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Affairs of Finland

EVALUATION

of Economic Development,
Job Creation and Livelihoods

Volume 1.2 • Annexes



Evaluation on Finland's Development Policy and Cooperation

2021/1B



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EVALUATION OF ECONOMIC DEVELOPMENT, JOB CREATION AND LIVELIHOODS

Final Report

Volume 1.2 – Annexes

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Evaluation on Finland's Development Policy and Cooperation

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Evaluation of Economic Development, Job Creation and Livelihoods

This evaluation report consists of four volumes:

VOLUME 1.1 – MAIN REPORT

- 1) Introduction
- 2) Approach, methodology and limitations
- 3) Context
- 4) Findings
- 5) Conclusions
- 6) Recommendations

VOLUME 1.2 – ANNEXES (incl. best practice and thematic studies)

- 1) Terms of Reference
- 2) People interviewed
- 3) Documents consulted
- 4) Definitions of key terms
- 5) Detailed methodology
- 6) Evaluation matrix
- 7) Best practices and peer review
- 8) Thematic annexes (on energy, innovation, taxation and women's economic empowerment)

VOLUME 2 – COUNTRY CASE STUDIES

- 1) Country case study Kenya
- 2) Country case study Tanzania
- 3) Country case study Zambia

VOLUME 3 – STUDY ON PRIVATE SECTOR INSTRUMENTS

- 1) About this study
- 2) Approach, methodology and limitations
- 3) Findings and conclusions on relevance and effectiveness
- 4) Implications and lessons learnt



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Annex 1: Terms of Reference

Introduction

Finland's Development Policy of 2016 *One world, common future, sustainable development*,¹ states that the core objective of the development cooperation is to eradicate poverty and to reduce inequality. It is guided by the UN 2030 Agenda for Sustainable Development, and has a focus on four Priority Areas:

1. Enhancing the rights and status of women and girls;
2. Improving the economies of developing countries to ensure more jobs, livelihood opportunities and wellbeing;
3. Democratic and better-functioning societies; and
4. Increased food security and better access to water and energy; and the sustainability of natural resources

The four priority areas set the structure for the Development Policy Results Report 2018 that covered the period 2015–2018. These priority areas are also recognized in the latest Government Programme (2019–2022)² and form an important policy framework for the Evaluation. The Government Programme emphasizes that the companies, which are supported through development cooperation instruments, will respect the criteria of openness and be accountable for taxes. Other relevant objectives for this Evaluation are those related to enhancing the partnership with African countries and drafting of a comprehensive Africa-strategy.

The context: Evaluation framework

The Development Policy (2016) states that the overriding objective of Priority Area 2 is that developing countries own economies have generated more jobs, livelihood opportunities and well-being. This is in support of the UN Agenda 2030 goals 1, 8, 9 and 12. Specifically, the Policy states that the Finnish support should result in the following:

- everyone, including women, young people and the poorest, have better access to decent work, livelihoods and income;
- the private sector and economic activity in developing countries be more dynamic and more diversified;
- international business rules lend better support to the development of businesses, their accountability and the observance of internationally agreed standards in developing countries; and
- better use is made of new know-how, value chains, technologies and innovations that respect sustainable development.

1 MFA (2016) Finland's Development Policy. One world, common future – towards sustainable development Government report to Parliament 2016

2 MFA (2019) Finland's Development Policy and Development Cooperation 2019–2022 <https://um.fi/development-policy-and-development-cooperation>



In the most recent Theory of Change (2020), the stated impact for the Priority Area 2 is “Developing countries’ own economies have generated more jobs, livelihood opportunities and well-being”. It is to be achieved through the following four outcomes and corresponding outputs:

Outcome 1: Increased number of people, especially women, youth and those in vulnerable situations, have their right to decent work, livelihoods and income fulfilled.

- All people (especially women and persons with disabilities) are aware of their rights to decent work, social protection and income, and that these rights are realized; and
- Livelihood opportunities are created for rural and urban poor.

Outcome 2: The private sector grows, is responsible and supports sustainable development

- Private sector actors understand and address the human rights impacts of their operations and apply decent work and responsible business standards;
- Enterprises operating in developing countries create employment, livelihoods and income, and provide goods and services targeting poor people;
- Micro, small and medium enterprises, and especially women entrepreneurs, have improved access to support services and finance that enhance innovations and responsible business practices; and
- Education and research institutes and the private sector have better capabilities and know-how to advance sustainable development and to co-create innovations (incl. those enhance climate resilient and low emission development).

Outcome 3: Developing country governments promote responsible business conduct and support a business enabling environment that enhances innovation

- Developing countries governments respect and monitor the implementation of decent work standards; have
- Developing strengthened capacity to improve business enabling environment and enhance regional economic integration;
- Developing country governments have strengthened capacity to operate in accordance with international trading rules
- Developing country governments promote new know-how, technology and innovations enhancing sustainable development

Outcome 4: The international community promotes responsible business conduct and innovations in a manner that benefits especially youth and women

- The UN Guiding Principles on Business and Human Rights and other international standards of responsible business conduct are more widely known and more effectively monitored
- Finland’s key multilateral partners’ support for responsible business practices and innovations benefits especially women, youth and those in vulnerable situations
- Finland’s key multilateral partners give increased role and visibility to technology innovation and start-up entrepreneurship

The Development Policy recognizes that there are linkages and interdependencies between the four Priority Areas. It can be argued that in terms of Priority Area 2, basically all forms of development interventions are directly or indirectly relevant for economic development, job-creation, strengthening of livelihood opportunities, and furthering of human well-being in partner countries in the longer or shorter term. While limits in the scope of this Evaluation need to be made, consideration must nevertheless be made for such interdependencies. For example, while Priority Area 3 “Democratic and better-functioning societies” is critical for an enabling business envi-



ronment and taxation, it is also a crucial element for Priority Area 2. In addition, Priority Area 4 “Increased food security and better access to water and energy; and the sustainability of natural resources”, is strongly linked to Priority Area 2. Given Finland’s strong emphasis on gender equality and human rights, there is a clear linkage to the Priority Area 1 “Enhancing the rights and status of women and girls”. How these interlinkages will be addressed in this Evaluation will be further detailed during the Inception Phase.

Underlying values and principles

As reflected in the 2016 and 2019 Policies, essential underlying values and principles for the Finnish development cooperation are:

- democracy and the rule of law
- gender equality
- human rights, including the rights of children
- freedom of speech
- a sustainable market economy
- sustainable use of natural resources

Considering the increasing concern over the climate challenge our world is facing, Finland’s development policy also stresses combatting climate change, and stipulates that activities should be geared to **climate change** mitigation and give support for climate change adaptation and preparedness.

The 2016 and 2019 Development Policies reiterate that the Finnish cooperation should be based on the **national development plans** of the developing countries receiving the support. Finland underlines the significance of local ownership and accountability. At the same time, Finland should focus on development cooperation in which **Finnish know-how** has a particular value. The **Nordic welfare state**, including a high level of education, as a model is also an underlying value.

These underlying values and principles should permeate the Evaluation both as subjects for specific interventions related to economic development. The human rights-based approach in this Evaluation is focusing on the **quality of jobs** (decent jobs) and issues related to **disability** in economic development. Regarding cross-cutting objectives, the main focus is on gender equality and climate change mitigation and adaptation.

The Ministry for Foreign Affairs (MFA) places strong importance on providing feed-back on the results of its development cooperation. The means applying the principles of **Results-based Management (RBM)**, including formulation of Theories of Change (ToC), **Knowledge Management (KM)** and **learning**, and extensive use of independent Evaluations. The aim is that the development cooperation should become more relevant and effective through learning, and adjusting interventions to changed circumstances in Finland’s partners countries and in the world at large. The evaluation on Economic Development, Jobs and Livelihoods should be seen in this light.

Rationale, purpose and objectives of the evaluation

The rationale and the purpose of the evaluation

This Evaluation will assist the MFA in developing a comprehensive understanding of which are the most successful interventions as well as related challenges, and thereby identify Finland’s strengths and weaknesses for the purposes of improving future development cooperation with partner countries and institutions in the area of economic development. It will assess how Finland’s objectives in Priority Area 2, especially related to economic development, are being fulfilled through the various thematic approaches, cooperation modalities and funding instruments.



Finland is not alone in providing support for job-creation and promoting sustainable economies in its partner countries but one of many actors and far from the largest of these. An essential aspect of the evaluation is to provide guidance how Finland might tailor her efforts in this context, elaborating on what Finland's strengths and 'unique competencies' are in the division of labour in the donor community. In short how Finland best can add value to the joint efforts towards eradication of poverty, increased equality and sustainable use of resources.

While the purpose of the Evaluation is primarily to be **strategic and forward looking**, it will also assess **accountability** to provide evidence of what has been achieved within the timeframe of the Evaluation. However, this is not the main focus and accountability is mainly assessed in terms of functionality of the set targets. The Evaluation should be focused on **learning**. It should provide practical and implementable recommendations on how the development cooperation with partner countries and institutions in the area of economic development can be made more relevant and achieve better results. It should be **utilization focused**.

The objectives and tentative evaluation questions

The objectives of the evaluation are to:

1. Assess how, and to what extent, the objectives of the Priority Area 2 on economic development and jobs are being achieved³;
2. Determine what the Ministry of Foreign Affairs (MFA) can learn from its peer organisations, especially the Nordics as well as from emerging international 'best practices';
3. Suggest how the effectiveness of Finnish development cooperation related to economic development can be further developed, including if and how the Results-based Management system can be further refined.

The tentative evaluation questions are:

- How and to what extent has Finland's development cooperation strengthened the economic base of the partner countries and helped them increase job opportunities, livelihoods and well-being?
- How comprehensively and coherently Finland has in various cooperation modalities acted to support the economies in its partner countries and enabled the participation of local actors and other stakeholders?
- How to best combine Finland's support to the private sector and Finland's development policy objectives in the future?; and
- How to better report the contributions by the Finnish support and its development effects?

Further rationale for the evaluation

Considerable efforts were spent by MFA in the preparation of the evaluation to guide the writing of the Terms of Reference and operationalize the expectations of the Ministry. For example, a pre-review was carried out in 2019, leading to a Concept Note which has guided the formulation of these Terms of Reference. Other inputs included documentation on workshops and interviews with stakeholders in MFA. Some of key points raised during the preparation process were:

- The Evaluation should be *holistic and comprehensive*, not getting lost in details of specific projects or programs. It is the totality of the Finnish development cooperation related to economic development with partner countries and institutions which should be considered.

³ Impact and Outcome objectives are likely to be fully evident only in the longer run. As many factors impact on these objectives besides Finnish interventions, the parameters would be expressed as **contributions** by the support rather than attribution.



- *Enabling business environment* should be a key concept in the Evaluation.⁴ How does Finland's development cooperation best contribute to improvement of the business environment for the private sector in partner countries? The linkages between trade and development needs to be clarified and addressed in this context.
- The role of Finland's business instruments is essential to be assessed, and *how these instruments interact* (or not) with other forms of development cooperation, their coherence with Country Strategies, as well as how grants, loans and commercial investments complement one another (or not). An internal synthesis analysis of the instruments has been prepared by the MFA, and should form the basis for the analysis in this Evaluation.
- There is a need to *define key concepts* (such as decent work) and the used terminology under Priority area 2.

Scope of the evaluation

Coverage

The 2019 Finnish government's policy on development cooperation provides as examples of current interventions under Priority Area 2:

- The Enhanced Integrated Framework (EIF), the multi-lateral trade facilitation program which commenced in the early 2000s and covers some 40 Least Developed Countries and is supported by 24 donor countries, including Finland.
- Cooperation with UN organisations and programs such as the UN Social Compact; UNDP's Aid for Trade; ILO's Decent Work; UN Women's project on female entrepreneurship; and UN private sector development with focus on Micro, Small, Medium Enterprises (MSMEs) in various partner countries.
- World Bank implemented and multi-donor funded programs in Somalia and Afghanistan focusing on multisector reconstruction efforts in these war-torn countries, programs in which job-creation is a key element. Finland is one of many donors in both these two programs.
- Trade-Mark East Africa (TMEA), a trade facilitation project started 2010 and funded by eight donors, including Finland.
- Bilateral innovation and start-up-focused projects in Vietnam, Tanzania and Southern Africa with Finland as the only donor.

Furthermore, the Development Policy includes under Priority Area 2 the instruments used for engaging Finnish private sector enterprises in economic and business development in Finland's partner countries and other emerging economies, i.e. the investments by Finland's Development Finance Institution, *Finnfund*, the seed-funding and match-making program *Finnpartnership*, the innovation focused *Business with Impact* (BEAM) program, the mixed credit scheme *Public Sector Investment Facility* (PIF) and the *Team Finland network* aimed at facilitating the engagement of the private sector in Finland's development cooperation.

The portfolio of Priority Area 2 for 2015–2019 lists some 250 different projects and programs (of which about 100 have a budget of less than €100,000). (These figures do not include Finnfund's investments). Overall, the recent and current interventions by the Finnish development cooperation are highly diverse in terms of:

- **thematic** approaches (such as trade, SME development, innovation, climate & environment, forestry, research, Information & Communication Technologies (ICT), vocational and management training, women's entrepreneurship, etc)

⁴ The terms **Enabling Business Environment** is broadly defined in Finnish policy documents as the development of relevant legal framework, taxation and innovations, to ensure that the economic development would benefit all groups of the society (Concept Note 2020). The term should be more fully defined by the Evaluation.



- **channels** used for the support (non-earmarked grant support to multilateral organisations such as multilateral development banks, WTO, UNEP, UNIDO and UNU-WIDER, co-funding of multilateral projects and programs, bilateral grant-funding implemented by NGOs, consultants, companies or local organisations; co-investments by Finnish companies, etc.
- **instruments** used for delivery (grants, investments, loans, subsidies, match-making activities and policy dialogue).
- **location** (where the interventions take place), with a significant geographical spread from global approaches, regional projects and programs, and national projects including not only Finland's core partner countries and other Least Developed Countries (LDCs), but also emerging economies such as, China, India, Indonesia, Malaysia, Morocco and Thailand.

With the view that the Evaluation should be holistic and comprehensive, a challenge is how to address this variety in order to provide a fair and accurate representation within the time frame and available resources of the Evaluation. Limitations in scope will be required. It is suggested that the Evaluation should cover:

- the **most prevalent thematic approaches** in financial terms in the portfolio (climate & environment; energy; innovation; trade; forestry and SME development) but also those deemed essential for economic development as identified in the Development Policy and the Theories of Change (such as business enabling environment, taxation, decent work and women's entrepreneurship).
- **all the channels**, except Finnish core funding of multilateral organisations, but including Finland's support to thematic funds by the multilaterals such as UN Agencies and the World Bank; multilateral programs at regional and country level; multi-bilateral and bilateral projects, and all the types of interventions through the business instruments (e.g. Finnfund, Finnpartnership etc.)
- All the financial **instruments** mentioned above, including non-financial such as matchmaking and interventions that address policies at national level. The Inception Report will clarify how the instruments will be evaluated in order to avoid "instrument-based" approach.
- **focus on Finland's core partner countries in Africa** and especially those receiving the bulk of the budget allocation. Priority for case countries are **Tanzania, Kenya, and Zambia**. Of specific interest is also Finland's regional approach to economic development as manifested, for example, in the Energy and Environment Partnership Trust Fund Africa (EEP) which is operating in all the proposed countries.

The Inception Report should provide a final decision on coverage.

Time frame

The Evaluation should focus on the time period since the 2016 Development Policy but might also consider any historical record going back further for interventions which Finland has supported over a long period of time. This would allow addressing issues of potential trade-off between 'staying power' versus diminishing returns, path dependency⁵ and issues of exit.

As a forward-looking exercise, the Evaluation might also include projects and programs currently being in a stage of preparation, i.e. the **pipeline**. The purpose would be to determine the relevance of the pipeline against the overriding objectives that relate to economic development. Relevance in this respect should be based on theoretical and/or empirical evidence from similar interventions by other donors, and 'best practices' identified by, for example the *Donor Committee for Enterprise Development* (DCED). Inclusion of the emerging interventions should allow the Evaluation to determine how the cooperation is evolving against the intervention logic expressed in the ToC and global best practices for private sector development and job-creation.

⁵ Path dependency is a term to describe the tendency of continue the past rather than to consider new opportunities.



Cross cutting objectives

As noted earlier, gender equality, reduction of inequality, and climate change mitigation and adaptation are cross-cutting objectives in Finnish development cooperation and should be an integral part of the evaluation. In addition, human rights-based approach is an overarching principle. These issues are subjects for analysis of portfolio and interventions. The Evaluation should as recommendations propose means by which 1) the cross-cutting objectives and human rights-based approach (especially quality of jobs and disability issues) better can be integrated into the interventions related to economic develop; and 2) how this can be better monitored and reported within the existing RBM system.

Partnerships

Finland's development cooperation is increasingly provided in the form of partnerships and funding of multilateral organisations. An essential Evaluation issue is to investigate how these partnerships function under Priority Area 2, which channels that evidence shows that the funding is effective in terms of outcome. A related question is how these partnerships contribute to economic development and business environment.

Approaches in the evaluation

Two basic approaches can be considered to address the first question by the Evaluation, i.e. *how and to what extent the objectives of the Priority Area 2 on Economy and Jobs are being achieved*. One is 'top-down' with the Development Policy and its Theory of Change as a point of departure, and one is 'bottom-up' with the current portfolio under Priority Area 2 as the starting point. The Evaluation should within the time- and resource frame available use both methods.

The Theory of Change approach. The 2016 and 2019 Development Policy, including its Theory of Change establish a hierarchy of means and ends (objectives) divided in desired (longer-term) **impact**, four specified (medium-term) **outcomes**, a dozen (shorter-term) **outputs** and various envisaged **inputs**, i.e. the Finnish development cooperation interventions. The Evaluation should assess results against the expected impact and outcome objectives.

Theories of change are – and should be – work in progress. A task of the evaluation is therefore to not only assess the performance against set of objectives in Development Policy and ToC, but also provide evidence of the expected impact of the underlying theory and the intervention logic. How the assumed chain of inputs, outputs and outcomes contributes the desired impact? Are the suggested assumptions of exogenous factors critical for outcome or are there other, more influential external factors? The evaluation is expected to provide assessment on how the Theory of Change for Priority Area 2 works in practise.

The portfolio-approach. Finland has an extensive and wide portfolio of interventions under Priority Area 2. Some of these projects and programs have been going on for a long time. The portfolio is not necessarily well aligned with the Theory of Change for different reasons, not least as it has evolved in different policy contexts, has been formed in response to various requests and different interests, etc. As a complement to the ToC approach outlined above, the evaluation should assess the portfolio on its own merit, as an expression of what Finland in fact is doing rather than ought to be doing, by tracing results and achievements whether these were foreseen or not, and aligned to the ToC outcome or not. On an aggregated level the evaluation should deduce the contributions by the portfolio to the overriding objective. The portfolio approach might identify different intervention logics, different outputs and outcomes than those envisaged in the Policy and ToC which might, nevertheless be cost-effective tools towards the overriding objective.



Critical problem analysis. A third strand of the approaches could be assessing Finland's policies and interventions against what are the most critical problems and issues for targeted countries (partner countries in Africa; especially in Tanzania, Zambia and Kenya) for these economies to be dynamic and function well and to be able to generate decent employment and other forms of sources of livelihood. Given our theoretical and empirical knowledge of these constraints in countries such as Tanzania, is Finland doing the right things in these countries considering Finland's objectives, values, resources and competencies and also what other donors are doing? An essential source for such a constraint analysis is the studies on the political economy of selected African countries carried out recently by MFA, internal assessments as well as discussions/interviews with the Country Teams.

The Inception report is expected to provide an Evaluation Matrix on the key Evaluation questions and how these would be addressed.

Methodology

The tools to be used by the Evaluation should be governed both by the objective of strategic, forward-looking and learning objective and to enhance the relevance, effectiveness, and providing evidence of results against the overriding objective of the Development Policy and the corresponding ToC. The Inception Report will prescribe in detail the methodology on how these objectives should be met.

Nevertheless a few methodological principles are essential:

- The Evaluation should build upon **existing results-reporting** (such as other Evaluations, mid-term reviews, completion reports etc) from various types of interventions, programs and projects, including Evaluations of the Finnish business-instruments. (For example, Finnfund, the Finnpartnership program and BEAM have recently been reviewed). Thus, the Evaluation should not repeat already available studies and research but use existing findings. Not only results-reporting from Finnish studies should be used, but also studies by other organisations of institutions, for example of co-funded programs. An initial desk study should be a means of mapping the secondary data.
- The experience of the Ministry for Foreign Affairs is that regular **interaction** and consultations with MFA and other stakeholders in Finland, including the Reference group to be set up for the Evaluation, is critical for the usefulness of the Evaluation and that the recommendations eventually will be considered relevant and integrated into actions. Such interaction should begin early in the Evaluation process and be carried out through-out the process. A series of workshops are envisaged throughout the evaluation.
- Given the size and variety of the Finnish portfolio under Priority Area 2, the evaluation will make **sampling** of interventions. The sampling should be based on coverage of different types of interventions as outlined earlier. In the selected case countries, a more comprehensive approach is likely to be possible. The sampling principles and the sample should be elaborated upon in the Inception Report.
- The **Finnish business-related instruments** should play a prominent part in the evaluation. A unique feature of development cooperation in economic development is the important role played by the private sector in the donor countries as actors. Such engagement is expected to address the financing gap for development as identified by UN Agenda 2030 through mobilization of private capital, strengthen the use of the national competence base, and integrate poor countries in international commercial value chains. The evaluation should not only review the results of the activities of these instruments at country level and how they interact with other forms of support, but also, in the context of the RBM system, review the organisational aspects of the system. Especially how different organisational cultures and values impact on the functioning of the system. In-depth interviews with stakeholders in Finnfund,



Finnpartnership, BEAM, the Public Sector Investment Facility and Team Finland as well as selected enterprises should therefore be an essential tool of the evaluation.

- The evaluation should review and assess the **contextual analysis** of the Finnish development cooperation in selected case countries in order to assess contributions by Finnish support in the overall setting, for example placing these interventions in the context of other donor engagement and the overall political and economic context of the partner country. The political and economic analysis (PEA) prepared by MFA as part of the Country Strategy preparation process will provide a basis for the assessment. Evaluation includes both formal and informal sectors.
- The evaluation should use the **experience of peer countries**, especially the Nordics, to see if and how the Finnish cooperation can enhance its relevance and effectiveness. The opportunities to explore co-operative approaches might be investigated both in partner countries and more broadly. The evaluation should also use available '**best practices**' in private sector development, job-creation and more general as benchmarks of what Finland is already doing and as well as inspiration for enhanced effectiveness for the future by doing things differently.
- Make the **internal coherence** of the Finnish development cooperation for economic development as an integral part of the evaluation, including policy setting, RBM and various feed-back and reporting system. Development cooperation dealing with large portfolios of different nature, implemented by a host of institutions in many countries is a highly complex management task, and experience from many studies show that the donor decision making process very often can explain weaknesses in the performance and achievements. Any recommendations in this respect should be placed in the context of MFA's ongoing work towards Knowledge Management and the recently completed Knowledge Management Evaluation.

Elements of the Evaluation methodology

The following elements are expected to be carried out by the Evaluation.

Desk study. An in-depth desk study of existing documentation on which the final definition of scope, case study objects and methodology to be applied will be defined during the Inception phase.

The essential elements of the desk study would be:

- Analysis of recently completed relevant centralized and decentralized Evaluations, the preparatory study for the Evaluation and any other preparatory material such as workshop protocols etc. to further assess the expectations and considerations by the MFA of the Evaluation, and formulation of specific Evaluation questions.
- A mapping of the Finnish interventions under Priority area 2016–2020, also including investments and projects by Finnfund, Finnpartnership, BEAM and the Public Sector Investment facility. This mapping would define the scope, guide the choice of case countries, the projects and programs to be covered by the Evaluation; The mapping should arrange the interventions in operational categories for the further analysis.
- An inventory of relevant documentation for Evaluation, including policy and steering documents by the MFA; project/program Evaluations, mid-term reviews and similar documents reporting on actual results and issues for the portfolio.

The results of the Desk study should be presented in summary in the Inception Report.

Inception Report. An Inception Report should be prepared based on the desk study and the initial discussions and dialogue with the stakeholders in the Finnish development cooperation. This report should cover preliminary results and hypotheses, the conceptual basis for the Evaluation, list sources utilized or to be consulted, suggest a set of relevant Evaluation questions in the form of an Evaluation Matrix, provide further details on the approach and methodology, including



the approach to the case country studies, and provide a final timetable and budget. A communication and dissemination plan should also be part of the report.

In case the field work plan is not annexed to the Inception Report, it needs to be submitted to the EVA-11 latest two weeks prior to the field mission.

The Inception Report is to be subject for discussion with MFA, EVA and the Reference group and to be approved by EVA-11.

Peer country review. One of the objectives of the Evaluation is to see what Finland can learn from peer organisations. Three forms of peer reviews should be considered by the Evaluation:

- A review of the instruments to stimulate national business in investments in partner countries, matchmaking programs, etc. Using the other Nordic countries as peer comparison seems the most relevant in this respect. They all have rather elaborate structures to engage the private sector, both large and SMEs, but with differences in approach worthwhile to map and discuss.
- In the case countries of the Evaluation, in broad terms comparing Finnish aid under Priority Area 2 with at least one of the Nordic countries' engagement in this country with the purpose of finding relative strengths and weaknesses which can provide learning for future Finnish strategy
- For some of the significant thematic approaches applied by the Finnish development cooperation, a comparison with the other Nordic countries within these themes would be useful.

Case country studies would form a critical part of the Evaluation. The Evaluation should carry out 2–3 country studies in Africa. Not only is Africa the focus of Finland's development cooperation, but MFA is in a process of formulating a comprehensive Africa strategy which ideally the Evaluation would provide inputs to. The following criteria in the choice of case countries are applied:

- Broad Finnish economic interventions preferably involving grant funding through bilateral projects, global/regional programs and well as private company investment type of interventions through Finnfund, Finnpartnership projects, BEAM and the Public Sector Investment Facility.
- Interventions in thematic fields for which Finnish development cooperation in priority area 2 has a strong focus, e.g. SME development, trade, innovation, forestry, energy and climate reflected in number of interventions and budget allocations
- Focusing on partner countries in Africa

Based on these criteria **Tanzania, Kenya** and **Zambia** are prioritized in that order. Zambia is in an exit phase of Finland's development cooperation, and would provide an interesting case on the exit process.

Management of the Evaluation

This Evaluation is managed through the Evaluation Management Services (EMS). The responsibilities of the EMS Consultant (Particip-Niras) and the MFA are defined in the EMS contract in more detail. MFA's Development Evaluation Unit (EVA-11) will be responsible for the overall management and steering of the Evaluation. EVA-11 will work closely and inform other relevant units/departments of the MFA, Finnfund, BEAM, Finnpartnership as well as Embassies on the Evaluation and will also initiate the contacts with main stakeholders in Finland and abroad.

Consultant implementing the EMS (Particip-Niras) is in charge of the overall contract management and is the main point of reference for the contractual issues. They assure the administrative and financial management including submission of reports and other official communications



concerning accounting, payments and financial reporting towards the MFA. They set up a dedicated and secure platform for the Evaluation and in consultation with the EMS Coordinator and the Team Leader will be responsible for managing the platform of the EMS Consultant (Particip-Niras). The Consultant will closely cooperate with the EMS Coordinator and support her in ensuring the coordination with the Team Leader to carry out a feasible work plan and timely delivery of outputs, in respect of the application of the quality control system. They also provide quality assurance of deliverables (Inception Report, Draft Final Report, Final Report) by senior advisors.

There will be one Management Team responsible for the overall coordination of the Evaluation. The EVA-11 Evaluation Manager, the Evaluation Team Leader and the EMS Coordinator will form the Management Team. The Team Leader and EMS Coordinator will represent the team in major coordination meetings and major events presenting the Evaluation results.

A reference group for the Evaluation will be established and chaired by EVA-11. The reference group is constituted to facilitate the participation of relevant stakeholders in the design and scope of the Evaluation, raising awareness of the different information needs, quality assurance throughout the process and in disseminating the Evaluation results. The mandate of the reference group is to provide quality assurance, advisory support and inputs to the Evaluation, e.g. through participating in the planning of the Evaluation and commenting deliverables of the Consultant.

The use of a reference group is a key step in guaranteeing the transparency, accountability and credibility of an Evaluation process and in validating the findings. The reference group has a key role in adapting and in dissemination the Evaluation results and in enhancing learning.

The tasks of the reference group are to:

- act as source of knowledge for the Evaluation;
- act as an informant of the Evaluation process;
- participate in the planning of the Evaluation (providing inputs to the ToR, identifying key external stakeholders to be consulted during the process etc.);
- assist in identifying external stakeholders to be consulted during the process;
- participate in the relevant meetings (e.g. start-up meeting, meeting to discuss the Evaluation plan, debriefing and validation meetings after the field visits);
- comment on the deliverables of the Evaluation (i.e. inception report, draft final report) to ensure that the Evaluation is based on factual knowledge about the subject of the Evaluation;
- play a key role in disseminating the findings of the Evaluation and support the implementation, dissemination and follow-up on the agreed Evaluation recommendations.

Members of the reference group represent units in MFA that work with and manage relevant funding instruments and/or manage projects, processes that contribute to economic development and job creation and related policy development. Depending on the agenda of the reference group meetings, it may invite also other key stakeholders in charge of promoting economic development and the role of private sector in development. Therefore, they are the main users of this Evaluation and their insights must be taken into account as part of the utilization-focused approach.

The members of the reference group will include representatives of the Units and Departments of the MFA with special expertise in development policy, economic and private sector development in developing countries and development financing.



Timelines and deliverables

The Evaluation will be carried out during the period February – January 2021⁶. To the extent possible, the timing should be aligned with the on-going preparation of Finland's Africa Strategy. The Evaluation phase consists of the following stages with respective deliverables. The latter part of the timetable is tentative and will be revised in the Inception phase, for example based on the possibilities to undertaken fieldwork.

A. Planning phase (SO1) February 1–March 6, 2020

- Recruitment of the Team Leader
- Draft Final Terms of Reference by the Team Leader based on MFA's Concept Note and other inputs, supported by the Evaluation Management Services Coordinator.
- Start-up meeting in Helsinki in February 20–21
- Finalization of the draft Terms of Reference based on comments by EVA
- Approval of the Evaluation team members by EVA-11
- Draft budget of the Evaluation

B. Inception phase (SO2): March 9–May 8

- Mobilization of the Evaluation team
- Start-up Meeting of the Inception Phase with EVA-11 and the Reference Group on March 19
- Administrative meeting with EVA-11 (Evaluation Team, EMSC)
- Submission of Draft Inception Report, including Communication and Dissemination Plan, April 17
- Review of draft Inception report by the Reference group and EVA/MFA, April 20–24;
- Inception Report meeting: Reference group and administrative meeting; agreement on final methodology, sampling and case countries, April 27–28
- Submission of Final Inception report, April 30
- Approval by EVA-11, by May 8

The Inception Phase will include:

- Interviews and consultations with MFA and other stakeholders in Finland by the Evaluation Team.
- Mapping of the Priority area 2 portfolio, including investments and intervention by the business-related instruments since 2016, potentially including the pipeline.
- Review of interventions under Priority Areas 1, 3 and 4 which might be included in the Evaluation due to their importance for the objectives of Priority Areas 2
- Desk review of relevant documents (policy and other steering documents, relevant centralized and decentralized Evaluations, appraisals and results reporting such as Evaluations and mid-term review of the selected interventions, including Evaluations of Finnfund, Finnpartnerships etc.)
- Outlining hypothesis from initial studies and refining Evaluation questions and methodology to be approved by EVA and Reference group

C. Implementation phase (SO2): May 11–September 21

- Case country studies undertaken, including field work. A debriefing workshop at the end of each country visit will be carried out. Drafting of case reports.
- Further interviews with stakeholders in Finland including selected private sector companies;

⁶ As the publication process of the final report requires 3-4 weeks, the delivery of this report is planned for November.



