

INSTITUTIONAL COOPERATION INSTRUMENT – ICI

Manual and Recommended Best Practices

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VERSION 6

Changes since version 5 (May 2010):

Appendix 2: Logical framework model attached to Project Document guidelines

Appendix 9: Progress report model updated.

Appendix 11: Time sheet model added.

VERSION 7

Appendix 32: Crosscutting objectives updated.

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READING INSTRUCTIONS

This manual is targeted for government employees in Finland and in partner countries.

Part A of the Manual provides a full description of ICI as a development cooperation instrument. Useful guidance concerning how to prepare a proposal for an ICI project is given in the section entitled *Introduction*. The section outlines the project cycle and describes the preconditions of a successful project. *Project Cycle* is the heading of an entity that describes the preparation of a Project Proposal and Project Document in more detail.

Part B includes guiding documents for project management. It includes templates for Project Proposal, Project Document and reporting. Many templates can be copied from the text and used as a basis for preparing, for example, a project proposal.

Part C covers the laws and internal instructions, which provide guidance for the projects and the use of the instrument. Only projects fulfilling the legal provisions can be approved. Most of the issues governed by the statutes are already discussed in the introduction and the guiding documents.

Part D discusses the best practices for planning and implementing ICI projects. The issues are generic - they are largely similar to any other capacity-building programmes of a similar size. The main theme is how to manage capacity building in an effective and efficient manner.

Fully updated instructions for ICI projects are available on the web site of the Ministry for Foreign Affairs of Finland at www.formin.fi, under "development policy", "implementation of development cooperation", "country- and region-specific cooperation", "inter-institutional development".

<http://formin.finland.fi/public/default.aspx?nodeid=40157&contentlan=2&culture=en-US>

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Update number 3, dated February 2009, included major changes for all forms and instructions. It also included a new section, which described best practices for capacity building, including crosscutting themes, and corruption prevention.

Update number 4, dated June 2009, includes language editions, minor changes in contractual requirements and major simplifications in reporting requirements.

Update number 5, dated April 2010 includes changes in budgetary guidelines, in project document preparation, and in submission of the project document.

PART A

INTRODUCTION

AN OVERVIEW OF THE INSTITUTIONAL COOPERATION INSTRUMENT

This manual is meant to provide guidelines (templates for project proposal, project document and budget, reporting formats) for ICI implementing agencies and also to serve as an easy gateway to relevant legislation and other background documentation. The manual is available on the Ministry's website at <http://formin.fi> as a Word document. The English pages can be accessed under "development policy", "implementation of development policy", "country- and region- specific cooperation".¹

1.1 The objective of ICI: capacity-building between public sector organisations

Well-performing public sector organisations that provide relevant and satisfactory services for the citizens are at the heart of the operation of any state and tremendously important for the developing countries in tackling the various dimension of poverty. Yet, helping public sector organisations work better is one of the most urgent and difficult challenges in development cooperation.

Capacity development activities have often failed to yield the planned results because capacity development has been treated as a technical process of transferring "right answers" from North to South without fully appreciating the importance of the partner country's and organisation's ownership. All organisations operate in their specific contexts and their performance is influenced by external and internal factors, including formal and informal rules, norms, and procedures observed by organisations.²

Capacity development is an endogenous process in which donors can play a supporting role but cannot or must not seize the process. Therefore, ensuring ownership of the partner organisation is the key to success in the ICI capacity development projects.

Cooperation between Finnish and partner countries' public sector organisations has featured in Finnish development cooperation for several years. It has, however, been used in a sporadic rather than systematic way. Finland's current Development Policy, published in 2007, calls for new and innovative utilisation of Finnish expertise, including that of Finnish public sector agencies, in development cooperation. The Policy provides for the establishment of a new instrument to finance "twinning-type" cooperation between public sector organisations in Finland and in developing countries. The new tool is called Institutional Cooperation Instrument (ICI).

The objective of the ICI is to strengthen the capacity of public sector institutions in partner countries by utilising the expertise that can be found in the Finnish public sector. The idea is that capacity can be best enhanced with the help of colleagues - civil servants from a respective organisation with similar tasks and responsibilities. The ICI provides an easy channel and means for public sector organisations in Finland and in partner countries to cooperate. A phased and supported project preparation process is meant to ensure both relevant and effective cooperation.

The eligible organisations in Finland include government agencies or public institutions that belong to the same legal person with the Ministry for Foreign Affairs of Finland (MFA). The updated list of Finnish government agencies can be found in: <http://valtiokonttori.fi/Public/default.aspx?contentid=33413&nodeid=15836>

¹ <http://formin.fi/public/default.aspx?nodeid=40157&contentlan=2&culture=en-US>

² For more information on capacity, capacity development, and institutional assessments please see appendix 31.

As the cooperation is based on cost-recovery principle, profit-making Finnish public organisations are excluded from the ICI's remit. There are, however, some state-owned companies and public utilities that may qualify as government entities in terms of ICI cooperation. Their eligibility will be determined by the Ministry's lawyers on a case by case basis.

In partner countries the eligible institutions include public sector agencies, including publicly owned (majority-share) companies and research institutions. Associations, foundations and networks are not eligible. For more information, please see Appendix 24 below.

The Institutional Cooperation Instrument (ICI) is governed by law (1989/382) and a specific internal instruction (HELM178-3), which can be found in Part C of this Manual.

1.2 Main characteristics of the ICI projects

The ICI can be used to finance a variety of ODA-eligible capacity development projects. The main requirements are that the activities are clearly based on a partner organisation's demand with evidence of strong ownership of the project and cooperation, and that the cooperation is results-oriented with well-defined, measurable objectives.

The ICI project is based on the initiative, demand and identified needs for capacity development in a partner country agency. The various capacity development activities may aim at improving service delivery, developing new services or forms of service delivery, organisational development, revision of working procedures, improving know-how and skills, networking and internationalisation. The cooperation needs to be results-oriented with clearly defined and interlinked objectives, results, activities and results. The partner agency must play a decisive role in defining the specific objectives of the cooperation and the indicators with which progress of cooperation is measured. It must be possible to present the results-orientation of the projects with a logical framework or other similar project planning and management tool.

The ICI project may support and complement existing cooperation between the partner organisation and Finland or any other donor. In these cases, the linkages between the proposed ICI project and other cooperation need to be clearly presented.

Cooperation should span at least twelve months and the budget should be between € 50 000 – 500 000. Single, one-off conferences or seminars are not financed. The budget may, however, be significantly higher in cases where the project promotes the Finnish development policy and supports cooperation in one of the key priority sectors defined in the Finnish country level cooperation strategies, or if the project promotes Finnish regional cooperation strategy through thematic cooperation between neighbouring countries.

The ICI project is based on cooperation between civil servants of two agencies. Consequently, outsourcing or subcontracting implementation of project activities can only amount to a small share (usually some 5-10 per cent) of the total project costs.

Due attention must be paid to the cooperation modalities. In the beginning, sufficient resources should be allocated to enable establishment of good mutual relations. At a later stage, the use of modern communication technologies, such as web conferences, is encouraged to ensure regular and continued interaction. Limiting cooperation to technical and non-political issues is advisable. The inclusion of junior experts in the project team promotes capacity building both in Finland and in the partner country.

Finland's current or previous main partners countries³ are prioritised in the ICI. Other developing countries where Finland has an embassy are also supported. If a project proposal concerns a country where Finland does not have an embassy, the MFA needs to critically analyse the value-added of the project and the capacity of the MFA to monitor the project.

Frequently asked questions and answers on the ICI are available for readers on the web site of the Ministry for Foreign Affairs. See www.formin.fi "development policy".

1.3 ICI Actors and Process

The ICI involves six actors with different roles.

1. The Department for Development Policy in the Finnish Ministry for Foreign Affairs takes the main responsibility for managing the *ICI as an instrument of development cooperation* with relevant and appropriate management documents and instructions..
2. Project level management in the Ministry is handled by the Regional Departments responsible for assessing, approving, financing and monitoring of ICI projects.
3. Finnish embassies support the Regional Departments especially in assessing the project proposals and project documents.
4. Responsibility for project implementation is borne by the Finnish agency, which in cooperation with the partner country agency, ensures implementation of the project in accordance with the approved project document and provides expertise and support to the planned capacity development activities in the partner country agency.
5. The partner country agency has the final responsibility for the capacity development and, as the ultimate owner of the project objectives and activities, has a crucial role in ensuring that the project is relevant regarding the needs, and that the objectives and activities of the project are appropriate.
6. The Facilitation Consultant (a consulting company contracted by KEO-20 to support all ICI projects) supports the Ministry in ensuring that the projects and project documentation meet the normative and qualitative requirements set for ICI projects and development cooperation in general. This is accomplished by provision of support services to the Finnish agency in project planning and implementation.

The different phases of ICI implementation and the respective roles of various actors are described in the following table.

PHASE	WHO DOES WHAT?
Learning about ICI	MFA Department for Development Policy <ul style="list-style-type: none"> • Prepares background material and administrative instructions, and maintains the ICI web page. • http://formin.fi/public/default.aspx?nodeid=40157&contentlan=2&culture=en-US • Provides training for interested Finnish agencies.
	Facilitation Consultant: <ul style="list-style-type: none"> • Supports MFA material production. • Provides training for interested Finnish agencies.
	MFA Regional Departments and embassies

³ Vietnam, Nepal, Ethiopia, Kenya, Tanzania, Mozambique, Zambia, Nicaragua, Egypt, Namibia, and Peru.

	<ul style="list-style-type: none"> • Inform potential/interested state agencies in Finland and in partner countries. • Help agencies to familiarise themselves with the material available on the ICI web page.
	Finnish and partner country agencies: <ul style="list-style-type: none"> • Study available background material and the ICI manual.
Project Proposal preparation and assessment	Partner country agency: <ul style="list-style-type: none"> • Establishes initial contact with a Finnish agency • Prepares project proposal in accordance with the ICI manual • Submits the proposal to the Finnish embassy (or relevant MFA Department if the submission is entered by a Finnish agency) <ul style="list-style-type: none"> ◦ Deadlines 1 March and 1 September.
	Finnish agency: <ul style="list-style-type: none"> • Establishes initial contact with a partner country agency. • Supports project proposal preparation. • Submits the proposal to the relevant MFA Department (or to the Finnish embassy if the submission is entered by a partner agency) <ul style="list-style-type: none"> ◦ Deadlines 1 March 2009 and 1 September.
	MFA Regional Departments: <ul style="list-style-type: none"> • Assess proposals against established criteria. <ul style="list-style-type: none"> ◦ May request for additional information. • Inform Finnish and partner country agencies on the decision in writing. • In case of positive decision, inform the Facilitation Consultant about approval of the project proposal and provide relevant documentation.
	MFA embassies: <ul style="list-style-type: none"> • Support matchmaking between partner country and Finnish agencies. • Provide comments on the proposals to the Regional Departments.
Project Document preparation and assessment.	Finnish agency: <ul style="list-style-type: none"> • In cooperation with the partner agency prepares the Project Document in accordance with the ICI manual. • Submits a signed Project Document with the required Appendices, including the draft MoU, to the Facilitation Consultant for review.
	Partner country agency: <ul style="list-style-type: none"> • Participates actively in project document preparation. <ul style="list-style-type: none"> ◦ Prepares the project document preparation mission. • Prepare the draft MOU
	MFA Regional Department: <ul style="list-style-type: none"> • May provide funding for project document preparation • Assesses the Project Document against the established criteria. <ul style="list-style-type: none"> ◦ May request for additional information. • Informs project partners on the decision in writing.
	MFA embassies: <ul style="list-style-type: none"> • Provide comments on the proposals to the Regional Departments.
	Facilitation Consultant: <ul style="list-style-type: none"> • Supports the Finnish agency in project document preparation for 30 hours. • Checks that the Project Documents meet the formal requirements and minimum qualitative criteria.
Financing decision	The Minister: <ul style="list-style-type: none"> • Makes the decision on financing on the basis of the recommendation of the Quality Assurance Board and the submission by the regional department of the MFA
Contracting and signing of agreements	MFA Regional Department: <ul style="list-style-type: none"> • Prepares and signs the Assignment Contract with the Finnish agency. <ul style="list-style-type: none"> ◦ Assignment contract to be annexed to the Memorandum of Understanding between the cooperating partners.
	Finnish agency: <ul style="list-style-type: none"> • Signs the Assignment Contract with the MFA <ul style="list-style-type: none"> ◦ To be annexed to the Memorandum of Understanding. • Signs the Memorandum of Understanding with the Partner Agency

	<ul style="list-style-type: none"> ○ Signed Memorandum of Understanding should be available when the Assignment Contract is being signed.
	Partner country agency. <ul style="list-style-type: none"> ● Signs the Memorandum of Understanding with the Finnish Agency.
Implementation, reporting and monitoring	Finnish agency: <ul style="list-style-type: none"> ● Assumes responsibility for the implementation of the project. ● In cooperation with the partner agency prepares project planning documents (annual plans or Terms of Reference for expert missions). ● In cooperation with the partner agency prepares progress and financial reports according to the Assignment Contract. ● Sends the reports to the Facilitation Consultant for review. <ul style="list-style-type: none"> ○ Provides additional information if requested. ● Ensures functioning of the project's decision-making arrangements. ● Invoices MFA regional department.
	Partner country agency: <ul style="list-style-type: none"> ● Supports project implementation in accordance with the responsibilities and tasks defined in the Project Document and Memorandum of Understanding. ● In cooperation with the Finnish agency prepares relevant planning documents. ● In cooperation with the Finnish agency prepares progress and financial reports.
	Facilitation Consultant: <ul style="list-style-type: none"> ● Supports the Finnish agency in project inception and mobilisation for 25 hours. ● Supports project implementation for 20 hours per year. ● Reviews progress and financial reports to ensure that the formal and qualitative requirements are met. ● Forwards progress and financial reports to the relevant MFA Regional Department with comments.
	MFA Regional Department: <ul style="list-style-type: none"> ● Reviews progress and financial reports. ● Pays invoices.
ICI monitoring and development	Facilitation Consultant: <ul style="list-style-type: none"> ● Reports on the overall progress of the ICI to the MFA Department for Development Policy. <ul style="list-style-type: none"> ○ Provides recommendations for improvements and possible revision of the ICI Manual.
	MFA Department for Development Policy: <ul style="list-style-type: none"> ● Monitors the functioning of the ICI. ● Makes revisions concerning administrative instructions and the ICI manual. ● Monitors the work of the Facilitation Consultant.

1.4 How to apply for the ICI project

ICI projects preparation proceeds in two phases; project proposal preparation and project document preparation. More detailed information and supporting templates for both phases are found in the next section, Chapters 1 and 2 and in the Appendices.

The ICI process begins when the Finnish and development country agencies contact each other. The partner agency, in cooperation with the Finnish agency, prepares a **project proposal**, which outlines the need for cooperation, preliminary objective of the project, the anticipated main results and activities, tentative duration and budget. To ensure equitable assessment of all proposals, the project proposals are to be submitted to the Ministry for Foreign Affairs by 1 March or 1 September.

If the MFA approves the proposal, the partners are requested to prepare a **Project Document**, which is a more detailed description of the planned cooperation with objectives, results, activities and required resources. If the Project Document is approved, the project is ready for implementation.

PROJECT CYCLE

1 PROJECT PROPOSAL

1.1. *Preparing a project proposal*

A project proposal is a short, 3-10 -pages long presentation of the project idea. It is prepared by the partner country agency, in cooperation with the Finnish agency, co-signed and submitted **before 1 March or 1 September** to the Finnish Ministry for Foreign Affairs either to:

- Ministry for Foreign Affairs, KEO-kirjaamo, PO Box 403, 00023 Government with the following phrase on the envelope "ICI application to the regional unit (name of the Unit)"; or
- any of the Finnish embassies; or
- By email to: kirjaamo.um@formin.fi and cc to the relevant geographical unit in the MFA. The "Subject" field of the email message should read "ICI project proposal".

For instructions, see www.formin.fi -> development policy -> implementation of development cooperation -> country- and region specific cooperation -> institutional cooperation instrument, at: <http://formin.finland.fi/public/default.aspx?nodeid=40157&contentlan=2&culture=en-US>

While preparing the project proposal it is important to bear in mind that though the proposal is of preliminary nature and need not be longer than a couple of pages, the need for cooperation and the project has to be established clearly. The MFA will pay special attention to the needs and ownership of the partner organisation. The proposal should also include an outline of the planned process for preparing the project document.

A template for the project proposal with supporting questions is provided in Appendix 1.

1.2 *MFA assessment of proposals – selection criteria*

The relevant department in the MFA – usually a regional unit – is in charge of assessing the proposals, and selecting the best proposals for project document preparation phase. The minimum criteria for project proposals are:

1. The proposed project is based on an identified need:

It is essential that ICI projects are based on clearly defined needs. The developing country agency should give grounds for their need of cooperation and assistance from the Finnish agency. In assessing the proposals, the MFA will emphasize evidence of the partner agency's ownership of and commitment to the planned cooperation. This could be supported by reference to existing capacity development strategies, plans or policy papers. In case these documents are not available, the relevance of and alignment to the agency's strategic plans should be demonstrated through other means, for instance, needs assessment in previous/on-going projects supporting the partner agency.

Another proof of ownership is clear identification of the immediate beneficiaries of the project and the available resources (human and financial) they have. The project proposal should specify the administrative units that are responsible for the management of the project.

2. The project proposal focuses on capacity development

The project must strengthen the partner country agency's capacity in a sustainable manner and capacity development must be based on the agency's own plans and/or developmental goals.

3. The proposed project makes use of the special expertise of the participating Finnish government agency:

The ICI is a development cooperation instrument that is based on matching Finnish public sector know-how and the needs of the public sector in a developing country. The proposal should include a brief presentation of the capacity and specific expertise of the Finnish agency supported by, for instance, its Strategy for International Cooperation and a list of staff with previous experience of development cooperation or similar projects.

4. The size of the proposed project is suitable for the ICI

As a rule, the ICI should not be used for very small projects because of their low cost-efficiency. The project budget may range between 50 000 and 500 000 euros and the minimum duration is one year.

