

# OECD DEVELOPMENT ASSISTANCE COMMITTEE (DAC)

## PEER REVIEW OF FINLAND'S DEVELOPMENT POLICY AND DEVELOPMENT COOPERATION IN 2012

### SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

#### 1. Overall framework for development co-operation

##### 1.1. *Setting clear priorities and objectives for a focused development programme*

**Key findings:** Finland's new development policy builds mainly on Finnish long-term priorities, making the most of existing expertise, and provides some continuity to Finland's development action. However, both the previous (2007) and new development policy contain a very broad list of goals, principles, objectives, priority areas and potential activities. Having so many possible areas of action without identifying priorities for implementation with clear objectives and expected results risks creating a dispersed development programme, thus undermining the achievement of Finland's strategic goals.

**Recommendation:** To focus Finland's development co-operation where it can have the greatest impact, and ensure its full implementation, Finland should:

- Focus, specify and operationalise its development policy through its guidance on bilateral, multilateral and civil society co-operation. Make full use of related operational tools to identify clear objectives with expected results and verifiable indicators in its co-operation with partners.

#### 2. Promoting development beyond aid

##### 2.1. *Ensuring that policies across the administration support development*

**Key findings:** Finland is an active international advocate of policy coherence for development (PCD). However, it lacks an overarching strategic vision with clearly identified objectives, as well as consistent information and decision-making flows across the administration, for making relevant policies supportive of development. Without government-wide objectives and clear co-ordination mechanisms, Finland cannot guarantee that relevant ministries systematically and consistently consider and address possible conflicts and synergies between non-aid policies and development goals.

**Recommendation:** To ensure that relevant policies support, or at least do not undermine, development goals in developing countries, Finland should:

- Identify strategic objectives for promoting synergies, and avoiding conflicts, between existing and new relevant policies and development goals, and ensure that these are systematically considered and addressed by all relevant ministries. This requires determining responsibilities across the entire administration and enhancing existing co-ordination mechanisms to identify the most effective working processes for clear information and decision-making flows.

##### 2.2. *Strengthening analysis and monitoring*

**Key findings:** Finland does not have a system for monitoring, or the capacity for analysing, the impact of policies on development. This poses a challenge for identifying incoherent policies and examples of how domestic and EU policies can interact positively with developing countries' development objective, and is a missed opportunity for gathering information that could be useful for better informed policy-making, improved reporting and raising awareness.

**Recommendation:** To help design policies that are coherent with developing countries' development objectives, Finland should:

- Strengthen monitoring and analysis of results and impact of Finnish and EU policies on developing countries, by commissioning studies or drawing on available analysis from external sources, and on feedback from its embassies.

### **3. Aid volume and allocation**

#### **3.1. Developing a credible plan for achieving ODA targets**

**Key findings:** Finnish official development assistance (ODA) has grown significantly since the last peer review and Finland remains committed to meeting its target of allocating 0.7% of its GNI as ODA by 2015. However, unlike Finland's GDP which is expected to grow, budget projections show that ODA will stall in 2013-2014 before falling in 2015. As the currently budgeted aid levels will not allow Finland to meet its 0.7% ODA/GNI target by 2015, Finland plans to tap into alternative sources of revenue to bridge the gap, but this plan remains vague and provides no predictability on future aid increases. Finland risks not being able to fulfill its commitments on ODA levels; this can hurt Finland's reputation as well as undermine the support it has given in recent years to its partner countries.

**Recommendation:** To meet its international commitment of allocating 0.7% of its GNI as ODA by 2015 and to provide predictability on the evolution of ODA to both its partner countries and its own development co-operation system, Finland should:

- Building on its earlier success in growing ODA, develop a credible and strategic path for increasing ODA levels and meeting its international commitment of allocating 0.7% of its GNI as ODA by 2015, and prioritise development co-operation in its national budgetary decisions.

#### **3.2. Keeping the development co-operation programme focused**

**Key findings:** Finland's development assistance focuses on its long-term partner countries, which received significantly larger contributions since the last peer review, and on a few priority areas in each long-term partner country. However, at the same time, Finland's aid portfolio has become more fragmented as Finland allocated part of the increased aid budget through small contributions to a larger number of countries, sub-sectors and projects, including stand-alone projects whose contribution to Finland's overall development co-operation objectives is sometimes unclear.

**Recommendation:** To maximise the impact of its development programme, Finland should:

- Continue to concentrate ODA on its long-term partner countries and on those least developed countries and priority areas where Finland can have a clear impact, while avoiding engaging in too many sub-sectors and stand-alone projects with an unclear development impact.

#### **3.3. Working more strategically with civil society organisations**

**Key findings:** Finland considers civil society to be an important partner in development co-operation and plans to increase funding to and through civil society organisations (CSOs). Despite having a variety of funding mechanisms for CSOs, over half of funding goes to a large number of small projects through annual calls for proposals. Administering these numerous projects entails a heavy administrative burden and undermines the Ministry of Foreign Affairs' capacity for monitoring the impact of Finland's funding to and through civil society. This can be a challenge to having targeted and good quality programmes that achieve intended development results.

**Recommendation:** To ensure that its support to and through civil society focuses on quality programmes, Finland should:

- Develop a strategic approach to working with civil society organisations that focuses on programmatic financing, thus minimising the administrative burden on the MFA and enhancing Finland's capacity to focus on the development impact of CSOs interventions. Such an approach should ensure synergies with

## 4. Organisation and management

### 4.1. Ensuring consistent implementation of Finland's development policy

**Key findings:** Finland's development co-operation programme has grown in size and ambition since the last peer review. While working methods at the ministry are pragmatic and conducive to in-house dialogue and co-operation, the current set-up often relies on personal initiative and interpretation of policy guidance. This cannot guarantee a consistent and harmonised approach to implementing the development co-operation programme. The introduction of a new case management system can help create a more systematic, unified, and reliable approach to managing development co-operation.