- Interviews with implementing partners such as EIF, World Bank, ILO, UN Women, etc.
- Review of relevant Nordic peer experiences of relevance for Finland, including drafting a case report.
- Review of relevant international 'best practices' given Finland's focus under Priority Area 2, including drafting a case report

D. Reporting, Consultation and Dissemination Phase: September 21–January 30

- Draft country reports: September 21
- Comments by EVA/RG/Embassies by 6.10 (compiled by EVA)
- Team's internal joint analysis workshop in Helsinki, and consultations in the form of one or several workshops with EVA, MFA and other stakeholders in Finland, early/mid- October
- Workshop on findings conclusions and recommendations, October 27/28
- Submission of draft main report and case reports (annexes) to EVA-11, November 16
- Comments by MFA, by November 27
- Submission of Final Report to EVA-11, December 14
- Public presentation and webinar, by end January

Coordination

During the process, particular attention should be paid to strong coordination and information sharing within the Evaluation team. Communication between EVA-11, the Team Leader, and the Evaluation Management Service (EMS) Coordinator is crucial. A new phase is initiated only when the deliverables of the previous phase have been approved by EVA-11. The revised reports have to be accompanied by a table of received comments and responses to them.

It should be noted that internationally recognized experts may be contracted by EVA-11 as external peer reviewer(s) for the whole Evaluation process or for some phases/deliverables of the Evaluation process, e.g. final and draft reports (inception report, draft final and final reports). In case of peer review, the views of the peer reviewers will be made available to the Consultant and the Evaluation team.

The language of all reports and possible other documents is English. The synthesis report summary and table of key findings, conclusions and recommendations will be also translated into Finnish and Swedish. Time needed for the commenting of different reports is 2 weeks. The time-tables are tentative, except for the final reports.

Expertise required

The Team Leader will lead the work and will be ultimately responsible for the deliverables. The team will comprise maximum of five experts, including the Team Leader, and one emerging evaluator.

The Evaluation team will work under the leadership of the Team Leader who carries the final responsibility of completing the Evaluation.

The minimum criteria of the team members are defined in the EMS Consultant's tender which is annexed to the EMS Contract.

Apart from Evaluation skills, the team should possess the following expertise:

- Private sector development and economy, knowledge of developing country economy, business environments, livelihoods and regional development and knowledge of role of taxation and revenue collection



- Business management, economics, finance and domestic resources mobilization, knowledge of SME development, trade and corporate social responsibility
- Carrying out centralized, policy level Evaluations in development policy and cooperation
- Using variety of Evaluation methods (e.g. survey, in-depth interviews, participatory methods) and readiness to disseminate the Evaluation results and recommendations in the way that it supports managing and learning of MFA staff and management
- Finland's development policy and cooperation, including Finland's main goals and priorities in development policy and cooperation
- Funding instruments and processes of multi-lateral and bi-lateral development agencies
- Results based management (RBM) and measuring development results and cross-cutting objectives
- Human rights-based approach and gender equality
- Country experience, preferably in Africa

All team members shall have fluency in English and at least one senior evaluator must have fluency in Finnish, because part of the documentation is available only in Finnish. MFA document material classified as restricted use (classified as IV levels in the MFA, or confidential in other organisations) cannot be saved, processed or transmitted by any cloud services or unsecured emails and google translators or other any other web-based translators cannot be used to translate these documents.

The Team Leader and the team must be available until the reports have been approved by the EVA-11, even when the timetables change.

Quality assurance

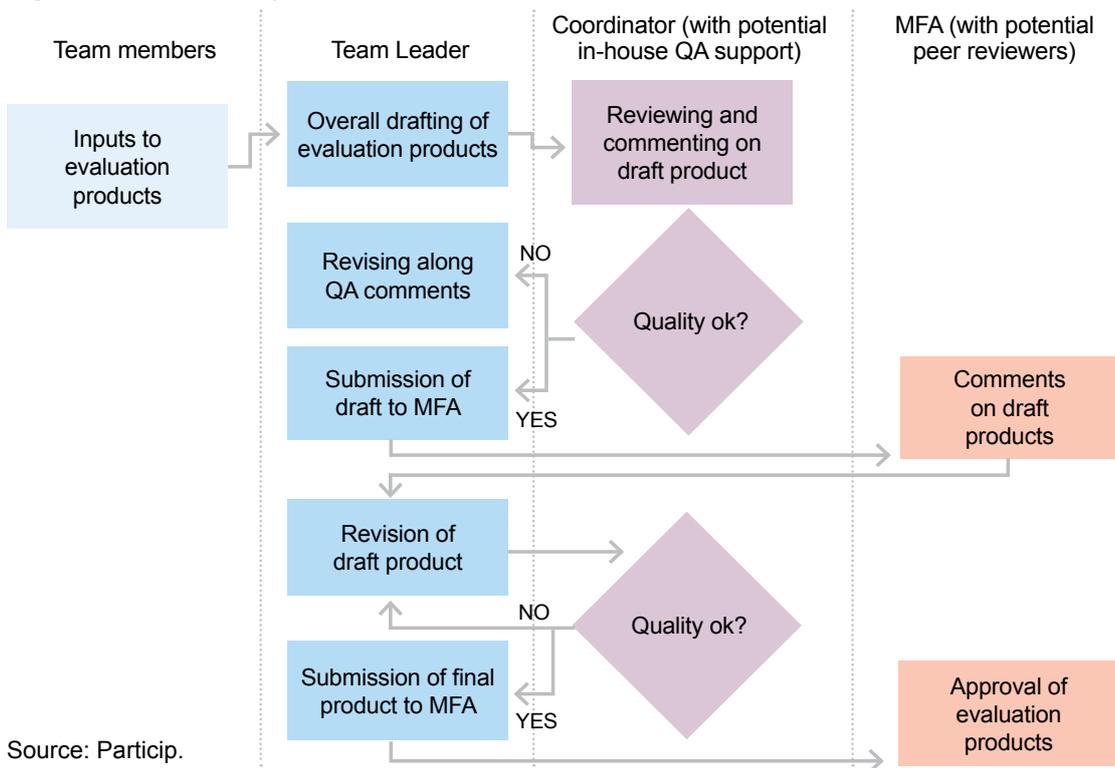
Internal quality assurance

The internal QA System put in place will aim at ensuring that the individual studies are implemented in a timely manner, with rigour and impartiality, and fully respecting MFA's Evaluation principles and standards, including ethical standards.

The TL and the EMS Coordinator play a key role in making sure that the system is adequately applied, especially for each product prepared by the team. Where deemed necessary by the EMS Coordinator (e.g. to enhance the QA of some crucial products or identify solutions to unexpected challenges), she will mobilise in-house senior advisors with extensive track record in complex Evaluation. If required, corrective measures will be initiated by the EMS Coordinator at an earliest possible stage to avoid the accumulation of quality deficiencies that may be hard to remedy at a later stage. Internal QA is an incremental process which, in particular, requires adequate efforts in the initial stages of the process (both planning and inception phases).



Figure 1 Internal quality assurance process



Source: Particip.

External quality assurance

If deemed useful the MFA will organise a peer review or other potential external quality assurance to support Evaluation process and learning.

In the beginning of the Evaluation, all team members involved will be briefed on and will need to subscribe to a confidentiality agreement which will comply to MFA norms for information security (including the different levels of protection of MFA’s internal information management system).

Budget

The Evaluation will not cost more than €450 000 (VAT excluded). The exact value will be determined during the Inception Phase.

Mandate

The Evaluation team is entitled and expected to discuss matters relevant to this Evaluation with pertinent persons and organisations. However, it is not authorized to make any commitments on behalf of the Government of Finland or the Ministry. The Evaluation team does not represent the Ministry for Foreign Affairs of Finland in any capacity.

All intellectual property rights to the result of the Service referred to in the Contract will be exclusive property of the Ministry, including the right to make modifications and hand over material to a third party. The Ministry may publish the end-result under the Creative Commons license in order to promote openness and public use of Evaluation results.

Authorisation

Helsinki,

Anu Saxén, Director

Development Evaluation Unit, Ministry for Foreign Affairs of Finland



Annex 2: People Interviewed

Position	Organisation	Interview location
Managing Director	AP Solutions	Finland
Head of Innovation finance	BEAM	Finland
Chief Consultant	Danida	Denmark
Chief Business Development Officer	FCA Investment	Finland
Managing Director	FCA Investment	Finland
MHM Regional Coordinator/ SRHR Advisor, East Africa	FIDA	Finland
Senior development impact adviser	Finnfund	Finland
Deputy CEO	Finnfund	Finland
CEO	Finnfund	Finland
Portfolio Manager	Finnfund	Finland
Chief Legal Counsel	Finnfund	Finland
Associate Director, Head of Agri and Forestry portfolio	Finnfund	Finland
Associate Director, Head of Funds Portfolio	Finnfund	Finland
Finance Manager	Finnfund	Finland
Investment Manager	Finnfund	Finland
Senior Investment Manager	Finnfund	Finland
Associate Director	Finnfund	Finland
Associate Director	Finnfund	Finland
Senior development impact adviser	Finnfund	Finland
Director of taxation	Finnish Tax Administration	Finland
Programme officer	Finnpartnership	Finland
Programme director	Finnpartnership	Finland
CEO	Fuzu	Finland
Operations Officer	IFC	Finland
General Counsel, Vice president	IFU	Denmark
Programme Manager	ITC	Switzerland
Programme Manager	ITC	Switzerland
Associated Expert	ITC	Switzerland
Senior Adviser, Development Policy	MFA Finland	Finland
Team Leader, Multilateral Development Banks	MFA Finland	Finland
Senior Adviser (Private Sector Development)	MFA Finland	Finland
Senior Adviser, Development Policy	MFA Finland	Finland
Senior Adviser, Energy	MFA Finland	Finland
Senior Adviser	MFA Finland	Finland
Senior Adviser, Development Policy	MFA Finland	Finland
Senior Adviser, Development Policy	MFA Finland	Finland
Senior Adviser in the Unit for Development Finance and Private Sector Cooperation	MFA Finland	Finland
Senior Specialist	MFA Finland	Finland



Position	Organisation	Interview location
Senior Adviser, Development Policy (Innovation and Digital Development)	MFA Finland	Finland
Councillor	MFA Finland	Finland
Programme officer in the Unit for Civil Society	MFA Finland	Finland
Senior Officer, Statistics	MFA Finland	Finland
Team Leader for Private Sector Instruments	MFA Finland	Finland
Senior Specialist	MFA Finland	Finland
Ambassador for Innovation	MFA Finland	Finland
Unit Director	MFA Finland	Finland
Senior Officer in the Unit for Civil Society	MFA Finland	Finland
Desk Officer, Southern Africa team	MFA Finland	Finland
Commercial Counsellor in the Trade Policy Unit	MFA Finland	Finland
Senior Adviser, Development Policy (RBM)	MFA Finland	Finland
Director of taxation for development action program	MFA Finland	Finland
Senior Adviser	MFA Finland	Finland
Ambassador for Trade and Development	MFA Finland	Finland
Acting Assistant Director	Norad	Norway
Chief Economist	Norfund	Norway
Vice president	Provendia/Tiller	Finland
Senior Adviser	Provendia/Tiller	Finland
Senior Policy Specialist Employment, leader of the Sida thematic Network for Employment and Market Development	Sida	Sweden
Senior Specialist	Sitra	Finland
CEO	Spotless Tea Bag	Finland
Director, Strategy and Communications	Swedfund	Sweden
Lab Manager	UN Pulse Lab	Finland
Gender Coordinator ad-interim	UNIDO	Austria
Deputy Executive Director	WTO	Switzerland
Acting Manager	EEP Africa	Kenya
Counsellor for Natural Resources and Private Sector Development	Embassy of Finland in Kenya	Kenya
Programme Officer in charge of the LCF projects	Embassy of Finland in Kenya	Kenya
Executive Director	Green Resources Initiative	Kenya
Executive Director	Help Self Help Centre (HSHC)	Kenya
Desk Officer, Southern Africa team	MFA Finland	Kenya
Senior Adviser, Development Policy	MFA Finland	Kenya
Senior Adviser, Development Policy	MFA Finland	Kenya
Senior Adviser, Development Policy, energy questions	MFA Finland	Kenya
Senior Adviser, Development Policy	MFA Finland	Kenya
Senior Adviser (Private Sector Development)	MFA Finland	Kenya
Commercial Counsellor in the Trade Policy Unit	MFA Finland	Kenya
Senior Adviser, Development Policy (RBM)	MFA Finland	Kenya
Senior Adviser, Development Policy (Innovation and Digital Development)	MFA Finland	Kenya



Position	Organisation	Interview location
Programme Officer	Ministry of Foreign Affairs of Denmark, Embassy to Kenya	Kenya
n.a.	MFA Norway	Kenya
Lead Expert, SAIS Programme	Niras Finland	Namibia
Programme Manager, Private Sector Development	MFA Sweden	Kenya
Chief Impact Officer	TradeMark East Africa	Kenya
Results Programme Manager	TradeMark East Africa	Kenya
Co Founder and CEO	Yusudi Ltd	Kenya
CEO	Africado	Tanzania
CTA	FCG	Tanzania
Head of Natural Resources Management	Indufor	Tanzania
Capacity Building Advisor, PFP	Indufor	Tanzania
CTA	Indufor/Niras	Tanzania
CEO	Kilombero Valley Teak Company	Tanzania
Team Leader, Business Sector	MFA Denmark	Tanzania
Programme Manager	MFA Denmark	Tanzania
Programme Manager	MFA Denmark	Tanzania
Coordinator, development cooperation (forestry)	MFA Finland	Tanzania
Counsellor, forestry sector, innovations systems	MFA Finland	Tanzania
Ambassador	MFA Finland	Tanzania
Counsellor, Head of Cooperation, good governance	MFA Finland	Tanzania
FLC Coordinator	MFA Finland	Tanzania
Desk Officer	MFA Finland	Tanzania
Senior Adviser, Development Policy (current) and former Desk officer for Tanzania	MFA Finland	Tanzania
Counsellor, forestry sector, innovations systems (former)	MFA Finland (former)	Tanzania
Country Economist	MFA Norway	Tanzania
Assistant Director, Forest Developments	Ministry for Natural Resources and Tourism	Tanzania
CEO	Mpingo Conservation and Development Initiative NGO	Tanzania
CEO	National Land Use Planning Commission (NLUPC)	Tanzania
n.a.	National Land Use Planning Commission (NLUPC)	Tanzania
Project Manager	Niras	Tanzania
Project Manager, Senior Consultant	Niras	Tanzania
n.a.	Regional Administration and Local Government Ministry, President Office	Tanzania
former, first TANZICT CTA	Saliens Oy (was with Niras)	Tanzania
Senior Lecturer & Head of Department	Sokoine University of Agriculture	Tanzania



Position	Organisation	Interview location
CEO	Tanzania Forest Conservation Group – NGO	Tanzania
Federation president	Tanzania Forest Industries Federation	Tanzania
Country Director	TMEA	Tanzania
Responsible for Private Sector Development	African Development Bank (AfDB)	Zambia
CEO	Aion Sigma	Zambia
Secretary General	Alliance of Zambia Informal Economy Associations (AZIEA)	Zambia
Chief Executive Officer at the time ZGJP was being implemented	Association of Building and Civil Engineering Contractors (ABCEC)	Zambia
Team Leader, PEPZ Programme	DfID	Zambia
Managing Director (consultant to the Finnish Embassy on Team Finland efforts)	Elextract Limited	Zambia
Managing Consultant	Entrepreneurship and Technology Park Ltd	Zambia
Programme Manager	Entrepreneurship and Technology Park Ltd	Zambia
Head of Delegation	EU Delegation	Zimbabwe
Founder	F.R.E.E. Woman Ng'ombe Youth Empowerment	Zambia
Chairman	FirstWave / Yalelo	Zambia
Programme Coordinator, Rural Finance Expansion Programme (RUFEP)	IFAD	Zambia
Technical Adviser, Rural Finance Expansion Programme (RUFEP)	IFAD	Zambia
National Project Coordinator, SPIREWORK	ILO	Zambia
Technical Advisor, Social Protection Unit	ILO	Zambia
Head of Natural Resources Management	Indufor	Zambia
President	Kitwe & District Chamber of Commerce and Industry (KDCCI)	Zambia
Ambassador	MFA Finland	Zambia
Senior Specialist environmental issues and natural resources	MFA Finland	Zambia
Adviser, Team Finland	MFA Finland	Zambia
Senior Advisor, Embassy to Vietnam	MFA Finland	Vietnam
Former Zambia Desk officer	MFA Finland	Zambia
Permanent Secretary	Ministry of Commerce, Trade & Industry (MCTI)	Zambia
Chief Economist, former Chairperson, Steering Committee for the ZGJP	Ministry of Commerce, Trade & Industry (MCTI)	Zambia
Principal Economist	Ministry of Finance	Zambia
Permanent Secretary	Ministry of Health	Zambia
Director	Ministry of Land and Natural Resources	Zambia
Principal Forestry Officer	Ministry of Land and Natural Resources	Zambia



Position	Organisation	Interview location
Principal Forestry Officer	Ministry of Land and Natural Resources	Zambia
Manager, Agricultural Technology	Musika	Zambia
General Secretary	National Association for Medium and Small-Scale Contractors (NAMSSC)	Zambia
Manager Extension of Coverage to the Informal Sector (Member of THL-NAPSA management team)	National Pension Scheme Authority (NAPSA)	Zambia
Director and CEO	National Technology and Business Centre (NTBC)	Zambia
Chief Technical Advisor, AGS Programme	Niras Finland	Zambia
Home office expert, AGS programme Former Project Manager	Niras Finland	Zambia
First Secretary (Energy)	Sida	Zambia
Managing Director (consultant to the Finnish Embassy on Team Finland efforts)	Sierra Group, South Africa	Zambia
Chief Technical Advisor, SPIREWORK	THL	Zambia
Officer in Charge, Inclusive Growth & SDGs	UNDP	Zambia
Former National Programme Officer, Zambia Green jobs Programme	UNEP	Zambia
Former Chief Technical Adviser, DFNRMP	World Bank	Zambia
Former National Programme Coordinator of DFNRMP	World Bank	Zambia
Senior Private Sector Development Specialist for Zambia	World Bank	Zambia
Director	Zambia Development Agency (ZDA)	Zambia
Director of Planning and Policy	Zambia Development Agency (ZDA)	Zambia
Partnerships Specialists	Zambia Development Agency (ZDA)	Zambia
Former ILO National Programme Coordinator for the Zambia Green Jobs Programme		Zambia



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Annex 4: Definitions of Key Terms

The key expressions of the "job"-objective of Finland's development policy are presented in a form of definitions in the Main Evaluation Report section 3.1.1. Here, further expressions of the "job"-objective, including definitions of Jobs for women, youth, the poorest and those in vulnerable situations; Decent jobs; A rights perspective to jobs and income; and Formal and informal jobs, are presented. Further expressions of the "improving the economies" objective are also provided. All definitions relate to terms and concepts used in the Evaluation and with no clear definition by the MFA.

Further expressions of the "job"-objective

The Finnish government has translated the overall longer-term objective (impact) to medium-term (outcome). These outcomes are expressed to some extent differently today in the ToC, which was published in March 2020⁷ as compared to the 2016 Development Policy, as indicated in Table 1 (ET's highlights):

Table 1 MFA's Outcome objective on jobs 2016 and 2018

Outcome	2016 Policy	2020 ToC
1	Everyone, including women, young people and the poorest, have better access to decent work, livelihoods and income	Increased number of people, especially women, youth and those in vulnerable situations , have their right to decent work, livelihoods and income fulfilled

Source: MFA, Finland's Development Policy 2016; MFA, ToC and Aggregate Indicators for Finland's Development Policy 2020.

Thus, the qualifications entail:

- Priority in job creation should be given to women, youth, persons in vulnerable situations.
- Jobs should specifically be for the poor.
- Jobs should be 'decent'.

In the 2020 ToC, there is a new human rights dimension to jobs in the sense that the targeted people should have a **right** to (decent) jobs and income.

Jobs for women, youth, the poorest and those in vulnerable situations: The participation in the labour market for women is dependent on many factors, including religious and cultural traditions but also prevailing gender (in)equality, differences in education, traditional roles in childcare, paternalistic norms and so on, factors which vary from country to country. In general, women are discriminated in labour markets with lower wage levels, and a higher representation in informal sector activities. **Youth**, at least those with low education levels, tend to have particular

⁷ With the main purpose of strengthening accountability and reporting on results to parliament, the MFA has prepared detailed ToCs and aggregate indicators for all policy priority areas expressed in the 2016 development policy, modifying the outcome statements to some extent to better reflect the strategic priorities of the current government. The new ToCs and indicators were finalised in January 2020 and published in March 2020. The public launch-event planned for March 2020 was cancelled due to the COVID-19 outbreak, but the MFA is proceeding with the operationalisation of the new ToC and indicators through other means.



difficulties to access formal labour markets, and young women are the group with the least access and overall highest rates of unemployment. Disabled persons have a particular difficulty in most countries' labour markets, which together makes the policy expression highly demanding on the actions and interventions by the Finnish development cooperation. Women are also overrepresented in the unpaid care job category. The Evaluation should in this context pay attention to the SDG 5.4, *Recognition and reduction of the unpaid care work performed by women*.

Decent jobs: The ILO defines 'decent jobs' as

*opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.*⁸

This definition above is used by the Evaluation.

The ILO has made effort to operationalise this concept and also elaborated 'Decent work profiles' for a number of countries, including Tanzania and Zambia which are case countries in this Evaluation.⁹ The profiles were, however, published some 10 years ago and have been complemented by more recent literature on the subject in order to establish the current situation in the case countries.

A rights perspective to jobs and income: The rights perspective in the Finnish policy framework is based on the Universal Declaration of Human Rights, which states that "everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment." The 2020 ToC operationalises this outcome objective to include that all people, especially women and those with disability, should be **aware** of the right to a decent job and these rights are being realised. Also, that **private sector operators understand** and address the human rights impact of their operations and apply decent work standards. It further emphasises the role of the state as a duty bearer, which was not as clearly highlighted in the 2016 policy.

Formal and informal jobs: Formal jobs refer here to work in which a company hires an employee under an established working agreement that includes, salary or wages, health benefits, and defined work hours and workdays. This usually includes some form of a formal contract between the employer and employee. Informal jobs refer to work in which an employer hires an employee without an established working agreement. Employees do not receive health benefits and are often hired temporarily. Their work hours are not guaranteed and might vary from week to week, day to day. In most instances, informal workers are paid in cash and no taxes are deducted from their salary. They are not protected by labor legislation. For a more detailed definition and the characteristics, see ILO Guidelines concerning a statistical definition of informal employment¹⁰.

The findings from the case country studies, discussed in those studies presented in the Volume 2 of this Evaluation, show that not only does the informal sector account for a very large share of the labour force, but it is also the sector which absorbs much of the new entrances into the labour market, especially women and youth. Furthermore, there appears no natural process of transition from informal to formal as economies grow. The transition from the informal to formal is an issue that has been on the agenda of donors and MDBs for decades, as the informal sector is often seen as a 'poverty trap'. It is also included in the Finnish agenda, for example in the political economy analyses carried out in some countries.

8 <https://www.ilo.org/global/topics/decent-work/lang--en/index.htm>

9 <https://www.ilo.org/integration/themes/mdw/lang--en/index.htm>

10 https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/normativeinstrument/wcms_087622.pdf



Further expressions of the “improving the economies” objective

The Development Policy of 2016 and the 2020 ToC formulate the objectives for improving the economies (for job creation) as indicated in Table 2.

Table 2 MFA's Outcome objective on the economy and business sector 2016 and 2020

Outcome	2016 Policy	2020 ToC
2	The private sector and economic activity in developing countries are more dynamic and more diversified	The private sector grows, is responsible and supports sustainable development
3	International business rules lend better support to the development of businesses, their accountability and the observance of internationally agreed standards in developing countries	Developing country governments promote responsible business conduct and support a business enabling environment that enhances innovation
4	Better use is made of new know-how, value chains, technologies and innovations that respect sustainable development	The international community promotes responsible business conduct and innovations in a manner that benefits especially youth and women

Source: MFA: Finland's Development Policy 2016; MFA: ToCs and Aggregate Indicators for Finland's Development Policy 2020.

In the goal formulation 2020 versus 2016, there is a shift in focus concerning the perception of how the economies of partner countries should be improved in the sense of:

- A stronger focus on the rights-based approach including business responsibility.
- The concept of business enabling environment is introduced.
- There is seemingly less explicit focus on the traditional aspects of economic development (diversification, technology dynamism, value chain etc.).¹¹
- Both innovation and responsible business should particularly benefit youth and women.
- Responsibility and ownership are transferred from international actors to country level

Business enabling environment: The Terms of Reference as well as the government's Policy Framework highlight the concept of business enabling environment. A review on how the concept is being used concluded that:

Definitions range from a country's business regulations and legal/regulatory framework to public infrastructure, national and private banks and government institutions, and support for the interrelationship and dialogue between public entities and firms, markets and entrepreneurs. Definitions can range wider to include infrastructure, education and health, and a broad concept of 'good governance' and rule of law. The term is also now used to refer to the international enabling environment for private sector development, meaning global trade and investment regimes and the macroeconomic environment.¹²

From the definition(s) above, almost any non-direct enterprise support could be referred as contributing to an enabled business environment. A narrower approach is to consider the elements of the World Bank group in business environment manifested in the Bank's **Doing Business** reporting. The latter encompasses twelve dimensions of the business environment focusing on regulations. The Terms of Reference for this Evaluation provides the definition “the development

¹¹ Some of the more traditional aspects of economic development have been included as outputs under outcomes 2 and 3 in the 2020 ToC, as well as under priority area 4 (value chains).

¹² Development Initiatives (2018): The enabling environment for private sector development. Donor spending and links to other catalytic uses of aid.



of relevant legal framework, taxation and innovations, to ensure that the economic development would benefit all groups of the society”. It can be considered a hybrid form of the Doing Business concept, especially as it has an ‘inclusive economy’ dimension that the World Bank/IFC concept lacks. The Evaluation has used the concept with different meanings depending on the context, for example in the assessment of the business environment in the case country studies, the concept is dependent on the sources consulted.

Innovation: This Evaluation’s ToR as well as the government’s Policy Framework stress the role of innovations. It is a concept not explicitly defined by the ToR or in the policies. The ToC 2020 and the ToR, however, place innovations as a part of the Business Enabling Environment and private sector growth, while in the SDGs, innovation is placed together with industrialisation and infrastructure¹³. Human development (under priority area 3) is also a critical element of a country’s innovation capabilities. The ToC 2020 understands innovation as a means to an end; a provider of developmental gains. Yet, it does not specify what these innovations that push development may be, nor what should be done (by the MFA or anyone else) to support innovation.

OECD (2005) defines innovation as:

*the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations.*¹⁴

The OECD Innovation Strategy¹⁵ (2010) is built around five priorities for government action, which together can underpin a strategic approach to promoting innovation. These are: Empowering people to innovate; Unleashing innovation in firms; Creating and applying knowledge; Applying innovation to address global and social challenges; and Improving the governance of policies for innovation. The UN discusses innovation for development to identify more effective solutions that add value for the people affected by development challenges¹⁶.

Entrepreneurship: The Evaluation’s ToR focus on women’s entrepreneurship; so does the 2016 Development Policy which also states that “To facilitate the operation of businesses and entrepreneurs and to encourage investments, it is important that developing countries’ administrative systems function predictably, play by the rules and respect human rights”; and the 2020 Theory of Change joins entrepreneurship predominantly with responsible business, although it also continues to promote women’s entrepreneurship. None of these documents offers an MFA definition of entrepreneurship and, as in the case of innovation, there are plenty of definitions of entrepreneurship. A study in the WB Open Knowledge Repository defines *entrepreneurship as the effort an individual or group of individuals makes to initiate an economic activity under a legal form of business within the formal sector*¹⁷. The Evaluation does not focus solely on formal entrepreneurship but acknowledges that the wide majority of people in developing countries earn their living by working or doing small business in the informal sector.

13 SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

14 <https://stats.oecd.org/glossary/detail.asp?ID=6865>

15 <https://www.oecd.org/site/innovationstrategy/deliveringanewapproachtoinnovation.htm>

16 <https://www.undp.org/content/undp/en/home/2030-agenda-for-sustainable-development/partnerships/sdg-finance--private-sector/innovation.html>

17 <https://openknowledge.worldbank.org/bitstream/handle/10986/11174/384580Viewpoint0note031301PUBLIC1.pdf?sequence=1&isAllowed=y>

Annex 5: Detailed methodology

This annex provides a more detailed description of the Evaluation’s approach and methodology as developed in the Inception Phase.

Evaluation Framework – Elements of approach

Here, elements of the Figure 2 ‘Broad evaluation framework’ presented in the Chapter 2 of the Main Report are elaborated. The Figure 2 is reproduced for ease of reference.

Figure 2 Broad evaluation framework



Source: Team analysis.

The broad evaluation framework provides a synthesis of the evaluation questions, the key approaches and methodologies applied, and the immediate context of the Evaluation. Under EQ1, the Evaluation assesses to what extent and how the objectives of the Priority Area 2 on economic development, jobs and livelihoods are being achieved against Finland’s policy, objectives and values, and how relevant and effective the interventions have been in relation to the critical needs and constraints of partner countries. Under EQ2, best practices of the selected Nordic peers and global trends are reviewed to establish a check-list for the MFA Finland in further developing the portfolio. Finally, EQ3 discusses some selected forward-looking themes and how Finland has fared or could better fare in addressing them. All this produces lessons learnt from Finland’s current approach and portfolio, and allows to make suggestions on how the future focus of economic development, job creation and livelihoods interventions should look like.



The Lessons from Finland's past work under PA2

One of the three key objectives of the Evaluation is to assess the extent to which the objectives of the PA2 on Economy and Jobs are being achieved in the context of the overriding objectives of eradicating poverty and reducing inequality, i.e. “improve the economies of developing countries to ensure more jobs, livelihood opportunities and wellbeing.” The Evaluation team’s approach to respond to this question entailed the following:

- Mapping of the PA2 portfolio and the Private Sector Instruments in order to investigate what Finland has been doing during the 201–2019 period.
- Assessing what have been the results of these interventions in terms of improved economies and more jobs and livelihood opportunities, in particular for women, youth and the poor. To deal with the large and fragmented portfolio, the results-assessment is limited to the three selected African case countries.
- Exploring further certain sectors/themes of the PA2 portfolio of specific interest, either due to overall significant resource flow under PA2 (energy); perceived comparative advantage by Finland (innovation); policy concern by MFA (women economic empowerment and taxation).
- Based on the assessment, determining how relevant, coherent and effective the support has been to address the needs and constraints of the partner countries, as reflected in the three case countries.

For details of the Methodology concerning drawing the lessons of “what has been”, see below. “

The portfolio under PA2, as recorded by MFA and including the Private Sector Instruments 2016–2019, as well as the Finnish country strategies for the support to the partner countries are the basis from which the Evaluation draws the lessons on results, successes and failures, strengths and weaknesses and overall contributions to the objectives of Finland’s development assistance. The focus is on strategic and policy issues rather than operations in order to develop a comprehensive picture on: a) how Finland, with a number of instruments, projects, approaches etc., has managed to contribute to economic development, job creation and livelihoods; and b) whether the ‘interventions’ complement each other and form a strategic ‘package’ to best contribute to positive development in the countries (a type of meta-analysis on what works and what does not).