In addition, the Regional Departments may have thematic or geographical priorities for ICI-funded projects. These priorities are specified in the MFA's ICI web page.

Project proposals that meet the minimum criteria are ranked by the MFA on the basis of the following criteria:

1. Evidence of how actively the partner organisation has participated in the preparation of the project proposal.
2. Account of concrete aspects that necessitate the project and its anticipated added value to the partner organisation.
3. Complementarity of other cooperation between Finland and the partner country and support for Finnish development cooperation in the partner country.
4. Availability of financial resources in the MFA Regional Department.

1.3 Adoption of project proposal: launch of the planning phase

The relevant MFA regional unit will make an official decision on each proposal in writing. As the ICI is cooperation within the state administration in Finland, the decisions cannot be appealed. Before making their decision, the regional units ask comments from the Finnish embassy in the country in question, especially regarding the relevance of the proposal.

If the MFA approves the project proposal, it requests the project partners to prepare a more detailed project document to serve as a basis for the Ministry's decision on financing.

The responsible desk officer in the MFA will also inform the Facilitation Consultants of the approval of the project proposal and requests the Facilitation Consultant to support the Finnish agency in project document preparation.

While making the decision on project proposal, the MFA may also decide to support the planning phase financially by making an in-house assignment with the Finnish agency. The assignment contract defines the objectives of the preparatory assignment with possible conditions regarding the content of the project. The maximum amount of support for project document preparation is €

25 000. The Finnish agency carries out the assignment and invoices the MFA on the basis of actual accrued costs.

2 PROJECT DOCUMENT

2.1. Preparing a Project Document

After the MFA has approved the project proposal for further preparation, it requests the cooperating partners to prepare a **project document (PD)**, which provides a more detailed description of the project⁴. The project document should not be longer than 10 to 20 pages plus appendices. It is signed by authorised representatives of both agencies and submitted to the respective geographical unit in the MFA. The project document describes the situation that needs to be improved, gives information on the cooperating organisations and explains how to arrive at the desired situation (what needs to be done) within the project timeframe and considering the available resources.

The need for the project is established in the project proposal, while the main function of the project document preparation phase is to define the objective(s) of the project. This involves presentation of measurable indicators, results to produce the objective, activities to accomplish the results, and resources (inputs) to carry out the activities.⁵

The project activities are expected to relate to capacity development in the partner country's public sector institution. Usually capacity development focuses on a specific unit of the organisation, or its specific task/function. Capacity development covers not just the skills of personnel but also related aspects of organisational development, personnel planning and sustainable linkages to support activities like training institutions and service providers. Best practices on these issues are discussed in Appendix 31 of this Manual.

Experience and studies of capacity development show that the role of the partner agency should be decisive in defining the objective and suitable indicators for the project. Therefore open dialogue during the project document preparation phase is of great importance for the success of the project. The Finnish agency and experts must be cautious not to impose "the right answers" but to carefully consider what would be "the best fit" solution for the capacity challenge of the partner agency. For more information on good practices and reference material on participatory planning and the inclusion of crosscutting issues, please see Appendices 31 and 32.

The templates for Project Document and supplements are provided in Appendices 2-5.

2.2 MFA's support to the Project Document Preparation

To enable dialogue and proper preparation of the Project Document, the respective MFA department may sign an assignment contract with the Finnish agency to prepare the project document. The project partners should include an outline of the project document planning process to the project proposal with an overview of the planning process, tentative work plan, participants

⁴ A project can be defined as a series of activities with identifiable results, designed to produce a specific outcome that brings about benefits to the project beneficiaries (the objective of the project). Typically, a project is launched in a situation where a problem(s) needs to be solved or further development of certain activities is necessary. A project has a timeframe, resources to implement activities and a specific organisation to implement it.

⁵ There are several handbooks for project planning using the logical framework approach. The MFA guidebook may be downloaded in: <http://formin.fi/public/download.aspx?ID=9707&GUID={F5215E77-4DEB-46D5-8B9F-33642146814D}>

and a budget. The maximum amount of financing available for the preparation is € 25 000. After having concluded the assignment, the Finnish agency invoices the MFA on the basis of actual, accrued costs. For the assignment contract the Finnish agency defines the objectives of the preparatory mission and the MFA includes any possible conditions it may have for the project document.

In addition to the MFA financing for the project document preparation, the Finnish agency is entitled to 30 hours of support from the Facilitation Consultant in preparing the project document. The Facilitation Consultant must ensure that the project document:

- meets the formal requirements set by the MFA;
- responds to the needs of the partner agency;
- is coherent in terms of its objectives, results, activities and resources;
- defines project management and decision-making arrangements; and
- takes into account the crosscutting themes in the Finnish development policy.

Furthermore, the Facilitation Consultants identify and point out possible risks in the project implementation.

The cooperating agencies submit the project document first to the Facilitation Consultant for review. If the Facilitation Consultant considers the project document to fulfil the formal and quality requirements, it forwards the project document to the relevant MFA department. Only project documents that are endorsed by the Facilitation Consultant will be considered in the MFA for financing.

The support services of the Facilitation Consultants typically include:

- familiarisation with the relevant documentation;
- discussion with the MFA desk officer;
- initial meeting and discussion with the Finnish agency;
- provision of written comments on the Project Document with recommendations for additional information, clarification or elaboration of the Project Document;
- review and comments on the revised Project Document (if needed); and
- checking that the formal requirements are met.

See Appendix 10 on the support provided by the Facilitation Consultant.

2.3 The project document and supplements

A project document comprises the following:

- project document;
- project budget;
- CV of the key personnel;
- Finnish personnel's pay criteria (explanation of the composition of the personnel cost co-efficient or equivalent);
- draft MOU;
- other relevant documents.

It should provide answers to the following questions:

- Why is the project necessary?
- What are the objectives of the project?
- What results will be produced and, if possible, what activities are needed to produce the results?
- What are the possible risks that might concern the project?

- What kind of human resources and timeframe are needed to achieve the objectives?
- How is progress followed during the implementation (monitoring)?
- How are decisions made regarding project implementation (project organisation)?

A project needs a management and decision-making system with clearly defined roles and responsibilities for both agencies. The key experts from both organisations and their tasks and duties should be described in the Project Document, and their CVs appended to the document.

A Project Board (PB) consisting of representatives of both agencies and, if necessary and beneficial for the project, of important stakeholders, is set up to exercise decision-making authority in the project. The members, responsibilities and meeting arrangements of the Project Board are defined in the Memorandum of Understanding. The key function of the Project Board is to monitor the project and to support the cooperating agencies in carrying out the activities. Specifically, the Project Board approves the final report before it is submitted to the Facilitation Consultants and to the MFA. In case annual plans are prepared, the Project Board approves them too. Progress and financial reports are sent to the Project Board for information.

The Project Document should include allocation of funds also for the scheduled Project Board meetings.

A template with supporting questions for preparing a Project Document is provided in Appendix 2.

2.4 Budget

The Project Document includes a project budget, which covers the entire assignment/contract between the MFA and the Finnish government agency. The budget is broken down by 1) calendar year, 2) project results/components, and 3) the following cost items:

- capacity development costs
- administrative and technical costs of the partner agency
- fixed assets
- contingency costs.

The breakdown of budget by calendar year is necessary for the planning and payment schedule purposes of the MFA and the Finnish agency.

The budgetary breakdown by performance/activities functions as a bridge between operational planning (e.g. logical framework) and financial planning. If possible, the budget for components or performance areas is further divided into activities, each of which has a definite expected result. The categories used in the Project Document and budget will also be used in the annual plan and annual report.

Budget templates are appended in Appendix 3.

2.4.1 Capacity development costs

Capacity development costs (part A in the budget) are further divided into six categories and they must amount to at least 70% of the total costs.

Fees (including pay) for the Finnish experts

The assignment services are procured through cost-recovery principle from the Finnish government agency. The assignment fee comprises the real gross pay of the project member

multiplied by an overhead expenses rate (personnel cost-coefficient or equivalent).⁶ The assignment fee does not include profit/margin but it covers the administrative costs of the Finnish agency and salaries of administrative personnel, which cannot be included in the ICI budget.

The overhead expenses rate is derived from the management accounts of the Finnish government agency. The Finnish government agency provides the MFA with adequate information on the pay of the project member (e.g. a copy of the project member's payslip) and the basis of the overhead expenses rate (e.g. what items of expenditure it includes).

The MFA reserves the right to reject any proposal that is not cost-efficient. A personnel-cost coefficient above 2.7 calls for specific justification and explanation from the Finnish agency.

In principle, the management and coordination costs incurred during the implementation of the project are covered in the overhead expense rate of the Finnish agency. There may, however, be need for allocating a small number of working days for activities that are not directly capacity development in the partner agency, such as preparation of study visits. All days budgeted for management and coordination tasks need to be explained in the project document.

Allowances for partner country experts

The partner country agency takes responsibility for its own labour costs and salaries. It has to appoint officers and give them enough time to carry out the project. The project budget may include only allowances (e.g. daily allowance or travel allowance) for project work related tasks. The partner country regulations and allowance rates are applied for the work performed in the partner country, the Finnish travel regulations and rates are applied for the work performed in Finland. In addition, the budget may include annual management costs to be paid to the partner country agency as an organisation. The management costs can only be paid to the official account of the partner organisation.

Subcontracting

In carrying out the assignment, the Finnish government agency must use its permanent staff for undertaking the assignment. In principle, private consultants may not be used.

If, on an exceptional basis, the use of private consultants becomes necessary, the Finnish government agency and the MFA have to agree about the matter. The maximum share of work assigned to a private subcontractor should be small (usually less than 10% of the total project budget). This means, in essence, that the Finnish government agency may not pass the main assignment to a private consultant acting on a commercial basis. In addition, the Finnish government agency may not procure services from a person directly or indirectly employed by the Finnish government organisation in question.

The project should reserve adequate resources for key services such as interpretation and translation, which are often subcontracted.

The Public Procurement Act (348/2007) shall be applied to subcontracting both in Finland and in the partner country. Subcontracts shall not be interpreted as falling within the scope of section 8 (6) of the said Act allowing for direct award.

2.4.2 Administrative and technical costs of the partner agency

⁶Maksuperustelain mukaan henkilökustannukset sisältävät osuuden viraston yleiskustannuksista, pääomakustannuksista ja laskennallisista eristä. Hinnitteluperusteet tulee olla selkeästi esitetty ja yleiskustannusten määräytymisen perusteista ja laskentatavasta on aina esitettävä riittävä selvitys.

The budget may include management cost to be paid to the partner country agency as an organisation, provided that the payment is made through the official accounts of the partner agency. In addition, the administrative and technical costs may include minor costs, which arise specifically from the project management, excluding salaries. Possible costs include:

- photocopying and printing;
- rent of external venues for arranging seminars and workshops; and
- miscellaneous costs arising from seminars.

2.4.3 Fixed assets

Fixed assets are purchased according to the Finnish Public Procurement Act regardless of the country of procurement. The partners must agree in the MOU whose property the fixed assets will become after the project.

2.4.4 Contingency

It is advisable to reserve some funds for unforeseen costs. The contingency can be a maximum of 10% of the total budget. The Project Board makes a decision on the use of the contingency funds in writing.

2.4.5 Project costs directly benefiting the partner country agency

The costs accrued by, or directly benefiting the partner country agency, such as allowances, travel costs, management fee, procured goods or equipment that will become the property of the partner country agency, and the share of the contingency that is reserved for the partner agency, must amount to the minimum of 25 % of the total project costs. The Finnish agency will be responsible for paying these costs, unless otherwise agreed.

2.5 Information on personnel

The Project Document should include the CVs of the key personnel to ascertain that the proposed experts have the required expertise and experience. In case there is a need to change an expert during the project implementation, the required qualifications of the experts should be looked up from the Assignment Contract.

In addition to the CVs of the proposed Finnish experts, the Project Document should also include a presentation of the key partner agency experts, and inclusion of their CVs to the Project Document is highly recommended.

A CV template is provided in Appendix 4.

2.6 Draft Memorandum of Understanding (MOU)

A draft Memorandum of Understanding (MOU) must be prepared during the project preparation phase. The MOU specifies the roles and responsibilities of the cooperating agencies and the management and decision-making arrangements. The MOU should include the names of the members of the Project Board as well as the names of authorised representatives who can approve costs arising in the course of the project.

After a positive decision by the MFA, the Finnish government agency will be called for contract negotiations and an Assignment Contract will be signed between the MFA and the Finnish government agency. .

A MOU template is provided in Appendix 5.

2.7 MFA funding decision

The funding decision follows the normal administrative procedures in the MFA. The responsible desk officer in the MFA is in charge of assessing the project document and decides whether it should be presented to the Quality Assurance Group for recommendations, and subsequently to the Minister for Development Cooperation for approval and financing. The desk officer may also ask for supplementary information or decide not to present the project document to the Quality Assurance Group. In addition, the desk officer needs to ensure that there are sufficient resources available for financing the project.

The key criteria for assessing the project documents include:

1. Policy coherence in relation to the priorities and policies of the MFA;
2. Relevance in relation to the strategies and plans of the partner agency and the immediate beneficiaries;
3. Effectiveness and feasibility of the project, coherence and quality of the project's intervention logic and management provisions:
 - a. clarity of objectives and indicators, results linked with corresponding activities and adequate resources;
 - b. identification of key experts and their responsibilities.
4. Sustainability in terms of financial and institutional capacity of the partner agency to maintain the quality and volume of activities developed during the project.

Meeting of the criteria will be assessed in consultation with the relevant Finnish embassy. In addition, if the project document is presented to the Quality Assurance Group, the respective MFA advisor will comment it on. Provided that a favourable opinion is obtained from the Quality Assurance Group, the document is presented to the Minister for Development Cooperation for approval (or to the Director General of Development Cooperation in case of projects smaller than € 200 000).

3 ASSIGNMENT CONTRACT AND OTHER CONTRACTUAL ARRANGEMENTS

3.1. Bilateral Country Agreement

The MFA is responsible for the official relations with the *government* of the partner country. The relations, including commitments for official development cooperation are defined in intergovernmental agreement. If needed, the intergovernmental agreement between the Governments can be adjusted. The process of amending intergovernmental agreements is lengthy and should be avoided in the ICI. In case the project includes import of equipment and fixed assets, or transfer of ownership of equipment and fixed assets from the Finnish to the partner country agency, or if the partner country agency is vested with responsibility for managing funds, the ICI partners need to clarify whether an intergovernmental agreement is required. The need for an intergovernmental agreement should be confirmed either from the partner country government or from the Department for Development Policy in the MFA. If an intergovernmental agreement is not needed, this should be mentioned in the assignment contract. Often ICI projects are so small that a intergovernmental agreement is not needed.

3.2 Assignment contract

The MFA assigns the Finnish government agency with the task for managing the project, using the assignment contract format. The Finnish government agency is then allowed to manage the project

as specified in the project document. The project document is appended to the assignment contract.

A model Assignment contract is provided in Appendix 6.

3.3 Memorandum of Understanding

The Finnish government agency handles all practical aspects of cooperation with the partner agency. These relations, forms of cooperation, timetables, use of funds and other technical details are defined in the Memorandum of Understanding between the two agencies. In addition, the Memorandum of Understanding defines the project leadership structures. The project document and the Assignment Contract are appended to the Memorandum of Understanding.

A signed Memorandum of Understanding must be sent to the MFA before signing of the Assignment Contract.

A model Memorandum of Understanding is provided in Appendix 5.

4 IMPLEMENTATION AND REPORTING

The programme implementation is based on direct cooperation between the two cooperating agencies, but the Finnish agency is responsible for its own part, and in accordance with the assignment contract, on the effectiveness and legality of the project activities. The working modalities and detailed work plans are agreed in a mutually acceptable manner. The project, as a capacity building activity, may have qualitative objectives, which are difficult to pin down exactly. Some best practices for capacity building projects are described in Appendix 31.

In the beginning, sufficient resources should be allocated to enable establishment of good mutual relations and for confidence building. It is also strongly recommended for the Finnish partner to seek advice from the facilitation consultant with regard to the project management, including planning and reporting, requirements and good practices.

The Finnish agency can, in accordance with the MoU and the project document, delegate to the partner agency the responsibility for carrying out certain activities and/or paying certain expenses if invoicing is done through the official accounts of the partner agency, and if the delegation of responsibility does not necessitate an intergovernmental agreement. The Finnish agency is responsible for ensuring that the partner country agency has the required funds, and that the partner country agency presents the required invoices/receipts and other required documentation for invoicing purposes. The partner country agency's costs must be earmarked in the project budget.

Project Board makes the key decisions regarding implementation of the project. The Project Board should meet at least annually to discuss the project progress, approve possible annual plans or the completion report. The Project Board may also meet using video/telephone/internet conference facilities in order to ensure smooth cooperation.

The Finnish government agency may, in agreement with the partner agency, make minor (< 5%) reallocations between budget items within the limits of the overall project budget. Reallocations, which cannot be considered minor are always subject to negotiation and mutual agreement between the Finnish government agency and the MFA. Such reallocations must be agreed upon in writing.

Reporting takes place on two levels:

- Annual Plans and Completion Report explore the progress in relation to the project objective and expected key results. They are discussed and approved in the Project Board. The Annual Plan should be used as an instrument if significant changes need to be made in the project operations.
- Progress reports, including financial reports, are prepared by the Finnish agency for the MFA as a prerequisite to obtain payments. The progress reports are distributed to the Project Board for information.

4.1. Annual Plan and mission Terms of Reference

It is important that the implementation phase is planned in detail to ensure that all share the same understanding of the objectives and expectations of the project activities. This can be done by preparing and agreeing on an annual implementation plan or terms of reference for each visit/mission before the mission is carried out. The annual plans and terms of reference are internal documents between the cooperating partners. It is of utmost importance that the partner country agency participates in the planning actively. The format for annual plans is shown in Appendix 7 and for Terms of Reference in Appendix 8.

The Annual Plan is prepared jointly by the two agencies and it must be approved by the Project Board or equivalent. The annual plans should cover the following calendar cum fiscal year.

If a project spans only one year, a separate annual plan is not needed. The Project Document serves as the Annual Plan.

In planning it is important to bear in mind that the MFA makes no advance payments.

