issues across MFA professionals. After the merger of ICEIDA, and as recently as October 2022, the MFA underwent several re-organisations of its development co-operation to ensure synergies with foreign policy decisions while avoiding urgent political issues being prioritised over development co-operation. The recent re-organisation will test how flexibly and strategically Iceland uses its different channels to implement its development policy.
The Ministry for Foreign Affairs should pay attention to retaining staff with development cooperation expertise through careful planning of rotations, promotional opportunities and focusing on future training needs for both development professionals and diplomats.	*Partially implemented* Iceland has hired mid to senior level development professionals, and introduced additional development training and career opportunities, including through secondments. While these increased opportunities enable a potential career track for professionals with development co-operation expertise, in practice it is not always possible to ensure a rotation from one development post to another. JPOs and young professional programmes contribute to creating a pool of external experts with development expertise.

Development co-operation delivery and partnerships

2017 Peer review recommendations	Progress
In reflecting on how to deepen and strengthen its work with the private sector, Iceland could draw upon its experience working with geothermal energy actors, an area which speaks to its comparative advantage as a donor.	*Partially implemented* Iceland set up the SDG Fund in 2018 to provide seed money to private sector actors, including geothermal energy actors. There is still scope to demonstrate how partnerships with the private sector are driven by development objectives and to incentivise additional development-related private financing. An evaluation of how Iceland engages the private sector was completed in December 2022.
Iceland should ensure that its Reykjavik-based scholarship programme aligns with the over-arching poverty focus of Iceland's programme and that it achieves tangible development results.	*Partially implemented* The training programmes are now under one GRÓ Centre umbrella and affiliated with UNESCO as a Category 2 Centre. GRÓ recently developed a theory of change, which will facilitate reporting on results. Further efforts are underway to consolidate the four programmes to ensure value for money and efficiency gains and to build on short-training programmes in partner countries.
Iceland could better define its strategic vision and rationale for selecting partners, including through developing principles to guide its partnerships with civil society.	*Implemented* Iceland's Development Policy sets out its priorities, clear focus areas, and priority partners. Iceland developed a strategy for civil society engagement in 2022 and has put in place seven new framework agreements, further strengthening its CSO partnerships.

Results and accountability

2017 Peer review recommendations	Progress
In its new policy and action plan for development cooperation, Iceland should develop a more comprehensive approach to managing for results at the strategic, programme and activity levels, aligning with the SDGs and partner government frameworks.	*Partially implemented* Iceland does not have a comprehensive RBM framework or policy, but there is an RBM culture in place among MFA professionals. In its bilateral co-operation, the new country strategies being finalised are also aligning Iceland's and each partner country's objectives better with each other and with the SDGs, and linking Iceland's activities with the expected impact.
Iceland should use its Committee on International Development Cooperation and new media platforms to improve public and political awareness of its development results, using annual public opinion surveys as a measure for success.	*Implemented* While the Committee on International Development Cooperation has not been used for this purpose, other channels (media, targeted training, awareness campaigns) have been used to engage the public on international development co-operation. Public opinion surveys commissioned by the MFA since the last peer review show strong support for Iceland's development assistance and support to multilateral organisations.

Humanitarian assistance

2017 Peer review recommendations	Progress
Iceland should designate a single coordination mechanism for responses in crisis-affected countries, giving due consideration to existing structures, for example the ICRU.	*Partially implemented* A strategy for emergency and humanitarian assistance outlines Iceland's strategic vision. Functions of the Icelandic Crisis Response Unit (ICRU) have been divided into peacekeeping and security-related roles (not counted as ODA) in the Directorate for Defence. There is no single co-ordination office to manage humanitarian assistance and development response in crisis-affected countries.

Annex B. Organisations consulted during the peer review

Organisations and authorities consulted in Iceland

1. Committee for Development Cooperation
2. Directorate of Fisheries
3. GRó - International Centre for Capacity Development, Sustainability and Societal Change
4. Marine and freshwater research institute of Iceland
5. Matís
6. Ministry for Foreign Affairs
7. Ministry of Finance & Economic Affairs
8. National Audit Office
9. Prime Minister's Office

Organisations and authorities consulted outside of Iceland

10. Buikwe District Council, Uganda
11. Mangochi District Council, Malawi
12. Namayingo District Council, Uganda
13. Nkhotakota District Council, Malawi
14. OCHA
15. OHCHR
16. UN Department of Political and Peacebuilding Affairs
17. UN Women
18. UNDP
19. UNESCO representative on GRÓ board
20. UNFPA
21. UNFPA Malawi
22. UNFPA Sierra Leone
23. UNHCR
24. UNICEF
25. UNICEF Sierra Leone
26. UNICEF Uganda
27. UNRWA
28. WFP

29. WFP Malawi

Civil society, academic and private sector institutions

30. Credit Info Group
31. Education in a Suitcase
32. GEG Power
33. Iceland Red Cross
34. Icelandic Church Aid
35. Icelandic Lutheran Mission
36. Intellecon
37. Össur
38. Save the Children
39. SOS Children's Villages

OECD Development Co-operation Peer Reviews

ICELAND

The OECD's Development Assistance Committee (DAC) conducts peer reviews of individual members once every five to six years. Reviews seek to improve the quality and effectiveness of members' development co-operation, highlighting good practices and recommending improvements. Iceland adopts a partner-led, poverty-focused and long-term approach with its three partner countries and relies on multilateral partners to complement its bilateral portfolio. Iceland successfully advances gender equality and new framework agreements with civil society have strengthened partnerships. This peer review provides a set of recommendations for Iceland to remain focused in its 2024-28 development co-operation policy and forthcoming environment and climate strategy, build on recent official development assistance (ODA) volume increases to develop a concrete roadmap towards 0.7% GNI as ODA, and adopt a strategic workforce plan to address human resource constraints. It recommends that GRÓ training programmes prioritise strengthening partner institutions' capacity and that the Ministry of Foreign Affairs works to ensure additionality and sustainability when engaging with the private sector.



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