The operations and interventions are the expressions of what Finland is doing and as such it is unavoidable that they must be used as the basis to derive lessons. It must be stressed that this Evaluation did not attempt and cannot provide quantitative measures of results of the Finnish interventions, such as jobs created, companies supported, poor people lifted out of poverty, laws enforced, or other indicators of similar nature commonly used in Evaluations. The Evaluation, given its large portfolio, does not undertake any results-assessment on its own through primary data collection.

The Finnish government’s policy framework

The policy framework for development assistance and specifically for PA2 should be the overriding determinant for how the support is designed, focused and implemented, and should also constitute the set of objectives and benchmarks against which emerging results are judged. Furthermore, the policy framework should reflect how to address the needs and critical constraints in terms of improving the economies and job-creation and livelihoods, especially for youth, women and the poor in Finland’s partner countries.

The overriding policy framework should also govern the specific country strategies that Finland issues for its partner countries. The evaluation reviewed the coherence between the Policy framework, the country strategies in the three case countries, and the portfolio aimed at improving the economies and creating jobs and livelihoods.



Partner countries' needs, constraints and responses

Partner countries' needs-profile in economic transition, which can lift people out of poverty to wellbeing, and their ability to create (decent) jobs and sources of livelihood, should be at the centre and a determining factor for Finland in its work related to economic development, job creation and livelihoods. These constraints and needs differ from country to country and the country governments' strategies to address these constraints tend to vary, hence there is no common problem analysis, nor a panacea to address the needs. An essential sub-set is the priorities of the partner country governments and their analysis. Country constraints and needs are many, especially for LDCs and the problem list might be long and not fully relevant to a small donor with a limited scope of actions. For this purpose, the evaluation's country constraint analysis for the three case countries Kenya, Tanzania and Zambia focuses on jobs and the labour market as well as selected aspects of the business environment.

The elements of the critical constraints and needs analysis includes assessment of:

- The economy, including economic growth pattern, distribution on economic sectors and change of this over time; the role of trade and the pattern of change over time;
- Governance, including taxation and the prevalence of corruption;
- The poverty profile and its change, its distribution on gender, urban- rural, and economic sectors;
- Inequality profile and change over time;
- The labour market and its changes over time, including distribution on sectors, formal and informal employment and sources of livelihood, unemployment, the labour market for women and youth; decent work profiles;
- The dynamics of the economy, including the constraints in the business environment, pattern of foreign direct investments, competitiveness and innovativeness of the economy, export performance, the performance and issues of agriculture, industry and tourism;
- Government policies for economic development and job-creation.

For details see the respective Country Case Studies of Kenya, Tanzania and Zambia.

The aid architecture and donor landscape

Over the last sixty-seventy years a complex institutional landscape for provision of support by industrialised "developed" countries to poor 'developing' countries has emerged, manifested at the global level as well as in countries targeted for such support. The complexity at the 'supply side' has increased as a result of more countries joining the donor group, some of which were poor in the past. Large well-funded private institutions have also joined with financial resources above many donors, international institutions, funds and facilities which have been established as vehicles for support. Various governance structures have been established to 'strategize' the supply of development cooperation, not least through the UN Development Goals. There is underway a significant restructuring of development assistance in the sense of mobilising private sector players and private capital given the gap between the needs for investments and the available ODA. Many new forms of support are developed such as blended finance, impact bonds, guarantee instruments and so on. Some observers even talk about 'old aid' and 'new aid', considering the conventional grant-based aid a feature of the past. Another trend is the overriding poverty focus of aid as a subject for critique and arguments that climate should be given a higher ranking in the goal hierarchy and within broader concepts of economic development such as wellbeing. The broad picture of a changing development assistance landscape will form the context of Finland's future assistance in improving economies and creating jobs.



An essential part of the aid architecture are the multilateral organisations, the UN system, the World Bank group, regional multilateral development banks (MDBs), as well as funds and facilities. Together they are significant players in the development assistance landscape, given their policy, financial influence and role as potential partners to donors. Many donors are increasingly channelling their assistance through this multilateral institutional structure partly as a means of professional specialisation and in search of economies of scale in aid, partly as donors tend to have (increasing) administrative constraints in delivering bilateral support. There is also among many donors, especially the Nordics, a perceived value itself to support this structure towards a global institutional governance system, notably the UN system.

Finland's assistance to Economic Development is to a high extent channelled through this system. The performance of such collaborations, their alignment with Finnish values and intentions, and Finland's ability to have a voice in these multilateral contexts are essential for the usefulness of the Finnish assistance. This evaluation only analyses the "multilateral channel" as a whole in so far as it is part of the overall options for channelling PA2, and in the context of some of the Country Cases (Tanzania) and the Thematic Areas. MFA recently undertook an evaluation of Finnish development policy influencing activities in multilateral organisations, which the Evaluation Team consulted to avoid duplication of efforts.

The global context and its changes

The COVID-19 pandemic is an illustration of how fast the global economic and political environment can change with consequences which at this stage are not known. There are other global change processes albeit not as sudden and rapid as the pandemic, which are likely have profound consequences for the world at large and the developing countries, particularly their economies and labour markets. To mention a few: the climate change impacts on agriculture, especially in poor countries and the need for adaption; shifting investment streams, for example China's increasing economic presence in Africa with consequences for the labour market such as rights issues and corruption; the emerging backlash to globalisation through nationalist agendas in many nations and also possible future consequences of the COVID-19 pandemic, such as disrupted global value chains and trade systems; and the on-going redefining what "good jobs" are in the global economic system. While the Evaluation does not attempt to develop global change scenarios, this broader context analysis cannot be left out.

Peer comparison and Best practices

The international donor community, academic institutions and think tanks are continuously presenting best practices for different types of problem-solving of development issues based on emerging experiences and sometimes theoretical models. This is also the case for supporting economic development and job creation. Best practices should not preclude a donor of trying a new approach, but it should weed out approaches that have proven ineffective and possibly even counterproductive. It should provide inspiration in the process of designing new interventions. Best practices are essential both for the "what has been" and "what could be". Looking at the lessons from the past and current, how well are the strategies, approaches and interventions aligned with best practices, and for the strategic perspective, what could the MFA learn for future policies, strategies, approaches and interventions in its design? The Evaluation reviews best practices related to support for economic development and job creation in general, including the use of private sector instruments.

Of special interest is comparing Finland's work on improving the economies and creating jobs with the Nordic approaches for the same topic. What can Finland learn from its peers? The Evaluation will map the strategies, approaches and main type of interventions by Denmark, Sweden and Norway.

For details see the Best practices study.



Finland's comparative advantage

Finland provides some 0.7 per cent of the total ODA flows (2018) and presumably is not accounting for a larger share of the overall donor support for economic development and job creation. As Finland is largely targeting its development assistance to some of the same countries as other donors, Finland's share in a given country is unlikely to be much different. With a small relative financial contribution, the strategic use of resources is essential to add value and contribute towards the ambitious targets of Finland's assistance and the UN Agenda 2030 goals. Finland will not be able to contribute to everything in the broad sphere of improving partner countries' economies and creating jobs and livelihood, but rather a small share of that. One factor to determine focus is Finland's 'comparative advantage' in the donor supply system. This could be technologies and domestic sector know-how, such as forestry, innovation and ICT; or in social sectors such as education and labour market structures. It might be 'values', for example gender equality and women economic empowerment, which is possibly one of the strongest factors for economic change for the poor; or it could indeed be supporting jobs and livelihoods. A broad review of Finland's strength in 2015 highlighted water and forestry, and gender as a value as areas in which Finland was recognised as a frontrunner.¹⁸ The interest of the Finnish business community (and civil society organisations) is another factor which can add value to development cooperation, especially in countries where Finland is considering or is in the process of shifting its operations from grant-based 'conventional' development assistance to commercial and other relationship forms.

Methodology

Accountability

For the part of the evaluation focusing on accountability (and learning), the streams of evidence are in the forms of the Country Case Studies of Kenya, Tanzania and Zambia, the PSI Study and the Thematic Annexes of Energy, Innovation, Taxation and WEE. Here, the following methods are used:

Top-down and bottom-up results-assessment

The Results Framework/Theory of Change approach: The 2016 Development Policy provided impact and outcome statements and a short narrative on "how this will be done". With the main purpose of structuring Finland's Development Policy Results Report 2018 to Parliament, the MFA created more detailed ToCs for each of the priority areas in 2018. These ToCs were updated in 2020 to reflect the new government's strategic priorities. The 2020 detailed ToC establishes a hierarchy of means and ends (objectives) divided in desired (longer-term) impact, four specified (medium-term) outcomes, a dozen (shorter-term) outputs and various envisaged inputs, i.e. the Finnish development cooperation interventions. The Evaluation assesses to the extent possible, results against the expected impact and outcome objectives.

Critical problem analysis: The "bottom-up" approach assesses Finland's policies and interventions under PA2 against what are the most critical problems for the partner countries, limited to the sample countries Kenya, Tanzania and Zambia. The evaluation assesses whether Finland is addressing the critical constraints in their economic development support, especially related to job creation with relevance for the poor, women and youth.

The country critical problem analysis starts from "what is" and "what the needs are", respectively. Findings of the "bottom-up" approach are reflected against the Development Policy / PA2 objectives and results chains, forming a meeting point of the "bottom-up" and "top-down" approaches.

18 Reinikka, R. (2015) Results on the Ground? – An Independent Review of Finnish Aid, MFA.



This meeting point allows for observing the “how should the interventions look like to meet the PA2 objectives” but also the “what should the target setting learn from the actual needs of the partners as well as from the emerging success and failures of the portfolio”; i.e. in addition to providing recommendations for the way forward for Finland’s PA2 portfolio of interventions, the approach also allows for providing recommendations for MFA’s Policy Framework and its Results-based Management in line with the third objective of the ToR.

The country case studies provide evidence which is assessed against the country critical constraints, identified on the basis of the Evaluation team’s analysis, against the development policy/PA2 results frameworks. This allows for assessing the relevance and coherence of the “what is the portfolio”; as well as for providing any lessons learned/implications for the policy to better accommodate needs and successful interventions, and for the portfolio to be adjusted to meet the policy priorities.

The Country Case Studies

The Country Case Studies include the following elements:

Analysis of the critical constraints in the three case countries in terms of economic development, job creation and livelihood opportunities, especially for women and youth.

An analysis of the Finnish country strategies 2013–2016 and 2016–2019, identifying the elements of the strategy with focus on economic development, job creation and livelihood opportunities, identifying what the objectives and the envisaged interventions in these strategies were; the coherence of the strategies 2016–2019 with the overall Policy Framework for PA2 as elaborated in 2016, and how the strategies were expressed in envisaged interventions under the PA2 theme. The strategy analysis is based on available documentation from the MFA and complemented by selected interviews with MFA officials and Embassy staff.

Mapping the portfolio of interventions for each of the three case countries under PA2 for the period 2016–2019, identifying what Finland has financed for the period sorted by themes and sectors, channels and modalities. The portfolio mapping is based on data provided by MFA and the PSIs. The mapping uses the PA2 classification as elaborated in the portfolio analysis and covers also some major interventions under other Priority Areas if these are considered essential for contributing to economic development and job creation.

As a basis for the ***country portfolio*** analysis the following interventions are included:

- Interventions registered 2016–2019 with PA2 as the main or secondary objective.
- Regional programmes covering any of these countries registered as PA2 and implemented during the 2016–2019 period.
- Interventions under the Private Sector instruments with financial flows (investments, loans and ODA) in these countries during 2016–2019.
- Interventions under other Priority Areas which are essential as means for economic development and job creation.

For details of the interventions identified for the three case countries, see the Country Case Studies for Kenya, Tanzania and Zambia in the Volume 2 of the Report.

Coverage of regional development and global projects: Some of Finland’s larger regional projects such as TradeMark East Africa; Southern African Innovation Support Programme (SAIS); and the Energy and Environment Partnership Southern and East Africa (EEP) (with Nordic Development Fund) are included in one or several of the case countries.



Sampling among interventions: The number of interventions under PA2 is far too large to get an overview in detail of the results, and some form of sampling is required. The principles of sampling are 1) major interventions in financial terms 2) interventions which MFA and embassies consider to be of particular interest; 3) intervention for which there is available results-reporting.

Analysis of the results of the portfolio as these are reported in evaluations, mid-term reviews, completion reports and other forms of results-reporting. The Evaluation questions and the means to respond to them are shown in Annex 6. The document research is complemented by interviews with selected stakeholders as a means of validation and triangulation. It must be stressed, given the considerable number of projects in the country portfolios, no independent search for primary data in the field for specific interventions is attempted by the evaluation, nor does the evaluation provide a second opinion on documented results unless there is clear reason to do so.

Transition issues: As Finland is planning or in the process of transit from ‘conventional’ grant assistance to institutional and commercial relationships in two of the three selected case countries, the process of transition is a subject for the country studies, addressing issues such as the planning of the transition, the tools used, considerations of sustainability of past developments, the emerging results and issues of the new forms of cooperation, especially concerning the private sector instruments.

Mapping of the ‘donor landscape’ engaged in similar activities as Finland in the respective case countries. This mapping is document-based complemented by interviews of key informants in MFA, the Nordic peer organisations and the donor/MDB which has a coordinating role in the donor community for the focus area. Issues covered are overlapping of interventions, aid coordination, value added by Finnish aid, etc. The emphasis is on the Nordics engaged in inclusive economic development and job creation with a focus on women, youth and the poor.

Generalisation: The possibilities to generalise from the case countries to Finland’s development cooperation under PA2 at large cannot be assumed as the country context is too diverse (as are also the Finnish interventions). However, generalisation should be possible for Finland’s work with its core partners in Africa, and hence be useful for the Africa strategy formulation and for the Country Programmes for Kenya and Tanzania.

Reporting: The country studies follow a uniform format and to the extent possible the same or similar sources. The Country Case Studies form Annexes to the evaluation main report. For reasons of volume of the overall reporting, these Country Case Study annexes are in the Volume 2.

Validation: This was done in a form of draft country reports sent for comments by EVA-11, Reference Group, Embassies and the Country Teams; and participating the same to a Country Case Study FCR Workshop (online), October 14, 2020.

Coordination with the Country Programmes: There was an overlap of the case country studies with the on-going Country Programmes development for Kenya and Tanzania. The ET indicated openness for a dialogue throughout the several months’ long process of conducting the Country Case Studies. The same is true for the Africa strategy.

The thematic approach

The purpose of the thematic approach is to assess how the themes/sectors permeate the Finnish government’s work under PA2. This is addressed in two ways: 1) how the themes/sectors are treated in Finland’s development assistance under PA2/PSI; and 2) how relevant, effective and coherent the interventions are within the themes. The Thematic Annexes are part of the main report, Volume 1, and validated with it.



The Private Sector Instrument review

The evaluation reviews the PSIs as integral approaches in themselves and, to a lesser degree, in the three case countries. The evaluation reviews the role of these instruments in development cooperation within the context of the Finnish government's policy framework, how these instruments interact (or not) with other forms of development cooperation and between themselves, their coherence with the 2016 Development Policy, as well as how grants, loans and commercial investments complement one another (or not).

The PSIs are means to mobilise additional resources for financial flows for increased development impact and one aspect of the evaluation is to address their effectiveness in this respect. Of particular importance is the role of the PSIs in the transition phase from conventional ODA based development assistance to commercial or semi-commercial links between Finland and partner countries, a central theme in Finland's development cooperation, as mentioned earlier.

The PSIs each have well-structured programmes with clear objectives and forms of operation as well as clear management structures. They have transparent reporting systems of their operations. The evaluation focuses on coherence between the instruments and the existence of synergies as well as coherence/synergies between the PSIs and other interventions under PA2. The evaluation will utilise the available results-reporting by them to identify results related to the policy framework of PA2 and independent evaluations.

Generalisation of results: The PSIs have by nature a somewhat different orientation in terms of focus on countries and regions than other grant-based aid as considerations of commercial potential is a critical factor in the decision making by the participating companies (and Finnfund). This limits the opportunities to generalise the findings from them overall.

Reporting: The PSI assessment forms a self-contained annex of the main report, Volume 2.

Validation: This is done as a part of the validation of the evaluation main report, i.e. in a form of draft report sent for comments by EVA-11, Reference Group, and selected MFA management; and by the participation of the same to FCR Workshops (online), October 27, 2020, and December 1, 2020.

Learning – Peer analysis and international 'best practices'

One of the objectives of the Evaluation is "to determine what the MFA can learn from its peer organisations, especially the Nordics as well as from emerging international 'best practices.'" This is done by reviewing the Nordic peers to determine their approaches and more significant interventions in economic development and job creation, their decision making behind the approach chosen, channels chosen and other modality issues; and reviewing international best practices.

The desk review consists of country-based document research and interviews for the Nordics, as well as a study of global trends in economic development and private sector engagement focusing on OECD and DCED literature. In addition, some international level studies and evaluations are used as sources of information, such as the meta-evaluation of 33 reports titled "Towards Private Sector Led Growth: Lessons of Experience" in 2016 (Centennial Group, 2016).

Cross cutting objectives

Gender equality, equality in society, climate change mitigation and adaptation, and a human rights-based approach are cross-cutting objectives in Finnish development cooperation and an integral part of the evaluation as presented in Table 3:



Table 3 Dealing with cross-cutting objectives

	Gender	Equality	Climate change	Human rights
Policy and portfolio analysis PA2	Jobs and livelihood opportunities for women an explicit objective	Not expressed explicitly in ToC (except gender)	Not explicit in ToC. Only indirect as sustainability	Decent jobs as a right an explicit objective; as well as that responsible businesses are aware of such rights.
Country case studies	Assessed throughout strategy, approaches and interventions.	Assessed throughout strategy, approaches and interventions.	Assessed throughout strategy, approaches and interventions.	Assessed throughout strategy, approaches and interventions.
Private sector instruments	Assessed throughout strategy, approaches and interventions.	Assessed throughout strategy, approaches and interventions.	Assessed throughout strategy, approaches and interventions.	Assessed throughout strategy, approaches and interventions.
Thematic analysis				
Taxes	Not relevant directly but possibly through company formalisation.	Assessed throughout strategy, approaches and interventions	Not relevant	Not relevant
Women's economic empowerment	Gender a focal point.	Linked to gender equality.	Assessed in strategy and interventions.	Assessed in strategy and interventions.
Innovation	Assessed throughout strategy, approaches and interventions.	Assessed throughout strategy, approaches and interventions.	Assessed throughout strategy, approaches and interventions.	Role of innovation processes and co-creation in progressing human rights and inclusion.
Energy	Assessed throughout strategy, approaches and interventions.	Assessed throughout strategy, approaches and interventions.	Focal point	Not relevant

Source: Own presentation

It should be noted that throughout the Evaluation, every attempt is made to include a gender responsive methodology, methods and tools, and data analysis techniques. According to the UN System-wide Action Plan (UN-SWAP), to implement the UN's Chief Executive Board for Coordination's Policy on Gender Equality and the Empowerment of Women (GEEW), in evaluations, a mixed-methods approach is more appropriate than relying solely on quantitative or qualitative methods. GEEW is included in the evaluation's scope of analysis, and evaluation questions are designed in a way that ensures GEEW related data will be collected.

Main data collection methods and sources

Secondary data

The evaluation builds upon existing results-reporting and does not repeat already available studies and research but uses existing findings, an issue which was also stressed by the Reference Group at the Inception meeting on May 19, 2020.

Specifically the evaluation makes use of,

- Mapping of the Finnish interventions under the PA2 2016–2019 also including investments and projects by the PSIs.



- Relevant documentation for the evaluation, including relevant policy and steering documents by the MFA, intervention data, country studies, strategies, annual reports, intervention specific reporting, especially result-reporting, etc. The same type of secondary data for the PSIs.
- Analysis of recently completed relevant centralised and decentralised evaluations, the preparatory study for the evaluation and any other preparatory material, such as workshop protocols etc., both of more general nature and for interventions selected to be reviewed. In the Inception Report, a series of MFA Evaluations have been reviewed to determine their relevance and usefulness for the evaluation.
- Particularly for the case country analyses, reports, studies, data and research on the country context, labour markets, dynamics of the economy, sector specific development, government policies on economic development and job creation, and Finnish cooperation within the country produced by the MFA, the PSIs, international organisations such as the World Bank, African Development Bank, IMF, OECD, WIDER, ILO, UNDP, World Economic Forum, etc., case country governments, other donors, academia and civil society. The annexed Country Case Study reports contain self-standing bibliographies not repeated in this Report.
- Selected Nordic Peer Country data and documents on their PSIs; academic studies relevant for the subjects covered by the evaluation, for example undertaken by think tanks, universities, NGOs, etc.

Primary data – interviews

Primary data is mainly collected through Key Informant Interviews (KIIs) of the MFA, PSI and partner staff and stakeholders. The semi-structured KIIs cover relevant individuals in Finland, in the peer countries, in the case countries, and in any other locations, and they are conducted by telephone/over the Internet by the Evaluation team members, including the local consultants in Kenya, Tanzania and Zambia. As decided by the Evaluation Management Team (April 1, 2020), due to the global COVID-19 crisis, there was no field mission travel by the Nordic team in the conduct of this evaluation. Instead, interviews in the case countries, i.e. the remote field work, were undertaken by means of teleconferencing and phone calls, including by the Team Members – the local consultants – based in Kenya, Tanzania and Zambia. KIIs cover:

- Members of the Reference Group;
- Other MFA staff in Finland, Kenya, Tanzania, Zambia and other countries;
- Staff of the PSIs located in Finland and other countries;
- Partner country government representatives, as relevant;
- PSI stakeholders such as private sector companies, NGOs, academic institutions and other, located in Finland, Kenya, Tanzania, Zambia;
- Selected bilateral and multi-bilateral project and programme staff, partners and other stakeholders located in Finland, Kenya, Tanzania, Zambia and other countries;
- Selected multilateral organisations' staff;
- Selected Nordic Peer Country representatives.

Summary of tools applied

The tools for data collection for the different elements of the Evaluation are summarised in Table 4 below.



Table 4 Evaluation tools for different elements of the Evaluation

	MFA documentation	Other documentation	Interviews
Policy and Portfolio analysis	Documents related to Finland's Development Policy framework, MFA Excel sheet "Development Cooperation projects Funding decisions 2015-2019" provided by the statistics unit (OECD reporting)	PSI reporting	MFA staff
Country case studies	Country strategies and related reporting including Political Environment Analysis and self-assessments; data on portfolio; project results-reporting, reporting from regional and global projects; mid-term reviews; evaluations; reporting on PSIs	Research concerning critical constraints and the donor landscape. Much of this web based. MDBs, IMF; UN, etc; Poverty analysis, labour market studies; Reporting by peers on strategies and interventions Government documents on policies; strategies and economic performance, labour market analysis, documentation from donor coordination groups, etc	MFA staff in Finland and Embassies; selected partners (incl. private sector, NGOs); Possibly peer donor representatives, MDBs; researchers; Country representatives in focus areas of Finnish support (Government, private sector, NGO, academia) Relevant Government representatives
Private sector instruments	MFA policy documents; reporting on the instruments; evaluations; data on projects and results-reporting	Peer organisations reporting IFU; FMO; etc	MFA Staff of the instruments; Selected businesses & possibly coalition partners Peer organisations
Thematic studies • Taxes • Women entrepreneurship • Innovation • Energy	MFA Policy and Strategies; Portfolio under each theme, results-reporting and evaluations	Contextual analysis MDBs; UN, etc	MFA; embassies Selected partners MDBs, UN
Best practices		Relevant information by peers, MDBs, think tanks, academic organisations	Selective with key Nordic informants
Finnish comparative advantage & interests			MFA Potentially peer organisations

Source: Own presentation

Evaluation Criteria, Questions, sub-questions and evaluation matrix

This evaluation applies the standard OECD/DAC criteria for evaluations; relevance, efficiency, effectiveness, impact and sustainability with the recently added criterion 'coherence' in a slightly modified form, which will not have any major impact on the assessment along the criteria.



Box 1 How OECD Evaluation Criteria are interpreted in this evaluation

Relevance defined in the OECD's new Evaluation principles as “the extent to which the intervention objectives and design respond to beneficiaries’ global, country, and partner/institution needs, policies, and priorities, and continue to do so if circumstances change.” Relevance is used by us concerning the policy framework, country strategies and interventions.

Coherence defined by the OECD/DAC “as the compatibility of the intervention with other interventions in a country, sector or institution.” It includes internal coherence and external coherence, the latter defined as the consistency of the intervention with other actors’ interventions in the same context, i.e. complementarity, harmonisation and co-ordination with others, and the extent to which the intervention is adding value while avoiding duplication of effort. Coherence is a central concept used in the Evaluation, especially external coherence as defined above. The degree of coherence between policy, strategy and intervention is also an explicit criterion in the evaluation.

Effectiveness is defined by the OECD/DAC as “the extent to which the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups.” Effectiveness is used with a broader interpretation of the term beyond a measure against a certain objective (which can be set with a high and low ambition). Effectiveness is in this evaluation used to judge the extent a policy, a strategy, an approach or a (set) of interventions make a difference towards an underlying problem, thus including **impact** under effectiveness as well as **sustainability**. The term ‘effective’ is also used in the context of a causal chain between policy, strategy and interventions, in the sense of how well a set of interventions have achieved objectives at a higher level.

Efficiency, i.e., in OECD’s terminology, “the extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way” will not be used in the Evaluation given the complexity of the portfolio.

The Terms of Reference specify three objectives for the Evaluation and list four evaluation questions (EQs). The three objectives are used as the main Evaluation Questions, while the four EQs identified in the ToR are included as sub-questions (some modified) based on which the Evaluation Matrix has been drafted (see Annex 6).

The ET’s review of the ToC and its indicators found a very limited number of the ToC indicators applicable to this evaluation. Those of the reviewed indicators that can be of use in this evaluation are included in the Evaluation Matrix – however, not in quantifiable form, and they are complemented by other more suitable progress markers and indicators, some of the outcome-level indicators are applied in the country reports, mainly as part of the context analysis.



Annex 6: Evaluation Matrix

Sub-questions	Evaluation Indicators	Methods / analysis	Data sources	Comparators / benchmarks / Reflections
Main evaluation question 1: To what extent and how are the objectives of the Priority Area 2 on economic development, jobs and livelihoods being achieved and how relevant and effective have the interventions been in relation to partner country needs?				
<p>1. How coherent have the country strategies, approaches and interventions been with the overriding Finnish policy framework for economic development and job-creation in the three case countries? How relevant have they been related to country needs? Have they been relevant and effective for the pursuit of transition (where applicable)?</p>	<p>The strategies formulation (2016–2019) of economic development and jobs (objectives, approaches and interventions)</p> <p>Country strategies formulation (2016–2019); any transition strategy formulations (2016–2019)</p> <p>PSI strategies formulation (2016–2019)</p> <p>The actual portfolio 2016–2019 in each country</p>	<p>Policy analysis</p> <p>Case country analyses</p> <p>Country strategy analysis</p> <p>Country portfolio analysis, PSI portfolio analysis</p>	<p>MFA documents</p> <p>Interviews MFA and embassies; case country government representatives; PSI representatives; case country government representatives; other stakeholders</p>	<p>Any deviations between Policy PA2; country strategy, approaches and portfolio</p>
<p>2. In what way and how effectively have Finland's country programmes, approaches and interventions contributed to improve the economies and provide jobs and livelihoods especially for women, youth and the poor in the three case countries, and in particular decent, rights-based jobs?</p>	<p>Contributions to jobs in formal and informal sector, types of jobs and livelihood opportunities for different categories especially women, youth and the poor. Jobs that can be defined as decent.</p> <p>Indirect jobs created through multiplier effects (up and down stream; through copying and technology diffusions.</p> <p>Local growth'; Forest sector performance</p> <p>Technology transfers; Innovation capacity</p> <p>Energy development</p> <p>MSME development</p> <p>trade and export performance</p>	<p>Case country analyses – Review of available results-reporting under different categories of interventions under PA2/ PSI in Kenya, Tanzania and Zambia</p> <p>Review of available results-reporting about and by the private sector instruments</p>	<p>MFA documentation, including results reporting</p> <p>PSI reports</p> <p>Evaluations</p> <p>Other documentation used in Country analyses</p> <p>Interviews MFA and embassies; PSI representatives; case country government representatives; other stakeholders</p>	<p>The contribution to jobs and livelihood creation should be placed in the context of overall employment and sources of livelihood needs especially for women, youth and the poor. The informal vs formal employment should be considered as well as any displacement effects through Finnish market interventions.</p>



Sub-questions	Evaluation Indicators	Methods / analysis	Data sources	Comparators / benchmarks / Reflections
	<p>Policy indicators PA2 used in ToC such as 'responsible business', see further the Report for definitions.</p> <p>Contributions to solving critical constraints in employability of persons such as education and skills; constraints for women at the job-market.</p>			
<p>3. In what way and how effectively have the country programmes, approaches and interventions related to economic development, job creation and livelihoods in the three case countries contributed to advancing the Human-Rights Based Approach and cross-cutting objectives of gender equality, reduction of inequality, and climate change mitigation and adaptation?</p>	<p>Evidence of changes in the three case countries in number of people, especially women, youth and those in vulnerable situations, who have their right to decent work, livelihoods and income fulfilled; in women's position in society and economic empowerment; in equality; and in climate change action (mitigation and adaptation) which can be linked to Finnish strategies and interventions under economic development, job creation and livelihoods.</p>	<p>Country studies</p> <p>Investigation of the application of the cross-cutting themes in strategies and interventions under economic development, job creation and livelihoods.</p> <p>Review of available results-reporting about and by the private sector instruments.</p>	<p>MFA documentation, including results reporting</p> <p>PSI reports</p> <p>Evaluations</p> <p>Other documentation used in Country analyses</p> <p>Interviews MFA and embassies; PSI representatives; case country government representatives; other stakeholders.</p>	<p>Tracing potential changes from specific approaches and interventions whether the strategies, approaches and interventions are explicit in the HRBA and cross-cutting objectives; have clear approaches, whether such approaches are implemented and whether these actions lead to change</p>
<p>4. Overall, what is the role of the Private Sector Instruments in the development cooperation within the context of the Finnish government's policy framework? How these instruments interact (or not) with other forms of development cooperation and between themselves? What is their coherence with Country Programmes and development policy? How grants, loans and commercial investments complement one another (or not)? What is the role of the PS instruments in the transition?</p>	<p>The strategies formulation (2016-2019) of economic development and jobs (objectives, approaches and interventions).</p> <p>PSI strategies formulation (2016-2019).</p> <p>Contributions by the PSI to the overall economic development and job-creation (in selected countries).</p>	<p>Policy analysis</p> <p>PSI analysis</p>	<p>MFA documentation, including results reporting</p> <p>PSI's documentation</p> <p>Evaluations</p> <p>Interviews MFA and embassies; PSI representatives; private sector; other stakeholders</p>	<p>Relevance and coherence will be based on comparing policies, approaches and interventions with actual delivery.</p>



Sub-questions	Evaluation Indicators	Methods / analysis	Data sources	Comparators / benchmarks / Reflections
5. Overall, how relevant, coherent and effective is Finland's strategic orientation of dealing with the themes/sectors of specific focus to this Evaluation (energy, innovation, WEE, taxation) as related to its objectives in economic development, job creation and livelihoods?	The strategies formulation (2016-2019) of economic development and jobs (objectives, approaches and interventions).	Policy analysis Energy Thematic analysis Innovation Thematic analysis WEE Thematic analysis Taxation Thematic analysis Analysis of results of major projects and approaches	MFA documentation, including results reporting Evaluations Interviews MFA; multilateral organisations; PSI's; other stakeholders	Relevance and coherence will be based on comparing policies, approaches and interventions with actual delivery.
Main evaluation question 2: What can the Ministry of Foreign Affairs learn from its peer organisations, especially the Nordics as well as from emerging international 'best practices' for more relevant, effective and coordinated support for economic development, jobs and livelihood opportunities?				
1. From the Nordic peer organisations, what lessons can be drawn from differences in approaches which could contribute to more relevant and effective Finnish support for economic development and job-creation especially for women, youth and the poor, including the use of the private sector instruments?	Job and livelihood creation especially good quality jobs; approaches in solving the issues through economic development. Emerging best practices in strengthening economies, creating jobs and livelihood, incl. by means of the PSI.	Best practices and peer review: Denmark, Norway, Sweden	Documentation from the Nordics' websites, international. Interviews with key persons in the Nordic peer organisations.	Identification of "Nordic success stories in terms of approaches and larger types of interventions. Are their specific niches for the Nordics?"
2. What can Finland learn from international best practices in creating jobs for women and youth, women economic empowerment, and transition to new forms of cooperation?	Job and livelihood creation especially good quality jobs; approaches in solving the issues through economic development. Emerging best practices in strengthening economies, creating jobs and livelihood, incl. by means of the PSI.	Rapid review of global trends/Mapping of international best practices in the selected themes.	Global donor/DP websites Research organisations engaged in assessing donor experience.	Contextualizing the Nordic approaches.