4.2. Progress reporting and invoicing

The Finnish government agency prepares brief progress and financial reports (Appendix 9) to the MFA as a basis for payments. Progress reporting and invoicing takes place quarterly or twice a year, as defined in the contract.

Progress reports serve as the basis for monitoring of project progress. They provide essential information enabling the project decision-making body to make changes or adjustments to the project plans and operations if considered necessary. Reports provide also a useful record of completed activities and support invoicing.

In the preparatory phase, it is important to appoint a person to be responsible for preparing and approving the reports. After authorised people have approved the report, it is sent to the Facilitation Consultant for review and approval. The Facilitation Consultant either approves the report after which it can be sent to the responsible desk officer in the Ministry for Foreign Affairs or requests further information or clarification from the Finnish reporting agency within seven days from receipt.

The progress reports are signed by the representative of the Finnish agency. The signed report functions as an invoice in the billing system of the Government. ***A progress report is a basis for payments of the MFA.***

The financial report presents the costs incurred during the reporting period, broken down according to the budget classification. The MFA is charged for actual costs (i.e. verifiable and acceptable costs) caused to the Finnish government agency when carrying out the services. ***Costs have to be invoiced during the same calendar year.*** The MFA's commitment to make payments in

accordance with the budget is contingent on annual approval of the State Budget by the Finnish Parliament.

Invoices are sent to:
Ulkoasiainministeriö
KEO-10 / kehitysyhteistyö
PL 5819
01051 LASKUT

Electronic invoices should be addressed using inter-agency data management code [ovt-tunnus] 0037024597392399 . The electronic invoice should include all the necessary files in one package.

The invoices should contain all necessary information, including the name of the person responsible for the matter in the MFA and the intervention code. The above address is only for invoicing.

The financial management needs to fulfil the principles of sound financial practice. For financial management and corruption prevention, see Appendix 33.

4.3. Completion Report

The Completion Report is prepared by the cooperating agencies and approved by the Project Board or equivalent and the Facilitation Consultant before it is sent to the MFA.

The Completion Report describes progress made in the project against the project objectives and the expected results. Its format follows roughly the project document format while the financial reporting follows the headings of the project budget (e.g. A1 assignment fees for Finnish government employees), which is appended to project document.

Model Completion report is available in Appendix 10.

APPENDIX 1

Project Proposal for an Institutional Cooperation Instrument of the Ministry for Foreign Affairs of Finland

(3-10 pages)

(NAME OF THE PROPOSED PROJECT)

SUBMITTED BY
(NAME OF THE PARTNER COUNTRY ORGANISATION)
IN COOPERATION WITH
(NAME OF THE FINNISH STATE ORGANISATION)

DATE

SIGNATURES

<Finnish agency>

<Partner country agency>

1. Background and justification

- Basic information about project partners, especially of the partner country agency (or the section/unit of the agency when applicable):
 - What is the mandate and key function(s) of the partner agency? What does the partner agency “produce” (services, information)? Who uses the “product”?
 - Has the agency a defined role in the relevant national strategy?
 - What are the key resources available in the partner agency (human/financial)?
 - What are the key/prioritised capacity development **needs** in the partner agency (or the section/unit of the agency)? How are these needs identified? Have they been identified in a capacity development plan/strategy or similar document?
 - Does the agency cooperate with other donor agencies? Are there other capacity development projects? What are their objectives?
- Who are the main beneficiaries of the project? Why are they important for the operation of the agency and for the delivery of the agency’s key functions?
- Does the Finnish organisation possess the capacity and resources required to respond to the needs?

2. (Tentative) Objective of the cooperation

- How would the performance of the beneficiaries/partner agency change as a result of the planned cooperation?
- Is there a relation between the planned objective of the project and partner agency’s capacity development plan/strategy (if one exists)?

3. (Preliminary) Results and activities

- What kind of concrete results would show that the project has reached the tentative objective?
- What kind of activities should be performed to achieve the results?

4. (Preliminary) Time schedule

- Duration and implementation of the project (in months).
- The date when the implementation phase is expected to start.

5. Estimated total costs

- The total estimated amount needed for the project implementation.

6. Other issues

Appendices: (if any of the following is available)

- Strategy and Annual Plan of the partner agency,
- Strategy and Annual Plan of the Finnish government agency,
- Financial Report of the partner agency,
- Financial Report of the Finnish government agency,
- Documentation on previous cooperation between the partner agency and the Finnish government agency.
- Application for funds for the ICI project document preparation, including:
 - An overview of the planning process
 - Issues/questions that need to be clarified
 - Strategy to make the planning as inclusive as possible
 - Work plan
 - A list of concrete preparatory steps

- Tentative timetable
 - Participants
 - Names of the participants in the preparation mission (in both agencies) and their planned roles in the implementation of the project
 - Possible need of support from other agencies
 - Budget for the project document preparation
 - Working days of Finnish experts (number of days X daily fee including “OKA-multiplier”).
 - Travel costs
- Appendices:
- Experts' CVs

APPENDIX 2

PROJECT DOCUMENT

(10-20 pages plus Appendices)

(NAME OF THE PROJECT)

(date)

Submitted by (name of the Finnish agency)
In cooperation with
(name of the partner agency)

(Signature of an authorised representative of the Finnish agency)
(name)
(title)
(date)

(Signature of an authorised representative of the partner agency)
(name)
(title)
(date)

The inclusion of following issues in the Project Document is recommended:

1. Background and justification

- Description of the pre-project situation.
- Information about the needs, objectives and strategies of the partner organisation (or the section/unit when applicable).
- Why is the project needed? What are the specific needs of the partner organisation (beneficiaries) that the project could respond to? Justify the relevance of the project in relation to the objectives of the partner agency. Who is the “owner” of the project?
- What specific skills and knowledge of the Finnish agency would improve the capacities of the partner agency?
- Information on the resources and the responsibilities of both agencies for cooperation – who does what? In what way are the two agencies committed to the cooperation?
- Information about the stakeholders – what are their expectations?

2. The objective of the cooperation and the approach

- Describe the desired situation that would be arrived at through the capacity-building efforts
- Define 1-2 qualitative or quantitative indicators for the objective. How can the change be measured? What are the sources of verification for the indicators?

3. The expected results and activities

- The project implementation can be divided into 2-3 components/result areas.
- Define concrete services and products that the project could produce and deliver to the project beneficiaries.
- Specify some major activities that are to be implemented to produce the results.

4. The approach on capacity building

- How is the basis for the mutual trust developed at the beginning of the project?
- What methods are used to build an effective working relationship?
- What capacity building methods are used?
- How are the crosscutting issues incorporated into the project activities?

5. The proposed activities' relation to the other activities of the partner agency

- How much partner country resources will be needed to implement the activities? Specify the commitments in terms of staff, backstopping services, office facilities, transport.
- Make a comparison to the regular activities of the agency.
- How will the expected changes show in the functioning of the partner agency?
- Are there other financiers working with the partner agency? If yes, what activities are they funding?
- If the project is a part of a larger programme, the relationship has to be clearly described?

6. Time schedule

- Write down in a calendar the scheduled dates of each activity and the anticipated date of when they have been completed.
- Activities should be recorded per calendar year.
- The schedule needs to be synchronised with the budget.

7. Sustainability and perceived risks

- Assess the sustainability of the proposed cooperation. Is the scope and extent of the activities appropriate? Will the partner agency have sufficient skills and resources after the

project to continue the capacity development that has been started without any further external support?

- Analyse any possible risks (external factors) that might affect the attainment of the objective and the materialisation of the results.

8. Project organisation

- Write down the names of the key personnel in both agencies and specify their leadership and with capacity-building functions.
- Determine the responsibilities of the parties.
- Inform the names of the members of the Project Board.

9. Budget

- The budget needs to be detailed per calendar year.
- For the breakdown of overall costs, use the budget form (Appendix x).
- The breakdown of costs must be by major result areas.
- Check that enough working time has been reserved for both agencies.
- Separate the national funding and the MFA Finland funding.

10. Other issues

- Any other relevant issues with regard to the sector, participating agencies, project environment, etc.

Appendices:

- CVs of key personnel with leadership functions (preferably also from the partner organisation)
- CVs of key personnel with capacity development functions (preferably also from the partner organisation)
- Job descriptions of the long-term key experts (more than 6 working months)
- Description of the OKA-multiplier, which defines the acceptable overhead, costs for the Finnish project personnel, included in the daily payment.
- Job descriptions of long-term key experts
- Draft MOU
- Other relevant documents.

INTERVENTION LOGIC

<i>OVERALL OBJECTIVE</i>	<i>INDICATORS</i>	<i>SOURCES OF VERIFICATION</i>	
-	-		
<i>PROJECT PURPOSE</i>	<i>INDICATORS</i>	<i>SOURCES OF VERIFICATION</i>	ASSUMPTIONS
-	-		
<i>RESULTS</i>	<i>INDICATORS</i>	<i>SOURCES OF VERIFICATION</i>	ASSUMPTIONS
Result 1	•	•	
Result 2	•	•	
Result 3	•	•	
Etc.	•	•	

<i>ACTIVITIES</i>	<i>MEANS</i>	<i>ASSUMPTIONS</i>
Activity 1.1 Activity 1.2 etc	•	•
Activity 2.1 Activity 2.2 etc.	•	•
Activity 3.1. Activity 3.2 etc.	•	•
Etc.	•	•

Note: Costs will be presented in a separate budget!

LOGICAL FRAMEWORK TERMINOLOGY

Overall Objective (OO): Overall objective describes the long term benefits for society, economy or sectors to which the project contributes

Project Purpose (PP): The project's central achievements in terms of the sustainable benefits to be delivered to the project direct beneficiaries. It is specific and measurable. Often describes changes and improvements in the capacity of the involved institutions to serve the final beneficiaries. PP is logically linked to the overall objective(s).

Result: Concrete results that are taken to their intended use during project implementation. The services to be provided by the project, defined based on the project purpose.

Activity: What is going to be done to produce the project's results.

Indicator: Describe the project's overall objective(s), project purpose and results in measurable terms.

Specify for each result, the project purpose (and the overall objectives):

Quantity: How much?

Quality: What?

Target group: Who?

Time / period: Starting when and for how long?

Place: Where?

Source of Verification (SOV): Describe where and in what form to find the information on achievement of objectives

Assumption: Factors that might affect project implementation but which the project does not control. Important factors that the project does not address but which it should monitor.

Appendix 3

PROJECT BUDGET

Project name:

Project budget :

- Unit for billing personnel costs is working day. Finnish personnel costs include all overheads - OKA-multiplier. All costs are described in euro.
- Items under headings A should cover at least 70% of total costs
- Items A5 – A7 + B + C should cover at least 25% of total costs
- A maximum of 10 % of the budget may be reserved for contingency/unforeseen costs

The budget should detail the per diems and travel costs to be paid to the partner country experts, and any procurement to be made in the partner country. Per diems for the partner country experts working in the partner country are paid according to the partner country regulations, for work and travel in Finland according to the Finnish travel regulations. The budget may include annual management costs to be paid to the partner country agency as an organisation (management fee).

MFA financing

Budget lines	Costs per unit	Total costs in 2XXX	Total costs in 2XXX	Total costs in 2XXX	Total costs	Comment/ explanation
Costs of the Finnish agency						
A1. Assignment fees per Finnish government expert						
(Person/position)						
A2. Travel costs						
(Person/position)						
A3. Accommodation						
(Person/position)						
A4. Per diem allowances for Finnish experts						
(person/position)						
Costs of the Partner country agency						
A5. Travel costs						
(Person/position)						
A6. Accommodation						
(Person/position)						
A7. Per diem allowances for Partner country experts						
(Person/position)						
Other						
A8. Subcontracted work assignment						

(task)						
(task)						
B. Administrative costs in partner country						
Management fee						
C. Fixed assets						
(item)						
(item)						
D. Contingency costs (max 10%)						
Total costs (Euros)						

Budget breakdown by result area per year (if the project is divided into several result areas or components).

Result areas	total costs in 20XX	Costs in 20YY	Costs in 20ZZ	Total costs
Result 1				
Result 2				
Result 3				
Contingencies				
Total costs				

Partner agency commitments

Describe the partner agency commitments: Personnel, office facilities, backstopping services, assets, cash contributions.

Appendix 4

CV FORMAT

(Minimum information required of key personnel as a supplement to the Project Document. For Finnish personnel, experience is deemed to indicate seniority, in case a replacement is required.

Name
Date of birth
Contact information

Education

Number of years of professional experience

Current position (employer, position, employed since)
Relevant previous professional experience (employer, position, duration)

Other relevant information

Appendix 5

Template for MoU between Finnish and development country agencies

(This is a tentative model for the MoU. It can be modified to suit to any country context. The phrases in square brackets should be replaced with relevant wording.)

**Memorandum of Understanding ("MoU")
between
[name of the developing country partner agency] (hereinafter "[Abbreviation A]") in [partner country]
and
[name of the Finnish partner agency] (hereinafter "[Abbreviation B]") from Finland
regarding the
[Project name] (hereinafter the Project)**

The Ministry for Foreign Affairs of Finland has assigned a public sector organisation [Abbreviation B] as the responsible agency to manage the Finnish share of the project financing. The assignment is based on contractual arrangements (annex 1) and a Project Document, including a budget and the CVs of the key personnel (annex 2).

The general terms for development cooperation between Finland and [partner country], as specified in (reference to name of the bilateral agreement or framework agreement, dated), shall be applied.
[this clause to be included if bilateral agreement exists and can be referred to]

1. COMMITMENTS OF [Abbreviation A]

1. Provision of all necessary support for implementation of the Project, including encouragement of other partners to participate in its implementation;
2. Implementation of the Project as set forth in the Project Document (see Annex 2).
3. Coordination of Project implementation with the [Abbreviation B]
4. Ensuring sufficient human resources for the implementation of the project as described in the project document;
5. Incorporation of the financial resources needed for Project implementation in its institutional budget;
6. Monitoring of the progress of the Project with [Abbreviation B]; and
7. Preparation of Project implementation progress reports with [Abbreviation B] and their submission to the MFA of Finland.

2. COMMITMENTS OF [Abbreviation B]

1. Provision of all necessary support for the Project implementation, including encouragement of other partners to take part in its implementation;
2. Assurance that any goods acquired within the Project framework are procured based on Finnish Procurement legislation;
3. Implementation of the Project as set forth in the Project Document (see Annex 2).
4. Coordination of Project implementation with the [Abbreviation A]
5. Allocating personnel to work in the Project;
6. Monitoring of the progress of the Project established and coordinated by the Project Board;
7. Incorporation of the financial resources needed for Project implementation in its budget; and
8. Preparation of Project implementation progress reports with [Abbreviation A] and their submission to the MFA of Finland.

3. ADMINISTRATION, FOLLOW-UP AND MONITORING

1. A Project Board will be set up for the Project management and monitoring. It is coordinated by [Abbreviation A] and [Abbreviation B]. It will meet [how many times/how often] during the Project duration. The Project Board representatives are the following [names/institutions, alternates if appropriate].
2. The Project Board will receive Project follow-up and progress reports, decide on possible changes in the budget within its assignment, approve annual plans of operation and budgets.
3. The Project monitoring and evaluation mechanisms will be decided in the Project Board. The Project may be subjected to monitoring by the MFA of Finland.
4. Project implementation is governed by the principles and rules set forth in [*Partner country legislation*] regarding the staff of [Abbreviation A] and Finnish legislation regarding the staff of [Abbreviation B]. The other personnel needed for the implementation of the Project is procured observing the provisions of Finnish procurement legislation.
5. The management of the Project funds will comply with the professionally accepted bookkeeping rules and practices. the participants ensure that no illegal or corrupt practices relate to the use of the Project funds. All possible corruption cases need to be reported to the relevant authorities.

4. FINANCIAL MANAGEMENT

1. [Abbreviation B] is responsible for the financial management of the project. [Abbreviation B] is represented by [*B person's name1*] or [*B person's name2*] in signing for the costs caused by the Project implementation. The Project account numbers and details are disclosed in the Project report.
2. The Project account and Project operations may be subjected to an independent audit when requested by the MFA of Finland.

5. MODIFICATIONS

Any modification of the terms contained in this MoU will be effective only if decided upon in writing between the [Abbreviation A] and the [Abbreviation B] in consultation with the Ministry for Foreign Affairs of Finland.

6. RESOLUTION OF DISPUTES

In case of any dispute between signatories regarding the interpretation, application or implementation of this MoU, they will consult each other in order to reach a harmonious solution without prejudice to what is established in the existing bilateral agreements between the Government of [*partner country*] and the Government of Finland.

7. DURATION

The MoU is effective from [date] to [date]. This MoU is non-legally binding and will enter into effect upon signature by the participants named below. However the MoU is effective only after the signature of the service assignment between the Finnish agency and the Ministry for Foreign Affairs of Finland.

In witness whereof, we hereby sign four identical copies of this MoU in the city of [*town*], [*country*] on the ____ day of the month of _____ of the year.

For [Abbreviation A]:

[full name]
position

For [Abbreviation B]:

[full name]
[position]

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Annexes

- Annex 1: Assignment between MFA of Finland and [Abbreviation B], [dd/mm/yyyy]
- Annex 2: Project Document with annexes on [Project name], [dd/mm/yyyy]
- Annex 3: any other approved working schedule or implementation guideline as appropriate.

Appendix 6

ASSINGMENT CONTRACT BETWEEN THE MFA AND THE FINNISH AGENCY

(This is a template for the assignment/contract, available in ASKI intranet system only for MFA employees.)

ASSIGNMENT TO PROVIDE SERVICES FOR GOVERNMENT AUTHORITIES/ AGENCIES

PART I

Intervention Code of the Project:

Title:

Authority/Agency:

The Assignment comprises, as specified in the Project Document/
Terms of Reference, the following services:

The services shall be carried out in Finland and in the following
Recipient Country/Countries:

Within the period of:

The services shall be carried out in accordance with the following
Agreements concluded between the Governments of Finland and (the Recipient Government):

The Authority/Agency shall submit to the Ministry for Foreign Affairs
of Finland (the Ministry) the following reports:

The Budget, subject to annual parliamentary approval, for
the services of the Authority/Agency is a maximum of euros (euro)

In addition to the Standard Terms and Procedures, attached hereto as
PART II, the following special conditions shall be applied:

The following Appendices form an integral part of this
Assignment:

Terms of Reference

Project Document

Budget

Timetable

List of Personnel

Other

Communications:

The Ministry:

The Authority/Agency:

Entry into force and validity of the assignment:

☐ This Assignment shall enter into force upon signature by the Ministry and the Authority/Agency and remain valid, subject to the provisions of Part II, until all the obligations hereunder have been duly fulfilled by both Parties.