**Recommendation:** To remain fit for purpose and to ensure that the development programme is consistently and effectively implemented, the Ministry of Foreign Affairs should:

- Provide harmonised up-to-date tools, guidelines and training for the entire development staff (at headquarters and in the field). In doing so, Finland should preserve the flexibility in its working methods.

### 4.2. Decentralising development co-operation

**Key findings:** Finland has designed a framework document guiding the division of labour between headquarters and Finnish embassies. This framework allows for delegating authority to an embassy, but this is done on a case-by-case basis following agreement between each embassy and the country desk in the Ministry for Foreign Affairs. This approach does not provide Finland with a strategic vision of its objectives in the field, of the role Finland wishes to play in its partner countries and how embassies can better implement Finnish development co-operation, all of which could strengthen Finland's presence and impact in partner countries.

**Recommendation:** To ensure that the division of labour between headquarters and the field gives embassies the necessary authority to implement the Finnish development programme, and to enhance its presence in the field, Finland should:

- Decentralise further, based on clear criteria and objectives, and on an analysis of how delegation of authority – including financial authority – can empower embassies to best implement the new development policy and strengthen Finland's impact in the field.

### 4.3. Retaining a stable cadre of skilled development staff

**Key findings:** The Ministry for Foreign Affairs faces challenges in managing its development staff. Development positions reserved for diplomats are not easily filled, and non-diplomats currently have few prospects to progress professionally. This contributes to high staff turnover in development positions, making it difficult to build development skills, retain skilled staff and build a knowledge management system. It also undermines institutional memory, and the quality and continuity of the Finnish development co-operation.

**Recommendation:** To retain and strengthen a stable cadre of skilled development staff, the Ministry for Foreign Affairs should:

- Take steps to ensure that maximum use is made of diplomatic staff with development experience when deploying staff both at headquarters and to the field. The MFA should also give attention to professional opportunities for special career and locally employed staff.
- Develop training plans for all staff and ensure plans are implemented.

## 5. Improving the impact of development co-operation

### 5.1. Building on past progress to make aid more predictable and strengthen local capacity

**Key findings:** Finland has made progress against all but one of the Paris Declaration indicators (the exception being untied aid), especially in its long-term partner countries. Finland has internal tools in place which can help it make quick progress towards more effective development co-operation in two areas: (i) making its aid more predictable, thus helping development partners plan their use of aid more effectively; and (ii) better promoting country ownership and aligning aid flows with national priorities in developing countries, through Finland's new country strategy papers. Using existing tools to their full potential can help Finland make its aid more effective in its partner countries.

**Recommendations:** To continue to make its aid more effective, Finland should:

- Make multi-annual commitments whenever possible and share information on these and on medium-term financial planning with partner countries and multilateral partners.
- Use the new country strategy papers to increase support to partner countries' priorities by funding or implementing directly activities that are part of the partner country development strategy.

**Key findings:** Working with the private sector is one of the priorities of Finland's new development policy. Finland already has a series of tools and mechanisms to engage with the private sector. Two of these instruments, a concessional credit scheme and Finnfund, are among the main sources of Finland's tied aid, which increased from 7% in 2008 to 15% in 2010. Finland now plans to find new ways to contribute to an enabling environment for the private sector in developing countries. Should new instruments increase tied aid or be mainly supply-driven, they would undermine the development impact of Finland's support to the private sector in developing countries.

**Recommendation:** To promote the private sector in developing countries while accelerating its efforts to untie aid, Finland should:

- Review existing instruments and look for new demand-driven, locally owned and untied instruments to contribute to an enabling environment for the private sector in developing countries.
- Take the steps necessary to reverse the decline in the share of Finnish aid that is untied (93% in 2008; 85% in 2010).

## 6. Towards better humanitarian donorship

### 6.1 Developing a more focused and realistic humanitarian vision

**Key findings:** Finland is a much-appreciated member of the humanitarian community, both as a solid funding partner and as an advocate for improved results from the wider humanitarian system. However, Finland's current humanitarian guidelines are broad, lacking clearly-defined objectives, funding criteria or expected results. While this makes the humanitarian programme very flexible, this flexibility comes at a price: funding intentions are not predictable for partners, there is no solid basis from which to link to development programmes, there is a risk that the portfolio is not focused on areas where Finland has clear added value and good practices, and the consolidated results of Finland's contribution to the humanitarian system are not measurable – hindering learning and accountability. Finland is currently updating the guidelines.

**Recommendation:** To provide a clear strategic vision, demonstrate application of funding principles and provide the basis for stronger engagement with development colleagues and partners, Finland should:

- Finalise, disseminate and implement the new humanitarian assistance guidelines, focusing on a limited number of objectives in areas where Finland can make a solid impact, outlining clear and principled funding criteria, and setting out expected, and measurable, results.

## 6.2 *Slow disbursement is hindering effectiveness in emergency response*

**Key findings:** Finland's slow disbursement, especially for new and escalating emergencies, remains a concern.

**Recommendation:** To ensure that the humanitarian system is fit for purpose, Finland should:

- Raise the level of delegated authority for rapid response funding decisions, based on clear criteria;
- Resolve constraints related to the slow disbursement of emergency funds.