Sub-questions	Evaluation Indicators	Methods / analysis	Data sources	Comparators / benchmarks / Reflections
3. Have partnerships been built between Finland's economic development interventions and those of other donors and stakeholders? Have the Finnish approaches and interventions, including pooled funding and core-type of funding, been complementary, coordinated stakeholders' and donors' efforts and adding value, as evident in the three case countries and the thematic areas studied?	Evidence for partnerships built and their effectiveness	Case country analyses Country strategy analysis Country portfolio analysis Energy Thematic analysis Innovation Thematic analysis WEE Thematic analysis Taxation Thematic analysis	MFA documentation, including results reporting Evaluations Other documentation used in Country analyses Other documentation used in Thematic Annexes Interviews MFA and embassies; multilateral organisations; PSI's; other stakeholders	
Main evaluation question 3: How can the effectiveness of Finnish development cooperation related to economic development be further developed, including if and how the Results-based Management system can be further refined as far as Priority area 2 is concerned?				
1. Can Finland's support for economic development and job-creation in Africa be made more relevant, coherent, effective, including for HRBA and cross-cutting results, and providing better Value for Money?	As forward-looking questions no indicators are identified and applied	Identifying weaknesses and strengths in Finland's current strategy, approaches and interventions How to strengthen well function approaches, seeking alternatives pathways and eliminate the weak performing based on observed results.	Case country analyses Country strategy analysis Country portfolio analysis PSI analysis Thematic analyses Peer review Stakeholder interviews in Finland, selected partner countries and partner organisations	What can be strengthened? What should be exited? How can the RBM system be better to identify successes and failures? What lessons can be learned from best practice and what peers are doing?
2. Can Finland's support for economic development and job creation better take into account Finland's comparative advantages and national interests in its policy, country programmes, approaches and interventions?	See above	Identifying the comparative strengths and interests, assessing their existence.	Interviews	The question is especially relevant for transition phases in development cooperation from grant-based aid to commercial relationships
3. Can Finland become more relevant and effective in providing support to its partner countries to deal with global changes such as the economic consequences of COVID-19?	See above	Assessing emerging responses to COVID-19.	Interviews	



Sub-questions	Evaluation Indicators	Methods / analysis	Data sources	Comparators / benchmarks / Reflections
<p>4. How could Finland's transition from grant based aid to commercial relationships maximise its effectiveness and benefits both to Finland and the partner country?</p>	<p>See above</p>	<p>Lessons from case country studies</p> <p>Peer studies and best international practices</p>	<p>Case country analyses</p> <p>Country strategy analysis</p> <p>Country portfolio analysis</p> <p>PSI analysis</p> <p>Peer review</p> <p>Stakeholder interviews in Finland, selected partner countries and partner organisations</p>	
<p>5. What lessons can be learned for Finland's Results-based Management and Knowledge Management, including reporting on results, from the performance under economic development, jobs and livelihood?</p>	<p>See above</p>	<p>Identifying weakness and strengths in the current system and suggest remedies which could influence the RBM in general.</p>	<p>MFA documentation</p> <p>Other documentation</p> <p>Interviews</p>	<p>No attempt to create a PA2 RBM system but suggest practical improvements, if deemed required, on Finland's RBM system.</p>



Annex 7: Best practices and peer review

Introduction

The purpose of the desk review on best practices was to inform Question 2 of the evaluation (*What can the Ministry of Foreign Affairs learn from its peer organizations, especially the Nordics as well as from emerging international 'best practices' for more relevant, effective and coordinated support for economic development, jobs and livelihood opportunities?*).

The study encompassed a rapid analysis of best practices applied by some of the Nordic peers (Denmark, Norway, and Sweden) as well as global trends on economic development and private sector engagement. The mapping of global trends in this field provided a framework to situate the profiles of the Nordic countries in a relevant international context.

The assessment consisted of country-based document research and interviews, as well as a desk review of multi-country reports published by relevant organisations such as the Organisation for Economic Co-operation and Development (OECD) and the Donor Committee for Enterprise Development (DCED). These included meta-evaluations such as *“Towards Private Sector Led Growth: Lessons of Experience”* that covered 33 reports (Centennial Group, 2016).

This approach allowed structuring the desk review around critical elements that can be considered as the main building blocks of a comprehensive and coherent donor strategy for economic development and private sector engagement.

The following sections provide the findings for each country. The global-level findings and overall conclusions are described in the main report.

Denmark

Summary

In Danida’s policy framework, the objectives of economic growth are visible; however, there is no separate policy paper which would describe specific strategies in this area. In the most recent general strategy document, responsible private investments are framed within Denmark’s Africa policy. Denmark’s policy documents are open about the interests of Danish companies in the context of development cooperation. In terms of sectors, agriculture has been at the centre of Danida’s development cooperation for decades also from the perspective of economic growth and employment creation. However, the main partners have shifted from public entities to private sector actors; this change has contributed to the development of a range of new PSIs. Trade (between Denmark and the partner countries) and development are not considered as mutually exclusive activities. However, priority is on the development objectives, and Danish solutions are offered only when they make sense in that specific context. When possible, Denmark aims to enter in partnerships with strong local institutions or initiatives to ensure scale and impact. Some pilots on economic activities in fragile areas have been tested, but the intersections between conflict/fragility and economic growth are still in early stages. In more developed countries, technical and vocational training have returned high on the agenda.



Danida's overall development policy framework

Denmark's overall development policy, The World 2030, was presented by the Danish Government and approved by the Parliament in January 2017. The strategy has four objectives: (1) *Security and development – Peace, security and protection*, (2) *Migration and development*, (3) **Inclusive, sustainable growth and development**, and (4) *Freedom and development – democracy, human rights and gender equality*.

The third objective encompasses “*investments in inclusive, sustainable growth and development in developing countries, focusing on energy, water, agriculture, food and other areas where Denmark has special knowledge, resources and interests. This will contribute to creating sustainable societies with economic freedom, opportunities and jobs – especially for young people. It will also benefit Danish economy, trade and investments*”. Youth engagement is specifically emphasised (MFA of Denmark, 2017a).

Furthermore, the Government presents its specific priorities every year. The 2020 publication outlines the expenditure framework for Danish development cooperation for the years 2020-23 (MFA of Denmark, 2020c). The priorities defined in the framework document include (1) *A clear green ambition*, (2) *Helping more people and expanding efforts in areas affected by conflict and displacement and fragile countries and human asylum system*, (3) *Rethinking Denmark's Africa policy*, (4) *Equality – the rights and opportunities of women and girls*, and (5) *The role of development cooperation in promoting binding international cooperation*.

From the perspective of economic development, only the policy area 3 (rethinking Denmark's Africa policy), refers to the SDG 8 (Decent work). The Government proposes to “*promote responsible private investments in support of the Sustainable Development Goals and climate improvements in Africa, and will allocate DKK 80m in new funding for these efforts. The Government will also contribute to improved working conditions in developing countries by increasing Denmark's core contribution to the International Labour Organisation (ILO) to DKK 20m, and with a new DKK 15m contribution to the ILO's “Decent Work” programme earmarked for Africa*” (MFA of Denmark, 2020c).

The Action Plan for Denmark's national and international follow-up on the SDGs¹⁹ describes the country's ambitions related to the SDG 8. From this Action Plan, it is worth mentioning the link to Denmark's domestic interests in the context of SDGs: “*Promoting sustainable economic growth, which creates employment is an important priority in Danish development cooperation. Denmark promotes growth and employment through greater integration of developing countries in the global economy, better framework conditions for the private sector, and **partnerships which mobilises skills, capital and resources from the Danish business community and institutional investors to developing countries***” (MFA of Denmark, 2017b).

In 2014, Danida commissioned an economic analysis of Danish exports to 144 countries over the period from 1981 to 2010. The authors found quantitative evidence to demonstrate that Danish bilateral aid has had a positive impact on Danish exports to the recipient countries. The average return per dollar was estimated at about 30 cents. The result was compared to the Netherlands and Germany, where the corresponding figure was 29 cents and 1.4 dollars, respectively (Hansen & Rand, 2014).

Denmark's specific policies on economic development and private sector engagement

Currently, Danida does not seem to follow a specific Growth and Employment Strategy; the last one dates back to 2011–2015. Danida's web pages dedicated to this topic

¹⁹ https://um.dk/-/media/um/danish-site/documents/danida/det-vil-vi/2015-maal/150517_handlingsplan_for_fn_verdensmlene_web.pdf (in Danish)



provide general policy elements. However, it is mentioned more specifically that Denmark's support to green growth will focus on *“sustainable food production, access to energy and water, and integrated climate efforts”*. And that because *“growth in the agricultural sector has a greater effect on poverty reduction than growth in any other sector, Denmark will work to strengthen agriculture and food production”* (MFA of Denmark, 2020a). Regarding youth, Denmark published a white paper on Job Creation and Skills Development in Africa in September 2020. The reflexions were born from a task force established for the purpose, which reflects the priority nature of the topic (MFA of Denmark, 2020e). Finally, Danida positions Denmark as a leader of digitalisation and technology. Again, the potential benefits for Danish companies are mentioned alongside with partner country actors (MFA of Denmark, 2020d).

In the context of Danish development cooperation, aid for economic growth has focused almost entirely on the agriculture sector in the past decades, and with focus on inclusiveness. A major initiative in this context has been the establishment of the Africa Commission by the Danish government in 2008 (see also Danida, 2016). The objective was to support initiatives aimed at promoting private sector-led growth and youth employment in Africa. Inclusive economic growth was considered here both as a means and an end. According to an interview with Danida, in this process, the donor learnt several vital lessons also in terms of women's role in infrastructure projects. For example, applying a gender lens can mean building a smaller road alongside the bigger ones to facilitate trade by local women.

In Danish aid, a clear policy shift has occurred when it comes to working with national or local governments. The private sector is nowadays the primary partner in the promotion of economic growth in developing countries, a trend confirmed by an interview with Danida. In this process, Denmark learned – among other lessons – that, to help creating jobs for those leaving school and entering the labour market, collaboration with the state (including local governments) is not the most effective approach. As a consequence, the change to working through the private sector contributed to a host of PSIs being developed (see list below). Among these, success stories have usually included close collaboration with other institutions. One example consists of the establishment of a Trust Fund called the Agricultural Business Initiative (aBi) in Uganda jointly with Sweden and the UK (MFA of Denmark, 2017). The fund has showcased an example on how to create jobs at a massive scale. However, when a suitable partner is not available at the country level, Danida has also participated in building partner organisations from scratch. For example, in Burkina Faso, Denmark launched a Call for Proposals to finance initiatives that stimulate private sector activity in the agricultural sector (MFA of Denmark, n.d.). According to the interview, the most typical approach in bilateral cooperation countries has been to support access to finance or guarantees via the International Finance Corporation (IFC) or the African Guarantee Fund (AGF).

Regional initiatives provide opportunities to leverage bilateral projects that support economic growth. However, there is a clear difference between East and West Africa in this sense. In East Africa, there are unique initiatives such as the TradeMark East Africa. This donor funded, not-for-profit Aid for Trade organisation helps country-level producers to export products to neighbouring countries. The ability to engage in exports constitutes a significant advantage to the market actors compared to a situation where the sales remain within the national borders. This type of regional frameworks that dismantle systemic trade barriers offer great potential to leverage the added value of bilateral projects. According to an interview with Danida, the dynamics between the West African countries have not, unfortunately, allowed similar initiatives being developed so far. In addition to the regional dimension, TradeMark East Africa is an encouraging example of the Market Systems Development (MSD) approach. The initiative is well in line with Denmark's' emphasis on the promotion of market-based economic growth and employment creation in developing countries (DCED, n.d.).



There is thrive for integrating development cooperation and trade, but feasibility depends on the context. According to an interview with Danida, Denmark has adopted a practical approach to dealing with Danish domestic interests in terms of trade with developing countries. Again, promoting, for example, Danish technologies might be counterproductive in one situation, but feasible in another one. The government seeks opportunities where both can benefit, but when such configurations do not make sense, they are not insisted upon. Further, middle-income countries are more suitable for this approach than some of the poorer countries.

Interest exists on marrying private sector engagement and fragility, but discussions are in early stages. Danida has implemented some reconstruction projects, for example, in Northern Uganda. The rationale is that, in a situation where everything has been destroyed, the local economy needs to be reactivated through access to finance, supporting companies that host out-growers, to mention a few entry points. In these interventions, the timeline is often mid-term with the objective of stabilisation through, e.g. cash for work, support for cooperatives, cash crops or road rehabilitation projects (MFA of Denmark, 2018). Another example is from Niger, where Danida worked on cash crops even in areas occupied by Boko Haram (MFA of Denmark, 2013). According to an interview with Danida's representative, Denmark is increasingly looking at operating in regions where stabilisation activities are needed.

In more developed countries, technical training and vocational education are high on Danida's agenda; the Minister of Development Cooperation has lifted this issue as a priority (MFA of Denmark, 2020b). The thinking behind is to generate more skilled labour to the markets where there is a high demand for technical experts such as plumbers or electricians.

Examples of Danida's instruments for private sector engagement

- Danida Market Development Partnerships programme (DMDP), <https://um.dk/en/danida-en/sustainable%20growth/partnerships/danida-market-development-partnerships/>
- Danida Business Partnerships – phasing out, <https://um.dk/en/danida-en/sustainable%20growth/danida-business-partnerships/>
- Danida Innovation & Business Explorer, <https://um.dk/en/danida-en/sustainable%20growth/partnerships/danida-innovation-and-business-explorer/>, <https://um.dk/en/danida-en/sustainable%20growth/partnerships/danida-business-explorer/>
- Danida P4G, <https://um.dk/en/danida-en/sustainable%20growth/>. <https://p4gpartnerships.org/#home>, <https://um.dk/en/danida-en/sustainable%20growth/partnerships/p4g---partnering-for-green-growth-and-the-global-goals-2030/>
- Danida Private Sector Development Programme, <http://netpublikationer.dk/um/PSProgrammeCompanyGuidelines2a/index.htm>, <https://tii.unido.org/bilateral-development-partners/denmark>, http://netpublikationer.dk/um/PSProgrammeCompanyGuidelines2a/html/full_publication.htm
- Denmark at the digital forefront, <https://um.dk/en/danida-en/strategies%20and%20priorities/techvelopment/>, https://www.weitzenegger.de/content/?page_id=28784
- Guarantees and Incentives in Development Aid, https://um.dk/en/danida-en/results/eval/eval_reports/publicationdisplaypage/?publicationID=C08D47A3-6349-4513-A66E-3F76329146E4
- Domestic pension funds in Africa: Can they finance the SDGs?, https://um.dk/en/danida-en/results/eval/eval_reports/publicationdisplaypage/?publicationID=9B447228-9496-4FD2-A315-0AC689635EBC
- Investment Fund for Developing Countries (IFU), Evaluation of the Investment Fund for Developing Countries (IFU) 2004–2017, https://um.dk/en/danida-en/results/eval/eval_reports/publicationdisplaypage/?publicationID=A2F66353-D99C-429F-BAFC-B20884810DF6



Norway

Summary

Norway's development aid in the field of economic growth and private sector engagement is characterised by a framework that consists of a few PSIs (mainly calls for proposals and Norfund) and clear sectoral priorities (mostly renewable energy). Recent evaluations have drawn relatively positive findings on Norwegian cooperation in this area. Suggestions for improvement have included strengthening the analysis of business environment, better inclusion of the human-rights based approach at the level of implementation, and further integration of marginalised populations. Funding channelled through PSIs has been fully untied from the targeting of Norwegian companies, which has created a new situation for Norwegian companies in terms of their role in implementing Norway's development cooperation.

Norway's overall development policy framework

The main guiding policy document of Norway's development aid is the 2016–2017 white paper “*Common Responsibility for Common Future*” which outlines five thematic priority areas for Norwegian development policy: (1) Education, (2) Health, (3) **Private-Sector Development and Job Creation**, (4) Climate, Renewable Energy and the Environment, and (5) Humanitarian Aid (Government of Norway, 2017). The OECD 2019 Peer Review for Norway mentions that the Norwegian Investment Fund for Developing Countries (Norfund) is the primary instrument for promoting private-sector development and job creation in partner countries. The allocations are expected to increase at least through to 2021. OECD considers this approach as a good practice, given that it allows strong focus and coherence in the PS engagement activities. In terms of different sectors, Norfund focuses on electricity and energy sectors in its portfolio. Areas of improvement include strengthening coherence between Norway's bilateral and multilateral strategies in the current context, where the overall tendency of the country is to operate increasingly through the multilateral system (OECD, 2019a).

Norway's specific policies on economic development and private sector engagement

In 2016, OECD's report on donor agencies' private sector engagement pointed out two strategies published by the Norwegian Ministry of Foreign Affairs; first dated in 2012 and titled “*Business creates development – What Norwegian authorities are doing to promote private investment in developing countries*”, and second dated in 2014 and titled “**Working together: Private sector development in Norwegian development cooperation**”. The publication points out that the first one refers to private sector engagement with linkages to private sector development activities, while the one from 2014 refers to private sector development (OECD, 2016b).

According to the “*Evaluation of Norwegian Development Assistance to Private Sector Development and Job Creation*” finalised in 2020, the Norwegian government's objectives for support to the private sector centered on inclusive and sustainable economic growth, a responsible private sector, job creation, poverty reduction, and reducing greenhouse gas emissions through renewable energy, while aid channelled through Norfund focused on economic growth, job creation and poverty reduction (Villanger et al., 2020).

The evaluation concluded that the “*support was designed in ways that, if well implemented, are likely to contribute to the intended outcomes of economic growth that is inclusive and environmentally sustainable, creates jobs, promotes a responsible private sector, and reduces poverty*”. And, that “*Norwegian aid would be more effective if it could be based on analysis of the business environment and competitive relationships in developing countries*”. The evaluation also reminded that more focus should be paid on enabling **marginalised groups** to



participate in economic activities. And, focusing on support that benefits small-scale **agriculture** is likely to have the most considerable poverty-reducing effect.

Another significant evaluation regarding private sector engagement and commissioned by Norad's evaluation department, "*The United Nations Guiding Principles on Business and Human Rights (UNGP), Human Rights and Norwegian Development Cooperation Involving Business*". The evaluation assessed the systems and performance of six Norwegian public entities in relation to the implementation of UNGP in Norwegian development cooperation. The study found that the principles have been incorporated well at the policy level, but that the implementation of the policies is incomplete. Recommendations related to strengthening staff capacities and developing better grievance and due diligence mechanisms, among other actions (Sundet et al., 2018).

Future focus will be on fewer countries, more streamlined instruments and increased partnerships with multilateral organisations, according to an interview with Norad's representative. The above-mentioned strategy documents (the white paper "*Common Responsibility for Common Future*" and "*Working together: Private sector development in Norwegian development cooperation*") as well as annual budgets are valid documents and guide Norway's development cooperation. The most recently published yearly budget (mentioned above) reiterates the priority on the private sector and job creation alongside geographical preferences. Support ranges from improving framework conditions to financing specific business cases.

In the coming years, the trends in Norwegian development cooperation will include reduced financial allocations for aid, fewer partner countries, more extensive interventions and more partnerships with multilateral organisations (MFA of Norway, 2017). With companies, the intention is to render the financial support system more predictable and manageable for both parties. In practice, it means breaking down the financing agreements into shorter periods and better linked with specific outputs. However, the overall support period can be prolonged to allow building impact. These trends are reflected in the revised guidelines of the Calls for Proposals (Norad, 2020a, 2020b).

Norway offers two main financing streams to support private sector development in its partner countries; Enterprise Development for Jobs and Framework Conditions / Strategic Partnerships. The Enterprise Development for Jobs is a matching grant scheme channelled through a Call for Proposals directed to companies in developing countries. Funds are typically applied for feasibility studies, partner search, trial production, training of local staff, strengthening of local suppliers and local infrastructure investments. The most important sector is renewable energy. In the last round, Norad received 110 applications. The **Framework Conditions / Strategic Partnerships** is also a grant scheme. It aims to facilitate partnership formed between the private sector and non-commercial organisations in developing countries to stimulate business and PSD. The focus should be on a specific value chain and on unblocking a particular barrier that inhibits its full potential. The project is not to support a specific enterprise per se, but the enterprise is expected to have an interest in that value chain from a business perspective (Norad, 2020a, 2020b).

Eligibility is not tied to any country, but the participation of Norwegian companies is becoming increasingly an issue. Previously only Norwegian companies were eligible to benefit from these instruments. Nowadays they become untied meaning that a company registered in any country, including in Norway, can apply for funding (Norad, 2020b). Demand is higher than what the institution can cover; only approximately 10% of cases can be accepted. So far, there has been no systematic assessment on the experiences of the beneficiary companies, but it is expected that the issue will receive increased attention in the future. Notwithstanding the limitations, one of Norad's advantages is that funds can be drawn from different budget lines if the reasons are well justified, according to an interview with Norad's representative.



In 2020, Norway has launched a new facility that offers subsidies for guarantees for renewable energy projects. The subsidies are targeted for projects that would rule out another harmful project (such as coal), but if implemented fully commercially, they would not be viable. The instrument allows the company to purchase a much cheaper guarantee than what it would typically have access to. The tool was recently included in a Call for Proposals; therefore, there are no experiences on its results yet.

Sweden

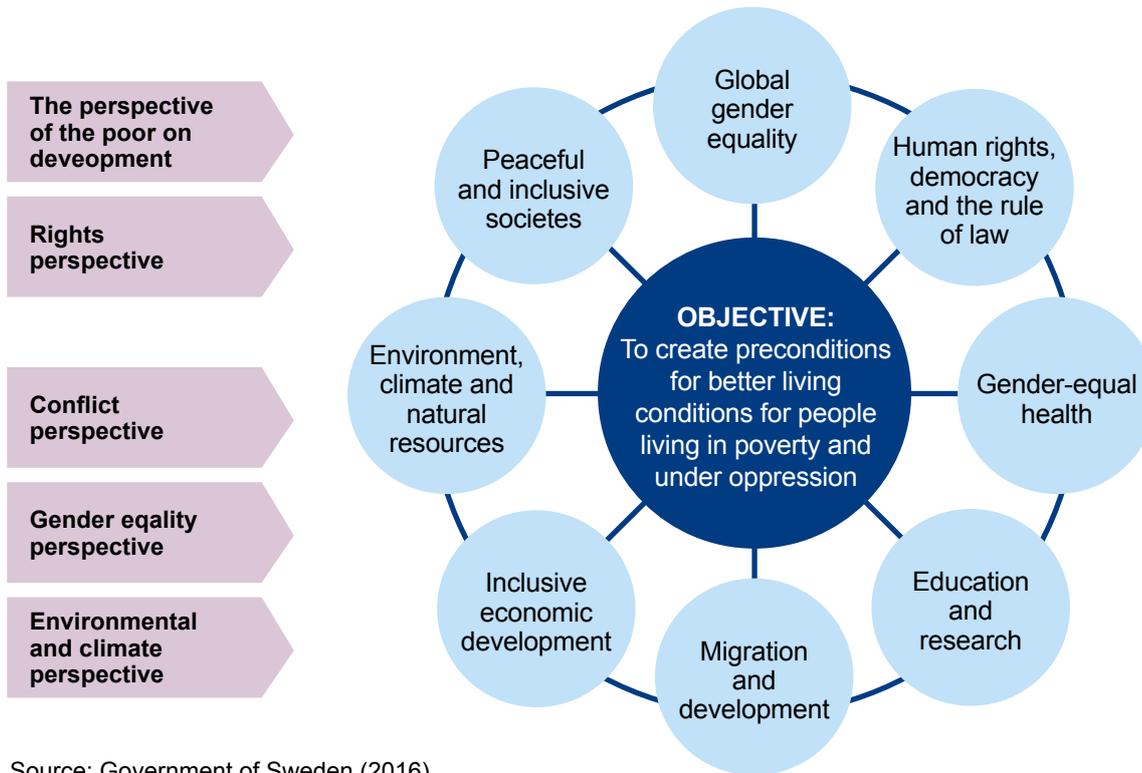
Summary

Sida's work on economic development, jobs and livelihoods is goal-based; Sida has managed to shift attention to from a PSI-driven approach through trial and error. The Markets Development Systems (MSD) approach has been systematically adopted in the institution, among other global trends and good practices. A range of innovative PSIs has been tested with different types of actors, including CSOs and multilateral organisations, among others. Further, there is an increasing appetite for better linking fragility and employment as an approach for conflict prevention, but pilot projects are yet to generate generalisable lessons. Domestic interests in the context of private sector engagement in general, and in transition processes in particular, would require more intentional multi-stakeholder dialogue and more precise policy steering on behalf of the government.

Sweden's overall development policy framework

The mandate for Sweden's development cooperation is described in Sweden's Policy for Global Development that dates back to 2002 (Government of Sweden, 2002). However, the most central policy document that currently steers Sweden's development cooperation is the 2016 Policy Framework for Swedish Development Cooperation and Humanitarian Assistance (Government of Sweden, 2016). The policy outlines five perspectives – poor people, rights, environment and climate, gender equality, and conflict – and eight additional thematic directions, among them “inclusive economic development” (see Figure 3). Further, 63 more specific strategies (6 regional, 25 country, 13 global thematic, and 19 that relate to multilateral cooperation) describe the objectives for particular periods and geographical areas (OECD, 2019b). According to Sida's thematic experts, one third of bilateral strategies include economic development goals (Sida, 2020).

Figure 3 Thematic directions of Sweden's development policy



Source: Government of Sweden (2016).

The thematic direction of Inclusive economic development in the 2016 *Policy Framework for Swedish Development Cooperation and Humanitarian Assistance* includes two main headings; (1) Productive employment, decent work and sustainable business, and (2) Free and fair trade and sustainable investment.

Also, the Ministry for Foreign Affairs (MFA) of Sweden has published a *Policy for global development in the implementation of the 2030 Agenda*, which mentions feminist foreign policy, sustainable business, sustainable consumption and production, climate and the sea, and flight of capital and tax flight as particular areas of ambition (MFA of Sweden, 2017).

Sweden's specific policies on economic development and private sector engagement

In 2016, OECD pointed out that Sweden does not follow a specific private sector engagement strategy; instead, they have adopted a cross-cutting approach (OECD, 2016a, 2016b). OECD's report on *Peer learning: Lessons from DAC members on effectively engaging the private sector in development cooperation – OECD – Country Report Sweden* mentions that: "Sweden considers private sector engagement a cross-cutting approach and therefore neither has a sectoral focus in its engagements nor gears them toward particular regions. Its experience highlights the importance of ensuring that development objectives are the key determinant of partnerships with the private sector – private sector engagement should only occur when a private sector partner is best placed to realise development results" (OECD, 2016a).

The report further highlights that "In terms of expanding and consolidating engagements, Sweden's experience shows the importance of **allowing time to build staff capacities** for private sector engagement and experiment with new mechanisms. Sweden has also found that **policy dialogue is an effective tool, particularly when it is backed with financial resources** to carry out initiatives. Finally, Sweden's experience demonstrates the **importance of development additionality**. Ensuring that private sector investments are more development-friendly is an important contribution that Development Assistance Committee members make in private sector engagements" (OECD, 2016a).



The 2019 OECD Development Co-operation Peer Reviews for Sweden confirms that “Sweden does not have a specific strategy for private sector engagement and has no dedicated budget for this, which means there are incentives for government institutions to work with the private sector only when it is the most effective partner for realising desired development results. Sweden considers private sector engagement to be a cross-cutting approach”. The report also discusses that: “While this approach enables flexibility, Sweden could more actively seek out opportunities for partnering with private actors in line with its Addis Ababa Action Agenda commitments” (OECD, 2019b).

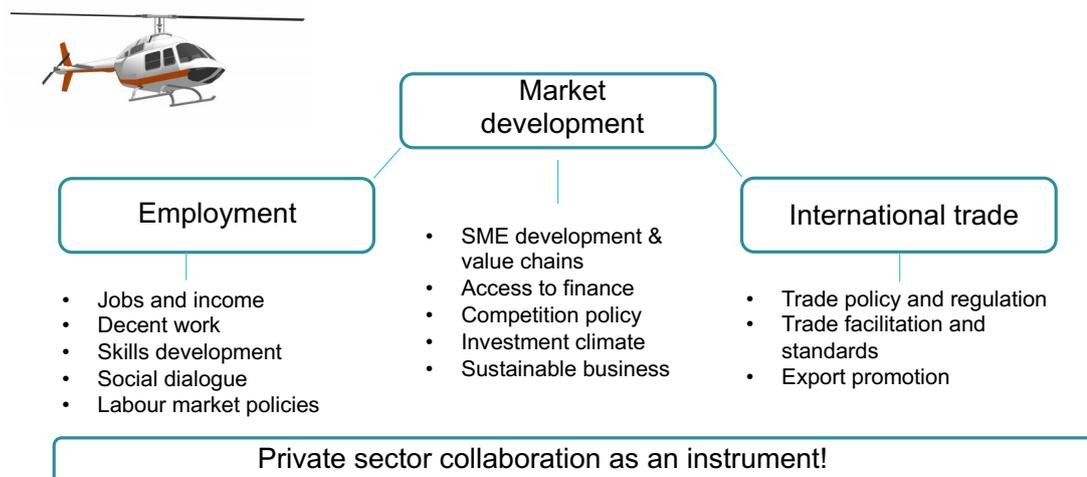
However, a **Strategy for Sweden’s global development cooperation in sustainable economic development 2018–2022 does exist**. The strategy includes two sub-headings:

(1) **Inclusive sustainable economic growth and development**, including Strengthened conditions for free and fair trade, Strengthened capacity to make use of the positive effects of migration, More effective domestic resource mobilisation, increased financial stability and counteracting corruption Improved access to and increased use of open, safe and free information and communication technology (ICT), and

(2) **Sustainable livelihoods and productive employment**, including Strengthened ownership and tenure rights for land and natural resources, Improved conditions for private sector development, sustainable business as well as responsible and sustainable investments and innovation, Increased productivity and sustainable production in agriculture, forestry and fisheries, including food security, Women’s economic empowerment, Improved conditions for productive employment and decent work, Improved conditions for social protection systems (Government of Sweden, 2018).