☐ This Assignment shall enter into force and remain valid as provided hereunder:

Place and Date:

Signatures:

On behalf of the Ministry

On behalf of the Authority/Agency

PART II

STANDARD TERMS AND PROCEDURES TO BE APPLIED IN THE PARTICIPATION OF GOVERNMENTAL AUTHORITIES/AGENCIES IN DEVELOPMENT CO-OPERATION

In accordance with the act and decree on the participation of governmental authorities and agencies in development co-operation (Laki ja asetus valtion virastojen ja laitosten osallistumisesta kehitysyhteistyöhön, 382/1989, as amended by 623/1999, 383/1989, and 506/1997), the following standard terms and procedures shall be applied to an assignment

Moreover, in regard to the Authority's/Agency's personnel, performing tasks abroad / seconded personnel, the "general regulations on the service relationship of personnel appointed for development co-operation assignments", approved by the Government on 9 December 1993, as well as the supplementary regulations, given by the Ministry for Foreign Affairs of Finland on 29 December 1993, shall be applied.

1. Scope and extent of services

1.1. The scope and extent of services are specified in the Project Document and/or Terms of Reference in respect of a project and in subsequent further instructions on their application given by the Ministry. Services include, without explicit reference, also other tasks, measures or activities required for the implementation of an Assignment as implied by generally accepted professional standards, practices or customs.

1.2. The Authority/Agency carries out the services in accordance with the inter-governmental agreements applicable to the project concluded between the Governments of Finland and the recipient country. The services are carried out in close co-operation with the recipient Government.

1.3. The Ministry is entitled to make modifications or amendments to the scope of the Assignment without, by so doing, changing the character or the purpose of the services. If a modification or an amendment widens or narrows the scope of the services, the total budget will be adjusted and the assignment period revised accordingly. All modifications or amendments will be made in writing and with the consent of the Recipient Government.

1.4. The Authority/Agency is entitled to make minor modifications or alterations to the scope of the Assignment in case they are necessary for an effective and successful implementation of the services. Any such modification or alteration will, however, be done within the limits of the budget and with the consent of the recipient Government. Modifications or alterations which cannot be considered as minor in character will be made in writing and are always subject to the Ministry's acceptance.

2. Procurement of outside resources and goods

2.1. In case procurement of goods and services for the Project is included in the Assignment, the procurement shall be performed within the limits of the budget and in accordance with the Assignment. Procurement is governed by the rules and regulations pertaining to governmental procurements in Finland and any further instructions given in each case by the Ministry.

2.2. To carry out the Assignment or a part thereof the Authority/Agency may procure outside services by contracting companies and employing personnel. The Ministry's prior written approval in respect of the procurement procedures as well as the terms of the contract or employment is required. The Authority/Agency is bound by the Ministry's instructions and guidelines and any relevant terms and procedures applied within the framework of Finnish development co-operation in respect of utilizing outside resources.

2.3. Notwithstanding the Ministry's approval of subcontracting or outsourcing, the Authority/Agency is not relieved of any obligations under the Assignment. The Authority/Agency ensures that all applicable provisions of the Assignment also apply to the companies and the personnel.

2.4. When goods and services are procured for the Project, a clause on the possibility of the tender being rejected and the contract being cancelled shall be included in the invitation to tender and procurement contract by the Authority/Agency respectively, in case any illegal or corrupt practices are connected with the award or execution of the contract. Moreover, the supplier shall, in case of cancellation of the contract, compensate the damage or loss caused to the Ministry.

2.5. The company that is contracted to carry out the services or the personnel employed by the Authority/Agency shall have experience and suitable qualifications for carrying out the services. The Authority/Agency shall apply adequate methods and criteria for ascertaining the qualifications of the company or the personnel. The Authority/Agency furnishes the Ministry, at request, with all relevant information on the companies or the personnel prior to the conclusion of a contract. The Ministry has the possibility to participate in the selection of the companies or the personnel.

2.6. The companies and the personnel shall at all times be acceptable to the Ministry. Should a member of the personnel fail to perform his/her duties or otherwise be found unsuitable for carrying out his/her tasks, the Authority/Agency will, in accordance with the above-mentioned Act and Decree and, at the request of or in consultation with the Ministry, replace the person without delay by another person.

2.7. The Authority/Agency supervises that the companies and personnel carry out the tasks assigned to them in accordance with the Assignment. The Authority/Agency may make minor adjustments to the periods and scope of the service of the company or the personnel in case they are necessary in order to ensure an efficient performance of the services. The Ministry will be kept informed of the adjustments.

2.8. All adjustments to the period and scope of the service of the company or to the personnel that might cause financial commitments beyond the limits set forth in the Budget as well as other but minor adjustments mentioned in the previous paragraph are subject to prior written approval of the Ministry.

2.9. The Authority/Agency ensures that the companies and the personnel that are engaged in the Assignment observe the laws and respect the customs prevailing in the recipient country during their stay therein.

2.10. The Ministry agrees with the recipient Government about the status of the companies and the personnel in the recipient country, the assistance and the provision of all required supplies, services, data and information by the recipient Government to the Authority/Agency or the companies and personnel. If this input by the recipient Government is not forthcoming, the Authority/Agency informs the Ministry thereof and continues to carry out the services to the extent possible and acceptable to the recipient Government. The Ministry, for its part, endeavors to agree with the recipient Government about the measures to be taken to ensure that the Authority/Agency may carry on with the services.

2.11. Unless otherwise instructed by the Ministry, the vehicles, equipment and materials, which are purchased by the Authority/Agency for the implementation of the Project in the recipient country, using the funds provided by the Ministry, are deemed to become the property of the recipient Government at the time specified in the inter-governmental agreements applicable to the Project or, unless otherwise provided in the Assignment, at the completion of the services.

2.12. The Authority/Agency makes all the necessary arrangements to ensure that the vehicles, equipment and materials referred to above are properly maintained, stored, repaired and, in

accordance with the government insurance policy, insured. The Authority/Agency keeps appropriate records of the vehicles, equipment and materials and submits an inventory thereon to the Ministry and the recipient Government at the completion of the services as well as at any other time if so requested.

3. Reporting

3.1. The Ministry and the Authority/Agency promptly inform each other of any event or situation which might affect the carrying out of the services or which may necessitate a modification or an alteration with an effect on the scope, character or execution of the services, on the budget or on other aspects of the Assignment. The information will be communicated in writing, giving a full account of the relevant reasons for and causes of such an event or a situation and proposing any necessary changes, adjustments or other measures to be taken.

3.2. The Authority/Agency submits periodic reports to the Ministry and the Recipient Government in accordance with the instructions given by the Ministry. Such reports contain information about the work performed, the difficulties encountered or foreseen as well as any modifications made or suggested to be made to the Services. The reports further include a financial statement describing expenditures incurred by the Authority/Agency as well as cost estimates for future expenditures under the Budget items.

3.3. The final report will be prepared in accordance with the instructions given by the Ministry. The report includes a description of the methods used in carrying out the Services, a financial statement of the use of the funds provided by the Ministry as well as the main findings and recommendations of the Authority/Agency. Unless otherwise instructed by the Ministry, the final report will be submitted to the Ministry and the Recipient Country within three months of the completion of the Services.

3.4. Depending on the nature of the Services, the Authority/Agency will, at the request of the Ministry, prepare and submit to the Ministry also other reports, such as reports on supervision, monitoring and evaluation of the Services, and any other documentation or material to be used by the Ministry for public information or dissemination purposes.

3.5. All reports and other documents, such as films and videos, shall bear an acknowledgement that the Project concerned has been implemented with the financial contribution of the Ministry and within the framework of Finnish development co-operation. All reports and any other documentation in respect of the Assignment to be submitted to the Ministry and the Recipient Government will be prepared in English, unless otherwise instructed by the Ministry.

4. Reimbursement of costs

4.1. The Budget for the Project consists of items indicating the maximum amounts in euros within the limits of which the Ministry will be charged of the verifiable and acceptable costs caused to the Authority/Agency from the carrying out of the Services. The Ministry's commitment to make payments in accordance with the Budget is conditional upon / contingent on an annual approval of the State Budget by the Finnish Parliament.

4.2. The Authority/Agency shall follow the instructions given by the Ministry in respect of invoicing. Unless otherwise provided therein, the Authority/Agency shall submit an invoice to the Ministry for each payment, with the relevant information regarding the Project, the nature of the disbursement and the breakdown of the invoice in accordance with the Ministry's coding and with references to the vouchers in the accounts of the Authority/Agency.

4.3. The invoices may, within the limits of the Budget, be settled by the Authority/Agency only in respect of expenses reasonable and necessary for the carrying out of the Services in accordance with the Act on Criteria for Charges Payable to the State (150/1992).

4.4. In case the Authority/Agency has incurred expenses in other currencies than euros, the amount will be converted into euros at the official selling rate of the currency valid in Helsinki at the date when the currency was purchased or, if such official rate does not exist, at the rate derived from the local official selling rate of a convertible currency.

4.5. To monitor the utilization of the project Budget in accordance with the project plan and schedule, the Authority/Agency submits to the Ministry periodically aggregated financial reports and future cost estimates of the project and, in case of any deviations from the scheduled Budget utilization plan, the reasons for them.

4.6. The Ministry has access to all the books and records and accounting material kept for the Project, including those on the costs accrued to the Authority/Agency from carrying out the Services. The Ministry is entitled to corrections of errors discovered in connection with withdrawals or the inspection of the accounts and records.

5. Special terms for research or organization of training or courses

5.1. The Authority/Agency undertakes, at the request of the Ministry, to make any technical changes or adjustments to the research. Changes or adjustments pertaining to the substance thereof are separately agreed upon between the Ministry and the Authority/Agency. The research may, at the discretion of the Ministry, be published by the Ministry or by a publisher accepted by the Ministry. Any income from the publication of the research will, unless otherwise agreed between the Ministry and the Authority/Agency, be entered as income to the Ministry.

5.2. In case the research work includes information considered to be classified in the sense that it may not be disclosed to third parties, the Ministry may, after having informed the Authority/Agency thereof, delete such information from the research.

5.3. In case the Authority has, as a direct result of carrying out the Services, developed any invention, patentable or not, a report thereon will be submitted to the Ministry without delay. The Ministry has the right to the invention and will inform the Authority/Agency within a reasonable time whether it wishes to exercise this right. Any compensation due to the Authority/Agency is determined in accordance with the relevant laws and regulations in force in Finland.

5.4. In case the Ministry assigns the Authority/Agency to organize training, separate courses or seminars, each training session, course or seminar or a programme thereof is considered as a project requiring a particular assignment by the Ministry. The expenses arising from planning and administration of such projects as well as other expenses not directly accrued to the Authority/Agency from the arrangements are to be compensated only as an overhead or a charge included in the direct expenses arising from the training, course, seminar or programme concerned.

6. Termination of the Assignment

6.1. Should a situation or condition arise necessitating an amendment to or discontinuation of the Assignment, the Ministry may, subject to consultations with the Authority/Agency, amend or terminate the Assignment by a written notice to the Authority/Agency.

6.2. Upon receipt of the notice of termination of the Assignment, the Authority/Agency will take immediate steps to phase out the Services in an appropriate manner and to reduce or minimize any possible losses or costs. The direct and verifiable costs accrued to the Authority/Agency as a

result of terminating the Services will be reimbursed by the Ministry as specified in paragraph 4 above.

7. Other terms

7.1. The Authority/Agency does not act as a representative of the Ministry or give the impression that it has been given such an authority. However, in order to carry out the Services in an efficient manner, the Authority/Agency maintains regular contacts with the authorities and organizations of the Recipient Country. The Ministry may authorize the Authority/Agency to negotiate and agree with a recipient authority or organization on measures connected with the implementation of the Assignment. In situations where the Authority/Agency requires the Ministry's authoritative support in applying the inter-governmental agreements regarding the project or in any other practical matters towards the Recipient Government or local authorities, the local Finnish embassy acts as the representative of the Ministry.

7.2. In other respects the Act and Decree on the Participation of Governmental Authorities and Agencies in Development Co-operation as well as other laws and regulations in force in Finland are applied to the Assignment.

APPENDIX 7

ANNUAL WORK PLAN

ANNUAL WORK PLAN
<PROJECT NAME>
<MFA Intervention code>

Prepared by:

<Finnish Agency, name of the person, contact information>
<Partner Agency, name of the person, contact information>

Signature of the responsible person(s):

<name>
<place and date of the signature>

Approved by <project board/cooperating agencies>
Place and date:

Annual work plan is the tool of the project board to make decisions on the management of the project.

ANNUAL WORK PLAN FOR CALENDER YEAR
Period:

1. MAIN ACTIVITIES DURING THE YEAR

[Tasks and activities to be described concretely and linking them to expected results]

[Any deviations from the original project document should be mentioned here. Deviations creating additional costs are usually funded from contingencies.]

2. PLAN FOR EXPERT WORKING DAYS

[working teams, expert working days, travels, justification for the task]

3. PLANNED PURCHASE OF EQUIPMENT OR SERVICES

[equipment or service, justification for purchase, estimated price]

4. EXPECTED NEED FOR CONSULTATION WITH FACILITATION CONSULTANT OR WITH THE MFA

5. OTHER REMARKS

6. ANNUAL BUDGET

MFA financing

(total costs for year 20XX may include unused funds from the previous year)

Budget lines	Costs per unit (if applicable)	Total costs in 20XX	Comment/explanation
A1. Assignment fees for Finnish government expert			
(Person/position)			
A2. Allowances, partner's experts			
(Person/position, type of allowance)			
A3. Travel costs			
(Person/position, reason, from-to, vehicle)			
A4. Accommodation			
(Person/position, reason, location)			
A5. Travel allowances for Finnish experts			
(person/position, location)			
A6. Subcontracted work assignment			
(task)			
(task)			
B. Administrative costs in partner country			

C. Fixed assets			
(item)			
(item)			
D. Contingency costs (max 10 %)			
Total costs (Euros)			

ASSESSMENT PRESENTED BY THE FACILITATION CONSULTANT (ICI –CONSULTANT)

Does the plan fulfil the requirements as specified in the agreement and general guidelines?

Specific remarks?

Name of the ICI consultant

Date and place

Appendix 8

TERMS OF REFERENCE FOR AN EXPERT MISSION

(A description of tasks agreed by collaborating partners prior to the mission)

Terms of Reference for an expert mission in

(NAME OF THE PROJECT)

(MFA intervention code)

Covering period between (period covered)

Prepared by: (Name, contact information, date)

Approved by the Project Board: (date)

OR

Approved by the Partner Organisation: (Name, contact information, date)

1. Background
 - Why is the mission carried out?
 - Previous activities?
2. Anticipated results of the mission
 - Link to component and results specified in the Project Document
3. Planned activities in the mission.
 - Work method
 - Meetings organised, persons involved
 - Timetable
4. Next steps

Appendix 9

Quarterly or semi-annual progress and financial report

The report is signed by the Finnish agency and functions as an invoice

(Settlement of payments between the Finnish agency and the MFA is based on the progress and financial report).

	Information for monitoring and billing
Name of project	
Intervention code of the MFA	
Report identification code of the Finnish agency if any	
Period covered by report	
Finnish agency name	
Billing amount in €	
Person responsible for report (name, contact information)	
Signature of the responsible person	
Date and place of signature	
Desk officer in the MFA	
Billing address in MFA	
	Progress reporting
Main results achieved during the period (analysed against the defined indicators)	
Main activities during the period (following the classification of the project document or annual work plan)	
Main capacity building and twinning methods used	
Describe how the	

cross-cutting themes have been dealt with during the period	
Completed work days by experts (a detailed description of working days duly signed by team leader is attached).	
Problems encountered, if any. Counter measures taken / to be taken.	
Need for consultation with MFA during the next period, if any	

Financial report

Budget lines	Number of working days (A1, A4 and A7)	Costs per reporting period	Approved budget for the budget line (A1, A2 etc.)	Total costs by budget line from the beginning of the project	Comment/ explanation
Costs of the Finnish agency					
A1. Assignment fees per Finnish government expert					
(Person/position)					
A2. Travel costs					
(Person/position)					
A3. Accommodation					
(Person/position)					
A4. Per diem allowances for Finnish experts					
(Person/position)					
Costs of the Partner country agency					
A5. Travel costs (Person/position)					
A6. Accommodation					

(Person/position)					
A7. Per diem allowances for Partner country experts					
(Person/position)					
Other					
A8. Subcontracted work assignment					
(task)					
(task)					
B. Administrative costs in partner country					
Management fee					
C. Fixed assets					
(item)					
(item)					
D. Contingency costs (max 10%)					
Total costs (Euros)					

Total costs in the period to be paid _____

Summary table of financial report

Key budget information	Amount	Comments/explanations
Total costs in the period under review		
Total costs accumulated from the beginning of the project		

Approval by Facilitation Consultant

	Assessment presented by the Facilitation Consultant
Does the report fulfill the requirements as specified in the agreement and general guidelines?	