A presentation dated August 2020 on Sida’s work on Supporting Markets, Trade and Employment for Economic Recovery provides further details on the Strategy is operationalised (Sida, 2020). The presentation highlights that people living in poverty and economic actors, that they are dependent on functional markets and that they should have the right to participate fully, contribute and benefit from economic development. Sida approaches the issue through three different entry points: (1) Employment, (2) Market development, and (3) Trade (see Figure 4).

Figure 4 Sida’s main entry points under the topics of Employment, Market development and International Trade



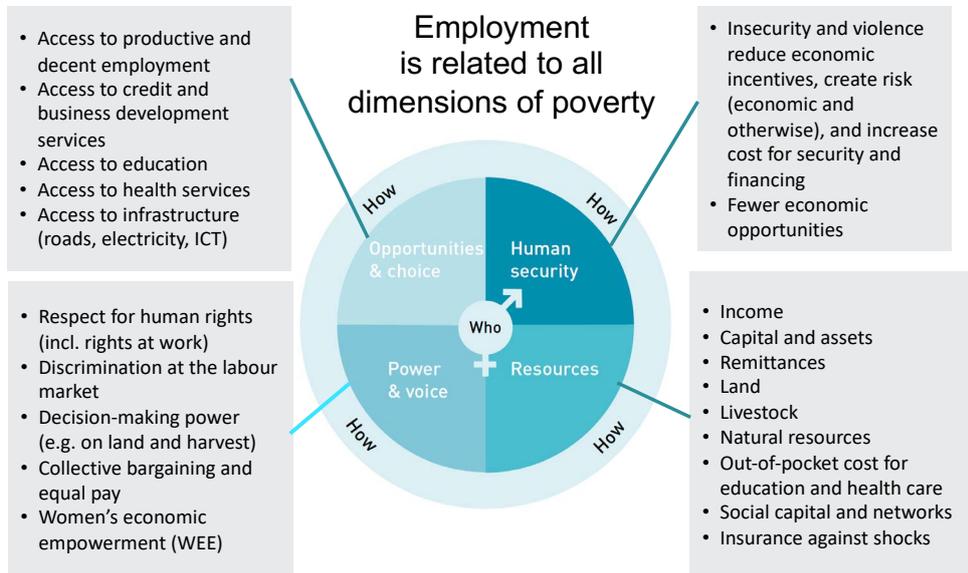
What is included in market development at Sida?



Source: Sida (2020).

With regards to employment, Sida underlines that the topic is related to all dimensions of poverty (see Figure 5).

Figure 5 Sida's analysis on the relationship between poverty and employment



Source: Sida (2020).

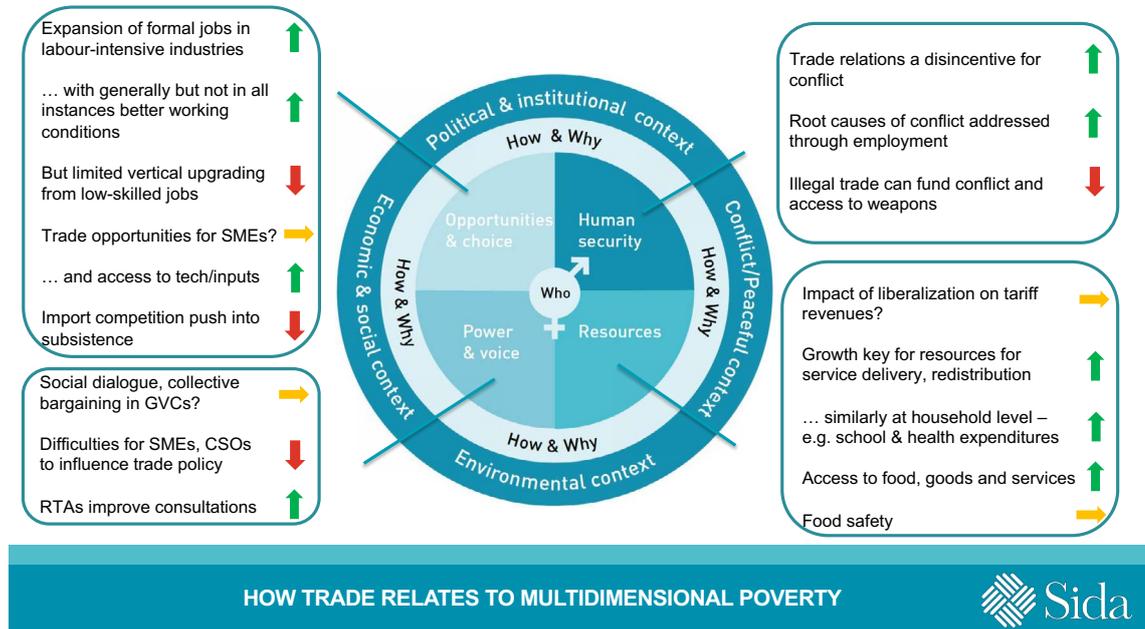
The critical point is that employment is one of the cornerstones to achieving inclusive economic development. Growth can lead to poverty reduction only if inclusiveness is ensured through productive and decent jobs.

In terms of market development and the private sector, Sida differentiates between Private Sector Development (PSD) and Private Sector Collaboration (PSC). PSC (synonym to Private Sector Instrument PSI) can be used as a “vehicle” under any thematic area (such as health, education, natural resources, etc.). However, in PSD, the private sector is the target group. Under PSD, the primary method is the Markets Systems Development (MSD) approach.

Regarding trade, Sida assesses its implications in the contexts of the framework of the Multi-dimensional Poverty Analysis (Figure 6).



Figure 6 Links between multidimensional poverty and trade



Source: Sida (2020).

To summarise, for Sida, PS Development (through the systemic approach of Market Systems Development MSD) is one thematic area alongside other topics such as health, natural resources, education, energy, democratic governance, and so on. The target group encompasses PS actors in Sweden’s partner countries. Aid to this thematic area can be channelled through a variety of modalities, including Private Sector Instruments but also CSO support, multilateral and bilateral aid to mention a few.

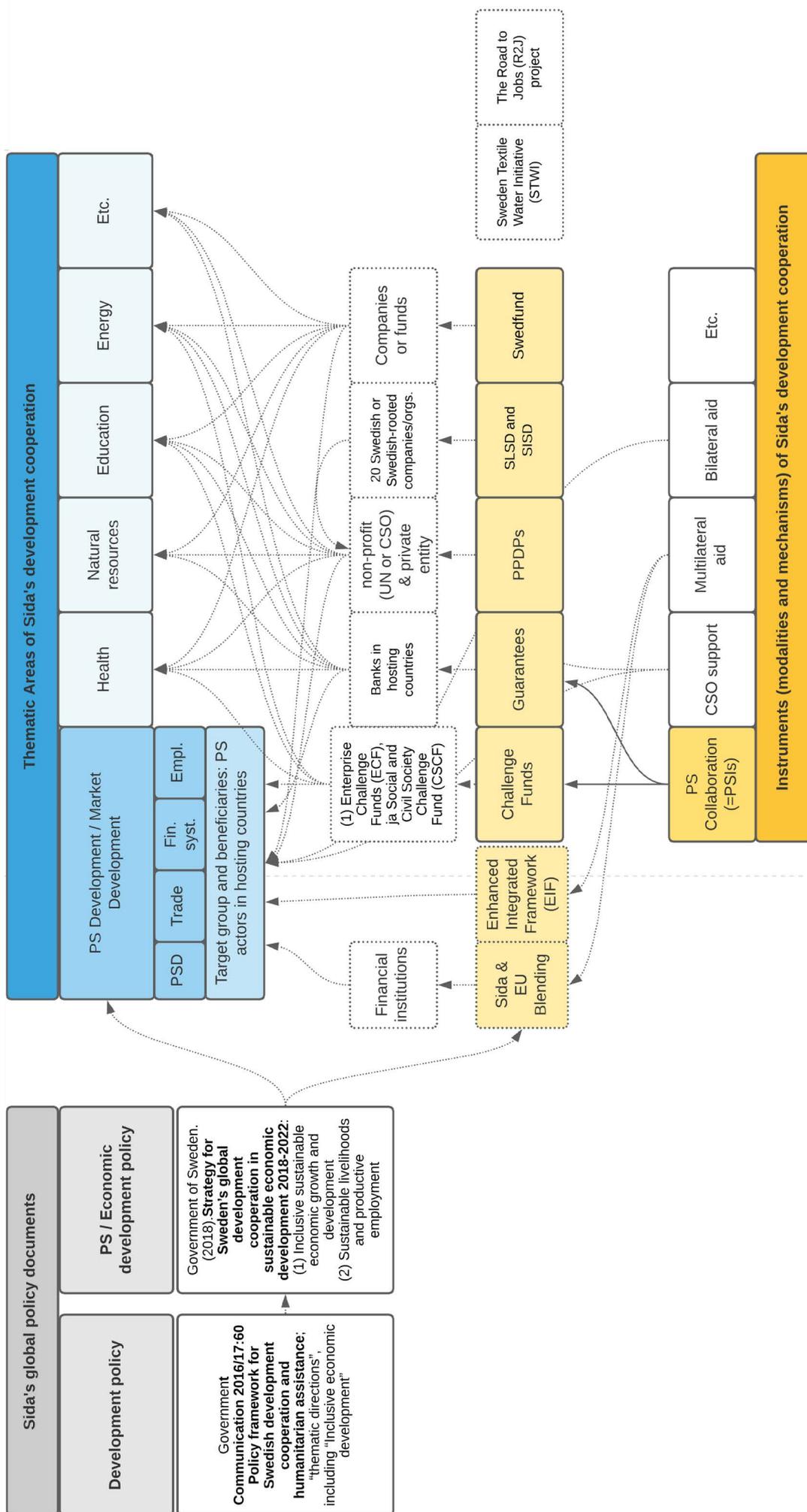
Within the PSIs (grouped under the title of PSC in Sida’s terminology), there are several instruments. The main ones include Challenge Funds, Guarantees, Public-Private Development Partnerships (PPDPs), the networks Swedish Leadership for Sustainable Development (SLSD) and Swedish Investors for Sustainable Development (SISD), as well as Swedfund.

Figure 7 Interlinkages between Sida’s thematic areas and instruments*

(Figure 7 is on next page)

Source: developed by the evaluation team based on literature review and interview with Sida’s representatives.

*The Figure is not aimed to provide a comprehensive inventory of Swedish aid, but to illustrate how the different aid instruments of Sida link with its thematic areas of work.





New and innovative PSIs easily divert the focus from the initial goal of poverty reduction. According to an interview with Sida’s representative, one of the significant policy shifts occurred in 2014 when the government of Sweden started steering the strategy more towards employment as a comprehensive objective in the context of poverty reduction rather than as a mere results indicator. This change coincides with a goal-driven approach which also included the transition from “*country strategies*” to “*results strategies*”.

Soon after, Sida saw the emergence of several new PSIs, which led to a situation where the instruments started receiving increased attention instead while diverting from the actual objective (i.e. decent employment). In the past few years, the organisation has started to gain a better balance between the two in line with the original idea.

Sida is testing new approaches to link fragility and employment, but it is too early to draw lessons. In terms of fragile contexts, conflict-sensitivity is one of the key cross-cutting issues in Sida’s cooperation and, similar to many other donors, fragility has received increasing attention in the past years (Sida, 2017). The institution is also increasingly acknowledging that livelihoods and market access can be adopted as a conflict *prevention* mechanism, not only as a mitigation measure. However, questions still remain on how to operationalise these considerations in practice; there is increasing appetite in Sida for learning from good practices, according to an interview with Sida’s representative. One of the approaches that Sida has been testing is to collaborate with NGOs that work not only on peacebuilding but also on market access, such as in a case in Sudan. Engagement with multilateral organisations is also an option; Sweden has collaborated with ILO for the development of value chains, and with WFP for finding alternatives to not only distributing food but for finding market mechanisms to deal with situations of food scarcity. At present, it is too early to draw lessons on what works and what does not in these set-ups.

The question of domestic interests is evolving in the context of transition processes, but no radical policy shift is in sight at present. The Government of Sweden has stated that it “does not work for the advancement of specific companies or for the advancement of the private sector for its own sake” (Sida, 2010, 2019). Support to the private sector is channelled through different intermediaries depending on the modality (see examples in Figure 7). Increased attention to the transition from development cooperation to trade relations in five pilot partner countries has contributed to this debate. The question is how to link the work of Team Sweden (trade relations) with development in the next ten years. Later, the lessons will be mainstreamed in all bilateral strategies. The trend is that these two processes should be more integrated and that the role of Sida should be more catalytical. Finally, development could become fully integrated with trade. However, this radical shift is unlikely to occur at least not with the present government, according to the interviewee.

Examples of Sida’s instruments for private sector engagement

- Swedish Leadership for Sustainable Development (SLSD), <https://www.oecd.org/dac/peer-reviews/private-sector-engagement-for-sustainable-development-lessons-from-the-dac.htm#COUNTRYREPORTS>, <https://www.oecd.org/dac/peer-reviews/Swedish-Leadership-for-Sustainable-Development.pdf>
- Sweden Textile Water Initiative (STWI), <https://www.oecd.org/dac/peer-reviews/private-sector-engagement-for-sustainable-development-lessons-from-the-dac.htm#COUNTRYREPORTS>, <https://www.oecd.org/dac/peer-reviews/Sweden-Textile-Water-Initiative.pdf>
- H&M and Swedfund, <https://www.business-humanrights.org/en/latest-news/ethiopia-hm-and-swedfund-initiative-to-promote-responsible-textile-industry-and-lift-people-out-of-poverty/>



- The Road to Jobs (R2J) project, https://www.sida.se/contentassets/3643219b55164688b-200907679d4e5ce/portfolio_employment_2018_webb.pdf
- Aid for Trade: Exporting ginger from Nepal to Bangladesh and India, https://www.sida.se/contentassets/6b498b35a5844d64923c664f3c681e25/10202913_portfolio_trade_2018_webb.pdf
- Trade - An important link in development, <https://www.sida.se/contentassets/37e10a5cb3ea4d9d9406fcbf3abf8eba/21867.pdf>
- Gender Equality and Trade: suggested entry points and dialogue questions, https://www.sida.se/contentassets/1804f43e9fdc4123a6ff2b617202a75d/brief_gender_and_trade_webb.pdf
- Factors for success, principles and approaches to skills development (youth employment), https://www.sida.se/contentassets/71147e904b194e3a9345b3b2d84391f5/information_brief_skills_development_webb.pdf
- Using guarantees to mobilise funds by the private sector, https://www.sida.se/contentassets/b5364177ab9645aa9b08b8a2cef627f2/30213947_sida_infoblad_guarantees_webb.pdf
- Crowdfunding guarantee – first of its kind provided by a donor, https://www.sida.se/contentassets/cd56cb8f317e4f239ceb818aa4352872/30213947_sida_infoblad_crowdfunding_guarantee_webb.pdf
- Sida and EU Blending, <https://www.sida.se/English/publications/146641/sida-and-eu-blending/>
- Sida Challenge Funds, <https://www.sida.se/English/partners/Resources-for-specific-partner-groups/Private-sector/Collaboration-principles/challenge-funds2/>, <https://www.sida.se/contentassets/dob1f8a4b3be4bccac2d91a8cdca56bd/15229.pdf>, <https://www.sida.se/English/publications/160980/evaluation-of-sidas-global-challenge-funds/>
- Public-Private Development Partnerships, <https://www.sida.se/English/partners/Resources-for-specific-partner-groups/Private-sector/Collaboration-principles/Public-Private-Development-Partnerships-PPDP/>
- Other Best Practices by Sweden, <https://www.oecd.org/dac/peer-reviews/Africa-Enterprise-Challenge-Fund.pdf>, <https://www.oecd.org/dac/peer-reviews/African-Guarantee-Fund.pdf>, <https://www.oecd.org/dac/peer-reviews/Interact-Climate-Change-Facility.pdf>, <https://www.oecd.org/dac/peer-reviews/Private-Sector-Collaboration-Sector-Approach.pdf>, <https://www.oecd.org/dac/peer-reviews/Colombia-Business-in-Development-Facility-Hub.pdf>, https://read.oecd-ilibrary.org/development/private-sector-engagement-for-sustainable-development_9789264266889-en#page63

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Annex 8: Thematic annexes

These Thematic Annexes are an integral part of the Evaluation of Finland's support to Economic Development, Job Creation and Livelihood as one of the four Thematic Annexes on Energy, Innovation, Taxation and Women's Economic Empowerment.

In defining the Evaluation's approach at its Inception Phase, it was decided to look deeper into certain sectors/themes of the PA2 portfolio of specific interest either due to overall significant resource flow under PA2 (energy); perceived comparative advantage by Finland (innovation); or policy concern by MFA (women economic empowerment and taxation).

The purpose of each Thematic Annex is to provide a contributory evidence stream to the overall strategic evaluation by applying the relevant evaluation questions of the strategic level evaluation, while adapting their analysis for the specifics of the thematic context.

Annex 8.1 Thematic annex on energy

The specific objectives of this Thematic Annex are:

- Assess the position and role of Energy in Finland's Development Policy framework in terms of the economy and jobs objective and how it is translated into interventions, also including the Private Sector Instruments (PSIs);
- Review the results of this strategy and interventions as they are shown in existing results-reporting;
- To contribute, together with the other elements of the Evaluation, to recommendations to help inform the MFA in their energy-related work in the context of economic development, jobs and livelihoods, as part of the constructive approach adopted by the utilisation-focused model of the strategic evaluation.

Energy and development in the Finnish Development Policy

Energy and development

In the Sustainable Development Goal 7 the international community has committed to "ensure access to affordable, reliable, sustainable and modern energy for all". According to the International Energy Agency (IEA), there are still more than 700 million people without access to energy, 75% of them living in Sub-Saharan Africa (IEA, 2020). In many African countries, the share of fossil fuels in the energy supply clearly overshadows the share of the modern renewables, and the gap is not closing very fast. Lack of access to reliable energy is one of the key constraints for businesses, but also for raising overall standards of living in low-income countries. The production of energy by fossil fuel generators, common in developing countries, also has major adverse effects on people's health and environment (IFC, 2019).



Table 5 Key indicators and feature of energy sector in the three case countries

Key indicators and feature of energy sector in the three case countries	
Kenya	<ul style="list-style-type: none"> • Energy production: from 11.43 million tons (MT) (2000) to 22.42 MT (2018). • Access to energy, proportion of population with access to energy (SDG 7.1.): from 8% (2000) to 75% (2018). • Renewable share (modern renewables) in final energy consumption (SDG 7.2.): from 1.4% (2000) to 3.5% (2017). • Especially generation by wind and solar power has increased since 2013, but so has also the generation by oil.
Tanzania	<ul style="list-style-type: none"> • Energy production: from 12.69 MT (2000) to 18.48 MT (2018). • Access to energy, proportion of population with access to energy (SDG 7.1.): from 11% (2000) to 37% (2018). • Renewable share (modern renewables) in final energy consumption (SDG 7.2.): from 17.8% (2000) to 15.5% (2017). • Generation based on oil and coal increasing, natural gas stable. Little generation by hydro. Wind and solar picking up but from a very low starting level.
Zambia	<ul style="list-style-type: none"> • Energy production: from 5.95 MT (2000) to 11.22 MT (2018). • Access to energy, proportion of population with access to energy (SDG 7.1.): from 12% (2000) to 37% (2018). • Renewable share (modern renewables) in final energy consumption (SDG 7.2.): from 22.6% (2000) to 27.6% (2017). • Steady but slow increase of generation by oil, rapid increase since 2015 of coal. Steady but slow increase of hydro.

Source: International Energy Agency (IEA)

There is a need for both public and private sector action to increase access to energy. Private sector can provide the capital, technology and skills needed for modern energy generation, supply and services, but investing in energy is challenging. Capital normally has to be provided in an up-front manner, and it is tied in a project for a long time, due to long payback periods. The risks of such a long term investment especially in a developing markets are multiple, including environment and social risks related to e.g. acquisition of land, to securing rights to the project site, and to community relations, but there are often also considerable other risks of e.g. political, regulatory, counter-party and operational nature.

There are many ways to generate, distribute and provide electricity, each with their own characteristics. Large renewable energy plants feeding electricity to grid may locate in remote places far away from consumption centres. Energy has to be brought to consumers, which requires functioning transmission and distribution grids. Especially in Africa, the distances are vast and grid infrastructure is often in bad condition or missing. Constituting a so called “natural monopoly”, grid infrastructure is often dependent on public financing, thus posing a significant challenge for governments.

Besides “on-grid”, the other business models for electricity generation and supply include e.g. different “off-grid” models (for example mini-grids or household solar) and various forms of distributed generation (for example captive power generated by companies partly or wholly for their own use). Each model has its own characteristics and risks. Often, the technical and revenue model has to be created from scratch or modified to local circumstances. Even the most renowned actors in the field may fail (The case of Mobisol, 2020).



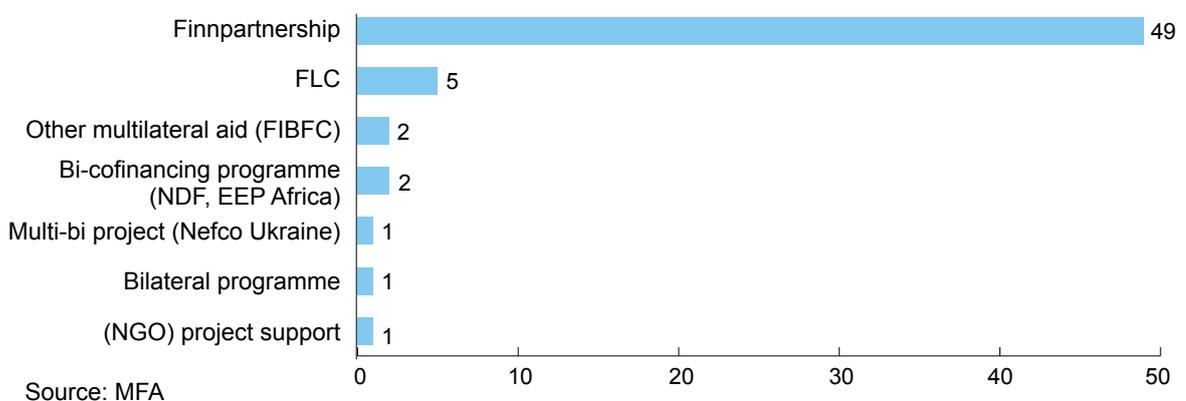
Governments in developing countries, together with development partners, can provide legislation and regulation and generally develop the energy markets to make the business environment conducive for private companies and financiers. Especially regarding grid-connected electricity supply they carry the responsibility for transmission and distribution lines. They can also mitigate risks for private financing by guarantees, by blended finance or otherwise by mitigating financial risk of other investors. By supporting project development, they can help building pipelines of bankable projects. A natural role for governments is to steer consumption towards more sustainable patterns, and to ensure the affordability of energy even for the poorest parts of the population. All this requires consistent policies in a complex, challenging field. Development partners like Finland therefore have to move carefully, focusing their inputs where it is needed, and in a way that matches their own goals and resources.

MFA commitments in the energy sector 2016–2019

Between 2016 and 2019, the MFA made 61 new commitments in the energy sector²⁰. More than half of them have not been given PA classification. Of the ones that have, principal and secondary objectives are spread rather evenly between PA 2 and PA 4. The total value of commitments was €142.7 million.

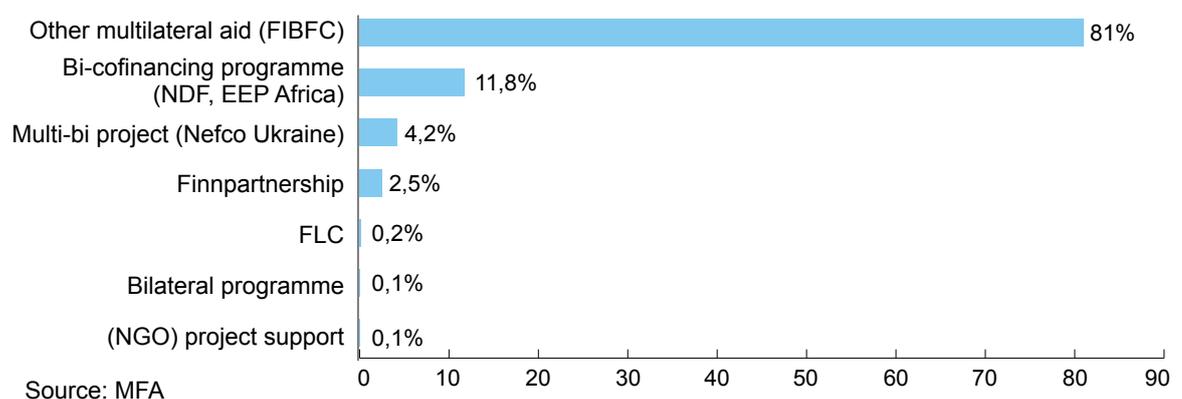
In September 2020, two energy sector projects were in the PIF pipeline, but no commitments so far. At the same time, in terms of numbers of commitments, FP projects accounted for a clear majority: 49 of the 61 interventions. On the other hand, only one minor commitment was made for a bilateral programme on energy (in Tanzania) between 2016–2019.

Figure 8 Support to energy; number of commitments.



In terms of commitment values the picture is very different, the biggest share (81%) by far was allocated to the FIFC.

Figure 9 Support to energy; % of total value of commitments.



²⁰ OECD DAC CRS codes 230-23642 in the MFA commitment statistics.



These figures do not include financing agreements in the energy sector by Finnfund, which totalled €143.8 million between 2016 and 2019. The value of Finnfund's new energy investments during the evaluated period was thus approximately as much as the MFA funding through other channels combined.²¹

In the MFA statistics available²², the evaluation team could only identify one disbursement (att: the other figures above are commitments) for a BEAM project in India, for €66,000 which is not included in the above figures and graphs.

Channels and types of the MFA energy funding

In this section the **Energy and Environment Partnership for Southern and East Africa (EEP Africa)** and the **Nordic Environment Finance Corporation (NEFCO)** are presented. Detailed descriptions of FIBFC, Finnfund, Finnpartnership and PIF, which also invest in energy or support energy-related projects, can be found in the PSI Study of this evaluation.

Energy and Environment Partnership for Southern and East Africa (EEP Africa), managed by the NDF.

NDF is a development finance institution financed and owned by the five Nordic countries i.e. Denmark, Finland, Iceland, Norway and Sweden. NDF was established 1988. The objective of NDF's operations is to facilitate climate change investments, primarily in low-income countries. NDF has provided funding for mainly public sector projects usually in cooperation with bilateral, multilateral and other development institution. According to its new strategy (NDF 2025 Strategy) it will provide catalytic financing for both the public and private sectors for climate and development impact.

NDF is managing the EEP (Energy and Environment Partnership) multi-donor trust fund for Southern and East Africa. This EEP was first launched in 2010, funded by Finland, Austria AND later the United Kingdom. EEP provides early stage and catalytic grant financing to innovative clean energy projects, technologies and business models in Southern and East Africa

EEP Africa's portfolio (9/2020) consists of 45 projects approved for financing in 2018 and 2019, with a total investment of €20 million in committed grants and repayable grants. 82% of these are off-grid projects (EEP Africa, 2020). The trust fund has got two operational windows. **The Innovation window** provides early stage grant financing through competitive, open calls-for-proposals. In 2019 NDF launched a pilot project of **EEP Catalyst**. The Catalyst provides direct follow-on loans to successful EEP grant projects.

Between 2016 and 2019, Finland has financed EEP Africa with €16.9 million.

NEFCO and The Finland Ukraine Trust Fund

The Nordic Environment Finance Corporation (NEFCO) is an international financial institution owned by Denmark, Finland, Iceland, Norway and Sweden.

NEFCO manages The Finland Ukraine Trust Fund that provides grant financing for energy efficiency, renewable energy, and alternative types of energy sources in power and heat generation and in district heating networks. The purpose of the Trust Fund is to promote cooperation between Finland and Ukraine and identify opportunities for projects, services and investments in energy efficiency, renewable energy, waste-to-energy and smart energy systems.

Funding can be provided to both public and private demonstration projects implemented by Ukrainian enterprises or for technical assistance. Funds are available for disbursement until the

21 To be noted that due to the way Finnfund finances its operations (see PSI Study, Annex 1) only roughly half of Finnfund investments are funded by the MFA capital injections or loans, the rest coming from retained earnings or leveraged from the capital market

22 See challenges regarding the statistics of BEAM in the PSI Study, Annex 3.



end of 2021. There are also blending opportunities available from NEFCO's other financing tools. Funds can be used exclusively to activities that meet the ODA criteria set up by the OECD DAC.

The MFA financed the Finland Ukraine Trust Fund by €6 million in 2017.

The only **NGO** project in the energy sector was **UFF's biogas project in India** with a total amount of €160,000 committed in 2017.

Energy funding by the MFA

In the 2016 Government Report on Development Policy it is stated that: "In the energy sector, Finland supports renewable energy solutions. Solar energy and bioenergy provide sustainable sources of power even outside the electric grid, whereas clean cooking solutions reduce smoke-related illnesses and the application of modern technology in electricity systems improves the efficiency and reliability of services".

There is no MFA policy or guideline document for energy sector in the Finnish development policy and cooperation. The last such document was removed from the Ministry's web pages some years ago. There are also no internal guidelines for energy in use at the Ministry.

The statistics on energy sector funding (see above), however, reflect a line of action that could be seen as an unwritten/ unpublished strategy. Its elements are:

1. No more bilateral financing in the energy sector.

The last major bilateral project was the modernization of Dar-es-Salaam's electricity grid, which Finland financed with €26.7 million over the period 2013–2016. The project still received a small commitment in 2016.

2. Grant finance for energy generation only when necessary

A major part of e.g. energy generation can be made through commercially profitable investments. ODA should not support potentially commercially profitable activities. Repayable forms of financing should be used instead of grants.

Grant, concessional or blended finance can be used to support project development and mitigate the risk, thus leveraging private capital.

3. The actual investments are left to the private sector

When there are return expectations, private enterprises are best positioned to harness the opportunities, and it is them to take the risks. The commitment statistics show this well; the FIBFC, Finnfund, Finnpartnership, BEAM and to some extent EEP are instruments supporting and/or financing private projects. The fund investment in the FIBFC, and Finnfund energy investments alone account for approximately 90% of commitments.

4. Prioritization of multilateral channels and organisations

The MFA has delegated a major part of such activities to external actors, mainly for multilateral organisations (the World Bank group, NDF and NEFCO). This applies also to funding or financing separate projects or investments, and to the support for developing country governments. Justification for this line of action can be found, e.g. in

- A. The size of many energy generation projects,
- B. The nature of the funded entity (for example grid infrastructure projects are normally owned by public entities and thus are not suitable for private sector financing),
- C. The lack of clout when negotiating and developing e.g. energy market reforms with recipient countries. For example, the multilateral banks like the WB or AfDB are much more credible players in such situations.
- D. The expertise and resources of multilateral actors.



Instead of trying to influence the energy policy issues with developing country governments alone, Finland tries to influence the policies of the multilateral organisations, through its presentation in the governing bodies (directly or through voting constituencies).

At the end of 2020, the MFA, together with the Ministry of Finance that represents Finland in the World Bank Group, has been in the process of drafting guidelines/ a policy paper on energy, to be used in the governing bodies in multilateral organisations (mainly development banks). Since Finland exercises its voting power in these institutions through voting groups/constituencies, the views have to align within these groups before the policy can be put in action.

Findings

Achievement of Finland's objectives on economic development, job creation and livelihoods (EQ 1)

This section presents evidence on the achievement of Finland's objectives on economic development, job creation and livelihoods (PA2). It provides an input for answering the first evaluation question:

EQ1 To what extent and how are the objectives of the Priority Area 2 on economic development, jobs and livelihoods being achieved and how relevant and effective have the interventions been in relation to partner country needs?

More specifically, this section provides evidence for the innovation part of the **Sub-EQ 1.5: Overall, how relevant, coherent and effective is Finland's strategic orientation of dealing with the themes/sectors of specific focus to this Evaluation (energy, innovation, WEE, taxation) as related to its objectives in economic development, job creation and livelihoods?**

Relevance:

The relevance of **Finnfund, FIBFC, BEAM, Finnpartnership** and **PIF** vis-à-vis partner country and beneficiary needs is discussed more in detail in the Annexes to the PSI Study of this evaluation. Findings and conclusions on the demand/market driven instruments BEAM and Finnpartnership, and, to some extent, Finnnfund can be extended to apply to **EEP**, too. Not supporting and financing solely Finnish, but also developing country companies, the EEP plausibly has more interface with local needs than e.g. BEAM and Finnpartnership.

As explained more in detail in the PSI annex, there are good reasons to expect **FIBFC** to be in line with partner country needs, due to the process through which the IFC country programmes are prepared.

Effectiveness:

Both **Finnfund** and **EEP** have been evaluated recently. The Evaluation of Finnnfund in 2018 found that *"there is some evidence of increased employment and improved business performance among (Finnfund) investees"*. The recent external evaluation of the socio-economic impact of Finnnfund investee company Lake Turkana Wind Power (Finnfund, 2020) also came to positive conclusions. The same applies to the assessment of impacts on e.g. costs on energy generation, carbon emissions and employment creation of the Finnnfund renewable energy investments in Honduras (Redqueen, 2018).

The as-of-yet unpublished evaluation of EEP (Altai Consulting, 2020) also made a fairly positive assessment of the added value of EEP. There is a need in the market for support and financing provided by EEP, i.e. for early stage projects that many donors find too risky.



Both Finnfund and EEP report e.g. energy generated by the financed/supported companies, and figures of avoided CO₂ missions. In the case of EEP, such reporting is understandable from the point of view of stakeholder and funder expectations as well as external communications, but somewhat artificial, since the programme supports and finances projects at very early stages of development.

As elaborated in the PSI Study of this evaluation, both **BEAM** and **FP** support projects at so early phases of their innovation or business development cycle, or the assumed results chains that the effectiveness and impact in relation to e.g. Finnish Development Policy goals on energy cannot meaningfully be assessed. Consequently, the two instruments do not provide reporting that would shed light on their operations' effects on e.g. access to energy or share of the renewable energy of the overall energy supply.

There are several reasons to assume the energy funding through the **FIBFC** to be effective. For example:

- Finland provides the IFC with funding the terms and conditions of which are very favourable, and the use of which the IFC can tailor, when structuring financing for its projects, in a way that plausibly allows it to effectively and efficiently leverage financing from other investors.
- FIBFC (and the IFC) can use the concessional or grant funds and risk mitigation tools of the World Bank Group to support the financed projects.
- The sophistication of the impact management throughout the IFC investment cycle is high, constituting a best practice in the field.

However, at the time of drafting this evaluation report (10/2020), there do not yet exist FIBFC impact reports. This is partly explained by the fact that the fund is still in its investment period, and actual results will be seen later. Generally, however, the assessment, data gathering and reporting of the multilateral organisations (naturally) follow the instructions and needs of their management and governing bodies, and in these bodies Finland as a small contributor has limited leverage and influence. Overall goals and intended outcomes of these bodies may well align with those of Finland, but this is necessarily not the case, which reflects in the reporting. This affects the possibility to assess their effectiveness as instruments for Finnish development policy, in this case in the field of energy.

Complementarity and added value of partnerships built (EQ2)

This section presents evidence on the complementarity and added value of partnerships built. It provides the basis for answering the second evaluation question:

EQ2: What can the Ministry of Foreign Affairs learn from its peer organisations, especially the Nordics as well as from emerging international 'best practices' for more relevant, effective and coordinated support for economic development, jobs and livelihood opportunities?

This section provides evidence for Energy's part on the ***Sub-EQ2.3: Have partnerships been built between Finland's economic development interventions and those of other donors and stakeholders? Have the Finnish approaches and interventions, including pooled funding and core-type of funding, been complementary, coordinated stakeholders' and donors' efforts and adding value, as evident in the three case countries and the thematic areas studied?***



The partnership creation ability of **Finnfund**, **FP**, **BEAM**, **PIF** and **FIBFC** has been discussed more in detail in the PSI Annex. All these instruments promote e.g. partnerships between public and private sector entities as well as with research institutions (BEAM) and NGOs (BEAM, Finnpartnership), with varying results. In energy, like in many other sectors, challenges of creating partnerships with especially Finnish private companies include e.g.:

- Inexperience of companies in operating in developing markets, and subsequent lack of information and understanding of the markets. There are very few Finnish companies able to successfully compete for projects funded by multilateral organisations, or to build the project pipeline in developing markets by themselves.
- High level of sophistication of Finnish product and technologies. There would be opportunities in e.g. grid surveillance, maintenance and balancing of grid following the increase of renewable energy production, but so far Finnish companies have not been very successful in selling their solutions in developing markets.
- High price. The quality-price relation accepted and pursued in for example solar panel solutions in many developing markets differs from what Finnish companies are able and willing to offer.

The **EEP** operational model (for example the 15 calls for proposals arranged so far by the “Innovation” window of the programme) has allowed it to build partnerships with companies (including start-ups), non-profit organisations and social enterprises not just from Finland, but from partner countries, too. The EEP itself brought together the governments and their financial resources from three countries (Finland, Austria and the UK).

The **IFBFC** is a partnership between Finland and the IFC, through which Finland has been able to leverage significant amounts of financial and technical resources for climate projects, including in the energy sector.

The challenge of partnerships like the FIBFC and of channelling funds through multilateral organisations is that policies and guidelines do not necessarily match with those of the Finnish development policy. An example is the eligibility of large hydro power plants for financing. In the discussions on Finnish development policy a lot of criticism has been presented against such plants, mainly due their potential environmental and social risks, and for example the Government Development Policy Programme of 2012 prohibited the use of Finnish ODA for financing them. The multilateral organisations through which Finland channels funds, however, do normally not have similarly strict stance, and they have large hydro projects in their portfolios. One of the justifications is that dams have great value for the energy systems of the countries with appropriate water resources as sources and storages of energy and providers of stable baseload for the grid.

Another example is the financing of fossil fuels, especially natural gas. The increasing production of energy from renewable sources in the grid requires energy generation that can be switched on or off very quickly to keep the grid stable. Gas turbines serve this purpose well and are thus needed until some other means of grid stabilization are available. Gas can also be used to stabilize generation in separate renewable energy plants.

In the multilateral institutions used by Finland for energy finance, on the other hand, the stance on gas, not to speak about fossil fuels generally, is much more relaxed. In this respect there is scarce evidence of the effectiveness vis-à-vis Finnish development policy goals of using and funding such institutions.



Results Based Management and Knowledge Management (EQ 3)

This section provides inputs for answering the third evaluation question:

EQ3: How can the effectiveness of Finnish development cooperation related to economic development be further developed, including if and how the Results-based Management system can be further refined as far as Priority area 2 is concerned?

More specifically, this section provides evidence for energy's part on the following sub-evaluation questions:

Sub-EQ3.1. Can Finland's support for economic development and job-creation in Africa be made more relevant, coherent, effective, including for HRBA and cross-cutting results?

Sub-EQ3.2. Can Finland's support for economic development and job creation better take into account Finland's comparative advantages and national interests in its policy, country programmes, approaches and interventions?

Sub-EQ3.3. Can Finland become more relevant and effective in providing support to its partner countries to deal with global changes such as the economic consequences of COVID 19; and climate change?

Sub-EQ3.5. What lessons can be learned for Finland's Results-based Management and Knowledge Management, including reporting on results, from the performance under economic development, jobs and livelihood?

Generally, the instruments and interventions in the energy sector are in line with Finnish development policy goals, and PA 4 specifically. There is also a logical link from most of the instruments and their interventions the outcome 4.2. in the 2020 ToC. This said, EEP, BEAM and Finnpartnership support projects normally at the very early phases of innovation and their results chain. These results chains are poorly articulated. Consequently, the assessment, monitoring and reporting requirements do not fit well with the nature these instruments.

The (presumably) strategic choice of directing large shares of financing thorough multilateral channels has brought with it some leverage and crowded in more finance for energy and climate projects and created valuable partnerships with multilateral organisations.

Simultaneously, it has:

- Affected negatively the effectiveness of resource use vis-à-vis some of the Finnish development policy goals (e.g. transition, the effort to phase out fossil fuels) and the ability of the MFA to assess, monitor and report on this effectiveness.
- Weakened the control on the use of funds.
- Affected the resource allocation within the MFA system. Emphasis on the multi channels has led to less resources to regional and bi-lateral programmes as well as other implementation modalities. In the interviews of the MFA staff it was also mentioned to have affected the human and financial resources for embassies. The support the embassies can give to PSIs, companies and other stakeholders, including in the energy sector consists mostly of provision of general kind of market information and arrangement of potentially useful contacts and meetings.

The above developments have occurred simultaneously with the tightening of renewable energy markets, especially in Africa. There is currently harsh competition in the field, and e.g. Finnfund faces difficulties in finding bankable projects. At the same time, many Finnpartnership and BEAM projects (in energy but also in other sectors) are not continued after the first preliminary market research or partner identification missions.



Conclusions

Finnish development cooperation on energy is generally relevant when assessed against a) Finnish development policy goals and b) partner country needs (with variations in between the instruments through which resources are allocated). Its effectiveness in contributing to Finnish policy goals is also mainly good, with reservations regarding instruments like Finnpartnership and BEAM (because of the nature of these instruments) and, on the other hand, regarding multilateral organisations (due to lack of information needed to assess the effectiveness, and to differences between the policies of MFA and those institutions).

Funds are channelled predominantly through PSIs and multilateral organisations. The evaluation team could not identify where and at what level the decision of this policy has been made, neither in the documentation available and nor in the interviews made for this evaluation. The MFA does not currently have a valid policy or guideline for energy sector cooperation.

The emphasis on multilateral organisations provides leverage of funding but brings with it some loss of control. This is linked to the fact that neither the MFA nor the embassies have the necessary resources and capacities to provide tangible help to private sector energy projects, the PSIs supporting or financing such projects, and other stakeholders active in the sector. The advice and services the MFA and embassies can provide are of very generic nature, consisting mostly of general kind of market information and arranging of events and meetings. Deeper knowledge and expertise in the sector and familiarity with local circumstances is often missing. Likewise, the mandates, guidelines and resources given to PSIs do not adequately match the needs of businesses and other applicants for support.

This situation has led to a contradiction between policies and expectations regarding for example transition, private sector cooperation and investments on one hand, and the availability of resources and capacity of the MFA to answer to those expectations on the other. Partly due to this discrepancy fairly few Finnish companies and other stakeholders have benefitted from projects and partnerships under the cooperation / funding arrangements between the MFA and multinational organisations.

Implications and Lessons Learned

Finland has supported energy sector cooperation with considerable amounts between 2016–2019. However, what is lacking is transparent and published principles to be followed in this field, and the reasoning behind them.

Also, the role of the multilateral organisations should be analysed and possibly reconsidered. The evaluation has found no evidence regarding an increase of effectiveness of resource use when funding is directed through multilateral, compared to bilateral channels. On the contrary, several interviewees saw that it has negatively affected the effectiveness of the resource use, and possibly hampered the achievement of some key policy objectives, including transition from grant and aid-based cooperation, and participation of the Finnish stakeholders, including private sector entities, research institutions and NGOs, in the energy sector cooperation.

Moreover, there are gaps in the Finnish support for energy business development and investments. Projects and companies exiting Finnpartnership, BEAM or EEP are not yet attractive for e.g. Finnfund or other financiers. Finnfund, on the other hand struggles, in finding well-developed, bankable energy projects especially in Africa. Possible ways to fill these gaps could be e.g.:

1. Extending (“downstream”) the mandates and roles of EEP, FP and / or BEAM (DevPlat), with correspondent resourcing. The BEAM successor programme DevPlat, and the EEP’s Catalyst impact investing facility may, depending on how successfully they start operating, provide suitable platforms for such services and functions.



2. Provide a pool of grant or highly concessional funding that Finnfund could use to develop promising projects towards bankability.

Finally, if the Finnish embassies were provided with more human resources with adequate skills and knowledge of local energy sector, they could more effectively support various Finnish stakeholders' energy related projects' (and project development), especially in Africa.

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Annex 8.2 Thematic annex on innovation

The specific objectives of this Thematic Annex are to:

- Assess the position and role of Innovation in Finland's Development Policy framework in terms of the economy and jobs objective and how it is translated into interventions,;
- Review the results of this strategy and interventions as they are shown in existing results-reporting;
- Contribute, together with the other elements of the Evaluation, to recommendations to help inform the MFA in their innovation-related work in the context of economic development, jobs and livelihoods, as part of the constructive approach adopted by the utilisation-focused model of the strategic evaluation.

Definition of Innovation. Innovation is a concept not explicitly defined in the Finnish Development Policy framework. OECD (OECD, 2020) defines innovation as “*the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations*”. The OECD Innovation Strategy (OECD, 2010) is built around five priorities for government action, which together can underpin a strategic approach to promoting innovation. These are: Empowering people to innovate; Unleashing innovation in firms; Creating and applying knowledge; Applying innovation to address global and social challenges; and Improving the governance of policies for innovation. The UN talks about innovation for development to identify more effective solutions that add value for the people affected by development challenges (UNDP, 2020).

Innovation and development in Finnish Development Policy

The Theories of Change for Finland's Development Policy (2020) consider innovations as a part of the PA2; more specifically its Outcome 3: “*Developing country governments promote responsible business conduct and support a solid business enabling environment that enhances innovation*”, and also Output 4.3: “*Finland's key multilateral partners give increased role and visibility to technology innovation and start-up entrepreneurship*”. Innovation is also present



in the aggregate indicators for PA2 and PA4 (Climate and natural resources). The 2016 Development Policy placed innovation in the PA2 Outcome 4 “*better use is made of new know-how, value chains, technologies and innovations that respect sustainable development*”; in the SDGs, innovation is part of SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Yet, Finland’s Development Policy (2016) also considers innovation as an overall means to an end (for example: “*Implementation [of SDGs] will be supported in many other ways as well, including policy choices, innovation, and promoting capacity-building*”; a desired form of cooperation (“*It will also be possible to step up cooperation in the fields of trade, investment, research and innovation, and increase interaction in other fields*”) and partnerships (“*New approaches will be devised to make better use of the actors’ expertise, innovations and local networks*”). These considerations are understood to remain valid even with the 2020 ToCs and indicators, as also supported by the views of the MFA interviewees who consider innovation a crosscutting element in Finland’s development cooperation. Similarly, the link between innovation and the Private Sector Instruments, in the 2016 Development Policy established through the BEAM Programme, remains valid and is from 2020 onward particularly present in the form of the Developing Markets Platform programme.

Support to Innovation in 2016–2019, current and future plans

Current situation

Classification/rating of Finland’s development interventions in general and PA2 interventions in particular does not allow for systemic indication of interventions as innovation-related. The “Innovation Portfolio”, relevant to Economic development, job creation and livelihoods, presented in this Thematic Annex is constructed based on information from the relevant MFA and other interviewees as well as applicable secondary sources, such as development results reporting and evaluations.

Finland’s PA2-related interventions in Innovation, 2016–2019, consisted of two bilateral programmes that both ended during the period; a regional programme still underway; and of the growing support to the UN and IFI’s innovation programming and funding. In addition, the AGS Zambia has some elements to strengthen innovation by Zambian companies, and collaboration on innovation between Finnish and Zambian companies²³. As for the PSI’s, one of the key innovation funding modalities in 2016–2019 was the BEAM programme run by the MFA and Business Finland. Solutions for digital services, health care, learning, construction, transport and renewable energy were developed through this scheme (MFA Finland, 2018). The projects were implemented by Finnish companies, some civil society organisations, as well as research and education institutions²⁴.

While the Evaluation covers interventions with MFA’s funding decisions made in 2016–2019 and both of the bilateral innovation programmes – in Vietnam and Tanzania – got their funding decisions prior to 2016, they are present in this Thematic Annex from the perspective of providing the foundation for Finland’s increased participation – and even perceived leadership – in innovation²⁵.

23 The ongoing bilateral Accelerated Growth for Micro, Small and Medium Sized Enterprises in Zambia (AGS) programme combines the objectives of accelerating growth among Zambian MSMEs through business development services, acceleration programmes, access to finance and access to markets, as well as transitioning to a trade-based relationship by facilitating business linkages between Finnish and Zambian companies.

24 In this Evaluation, BEAM is presented and assessed in the PSI Annex rather than in this Thematic Annex on Innovation.

25 Finland’s programming on innovation started before the bilateral innovation programmes in Vietnam and Tanzania and was, at the beginning, mostly geared towards promoting the use of ICT in the development cooperation. Notable early programmes included “Creating sustainable businesses in the knowledge economy” – programme to foster entrepreneurship using mobile technology solutions and business incubators, in cooperation between MFA, the InfoDEV/World Bank and Nokia plc (2010–2013); Programme of Co-operation in Science, Technology and Innovation between Finland and Mozambique (“STIFIMO”, 2010–2014); and South Africa – Finland Knowledge Partnership on ICT Programme (“SAFIPA”, 2008–2011).



Box 2 Finland's bilateral and regional innovation programmes

The Innovation Partnership Programme (IPP) aimed to support Vietnam in its intention to become a knowledge society and to strengthen the National Innovation System (NIS). IPP Phase I was implemented from 2009 to 2014, and Phase II from 2014 to 2018.

The Tanzania Information Society and ICT Sector Development Project, TANZICT, was conceived with the aim of enabling Tanzania to develop an Information Society that would help the country realize its economic potential through ICT, innovation and entrepreneurship. The Project was implemented from 2011 to 2017.

The regional innovation initiative, still underway, in the MFA's portfolio is the Southern African Innovation Support Programme (SAIS), phase II. SAIS I run from 2010 to 2015, and the second phase covers the years 2017–2021, with a budget of €8,7 million. SAIS II supports the growth of new businesses through strengthening innovation ecosystems and promotion of cross-border collaboration between innovation role-players in Southern Africa. SAIS II is implemented by in partnership with the Ministries responsible for Science, Technology and Innovation of Botswana, Namibia, South Africa, Tanzania and Zambia, and the Southern African Development Community (SADC) Secretariat.

Growing in importance for Finland is the UN innovation work that Finland is has been strongly supporting, in particular the innovation work of UNICEF and UNFPA. While Finland's support to UNICEF as the children's fund and UNFPA, the UN Population Fund, may not seem related to economic development, job creation and livelihoods, several Evaluation interviewees rightly highlighted their relevant role in investing into innovations generated by, possibly among other types of actors, entrepreneurs, start-ups and other private companies.

Launched in 2015, UNICEF's Innovation Fund is a US\$30 million pooled fund investing in early-stage open-source frontier technology solutions with the potential to impact the lives of children on a global scale. The Fund provides product and technology assistance, support with business growth, and access to a network of experts and partners. It is the first financial vehicle of its kind in the UN and enables UNICEF to learn from and to shape markets of emerging technologies and it is supported by the Governments of Denmark, Estonia and Finland, and Ethereum Classic Labs, the Ethereum Foundation, Kirill Tatarinov and Takeda Pharmaceutical Company Limited.

The UNFPA Innovation Programme is jointly supported by the Governments of Denmark and Finland and focuses on investments under four innovation thematic priorities – mHealth, SRHR²⁶ commodities, data, and innovative finance – with the aim to strengthen UNFPA results in these areas and contribute to the corporate transformative goals. The Fund supports small to medium innovative ventures which test, rapidly prototype, pilot, and transition to scale new solutions through the Innovation Pipeline, alongside big signature initiatives to create “global goods” for the development community at large.

As of late, Finland has become, like some of the Evaluation interviewees put it, somewhat a ‘UN innovation hub’. The UNTIL lab (UN Technology Innovation Lab, which is in the process of changing its name) in Finland has started operation (UNTILs in Egypt, India and Malaysia have not/were delayed, because of some UN internal issues) and is working together with the host, Aalto University, and some Finnish companies and other partners. The Finnish lab has focused on some of Finland's “strong points”, namely Peace and Justice Strong Institutions; Quality Education; Good Health and Well-being; and Responsible Consumption and Production – Circular Economy²⁷.

26 SRHR = sexual and reproductive health and rights

27 There be more about the change of raison d'être, focus and eventually name of the UNTIL Lab in the section findings.



Another key part of the ‘UN innovation hub’ is the UNOPS S3I, i.e. the Sustainable Infrastructure Impact Investments²⁸ which set an office in Helsinki at the end of 2019, and the ensuing UNOPS’ innovation programming. Once operational, the UNOPS S3I unit will facilitate major sustainable infrastructure projects in three key sectors – renewable energy, affordable housing, and health – financed in large part through private investment. According to the MFA interviewees, also the leadership of UNOPS innovation work is in a process of moving to Finland.

As for the International Financial Institutions (IFI), the Asian Development Bank (ADB) established ADB Ventures in January 2020 to invest in companies offering impact technology solutions that contribute to the SDGs in Asia and the Pacific. Finland, together with the Clean Technology Fund, Nordic Development Fund and Ministry of Economy and Finance, Republic of Korea, is one of founding funders of the multi-funder facility.

Finally, Finland is considered a “champion” of the UN Secretary-General’s High-level Panel on Digital Cooperation – Follow-up Process, with a focus on AI and digital public goods, and the Evaluation of Finnish Development Policy Influencing Activities in Multilateral Organisations (2020) noted digital/technology and innovation as Finland’s perceived areas of experience and expertise.

Future support to Innovation

In Tanzania, the planned nationwide innovation programme (TANZIS), intended as a follow-up to TANZICT, has not started. It appears in the MFA’s system for development cooperation funding decisions because a funding decision for TANZIS was indeed made already in 2016. According to the MFA, there are plans to replace the initially intended TANZIS, now focusing on rural areas, job creation and in particular skills development/vocational training but at the time of finalizing this Thematic Annex, no information had yet been made available to the evaluators on any particularities of the “TANZIS replacement” programming.

As for SAIS II, a mid-term evaluation has been implemented from September to November 2020 and its findings are expected to provide input in deciding about the possible continuation of the programme after the current phase. Should SAIS be continued in one form or another, its focus should, according to interviews, be consolidative/more holistically targeting innovation ecosystems and strategies, and on the how to allow the Team Finland resources to better support and collaborate with the programme.

Finally, with the (what used to be called) UNTIL Lab and UNOPS S3I just landed in Finland, and all other UN Innovation work going strong, Finland’s support to Innovation in the UN – and IFIs – context is set to continue.

Findings

Achievement of Finland’s objectives on economic development, job creation and livelihoods in the area of innovation (EQ 1)

This section presents evidence on the achievement of Finland’s objectives on economic development, job creation and livelihoods (PA2). It provides the basis for answering the first evaluation question:

EQ1 To what extent and how are the objectives of the Priority Area 2 on economic development, jobs and livelihoods being achieved and how relevant and effective have the interventions been in relation to partner country needs?

28 In January 2020, UNOPS changed the full name of S3I from Social Impact Investing Initiative to Sustainable Infrastructure Impact Investments



More specifically, this section provides evidence related to the **innovation** part of the **Sub-EQ 1.5: Overall, how relevant, coherent and effective is Finland's strategic orientation of dealing with the themes/sectors of specific focus to this Evaluation (energy, innovation, WEE, taxation) as related to its objectives in economic development, job creation and livelihoods?**

Relevance and effectiveness of the bilateral programming

Finland's most relevant and effective interventions in innovation have been the long-term bilateral programmes (Vietnam, Tanzania) where the MFA has shouldered a remarkable effort in building the local innovation eco-system.

This assessment is supported by the findings of the Final Evaluation of the Innovation Partnership Programme (IPP), Phase II, of Vietnam (2019), the Mid-Term Review of the Tanzania Information Society and ICT Sector Development Project (TANZICT; 2013), and the Updated Completion Report of TANZICT (2017), as well the documentation linked to the other elements of the Finnish Innovation portfolio presented in the section 3 of this Annex.

The evaluation of the IPP Phase II of Vietnam found that the activities of the programme had contributed to the development of the innovation ecosystem, the creation of legislation promoting innovation and start-up activities and the adoption of a new innovation culture. Also, the innovation ecosystem had strengthened (in terms of more actors joining, density and number of connections increased) during the implementation of the IPP II programme.

Already in 2013, the MTR of TANZICT concluded that the concept and objectives of TANZICT were relevant, well received, and achievable. With further adjustments and improvements in the TANZICT implementation thereafter made, as the Updated Completion Report (2017) and a number of interviewees noted, as the project drew to an end, it was revealed by third party observers that Tanzania had made significant progress in Science, Technology and Innovation (STI). The Africa STI Capacity Report ranked Tanzania Second in Africa in STI, and TANZICT was instrumental in enabling this achievement.

Relevance and effectiveness of the support through the multilaterals

Yet, Finland's support to innovation through the UN and IFI's seems also relevant and effective. The support covers mature entities with promising concrete development results, new entities and interventions with not much to report yet, and efforts where the motivation has less to do with concrete development results and more with overall Foreign Policy objectives.

UNICEF's Innovation Fund has made 100 investments across 57 countries in clusters of open-source digital public goods that address the SDGs across all UNICEF's Strategic Plan Areas. Also, 20% of the portfolio companies' solutions are currently being used in UNICEF Country and Regional Offices. Examples include CIREHA collaborating with the UNICEF Eastern Europe and Central Asia Regional Office (ECARO) team to launch a Cboard Android app on Google Play. The app was piloted in Croatia, Serbia and Montenegro. UNICEF Mexico is going to pilot Pix-frame's solution with secondary school children in Mexico. The remedial learning will be delivered through a platform using artificial intelligence that adapts the curriculum depending on the level and pace of learning of each student.

UNFPA's Innovation Programme in 2019 focused in building capabilities for scanning and sourcing innovations and delivering mHealth global goods, and, alongside social enterprises and country offices, incubated and scaled a number of projects to address key challenges and bottlenecks in the organisation's mandate areas. At Country Offices, the Innovation Fund supported digital health projects linked to SRH and innovation projects linked to data and vital statistics.



UNTIL's work, in collaboration with its host, A Grid, a hub and start-up community at Aalto University Campus, and other players of the Finnish innovation eco-system, has started but is still at an early stage. UNOPS S31 has met with some delays resulted from slower than anticipated recruitment processes and the COVID-19 pandemic, and is not yet operational. ADB Ventures achieved the first close of their inaugural investment fund in April and became ready to start making investments; there not yet much to report. Finland's championing of AI and digital public goods at the UN Secretary-General's High-level Panel on Digital Cooperation is rather Foreign Policy than motivated by aiming at immediate concrete outcomes.

Complementarity and added value of partnerships built (EQ2)

EQ2: What can the Ministry of Foreign Affairs learn from its peer organisations, especially the Nordics as well as from emerging international 'best practices' for more relevant, effective and coordinated support for economic development, jobs and livelihood opportunities?

More specifically, this section deals with ***Sub-EQ2.3: Have partnerships been built between Finland's economic development interventions and those of other donors and stakeholders?***

All innovation programming supported by Finland is based on partnerships. The bilateral programmes, SAIS and the UN and IFI innovation funds, labs and programmes partner with start-ups, hubs, academic and public sector entities, NGOs and overall innovation eco-systems. In the UN innovation work there is also partnering with other donors.

For instance, part of the SAIS II partnership are the MFA Finland; the Ministries responsible for Science, Technology and Innovation of Botswana, Namibia, South Africa, Tanzania and Zambia, and the Southern African Development Community (SADC) Secretariat; all members of the Connected Hubs -programme; large number of Knowledge Partners; and of course all the dozens and dozens of startups which participate in the competitive call for proposals.

Results Based Management and Knowledge Management (EQ 3)

EQ3: How can the effectiveness of Finnish development cooperation related to economic development be further developed, including if and how the Results-based Management system can be further refined as far as Priority area 2 is concerned?

More specifically, the focus of this section is on ***Sub-EQ3.1. Can Finland's support for economic development and job-creation in Africa be made more relevant, coherent, effective, including for HRBA and cross-cutting results?*** Here, rather than replying the "can Finland's support...", status of in particular the HRBA and cross-cutting results for Innovation is established. The "can Finland's support..." will be responded for the overall Economic development, job creation and livelihoods, in the body text of the Main Report and the innovation-related will form a part of that response.

Finland's support to innovation seeks to be and on the basis of the interventions assessed is human rights based and with an aim to resolve development challenges and reach the SDGs. The programming applies Finland's Human Right Based Approach and strives for yielding development results, including those related to gender, reduction of inequality and climate resilience outcomes.

For instance, the UNICEF's Office of Innovation aims to scale successful digital solutions into digital public goods to ensure fair, equitable, and open access to these new tools globally. The Innovation Fund specifically looks to learn about and grow frontier technology solutions (such as drones and UAVs, blockchain, data science and artificial intelligence, and extended reality) that exist at the intersection of US\$100 billion business markets and 1+ billion person needs.



Also, in 2019, UNFPA's Innovation Programme continued its support of four women-led social enterprises selected through the 2018 OpenIDEO Crowdsourcing Challenge: (1) BeGirl's Smart-Cycle dual platform; (2) The BFreeDuo menstrual cup with contraceptive capability; (3) Smart Bags for Girls' reusable sanitary pads; and (4) Inteco Kenya's Ari cashless sanitary pad dispensers. These four women-led solutions each took a unique, female-centered approach to solve the menstrual health challenges facing women and girls in low-resource settings, in order to promote women and girls' health, dignity, mobility, and well-being.

Sub-EQ3.2. Can Finland's support for economic development and job creation better take into account Finland's comparative advantages and national interests in its policy, country programmes, approaches and interventions?

Bilateral programming

The long-term bilateral programmes have the potential to level the playing field and build the capacities of the local companies so that Finnish companies can actually find partners and build non-aid commercial relations with the countries.

In Vietnam, as showed in the IPP's Final Evaluation (2019), in the transition, there are actors that were developed/helped to grow by the bilateral programme, now playing a role in forming and strengthening the new ties between the two countries. Noted in this Evaluation's PSI Annex/BEAM, BEAM cooperated with the IPP and this formed a notable exception; there hasn't been collaboration between BEAM and any other bilateral programme.

Yet, the large and complex bilateral innovation programmes are being shied away from, and opportunities thus may be missed in providing potential points of connection between the bilateral programming and the PSIs/Team Finland efforts/Finnish businesses overall. Decision by Business Finland to close office in Myanmar because of no business partners identified with sufficient capacities to partner with Finnish firms was mentioned in the interviews as an example of a case where it might have been possible to build such capacities with a suitable bilateral programme.

Support through the multilaterals

Interviews highlighted that, Finland's invitation (and, with that, considerable financial investment) to the UNTIL Lab to come to Espoo, was largely motivated by the fact that UNTIL was hoped/expected to help Finnish start-ups to access developing country markets and win UN procurement competitions. While the latter would have, under any circumstances, been rather outside the mandate and realm of UNTIL, there has been some collaboration between the UNTIL Lab and Finnish start-ups that has helped some of them pushing forward.