Signature	
Date and place	

Appendix 10

COMPLETION REPORT

>

<PROJECT NAME>
<MFA Intervention code>

Prepared by:

<Finnish Agency, name of the person, contact information>
<Partner Agency, name of the person, contact information>

Signature of the responsible person(s):

<name>
<place and date of the signature>

Approved by <project board>

Place and date:

Signature:

OPERATIONAL COMPLETION REPORT

Project:

Implementation period:

1. AN OVERVIEW OF THE PROJECT IMPLEMENTATION

[max 3 pages]

(The minutes of the Project Board meeting appended)

2. THE ACHIEVEMENT OF RESULTS

PROJECT OBJECTIVE	PROGRESS TOWARDS THE OBJECTIVE	COMMENTS ON OVERALL PROGRESS (Results, critical issues, changes in project context)

EXPECTED RESULT 1	PROGRESS ACHIEVED	COMMENTS ON OVERALL PROGRESS, (CB methods used, critical issues, comments on project environment)

EXPECTED RESULT 2	PROGRESS ACHIEVED	COMMENTS ON OVERALL PROGRESS, (CB methods used, critical issues, comments on project environment)

EXPECTED RESULT 3	PROGRESS ACHIEVED	COMMENTS ON OVERALL PROGRESS, (CB methods used, critical issues, comments on project environment),

3. USE OF EXPERT WORKING DAYS

NAME OF EXPERT	FIELD OF EXPERTISE	ROLE IN COOPERATION	NUMBER OF WORKING DAYS
	-		

4. PURCHASE OF EQUIPMENT OR SERVICES

EQUIPMENT / SERVICE	COST	PROCUREMENT METHOD (For any item over 15 000 Euro)
	-	

5. PROJECT BOARD MEETINGS

Description of schedule and key decisions:

6. OTHER ISSUES

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7. FINANCIAL COMPLETION REPORT

MFA financing

Budget lines	Budgeted	Total costs	Variance	Comment/ explanation
A1. Assignment fees Finnish government expert				
A2. Allowances, partner experts				
A3. Travel costs				
A4. Accommodation				
A5. Travel allowances for Finnish experts				
A6. Subcontracted work assignment				
B. Administrative costs in partner country				
C. Fixed assets				
D. Contingency costs (max 10%)				
Total costs (Euros)				

Partner agency financing

Budget lines	Budgeted	Total costs	Variance	Comment/ explanation

ASSESSMENT PRESENTED BY THE FACILITATION CONSULTANT (ICI –CONSULTANT)

Does the report fulfil the requirements as specified in the agreement and general guidelines?

Specific remarks:

Date and place:

Signature:

<name>

APPENDIX 11

TUNTILISTA

Laitos:

Projekti:

Asiantuntija:

Tehtävä

Ajanjakso:

Vuosi:[illegible]

Hyväksynyt

Päivämäärä ja
asiantuntijan allekirjoitus

Päivämäärä ja
esimiehen allekirjoitus

APPENDIX 12

ICI Facilitation Consultant – supporting Finnish agencies in inter-institutional development cooperation

As a result of a competitive tendering, organised by the Ministry for Foreign Affairs of Finland (MFA), FCG International Ltd was chosen as the ICI facilitation consultant (service provider) supporting the MFA and Finnish government agencies in planning and implementation of the inter-institutional development cooperation.

The service provider's main responsibility is to ensure that all the needed documents meet the set requirements. It must also support the Finnish agencies in the preparation, implementation and monitoring of the project as well as in the drafting of all the necessary documents.

The FCG has engaged three development cooperation and project management experts to support the Finnish governmental agencies in their inter-institutional cooperation. The consultants will review and comment the preparation of the project document and plans and reports needed for the implementation of ICI projects and give recommendations concerning them. Their mandate does not include any decision-making and their services are free and based on a request from the Finnish agencies, which are in charge of all contacts and communication with the partner country agency.

The services of the ICI consultants are available after the MFA has studied the ICI project proposal and agreed that the preparation of a full Project Document can be started.

The consultants will support the Finnish agency in the phases of the project cycle from the Project Document preparation to the monitoring of the project implementation and reporting.

Each ICI project will have a nominated ICI consultant to support the planning and implementation of the project.

The Facilitation Consultant will:

- Help prepare and finalise the Project Document (max. 30 hrs/project) to ensure that:
 1. the Project Document meets the requirements set by the MFA;
 2. the project responds to the needs of the partner country agency;
 3. the set objective, expected results and activities are coherent and properly resourced;
 4. the project administration, responsibilities of partners as well as consultation and decision-making mechanisms have been clearly defined and agreed upon;
 5. possible risks have been analysed and the respective counter-measures to avoid the materialisation of the risks have been identified.

- Review and comment on all project documents before their submission to the MFA. Only project documents endorsed by the facilitation consultant will be considered in the MFA for financing.
- Support and advise the Finnish agency during **the start-up phase** e.g. in preparing the TOR for the mission and setting up the administrative system for the project (max. 25 hrs/project). Since the ICI includes rather complicated contractual and financial procedures, the ICI consultants will provide a package of templates and models for systematic project management and administration. The package will also include examples of good problem-solution practices applicable in different situations, such as invoicing of costs, procurement, contracting of experts, changes in the project design etc.
- Help in **reporting** and **support the implementation of the programme** as needed (max. 20 hrs/project/year). All reports to the MFA will go via the ICI consultant, who reviews the reports and gives feedback and recommendations to the Finnish agency. In case a report does not meet the requirements, the ICI consultant must first notify the Finnish agency and ask it to make revisions. If this does not lead to improvements, the Consultant has to inform the MFA about the issue in question.

The ICI consultant will also monitor the financial reports and invoicing of the Finnish agency. The main responsibility in this respect is to ensure that the funds have been used for the planned purposes according to the project budget and that the utilisation of funds follows the existing financial guidelines and relevant laws.

In addition, the Facilitation Consultant will inform about the objectives and procedures of the ICI as well as organise training for Finnish government agencies in project planning and management and in capacity development in the developing countries.

Contacts:

FCG International Ltd
ICI Facilitation Consultants
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jouni.immonen@fcg.fi
tel: +358-40-504 5157

Jorma Peltonen
jorma.peltonen@fcg.fi
tel. +358-40-513 7147

Additional information on the Inter-Institutional Development Cooperation Instrument:

Ministry for Foreign Affairs of Finland

<http://formin.finland.fi/public/default.aspx?nodeid=40157&contentlan=1&culture=fi-FI>

PART B

FINNISH LEGISLATION AND ICI REGULATIONS

Appendix 21: Administrative order of the MFA concerning ICI projects

MINISTRY FOR FOREIGN AFFAIRS
DEPARTMENT FOR DEVELOPMENT POLICY
INTERNAL INSTRUCTION

Translation of HELM178-3
DRAFT of 24.3.2010

**Institutional Cooperation Instrument:
Administrative order for development cooperation between Finnish
government agencies and institutions and their counterparts in developing
countries**

Validity Revokes Changes Target group	As from 1.5. 2010 Administrative order HEL 5753-6/2008 Departments and embassies in charge of managing development cooperation matters
--	---

1. Purpose

The Institutional Cooperation Instrument (ICI) serves as a means of cooperation between Finnish government agencies and institutions (subsequently referred to as *Finnish agencies*) and their counterparts in the developing/partner countries. The Finnish agencies are part of the same legal person with the Ministry for Foreign Affairs of Finland (MFA). The MFA can assign a Finnish agency to implement an ICI project. The Finnish Public Procurement Act and the competitive tendering process defined therein is not applied in the ICI assignments.

The ICI seeks to match the needs identified in a developing country government agency with the expertise available in Finnish agency. The ICI projects must be based on the demand and initiative of the developing country agency. The Finnish embassy in the developing country plays a key role in assessing the need for the initiative as well as the commitment of the partner country agency.

The purpose of ICI projects must be capacity development, such as improvement of the partner agency's services, research and development, organisational development, reform of the operational procedures and processes, enhancement of staff's knowhow, internationalisation and networking. Priority is given to cooperation and projects that are based on specialised knowledge in sectors where the Finnish partners possess a high level of expertise. The scope of the cooperation must be well defined and the results-orientation of the projects must be possible to present with a logical framework or other similar project planning and management tool.

The Ministry for Foreign Affairs (MFA) has at its disposal several development cooperation instruments, such as bilateral development cooperation and sector budget support, which can be used to improve the operation of government agencies in a developing country. The ICI is a supplementary instrument that can be used in a limited number of situations where colleague-to-colleague level cooperation can lead to distinct, well-defined results.

An ICI project can also support ongoing development cooperation, but its aims, means and resources must nevertheless be presented clearly and independently.

The Finnish agencies are experts in their own sector. The ICI endeavours to create an easy and uncomplicated instrument for them to engage in cooperation in the developing countries. Once the partnership has been established, the agencies may engage in cooperation from their own premises.

2. Exception to the ICI – in-house undertakings

The MFA can procure services without competitive bidding process from certain other public sector organisations as in-house undertakings. These organisations are defined in the Public Procurement Act and by legal praxis.

In an in-house undertaking the initiative for the assignment originates in the MFA (not in the partner country or Finnish agency) and the MFA is the client for the assignment. The assignment focuses on only a limited activity, such as monitoring of an ongoing bilateral project. The assignment does not involve the implementation of an entire bilateral project. This administrative order is not applicable to these in-house procurements.

The MFA guidelines and contract templates distinguish between in-house procurements and ICI assignment contracts.

3 Actors

Eligible developing country agencies include the public sector organisations, excluding trust funds, foundations, non-governmental organisations and networks. The ICI cooperation focuses on developing countries in which Finland has an embassy. Priority is given to the countries, which are or have been Finland's long-term partner countries.

Eligible Finnish agencies include the government agencies or public institutions that belong to the same legal person with the MFA. Trust funds, foundations, non-governmental organisations or networks are not eligible. In case of several Finnish implementing agencies, one agency has to act as the contracted party.

The ICI aims at capacity development that is based on interaction and cooperation between two organisations. However, the Finnish agency may also involve other Finnish public sector agencies as partners. Procurement of services from other actors must be based on the Public Procurement Act (see 6.3. below). The cooperation should be grounded on a clear division of roles and responsibilities between the cooperating partners.

4 Scope and modalities of cooperation

Since the cooperation is based on the needs in the partner country, most projects focus on one partner country at a time. Support can be directed to a regional agency

if the countries involved have approved its mandate and if it entitles the parties to conclude financing agreements.

The budget for an ICI project should be between € 50 000 and € 500 000. The budget may, however, be significantly higher in cases where the project promotes the Finnish development policy and supports cooperation in one of the key priority sectors defined in the Finnish country level cooperation strategies, or if the project promotes Finnish regional cooperation strategy through thematic cooperation between neighbouring countries.

Due attention must be paid to the cooperation modalities. In the beginning, sufficient resources should be allocated to enable establishment of good mutual relations and for confidence building. At a later stage, the use of modern communication technologies, such as web conferences, is encouraged to ensure regular and continued interaction. Limiting cooperation to technical and non-political issues is advisable. The inclusion of junior experts in the project team promotes capacity building both in Finland and in the partner country.

The minimum duration of a project is one year. A well-implemented project may be further funded from the ICI.

5 Project management in phases

The project management cycle is based on the following division of roles:

1. The cooperating agencies prepare a short *project proposal* (3 to 10 pages plus appendices), which the respective MFA department, together with the respective Finnish embassy, assesses and either approves or rejects.
2. The cooperating partners (with the help of Facilitation Consultant) prepare the actual Project Document with appendices, which the MFA department (supported by the embassy) assesses;
3. Financing decision is made in accordance with the MFA's regular procedure;
4. After signing of Assignment Contract and Memorandum of Understanding, the Finnish agency is responsible for the implementation of the project. The Facilitation Consultant monitors and provides advice.

The Ministry is thus responsible for the key decisions, but the main part of the management tasks is outsourced to a Facilitation Consultant. After approval of the project proposal, the Finnish agency works primarily with the Facilitation Consultant, not the Ministry.

5.1. Assessment of project proposal

The ICI projects must be based on demand and need in the partner country agency. The project proposal should be prepared and signed by the partner country agency, though the Finnish agencies may also participate in the proposal preparation. Priority is given to the project proposals that can demonstrate strong commitment by both partners.

The MFA has set two deadlines for the submission of project proposals: 1 March and 1 September. In case the days fall on holidays, the deadline will be the next working day.

The Finnish embassies, with their knowledge of their host country have a central role in the assessment of the project proposals. However, the relevant regional department in the MFA is responsible for the assessment of the project proposals. In

the assessment, and taking into consideration the comments made by the embassy, specific attention should be paid on the following assessment criteria:

1. The project proposal is based on a well-grounded need.
2. The project proposal focuses mainly on capacity building.
3. The project proposal can make use of the special expertise of a Finnish government agency.
4. The project proposal is of an appropriate size (in terms of financing) for the ICI.

5.2. The MFA department's decision on the proposal

The relevant department in the MFA either approves or rejects the project proposal. If the proposal meets the above four criteria, and it fits into the available planning and financing frame, the department can recommend that the Finnish and developing country partner agencies elaborate the project proposal into a project document.

The department can also make a conditional approval and require, for example, that the Finnish agency participate in the proposal preparation or set certain conditions to the content of the project.

5.3. Preparation of the project document

The Finnish and partner country agencies prepare the *project document* jointly. A more detailed description of the contents of the project document is included in chapter 6 below and in the manual that supplements this administrative order.

The MFA department can, if it so desires, use its planning appropriations to finance the project planning by making an in-house assignment contract with the Finnish agency.

The assignment contract states the objective of the preparatory assignment with possible conditions regarding the contents, and a cost ceiling of € 25 000. The Finnish agency carries out the assignment and invoices the MFA on the basis of accrued expenses.

The MFA has contracted a Facilitation Consultant to advise the Finnish agency in the project document preparation, free of cost. The support from the Facilitation Consultant is available to all Finnish agencies whose project proposal has been approved by the MFA departments.

The Finnish and developing country agencies submit the project document to the relevant MFA regional department. The project document must include a draft *Memorandum of Understanding* between the cooperating partners.

5.4. Approval of the project document and contractual processes

The relevant MFA regional department assesses the project document. If the department approves the project document, it prepares a proposal to the Quality Assurance Group in the MFA, and submits a proposal for funding decision to the Minister for Foreign Trade and Development Cooperation (or the Director General of the Department for Development Policy in case the project budget is less than € 200 000). Thus, the approval procedure follows the regular project management procedure in the MFA.

Funding decision is based on the proposal made by the MFA regional department to the Minister on the use of appropriations. The department can make the proposal if it has sufficient appropriations for country- or region specific development cooperation,

and if the project document meets the quality criteria set for development cooperation projects. The assessment of quality of the project document includes relevance, effectiveness, feasibility, cost-efficiency and sustainability. Both the MFA department and the Minister can also reject the proposed project document.

For approved projects, the department gives *an assignment [toimeksianto]* to the Finnish agency, using a standard project assignment form. The assignment has two appendices; signed Memorandum of Understanding and the Project Document.

In case the project includes import of equipment and fixed assets, or transfer of ownership of equipment and fixed assets from the Finnish to the partner country agency, or if the partner country agency is vested with responsibility for managing funds, the ICI partners need to clarify whether an intergovernmental agreement is required. The need for an intergovernmental agreement should be confirmed either from the partner country government or from the Department for Development Policy in the MFA. If an intergovernmental agreement is not needed, this should be mentioned in the assignment contract.

If the assignment is related to support for an ongoing development cooperation project (such as budget support of a sectoral programme), the related intergovernmental agreement has to be appended, as a rule, to the assignment contract.

All assignment contracts, including annexes are prepared in English and available for public unless they are deemed to include confidential information.

5.5 Support services available from the Facilitation Consultant

The Development Policy Unit of the MFA has contracted a Facilitation Consultant to assist the Finnish agencies in preparing project documents, and to monitor the implementation of all ICI projects.

For the Facilitation Consultant to be able to perform its duties, the MFA regional units must inform the Facilitation Consultant of all approved project proposals and project documents.

The Finnish agency submits the project document with required annexes to the Facilitation Consultant who forwards the PD to the MFA. Only project documents that have been endorsed by the Facilitation Consultant are considered in the MFA for financing.

For the Finnish agencies the Facilitation Consultant provides the following services, free of cost:

- Advice in preparing project documents;
- Advice on the goals of the instrument, project management, good practices and possible risks.

For MFA, the services provided by the Facilitation Consultant include:

- Provide comments on the quality of the Project Document prior its submission to the Quality Assurance Group and funding decision.
- Monitor that the Finnish and developing country agencies prepare the required progress reports, financial reports and final report, and that the plans and reports meet the formal requirements. The Facilitation Consultant should point out to the Finnish agency if the implementation is not in accordance with the assignment contract.

- Inform the MFA regional department of possible breaches in contract implementation that have not been rectified by the Finnish agency despite notification.
- Comment on Finnish agency's proposal to amend the assignment.

6. Minimum requirements of the Project Document and Budget

6.1. Project Document

A Project Document includes the following information:

- Background and justification to the project;
- The objective(s) of cooperation and approach to implementation;
- Planned results and activities;
- The approach to capacity development;
- Coherence of the proposed project to the other activities of the partner country agency;
- Timetable;
- Sustainability and possible risks;
- Project management provisions;
- Budget; and
- Other relevant issues.

The key issues in preparing a project document include clarity, feasibility of the objectives and results-orientation. The project document should take into account the crosscutting themes of the Finnish development policy. Characteristics of a good project document are discussed in more detail in the manual attached to this administrative order.

6.2 Budget

The budget consists of breakdown expenses in the project (see the attached manual). The budget should be presented in a level of detail that enables identification of costs per person. The budget is prepared for the duration of the whole project. The total budget is further divided into annual budgets to enable the Finnish government agency and the MFA to reserve sufficient annual appropriations in their own budgets that required for the implementation of the project.

The budget should detail the per diems and travel costs to be paid to the partner country experts, and any procurement to be made in the partner country. Per diems for the partner country experts working in the partner country are paid according to the partner country regulations, for work and travel in Finland according to the Finnish travel regulations. The budget may include annual management costs to be paid to the partner country agency as an organisation. Services and goods may be procured from companies operating in the partner country following the Finnish Public Procurement Law and Act. Developing country agencies may be given responsibility for implementation of certain activities if invoicing is done through the official accounts of the partner agency, and if the delegation of responsibility does not necessitate an intergovernmental agreement.

Capacity development costs (excluding management costs in the partner agency, procurement of goods and equipment, and contingency) must amount to the minimum of 70 % of the total project costs.

The costs accrued directly by the developing country agency (per diems, travel costs, management fee, procurement of goods and equipment that will become property of

the developing country agency and the reserved share of the contingency) must amount to the minimum of 25 % of the total project costs. Payments of these costs are under the responsibility of the Finnish agency unless otherwise agreed.