What happens with regards to Finland's comparative advantage and national interest in the ongoing process where UNTIL ceases to exist and the former UNTIL Lab in Espoo, Finland becomes an UN Pulse Lab remains to be seen. While there still is the Lab at A Grid, at Aalto University in Espoo, it is, however, no longer called UNTIL. Early 2020, the UN, after realizing that their innovation work had become extremely fragmented with each agency establishing their own innovation funds/labs/programmes, started to consolidate the effort and by now, UNTIL as such has ceased to exist. Instead, the former UNTIL Labs are becoming attached to the UN Global Pulse, and the Lab in Espoo is likely to be called UN Pulse Lab²⁹.

29 There was no formal decision on this at the time of interviewing the (formerly) UNTIL Lab Manager, October 6, 2020 nor was there any information on the matter in the public domain by October 19, 2020.



Box 3 The UN Global Pulse Initiative

UN Global Pulse is the UN Secretary-General's initiative on big data and artificial intelligence for development, humanitarian action, and peace. It was established, a decade ago, based on a recognition that digital data offer opportunities to gain a better understanding of changes in human well-being, and to get real-time feedback on how well policy responses are working. The UN Global Pulse works through a network of innovation labs, called Pulse Labs, which operate in Jakarta, Indonesia, in Kampala, Uganda, and in New York at the UN Headquarters.

Alas, for the (supposedly) UN Pulse Lab of Finland, the re-inventing³⁰ itself means, among other things, that it is expanding its focus from the initial themes of Peace and Justice, Strong Institutions; Quality Education; Good Health and Well-being; and Responsible Consumption and Production, Circular Economy to cover all SDGs, like (as they say) Finland's cross-cutting objectives do. With this expansion, the Lab believes, they can really start addressing the question how does good digital space look like.

The Lab's view is that with this reiteration, the fundamental values and best practices of the Finnish society can really be brought into the work and exported to the world. According to them, these values and best practices include, amongst others and notably, trust, respect of rules, community and inclusion, gender equality and equality overall, diversity, democracy and the rule of law. Said by the Lab Manager, all this is still discussion underway and not finalized, and with that, so is of course also the how to translate the fundamental values and best practices into bankable projects with tangible development outcomes and participation by the Finnish start-ups and innovation ecosystem at large.

Sub-EQ3.3. Can Finland become more relevant and effective in providing support to its partner countries to deal with global changes such as the economic consequences of COVID 19; and climate change? Here, like in Sub-EQ 3.1, rather than replying the “can Finland become...”, status of in particular the COVID-19 response in the support to Innovation is established. The “can Finland become...” will be responded for the overall Economic development, job creation and livelihoods, in the body text of the Main Report and the innovation-related will form a part of that response.

As should be expected from innovation funds/labs/programming, they – specifically the interventions supported by Finland and assessed for this evaluation – have been relatively fast in moving to try and provide responses to the COVID-19 pandemic. This applies to both responses aimed at making the innovation ecosystems stronger and more resilient, and to responses aimed at helping societies to cope with the situation.

As a result of the COVID-19 pandemic, SAIS II opened a third and additional round of calls for proposals (August-October 2020). The theme was how can the resilience of the innovation systems be enhanced in COVID time. The call for proposals was titled the “RE: innovation challenge”, and proposals were called for to pilot and validate solutions to make Southern African start-up ecosystems more resilient and better able to face an uncertain future.

30 The re-inventing does not limit to changing the name but links, according to the (formerly) UNTIL Lab Manager (interviewed October 6, 2020), to the UN is increasingly asking themselves what their role in innovation and digital development is; what is good digital development; what kind of a cyber space are we heading into; etc. There is a strong notion that the current cyber space is not safe; it is not supporting human rights; it is counter-democracy – and the UN as the global community is failing to make the cyber space better. Hence, there is also the question – and this is why the UNTIL Labs have stopped their work programmes and are re-inventing themselves – of why to continue bringing (developing country) start-ups into the space, because it is not a safe space. The cyber space must be made safe first.



The UN Pulse Lab Finland's early thinking, in terms of the new types of interventions, evolves around COVID-19 responses and making health systems resilient as well as bringing about socio-economic recovery.

Similarly, both the UNICEF Innovation Fund and UNFPA Innovation Programme, reporting on the year 2019 in early 2020, already then assessed that the innovation investments have the potential to support both the immediate challenges of the pandemic as well as its long-term global consequences. For instance, UNFPA Philippines and the Government were, by mid-2020, testing their big data platform to capture conversations and sentiment about COVID-19. The platform seeks to analyse such conversations across demographic groups and geographic locations. It aims to get more data on people's awareness and perceptions about COVID-19 and family planning under COVID-19, especially in geographically isolated areas.

UNFPA North Macedonia, as a part of the UNFPA Innovation Programme, was pioneering digital solutions to sexuality education as classes moved online amid COVID-19 pandemic. As many schools were closed as a public health measure and switched to online learning, the team iterated on a digital tool framed for adolescents with autism spectrum disorder (ASD) to receive accurate information about their own sexual development and the changes that occur during puberty.

Sub-EQ3.5. What lessons can be learned for Finland's Results-based Management and Knowledge Management, including reporting on results, from the performance under economic development, jobs and livelihood?

While the Theories of Change (2020) present a framework for innovation in development policy and cooperation, they do not provide any guidance in what or how to support innovation and where to target the resources. Without guidelines, if and when innovation will play an ever-increasing role in Finland's development cooperation, management of results may be severely hampered across all modalities.

Currently, there are no MFA guiding principles in a form of a policy, strategy, road map or any other, for innovation and digital development. Yet, as discussed in this Annex, there has been and is quite a lot going on in innovation, ranging from in-country through regional programming to the work in the context of the UN and IFIs. Innovation also relates to the PSIs and overall bridging the Finnish interest – both political and commercial – with the SDGs and the development policy objectives and much more could be done to seize in particular the commercial opportunities therein if there were guidelines available on the how to go about this.

Thematic leadership is provided by the Ambassador for Innovation, at the office of the Under Secretary of State, External Economic Relations. Started in September 2020, there now is an internal MFA network, consisting of representatives of various Departments and Embassies, on innovation and digital development. Set up to prioritize the MFA's efforts and raise their image in innovation and digital development, such a network presents a necessary start for increased coordination, collaboration and leadership in making the most out of the MFA's investments into the sector.

Conclusions, including Implications and Lessons Learned

Achievement of Finland's objectives on economic development, job creation and livelihoods (EQ 1)

Finland is an Innovation high-achiever. Most learning is from and value added through the long-term bilateral innovation programmes. Regional programming allows for some but not equal keeping up with the developing country innovation developments. Continued bilateral presence in innovation would benefit Finland to maintain its relative global lead and its high relevance in innovation in the UN context as well as open doors for the Finnish business interest.



Complementarity and added value of partnerships built (EQ2)

Finland is a desired partner in Innovation and should be more pro-active to make its potential value added better known and available. Case in point, Finland, thus far, seems to not to have played a role in the EU's programming on digital cooperation in Africa. EU's flagship programmes (in digital cooperation) are currently (October 2020) with the Member States for comments. Becoming a part of them, in the future, there might be opportunities for Finnish business interest in them too.

Bilateral and regional Innovation programmes levelling the playing field and preparing partners for Finnish companies or not, there are gaps in the support available by the PSIs to both Finnish companies and in particular to their developing country partners. Successor to BEAM, the Developing Markets Platform (DevPlat) may, in the future, be able to play a significant role in innovation funding for both Finnish and their developing country partners, and bridge some of the gaps.

Results Based Management and Knowledge Management (EQ 3)

Innovation is a relevant part of Finland's support to Economic Development, job creation and livelihoods, and overall development cooperation. Finland is effective in delivering on innovation outcomes. Innovation also brings – and has the potential to yet more do so – development cooperation and business interests closer together than many other domains do. However, this would require drafting and putting in place an overall MFA Policy for Economic Development and Private Sector Engagement, and Innovation.

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Annex 8.3 Thematic annex on taxation

The specific objectives of this Thematic Annex are:

- Assess the position and role of taxation in Finland's Development Policy framework in terms of the economy and jobs objective and how it is translated into interventions, also including the Private Sector Instruments (PSIs);
- Review the results of this strategy and interventions as they are shown in existing results-reporting;
- To contribute, together with the other elements of the Evaluation, to recommendations to help inform the MFA in their taxation-related work in the context of economic development, jobs and livelihoods, as part of the constructive approach adopted by the utilisation-focused model of the strategic evaluation.



Tax and development in the Finnish Development Policy

Tax and Development

Taxation has a target under the SDG 17 (17.1: Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection). Domestic resources mobilisation (DRM) through e.g. taxation is crucial for strengthening developing countries' economies, public sector and service provision. The international community sees improved DRM as a key element of achieving the SDG. This view was consolidated in the Addis Ababa development finance conference of 2015 and in the Addis Tax initiative (ATI) published there.

In many especially developing countries the tax base is narrow and tax collection ineffective. As an example, Table 6 presents the tax revenue /GDP statistics of the three case countries. (In comparison, the current figure for Finland in 2018 was 42.4% (Veronmaksajat, 2020).)

Table 6 Total Tax revenue in Kenya, Tanzania and Zambia, % of GDP

	2015	2018
Kenya	16.2%	15.1%
Tanzania	10.5%	11.5%
Zambia	14.4%	16.2%

Source: World Bank

In the ATI donor countries committed themselves to collectively double their assistance to DRM and developing countries to improve their performance in tax collection. There are several initiatives going on under e.g. the OECD aiming to protect and widen the tax bases of countries and improve their investment climates by implementing international standards and best practices.

Boosting DRM cannot, however, focus solely on collecting more tax revenues, because of potentially adverse effects on the economy and development. Too rigid targets (for example a certain percentage of revenues in relation to GDP) can encourage (or force) authorities to collect taxes where it is easiest – normally not from those with economic and political power in the society. Instead, collection can burden disproportionately the poor segments of the population³¹, or the formalized SMEs (the informal ones are not within the reach of tax authorities). There are also many other issues related to the tax base and incidence, that must be borne in mind. At the end of the day, the value of improved DRM for development depends on how the collected taxes and other revenue are spent.

Transparent, just and predictable taxation is also one of the key factors attracting and encouraging investments in any country, and especially valuable in developing markets, where there are a lot of other factors perceived to affect business environment.³²

The MFA commitments in the tax and development activities 2016–2019

As part of the implementation of the 2016 Development Policy the MFA prepared a “Tax and Development Action Programme” for the period 2016–2020. The Action Programme (AP) was intended to coordinate policy influencing and development cooperation in the field of taxation. Besides supporting the government policy, it was intended to guide the implementation of ATI in which also Finland had committed to doubling of the collective support for developing countries' DRM by 2020.

31 There is a lot of research on tax incidence and equity. One example: The Sustainable Development Goals (SDGs), Domestic Resource Mobilization and the Poor. Nora Lustig, Samuel Z. Stone Professor of Latin American Economics and Director of the Commitment to Equity Institute, Tulane University. CARI. Consejo Argentino para las Relaciones Internacionales. 2018.

32 On the importance of taxation and sound public financial management, see e.g. the EU's recent Africa strategy (European commission, 2020).



Strengthening the developing countries' DRM was defined as the main objective of the AP. At the time of drastic cuts in the Finnish ODA budget and shifts of funding emphasis towards private sector operations, supporting developing countries to e.g. widen their tax base and strengthen their tax administrations was considered to have a balancing effect. It could help to ensure that the added value created by private entities with the help of increased support and financing volumes would, through taxation, benefit the society at large.

Under the main objective, **four specific objectives** were defined for the programme's implementation period:

1. **International cooperation has achieved and implemented revised international tax rules**, for example to establish corporations' country-by-country tax reporting and to reduce tax evasion, tax avoidance and corruption.
2. **Developing countries' domestic resource mobilisation and taxation capacity** has been **strengthened**: Tax administrations and other institutions connected with the use and supervision of state assets (e.g. parliament, customs, judicial system, bodies supervising use of state assets) have been developed or reformed.
3. In developing countries, **civil societies' awareness and knowledge** on the link between taxation and public services has increased, and the **ability to hold governments accountable** for increasing tax revenues and using them for public services has improved.
4. Reliable country-specific **research and analysis** of illicit financial flows and solutions to curb them exist, as well as evidence of the effectiveness of measures aimed at building taxation capacity.

In June 2020 the MFA published a new, "**Taxation for development Finland's Action Programme 2020–2023**". It links closely to the current (2019) Government programme of Finland, that states: "*Finland will contribute to improvements in the taxation systems of developing countries*". In addition, in the programme it is declared that "*Companies that receive development cooperation funds will be obligated to meet tax responsibility and transparency criteria, promote human rights and advance Finland's development policy goals*".

The new policy has three main pillars:

1. The main objective of the programme is to **strengthen the taxation capacity of developing countries**. This goal will be promoted by strengthening the taxation capacity of the tax administrations of African countries in particular, in sustainable ways, such as cooperation projects implemented by the Finnish Tax Administration.
2. The programme also aims at **ensuring the tax responsibility and openness/transparency of the companies supported from development cooperation funds**.
3. The programme will also seek to **strengthen the position of developing countries in the global tax policy** and ensure that the perspectives of developing countries will be better taken into consideration in the international tax policy.

In the new AP Finland also reiterated its commitment to ATI, but postponed the dead line from 2020 to 2022: "*The aim is to at least double the funding for the activities under the Taxation for Development Action Programme and for the long-term participation of the Finnish Tax Administration by the year 2022*". The formulation can also be read as a commitment to achieve a higher level of funding than the commitment in the ATI ("at least"). Achieving the target will need approximately €8.6 million financing by 2022. This funding is currently being programmed, and besides funds being managed by the responsible unit at the MFA (KEO-60) also programmes managed in other departments and their units will be included.



As to the pillar 3, the MFA will draft general principles on how Finland's ODA funded business support instruments and the companies benefiting from them will be obligated to meet tax responsibility and transparency criteria.

The new AP changed the approach and shift emphasis of Finnish tax and development policy:

- It will focus less on various arrangements with which multilateral organisations have been used to channel Finnish ODA for DRM. The role of bilateral, especially institutional cooperation with developing countries will grow.
- Emphasis on Africa will grow even stronger than before.
- Control and government guidance for PSI on tax responsibility and transparency will get stricter and more ambitious.
- Role of international non-governmental organisations (INGOs) will grow in importance.
- The MFA will pursue for a more significant role in defining Finnish policies in the international tax policy negotiations.

Channels and types of the MFA funding for tax and development

The planned implementation for the 2016 AP is summarized in Table 7 below.

Table 7 The planned implementation of the 2016 AP

Main objective	Implementation
1. International cooperation has achieved and implemented revised international tax rules, for example to establish corporations' country-by-country tax reporting and to reduce tax evasion, tax avoidance and corruption.	The planned implementation focused on e.g. participating and supporting the G20/OECD-led processes of the global tax agenda, including initiatives like Base Erosion and Profit Shifting (BEPS) and Automatic Exchange of Tax Information (AEOI), and the OECD's ("Global Forum on Transparency and Exchange of Information for Tax Purposes") and EU's activities in this field.
2. Developing countries' domestic resource mobilisation and taxation capacity has been strengthened: tax administrations and other institutions connected with the use and supervision of state assets (e.g. parliament, customs, judicial system, bodies supervising use of state assets) have been developed or reformed.	The implementation plan included e.g. financial assistance and expert support to the African Tax Administration Forum (ATAF); bilateral projects like Improving public governance incl. tax revenue with Tanzania; financing for NGOs like DEMO-NIMD-IMD; co-financing programmes and financing of e.g. World Bank's and regional development finance institutions' programmes.
3. In developing countries, civil societies' awareness and knowledge on the link between taxation and public services has increased, and the ability to hold governments accountable for increasing tax revenues and using them for public services has improved.	The implementation was to be made e.g. by supporting INGOs like Oxfam and Financial Transparency Coalition.
4. Reliable country-specific research and analysis of illicit financial flows and solutions to curb them exist, as well as evidence of the effectiveness of measures aimed at building taxation capacity.	The implementation plan included Interventions like support to research done by UN University WIDER, as well as Global Financial Integrity (FFI).

Source: MFA



The commitment decisions for DRM made by the MFA between 2016 and 2019 are shown in Table 8 below.

Table 8 Commitment decisions by the MFA on DRM, 2016–2019

Dec. Year	Channel of Delivery	Description	Country name	€'000	Case Type
2016	International Organisation of Supreme Audit Institutions	INT/Support to INTOSAI	Developing countries, unspecified	200	Other ODA-eligible costs (Ministry for Foreign Affairs)
2016	African Tax Administration Forum	Africa Finnish Tax Administration's Technical Assistance to African Tax Administration Forum (ATAF)	Africa, regional	300	Institutional cooperation instrument
2016	UN Development Programme	UNDP/OECD Tax Inspectors Without Borders (TIWB)	Developing countries, unspecified	800	Multilateral thematic funding
2017	African Tax Administration Forum	African Tax Administration Forum - ATAF	Africa, regional	600	Development cooperation by International non-governmental organisations
2017	Organisation for Economic Co-operation and Development	OECD Tax and Development Programme	Developing countries, unspecified	500	General core contribution
2017	Recipient Government	TAN/Tax Modernisation Programme	Tanzania	4,000	BI Co-financing programme
2017	Donor Government	TRA Tax Administration Twinning	Tanzania	1,000	Bilateral programme
2018	World Bank Group	Multi-Partner Fund for Somalia (MPF)	Somalia	8,100	MULTI Co-financing programme
2019	UN Development Programme	UNDP/OECD Tax Inspectors Without Borders(TIWB)	Developing countries, unspecified	1,000	Multilateral thematic funding
2019	Publish What You Pay	Publish What You Pay (PWYP): Promoting equitable and transparent generation and allocation of extractives revenues	Africa, regional	1,000	Development cooperation by International non-governmental organisations
2019	Extractive Industries Transparency Initiative International Secretariat	EITI Extractive Industries Transparency Initiative	Developing countries, unspecified	700	Multilateral thematic funding
2019	World Bank Group	PREFER Public Finance Management reform project	Mozambique	3,000	Multi-bi project
2019	Tax Administration	TRA Tax Administration Twinning	Tanzania	230	Bilateral programme

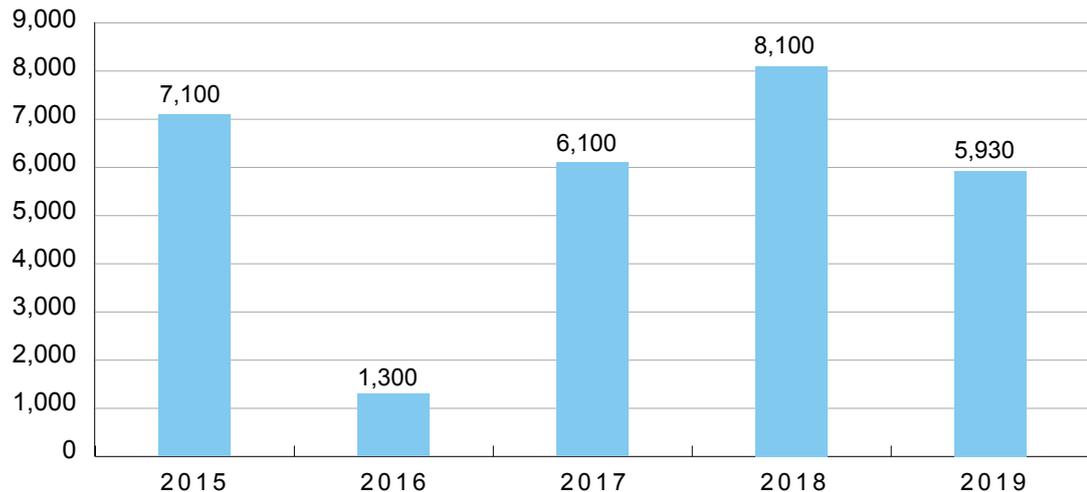
Source: MFA

Implementation of the 2016 AP, including the implementation of the ATI was planned to be tightly monitored, and reported annually. Adequate aggregate indicators were to be developed for this purpose. Reporting was planned to be part of reporting on the Development Policy Priority area 3 (Well-functioning societies). However, no overall assessment of the AP appears to have been made, nor annual or final reports of it appear to have been written.



Even without reporting, it appears warranted to assess that the implementation fell clearly short of expectations and plans. According to the last ATI monitoring report (2019 with data of 2017), the Finnish disbursements to developing country DRM fell 30.3 percentage points from 2015 to 2017, while commitments during the same period fell by 13 percentage points. The value of commitments reported by Finland to ATI for 2015 was €7.1 million. Figure 10 below shows that commitments fell clearly short of the 2015 figures in 2016, 2017 and 2019, while they surpassed it only in 2018 (by 14%).

Figure 10 Interventions supporting developing countries DRM, annual commitments in € ('000)



Source: MFA

The only bilateral programme funded by the 2016-2019 decisions was the support to Tanzania, through an ICI-funded twinning project between the Vero (Finnish Tax Administration) and Tanzania Revenue Authority (TRA). The decision of €1 million was made in 2017, the programme started in 2018 and is expected to continue until 2021 (with the completion date postponed partly due to Covid-19). The programme aims at increasing tax compliance in Tanzania, with experts from Vero training the TRA staff in e.g. compliance, internal auditing, taxpayer services and communication. In compliance the particular focus is on business taxpayers, and voluntary compliance. The programme also includes support to strengthening the approach and management of TRA internal audit. Additional commitment of €260,000 was made in 2019 for the development of TRA's integrated domestic revenue administration system.

By trying to strengthen the institutional capacity of TRA, the programme is in line with the TRA's corporate development plan (the "5th Corporate Plan", CP5). The MFA supports the TRA's CP5 also through a bi-co-financing arrangement. A decision of €4 million was made in 2017. Other participants in the basket fund are Norway, Denmark and EU.

Findings

Achievement of Finland's objectives on economic development, job creation and livelihoods (EQ 1)

This section presents evidence on the achievement of Finland's objectives on economic development, job creation and livelihoods (PA2). It provides an input for answering the first evaluation question:

EQ1 To what extent and how are the objectives of the Priority Area 2 on economic development, jobs and livelihoods being achieved and how relevant and effective have the interventions been in relation to partner country needs?



More specifically, this section provides evidence for the taxation part of the **Sub-EQ 1.5: Overall, how relevant, coherent and effective is Finland's strategic orientation of dealing with the themes/sectors of specific focus to this Evaluation (energy, innovation, WEE, taxation) as related to its objectives in economic development, job creation and livelihoods?**

Relevance:

At a very general level the 2016 AP and its implementation have been relevant and in line both with Finnish development policy goals and partner country needs. **International cooperation** for revised international tax rules, developing countries' **improved domestic resource mobilisation and taxation capacity, civil societies' awareness, knowledge and the ability to hold governments accountable**, as well as provision of necessary information by **research and analysis** are all highly relevant focus areas. The 2016 AP supported also the transition goals of Finnish development policy and cooperation.

At the same time some fundamental shortcomings of DRM systems in many developing countries, like the ineffective taxation of the wealthy, inadequate tax structure and incidence (often burdening the poor people and MSMEs, both not in a position to protect their interests efficiently, see for example (Prichard, 2020)) appear not to have been given very much attention. Finland's support appears to have been directed mostly indirectly to a fairly high, bureaucratic level, or on the other hand to the technical capacity building, while simultaneously shying away from more sensitive, but highly relevant political issues and levels of discussion.

This manifests also in the only case of bilateral cooperation, with **Tanzania**. Like the statistics (see Table 6) show, the collection capacity (or at least the actual results of the collection) of the Tanzanian tax authorities is low. It is therefore no wonder that the current administration has high political ambitions to increase tax revenues. TRA is probably the most important vehicle for the government to carry out this agenda, and support to it is welcomed.

At the same time practically all relevant stakeholders (representatives of financiers/support organisations, and their private sector investees/clients) interviewed for this evaluation on business environment in Tanzania reported concerns including: the lack of transparency of taxation; arbitrariness of tax decisions; delayed (or totally forsaken?) VAT refunds; perverse incentives the taxation creates, wanton bureaucracy etc. The TRA carries out the tax collection, and its systems and processes definitively need improvement, but in most cases the root causes of these phenomenon are political, not technical, and it is difficult to find out how the Finnish cooperation in practice has addressed this level of problems. This links also to the effectiveness of chosen activities.

Effectiveness:

It is difficult to assess the effectiveness of Finland' development policy and cooperation in the field of taxation, or generally DRM. Contrary to what was planned, no actual monitoring and reporting system and tools for the AP implementation were ever established.

Like described above, the implementation of the 2016 action plan fell short of the expectations, when it comes to e.g. compliance with the ATI financing commitments. It appears that very little evidence is also available of activities and results regarding elements in the AP objectives 2 and 3:

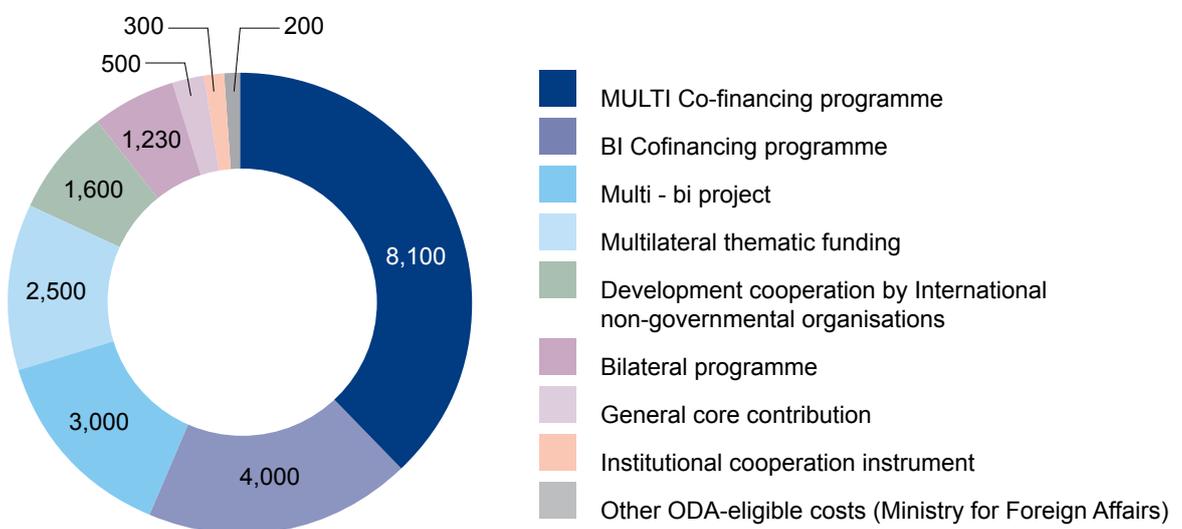
- *“institutions connected with **the use and supervision of state assets** (e.g. parliament, customs, judicial system, bodies supervising use of state assets) have been developed or reformed”; and*
- *“**ability to hold governments accountable** for increasing tax revenues and using them for public services has improved”.*

The MFA commitment statistics do not include, and the evaluation team was not informed of any research or studies on DRM that would have been financed by the MFA (see the objective 4 of the 2016 AP). There also appears to have been little or no cooperation at the national level with



NGOs, CSOs or similar. Major part of DRM support has been channelled through multilateral organisations, INGOs or similar arrangements. This does not make effectiveness analysis any easier, or the likeliness of effectiveness any higher. 92% of the total commitments of €21.4 million of ERM support was channelled through bi-co-financing, INGO, general core contribution, multi-bi projects, multi-co-financing programmes or multilateral thematic funding (see Figure 11 below). Especially in bilateral projects, but also to some extent bi-co-financing projects there is a high plausibility that Finnish development policy goals are strived for in a more direct and effective way than in the above listed indirect funding channels. The more the actual decision-making power is delegated to other actors, the less there is certainty and possibilities to ensure compatibility with Finnish goals, and especially the alignment of results with those goals. A lot depends on contractual arrangements, collected data and reporting.

Figure 11 Distribution of DRM support commitments by channel (€)



Source: MFA

In the only bilateral (and bi-co-financed) programme with **Tanzania** the monitoring framework, including indicators and data gathering has been developed during the programme's on-going implementation. The monitoring data have so far focused on process kind of indicators, like the achievement of programme mileposts, and according to VERO the programme has made some progress. Actual measurable results have not been available /measurement of the potential results has not yet been possible, but the situation is hoped to improve soon. Some results, like the VAT or corporate tax revenue (and changes in them) may be easier to measure, whereas willingness of enterprises to formalize, or the actual changes in customer service and – consequently – customer experience are more demanding.

Ultimately the programme pursues to increase tax collection in Tanzania. Currently (2018, the last year for which data is available) the revenue as per cent of GDP is more or less at the same level (after ups and downs) as it was in 2009 (World Bank data), and there are indications of the GDP (as reported by the government) and tax revenue growths distancing from each other (The Economist, 2020). A fundamental question regarding effectiveness is, whether the technical level cooperation and capacity building suffices, if the goal is more efficient and equitable DRM. All the major issues from VAT treatment to revenue targets given to tax authorities, tax structure, incidence and equity depend on decisions made at the political level. Tanzania's current situation, with a strong involvement of the supreme power in taxation is a prime example of this.



While technical support to Tanzanian tax authorities is highly relevant and needed, there is so far little evidence that activities at the technical/bureaucracy level have been an effective way to tackle the underlying challenges of the DRM in Tanzania.

Complementarity and added value of partnerships built (EQ2)

This section presents evidence on the complementarity and added value of partnerships built. It provides an input for answering the second evaluation question:

EQ2: What can the Ministry of Foreign Affairs learn from its peer organisations, especially the Nordics as well as from emerging international ‘best practices’ for more relevant, effective and coordinated support for economic development, jobs and livelihood opportunities?

More specifically, this section provides evidence for the taxation part of the ***Sub-EQ2.3: Have partnerships been built between Finland’s economic development interventions and those of other donors and stakeholders? Have the Finnish approaches and interventions, including pooled funding and core-type of funding, been complementary, coordinated stakeholders’ and donors’ efforts and adding value, as evident in the three case countries and the thematic areas studied?***

Since 2016 the MFA has created several new, valuable partnerships, or has strengthened existing ones. The cooperation for example with VERO (through ICI); with TRA (through bilateral and bi-co-financing funding); with Extractive Industries Transparency Initiative International (EITI), African Tax Administration Forum (ATAF) and Publish What You Pay (PWYP) have all supplemented Finnish capacities and resources in strengthening DRM in partner countries.

On the other hand, and in light of what has been said above on e.g. tax incidence and equity issues, and the importance of political decision making for tax administrations’ operations and for how citizens and businesses experience them, the question arises whether the right and most adequate partners have been chosen. One could assume that for example Local Cooperation Funds would have been used to empower CSOs, researchers or journalists in putting pressure on governments on the equitability of taxation and translation of tax revenues into public benefits. There are also other instruments available for the MFA for this, and such support would be needed. According to Oxfam, in 2016 only 2.8% (18 of 634) of all ATI compliance projects funded by donors contained clear goals on equity or fairness (Oxfam, 2018). It is also remarkable, how little there appears to have been cooperation with for example PSIs that the MFA has at its disposal, and their client/investee companies, though they have frontline experience of how taxation, and DRM generally functions in countries in which they operate.

Results Based Management and Knowledge Management (EQ 3)

This section provides the basis for answering the third evaluation question:

EQ3: How can the effectiveness of Finnish development cooperation related to economic development be further developed, including if and how the Results-based Management system can be further refined as far as Priority area 2 is concerned?

More specifically, this section provides evidence for the taxation part of the following sub-evaluation questions:

Sub-EQ3.1. Can Finland’s support for economic development and job-creation in Africa be made more relevant, coherent, effective, including for HRBA and cross-cutting results?