A maximum of 10 % of the budget may be reserved for contingency/unforeseen costs.

6.3 Acceptable personnel costs

The project staff is described in an annex to the project document. The Finnish agencies must use their own staff to carry out the assignment. The participation of junior experts in the project implementation by the side of senior experts is desirable.

The breakdown of costs must include salaries per person and the overhead expense rate (OKA-kerroin). The Finnish agency must provide adequate information on the basis of the overhead calculation rate, including what items of expenditure it includes.

As a rule, private subcontractors are not to be used in the implementation of ICI projects. However, if the use of private subcontractors is necessary for e.g. translation services, the Finnish agency must seek approval of the MFA before subcontracting. The share of the work performed by the subcontractors should be minimal. Thus the Finnish agency cannot transfer the main implementation task to a commercial consultancy company.

The Public Procurement Act (348/2007) is applied to the conclusion of subcontracts. Subcontracts are not considered to be services, provided for in section 8 (6) of the Act, which fall outside the competitive bidding. Thus subcontracts must be subjected to competitive tendering. The same applies to subcontracts in a partner country.

7. Project management during implementation

The Finnish agency is responsible for its own part and in accordance with the assignment contract on the effectiveness and legality of the project activities.

The Finnish and partner country agency prepare a *Memorandum of Understanding*, which details the forms of cooperation, timetables, use of funds, and other technical details. The Finnish agency may delegate to the partner agency the responsibility for paying certain expenses, in which case the Finnish agency is responsible for ensuring that the partner country agency has the required funds, and that the partner country agency presents the required invoices/receipts and other required documentation for invoicing purposes.

The Finnish agency can, in accordance with the MoU and the project document, entitle the partner country agency to be in charge of a part of the results of the project and funds can be allocated for this purpose. In that case, the partner country agency is obligated to submit the required reports and receipts to the Finnish agency. The partner country agency's costs must be earmarked in the project budget.

The Finnish and partner country agencies can make small changes of less than 5% in an expense item of the project budget by notifying the MFA about the matter. However, such changes between different budget lines must be made within the overall budget. Bigger changes should be avoided, because they call for an official decision by the MFA department in question.

The Finnish agency prepares a progress report and a financial report at least every six months. The structure of the reports is described in the appended manual.

The Finnish agency invoices the Ministry for Foreign Affairs on the basis of actual, accrued costs. The Finnish agency cannot be given an advance payment.

Payment and invoicing schedule and dates are included in the assignment contract. All costs must be invoiced from the MFA in the year of actual expense.

In case shortcomings are detected in project implementation, the MFA can ask the Finnish agency to take remedial action at the risk that the assignment is cancelled. If the project implementation has become complicated due to changed circumstances, the Finnish agency can propose to the MFA the assignment to be reviewed and updated.

The total expenses of a project fall under the framework of the regular audits conducted in government agencies, which is why a separate audit is not necessary. However, activities carried out in a partner country may be subjected to a separate audit, if it is deemed appropriate considering the nature of the project. The audit costs must be then included in the project budget.

After the end of the project, the Finnish agency prepares a final report.

8. Financing

The ICI projects are financed out of the budget allocation table for country- and region-specific development cooperation (24.30.66.2) of the budget item for regular development cooperation (24.30.66), which is managed by the units administering the Ministry's development cooperation funds, and out of the budget allocation table for unallocated development cooperation funds (24.30.66.4). The MFA units apply for the appropriations to various projects from the government budget annually. The units prepare their proposals concerning their need of appropriations in the next year in connection with the preparation of the annual budget

8. Manual to support the administrative order

To support the use of the ICI, a manual entitled *Institutional Cooperation Instrument - Manual and Recommended Best Practices* has been prepared. It contains document models and templates and recommendations that may help in the management and monitoring of the ICI projects.

The manual is available on the Ministry's web site. The Finnish embassies should advise the partner country agencies to familiarise with the MFA web site.

Appendix 22:

Laki valtion virastojen ja laitosten osallistumisesta kehitysyhteistyöhön 28.4.1989/382 (muutoksineen)

Cf. Suomen laki (<http://www.finlex.fi/fi/laki/ajantasa/1989/19890382>)

Act on the Participation of Governmental Authorities and Agencies in Development Co-operation (382/1989 incl. subsequent amendments. No English translation available).

Eduskunnan päätöksen mukaisesti säädetään:

1 §

Valtion virasto tai laitos voi yhteistyössä ulkoasiainministeriön kanssa osallistua valtion tulo- ja menoarviossa kehitysyhteistyöhön osoitettujen määrärahojen rajoissa kehitysyhteistyötehtäviin kotimaassa ja ulkomailla sen mukaan kuin tässä laissa säädetään.

2 §

Osallistuminen kehitysyhteistyötehtäviin edellyttää, että tehtävät soveltuvat viraston tai laitoksen varsinaiseen toimintaan eivätkä aiheuta sille erityistä haittaa.

3 §

Ulkoasiainministeriön ja muun valtion viraston tai laitoksen yhteistyön sisältö ja menettelytavat vahvistetaan kirjallisesti osapuolten kesken tehtävittäin.

Yhteistyön sisällön ja menettelytavat vahvistavan asiakirjan hyväksyy asianomaisen hallinnonalan ministeriö, jollei viraston tai laitoksen osalta ole muuta säädetty tai kyseinen ministeriö toisin päättää.

4 §

Tässä laissa tarkoitetuista kehitysyhteistyötehtävistä virastolle tai laitokselle aiheutuvat kustannukset veloitetaan ulkoasiainministeriön pääluokassa kehitysyhteistyöhön osoitetuista määrärahoista. Kustannukset lasketaan ottaen huomioon, mitä valtion maksuperustelain (980/73) 2 §:n 1 momentissa on säädetty.

5 §

Ulkoasiainministeriöllä on oikeus saada hyväksyttäväkseen valtion viraston tai laitoksen tässä laissa tarkoitettuja tehtäviä varten tekemät henkilövalinnat sekä asetuksella säädetävissä tapauksissa edellyttää näitä tehtäviä suorittavan henkilön korvaamista toisella henkilöllä.

6 § (21.5.1999/623)

6 § on kumottu L:lla 21.5.1999/623.

7 §

Tarkemmat säännökset tämän lain täytäntöönpanosta annetaan asetuksella.

8 §

Tämä laki tulee voimaan 1 päivänä kesäkuuta 1989.

HE 203/88, ulkvk.miet 10/89, svk.miet 13/89

Muutossäädösten voimaantulo ja soveltaminen:

21.5.1999/623:

Tämä laki tulee voimaan 1 päivänä joulukuuta 1999.

HE 30/1998, HaVM 31/1998, EV 303/1998

**Asetus valtion virastojen ja laitosten osallistumisesta kehitysyhteistyöhön
28.4.1989/383 (muutoksineen)**

*Decree on the Participation of Governmental Authorities and Agencies in
Development Co-operation (383/1989 incl. subsequent amendments).*

Ulkoasiainministerin esittelystä säädetään valtion virastojen ja laitosten osallistumisesta kehitysyhteistyöhön 28 päivänä huhtikuuta 1989 annetun lain (382/89) 5 ja 7 §:n nojalla:

1 § (30.5.1997/506)

1 § on kumottu A:lla 30.5.1997/506.

2 §

Ulkoasiainministeriön toimeksiannosta suoritettaviin kehitysyhteistyötehtäviin virasto tai laitos voi käyttää palveluksessaan olevaa henkilökuntaa ja palkata tarkoitusta varten lisähenkilökuntaa valtion tulo- ja menoarviossa kansainväliseen kehitysyhteistyöhön osoitettujen ja ulkoasiainministeriön kunkin toimeksiannon yhteydessä vahvistamien määrärahojen rajoissa.

3 §

Mikäli ulkoasiainministeriö tai kehitysyhteistyötehtävää suorittava virasto tai laitos katsoo, että joku viraston tai laitoksen henkilökuntaan kuuluva ulkomaanpalvelua suorittava henkilö ei kykene asianmukaisesti suorittamaan hänelle kuuluvia tehtäviä tai mikäli asianomainen muuten katsotaan sopimattomaksi, viraston tai laitoksen tulee ensi tilassa korvata tällainen henkilö toisella.

Ulkoasiainministeriö voi edellyttää edellä 1 momentissa tarkoitettun henkilön korvaamista toisella henkilöllä erityisesti seuraavissa tapauksissa:

- 1) kun henkilön työsopimus voitaisiin työsopimuslain (320/70) mukaan joko purkaa tai irtisanoa;
- 2) kun avunsaaja on pyytänyt henkilön palauttamista kotimaahan; tai
- 3) kun henkilön työkyky tehtävässä on sairastumisen, onnettomuuden joutumisen tai muun vastaavan syyn vuoksi oleellisesti alentunut.

Mikäli tässä pykälässä tarkoitettua henkilöä ei voida korvata toisella, viraston tai laitoksen tulee viipymättä neuvotella ulkoasiainministeriön kanssa niistä toimenpiteistä, joihin asian johdosta on ryhdyttävä.

4 §

Kehitysyhteistyötehtävää suoritettaessa ulkoasiainministeriö edustaa Suomen hallitusta.

Ulkoasiainministeriö voi valtuuttaa kehitysyhteistyötehtäviä suorittavan viraston tai laitoksen puolestaan neuvottelemaan ja sopimaan vastaanottajaviranomaisen kanssa tehtävän sisältöön ja toteuttamiseen liittyvistä yksityiskohdista.

Ulkoasiainministeriön tulee ohjata ja valvoa toimeksiannon suorittamista.

5 §

Kehitysyhteistyötehtävien suorittamiseen osallistuvan viraston tai laitoksen ulkoasiainministeriön toimeksiannosta järjestämiin opinto-ohjelmiin osallistuville kehityskaikasta saapuville opiskelijoille tulee kyseisen viraston tai laitoksen hankkia valtion kustannuksella ulkoasiainministeriön vahvistamien stipendiaattiohjeiden mukainen tapaturma- ja sairausvakuutus.

6 §

Tarkemmat määräykset valtion viraston tai laitoksen osallistumisesta kehitysyhteistyöhön sekä muut mahdolliset määräykset tämän asetuksen soveltamisesta antaa tarvittaessa valtioneuvosto.

7 §

Tämä asetus tulee voimaan 1 päivänä kesäkuuta 1989.

Muutossäädösten voimaantulo ja soveltaminen:

30.5.1997/506:

Tämä asetus tulee voimaan 4 päivänä kesäkuuta 1997.

Appendix 23

Maksuperustelaki

For English translation, see Finnish Law (<http://www.finlex.fi>) and search for 150/1992.

Valtion maksuperustelaki 21.2.1992/150

Eduskunnan päätöksen mukaisesti säädetään:

1 LUKU

Yleiset säännökset

1 §

Lain soveltamisala

Valtion viranomaisten suoritteiden maksullisuuden ja suoritteista perittävien maksujen suuruuden yleisistä perusteista sekä maksujen muista perusteista säädetään tässä laissa.

Tämä laki koskee tasavallan presidenttiä valtioneuvostossa tapahtuvan päätöksenteon osalta. (16.5.1994/348)

Tämä laki koskee myös tasavallan presidentin kansliaa, eduskunnan kansliaa ja eduskunnan oikeusasiamiehen kansliaa samoin kuin eduskunnan yhteydessä olevia valtiontalouden tarkastusvirastoa ja kansainvälisten suhteiden ja Euroopan unionin asioiden tutkimuslaitosta. (25.5.2007/607)

Tämä laki ei koske valtion liikelaitoksia eikä valtion rahastoja, ellei rahastoista toisin säädetä. Tämä laki ei koske myöskään virastoja ja laitoksia, joiden maksullinen toiminta on ennen tämän lain voimaantuloa lailla säädetty järjestettäväksi liikeperiaatteiden mukaan. (16.5.1994/348)

2 §

Lain suhde muihin säännöksiin

Jos muulla lailla tai laissa olevan valtuutuksen nojalla annetaan tästä laista poikkeavia säännöksiä, noudatetaan niitä tämän lain sijasta.

Tämän lain nojalla annettavalla asetuksella voidaan poiketa siitä, mitä eräiden vähäisten saatavien perimättä jättämisestä annetussa laissa (266/50) säädetään.

3 §

Määritelmät

Tässä laissa tarkoitetaan:

- 1) valtion viranomaisen suoritteella virkatoimia, valtion tuottamia tavaroita ja palveluita sekä muuta toimintaa; sekä
- 2) julkisoikeudellisella suoritteella valtion viranomaisen suoritetta, jonka kysyntä perustuu lakiin tai asetukseen ja jonka tuottamiseen viranomaisella on tosiasiallinen yksinoikeus.

2 LUKU

Suoritteiden maksullisuuden ja maksujen suuruuden yleiset perusteet

4 §

Maksulliset suoritteet

Seuraavat suoritteet tulee olla maksullisia, jollei suoritteen maksuttomuudelle ole perusteltua syytä:

- 1) tavarat, jotka valtion viranomaisen on tuottanut;
- 2) palvelut, jotka on tuotettu tilauksesta tai muusta toimeksiannosta;
- 3) päätökset, jotka on tehty hakemuksesta;
- 4) käyttöoikeuksien sekä muiden oikeuksien väliaikainen luovuttaminen; sekä
- 5) muu toiminta, milloin suoritteen tuottaminen on seurausta vastaanottajan toimenpiteestä.

(14.12.1998/961)

Suoritteen tulee olla maksullinen etenkin silloin, kun myös muu kuin valtion viranomaisen tuottaa sitä tai siihen verrattavaa suoritetta maksullisena tai kun suoritteen tuottaminen liittyy vastaanottajan taloudelliseen toimintaan.

5 §

Maksuttomat suoritteet

Seuraavat suoritteet tulee olla maksuttomia, jollei suoritteen maksullisuudelle ole erityistä syytä:

- 1) suoritteet, joiden tuottamisen ei voida katsoa kohdistuvan suoranaisesti yksittäiseen henkilöön, yritykseen eikä muuten tarkoin rajattuun ryhmään;
- 2) suoritteet, joiden tarkoituksena on toimeentulon turvaavan etuuden antaminen; sekä

3) viranomaisen neuvot, ohjeet, opastus ja tiedottaminen, jos näistä aiheutuu vain vähäisiä kustannuksia.

6 §

Julkisoikeudellisista suoritteista perittävät maksut

Julkisoikeudellisesta suoritteesta valtiolle perittävän maksun suuruuden tulee vastata suoritteen tuottamisesta valtiolle aiheutuvien kokonaiskustannusten määrää (*omakustannusarvo*).

Yhden tai useamman viranomaisen samanlaatuista suoritteista voidaan määrätä samansuuruinen maksu silloinkin, kun suoritteen tuottamisesta aiheutuva kustannukset poikkeavat toisistaan. Tällaisen kiinteän maksun suuruutta määrättäessä on otettava huomioon suoritteiden keskimääräinen kokonaiskustannus.

Maksu voidaan määrätä perittäväksi yleisesti suoritteen omakustannusarvoa alempana tai jättää kokonaan perimättä, jos siihen terveyden- ja sairaanhoitoon, muihin sosiaalisiin tarkoituksiin, oikeudenhoitoon, ympäristönsuojeluun, koulutustoimintaan tai yleiseen kulttuuritoimintaan liittyvistä tai näihin verrattavista syistä on perusteltua syytä. Erityisestä syystä maksu voidaan määrätä tietyltä ryhmältä perittäväksi suoritteen omakustannusarvoa alempana tai jättää kokonaan perimättä. Erityisestä syystä maksu, joka muuten määrättäisiin suoritteen omakustannusarvoa vastaavaksi, saadaan määrätä tätä korkeammaksi.

Silloin kun suoritteesta määrätään perittäväksi maksu, peritään vastaava maksu myös valtion viranomaiselta, jollei muuhun menettelyyn ole erityistä syytä.

Suoritetta tuottavan viranomaisen asiana on huolehtia siitä, ettei suoritteen tuottamisesta aiheudu enempää kustannuksia kuin, mitä suoritteen tarkoituksenmukainen laatutaso edellyttää.

7 §

Muiden suoritteiden hinnat

Viranomaisen muiden kuin 6 §:ssä tarkoitettujen suoritteiden hinnoista päätetään liiketaloudellisin perustein. Valtion talousarviossa voidaan osoittaa määräraha liiketaloudellisin perustein hinnoiteltujen suoritteiden hintojen alentamiseksi.

Jos viranomaisella on tosiasiallinen yksinoikeus 1 momentissa tarkoitettun suoritteen tuottamiseen, saadaan suoritteesta perittävä hinta määrätä myös niin, että se vastaa suoritteen omakustannusarvoa. (14.12.1998/961)

Jos viranomainen tuottaa suoritteita määräävässä markkina-asemassa, on suoritteiden hinnoittelussa otettava huomioon kilpailunrajoituksista annetun lain (480/1992) määräävän markkina-aseman väärinkäyttöä koskevat säännökset. (14.12.1998/961)

3 LUKU

Toimivalta maksuista päätettäessä

8 § (16.5.1994/348)

Asetuksella säädettävät asiat ja ministeriön toimivalta

Tasavallan presidentin ja valtioneuvoston yleisistunnon päätösten maksullisuudesta sekä siitä, mistä päätöksestä maksu määrätään omakustannusarvon perusteella ja mitkä hinnoitellaan liikeloudellisin perustein, säädetään asetuksella. Asetuksella säädetään myös 6 §:n 2 momentissa tarkoitetuista kiinteistä maksuista sekä mistä päätöksestä, millä 6 §:n 3 tai 4 momentissa sanotulla perusteella ja miten maksun suuruus voidaan määrätä päätöksen omakustannusarvosta poiketen. Muissa näitä maksuja koskevissa asioissa toimivalta on asianomaisella ministeriöllä. Ministeriöllä tarkoitetaan tässä laissa myös valtioneuvoston kansliaa.

Asianomainen ministeriö päättää, mitkä ministeriön ja hallinnonalan muiden viranomaisten suoritteet tai suoriteryhvät ovat maksullisia ja mistä suoritteesta tai suoriteryhmästä maksu määrätään omakustannusarvon perusteella sekä mitkä suoritteet hinnoitellaan liikeloudellisin perustein.