Sub-EQ3.2. Can Finland’s support for economic development and job creation better take into account Finland’s comparative advantages and national interests in its policy, country programmes, approaches and interventions?



Sub-EQ3.3. Can Finland become more relevant and effective in providing support to its partner countries to deal with global changes such as the economic consequences of COVID 19; and climate change?

Sub-EQ3.5. What lessons can be learned for Finland's Results-based Management and Knowledge Management, including reporting on results, from the performance under economic development, jobs and livelihood?

The 2016 priority area framework did not have a results chain and indicators linked to it, and the same applies to the 2020 AP. As noted above, in practice there was no monitoring and reporting on the 2016 AP. In the 2002 PA ToC a framework was established for the priority areas, and it contained also elements for taxation, and DRM generally. They are presented in Table 9 below.

Table 9 The tax-related outcomes, outputs and indicators in the 2020 ToC

Priority area	Outcome	Output	Indicators
PA 2. Sustainable economies and decent work	Outcome 2. The private sector grows, is responsible and supports sustainable development (SDG 8.2.)	Output 2.1. Private sector actors understand and address the human rights impacts of their operations and apply decent work and responsible business standards	Taxes and tax-like charges paid in developing countries
PA 3. Education and peaceful democratic societies	Outcome 2. More transparent, efficient and accountable public sector with improved taxation capacity.	Output 2.2. More efficient and equitable taxation and other domestic resource mobilization	Total government revenue as a proportion of GDP Increase in the number of a) individuals and b) companies in the national tax and social security registries?

Source: MFA, 2020 ToC

Because this framework was established only after the period to be evaluated, and after the AP 2016 implementation decisions, it is not used as a benchmark in the evaluation. Some questions and remarks on the framework and indicators are, however presented below:

PA 2, Outcome 2, Output 2.1. and their indicator:

- It is unclear which part of the output the indicator of the paid taxes refers to. How does paying taxes indicate understanding human rights impacts? How is the amount of paid taxes related to decent work and responsible business standards?
- Taxes and tax-like charges paid by whom? Of all relevant tax-paying companies or the ones e.g. supported by the Finnish PSIs? (The majority of e.g. companies and projects supported by FP, BEAM or EEP:n are at so early stages of business development, that it is not yet relevant to speak about returns, let alone taxes).
- Do all responsible companies pay taxes, and which taxes (e.g. income tax even if not profitable)? Are all tax-paying companies responsible? How much and which taxes should a company pay to be responsible? Baselines?
- What is the level/granularity of the indicator: the international, national or company level?
- How can the data for the indicator be collected and how is it treated (targets, thresholds...)?
- Attributability of the sum of paid taxes and tax-like charges in developing countries to the activities of Finland?
- No direct link to the 2016 AP objectives.
- There are several possible factors affecting the amount of paid taxes, e.g. economic growth, changes in the tax legislation etc.



PA3: Outcome 2, Output 2.2. and their indicators

- As stated earlier, the government revenue / GDP alone does not tell very much about the equity and fairness of a country's taxation. Also: in countries in which employment and livelihood activities consist mainly of informal economic activities, figures on tax collection give little guidance on actual development.
- The revenue/GDP ratio does also not describe very accurately the efficiency of tax collection. More relevant indicators for efficiency could have been chosen, related to e.g. to the management of tax collection, or tax declaring and payment processes, and reflecting also views and experiences of taxpayers/customers.
- The increase in the number of a) individuals and b) companies for example in the national tax registries does not necessarily tell anything about the efficiency or equitability of taxation, and can be caused by very differing reasons.³³

Generally: The logic of ToC regarding tax and DRM related outcomes, outputs and especially indicators is fairly unclear. The relevance and accuracy of indicators in relation to outputs and outcomes are questionable, with any degree of attribution, even contribution difficult to ascertain. The indicators also tell little about equity or incidence of taxation and DRM generally, or about jobs and livelihoods that are the core elements of the PA 2.

Conclusions

The Tax and Development Action Plan of 2016 was made as a part of the new government's development policy. The **relevance** of the AP against the overall government policy and developing country needs, as well as implementation activities against the AP objectives was mostly good.

There were and are, however little in the AP and its implementation on the equity, structure and incidence of taxation, which often are determined not just by the technical taxation system, but especially by the political will of those in power. Technical assistance to tax bureaucracies is important, but does not suffice to make real difference on how and how much taxes are collected, and how the public returns are used. It is not clear how the AP tackles this challenge. The bilateral support given to Tanzania reflects this well. Experience of taxpayers, especially of companies there is very negative. When it comes to MSMEs it may well affects their will to formalize their businesses.

It is difficult to assess the **effectiveness** of Finland's development cooperation in taxation due to e.g.:

- The planned monitoring and reporting tool for the 2016 AP never was constructed and taken in use
- The major part (92%) of the DRM support has been allocated through multilateral or similar channels, in which Finland has conceded some or all of the resource utilization decisions to the funded organisation, the results reporting of which does not necessarily match the MFA needs vis-à-vis the AP.

Generally the implementation of the 2016 AP fell short of what was planned. Finland also did not live up to the commitments made in ATI regarding the DRM support to developing countries.

Regarding the overall priority area (PA) framework, the ToC built for it in 2020 is an improvement in the sense that it offers the MFA a chance to boost up its RBM. When it comes to taxation and RBM issues (especially indicators) in the ToC, there are considerable issues in their logic and accuracy.

³³ For example, in Vietnam the number of registered companies increased significantly in connection of "equitization", i.e. privatisation of many state- or publicly-owned enterprises; new companies were established and registered to possess the privatized assets. See: (Condes Oy Frisky & Anjoy, 2019).



The 2020 Tax for Development Action plan

The new (2020) Tax for Development action plan includes some remarkable changes when compared against the AP of 2016:

- It will focus less on various arrangements with which multilateral organisations have been used to channel Finnish ODA for DRM. The role of bilateral, especially institutional cooperation on technical level with developing countries will grow.
- Emphasis on Africa will become even stronger than before.
- Control and government guidance for PSI on tax responsibility and transparency will get more stringent.
- Role of international non-governmental organisations (INGOs) will grow in importance.
- The MFA will pursue for a more significant role in defining Finnish policies in the international tax policy negotiations.

For example, the increased emphasis on Africa is welcome and matches the Finnish development policy priorities well. Lessening the dependence on multilateral channels also appears reasonable.

To be noted, however, are justifications for the AP, crystallised in a paragraph: *“Aggressive tax planning by multinational corporations, tax fraud related to international investment activities, and harmful tax competition between states pose a particular threat to development in the countries of the Global South, which are dependent on tax revenue.”* Emphasis is placed on harmful ways the multinational corporates may operate, and the international investments may be made, i.e. private sector action. As a kind of logical consequence of this, one of the three main pillars of the new policy is *“ensuring the tax responsibility and openness/transparency of the companies supported from development cooperation funds”*.

When it comes to developing country governments, they will get support for strengthening their taxation capacity and their position in the global tax policy. Support will also be given to them to ensure *“the perspectives of developing countries will be better taken into consideration in the international tax policy”*.

In light of what has been stated above regarding the importance of governments’ policies in taxation, tax incidence and equity, the role given to developing country governments in the AP raises questions. How and what taxes are collected, and how the revenues are used is determined by governments, i.e. politicians. And in many e.g. African countries the political and economic powers are closely intertwined, which shows in their tax systems. An example: Like in almost any economy in the world, a large part of wealth in African countries is in real estate, which presents a potentially stable and equitable source of tax revenues. Still the collected property taxes in Africa amount to only 0.38% of GDP (whereas in OECD countries they are slightly above 2% of GDP on average) (International Center for Tax and Development) and (Prichard, Lustig, & al., 2019). It is much more likely that the real estate investors are the “fat cats” of the local political and economic elite, than poor and marginalized people, or even MSMEs.

It is also not only the multilateral corporations that export or repatriate capital from Africa in tax evasion purposes. In a study made in 2014 (Zucman, 2014) it was estimated that Africans hold US\$500 billion in financial wealth alone offshore, resulting governments losing around US\$15 billion per year in unpaid taxes. Currently, in an era of global insecurity and of capital searching for safety and return the emerging markets often cannot offer, this amount probably is even bigger.



Table 10 The World's Offshore Financial Wealth

The World's Offshore Financial Wealth			
	Offshore wealth (US\$ billions)	Share of financial wealth held offshore (%)	Tax revenue loss (US\$ billions)
Europe	2,600	10	75
United States	1,200	4	36
Asia	1,300	4	35
Latin America	700	22	21
Africa	500	30	15
Canada	300	9	6
Russia	200	50	1
Gulf countries	800	57	0
Total	7,600	8	190

Source: Zuckman, 2014.

The more interlinked the political and economic power are, the higher the share of financial wealth held offshore appears to be. At worst, strengthening tax collection systems in e.g. African countries may reinforce existing inequalities and support governments in gearing up extraction from taxpayers, without delivering expected services and investments. A combination of highly efficient tax collection system in the hands of elitist, undemocratic government is possibly the worst possible situation. As it currently is, the 2020 AP does not appear to recognize this problem.

Implications and Lessons Learned for the MFA

1. Widen the focus of the Action Plan

The 2020 AP is approved and published, and programming of its implementation is being made. It would still be advisable, and maybe feasible to:

- a) Add emphasis on the **incidence, structure and equity issues of taxation** in addition to technical level cooperation, and consider adequate channels, partners and modalities for it. Directing some funds from the implementation budget for research on these issues could be the first step.
- b) Identify and use **modalities, channels and partners to influence partner country governments and policy makers**. Technical level cooperation on tax collection does not suffice, and there are limits to how effective e.g. multilateral channels or INGOs are for this purpose. DRM has to be linked and integrated with how the resources are extracted from taxpayers, and how they are used. Finland should not shy away from being involved in such political discussions. An effort should be made to identify and cooperate with local NGOs, CCSOs and research organisations relevant for DRM and tax policy discussions. The EU-Africa Policy Dialogue should be used to maximum to influence African governments' DRM and use of public revenues.

2. Review the RBM

- a) Review and modify the tax-related results chains and indicators in the 2020 PA TOC.
- b) Build a separate results chain and monitoring & reporting framework for the 2020 AP. Make it feed in and be coherent with the PA TOC.



3. Tailor more detailed guidance for PSIs , in a way that acknowledges the nature of each instrument and interests of supported/financed companies.

Guidelines for tax responsibility for PSIs are being finalized at the MFA. A few things to be borne in mind:

- a) Avoid conditions and requirements on e.g. tax responsibility that cannot actually be implemented and/or monitored.
- b) Treat instruments equitably but in a differentiated way. The instruments and supported projects/businesses differ from each other in so many ways (size; the phase in the business cycle; risks taken by enterprises; the financed/funded entities; grant vs. repayable etc.) that one-size-fits-all solutions are detrimental. Even worse is, if large partners, like for example IFC, with vastly bigger allocations of Finnish money than many other PSIs in practice face less rigorous MFA guidance and compliance requirements.
- c) Try to balance between the control of the use of support and the disincentives created for private sector by too heavy restrictions and guidance.
- d) Engage and use the expertise of PSIs and private sector companies with experience in emerging markets, when planning the guidance by the MFA to PSIs and the interventions supporting the AP implementation.

4. Secure the needed human resources for the AP implementation

The 2020 AP is a very ambitious document in terms of financial and human resource as well as expertise on taxation and economic issues that its implementation requires. Effective allocation of all the support to which Finland has committed itself in the ATI, requires skilled manpower. The same applies to the envisaged shift from predominantly multilateral cooperation to e.g. bilateral and CSO cooperation. Sufficient resources have to be at place for the implementation of the 2020 AP.

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Annex 8.4 Thematic annex on Women’s Economic Empowerment

The specific objectives of this Thematic Annex are:

- Assess the position and role of WEE in Finland’s Development Policy framework in terms of the economy and jobs objective and how it is translated into interventions, classified as Priority Area 2 (PA2);
- Review the results of this strategy and interventions as they are shown in existing results-reporting;
- To contribute, together with the other elements of the Evaluation, to recommendations to help inform the MFA in their WEE-related work in the context of economic development, jobs and livelihoods, as part of the constructive approach adopted by the utilisation-focused model of the strategic evaluation.

Women’s Economic Empowerment in Finnish Development Policy

The term Women’s Economic Empowerment is not present in the 2016 Development Policy, nor in its Theories of Change (2020). The Development Policy’s PA1 is “The rights and status of women and girls have been enhanced”. Women’s economic development is, however, part of the PA2, where it is in particular linked to decent work, livelihoods and income. In the 2020 ToC, compared to the wording of the 2016 objective, there is a new human rights dimension to jobs in the sense that the targeted people should have a **right** to (decent) jobs and income.

Table 11 MFA’s Outcome objective on jobs, livelihoods and income for women, youth and the poorest/vulnerable as in 2016 and 2020.

Outcome	2016 Policy	2020 ToC
1	Everyone, including women, young people and the poorest, have better access to decent work, livelihoods and income	Increased number of people, especially women, youth and those in vulnerable situations , have their right to decent work, livelihoods and income fulfilled

Source: MFA, Finland’s Development Policy 2016; MFA, ToC and Aggregate Indicators for Finland’s Development Policy 2020.

Support to Women’s Economic Empowerment in 2016–2019, current and future plans

Classification/rating of Finland’s development interventions does not allow for systemic identification of interventions as WEE-related. The “WEE Portfolio” presented in this Thematic Annex is constructed based on information from the relevant MFA and other interviewees as well as applicable secondary sources, such as development results reporting and evaluations. It does **not attempt to be conclusive** but it does present a wide range of interventions supported by different MFA departments. WEE by PSI’s is covered in the PSI Annex insofar as it has been emerging as a part of the overall ESG. The WEE Annex tries not to reiterate what has been covered by the three Country Case Studies.

KEO-30

The Unit for Civil Society (KEO-30) of the Department for Development Policy manages Finland’s support to a number of Non-Governmental Organisations’ interventions on women’s economic development. Finn Church Aid’s (FCA) programmatic theme ‘the right to livelihood’ targets especially women, and Women’s Bank, an initiative founded in 2007 by FCA and a group of Finnish business and professional women, aims at increasing women’s sustainable livelihoods and entrepreneurship in developing countries. Fairtrade Finland’s MFA supported programme 2014–2017 focused on more sustainable livelihoods of small-scale coffee producers in Central America (esp. Honduras and Guatemala), with gender equality as a crosscutting theme.



A project by the MFA-supported Felm (agency for international work of the Evangelical Lutheran Church of Finland) in Ethiopia has provided livelihood training and start-up capital that led to women engaging in business activity including on cattle breeding. In 2017, the Finnish Lutheran Overseas Mission (FLOM) received support from the MFA for a project that aimed at supporting single mothers in Arkhangai Aimag, Mongolia; World Wildlife Foundation Finland implements a partly MFA-funded gender-sensitive programme in areas where communities are highly dependent on natural resources and ecosystem services. The Trade Union Solidarity Centre of Finland (SASK), which receives programme support by the MFA, collaborates with trade unions of domestic workers in Indonesia, Mozambique, the Philippines, Ecuador and Colombia.

In discussing findings, partnering of Finnish NGO's with the private sector companies as facilitated by funding from KEO-30 and Finnpartnership is also briefly touched upon.

KEO-50

The Unit for Development Finance and Private Sector Cooperation (KEO-50) of the Department for Development Policy started, as also mentioned in the Thematic Annex Innovation, this year to support the newly established Asian Development Bank's (ADB) ADB Ventures. The ADB Ventures invests in companies offering impact technology solutions that contribute to the SDGs in Asia and the Pacific and at a minimum 75% of its investments have to specifically target gender equality.

ALI-40

Department for Africa and the Middle East, Unit for Northern Africa (ALI-40) handles project called "The Way Forward after the Revolution: Decent Work for Women in Egypt and Tunisia-Phase II", which is running from April 2018 to March 2021. The project aims at supporting ILO's constituents, including the Government, workers' and employers' organisations to address the challenges women are facing in the labour market. It seeks to address the barriers to a satisfactory women's participation in the labour market through a comprehensive approach that works at the macro, meso and micro levels and that tackles at the same time access to employment, entrepreneurship, decent work conditions, and social dialogue.

TUO-10

Women's economic empowerment is overriding objective for the support the Department for External Economic Relations' Trade Policy Unit (TUO-10) manages. For this Annex, the Enhanced Integrated Framework's (EIF) initiative "Empower Women, Power Trade", International Trade Centre's (ITC) SheTrades Initiative; and the work of UNIDO's Gender Coordinator's office, and UNIDO's programming "Revitalization of Forest Training Centres in the SADC Region for Green Employment", have been looked at.

EIF's "Empower Women, Power Trade" initiative aims at transforming the economic lives of women in least developed countries (LDCs). It focuses on female entrepreneurs and producers, cross-border traders and women-owned micro-, small- and medium-sized enterprises (MSMEs). Finland's financial support to the EIF is, like any other Donor's, through the EIF Trust Fund and there is no earmarking. Finland, has, however, positively impacted setting up the "Empower Women, Power Trade" initiative, and the initiative is producing results.

ITC's Empowering Women to Trade Programme contributes to poverty reduction, economic growth and the economic empowerment of women with its SheTrades initiative. SheTrades aims to increase the participation of women in trade, raise the value of the international business they transact and diversify the markets they access. Finland's financial support to ITC is partially non-earmarked and partially soft-earmarked in support of particularly women- and youth-owned SME's participation in global value-chains and in inclusive, green trade, i.e. de facto of the Empowering Women to Trade Programme/SheTrades initiative; some of the funding is directly geared towards supporting the SheTrades events.



UNIDO's Gender Coordinator's office has the fiduciary responsibility to do a gender review and clearance of all UNIDO projects at entry. Finland has supported the cross-cutting work of the Gender Coordinator's office – which includes provision of overall guidance and training materials on gender mainstreaming and gender-responsive interventions, advocacy and knowledge generation as well as a role as the organisational focal point on GEW for the inter-agency mechanisms and networks (among other things). Finland has also supported UNIDO's 2016–2019 Gender Policy and Strategy, and some of UNIDO's programming work on gender. In terms of UNIDO's programming, Finland has supported the "Revitalization of Forest Training Centres in the SADC Region for Green Employment" Phase I in 2015–2017 and Phase II in 2018–2020, which is considered by the organisation to have a gender-focus.

Findings

Achievement of Finland's objectives on economic development, job creation and livelihoods (EQ 1)

This section presents evidence on the achievement of Finland's objectives on economic development, job creation and livelihoods (PA2). It provides the basis for answering the first evaluation question:

EQ1 To what extent and how are the objectives of the Priority Area 2 on economic development, jobs and livelihoods being achieved and how relevant and effective have the interventions been in relation to partner country needs?

More specifically, this section provides evidence for the ***Women's Economic Empowerment*** part of the ***Sub-EQ 1.5: Overall, how relevant, coherent and effective is Finland's strategic orientation of dealing with the themes/sectors of specific focus to this Evaluation (energy, innovation, WEE, taxation) as related to its objectives in economic development, job creation and livelihoods?***

The evaluation found Finland's support to Women's Economic Empowerment through its various channels to be relevant and effective. Stated in the Evaluation of Finnish Development Policy Influencing Activities in Multilateral Organisations (MFA Finland, 2020), Finland has "enhanced women's entrepreneurship and participation in trade in ITC operations".

Box 4 SheTraces and "Empower Women, Power Trade" initiatives

By the end of 2019, ITC's SheTrades had resulted into commitments to connect 1.5 million women to markets against a target of connecting three million by 2021. The initiative had generated \$145 million in business leads for women-owned businesses and created over 3000 new jobs with 70% of new jobs going to women. The initiative had also supported 50 Business Support Organisations across the African continent to empower women to benefit from the African Continental Free Trade Area (AfCFTA), leading to 44 new policy recommendations. (ITC Annual Report 2019.)

EIF's "Empower Women, Power Trade" initiative is smaller and more recent than ITC's SheTrades. Most of the "Empower Women, Power Trade" –projects target productive sectors and over half of EIF beneficiaries in the productive sector projects are women. As an example, SheTrades Zambia, implemented with EIF's funding, has according to a mid-term review in April 2020 indicated contribution towards sales of over \$300,000, including over \$130,000 in exports to 10 countries, and 194 new jobs. (SheTrades Zambia Progress Report January–July 2020.)



UNIDO's Policy on Gender Equality and the Empowerment of Women, issued in September 2019, was supported by Finland. The policy sets out the Organisation's gender equality commitments as well as its gender architecture and accountability. To further guide the Organisation's advancement in this area of work over the next four years, UNIDO has developed the Strategy for Gender Equality and the Empowerment of Women, 2020–2023. This Strategy, also supported by Finland, provides a framework for UNIDO's programmatic work and organisational practices to accelerate progress in delivering on gender equality commitments. Finland has also supported the implementation of the Policy and Strategy through the UNIDO Gender Coordinator's office. In addition to financial support, Finland, notably through the Embassy in Vienna, has closely partnered with the Gender Coordinator's Office in a number of policy processes, events and other functions related to UNIDO's gender Policy & Strategy.

Box 5 “Revitalization of Forest Training Centres in the SADC Region for Green Employment” project

In terms of programming, UNIDO's Finland-supported “Revitalization of Forest Training Centres in the SADC Region for Green Employment” -project, jointly implemented with FAO, is a training project to design and test industry-relevant training packages in partnership with forest industries. Training programmes are piloted in South Africa with the aim to replicate them in Zimbabwe, Zambia and Malawi. The ultimate goal is to improve regional collaboration on forestry and wood industry education and training in the SADC region that will lead to the creation of green employment and sustainable forest management and utilization. The project has, by early 2020, supported 55 SMEs; 15 owned by women. It has trained 239 people; 64% women; and according to the follow-up, employment situation of the trained individuals has improved, with 40% reporting increases in income.

The multi-bi project “The Way Forward after the Revolution: Decent Work for Women in Egypt and Tunisia-Phase II” implemented by ILO has provided a cornerstone to build a whole gender portfolio around, and ILO is now implementing gender-projects funded by Sweden and the Netherlands too. Furthermore, the project's strategy being embedding gender across other ILO's thematic areas, it has ensured collaboration across other ILO projects implemented in the two countries. Finnish Embassies in both Egypt and Tunisia have actively taken part in events and occasions of the project. ILO's assessment is (ILO: “The Way Forward after the Revolution: Decent Work for Women in Egypt and Tunisia – Phase I”, Progress Report from January to December 2019; February 2020) that given the significant progress achieved by the project in 2019, it is high likely that the project will achieve its planned outcomes.

Box 6 Finnish support to NGOs' interventions on women's economic development

As per the reporting by the Unit for Civil Society (KEO-30) basically all support to the mentioned NGOs' interventions on women's economic development has produced results. Here, results of two cases are presented:

Fairtrade Finland's programme 2014–2017 focused on more sustainable livelihoods of small-scale coffee producers in Central America (esp. Honduras and Guatemala), with gender equality as a crosscutting theme, improved the position of women e.g. through the adoption by the Latin American farmer's network of a first gender equality strategy and guide book, training young women in leadership and technical skills, and establishing women farmers' committees and cooperatives. The participation of women in regional activities grew from 1473 (in 2014) to 2429 (in 2019). In Honduras, a woman was for the first time elected to lead the board of the Cooperatives' Federation



of Agrarian Reform. The cooperatives that had specific activities supporting women's participation grew from 39% to 62%. In Guatemala, a woman was for the first time elected to the board of the national fair-trade organisation. The cooperatives that had a gender strategy grew from 40% to 100%, and the ratio of female leaders in the cooperatives grew from 39% to 62%.

The Trade Union Solidarity Centre of Finland's (SASK) collaboration with trade unions of domestic workers, has in Mozambique improved the status of 90,000–120,000 domestic workers considerably as they were ensured the right to social protection (included sickness and maternity leave and pension) in 2016. In Colombia, the programme has contributed to 750,000 domestic workers receiving holiday pay, and 140,000 entering the social protection scheme. In the Philippines, the local programme partner is negotiating a national law on domestic workers that would allow for collective bargaining, and 178,000 domestic workers have entered a social protection scheme.

Complementarity and added value of partnerships built (EQ2)

This section presents evidence on the complementarity and added value of partnerships built. It provides the basis for answering the second evaluation question:

EQ2: What can the Ministry of Foreign Affairs learn from its peer organisations, especially the Nordics as well as from emerging international 'best practices' for more relevant, effective and coordinated support for economic development, jobs and livelihood opportunities?

More specifically, this section provides evidence for ***Women's Economic Empowerment's*** part on the ***Sub-EQ2.3: Have partnerships been built between Finland's economic development interventions and those of other donors and stakeholders?***

NGO-private sector partnering

Recent partnerships between Finnish NGOs and private sector companies have presented encouraging results.

In addition to partnering with developing country counterparts, Finnish NGOs have also started to partner with private sector companies for operations in domains enabling gender equality and overall empowerment of women. While the number of measurable results is still limited, they seem to be encouraging. For instance, Lune Group Oy/Ltd (brand name "Lunette") and Fida International's Menstrual Health – project (2017–2019) provided a product and enabling environments for sustainable menstrual health management in Eastern Africa. Much as a result, currently, Lunette menstrual cups are made available for consumers in Kenya, Tanzania and availability is in progress for Uganda and DRC. Although middle-class consumers benefit from the product, according to Fida, the projects' development impact is mostly among vulnerable girls and women, as project has addressed gender inequities in low-resource settings through national advocacy and through gender normative transformation among religious actors.

In another example, Logonet Oy/ltd, a textile company, has long been a supplier of products for Finnish Baby Aid Kits. Together with World Vision Finland, the company started to develop similar kits suitable for the refugee camps in the Turkana region in northern Kenya. The maternity pack was designed to increase access and utilization of maternal and new-born services, and therefore to decrease maternal and infant mortality in the project area. The project made good progress in achieving immediate development impacts, notable in terms of the following results: 1. Children and their caregivers access essential health services; 2. Children protected from infection, disease and injury, and 3. Children are celebrated and registered at birth. The project also



achieved its outcome of localising the product by introducing it in the Kakuma refugee camp in Turkana as well as three other targeted public health centres.

Partnerships in the multilateral context

While these were limitedly used, some cases of opening of space and opportunities within the multilateral agencies' programming for partnering with bilateral interventions and with the donor's private sector companies were detected.

Based on a partnership between UNIDO and FAO and partnering with a number of stakeholders in South Africa and the region as well as beyond, UNIDO's "Revitalization of Forest Training Centres in the SADC Region for Green Employment" -project (2015–2020) has also partnered with two Finnish companies. Kara has provided the project with a mobile one-blade circular saw-mill, and Aika Group has developed training modules for the use of the project on, for example, wood drying.

One of the EIF's "Empower Women, Power Trade" initiative's intervention, "Regional support program for inclusive commercial development of the shea sector", operates in Benin, Burkina Faso, Mali and Togo and benefits some 30,000 women. The project aims at impacting the trade agendas in Benin, Burkina Faso, Mali and Togo to better facilitate trade in shea kernels and value-added shea products, and at reduced constraints to inclusive regional and global shea trade by the LDCs. Making the case of Burkina Faso interesting, the EIF and one of its bilateral donors, Luxemburg, are co-financing the interventions in the country and overall, collaborating on the ground on shea butter.

Results Based Management and Knowledge Management (EQ 3)

This section provides the basis for answering the third evaluation question:

EQ3: How can the effectiveness of Finnish development cooperation related to economic development be further developed, including if and how the Results-based Management system can be further refined as far as Priority area 2 is concerned?

More specifically, this section provides evidence for ***Women's Economic Empowerment's*** part on the following sub-evaluation question:

Sub-EQ3.5. What lessons can be learned for Finland's Results-based Management and Knowledge Management, including reporting on results, from the performance under economic development, jobs and livelihood?

While the fact that Finland's portfolio on WEE includes both support to women's access to decent work (and entrepreneurship) addressed through focusing on improving access to decent work in the informal sector and on increasing employment opportunities in the formal sector may make sense, there is no strategy providing guidance on the selection of an appropriate strategy.

For the programming reviewed for this Thematic Annex, most through the multilateral agencies and the multi-bi programming with ILO seem to rather focus on the formal sector, i.e. providing women entrepreneurs and workers with opportunities related to, inter alia, accessing markets; improving business planning, strategizing and operations; employment; working conditions; and leadership. There are, though, also interventions through the multilateral agencies which support women in the informal sector accessing decent work and improved livelihoods, notably those related to agricultural production, value addition and sales.

As for the programming reviewed for this Thematic Annex by the NGOs, there is support both to women's access to decent work (and entrepreneurship) in the informal sector and on increasing women's employment opportunities in the formal sector. In particular, the programming by the Trade Union Solidarity Centre of Finland (SASK) to improve the status and working conditions of domestic workers addresses the attempt to make work decent in the informal sector.



Conclusions including Implications and Lessons Learned

Achievement of Finland's objectives on economic development, job creation and livelihoods (EQ 1)

Through supporting relevant and effective multilateral, multi-bi, and NGO programming on Women's Economic Empowerment, Finland is yielding results against the PA2 Outcome "everyone, including women, young people and the poorest, have better access to decent work, livelihoods and income".

In 2020, formulation of the Outcome has changed from that in the Conclusion 1 from 2016 to "Increased number of people, especially women, youth and those in vulnerable situations, have their right to decent work, livelihoods and income fulfilled". Of the interventions assessed for this Thematic Annex, the rights based approach is perhaps most closely adhered to by some of the interventions from the NGOs supported by KEO-30 (illustrated by for example the Finn Church Aid's programmatic theme 'the right to livelihood') and the multi-bi "The Way Forward after the Revolution: Decent Work for Women in Egypt and Tunisia-Phase II" -project funded by ALI-40 and implemented by ILO. Yet, HRBA is present in all the interventions addressed, and all of them also seem to deliver on better access to decent work, livelihoods and income.

Complementarity and added value of partnerships built (EQ2)

Some of the new partnerships, including with the private sector, which the MFA has started to build and support, are promising as the types of approaches globally acknowledged required to achieve the SDGs. Examples include the gradually emerging and increasing cases of NGO-private sector collaboration, with support by KEO-30 or Finnpartnership.

Shown in a recent study by KEO-30 and KEO-50, a number of NGO's and private sector companies which have received Finnpartnership-support, albeit happy that support for such collaboration exists, find the applying for and reporting on the support cumbersome, and the support-related limitations restrictive. The MFA could consider ensuring that there are target-oriented instruments which encourage multipartnerships.

Traditionally limited traction, some more space and opportunities seem to be opening in the programming by the multilateral organisations for co-financing or other forms of participation by the bilateral donor programming, and even donor business interest. If and when the MFA continues to support Economic Development, Jobs & Livelihoods through the multilateral channels, these opportunities should be actively created and seized.

Results Based Management and Knowledge Management (EQ 3)

There is no policy decision on whether women's access to decent work is addressed through the Economic Development, Jobs & Livelihoods-portfolio by focusing on improving access to decent work in the informal sector (including addressing unpaid care and domestic work) or on increasing employment opportunities in the formal sector (formalization of the economy).

While it does not have to be an either/or issue and both strategies may well be applied simultaneously, it would help to make informed decisions about future direction of resources was there a policy decision – a strategy – to guide the division of the support between the different domains.

There is also no full clarity on whether the MFA's strategy in Women's Economic Empowerment is to mainstream WEE in all applicable interventions (as it is often stated) or to support interventions which specifically address WEE (as the case de facto seems to be).

This, too, does not have to be an either/or issue and both strategies may well be applied at the same time, but again, a strategy stating what and how is sought to be achieved would be helpful for decision-makers.

**EVALUATION OF ECONOMIC DEVELOPMENT,
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VOLUME 1.2 • ANNEXES



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