Ministeriö päättää 2 momentissa tarkoitetuissa tapauksissa myös 6 §:n 2 momentissa tarkoitetuista kiinteistä maksuista sekä mistä suoritteesta tai suoriteryhmästä, millä 6 §:n 3 tai 4 momentissa sanotulla perusteella ja miten maksun suuruus voidaan määrätä suoritteiden omakustannusarvosta poiketen.

Milloin ministeriön ratkaisuvalltaan muutoin kuuluva asia saatetaan valtioneuvoston yleisistunnon päätettäväksi, päätöksen maksullisuus ja siitä perittävän maksun suuruus määräytyy 1 momentista poiketen sen mukaisesti kuin kysymyksessä olisi ministeriön päätös.

9 §

Viranomaisen toimivalta

Muissa kuin 8 §:ssä tarkoitetuissa tapauksissa toimivalta maksuja ja suoritteiden hinnoittelua koskevissa asioissa on asianomaisella viranomaisella.

10 § (25.5.2007/607)

Erityiset virastot ja laitokset

Eduskunnan, tasavallan presidentin ja eduskunnan oikeusasiamiehen kansliat, eduskunnan yhteydessä olevat valtionalouden tarkastusvirasto ja kansainvälisten suhteiden ja Euroopan unionin asioiden tutkimuslaitos samoin kuin oikeuskanslerinvirasto sekä Suomen Pankki ja Kansaneläkelaitos määräävät itse maksuistaan.

4 LUKU

Erinäiset säännökset

11 §

Maksujen perintä

Maksu 6 §:ssä tarkoitetusta julkisoikeudellisesta suoritteesta saadaan periä siinä järjestyksessä kuin verojen ja maksujen perimisestä ulosottotoimin annetussa laissa (367/61) säädetään.

Perittäessä saatavia 7 §:ssä tarkoitetuista muista suoritteista noudatetaan, mitä yksityisoikeudellisten saatavien perinnästä säädetään.

11 a § (14.12.1998/961)

Maksun määrääminen

Maksun määräämistä koskevasta tositteesta tai muusta asiakirjasta on käytävä ilmi säännökset, joihin maksu perustuu. Jos maksun määrääminen perustuu julkisoikeudellisen suoritteen osalta erityiseen laskelmaan, on laskelma liitettävä mukaan.

Maksun määräämisessä todettu virhe voidaan korjata noudattaen vastaavasti, mitä hallintomenettelylaissa (598/1982) säädetään asia- ja kirjoitusvirheen korjaamisesta.

Julkisoikeudellista suoritetta koskevan maksun määräämisen yhteydessä on maksun määränneen viranomaisen annettava ohjeet 11 b §:ssä tarkoitetun oikaisukeinon käyttämisestä.

11 b § (14.12.1998/961)

Maksua koskeva muutoksenhaku

Maksuvelvollinen, joka katsoo, että 6 §:ssä tarkoitetusta julkisoikeudellisesta suoritteesta määrätyn maksun määräämisessä on tapahtunut virhe, voi vaatia siihen oikaisua maksun määränneeltä viranomaiselta kuuden kuukauden kuluessa maksun määräämisestä. Oikaisuvaatimuksesta annettuun päätökseen saadaan hakea valittamalla muutosta siltä [lääninoikeudelta], jonka tuomiopiirissä maksun määrännyt viranomainen sijaitsee. Valitusaika on 30 päivää luettuna siitä, kun valittaja on saanut tiedon oikaisuvaatimukseen annetusta päätöksestä. [Lääninoikeuden] päätökseen ei saa valittamalla hakea muutosta.

Lain 7 §:ssä tarkoitettuja muita suoritteita koskevat maksuriidat käsitellään riita-asiana käräjäoikeudessa.

12 §

Tarkemmat säännökset

Tarkempia säännöksiä omakustannusarvoon kuuluvista kustannuksista, maksun viivästyessä perittävästä viivästyskorosta, sen sijasta perittävästä viivästysmaksusta, maksuajasta ja maksuajalle määrättävästä korosta, ennakosta, vakuuksista, saamisen perimättä jättämisestä ja muista perintää koskevista seikoista sekä muusta lain täytäntöönpanosta voidaan, ottaen huomioon mitä 10 §:ssä säädetään, antaa asetuksella.

12 a § (14.12.1998/961)

Yleisohjausvaltuus

Valtion maksuperustelain yhdenmukaiseksi soveltamiseksi valtiovarainministeriö voi antaa ohjeita suoritteiden maksullistamiseen sekä hinnoitteluun sovellettavista yleisistä periaatteista samoin kuin muistakin valtion maksuperustelain yleiseen hallinnointiin liittyvistä menettelytavoista.

5 LUKU

Voimaantulo ja siirtymäsäännökset

13 §

Voimaantulo

Tämä laki tulee voimaan 1 päivänä maaliskuuta 1992.

Tällä lailla kumotaan:

- 1) 29 päivänä joulukuuta 1973 annettu valtion maksuperustelaki (980/73); sekä
- 2) eräiden viranomaisten toimituskirjoista ja virkatoimista suoritettavain maksujen perusteista 17 päivänä lokakuuta 1942 annettu laki (806/42) siihen myöhemmin tehtyine muutoksineen.

Ennen tämän lain voimaantuloa voidaan ryhtyä lain täytäntöönpanon edellyttämiin toimenpiteisiin.

14 §

Siirtymäsäännökset

Kumottavien lakien nojalla annetut asetukset jäävät voimaan 31 päivään joulukuuta 1993 saakka, jollei niitä erikseen tätä ennen kumota.

Jos muussa lainsäädännössä viitataan tällä lailla kumottaviin lakeihin, viittauksen on katsottava tarkoittavan tätä lakia.

HE 176/91, VaVM 1/92

Muutossäädösten voimaantulo ja soveltaminen:

16.5.1994/348:

Tämä laki tulee voimaan 1 päivänä kesäkuuta 1994.

HE 28/94, VaVM 11/94

25.10.1996/749:

Tämä laki tulee voimaan 1 päivänä tammikuuta 1997.

HE 97/96, HaVM 12/96, EV 115/96

14.12.1998/961:

Tämä laki tulee voimaan 1 päivänä maaliskuuta 1999.

Lain 11 b §:n muutoksenhakua koskevia säännöksiä sovelletaan maksuihin, jotka on määrätty lain voimaantulopäivänä tai sen jälkeen.

Ennen tämän lain voimaantuloa voidaan ryhtyä lain täytäntöönpanon edellyttämiin toimenpiteisiin.

HE 203/1998, VaVM 41/1998, EV 151/1998

4.8.2000/721:

Tämä laki tulee voimaan 1 päivänä tammikuuta 2001.

HE 68/2000, PeVM 10/2000, EV 98/2000

29.6.2006/546:

Tämä laki tulee voimaan 1 päivänä tammikuuta 2007.

Ennen lain voimaantuloa voidaan ryhtyä sen täytäntöönpanon edellyttämiin toimenpiteisiin.

LA 28/2006, UaVM 5/2006, EK 15/2006

25.5.2007/607:

Tämä laki tulee voimaan 1 päivänä heinäkuuta 2007.

HE 71/2006, PNE 2/2006, PeVM 10/2006, EV 202/2006, LJL 2/2007, PeVM 1/2007, EK 9/2007.

Appendix 24

The criteria for the eligible Finnish governmental agencies

The law allows for Finnish governmental agencies (virastot ja laitokset) to engage in ICI cooperation as a contractual and implementing agency. A list of the eligible institutions may be found from:

<http://valtiokonttori.fi/Public/default.aspx?contentid=33413&nodeid=15836>

The eligible agencies are the Finnish government ministries and most of the agencies directly under the command of the ministries. These institutions may have a national or a regional mandate. Typically they are specialist agencies with level level technical expertise.

Some further clarifications:

a) Universities - only until the end of 2009

Universities were included in the list of government agencies until the end of 2009

b) State-owned companies or public utilities - some

Some state-owned companies and public utilities may qualify as government entities in terms of ICI cooperation. However, their eligibility will be determined by the Ministry's lawyers on a case by case basis

c) Municipal agencies - no

As municipal agencies are not State institutions they may not engage in ICI. Many Polytechnics (ammattikorkeakoulut) are managed by municipal agencies or private agencies by law. The MFA has another instrument for supporting municipal agencies, administered by the Finnish Association for Municipal Agencies.

d) Private enterprises - no

Limited companies are excluded from the ICI.

PART C
BEST PRACTICES

Appendix 31.

BEST PRACTICES ON CAPACITY DEVELOPMENT FOR ICI PROJECTS

Capacity building is a risky, murky, messy business, with unpredictable and unquantifiable outcomes, uncertain methodologies, contested objectives, many unintended consequences, little credit to its champions and long time lags (Morgan 1998).

1 Background

Capacity development consumes a major share of the annual USD 15 billion worth technical assistance donors make available for the partner countries. Despite massive investments, the effectiveness of capacity development activities has been disappointing. Making public sector organisations work better is one of the most persistent and difficult challenges in development and development cooperation. At the same time, nothing is more crucial for achieving sustained progress, growth and poverty reduction.

One of the main problems in capacity development has been the approach to capacity development that can be described as transferring right answers from North to South without considering the critical importance of country ownership and the operating environment, the context, in which the organisations work. Furthermore, the activities have too often been selected on the basis of what the donor agencies and organisations from the North can supply, rather than what would be needed.

The 2005 Paris Declaration on Aid Effectiveness places great importance on capacity development, but also calls for a fundamental change on how capacity development is approached and supported. According to the Declaration:

*“The capacity to plan, manage, implement, and account for results of policies and programmes is critical for achieving development objectives (...). Capacity development is the **responsibility of partner countries with donors playing a support role**. It needs not only be based on sound technical analysis, but also to be **responsive to the broader social, political and economic environment**, (...).”*

According to OECD (2006) the following changes are required in the approach towards capacity development to have a substantial impact on development outcomes:

- 1) Capacity is an endogenous process, which can be supported or catalysed from outside but will only become sustainable with strong domestic commitment.
- 2) The partner organisations have the leading role in defining the objectives of cooperation for capacity development.
- 3) Definition of indicators and monitoring of outcomes is done from the perspective of the beneficiaries.

Capacity development includes many issues like organisational development and the development of the capacities of the personnel.

2. Organisational development as an objective in ICI projects

The objective of the ICI project is commonly defined as one major objective, to be attained by 2-4 project components or result areas. Organisational development is usually included in the project objective or as one of the expected results.

Organisational development is often necessary element to ensure the effectiveness of the capacity development. Studies on the public sector worldwide show that the civil servants tend to have more personal capacities than what they can utilise in their work - but they are hindered by outdated organisational structures, unclear authority relations and missing or counterproductive incentive structures. It does not make sense to focus on training upon a handful of experts, if the working situation does not allow the experts to use their skills.

When organisational development is visioned, the goal needs to be set realistically. The resources of the ICI projects are relatively small in terms of finance and time. Organisational development including new ways of working or new roles and responsibilities tends to take years. Realistic goal setting should be based on the existing plans of the partner organisation. If the resources are not adequate to deal with a whole organisation, the goals should be set at the level of a department or other organisational unit within the partner organisation.

Typical issues included in the organisational development relate to

- a) institutional reform plans and incentive mechanisms;
- b) leadership development,
- c) professional training,
- d) accountability mechanisms.

Concrete tasks may relate to issues like updating of the key tasks and functions in the administrative regulations of a section/unit, updating the communication and reporting channels, modernising administrative and technical tools, developing management information systems, institutionalising links to key service providers, institutionalising links to training department or external training institutions, and developing capacity development and/or human resource development strategies and plans.

The complex matters like the allocation of personnel resources and budgetary powers tends to be beyond the ICI projects. Changing legislation and creating institution-wide strategies are also complex processes which would require large resources and long time horizons. Nevertheless, it is useful to understand the big picture. In organisational/institutional development it is common to distinguish five functional capacities that are necessary for change management. These are capacity to 1) engage stakeholders; 2) assess a situation and define a vision and mandate; 3) formulate policies and strategies; 4) budget, manage and implement; and 5) evaluate.

Institutional Assessment and Capacity Development of Europe Aid (2005) list the following questions:

- Strategy – are mission, goals, strategies clear and agreed upon? Do they fit inputs and contexts?
- Structures – How is work divided?
- Internal relationships – between boss-staff, males-females, peers and units? Constructive conflicts, competition?
- Helpful mechanisms – are coordinating and control instruments adequate (planning, budgeting, auditing, monitoring)?
- Rewards – Are there incentives for doing key functions?
- Leadership – Do someone keep the above elements in balance and adapt to the context?

The local ownership of development projects is absolutely vital for projects which deal with organisational development. One needs to guarantee the commitment of the very section or unit that is directly responsible for the matter. At the same time, one needs to guarantee the commitment of the higher level administrators and politicians for the change. The wide number of stakeholders tends to make organisational development as an unpredictable and challenging task - murky and messy business.

The rationale of the ICI projects lies in combining organisational development with personnel level capacity enhancement. This combination is called as capacity development. How it can best be reached, depends from one situation to another. The best tool for creating such development is mutual trust between the partners.

3. Using efficient methods for training

The ICI projects are based on the cooperation between the representatives of the partner organizations, who are peers. It is important to engage both the leadership and middle-management levels and the level of officers, or specialists. In certain situations, there are still needs for training of new skills and approaches. It is possible that the budgetary and practical limitations guide the project team to plan short-term training courses and study tours. These are, after all, the most conventional methods for capacity building.

Many studies have shown that the class-room training is a relatively inefficient method, especially when it is used as the main method in adult training. Learning is a process of dealing with existing attitudes, experiences and values. Learning takes place when a person is allowed to reflect the issues in relation to her previous experiences. Thus combining lecturing with practical exercises and discussions tends to be useful. Even better results have been reached when training takes into consideration the real-life situational factors, like the working site resources and the organisational structures.

Learning amongst the civil servants is essentially learning among adults who command already a wide practical knowledge and experience. Thus civil servants tend to have a high capacity to contextualise the issue. However, the organisational practices are often taken for given. Learning sessions are meaningful when participants are challenged to express their social, organisational and theoretical frames of mind. Innovative learning experiences include

- thematic group work with "mixed grill" participation covering technical and policy personnel
- imitating work situations through role plays,
- problems solving methods through focused group discussions,

- using Participatory Learning and Action type exercises: problem tree drawing; drawing maps of the linkages between institutions; classification of issue by criteria defined on the spot; wealth and influence ranking of persons/institutions.
- excursions on work sites, study tours,
- swapping experts, on the job training
- establishing a joint internet blog or platform for keeping the informal communication of the project alive.

These kinds of approaches may have an impact on values and conceptual frameworks - the anchors of knowledge.

For practical purposes, it may be useful or necessary to have a part of the programme activities managed through e-learning sessions, telephone conferencing and emails. These methods may reduce costs and speed up communication considerably. They also have their specific techniques and pitfalls. There are ways to use the new methods as an efficient element of the communication package. Since long-term residential experts are likely to be unrealistic for budgetary reasons, ***the critical test for the ICI projects is how to motivate the project persons to keep the project going between the joint work sessions.***

The key to the efficient training is mutuality and respect. In the oral cultures people have developed high level of sensitivity to recognise the signs of mutuality and respect. Training and learning are simply forms of social interaction - cooperation between a persons and a person. As a project worker, civil servant and a trainer one needs to ask: how do I relate with these people? What do we have in common? How well do we understand each other?

4. Expertise and incentives

The ICI regulations give guidance on what kind of payments are acceptable for Finnish agency experts and for local experts. As a rule, the full costs of the Finnish agency experts are covered while only the normal travel and sitting allowances are covered for the partner country experts. The payment structure tends to create a budget which is heavily biased towards the Finnish agency experts.

The capacity building projects are successful only when they include meaningful incentives for participation. If the financial incentives are limited, the programme may need to locate other incentives related to the substance: learning experiences, visits to new sites, exposure to international milieu.

It is clear that the financial incentives of the ICI are not comparable to the incentives of the larger bilateral and multilateral programmes. In practice this means that it is not feasible to launch an ICI project in the field which is competing with the large financiers in the attention of the busy officers.

The matter of incentives is also relevant for the Finnish agency experts. The ICI financing is generally used for short-term Finnish agency experts. The per diem are not a major financial boost for short-term missions and the international exposure seems to be a stronger incentive.

The financial terms become more important if a Finnish agency expert is expected to work for a long-period of time. Technically it is possible for an expert to work for an

ICI project for a long-term contract. However, the project financing does not include any coverage for family-related costs nor major tools like vehicles. If a person is working under a long-term contract, there also arises questions on work permits and residence permits, and the official status of the person in relation to the partner agency. If a project includes a long-term expert, it may need to be guided by a bilateral country agreement. Such a bilateral country agreement may require many legal provisions and it is cumbersome to negotiate. This is a concrete disincentive to include a long-term expert in the project.

5. Some practical issues for ICI partners to consider

There are no blueprints or quick fixes for capacity development that would work in all circumstances. There are, however, a set of core issues that impact organisations, their capacities and possibilities for capacity development that could be useful for ICI cooperating partners to consider and discuss.

Firstly, organisations never operate in a vacuum, but are constantly shaped by their operating environment. Performance, capacity and capacity development of an organisation depends on the incentives and constraints that the operating environment creates. The ICI project should be based on the realistic view on the political pressures and social tension related to the organisation: Who does the organisation work with? Who needs its services or product? Who benefit and who lose if the products or services are reformed? What kind of motivational factors drive the political leaders and the administrative leaders?

Secondly, organisations' performance is not fully captured by functional-rational explanations of behaviour. Consequently, new technology, revised workflows, reformed structures etc. do not necessarily lead to improved outcomes. There are structural, institutional⁷ factors, informal rules and political considerations that are behind operations of any organisation. Unfortunately, these factors and rules are very difficult to unfold and to identify – especially by an outsider.

Capacity development has traditionally focussed “functional-rational” issues within an organisation leaving the environment, critical external factors and political dimension and informal rules of the game outside the scope of cooperation. This is justifiable as political issues or informal rules, let alone structural and institutional factors are not easy to address by external technical assistance. Appreciation of their role can, however, be critical for success of functional and rational cooperation. And ignoring them has proved to lead unsuccessful capacity development. Just ask your self, what a change in your own organisation would require and how easy or difficult it is for an outsider to help in that process?

The best proxy for the capacity of an organisation is the products and services it produces. **Thirdly**, therefore, the key issue in preparing for capacity development project or programme is to identify the key products/services of the organisation in their current quality and quantity, and to agree what would be a realistic target for capacity development remembering that sustainable capacity does not grow fast. The role of the organisation whose capacity is to be developed is crucial in defining the objectives and results, and especially the indicators, which describe the success of the project. The results should be as tangible as possible for everyone to see the difference in the performance.

⁷ Formal and informal rules of the game.

- **Fourthly**, it is often useful to break the difficult-to-grasp capacity into smaller, more operational units. We may distinguish between three core issues: leadership, knowledge and accountability. In literature especially leadership and rewards are deemed important for organisational performance, and change – which is the essence of capacity development, and also one of the reasons for why it is so difficult to achieve.

Finally, conditions for favouring capacity development in organisations are identified by at least OECD (2006) and JICA (2008):

OECD (2006)	JICA (2008)
<ul style="list-style-type: none"> • Strong demand-side pressures for improvements from clients, political leaders etc. • Top management provides visible leadership for change, promotes a clear sense of mission, encourages participation, establishes expectations about performance, and rewards well-performing staff. • Change management is approached in an integrated manner. • A critical mass of staff members, including front-line staff, are ultimately involved. • Organisational innovations are tried, tested and adapted, • Quick wins that deepen commitment for change become visible early in the process; • Top management and change agents manage the change process strategically and proactively, including both internal and external aspects of the process. 	<ul style="list-style-type: none"> • Country-led planning • Flexible and responsive design of technical cooperation • Embedding technical cooperation within an organisational change process • Country-led management of technical cooperation • Complementarity of technical cooperation and other support

6. Concepts and Guides

There is no one, universally accepted definition for capacity and capacity development. The table below presents three options:

UNDP	EC/Europe Aid	OECD
Capacity is the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner.	Capacity is the ability to perform tasks and produce outputs, to define and solve problems, and make informed choices.	Capacity is the ability of people, organizations and society as a whole to manage their affairs successfully.
Capacity Development	Capacity development is	Capacity development is

(CD) is the process through which individuals, organisations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time.	the process by which people and organisations create and strengthen their capacity over time.	the process by which people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time.
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Similarly, there is no one blueprint for how capacity development is best done, but there are several guides. UNDP has specific web pages for capacity development⁸, which contain several guides and tools for capacity assessment and links to other useful resources. The World Bank maintains a Capacity Development Resource Centre⁹, which provides an overview of the literature, case studies, lessons learned, and good practices pertaining to capacity development. It also includes links to international and local capacity development agencies and other knowledge resources. OECD has published e.g. *The Challenge of Capacity Development – Working Towards Good Practice*¹⁰, which offers guidance about how to think systematically through the capacity development challenge. European Commission/Europe Aid has published Institutional Assessment and Capacity Development - Why, what and how?¹¹, which offers a five-step guide for capacity assessment and discusses capacity development and change processes. In addition for example Danida¹² and Sida¹³ have prepared own capacity development guides.

Regarding training, there is a wide discussion on "how adults learn", how to deal with complex and mixed groups of participants, how to deal with culture chocks and how to climatise to a new organisational context, how to diminish cultural misunderstanding and to make use of cultural capabilities, what kind of technological tools are available for distant learning.

Further reading:

- European Commission/Europe Aid: Institutional Assessment and Capacity Development – Why, what and how? Aid Delivery Methods Concept Paper, September 2005.
- Ministry of Foreign Affairs of Denmark/Danida: Guidance Note on Danish Support for Capacity Development, August 2006.
- OECD: The Challenge of Capacity Development – Working Towards Good Practice, DAC Guidelines and Reference Series, 2006.
- OECD: Progress report on implementing the Paris Declaration for the 3rd High Level Forum on Aid Effectiveness, September 2008, Accra, Ghana.

⁸ <http://www.capacity.undp.org/>

⁹ www.worldbank.org/capacity

¹⁰ www.oecd.org/dataoecd/4/36/36326495.pdf

¹¹ ec.europa.eu/europeaid/multimedia/publications/publications/manuals-tools/t106_en.htm

¹² <http://www.amg.um.dk/en/menu/TechnicalGuidelines/Capacity+Development/>

¹³ http://www.sida.se/sida/jsp/sida.jsp?d=806&language=en_US

- Sida: Sida's Policy for Capacity Development as a Strategic Question in Development Cooperation, Methods Development Unit, November 2000.
- Sida: Manual for Capacity Development. Methods Document. Department for Policy and Methodology, October 2005.
- UNDP: Capacity Assessment Methodology, User's Guide. Capacity Development Group, November 2008
- UNDP: Capacity Assessment Practice Note. October 2008.
- Päivi Kupias: Kouluttajana kehittyminen. Yliopistopaino, Helsinki 2007.

Appendix 32: GUIDELINES FOR SOCIALLY INCLUSIVE PLANNING, HUMAN RIGHTS BASED APPROACH TO DEVELOPMENT AND PROMOTION OF CROSS- CUTTING OBJECTIVES IN ICI PROJECTS

Participatory methods

The ICI-projects are fairly compact projects with concrete aims. The programmes are prepared with the partner agency personnel to serve the needs of the partner agency. As a starting point, the social scene for the project planning is fairly straightforward.

There are differences in how inclusive and participatory the project planning methods are implemented. The simplest planning processes tend to be based on the existing personal relations between a Finnish and a partner government agency. The personal relationship is perceived as a reasonable and adequate social basis for the project. Such an approach, however, may cause problems during the implementation phase. In order to guarantee the success of implementation, it is necessary to organise adequate consultation within the partner agency. It is necessary to understand the organisational logic of the partner agency, its resource base and its existing operations and plans. This investigation and dialogue guides the project planning towards realistic and attainable goals.

It is widely perceived that the partner agency's commitment is the cornerstone for a successful project. Commitment is easier to reach when the project objective is realistic and concrete for the level of the cooperation.

In concrete terms this may mean that the project may need to limit its goals for cooperation with only one unit or one section of the partner agency. At this level, it is possible to locate manageable tasks for cooperation.

Whenever possible, the planning process follows the schedules and practices of the implementing agency. Adequate time should be reserved for the planning phase to allow for the internal debate and consultation within the partner agency.

Planning the leadership structures

It is fairly convenient to launch the project through a high level mission which ends with a "Memorandum of Understanding" describing the interest of the parties for further cooperation. While this helps with the political commitment in the partner organisation, it may also direct the project into objectives which are not easily attainable with ICI resources. In order to guide the programme towards realistic goals, it is useful to launch the discussion at technical level and to involve high level leadership, if needed, only when some technical discussion has taken place.

The leadership structures of the project should be planned so that they fit with the requirements and resources of the ICI project. The leadership structures should be high enough to guarantee the access to personnel resources, but low enough to guarantee the grasp of the project idea.

The programme documents should include a logical framework analysis, showing the relations between programme purpose, expected results, activities and inputs. The analysis needs to be based on realistic assumptions on the programme environment and the relations between the agencies. Any potential risks need to be studied during the planning process. If a risk is serious, the programme design needs to be changed to avoid the risk. The programme planning tends to be an iterative process where, through discussions, the planners identify new risks forcing them make changes in the design.

Cultural sensitivity

The government institutions worldwide may look similar, but actually include very different operational practices. There are major differences in how authority relations are structured within the government organisations. Often the informal relations are stronger than the formal organisational relations.

Different subcultures, the relations between them, values, perceptions of ownership and justice, customs, religions, gender roles and beliefs are examples of socio-cultural factors that influence the success and sustainability of a development programme. The behaviour of individuals is determined by social structures and networks of social relationships and obligations, as well as by shared knowledge and values. These factors have the power to mobilise and bind people to a project or to separate them from it.

Even a very simple socio-cultural analysis helps to identify the various actors involved in, or likely to be affected by, a project. Socio-cultural analysis means being alert to a large range of different perspectives and values. It describes what is happening in a partner organisation and whether existing values and relationships create an environment where individuals are supporting the official goals. Such analysis is an essential part of all phases of the project cycle, but should be specially discussed during the planning phase.

Culture should be looked upon as a positive factor and a necessary agent and partner in development. The existing cultural structures which encourage stakeholders to take responsibility of the project from the very beginning should be supported. Locals are the best experts concerning their own potential for change. If behavioural or organisational changes are necessary, the commitment of local experts should be sought by enabling them to design and create the changes themselves.

Indigenous cultural identity must be respected and the opinions of different sub-groups in a society must be taken into consideration. Local culture must be respected, also when new ways of action are being introduced. Attention to socio-cultural issues - both to improve the effectiveness of a programme and to avoid risks - must be built into the programme activities at the earliest possible stage, ideally during programme identification. Staff in some work places may be more susceptible to and/or severely affected by HIV. In developing countries there is also commonly a larger fraction of workers with disabilities. It is important to use inclusive and participatory planning methods to recognise the human rights and special needs of easily marginalised groups.

However, there are definite limits for cultural relativism. Finland's point of departure in all its development cooperation and policy is human rights based approach to development. Human rights must be respected in the implementation of all

Comment [m1]: Onko näin? Vai tarkoittaako suurempi osa väestöstä yleensä. Työpaikka taitaa olla aniharvalla, kun ei siihen Suomessakaan tahdota päästä.

development projects and advanced by integrating human right perspectives into objectives, processes and results of development cooperation. It is important that the poorest and easily marginalised people know their rights and are able to advocate for them, and equally important that the authorities know their human rights obligations and are capable of implementing them.

Promoting human rights based approach to development and cross-cutting objectives

Human rights-based approach to development means that human rights of every individual are respected and protected in all Finnish development cooperation. This includes the rights of individuals who are the most vulnerable and at greatest risk to face discrimination in a society. Human rights-based approach is based on international human rights norms and on principles such as prohibition of discrimination, equality, accountability and rule of law. In a human rights-based approach, human rights determine the relationship between individuals and groups with valid claims (rights-holders) and states and governments with obligations (duty-bearers). Human rights-based development cooperation works towards strengthening the capacities of rights-holders to make their claims, and of duty-bearers to meet their obligations.

In addition to human rights –based approach, following cross-cutting objectives are promoted in all Finnish development policy and development cooperation:

- gender equality
- reduction of inequalities
- climate sustainability

Cross-cutting objectives are derived from intergovernmental human rights conventions and environmental agreements that Finland and its partner countries are committed to, or represent international political commitments that Finland considers particularly important for development cooperation. Cross-cutting objectives are based on values that Finland gives a high priority to and contribute to the achievement of other key development goals such as sustainable development and eradication of extreme poverty.

Cross-cutting objectives are promoted by integrating them into all development policy and cooperation through the following three complementary mechanisms:

1. **Mainstreaming** cross-cutting objectives at all levels of policy, objectives, projects and operational plans, implementation, monitoring and evaluation;
 2. Supplementing this by separate **targeted actions or projects**, when mainstreaming alone does not bring the desired impacts; and
 3. Incorporating the cross-cutting objectives into **political dialogue and intergovernmental, multilateral and EU cooperation and communications**.
- Mainstreaming cross-cutting objectives in all activities is a binding principle and reasons must be given in case of any deviation from it.

Cross-cutting objectives are promoted by:

- 1) Assuring that following aspects are analysed when planning the project:
 - Status and rights of women and girls and the realisation of gender equality
 - Inequality and its manifestations in the society and organisation in question, for example inequalities in the division of income, land, social protection, rights and services; and the position, rights and opportunities of participation of marginalised

groups, such as children, persons with disabilities, ethnic, language, religious or sexual and gender minorities, people living with hiv/aids, and indigenous peoples.

- Project implementation and results in relation to climate change, including climate change mitigation and adaptation and minimizing its carbon footprint.
- Related to the above, international obligations by Finland and partner countries, need to complement the national legislation and increase the level of commitment and capacity of the implementing authorities.

2) Considering what measures need to be taken as a result of the baseline study of cross-cutting objectives? How have cross-cutting objectives been taken into account and how will they be promoted? In case a cross-cutting objective has not been addressed, has the omission been explicitly justified? Have any further measures been planned?

3) Assessing whether the project may have negative effects on the position and rights of specific groups of people. Does climate change possess a significant threat on the sustainability of the project or its results? What measures have been taken to minimise possible negative effects?

4) Estimating the impact of the project on social equality. Will its outcomes increase or decrease equality? May different interests and chances to participate generate conflicts and affect negatively on the project implementation? In what ways could the project be changed in order for it to decrease inequalities as much as possible, and in order for all parties to be committed to advancing its goals?

5) Analyzing in what ways the project promotes gender equality, status and rights of vulnerable or easily marginalized groups, and climate sustainability.

- Have specific targets and indicators been set to measure the progress of cross-cutting objectives?
- Are individual and collective rights and the duties of public authorities clearly recorded in the project documents?
- Does the project enhance access to information and opportunities to influence decision-making?
- Have the chances to affect climate change mitigation and adaptation been duly considered in the project?
- To what extent and in which ways has the carbon footprint of the project been minimized?
- To what extent can individuals and groups be directly involved in the planning, implementation and impact assessment?

6) Ensuring that adequate resources have been allocated to the planning and implementation and finding out how to best strengthen the capacity of authorities in respect to cross-cutting objectives.

7) Assessing if the mainstreaming of cross-cutting objectives is sufficient to ensure positive impacts, or whether it would be necessary to strengthen their implementation by targeted actions.

8) Making sure that the cross-cutting objectives have been integrated into all stages of the project cycle (identification, drafting/appraisal, implementation, monitoring and evaluation), including Terms of Reference documents, budgets and reporting.

Further reading and tools for implementation:

- Ministry for Foreign Affairs of Finland: Cross-cutting objectives of Finnish development policy. <http://formin.finland.fi/crosscutting>
- Pekka Seppälä and Arja Vainio-Mattila: Navigating Culture. A Roadmap to Culture and Development. MFA 1999. <http://formin.finland.fi/public/download.aspx?ID=13686&GUID={99345073-A298-48C1-AF08-FA0C425D2984}>
- Arja Vainio-Mattila: Navigating Gender. A Framework and a Tool for Participatory Development. MFA 2001. <http://formin.finland.fi/public/download.aspx?ID=12381&GUID={C49178E4-2011-451C-9CF5-8DDEDBEEF735}>
- STAKES: The Disability Dimension in Development Action. Manual on Inclusive planning. Stakes 2000. <http://info.stakes.fi/ssd/EN/disabilityandpoverty/guidelines/policies/rapid.htm>

Appendix 33:

BEST PRACTICES ON GOOD GOVERNANCE FOR ICI PROJECTS

Contractual obligations

The contractual set-up of the ICI projects is based on two (and occasionally on three) different levels:

1. The MFA assigns the Finnish government agency to manage the project. The MFA functions as the financiers while the Finnish government agency has responsibility to ensure that the funds are utilised according to the Finnish government laws and regulations.
2. The Finnish government agency prepares a Memorandum of Understanding with partner organisation on the management of the project. The MOU is signed by both institutions *after* the Programme Document is completed so that the Programme Document can be Appendixed to the MOU. The MOU has binding contractual obligation obligations.
3. If the MOU is not adequate to the partner organisation, a bilateral country agreement is needed as a third contractual level. The agreement is signed by the MFA of Finland and the competent authority in the partner country.

The standard contractual models aim to clarify the roles and responsibilities of the cooperating organisations. The contractual discussions may look like a technical matter for legal specialists but actually the contractual discussion goes far beyond this. Contractual stipulations define the project signatories, the ways of accepting payments, the ways of changing activities, the personnel recruitment methods and procurement methods.

If the contractual obligations are not properly discussed during the planning stage, the expectations of the cooperating institutions are not based on sound information. In such situations, the relations of authority between the cooperating institutions may turn sour during the implementation stage and the progress of the project implementation may unexpectedly slow down. For these reasons, it is useful to discuss the contractual obligations well in advance.

Negotiating commitment versus flexibility

The capacity development projects are usually process-oriented. Although definite goals are set for the expected results, the ways of cooperation may not be fully defined during the planning stage. The project implementation tends to require modifications and adjustments as the cooperation advances. Flexibility in operational level is thus always needed.

The limits for the flexibility are defined in the contract and in the ICI regulations. The changes between the budget lines should be minimal to guarantee that the adequate share of the funds are used for capacity building tasks. Changes within the budget line are much easier to implement and small changes can be done with the authority of the programme steering persons as defined in the contract. The utilisation of the contingency funds is another mechanism for flexibility.

The rules and regulations are not flexible when it comes to sub-contracting and the procurement of the services. These need to follow the Finnish procurement legislation.

Preventing corruption

Transparency of the project documentation for stakeholders is usually perceived as a most important preventive measure. The clarity of reporting requirements is also an efficient mechanism. Many countries tend to have higher prevalence of corruption in procurement decisions, financial payment decisions and taxation related payments. Corruption may also occur in personnel nominations, decisions on technical specifications and other allocative decisions.

The ICI projects are managed as a cooperation venture which does not necessitate complex financial management regulations. It is adequate when the cooperating partners agree upon the schedule for payments, authority for approving payments, documentation required for liquidation and required financial reporting. The actual practices vary from one country to another and according to the organisational context and, therefore, no standard financial management regulations are provided in this manual.

Acting upon the mismanagement

The MFA contracts and administrative practices include strict standard clauses on dealing with corruption causes. When mismanagement is located, it is important to inform the Unit for Internal Audit and Evaluation of the MFA. Alleged mismanagement will be studied based on the relevant legislation and with the competent authorities.

Further reading:

MFA: Preventing corruption. A Handbook of anti-corruption techniques for use in international development cooperation. MFA 2002.
<http://formin.finland.fi/public/download.aspx?ID=12374&GUID={875D9DC0-A2FA-40CC-87A1-25B1CFCB3360}>